

2019

Sustainability
Report

Competencies
for Partnership



ABOUT THE REPORT

REPORT SCOPE

GRI: 102-1, 102-5, 102-45, 102-46, 102-50

This Sustainable Development Report (hereinafter the Report) was prepared for the period from December 31, 2018, to December 31, 2019, using information available to Zarubezhneft Joint Stock Company (hereinafter Zarubezhneft JSC, Zarubezhneft Group of Companies, or Company) and its subsidiaries and affiliates at the time of its drafting. Operational data has been consolidated taking into account the recommendations of international Global Reporting Initiative (GRI) standards. Financial information is presented on the basis of audited accounting statements published on the Company's website.

REPORT SUBJECT

Partnership expertise – The Company's portfolio contains unique and rare technologies that make Zarubezhneft JSC a leading company in the development of hard-to-recover oil reserves. Other companies operating in this area have their own expertise. Studies that can be adapted to fulfill production, logistics, environmental, and other strategic tasks are carried out by teams working in related industries with the extensive use of machine intelligence technologies. We are confident that the mutually beneficial partnership of several teams is the key to successfully achieving goals. Combining the expertise of several companies within one project will allow participants to gain additional experience and significantly increase performance.

Along with technological and managerial evolution, an additional driver for the Company's development, requiring balanced management decisions, should be expansion into the markets of other countries and continents. Zarubezhneft's interest are the regions of the Middle East, North Africa, and the Commonwealth of Independent States (CIS) countries, where preparatory work for successful operations has already been conducted, including establishment of a production center and development of the service sector.

LIMITATION OF LIABILITY

Some of the statements contained in the Report are "forward-looking statements" and are subject to various risks. These risks include: the possibility of changes in the economic and financial conditions of the Company's activities and prospects for its development; the possibility of changes in the political and economic environment in Russia and countries of operations; the possibility of changes in the existing or future regulation of Russian mining, transportation, and processing industries; the possibility of changes in Russian legislation; and the impact of other factors.

Most of these factors are beyond the Company's control or forecasting ability. Due to their specific nature, the forward-looking statements are associated with an inherent risk and uncertainty of both a general and specific nature, and there is a danger that assumptions, forecasts, projects, and other forward-looking statements will not be implemented. In light of this, the Company warns that actual results may differ significantly from those expressed directly or indirectly in these forward-looking statements which are only valid at the time of writing the Report.

The company shall bear no responsibility for any loss which may be incurred by individuals or legal entities acting in reliance on forward-looking statements. In each case, such forward-looking statements represent only one of many scenarios and should not be considered as the most probable ones. Except as expressly provided by law, the Company does not undertake to publish any updates and changes to the forward-looking statements based on new information and subsequent events.

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Economic efficiency *at complex fields*

01

COMPANY PROFILE

GRI 102-2

GRI 102-2



**ZARUBEZHNEFT JSC
IS A DIVERSIFIED STATE-
OWNED OIL AND GAS HOLDING
ACTING FOR THE BENEFIT
OF THE STATE.**

THE COMPANY HAS RICH HISTORY AND UNIQUE EXPERIENCE OF EXTERNAL ECONOMIC ACTIVITIES. THE ASSETS AND PROJECTS OF ZARUBEZHNEFT GROUP OF COMPANIES ARE LOCATED IN THE RUSSIAN FEDERATION, THE SOCIALIST REPUBLIC OF VIETNAM, BOSNIA AND HERZEGOVINA, THE REPUBLIC OF CUBA, UZBEKISTAN AND EGYPT. ZARUBEZHNEFT GROUP OF COMPANIES COMPRISES OVER 30 SUBSIDIARIES AND JOINT VENTURES IN THREE SEGMENTS OF OIL AND GAS BUSINESS: "GEOLOGIC EXPLORATION AND PRODUCTION OF HYDROCARBONS" (UPSTREAM), "OIL REFINING AND MARKETING" (DOWNSTREAM), "SERVICE AND OTHER ASSETS" (SERVICES).

KEY EVENTS

PRODUCTION DEVELOPMENT

GRI 102-7

Zarubezhneft JSC and Uzbekneftegaz JSC have established ANDIJANPETRO LLC to work at the operating oil fields of South Alamyshyk, Khartoum, and East Khartoum in Uzbekistan.

Beluga field was started-up on the Vietnamese shelf, which was made possible by commissioning the CTC-1 wellhead platform. At the end of December 2018, JV Vietsovetro completed organizational and technical measures to reconstruct the RP-2 wellhead platform at Dragon field, which allowed for timely connection to the CTC-1 wellhead platform at Beluga field and putting it into operation.

At Kharyaga field, the first cubic meters of associated petroleum gas (APG) under the Kharyaga production sharing agreement (PSA) passed the metering station and were transferred for further processing to the Usinsk gas processing plant of LUKOIL-Komi LLC. Gas supply started ahead of schedule; according to the business plan, it was scheduled for 2022.

Drilling of the first horizontal well at the Boca de Jaruco field in Cuba commenced in the presence of the Russian Prime Minister. This is one of three horizontal wells where cyclic steam treatment and steam-gravity drainage technologies are tested, which have already been proven efficient by global practice in extra-viscous oils and bitumen deposits. It is currently planned to use advanced Russian technology of catalytic water thermolysis, which will increase the performance of Boca de Jaruco field.

JV Vietsovetro started-up the wellhead platform No. 20, which is located in the southwestern part of Block 09-1, White Tiger field. Drilling and development of exploration wells MTD-1X and MTD-2X resulted in the discovery of an oil deposit associated with rocks of the Lower Miocene. In total, there are 17 oil deposits at the site.

INTERNATIONAL COOPERATION

As part of the meeting with Kolinda Grabar-Kitarovic, President of Croatia, the Croatian company Crodux plin d.o.o., Zarubezhneft JSC, and Brod Oil Refinery A.D. signed a cooperation agreement within the framework of the oil refinery Brod gas supply project.

Zarubezhneft JSC, NovaTek PJSC, Total Gas & Power Business Services S.A.S., and Siemens Aktiengesellschaft signed a Memorandum of Understanding on cooperation in Vietnam to develop an integrated project on liquefied natural gas (LNG) power generation in Vietnam.

Strategic documents on Zarubezhneft JSC's further work in Vietnam were signed. Among them are an agreement to assign 30% participating interest of PVEP Corporation in PSA for oil and gas Block 09-2/09 on the Vietnamese shelf to Zarubezhneft JSC; an agreement of intent between Zarubezhneft JSC and PVEP Corporation on further cooperation for joint implementation of oil and gas projects in Russia, Vietnam, and other countries; and a cooperation agreement with T&T Group JSC for development of renewable energy sources.

Zarubezhneft JSC management took part in a number of meetings with Denis Sassou Nguesso, President of Congo. The parties discussed prospects for possible cooperation in the oil and gas industry.

On the sidelines of the First Russia-Africa Summit and Economic Forum in Sochi, Sergey Kudryashov, General Director of Zarubezhneft JSC, took part in the meetings of Vladimir Putin, President of the Russian Federation, with Abdel Fattah el-Sisi, President of the Arab Republic of Egypt, and Matamela Cyril Ramaphosa, President of the South African Republic.

Zarubezhneft JSC management participated in the Russian Prime Minister's visit to Cuba, during which the Russian Prime Minister visited the Boca de Jaruco fields.

A production sharing agreement for South East Ras El Ush and East Gebel El Zeit blocks was signed in Cairo between Zarubezhneft JSC, the Ministry of Oil and Mineral Resources of Egypt, the Egyptian state oil holding company Ganope, and Pacific Oil Limited.

REGIONS OF ACTIVITY

GRI 102-4, 06-9


EXPANSION INTO NEW MARKETS

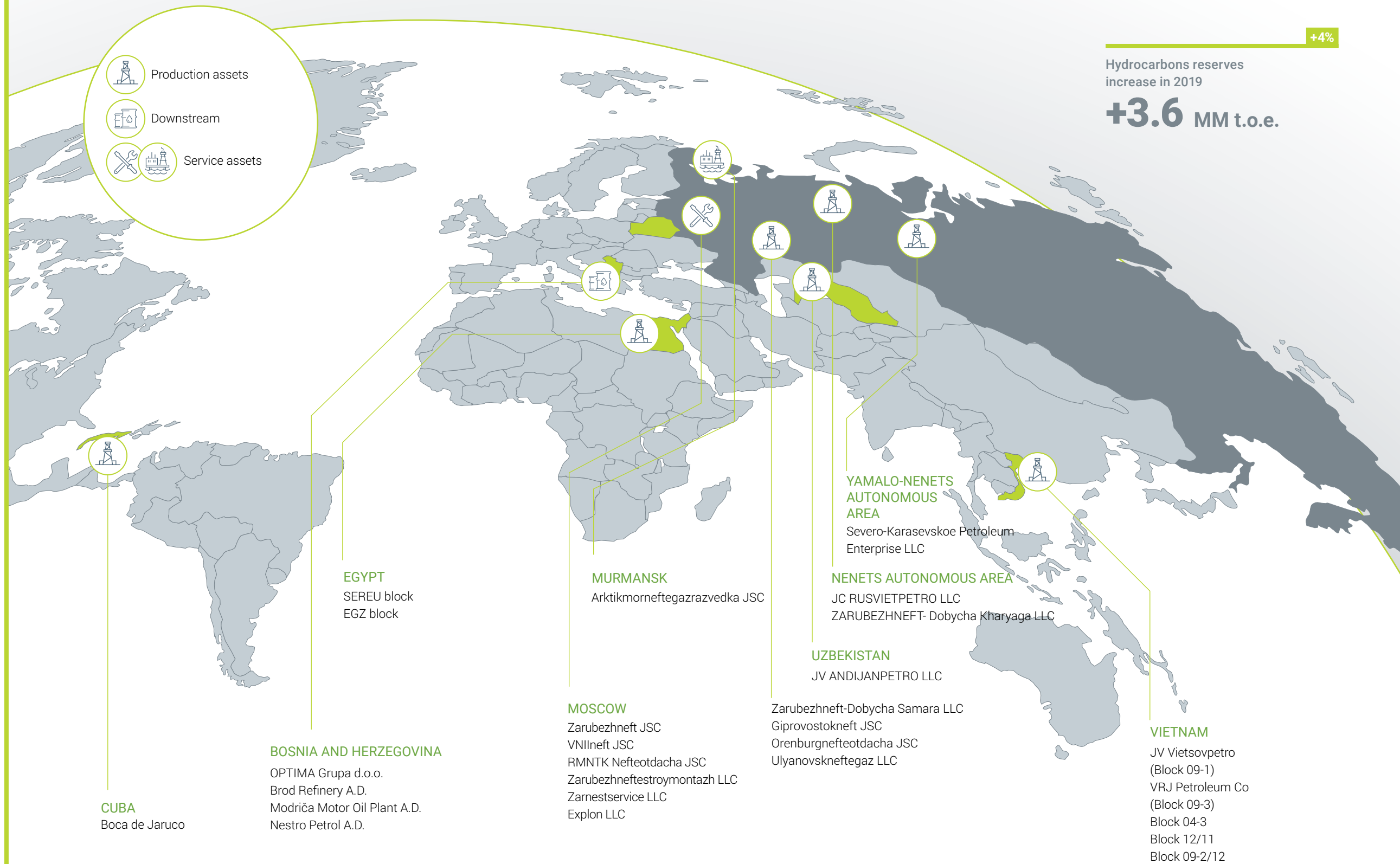
According to the adopted strategy for expanding the geography of activities, the Company entered the new markets of Uzbekistan and Egypt in 2019.

In March 2019, JV ANDIJANPETRO LLC was established in Uzbekistan together with the enterprise Uzbekneftegaz. The company produces oil at three existing fields: South Alamyshek, Khartoum, and East Khartoum. The goal of the joint venture is to increase the current level of oil production in the fields by more than three times.

On December 24, 2019, a production sharing agreement for South East Ras El Ush and East Gebel El Zeit blocks was signed in Cairo between Zarubezhneft JSC, the Ministry of Oil and Mineral Resources of Egypt, the Egyptian state oil holding company Ganope, and Pacific Oil Limited. The blocks are located in the Gulf of Suez 10 km from each other. The estimated in-place resources at both blocks are over 200 MM barrels. Zarubezhneft JSC plans to drill an exploration well and construct main and side holes, and to reprocess and interpret the previous 2D and 3D seismic survey data. In 2020, drilling of an exploration well is planned in East Gebel El Zeit block.

 Production assets

 Downstream

 Service assets


In 2019 the Company entered the new markets of Uzbekistan and Egypt

+4%

Hydrocarbons reserves increase in 2019

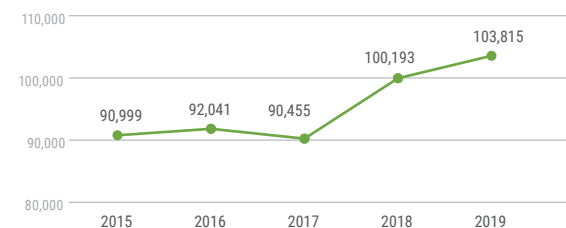
+3.6 MM t.o.e.

BUSINESS MODEL

GRI: 102-6, 201-1, OG 1

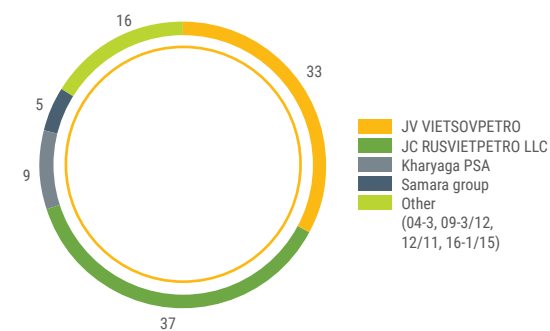
Dynamics of current recoverable reserves (A+B1+C1+2P) of Zarubezhneft Group taking into account participating interest, Ktoe

+4 %



In 2019, Zarubezhneft JSC's hydrocarbon (HC) reserves share increased by 3.6 MM RUB due to new projects in the Socialist Republic of Vietnam, Egypt, and Uzbekistan, as well as exploration activities and re-assessment of active assets reserves.

Reserves structure as of January 1, 2020, %

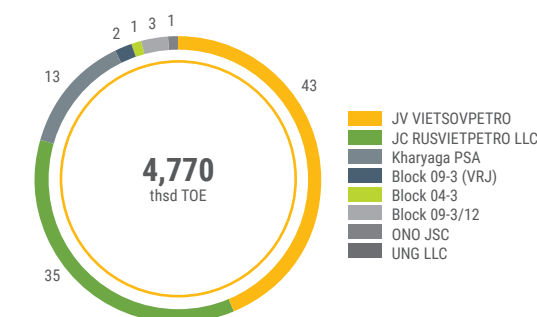


37% of A+B1+C1 reserves are JC RUSVIETPETRO LLC reserves. The primary share of HC reserves is concentrated at the Severo-Khosedayuskoye and Zapadno-Khosedayuskoye fields.

The share of JV Vietsovpetro reserves is 33%, primarily concentrated at the White Tiger and Dragon fields.

ZARUBEZHNEFT JSC IS A DIVERSIFIED PUBLIC OIL AND GAS HOLDING ACTING FOR THE BENEFIT OF THE STATE. 30 SUBSIDIARIES AND JOINT VENTURES IN THREE SEGMENTS: UPSTREAM, DOWNSTREAM, SERVICE AND OTHER ASSETS

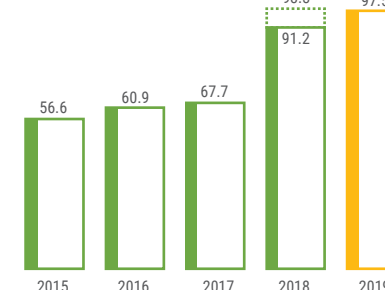
Production structure in 2019



Taking into account the share of Zarubezhneft JSC, HC production in 2019 was 4,770 Ktoe, which is 7.4% less than in the previous year. The planned indicator (4,515 Ktoe) was exceeded by 5.6%. Production decline was caused by JV Vietsovpetro's large fields, the White Tiger and the Dragon, entering the complex final stage of development.

Consolidated revenue of Zarubezhneft Group, billion RUB

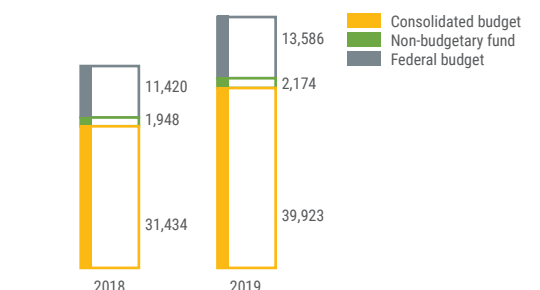
+7 %



In 2019, Zarubezhneft Group maintained the high level of consolidated revenue achieved in 2018.

Aggravating macroeconomic conditions and reduction of global oil prices resulted in decreased EBITDA and FCF indicators in 2019. Despite that, stabilizing measures supported a high level of operational performance.

Tax and other compulsory payments to the Russian Federation budget, MM RUB.



The total amount of tax and other compulsory payments to the Russian Federation in 2019 was 55.683 MM RUB, which was 24% higher than in 2018, with 72% of the payments going to the Russian Federation federal budget (FB), 24% to consolidated budgets (CB) of constituents, and 4% to extra-budgetary funds (EBF).

The substantial tax payment increase in 2019 was, first of all, related to the growth of expenditures on mineral extraction tax (MET) under the current tax policies. Furthermore, in 2019 a new damper mechanism was implemented, which increased the tax burden by more than 250 RUB per ton on average, in case of no Downstream segment in the Company.



IN 2019, THE COMPANY PAID DIVIDENDS TO THE STATE IN THE AMOUNT OF **5.9** BILLION RUB, 31% MORE THAN IN 2018, WHEN THE AMOUNT WAS 4.5 BILLION RUB.

¹ Effects on the indicators of changes in macroeconomic prerequisites and tax legislation

Top level

cooperation *agreements*

02

**DEVELOPMENT
STRATEGY**



**THE GENERAL DIRECTOR
OF ZARUBEZHNEFT JSC
SERGEY KUDRYASHOV**

**HAS PARTICIPATED
IN THE MEETINGS
BETWEEN THE PRESIDENT
OF THE RUSSIAN FEDERATION
VLADIMIR PUTTING
AND THE PRESIDENT
OF THE ARAB REPUBLIC
OF EGYPT ABDEL FATTAH
EL-SISI AND THE PRESIDENT
OF THE SOUTH AFRICAN
REPUBLIC MATAMELA CYRIL
RAMAPHOSA ON THE SIDELINES
OF THE FIRST RUSSIA-AFRICA
SUMMIT AND THE ECONOMIC
FORUM HELD IN SOCHI.**

ADDRESS OF THE GENERAL DIRECTOR

GRI: 102-14, 103-2

DEAR COLLEAGUES!

TODAY, IN A RAPIDLY CHANGING WORLD, NEW OPPORTUNITIES ARE EMERGING FOR ZARUBEZHNEFT JSC. WE ARE READY TO ACCEPT THE CHALLENGES WE FACE WITH DIGNITY TO MAXIMIZE THE POTENTIAL FOR BUSINESS GROWTH.

ZARUBEZHNEFT JSC'S STRATEGY IS VERY CONSISTENT WITH THE UN GLOBAL INITIATIVE TO ACHIEVE SUSTAINABLE DEVELOPMENT GOALS, AND THE COMPANY'S SOCIAL MISSION LARGELY CONTEMPLATES POSITIVE PARTNERSHIP WITH INSTITUTIONS AND DEPARTMENTS OF THOSE STATES WHERE WE ARE ALREADY WORKING OR PLANNING TO ENTER INTO PROJECTS.



SERGEY KUDRYASHOV

GENERAL DIRECTOR
OF ZARUBEZHNEFT JSC

In general, we can say that the year 2019 was successful - the main tasks have been completed. Until recently, Zarubezhneft JSC was represented, apart from Russia, in such countries as Vietnam, Bosnia and Herzegovina, and the Republic of Cuba. Last year, the Company entered the new markets of Uzbekistan and Egypt.

In March 2019, JV ANDIJANPETRO LLC was established in Uzbekistan together with the enterprise Uzbekneftegaz. The enterprise operates in the territory of the Republic and carries out production at three operating oil fields: South Alamyshyk, Khartoum, and East Khartoum.

Project development in Egypt has become one of the key areas of Zarubezhneft JSC's international activity. In 2019, a production sharing agreement for South East Ras El Ush and East Gebel El Zeit blocks was signed in Cairo between Zarubezhneft JSC, the Ministry of Oil and Mineral Resources of Egypt, the Egyptian state oil holding company Ganope, and Pacific Oil Limited. The blocks are located in the Gulf of Suez

10 km from each other. Estimated in-place resources at both blocks are over 200 MM barrels.

Zarubezhneft's technological advantage lies also in the fact that the Company often takes on projects which other market players have refused to participate in, considering them unprofitable. These projects achieve economic performance owing to the application of advanced solutions and innovative approaches. Therefore, in 2019, the Company kept focusing on small, hard to develop fields and fields with a high degree of depletion.

At the end of 2019, Zarubezhneft JSC's consolidated revenue amounted to 97.5 billion rubles. The Company has undertaken to pay dividends to the state in the amount of 50% of net profit in 2020.

Responding to environmental challenges, in the spring of 2019, the Company Board of Directors decided to proceed with developing a new direction - Renewable Energy Sources. As with the main business, a gradual expansion is planned in this area, starting with the most familiar regions.

Digitalization is a key innovation area of Zarubezhneft JSC. In terms of data transmission, digital technologies ensure transparency and reliability of the information provided. In 2019, the Company was the first in Russia to receive a comprehensive environmental permit (CEP)¹ as part of the federal project "Implementation of the Best Available Technologies" of the national project Ecology. The project includes online transmission of indicators showing the negative impact of production on the environment to the Federal Service for Supervision of Natural Resource Usage.

In terms of transparency in the area of environmental responsibility, Zarubezhneft JSC is the second best among Russian oil and gas companies. This rating was initiated by the Creon Fuel and Energy Consulting and Analytical Group and the World Wildlife Fund (WWF) in partnership with the National Rating Agency and the United Nations Environment Programme, and with the support of the Ministry of Natural Resources of Russia, the Ministry of Energy of Russia, and the Government of the Russian Federation.

ZARUBEZHNEFT JSC WAS RANKED SECOND IN THE RATING OF ENVIRONMENTAL RESPONSIBILITY OF OIL AND GAS COMPANIES IN RUSSIA.

In addition, Zarubezhneft JSC was the first Russian company to join the international Vision Zero, or Zero Injury Concept. It is an absolutely new approach to the organization of injury prevention, developed by the International Social Security Association (ISSA), combining the three areas of safety, occupational health, and the well-being of workers at all levels of production.

Integrating the Vision Zero Concept into the corporate culture and the core values of Zarubezhneft Group will make it possible to achieve a zero-injury level at production facilities in the near future.

ZARUBEZHNEFT JSC WAS THE FIRST RUSSIAN COMPANY TO OBTAIN A COMPREHENSIVE ENVIRONMENTAL PERMIT FROM THE FEDERAL SERVICE FOR SUPERVISION OF NATURAL RESOURCES USAGE (ROSPRIRODNADZOR).

It is also important to note that this Report was prepared during the pandemic associated with the spread of coronavirus (SARS-CoV-2). Faced with this difficult epidemiological situation in the country, Zarubezhneft JSC took all necessary measures to ensure uninterrupted production process and the safety of its employees.

In order to prevent the infection of workers, the duration of shifts was prolonged. Daily medical check-ups were introduced at the fields. We provided Company employees with protective masks and antiseptic liquids. In March,

the vast majority of office workers were promptly transferred to remote mode. Gradually, with the weakening of the self-isolation regime, they will return to their offices.

The pandemic, of course, has influenced our work, but it does not cancel our tasks and objectives. In 2020, Zarubezhneft JSC intends not only to maintain a leading position among Russian state-owned companies, but also to reach a fundamentally different level of development, including in the area of corporate responsibility, information, and business transparency.

¹ A single permit document approving all environmental standards.

STRATEGIC PRIORITIES

GRI 103-1

In 2019, the Company proceeded with implementing Stage 2 of the Zarubezhneft JSC Corporate Development Strategy until 2030 entitled **“Readiness for Growth and First Successes”**. The main tasks of the second stage are: further technological expertise development, entering new projects abroad, continuous management improvement, and completion of competent personnel training.

In the Upstream segment, Zarubezhneft JSC is focused on the fields where the Company can expand existing expertise, namely, fields with a disbalanced development system and fields with complex reservoirs. Taking into account the tasks of the second stage of the Strategy, four development programs were generated.

THE TECHNOLOGICAL LEADERSHIP PROGRAM

includes a set of projects and initiatives aimed at developing key technological expertise to improve the current assets performance and implement international expansion:

- Technology to improve geological exploration performance;
- Increasing oil recovery factor (ORF);
- Technologies for efficient development of small fields.

THE EXPANSION PROGRAM

includes a set of project objectives for searching, evaluating, and entering new projects, as well as creating efficient tools to search for and evaluate projects and mechanisms for efficient work in new countries and regions. Zarubezhneft JSC employs the following underlying principles intended to expand its global reach:

- application of proprietary technologies and expertise;
- establishing partnerships primarily with state-owned oil and gas companies.

THE CORPORATE EVOLUTION PROGRAM

is aimed at creating a flexible, adaptive business system for efficient work with base assets and quick integration of new assets providing maximum speed and flexibility in management, execution, and decision-making processes. Zarubezhneft JSC's Corporate Evolution Program is implemented according to the following key activity areas:

- creation of adaptive business processes;
- creation and development of digital organizational decisions;
- creation of efficient communication system and tools and uniform management standards.

THE TALENT MANAGEMENT PROGRAM

includes objectives for establishing a personnel reserve pool and rotation programs for key positions to staff new international projects. Key tools to implement the program:

- development of technological expertise;
- identification and development of leaders;
- training of teams for new international projects.

With a view to prepare personnel to enter new projects, a personnel training and development system was created, which includes:

- corporate petroleum engineering school, in which more than 700 man-courses of training have been conducted to train personnel in 17 production courses;
- corporate project management school, in which 18 specialists have undergone training;
- corporate leadership school, which has conducted more than 290 man-courses according to three basic programs: Contemporary Management Practices, Management Potential Development, and Efficient Leader;
- rotation system, with 62 internal rotations of key Zarubezhneft Group employees;
- the NestroLead program, in which 756 Group employees expressed their willingness to develop and participate in new projects.



PRODUCTION RESULTS

According to the results of the international audit conducted by Miller and Lents Ltd. consulting company, at the end of 2019, Zarubezhneft JSC 1P (proved) category reserves increased by 13.7 MM tons, to 74.8 MM tons, which provided 140% replenishment of oil production volumes. The growth of 2P (proved + probable) category reserves amounted to over 7 MM tons.

The Company achieved these indicators due to the high drilling efficiency of exploration wells (the success rate exceeded 80%) and implementation of a program of measures to stabilize basic oil production.

The stable state of the resource base indicates a balanced portfolio of Zarubezhneft JSC assets consisting of prospecting sites and fields, which allows for stable investment in exploration works (EW) and putting

new fields into development while maintaining financial stability.

The audit also confirmed the high projected economic profitability of field development and the availability of hydrocarbon reserves at accepted production levels until 2034.

In terms of the Consolidated Revenue indicator, the actual value amounted to 97,508 MM RUB, which corresponds to 120% achievement of the KPI. The indicator is formed on the basis of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). In terms of the EBITDA indicator, the actual value amounted to 26,433 MM RUB, which corresponds to 120% achievement of the KPI. Zarubezhneft Group's operating efficiency is traditionally ensured by positive results in the Upstream segment, which is mainly due to the performance of JC

RUSVIETPETRO LLC and JV Vietsovpetro activities during the financial year.

As per the Zarubezhneft JSC Dividend Policy approved by the Board of Directors (Minutes dated February 16, 2017, No. 134), the amount of dividends is at least 25% of the highest of two values: net profit as per the RAS adjusted to reflect income/expenditures from revaluation of the subsidiaries' publicly traded securities and the associated income tax, and net profit as per the IFRS. In terms of the Dividends Amounts indicator, the actual indicator value was equal to 5,918 MM RUB in 2019. The indicator has been achieved. The dividends due to the Russian Federation on the shares owned by the Russian Federation were paid on August 9, 2019, in accordance with Order dated June 30, 2019, No. 409-r of the Federal Agency for State Property Management "On resolutions of the annual general meeting of shareholders of Zarubezhneft JSC."

Achievement of Key Performance Indicators (KPI) Target Values in 2019

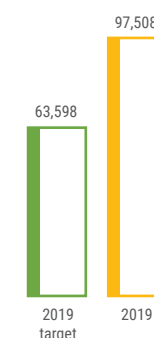
Achieving revenue target	UoM	Indicator weight, %	2019		
			target	actual	implementation, %
Consolidated revenue	mIn RUB	5	63,598	97,508	120.0
EBITDA	mIn RUB	5	21,748	26,433	120.0
Dividends amount	mIn RUB	20	4,603	5,918.5	100.0
Return on equity ROE	%	10	5.0 %	9.2 %	120.0
Workforce productivity	thsd RUB/ manhour	10	67.7	81.8	120.0
Reduced operating expenses (costs)	%	10	2.0 %	3.1 %	120.0
Gross production volume	thsd TOE	15	99,071	103,815	119.2
Integral KPI of innovative activity	%	10	100 %	100 %	100.0
Compliance with corporate KPIs					113.9
Non-exceedance of NetDebt/EBITDA indicator limit	-	Bonus reduction indicator	2.0	0.0	Bonus reduction indicators were achieved
Achieving revenue target	-	Bonus reduction indicator	70 %	153 %	Bonus reduction index equals 1

FINAL PERFORMANCE:

113.9 %

Consolidated revenue, MM RUB

120 %



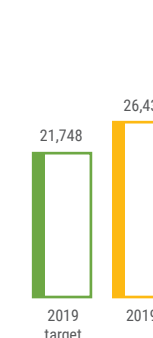
The actual value of the Share Capital Profitability indicator amounted to 9.2% with the target level of 5.0%. Zarubezhneft Group's net profit increased by 16% and amounted to 13.5 billion RUB in 2019.

The Workforce Productivity indicator is estimated as Zarubezhneft JSC's revenue as per the RAS, calculated in the conditions comparable to 2018 and correlated with the number of man-hours worked by the Company's employees. In 2019, the indicator value was 81,800. RUB/man-hour with the established target value of 67,700 RUB/man-hour.

Operating costs reduction was approved with the target value of -2% (Directives No. 2303p-P13 dated April 16, 2015). As per the Cost Performance Improvement and Optimization Report for 2019, the actual value of the Operating Expenses Reduction indicator as of the year-end made up 3.1%, which exceeded the value established

EBITDA, MM RUB

120 %



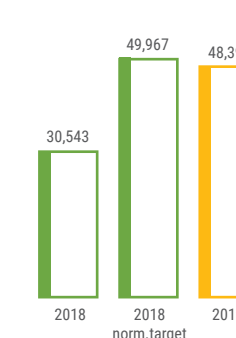
by the Directive of the Government of the Russian Federation. Normalization in the amount of 16.4 billion rubles was mainly driven by the emergence of the new activity type of trading oil and oil products with Zarnestservice LLC in 2019.

Zarubezhneft Group's gross hydrocarbon production as actually accrued in 2019 amounted to 4,770 Ktoe with a target value of 4,515 Ktoe. The actual value growth was ensured by JV Vietsovpetro's increased production.

As a result of efficient geological exploration, the actual amount of reserves by the end of the reporting period amounted to 103,815 Ktoe with a target value of 99,071 Ktoe. In 2019, the hydrocarbon reserves increased mainly due to geological exploration and reassessment of the existing assets in the Socialist Republic of Vietnam and the Kharyaga field, as well as due to entering new projects in Vietnam, Egypt, and Uzbekistan.

Dynamics of reduced operating expenses for 2019, MM RUB

-3 %



For the actual calculation of integral innovation KPIs, a 100% limit was established for each indicator component; the overall indicator achievement was recorded at 100%.

Bonus reduction includes two indicators: Non-Exceedance of NetDebt/EBITDA Limit and Revenue Target Achievement. Both indicators have been achieved and the bonus reduction factor is equal to 1. The NetDebt/EBITDA indicator in the financial year is equal to 0, which is due to decreased debt burden and the efficient management of Zarubezhneft Group's liquidity.

The overall final degree of KPIs achieved for 2019 is estimated at 113.9%. Each achieved indicator exceeded the established target levels; most of the indicators reached ambitious values (six of nine main indicators). Excluding normalization of the planned indicators, the overall achievement of all KPIs is also estimated at 113.9%.

Constructive
COOPERATION
with local authorities

03

**SOCIAL
 RESPONSIBILITY
 POLICY
 IMPLEMENTATION**



**THE COMMITTEES
 CONSIDERING THE ADDRESSES
 OF SOCIAL NATURE BEING
 RECEIVED NOT ONLY
 BY THE CORPORATE CENTER
 BUT BY THE SUBSIDIARIES
 AS WELL, ARE OPERATING
 IN ZARUBEZHNEFT JSC
 ON CONTINUOUS BASIS.**

GRI 102-29

Within the framework of its activities, Zarubezhneft Group significantly impacts social and economic development of the regions where it is present. The Company adheres to a policy of extensive social responsibility towards local communities and society as a whole. Zarubezhneft JSC contributes to the sustainable development of the regions where it is present as an employer, a taxpayer, and an essential economic activities participant.

Zarubezhneft Group has been cooperating constructively with local authorities and public organizations. The subsidiaries annually conclude agreements with regional administrations, governing joint activities on regional development.

The Group provides support to socially vulnerable groups; implements social and charitable projects in health care, education, improving housing conditions, culture and sports; and development of social infrastructure.

For the purpose of forming unified approaches to implement charitable and sponsorship activities, Zarubezhneft JSC has adopted relevant regulations, and has regular meetings of the Commission for Consideration of Social Appeals, received both by the Corporate Center and the subsidiaries. These tools

aim to create the most efficient, simple, and transparent mechanism for the Zarubezhneft Group to provide assistance.

Charitable and sponsorship activities:

- Supporting culture, sports, and a healthy lifestyle;
- Preserving cultural and historical heritage, supporting military and patriotic activities and events;
- Assisting creative teams and artists;
- Supporting poor and low-income social strata, orphans, war veterans, and the disabled;
- Developing scientific and educational programs and professional development programs;
- Organizing events timed to coincide with significant events of the fuel and energy sector.

In total, in 2019, Zarubezhneft Group allocated 149 MM RUB to charity and sponsorship (including social and economic agreements executed with administrations of the regions where the Group subsidiaries and joint ventures operate), with 136 MM RUB thereof for charity and 13 MM RUB for sponsorship programs.

In 2019, the volunteer movement continued to develop as part of the Councils of Young Experts work agenda. Traditionally, the Company's employees help children from orphanages, residents of senior homes, disabled people, and veterans of the Great Patriotic War. Subsidiary

employees, in addition to participation in joint activities with the Corporate Center, conduct activities to help socially vulnerable groups, as well as arranging donor and charitable sports events.

Care for the environment and rational use of resources also remains an important area of corporate volunteering. In 2019, Zarubezhneft Group employees held a series of activities and volunteer clean-up days. Thus, the employees of Zarubezhneft JSC, Zarubezhneft-Dobycha Kharyaga LLC, and Zarubezhneftestroyontazh LLC took part in the Ecological Volunteer Action in the Lomonosov Moscow State University Botanical Garden, supported by Eco-Center Zapovedniki. The Kharyaga field employees organized a volunteer clean-up day on the banks of the Lek-Kharyaga River, which flows along the road to the EP-2 well cluster pad. The event was arranged as part of the All-Russian Environmental Event "Let Our Rivers and Lakes Have Clean Banks and Shores" (Rus.: "Nashim Rekam i Ozeram – Chistye Berega"). On an annual basis, RMNTK Neftetodacha JSC employees continue to participate in the ecological event "River Ribbon" (Rus.: "Rechnaya Lenta").

Volunteer and charitable activities help the employees to develop a sense of personal responsibility and willingness to participate in public events. This is a distinctive part of the corporate culture that is supported and encouraged by the Company.

UN SUSTAINABLE DEVELOPMENT GOALS

The Company's activities are associated with natural objects of the sea shelf and tundra in the Far North. The Zarubezhneft team unites more than 12,000 people from different countries. These and other factors determine

the high degree of the Company's responsibility for decisions made and their consequences. The technological and managerial solutions we use allow us to minimize the negative impact on the environment, stimulate economic development

of the countries of operations, and form a corporate culture that supports development of employees' creative potential. Most of our initiatives are aligned with the United Nations Global Sustainable Development Goals.

Priority strategic directions

Priorities	Production Tasks	UN Sustainability Goals
Development of technological expertise and increasing performance of existing assets	Geological exploration – expanding the resource base	 Promoting stable inclusive and sustainable economic growth, full and productive employment and respectable work for everybody
	Increasing oil recovery factor	 Conservation and rational use of oceans, seas and marine resources for sustainable industrialization and innovation
	Search and application of new infrastructure solutions to reduce capital and operating costs and field commissioning duration	 Building robust infrastructure, promoting inclusive and sustainable industrialization and innovation
Entering new projects abroad	Evaluation of new projects in different regions at different stages: express assessment, detailed assessments and preparation of transactions	 Taking urgent action to combat climate change and its effects  Partnership for Sustainability
	Organizational development for effective projects team management	 Ensuring a healthy lifestyle and promoting well-being for all at all ages  Quality Education  Gender Equality
Improvement program implementation in Downstream segment	Operational improvement program of Brod Oil Refinery JSC, operational improvement program of Oil refinery Modrica JSC, operational improvement of wholesale and retail sales were implemented	 Providing access to affordable, reliable, sustainable and modern energy for everybody
Development of the Service Asset' segment – synergy with Downstream segment	On the basis of corporate industry institutes, VNIIneft JSC and Goprovostokneft JSC, RMNTK Neftetodacha JSC, Zarubezhneftestroyontazh LLC, to provide qualified scientific and design support for Russian and foreign production assets of the Company	 Ensuring rational patterns of consumption and production.
		 Protection and restoration of terrestrial ecosystems and promotion of their rational forest management, combating desertification, stopping and reversing land degradation process and stopping biological diversity loss process



INTERACTION WITH THE STAKEHOLDERS

GRI: 102-12, 102-40, 102-42, 102-43

Zarubezhneft JSC strives for interaction with all stakeholders to maintain and establish constructive relations during project implementation.

The cooperation agreement on the economic and social development of the Nenets Autonomous Area concluded between Zarubezhneft JSC subsidiary JC RUSVIETPETRO LLC and the Administration of the Nenets Autonomous Area has been valid since 2009. This agreement states specific areas and the volume of the Company's investment in the region's social infrastructure.

Since 2017, the Guidelines on Conduct in the Territories of Traditional Use of Natural Resources by Indigenous Minorities of the North have been in force in Zarubezhneft-Dobycha Kharyaga LLC.

In order to increase the Company's transparency for stakeholders, on August 6, 2019, tabletop exercises (TE) were held at the Kharyaga field to check the readiness of the Zarubezhneft-Dobycha Kharyaga LLC non-professional emergency response team (NPERT) and to train the field services groups in the localization and liquidation

of a conditional oil spill resulting from depressurization of the export pipeline at segment Well Cluster 108 – Head Oil Gathering Plant. More than 50 persons and 10 special-purpose vehicles participated in the TE.

The Company clearly demonstrated its commitment to minimize the risk of oil spills and protect the environment. Among those invited were representatives of the Reindeer Herders Union of the Nenets Autonomous Area and the regional social movement Yasavey Association of the Nenets People.

TECHNOLOGICAL LEADERSHIP

GRI 103-2

The creation and development of new advanced technological competencies is of great importance for the Company when Zarubezhneft JSC enters new projects. In addition, unique expertise contributes to successful expansion into regions where it is necessary to level out possible advantages of major players and local market representatives.

The Company's technological advantage allows Zarubezhneft JSC to enter projects that other market players have refused to participate in, considering them unprofitable. But these projects achieve economic

performance due to the application of advanced solutions and innovative approaches.

Zarubezhneft JSC focuses not only on innovations in the oil segment. In spring 2019, the Zarubezhneft JSC Board of Directors considered developing renewable energy sources (RES) projects. As in the case with the main business, a gradual expansion is planned in this area.

Digitalization is a key innovation area for Zarubezhneft JSC. In the near future, the Company's Digital Transformation Strategy will allow

for integrated planning and prompt adoption of optimal managerial, technological, and operational decisions.

In 2019, the Company was the first to receive a CEP. The CEP project is implemented by Rosprirodnadzor as part of the federal project "Implementation of the Best Available Technologies" of the national project "Ecology." It includes online transmission of indicators showing the negative impact of production on the environment to Rosprirodnadzor.

INNOVATIVE ACTIVITIES

GRI 102-15

Zarubezhneft JSC's updated Innovative Development Program (IDP) for 2016–2020 (with a view up to 2030) was developed per the instruction of the Russian Federation Government and approved by the Board of Directors on September 14, 2016 (Minutes No. 127).

In 2019, Zarubezhneft JSC worked on updating the IDP for 2020-2024 (with a view up to 2030) in response to the instruction of the Government Commission for Economy Modernization and Innovative Development of Russia. The Concept of Zarubezhneft JSC's

Innovative Development Program for 2020-2024 (hereinafter, the Concept) was developed and approved by Zarubezhneft JSC Board of Directors (Minutes No. 65 dated March 27, 2019). The updated draft IDP, prepared based on the Concept, was approved by the Strategic Planning Committee of Zarubezhneft JSC Board of Directors (Minutes No. 63 dated October 30, 2019) and was duly directed for consideration to the federal authorities. Approval of Zarubezhneft JSC's updated IDP for 2020-2024 (with a view up to 2030) by the Zarubezhneft JSC Board of Directors is planned for 2020.

The primary contractors engaged to participate in innovative projects in 2019 were design and research and development (R&D) organizations:

- within Zarubezhneft Group (VNIlneft JSC, Giprovostokneft JSC);
- leading Russian Federation universities: Kazan Federal University (Volga Region), Skolkovo Institute of Science and Technology (Skoltech), etc.;
- small and medium business enterprises and other scientific and production organizations.

INNOVATIVE PROJECTS OF 2019 AND PERFORMANCE ACHIEVED WITHIN THEIR SCOPE

GRI 203-1

DEVELOPMENT OF RUSSIAN-MADE POWER PLANT USING OIL OF ANY CLASS

An innovative project was initiated due to the significant costs of procuring diesel fuel for power generation at JC RUSVIETPETRO LLC fields and the challenges of delivering it. The project intends to use Russian equipment (engines by Kolomensky Zavod) for up to three (inclusively) oil classes (high viscosity and sour) and increase the time between overhaul of power machinery.

Existing power machines manufactured abroad and by Kolomensky Zavod require a high degree of oil treatment and are designed for operation with first class oil (light and sweet). Fuel equipment (injection nozzles, pipeline system) creates a bottleneck in the operation of power unit vehicles with oil.

Within the scope of the innovative project, in 2017–2019, R&D and design activities

were undertaken to improve power plant equipment operating with class 3 oil, develop design documentation, bring the power plant to a level of oil industry standards, and conduct pilot testing at JC RUSVIETPETRO LLC.

The diesel oil power plant was manufactured and delivered to the JC RUSVIETPETRO LLC field. The power plant passed pilot testing with diesel fuel and switched to oil for oil pilot testing; further testing of upgraded equipment and assemblies was conducted as a part of R&D.

In 2019, pilot testing of the power plant fueled by oil continued. According to the R&D, two applications were submitted to the Russian Agency for Patents and Trademarks for patenting unique technical solutions intended to upgrade power plant assemblies to stable operation with oil up to class 3, inclusively. A patent on the invention has been obtained.

TECHNOLOGY OF OIL RECOVERY ENHANCEMENT OF HIGH-VISCOSITY OIL FIELDS BY CATALYTIC AQUATHERMOLYSIS

Since 2017, the Company and Kazan Federal University have carried out R&D on technology of oil recovery enhancement of high-viscosity oil fields by the method of catalytic aquathermolysis. The technology intensifies intra-formation treatment of heavy oil during steam treatment, which increases oil quality and reduces its viscosity. Improvement of oil properties in formation conditions will increase the energy and economic performance of Boca de Jaruco field development (and potentially other similar fields in the zone of heavy oils in Cuba and other countries).

In 2017-2018, a number of experiments were carried out at Kazan Federal University to select the most efficient

catalyst using a reactor. The selected nickel catalyst ensures the maximum conversion of oil and significant reduction of viscosity, with an additional advantage of low price as compared with the cobalt catalyst.

In 2018, the second research stage was completed to address the remaining research issues: evaluation of catalytic activity; coking of the catalyst during aquathermolysis processes; catalyst adsorption on the rock (displacement in the combustion pipe); and study of solubility, thermal stability, and filtration performance of the developed catalyst solution. A test batch of the catalyst was manufactured for pilot testing.

In 2019, the catalyst was delivered to Cuba by sea. Preparations for pilot testing of the technology were completed and basic cyclic steam treatment was provided for the candidate well (without catalyst). In November-December 2019, Zarubezhneft JSC specialists successfully injected the catalyst into the formation with further cyclic steam treatment. At present, pilot testing is ongoing, oil is being produced.

In August 2019, a joint application (with Kazan Federal University) was submitted to the Russian Agency for Patents

and Trademarks for patent registration for the method of developing bituminous carbonate reservoirs using cyclic steam soaking and aquathermolysis catalyst. A patent on the invention has been obtained.

PILOT TESTING OF SURFACTANTS IN A SINGLE WELL BY SWCTT METHOD IN JC RUSVIETPETRO LLC

In 2019 at the Zapadno-Khodesayuskoye field, JC RUSVIETPETRO LLC successfully completed pilot testing for BASF surfactants in a single well to improve oil recovery of hydrophobic carbonate reservoirs. It should be noted that Zarubezhneft JSC's pilot testing by the Single Well Chemical Tracer Test (SWCTT) method for carbonate reservoirs was the first pilot testing of this type ever conducted in Russia. The primary idea behind SWCTT is using chemical tracers to determine the residual oil saturation when oil is displaced by water and surfactants. SWCTT is intended to relatively quickly find the rise of displacement efficiency for surfactant and water.

The test results proved efficient performance of the selected composition. In accordance with the analytical

interpretation, the displacement efficiency growth was 0.07 (when exposed to surfactant) as compared to that of water.

PILOT TESTING IN USING DIVERTER TECHNOLOGIES IN ZARUBEZHNEFT-DOBYCHA KHARYAGA LLC

Zarubezhneft-Dobycha Kharyaga LLC successfully continues pilot testing of diverter technologies (injection of cross-linked polymeric compositions based on polyacrylamide), a project that has been under way since 2017. The project's primary objective is to test the technology of re-distributing filtration flows of injected water using polymeric compositions injected into active wells.

The project covers D3-III formation wells of Kharyaga field Devonian sediments. Thirteen wells were treated in 2017-2019, with 18,215 m3 of cross-linked compositions injected.

Additional oil production is evaluated upon pilot test results using displacement characteristics methods that are common in Russia. The cumulative additional oil production for the given period is estimated to exceed 140,000 tons, with more than 75,000 tons of oil produced in 2019.

SYSTEM OF TESTING AND IMPLEMENTING NEW TECHNOLOGIES

In 2019, Zarubezhneft Group continued to actively develop the system of testing and implementing new technologies that exist on the market but were not previously employed by the Group. Pilot testing of new equipment and technologies was carried out in JC RUSVIETPETRO LLC, Zarubezhneft-Dobycha Samara LLC, Zarubezhneft-Dobycha Kharyaga LLC, and in Zarubezhneft JSC Branch in Cuba. A positive economic effect was achieved, according to test results.

In 2019, JC RUSVIETPETRO LLC carried out 16 tests in the following primary areas: improvement of secondary drilling technology by a slot perforator, testing of a highly efficient well clean-up system, and modern drilling equipment and devices.

Zarubezhneft-Dobycha Samara LLC also evaluated the performance of an adaptive input gravity module to operate equipment in horizontal wells and tested a pump-jack linear drive.

In 2019, Zarubezhneft-Dobycha Kharyaga LLC completed pilot testing of technology for preventing bottom-hole zone clogging during well servicing and evaluated the performance of ball valves in Christmas tree and dynamic power compensators at a 35/6/0.4 kV Substation. Eight tests in total were carried out in 2019 at the Subsidiary.

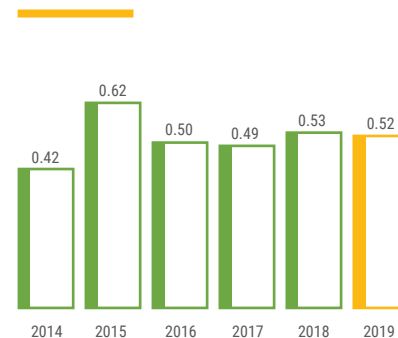
In 2019, the Zarubezhneft JSC Branch in Cuba continued testing the heat-resistant fiber-optic borehole system for monitoring of distributed temperature and pressure, and also tested heat-resistant progressive cavity pumps and cyclic steam treatment using such pumps.

In 2019, the Zarubezhneft Group obtained one patent for invention, two patents for useful models, and nine software certificates; 15 applications were submitted for intellectual property registration to the Russian Agency for Patents and Trademarks. 36 scientific articles and papers were published.

Zarubezhneft JSC continues development and expanding interaction formats with the innovative environment. In June 2019, a Cooperation Agreement was concluded between Zarubezhneft JSC and Lomonosov Moscow State University. The agreement proves the mutual interest of Zarubezhneft JSC and the university in active training and re-training of personnel in the field of scientific and innovative activity.

As a part of its Innovative Development, Zarubezhneft JSC actively develops mutually beneficial cooperation with universities to plan joint implementation of innovative projects and carry out joint work in the area of predicting scientific development, and personnel training and re-training.

Dynamics of R&D costs to revenue in 2014–2019, %



DIGITAL TRANSFORMATION

GRI 103-1

Currently, the oil and gas industry follows other capital intensive sectors to implement new opportunities for complex use of digital technologies. Zarubezhneft JSC acknowledges the competition challenges on the Russian and global markets in a long-term perspective (for decades ahead) and demonstrates its readiness for the necessary transformations. The Company excels competitors

and is at the same level with the industry leaders For a number of priority processes having the highest effect on Zarubezhneft JSC business, such as reserves management, field development, oil and gas production, search and evaluation of new projects. The total level of maturity of key processes in Zarubezhneft JSC is sufficient for modifying business processes using digital technologies.

The Digital Transformation Strategy takes into account and comprehensively supplements the goals and objectives of the adopted strategic planning documents of Zarubezhneft JSC, including the corporate development strategy, Long-Term Development Program, and is closely linked to the innovative development program and the IT strategy of the Company.

Zarubezhneft JSC has defined three key stages of digital strategic development.



In 2019, the Company successfully completed Stage 1 of the Digital Transformation Strategy. During implementation of Stage 1 of the Strategy, the Company overcame fragmentation of source information flows in all segments, which increased convenience and ease of the data use, ensured the fastest possible reception, processing and analysis of data, and outlined efficient data management mechanisms. Key outcomes of the first Stage of the Digital Transformation Strategy are as follows:

- 93% of wells of Russian assets of the Company are equipped with telemetry ensuring real-time data transmission;
- Five own software systems are developed in the area of the Company's technological focus;
- data exchange is implemented – 35 information systems of the Company are integrated with each other.

Priority focuses of Zarubezhneft JSC strategic development determined the composition of digital projects portfolio included in the Digital Transformation Program. In general, these are the key projects with the greatest impact on Zarubezhneft JSC business due to the introduction of digital solutions, as well as projects in the priority areas of technological and innovative development of the Company.

The Digital Transformation Program includes four comprehensive projects:

- digital field (improvement of production performance),
- digital evaluation of new projects (accelerated and improved performance of entering new assets),
- digital office (performance improvement of organization management business processes),

- digital expertise of personnel (working with talents and use of advanced technologies to develop employees).

The highest priority areas for development and implementing end-to-end digital technologies at the second stage of the Strategy are machine learning technologies, big data processing, digital twins and artificial intelligence. In 2019, more than 10 projects were implemented, with at least 25 more projects of various scale planned for 2020 – from implementing digital solutions available on the market to creating own developments meeting the key trends of the Company development.

RISK MANAGEMENT SYSTEM

GRI: 102-15, 102-20

Zarubezhneft JSC Group intends to maximize its shareholder value and works to improve performance of its activities by ensuring its sustainable development and enhancing its competitiveness while meeting the state interests. Zarubezhneft JSC pursues long-term objectives, analyzes current issues, threats and opportunities across all areas of activities and considers potential risks when making decisions.

Zarubezhneft JSC developed and continuously improves a unified approach to risk management. Together with the unified tools and methods of risks analysis, this forms a risk management system integrated with management processes.

The Company's risk management objectives:

- to enhance performance of managerial solutions by analyzing the intrinsic risks;
- to ensure the maximum performance of risk management measures during implementation of adopted solutions.

The Company's risk management tasks:

- to build a risk management culture in the Group to achieve common understanding of the basic principles and approaches to risk management by management and employees;
- to apply a systemic approach to identification, analysis, and evaluation of the risks specific for the Group's activities;
- to provide cross-functional review of information on risks in the Group's structural units and enterprises and joint development of risk management measures;
- to provide information to support the decision-making process at all levels of the Group's management.

Zarubezhneft JSC's integrated risk management system provides a structured approach to evaluating opportunities and assessing risks, which allows for making well-considered managerial decisions. The system includes a set of processes, policies, and procedures that are integrated into Zarubezhneft Group business processes, including business planning

strategic processes carried out by the Board of Directors, management, and employees at all management levels, and aimed at achieving Zarubezhneft JSC's goals. An owner is assigned responsibility for management of each risk. Risk coordinators are identified in each Segment and in all key business processes; they distribute and support application of the corporate risk management principles. Terms and objectives for risk analysis take into account the features and requirements of each business process, at the level where risk management is carried out.

The Perspective and Organizational Development Department maintain responsibility for methodological support, development, and maintenance of the risk management system.

This approach allows areas of responsibility for risk management to be formed and for monitoring of the risks at all levels of the Company's management, as well as ensuring development of targeted response plans to significant risks in Zarubezhneft Group.

SIGNIFICANT SUSTAINABLE DEVELOPMENT RISKS AND RESPONSE MEASURES

GRI: 205-1, 102-11

Risk	Response measures
Production safety risks <ul style="list-style-type: none"> • Accidents with employees and third parties. • Human-caused accidents and disasters. • Non-compliance with legal requirements in the area of industrial and environmental safety. 	<p>The Group of Companies is constantly working to improve the prevention of accidents and incidents in the process of drilling and development and operation of onshore and offshore fields.</p> <p>At Zarubezhneft JSC production facilities:</p> <ul style="list-style-type: none"> • A three-stage health, safety, and environment (HSE) control system was implemented; • The HSE management system is operating and constantly developing. As a part of its implementation, the Company follows the HSE and social responsibility policy, assesses HSE risks, and develops and implements measures to manage them. <p>To increase competitiveness (an absolute priority when entering international projects), the Company joined the international Vision Zero concept developed by the ISSA.</p>
Climate Change Risks <ul style="list-style-type: none"> • Enforcement of climate change regulation and its physical consequences may have a negative impact on activities in the form of rising costs and reduced efficiency. 	<p>In order to reduce the risks accompanied by global climate change, the Company carries out the following activities:</p> <ul style="list-style-type: none"> • accounting and planning of measures to control greenhouse gas emissions; • energy efficiency programs; • projects in the field of renewable energy; • biodiversity conservation programs in the areas of operation. • accounts for environmental risks when making investment decisions regarding new projects; • accounts for climatic changes risk when designing and construction facilities in the most vulnerable areas of the Far North; <p>The Company also considers environmental risks when making investment decisions on new projects and climate change risks when designing and constructing facilities in the most vulnerable areas of the Far North.</p> <p>The Company has been participating in Russian oil and gas companies' environmental responsibility transparency rating since the rating was established in 2014. In 2019, Zarubezhneft JSC ranked second, confirming its position of the previous year.</p>
Political Risks <ul style="list-style-type: none"> • Risk of damage to political and economic interests of the Russian Federation due to selecting a wrong strategy for the Company's current and future activities in the country. • Risks of partial and complete loss of control over the Company's assets abroad. 	<p>Zarubezhneft JSC is a state-owned company and represents the interests of the Russian Federation abroad.</p> <p>Given the variability of political, economic, and legislative conditions in the countries of the Company's current and future activities, indicators of changes in political, economic, and legislative conditions are monitored in the countries of the Company's current and future activities for regular monitoring of political risk.</p> <p>In addition, Zarubezhneft JSC regularly holds consultations with representatives of Russia's federal executive authorities, foreign embassies, and companies on the situation in the countries of operation and the prospects of participation in certain projects abroad.</p>
Corporate Fraud and Corruption Risks <ul style="list-style-type: none"> • Risk of the Company or its employees being involved in corrupt activities as well as failure to comply with the legislation of the Russian Federation and countries of operations, which entails imposition of legal sanctions and/or other corrective actions by supervisory authorities. 	<p>The Company has an internal system (compliance) to control combating corruption and fraud:</p> <ul style="list-style-type: none"> • regular monitoring of corruption and fraud risk indicators for the Company's most sensitive business processes; • on a systematic basis, internal regulatory documents in the field of preventing and combating corruption are updated; • measures are taken to inform and train employees in order to increase the level of anti-corruption culture.



CORPORATE MANAGEMENT SYSTEM

GRI: 102-18, 102-22, 102-23

MEASURES TO IMPROVE THE CORPORATE MANAGEMENT SYSTEM

Zarubezhneft implements a set of measures to improve corporate management, aiming to comply with the best applicable international and Russian practices. The Company takes measures to maintain a high level of corporate management, which is assessed annually in accordance with the Company-approved methodology for self-assessment of corporate management quality.

As part of the Corporate Management Code best practices, the following

special committees attached to the Board of Directors were created and are successfully operating: Strategic Planning Committee, Audit Committee, Compensation, and Nominating Committee. Issues for Board of Directors consideration are preliminarily considered at the relevant committee meetings, including at in-person meetings.

In 2019, a number of the Company's internal regulatory documents were analyzed and updated, which ensured that preparing and conducting management bodies' meetings take into account the best corporate management practices.

ROLE OF THE BOARD OF DIRECTORS IN IMPLEMENTING THE DEVELOPMENT STRATEGY IN THE FINANCIAL YEAR

GRI 103-1

In 2019, the Board of Directors also considered issues aimed at fulfilling the Company's strategic business objectives, as follows:

- On approval of the Report on Achievement of Zarubezhneft JSC Corporate KPI Target Values for 2018;
- Preliminary approval of the Annual Report of Zarubezhneft JSC for 2018;

- On approval of the Report on Implementation of Zarubezhneft JSC Innovation Development Program for 2018;
- Progress report on Implementation of Zarubezhneft JSC Corporate Development Strategy for 2019;
- On approval of Zarubezhneft JSC KPI Target Values for 2020;
- On approval of Zarubezhneft JSC Business Plan for 2020.

As part of updating the Company's Long-Term Development Program (LTDP), the following annexes to the LTDP were updated by resolution of the Board of Directors, subject to the recommendations

resulting from the LTDP audit and to the directives received from the Government of the Russian Federation, as below:

- Annex No. 3 Zarubezhneft Group Innovation-Related Activity;
- Annex No. 4 Action Plan for Zarubezhneft JSC Long-Term Development Program Risk Management up to 2030;
- Annex No. 5 Demand of Labor Resources under Zarubezhneft JSC Long-Term Development Program;
- Annex No. 6 Labor Performance Enhancement Program;
- Annex No. 7 Measures to Increase Performance and Transparency of Zarubezhneft JSC Activities;

- Annex No. 8 Measures on Planned and Phased Replacement of the Foreign Production, Works, and Services Purchased with Equivalent Domestic Products, Work, and Services;
- Annex No. 9 Operating Expenses Reduction Program;
- Annex No. 10 Program Measures to Ensure Achievement of the LTDP KPIs and Compensation to Zarubezhneft JSC Management.

For the purpose of implementing Zarubezhneft JSC's digital transformation, LTDP Annex No. 13, Zarubezhneft JSC Strategy in Digital Transformation, was developed and approved by the Board of Directors.

In order to implement the sectoral section of the action plan for acceleration of the growth rates of investments in fixed capital and increase their share in the gross domestic product up to 25 percent, the Zarubezhneft JSC Board of Directors approved LTDP Annex No. 14, Long-Term Development Program Measures to Accelerate the Growth Rates of the Investments in Fixed Capital of the Upstream Segment.

SUSTAINABLE DEVELOPMENT ISSUES CONSIDERED BY THE BOARD OF DIRECTORS AND ATTACHED COMMITTEES

GRI 103-2

In 2019, the Board of Directors and attached committees considered the following Sustainable Development issues:

- On the vision embodied in Zarubezhneft JSC Innovation Development Program;
- On approval of the Report on Implementation of Zarubezhneft JSC Innovation Development Program;
- On renewable energy sources development;
- On finalizing corporate import phase-out plans for protection against radiation, chemical, and biological factors;

- On consideration of the inspection results as to performance of the procedures for organizing risk management and internal control systems aimed at preventing and combating corruption;
- On approval of the Regulation on Charitable and Sponsorship Activities.

ANTI-CORRUPTION ACTIVITIES

GRI 205-2

Zarubezhneft does not accept corruption and strictly follows the requirements of Russian law and the laws of other countries where the Company conducts or plans to conduct its activities.

In 2019, among the first three largest Russian companies, Zarubezhneft JSC underwent public confirmation of compliance with the Anti-corruption Charter of Russian Business, confirming the Company's compliance with Russian and international standards of business ethics.

In the reporting period, the Company's anti-corruption activities were focused on developing a compliance system.

Based on experience, a unified corporate fraud and corruption risk assessment system was developed for the corporate center and subsidiaries, which ensures assessment of the risk level and efficiency of control procedures in business processes. The results obtained allowed us to develop and implement additional measures aimed at eliminating (minimizing) corruption risk.

An important element of the anti-corruption system is forming an anti-corruption attitude in employees, characterized by intolerance of any form of corruption.

As part of explanatory work, the annual anti-corruption training of all Company employees was continued, and senior Zarubezhneft JSC management received additional training at one of Russia's leading universities.

In the following period, work will continue to improve the Company's compliance system. In particular, it is planned to introduce automation and digitalization elements, as well as other anti-corruption practices aimed at timely identification and elimination of the causes and conditions of corruption risks.

SUPPLY CHAIN

GRI 102-9, 102-10

Zarubezhneft JSC's procurement activities are carried out in accordance with the requirements of Federal Law No. 223-FZ On Procurement of Goods, Works, Services by Specific Types of Entities and with the Procurement Regulation. In 2019, the Zarubezhneft JSC Tender Commission arranged and reviewed 307 procurement procedures for goods, works, and services for the needs of Zarubezhneft JSC and its subsidiaries for a total amount over 13 billion RUB.

To improve openness and transparency in procurement, a system of electronic tender platforms was used and procurement information was also published in the Unified Information System and in corporate information sources, which increased the number of procurement participants, and expanded the Company's opportunities in selecting quotations with the most optimal conditions.

The Company works with potential suppliers/contractors to optimize expenses and reduce costs. Analysis

of bidders' technical and commercial proposals and identification of possibilities to reduce the price of goods and services allowed bidders to improve their commercial proposals in terms of providing the maximum possible discount. In this manner, substantial financial savings were achieved in 2019, more than 1.2 billion RUB.

The following results were achieved in 2019W in terms of expanding access for small- and medium-sized enterprises (SMEs) to procurement in Zarubezhneft JSC:

- public accounting of procurements was provided by the consultative body in the area of ensuring procurement performance by Zarubezhneft JSC;
- the share of Zarubezhneft procurements from SMEs amounted to 65.79% with a defined target of 18% for that period (Decree of the Russian Government No. 1352 dated December 11, 2014, On Specific Features of SME Participation

in Procurement of Goods, Works, Services by Specific Types of Entities);

- the share of Zarubezhneft JSC procurements made with SME participation made up 17.15% for the reporting period, with a target of 15%;
- 23 companies joined the Zarubezhneft JSC Partnership Program for partnership with SMEs.

In its operation, Zarubezhneft JSC employs the agenda adopted by the Russian Federation Government in terms of import phase-out, one of the strategic areas in public companies' operation for the nearest future. Connected with this, the Company constantly tries to phase out imported production and replace it with Russian ones in a scheduled and stage-wise manner. As a result, the share of procured products, works, and services of foreign origin is consistently reduced, and is below 0.97% in the Group's companies operating in the Russian Federation.

PERSONNEL DEVELOPMENT

GRI 103-1

In 2019, Zarubezhneft Group's Human Resources Policies for 2019–2023 were updated. The Human Resources Policies are based on the Zarubezhneft JSC Corporate Development Strategy, which determines Zarubezhneft Group's primary objectives and areas of development and are aimed at supporting their implementation.

The primary objective of the Human Resources Policies is to achieve maximum return on investment in personnel through shaping a system to:

- motivate each employee to achieve the objectives set as per the Corporate Development Strategy;

- enable an unbiased evaluation of the extent to which the results have been achieved;
- provide fair reward and encouragement for employees' achievements.

The Human Resources Policies Fundamentals:

- meeting the needs of Zarubezhneft Group business lines for high-qualified professionals (both internal and external candidates);
- continuous development and training of the most active and promising employees (Talented Personnel

Pool, Nestro Lead, Professional Skill Contests);

- continuous improvement of the compensation system and benefit plan;
- application of an objective and transparent performance evaluation system;
- creation of favorable Corporate Culture;
- unconditional compliance with the labor legislation of the Russian Federation and the countries of presence.

CORPORATE CULTURE

GRI: 102-16, 102-17, 103-1, 103-2

The potential for enhancing Company performance largely depends not only on positive dynamics of production indicators, but also on well-coordinated teamwork, functional interaction, and positive communications between employees, both within and outside the structural units, as well as in well-coordinated partnership with the external environment.

The Company pays considerable attention to its corporate ethics. Connected with this, 12 corporate interaction principles were developed and implemented in four areas, three principles in each, which reflect the desired behavioral indicators affecting the positive dynamics of both teamwork and efficient

communication, and enhancing the Company's performance as a whole.

The Integrated Program for Promotion of Corporate Cooperation Principles was approved in 2019 in order to develop and systematically implement the above efficient interaction principles.

In 2019, emphasis was put on attracting employees through round tables and business games, and about 400 of the Group's employees took part in them during the year. The primary objectives of these activities were to develop expertise in interaction with peer colleagues, external environment, and subordinate employees, as well as to sharpen feedback skills. To ensure

a smooth immersion into the Company's culture, an interactive adaptation course on the corporate interaction principles was developed for newly recruited employees.

At present, project execution is not stagnant; progress will manifest with the introduction of these principles into the Company's corporate life, so that they are not just observed and implemented in a directive manner, but become a good tradition and assist in achieving joint results, so that all employees become one team – a team characterized by strong cohesion and commitment to the Company's common goals and values.

Key Principles of Corporate Interaction

COMPANY – EMPLOYEE

Principle "initiative and active life position"

Constructive position in relation to changes, responsibility in making decisions, reporting on emerging issues.

Principle "aiming at permanent improvement and professional development" :

Focus on achieving efficient results, improving professional skills, application of new practices.

Principle "fair evaluation of activity and motivation of employees":

Evaluation of activities based on personnel results of employees, pursuance of the exchange of experience and employee training.

EMPLOYEE-EMPLOYEE

Principle "team work":

Teamwork, personal responsibility for the results, helping colleagues.

Principle "constructive discussion of issues" :

Searching for the root cause of the problem in the presence of different opinions, resolving the conflict on a horizontal level.

Principle "business communication" :

Compliance with the principles of honestly, decency, justice and mutual respect in communication and joint activities of employees.

COMPANY – EXTERNAL ENVIRONMENT

Principle "a level for the state":

Unconditional compliance with law, high-quality and timely execution of orders and decrees of authorities.

Principle "tolerance and mutual respect":

Respect for the culture and customs of local population, knowledge of applicable laws and compliance with it.

Principle "honestly and openness":

Upholding of interests of the Company, fulfillment of interests of the Company, fulfillment of obligations towards the partners.

MANAGER – EMPLOYEE

Principle "sole manager":

Initial appeal to the immediate supervisor in case of issues related to professional activities of the employee, activities of the Company as a whole.

Principle "panel discussion and unconventional execution of the decision"

Taking into account the view of the employee, grounded decision, execution of the decision after final approval.

Principle "open doors" :

Openness for communication with employees, obligatory feedback from the manager.

PERSONNEL NUMBER AND STRUCTURE

GRI: 102-8, 405-1

In 2019, the average number of Zarubezhneft Group employees was 12,588 people, 1% lower than in 2018. Due to measures taken to increase business efficiency, the number of employees decreased: by 1.2%

in the Socialist Republic of Vietnam, and by 9.4% in the Republic of Srpska (Bosnia and Herzegovina). At the same time, the number in Russia increased by 4.1% due to RMNTK Nefteotdacha JSC and Zarubezhneftstroyontazh

LLC business expansion. In addition, the Company entered into a new project in the Republic of Uzbekistan (JV ANDIJANPETRO LLC was established in August 2019).

Number of Company Staff by Operating Country, persons G4-10

Operating country	Actual			
	2016	2017	2018	2019
TOTAL GROUP	13,846	13,245	12,681	12,588
Russia	3,627	3,909	3,851	4,011
Socialist Republic of Vietnam	8,079	7,252	6,790	6,711
Republic of Srpska (Bosnia and Herzegovina)	2,127	2,073	2,029	1,839
Republic of Cuba	13	11	11	11
Republic of Uzbekistan	-	-	-	16

In general, the average number of the Group's employees is tending to decrease, which is due to measures to enhance business performance. Despite the decrease in JV Vietsovpetro's

personnel due to the establishment of JV ANDIJANPETRO LLC in Uzbekistan in August 2019, the number within the Upstream segment remained substantially unchanged. The employees

number growth in the Service and Other Assets segment is associated with RMNTK Nefteotdacha JSC and Zarubezhneftstroyontazh LLC business expansion.

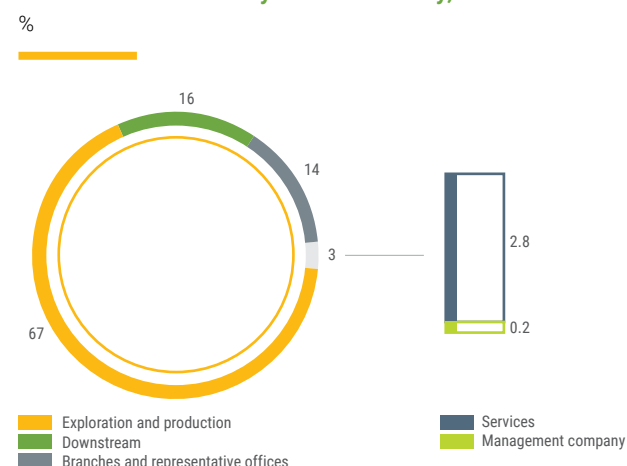
Number of Company Staff by Areas of Activity, persons

Area of activity	Actual			
	2016	2017	2018	2019
TOTAL GROUP	13,846	13,245	12,681	12,588
Management company	322	326	317	315
Zarubezhneft JSC branches and representative offices	26	25	24	24
Upstream	9,402	8,813	8,415	8,408
Downstream	2,127	2,073	2,029	1,839
Services	1,969	2,008	1,896	2,002

For Zarubezhneft Group, the Upstream segment traditionally remains a priority development area, as it makes up 67% of the total personnel. The number of employees in Downstream and Services and Other Assets segments was 30%.

Oil production activities are associated with heavy physical loads, work at remote fields, and rotation method of work, therefore, 82% of the Group's personnel are men.

Personnel Structure by Area of Activity, %



The personnel composition by position category is designed to ensure balance between managers, experts, and operating personnel.

More than half of Zarubezhneft Group employees, 56%, have higher education. The employees having secondary and vocational secondary education certificates also make up a significant portion of the total personnel number.

The personnel composition by age is traditionally shaped in such a way that two-thirds of the employees are in their 30-50s, an age group that shows the best balance of physical abilities and professional experience.

From 2016 to 2018, the average age of Zarubezhneft Group personnel remained as high as 42 years; however, in 2019, due to the ongoing measures to enhance business performance at the enterprises in Bosnia and Herzegovina and at JV Vietsovpetro, the average employee age increased to 43 years.

Complying with the International Labor Organization Convention No. 138 On the Minimum Age for Admission to Employment and Russian labor legislation, Zarubezhneft takes a tough stance against hiring workers under 18 years old for work at production facilities, regardless of the legislation of the country of project implementation.

As a rule, employment contracts for an indefinite period are concluded between the Company and employees. Fixed-term employment contracts are mainly concluded for the period of primary employees' parental leave. All Company employees work on a full-time basis, hiring workers for part-time or seasonal work is not practiced.

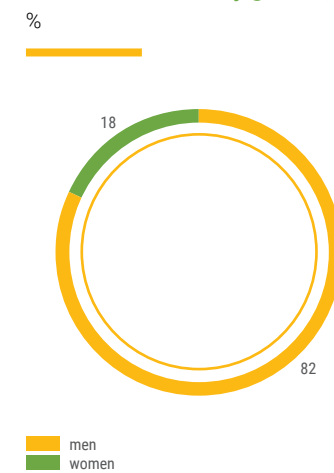
Personnel Structure by Position Category, %

Position category	as of Dec. 31, 2017	as of Dec. 31, 2018	as of Dec. 31, 2019
Management	16.0	16.0	15.6
Experts	41.1	40.9	42.7
Employees	0.2	0.3	0.3
Workers	42.7	42.8	41.4

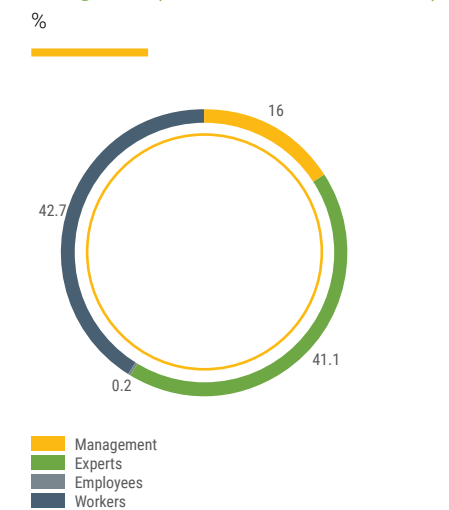
Personnel by Age, %

Age	as of Dec. 31, 2017	as of Dec. 31, 2018	as of Dec. 31, 2019
Under 30	13	11.6	10.5
From 30 to 50	60	61.5	61.7
Over 50	27	26.9	27.8

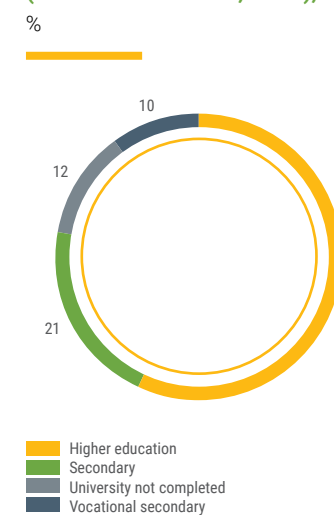
The structure of recruited personnel in 2019 with a breakdown by gender, %



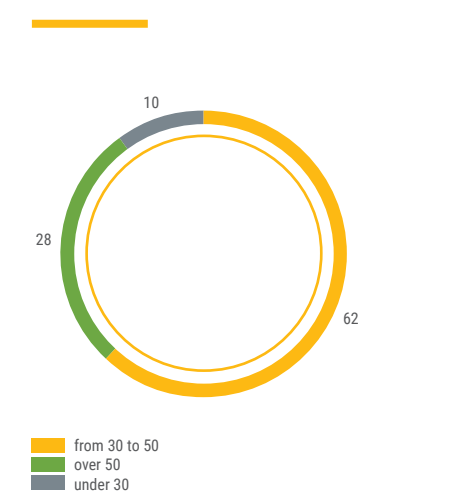
Personnel composition with a breakdown by position categories (as of December 31, 2019), %



Personnel composition by education level (as of December 31, 2019), %



Personnel breakdown by age (as of December 31, 2019), %



PERSONNEL TURNOVER

GRI 401-1

In 2019, the active personnel turnover level did not change compared to 2018 and amounted to 4.0%.

The average turnover rate is quite low, which indicates staff stability. This is the result of ongoing activities to develop corporate culture, increase staff loyalty, and ensure respectable income and benefits package.

In 2019, the level of full personnel turnover increased and amounted to 12.5% (8.2% in 2018), which is mainly associated with measures to enhance business performance at the enterprises.

Personnel Turnover Level by Operating Country,

Operating country	2017		2018		2019	
	Active turnover	Full turnover	Active turnover	Full turnover	Active turnover	Full turnover
TOTAL GROUP	5.5	16.6	4.0	8.2	4.0	12.5
Russia	14.3	20.5	9.3	15.9	8.9	22.9
Socialist Republic of Vietnam	1.7	18.5	1.8	4.1	1.3	3.5
Republic of Srpska (Bosnia and Herzegovina)	2.1	6.8	1.6	6.7	3.2	21.8
Republic of Cuba	0	27.3	0	54.5	0	36.4

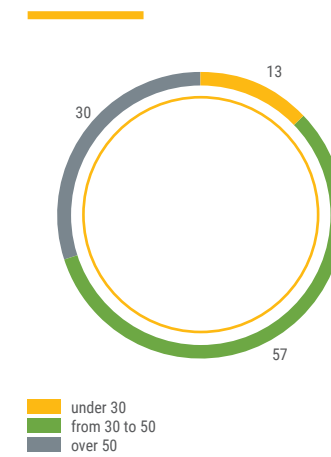
The high rate of full turnover in the Republic of Cuba is associated with the expiration of employment contracts, while there were no dismissals on grounds which may be referred to as active turnover.

In the Services segment in Russia, the high personnel turnover level is associated with the measures to increase labor productivity at Giprovostokneft JSC and the end of fixed-term employment contracts at Zarubezhneftestroyontazh LLC and Arktikorneftegazrazvedka JSC. In the Upstream segment, the high personnel turnover level is associated with measures to enhance business performance, while in branches and representative offices, it is associated with the small number of employees.

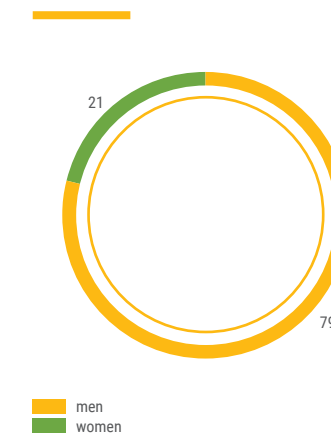
Personnel Turnover Level in 2019 by Area of Activity,

Area of activity	Personnel turnover	
	Active turnover	Full turnover
TOTAL GROUP	4.0	12.5
Management company	4.8	14.6
Zarubezhneft JSC branches and representative offices	4.2	29.2
Upstream	1.6	4.8
Downstream	3.2	21.8
Services	14.6	35.7

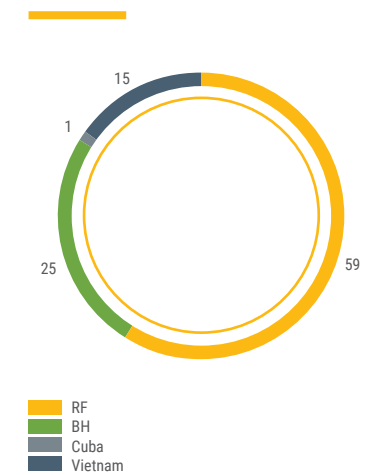
The structure of employees dismissed in 2019 (regardless of the reasons) with a breakdown by age, %



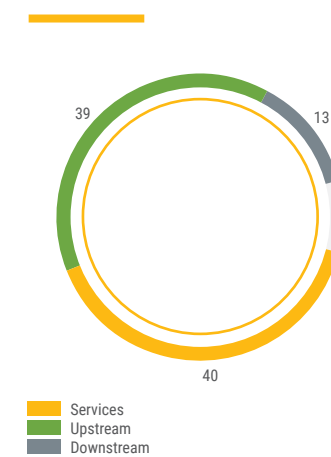
The structure of employees dismissed in 2019 (regardless of the reasons) with a breakdown by gender, %



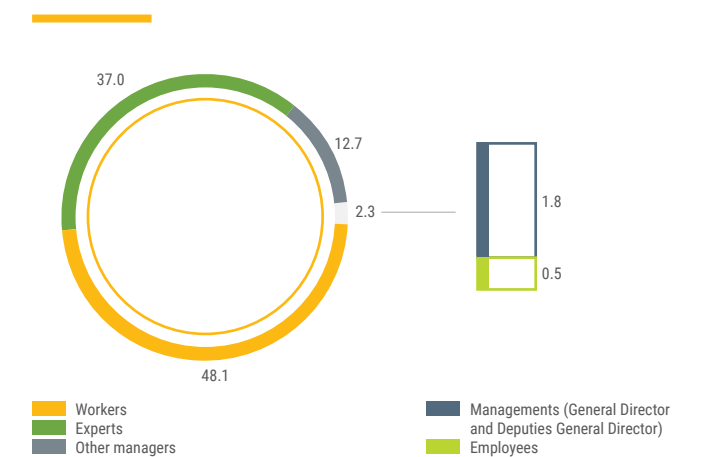
The structure of employees dismissed in 2019 (regardless of the reasons) with a breakdown by countries of operation, %



The structure of employees dismissed in 2019 (regardless of the reasons) with a breakdown by areas of activity, %



The structure of employees dismissed in 2019 (regardless of the reasons) with a breakdown by position categories, %



RECRUITMENT

GRI 408-1

The Group's recruitment priority is to meet the business needs for highly qualified professionals through maximizing the use of internal candidates and personnel rotation.

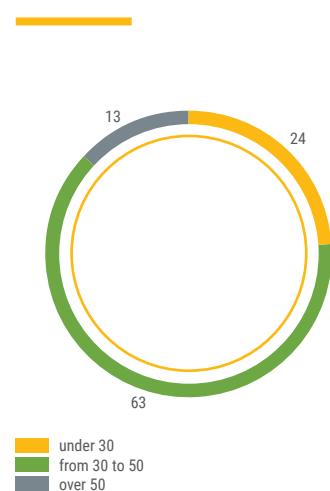
In 2019, the Group recruited personnel for its new subsidiary JV ANDIJANPETRO LLC, established in August 2019. Personnel were recruited for the new production facilities of Zarubezhneft-Dobycha

Kharyaga LLC, JC RUSVIETPETRO LLC, RMNTK Neftetodacha JSC, Zarubezhneftstroyontazh LLC, while the number of personnel in foreign assets continues to decline.

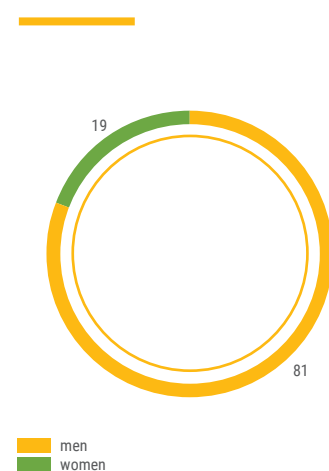
Zarubezhneft JSC widely applies an employee onboarding system: an onboarding workshop is held for new employees, supervision and on-the-job training are practiced, and an individual onboarding plan for each employee

is drawn up. An automated WebTutor system has been operating in Zarubezhneft JSC since 2018 for successful onboarding purposes: on the first day of employment, a new Company employee gets access to his/her personal profile, receives an invitation to take compulsory introductory courses, and can get familiar with materials about the Company, including New Employee Handbook, Corporate Code of Ethics, and other documents.

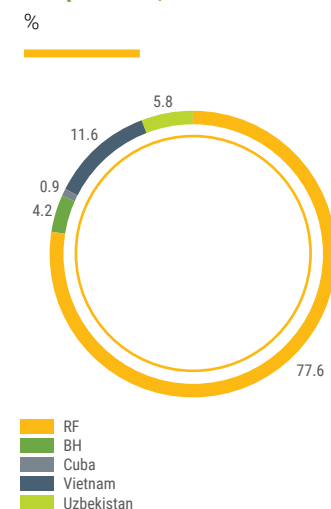
The structure of recruited personnel in 2019 with a breakdown by age, %



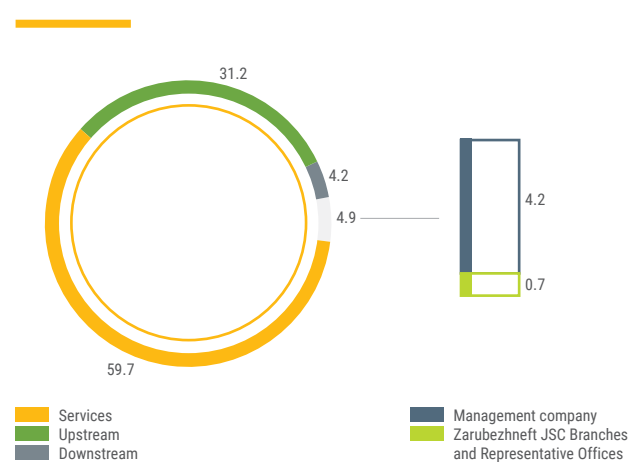
The structure of recruited personnel in 2019 with a breakdown by gender, %



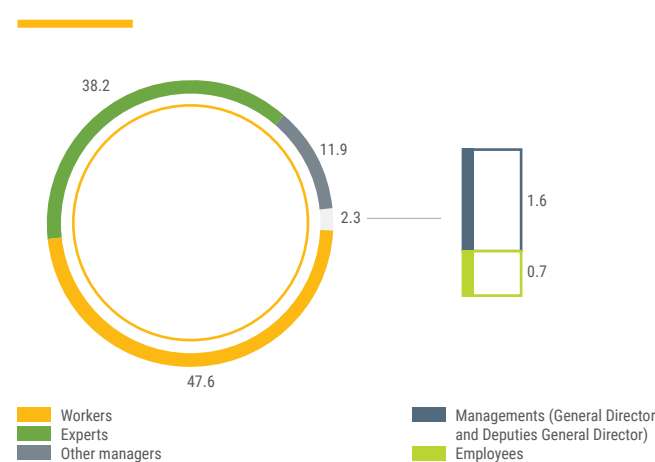
The structure of recruited personnel in 2019 with a breakdown by countries of operation, %



The structure of recruited personnel in 2019 with a breakdown by areas of activity, %



The structure of recruited personnel in 2019 with a breakdown by position category, %



ROTATION PROGRAM AND TALENTED PERSONNEL POOL

GRI 103-1

The Company created a Talented Personnel Pool and implements an in-house rotation program in order to retain and motivate key employees, develop the necessary expertise, and reduce the costs of personnel recruitment and onboarding.

The Talented Personnel Pool includes 134 of the Company's most promising employees. Each of them is assigned a mentor from among the top managers.

During 2019, 23 employees from the Talented Personnel Pool were appointed to managerial positions, and 59 in-house employee transfers took place across Zarubezhneft Group.

For continual development of the Talented Personnel Pool, a modular training for the talent pool members is being implemented, hosted by the Company's own School of Leadership and Managerial Potential Development. The School's main tasks are to:

- develop key promising employees;
- improve governance and management culture;
- enhance professional/business and personal qualities;
- increase leadership potential and teamwork performance.

In the financial year, the School of Leadership and Managerial Potential

Development had 129 talent pool members taking part in training events aimed at developing managerial skills and personal qualities, such as innovativeness in the Company management system, system thinking, cross-functional management, leader core values, and performance management. Programs for on-the-job development of managerial and corporate expertise were designed for additional development of the talent pool members and implementation of individual development plans; an electronic library was created for self-study and self-development purposes, providing users with the ability to browse books online and download them.

WORK WITH YOUNG EXPERTS, AND INTERACTION WITH EDUCATIONAL INSTITUTIONS

GRI: 103-1, 103-2

In order to implement the innovative development and youth policies program, Zarubezhneft JSC intensively cooperates with the Russian Federations' leading higher educational institutions to attract and select the most promising undergraduates, providing these students with work experience internship, and to organize employee retraining and professional development. Cooperation agreements have been concluded with each university partner, and R&D interaction has been organized to promptly address the training of Zarubezhneft Group employees and the selected recent graduates/ undergraduates. The cooperation areas cover educational, research and development, and social and cultural activities.

First priority is given to graduates of the following universities:

- Gubkin State Oil and Gas University, from Oil and Gas Engineering, Development and Operation of Oil and Gas Fields, Physical Processes of Oil and Gas Production, Geology, and Economics and Management in the Oil and Gas Sector;
- Lomonosov Moscow State University, from Geology, Jurisprudence; Mathematics; Physics; Economics; Translation of Vietnamese and English Languages;
- Moscow State Institute of International Relations, from International Economic Relations;
- Tomsk Polytechnic University, from Development and Operation of Oil and Gas Fields, training at Heriot-Watt;
- Ukhta State Technical University, from Development and Operation of Oil and Gas Fields;
- Samara State Technical University, from Development and Operation of Oil and Gas Fields, Machinery and Equipment in Oil and Gas Industries, Economics and Management in Fuel and Energy Complex;

- Lomonosov Moscow State University of Fine Chemical Technologies, from Chemistry;
- Moscow Institute of Physics and Technology, from Mathematics, Physics.

The Group regularly attracts students from leading universities for practical training and work experience internships. In 2019, work experience internships were granted by the Group to 205 students.

In 2018-2019, Zarubezhneft JSC funded the studies of 43 children of Russian nationals employed in JV Vietsovetpetro at Russian higher educational institutions.

COUNCIL OF YOUNG EXPERTS

The Company's priority is working with recent graduates employed by the Group to identify and provide professional development to promising young people.

In 2019, the Council of Young Experts, a peer public and professional association of the active youth employed by the Company, continued its systematic work. The Council was established in 2013 as one of the tools to implement the Company's youth policies.

The Council of Young Experts contributes to implementing the Company's Human Resources (HR) Policies and performs the following functions:

- provides onboarding and involves young employees in the Company's production and social activities;
- shapes pro-active attitude and loyalty to the Company and its development strategy;
- unifies the youth employed, forming efficient communication among the employees' "generations";
- involves the youth employed in innovation, R&D, and project activities;

- develops and maintains the Company's corporate culture through cultural and sporting events;
- assists in creating conditions for development of young employees' managerial and creative potential.

Besides Zarubezhneft JSC, the Councils of Young Experts operate in the following seven companies: JC RUSVIETPETRO LLC, Zarubezhneft-Dobycha Kharyaga LLC, VNIIneft JSC, Giprovostokneft JSC, RMNTK Nefteotdacha JSC, Modriča Motor Oil Plant A.D., OPTIMA Grupa d.o.o. There is a total of 95 members in the Councils of Young Experts.

The Council's work agenda comprises six activity areas: corporate communications and organizational improvements, R&D involving young professionals, intellectual events, development of corporate sports, volunteering, and work with young experts. The work plan is approved annually by the General Director.

In 2019, the Councils of Young Experts of the Corporate Center and subsidiaries held over 200 events.

CORPORATE COMMUNICATIONS AND ORGANIZATIONAL IMPROVEMENTS

Within the framework of Corporate Communications and Organizational Improvements, the Council members took part in brainstorming sessions, business cases, and meetings of the Youth Council of the Ministry of Energy of the Russian Federation. Every year, a team of young experts visits the Russian Energy Week exhibition. In the second quarter of 2019, the Group's youth team was second best in the inaugural case championship in the city of Almet'yevsk. In 2019, the Council of Young Experts' work was first announced at the Board of Directors, where the course for the Group's youth intensive development was set.

R&D INVOLVEMENT

The first R&D event is the Competition of Young Experts' R&D Works, which acts as a tool to enhance performance in technical and process solutions by revealing young employees' potential via preparation of their own projects to address key production challenges. Furthermore, young professionals actively participate in external events organized by Company partners and peers in the fuel and energy sector. Among them, the following events are worth special mention: the International Youth Scientific Conference "Oil and Gas – 2019", the All-Russia Competition "New Idea" on the best R&D solution among young people employed at fuel and energy sector enterprises and organizations, and the international engineering championship "CASE-IN."

INTELLECTUAL EVENTS

In 2019, four corporate tournaments were held of the game "What? Where? When?" between the Corporate Center (departments subordinate to the Deputy General Directors) teams and subsidiaries. Moreover, Zarubezhneft won the Spring Intellectual Cup of the game "What? Where? When?" in the category "The Most Intelligent Fuel and Energy / Oil and Gas Company", which was an impressive event. The Zarubezhneft team also was in the top three best teams by the end of the year. The same year, the representative team

Zarubezhneft took part in the XIX Russian Championship on "What? Where? When?" for the first time.

In order to maintain team spirit and quick intellect, regular and permanent trainings for the representative team have been organized, which are open for all comers, with a professional coach, a member of the "What? When? Where?" Elite Club.

Among other things, Zarubezhneft JSC teams annually participate and take prize-winning places in the intellectual game for youth involved in the oil and gas industry, Oil Owl, and intellectual tournaments of E&Y Club EnergiYa.

CORPORATE SPORTS DEVELOPMENT

Training of corporate football and volleyball teams, as well as corporate billiard and bowling tournaments, are held on an annual basis. In 2019, the corporate volleyball team ranked third in the Brands Cup tournament, two teams represented the Company in the Race of Heroes, and over 80 people passed the Russian physical training standard GTO (Russian abbreviation for "Ready for Labor and Defense"). For the first time in the Council's history, the Athletics Team took part in running competitions organized with support from the Ministry of Energy of the Russian Federation. The corporate football tournament is traditionally considered to be the largest event of the year, as it brings together

not only active young people, but also all top management of both the Corporate Center and subsidiaries. This annual event is always crowned with a gala match between the Ministry of Energy and the Zarubezhneft JSC management.

VOLUNTEERING

The volunteer movement under the guidance of the Council of Young Experts also continues to develop actively. In 2019, young employees of VNIIneft JSC, Zarubezhneft JSC, and JC RUSVIETPETRO LLC took part in congratulating veterans of the Great Patriotic War. A group of activists visited the Special Boarding School Gagarinskaya on Child Protection Day. In collaboration with the Company's management, a branded container for collecting the Company's employees' unwanted items was installed at the Zarubezhneft JSC office. As the container is filled, the items are sent for further sorting, cleaning, and distribution.

In the financial year, employees of Zarubezhneft JSC, Zarubezhneft-Dobycha Kharyaga LLC, and Zarubezhneftstroyromontazh LLC took part in the Ecological Volunteer Action at the Lomonosov Moscow State University Botanical Garden, supported by the Eco-Center Zapovedniki. A group of activists consisting of employees of Zarubezhneft JSC and Zarubezhneft-Dobycha Kharyaga LLC visited the Special Boarding School Gagarinskaya on New Year's Eve.

TRAINING AND ASSESSMENT

GRI 402-2

The Company employees a training and professional development system designed not only to increase the required

level of employees' professional and technical expertise, but also to meet obligatory state requirements for oil

and gas sector personnel's level of training in industrial safety, occupational health, anti-corruption, and fraud prevention.

Training process organization



The Company applies all modern types, forms, and methods of training, hosted by the best Russian and foreign organizations and corporate training

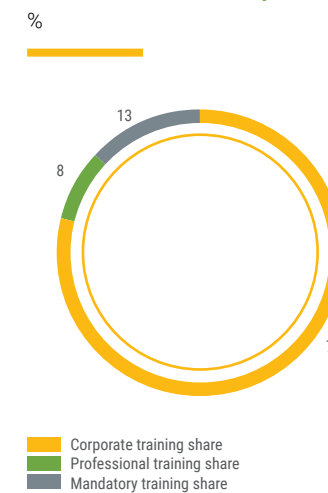
centers engaged in educational activities under a wide range of professional development and retraining programs. The types of training used include

long-term and short-term training, in-person and remote training, and specialized courses delivered through the automated WebTutor system.

Types of training

CORPORATE TRAINING (based on corporate programs)	INDIVIDUAL TRAINING (based on applications of structural units)	MANDATORY TRAINING (according to the requirements of the legislation of the Russian Federation)
<ul style="list-style-type: none"> • In accordance with Company strategy by order of senior management • As part of Project Management School (MBA "Project Management in Oil and Gas Business") • Management training at the School of Leadership and Management Potential • Technical training at the School of Petroleum Engineering 	<ul style="list-style-type: none"> • Based on individual programs in accordance with operational needs of structural units, aimed at improving professional knowledge and skills (seminars, training courses, advanced training) 	<ul style="list-style-type: none"> • Managers and specialists training on occupational health & safety standards • Training on Basics of Fire Safety for managers • Training on Electrical installation code Industrial Safety Training • Industrial safety training

Training Programs Proportion in Zarubezhneft Group, %



In the financial year, the key areas of personnel training and development under Zarubezhneft JSC's development strategy were:

- implementing individual training programs aimed at professional development in accordance with current and strategic tasks and changing legislative requirements;
- jointly implementing, with leading Russian and foreign universities, trainings for professionals in the areas most in demand in the Company;
- implementing a corporate training and development program

for the most promising employees, aimed at improving knowledge in the area of managerial potential development;

- implementing the Lean Six Sigma corporate training program for production system and lean production/manufacturing;
- implementing programs for teams to train under international projects;
- implementing a corporate English language training program;
- implementing corporate training and development programs for the Group's key technical specialists.

Corporate training

School of Petroleum engineering Training on technology programs created in accordance with Group development strategy with the aim of increasing the level of key professional and technical expertise of employees		School of leadership and management potential Training in special programs designed to develop the level of corporate and management expertise, improve governance and management culture, improve business and personal qualities of employees to achieve Group strategic goals		Technological areas of training <ul style="list-style-type: none"> • Geology • Development • Drilling • Production
		Focus:	Result:	
Operating personnel pool	Group of the Company's mid-level managers for preparation and subsequent appointment as top-level managers	Entering an absolutely new level of leadership innovation	Achieving breakthrough results in the area of responsibility	
Prospective personnel pool	Group of the Company's low-level managers for preparation and subsequent appointment as mid-level managers	Management competencies (advanced level). System knowledge	Increasing business understanding and willingness to implement complex cross-functional projects	
Additional personnel pool	Group of the Company's specialists (including young specialists) for preparation and subsequent appointment as low-level managers	Management expertise	Improving personal management effectiveness	

A single Corporate Programs Menu for top and middle managers, specialists, talented personnel pool, and young specialists has been formed and is used now for planning and implementation of corporate training. The Menu includes programs for strategic management, management-related, vocational, and remote training; and English language training.

The priority of the employee training system is to develop key professional and technical expertise in geology, development, drilling, oil and gas production, and project management.

Vocational training is hosted by the in-house School of Petroleum Engineering, which attracts both external lecturers and in-house ones belonging to Zarubezhneft Group.

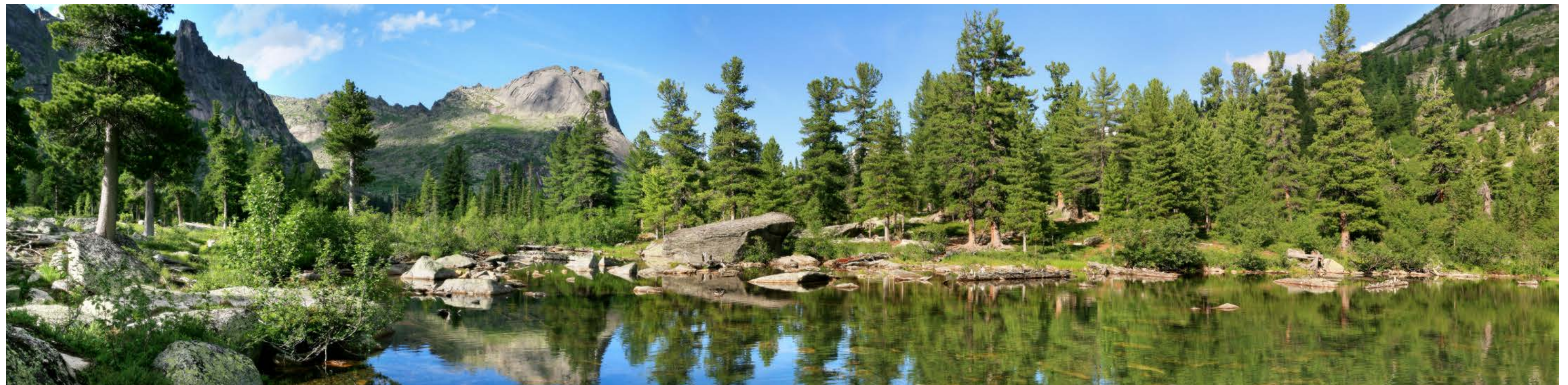
In 2019, 203 persons (employees of the Corporate Center, subsidiaries,

and JV Vietsovpetro) received training at the School of Petroleum Engineering. The corporate knowledge base is regularly filled with the materials of past courses.

Zarubezhneft JSC pays special attention to promotion of talented and purposeful specialists with solid professional and managerial expertise, to work on both new and existing Company projects. The winners of the Nestro Lead competition, the first open competition for Zarubezhneft Group employees, which started a comprehensive corporate program of personnel development, were trained under the integrated program Modern Leader in the International Environment, hosted by the International School of Business of the Gubkin State Oil and Gas University, and the Moscow School of Management Skolkovo. The winners' development program included internships in Norway and Japan, with 40 winners having participated in the program.

The purposes of the Nestro Lead training and development programs for the competition winners and finalists are to form an efficient and cohesive team to work on foreign assets, taking into account the Company's strategic interests, to assess and develop the personal potential of each team participant, and to improve communication skills in the international environment.

In order to promptly plan and schedule employee training, a procedure for posting training applications online has been introduced, which has reduced labor costs in forming and analyzing proposals for training activities submitted by employees. In 2020, there will be further development of the automated HR management WebTutor system, with introduction of a new training module, Talent Management and Career Development.



**EXPERTISE
AND DEVELOPMENT
IMPROVEMENT
TOOLS**

Process expertise/Hard skills

Experts' Institute	School of petroleum engineering	Nestro know From knowledge to results
<p>12 process experts (Upstream)</p> <p>59 methodology experts</p> <p>60 control and protection system experts</p>	<p>19 courses conducted</p> <p>203 persons/courses</p> <p>1 specialized course by IFP</p>	<p>6 disciplines: exploration, production, well operations, industrial safety, innovation, digitalization</p> <p>3,124 users 34 % target audience activity rate</p>

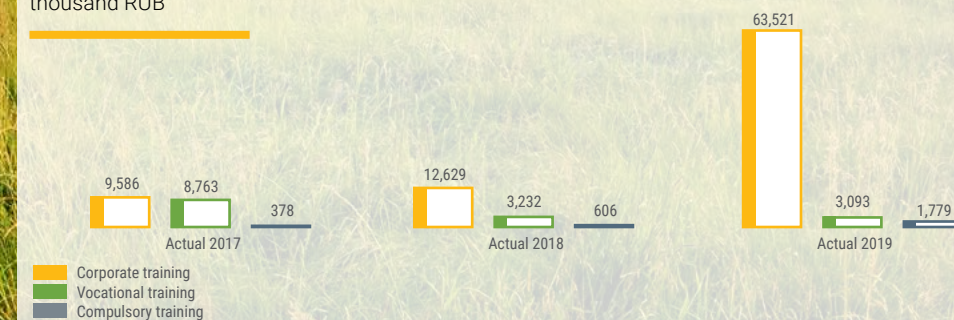
Leaders' identification and development (HIPO)/Soft Skills

Nestro Lead	Internal rotation	International project program	School of leadership
<p>40 winners Training in the premises of Gubkin RSU under the "Modern leader in global environment" course (five modules)</p> <p>Foreign training: Japan (April 2019) and Norway (May 2019).</p> <p>Additional "Leadership" module and team work in the premises of Skolkovo Moscow Management School</p> <p>35 % of the Nestro Lead finalists were either assigned to new positions or improved their professional status</p>	<p>57 employees of Zarubezhneft Group underwent rotation in 2019</p> <p>134 personnel reserve pool for managerial positions</p> <p>37 personnel reserve pool for international projects</p>	<p>26 persons were trained under the following programs: "Project management introduction and basics", "Negotiations in global context", Regions studies (Uzbekistan, Egypt, Oman)</p> <p>70 persons undergone English language training</p> <p>+16 % English knowledge improvement</p>	<p>21 modules conducted</p> <p>129 reserve members trained. Efficient team development. Challenging negotiations in the global context. Focus on innovation in the Company management system. Influence and cross- functional interaction. Issues solving and decision making</p>

Number of Trainees (in the Corporate Center),
person-course

Training Composition	Actual		
	2017	2018	2019
Corporate training	395	414	841
Vocational training	131	119	90
Compulsory training	66	157	135
TOTAL	592	690	1,066

Training Expenses (in the Corporate Center),
thousand RUB





PERSONNEL ASSESSMENT

GRI 103-2

In accordance with the Company's Personnel Policy, the assessment system is a flexible and transparent system to manage employee performance aimed at the timely qualitative achievement of strategic objectives.

The Company conducts annual personnel assessment on an ongoing basis, which allows for evaluating employees' performance indicators systematically and fairly, identifying most promising employees, encouraging Company employees for prominent labor results and high professionalism, and determining potential areas for both professional and personal development of employees.

Employees are evaluated against the following indicators:

- achievement of individual objectives/tasks by the employee over the previous year;
- level of development of professional expertise;
- level of development of corporate and managerial expertise;
- implementation of the development map/individual development plan for the previous year;
- level of the employee's potential for further career growth and development;
- total performance of the employee.

Based on the annual evaluation results, employees are provided with detailed and substantiated information on the performance and level of development of the employee's expertise, proposals are formed and a decision is made as to the expediency of raising the professional status, changing the grade/position, promotion of the employee to a higher position, and inclusion of the employee into the Talented Personnel Pool. Priorities for developing key expertise areas and individual objectives for the next year are also determined for each employee.

The Company implements external assessment activities, such as the Assessment Center, 180/360-degree review, various types of testing to identify the level of professional knowledge and skills, professional and personal qualities, and verbal and numerical abilities.

In the financial year, as part of the annual employee assessment, an additional 360-degree survey of top and middle management was conducted in order to identify compliance with corporate governance principles and to further shape an action plan to develop and promote these principles.

Assessment activities are carried out throughout Zarubezhneft Group in order to implement uniform HR Policies in personnel assessment.

The Company seeks to keep pace with the times and apply modern automated HR technologies. Through the software product WebTutor, all assessment, training, and development tools are automated and aligned in a single system governed by a single logic. Introduction of the WebTutor system has significantly reduced labor and time spent on preparing, conducting, and analyzing assessments, as well as increased the share of employees being simultaneously trained in the Company through remote training courses. This system is integrated in all but a few of the Company's subsidiaries and allows for online assessments, as well as organizing remote training.

MOTIVATION

GRI 202-1

FINANCIAL INCENTIVES

Among the HR Policy tools adopted in Zarubezhneft JSC, there is a differentiated approach applied for determining the remuneration amount based on the extent of employee involvement in achieving the Group's strategic goals, which allows for attracting, retaining, and motivating employees with the expertise and level of performance required for Zarubezhneft Group's business objectives to be achieved with minimum cost.

The Group implements flexible motivation programs covering both tangible and intangible incentives.

The amount of the fixed and variable part of an employee's compensation depends on the following factors:

- position level, as expressed by the corresponding pay grade;
- level of professional expertise and labor efficiency, as reflected through granting a certain professional status to an employee;
- work performance and achievement of the objectives set for the reporting period, as reflected in the amount of the remuneration variable for that period;

- level of remuneration for comparable positions in the labor market (competitor companies), and Zarubezhneft Group's target position in the labor market for this position level.

When determining the Group's target position in the labor market, the following approaches are applied:

- selection of a labor market appropriate for a certain group of personnel (Moscow, regional, and international labor markets);
- identification of key groups of employees and the positions for which the Group is ready to ensure the wages/salaries higher than the average ones on the relevant labor market;
- for other employees, the Group is ready to provide average salaries as on the relevant labor market.

Therefore, Zarubezhneft JSC consistently develops the following areas:

- improving the system of employees' labor payment and motivation;
- improving and developing an integrated headcount planning system.

Within the Group, the Integrated Labor Payment System (ILPS), introduced in 2013, remains in place and in force.

The ILPS determines a uniform procedure for setting employee salaries based on a single grading line, reflects the Company's business interests and priorities, and ensures that each an employee's annual remuneration is linked to their achievement of KPIs.

The IPLS provisions are formalized in the Model Regulation on Employees' Labor Payment and Motivation; newly established subsidiaries develop their regulatory documents taking into account the standard requirements, as they join the system.

In 2019, due to massive business expansion and entering new projects (in Uzbekistan and Egypt), Zarubezhneft Group Personnel Relocation Policies were developed and approved, establishing unified rules to govern personnel relocation, remuneration and benefits, as well as to protect the interests of Group employees and their family members on rotation to new projects.

The basic securities and remunerations included in the Relocation Policies are:

- Travel allowance and relocation allowance;
- Visa support, ticketing, securing work permits;

- Provision of accommodation;
- Refund of expenditures for kindergartens and schools;
- Provision of voluntary health insurance to employees and their family members;
- Pension fund.

The key components of the Relocation Policies are:

- guaranteed employment of each Zarubezhneft Group employee after having completed his/her work at the project;
- if there is no opportunity to provide the above-mentioned employment, the Group shall pay monetary compensation to the employee.

In order to attract and retain key managers in Zarubezhneft Group, a complex system of motivation was developed, comprising the following components:

- fixed remuneration (title wage, increments, and supplements in accordance with the law);
- month-end bonuses based on achieving performance targets;
- year-end bonuses based on achieving KPIs.

The Group regularly analyzes inflation and consumer price index trends, based upon which decisions are made as to revise (indexation) employee salary levels.

The minimum wage is set not lower than the cost of living in the region of activity.

An integral part of the Group's remuneration system is a social support program for employees and their family members, which is taken into account when evaluating the overall attractiveness and competitiveness of the remuneration to be proposed.

Zarubezhneft Group has approved the Integrated Vision of Lump-sum Payments and Social Policies, the purpose of which is to provide a decent level of medical services, assistance to employees facing various adverse circumstances, compensation for earnings lost upon retirement, and support to the Group's retirees.

Uniform requirements to subsidiaries' benefits plans are formalized in the Model Regulation on Social Securities for Subsidiaries' Employees. Each subsidiary

selects and approves, based on its employees' needs and its own financial capacity, the optimal package of benefits, securities, and refunds attributable to the employees.

In order to maintain employee health, the Company organizes reservations at health resorts in Crimea. Employees are given an opportunity to purchase health resort vouchers for themselves and their family members, which are to be partially refunded by Zarubezhneft JSC; large families, along with families with children under 14, are given priority in this regard.

There were positive trends in welfare benefits in 2019. Welfare benefits increased by 8% over 2018; and excluding JV Vietsovetro retirement benefits, the welfare benefits increase amounted to 10%, as shown below.

In 2018, the amount of social benefits per Group employee decreased relative to 2017, which was due to a significant share of retirement benefits in connection with early retirement paid in 2017 to JV Vietsovetro employees.

Personnel Costs by Operating Country¹,

%

Operating country	Actual							
	2016		2017		2018		2019	
	Salary Fund	Social Payments	Salary Fund	Social Payments	Salary Fund	Social Payments	Salary Fund	Social Payments
TOTAL GROUP	89	11	88	12	88	12	88	12
Russia	94	6	92	8	89	11	89	11
Republic of Srpska (Bosnia and Herzegovina)	84	16	89	11	91	9	91	9
Republic of Cuba	94	6	93	7	95	5	93	7
Socialist Republic of Vietnam	82	18	77	23	88	12	87	13
Republic of Uzbekistan	-	-	-	-	-	-	86	14

¹ Personnel costs consist of salary fund and social payments. Social payments include material assistance, pension payments, payments for single parents, maternity benefits from the enterprise, health resort voucher allowance, etc.

Social Payments by Operating Country

Operating country	Actual			
	2016	2017	2018	2019
Russia, thousand RUB	592,934	880,210	1,007,159	1,070,528
Socialist Republic of Vietnam, thousand USD	23,646	28,782	13,338	19,424
Republic of Srpska (Bosnia and Herzegovina), thousand EURO	2,474	1,526	1,387	1,238
Republic of Cuba, thousand EURO	66	87	57	94
Republic of Uzbekistan, thousand RUB	-	-	-	3,816

INTANGIBLE INCENTIVES

Intangible incentives constitute an inherent part of the personnel motivation system. In order to encourage employees and labor groups to significantly contribute to Zarubezhneft JSC's development, and achieve prominent production, financial and economic indicators, and to improve the corporate culture, the Company established special titles such as "Honored Employee of Zarubezhneft JSC", "Long-Service Worker of Zarubezhneft JSC", and awards like Zarubezhneft JSC Certificate of Appreciation and Zarubezhneft JSC Certificate of Acknowledgment.

Over the last year, 236 Zarubezhneft Group employees won departmental and corporate awards.

In 2019, the contest "Best in Profession" was held at the Zarubezhneft-Dobycha Samara LLC production facilities in the city of Samara. Participants from Zarubezhneft Group subsidiaries, winners from the enterprise-level

Number of Awarded,

Persons

Types of awards	Total	Including foreign citizens
Departmental	34	33
Corporate	202	-

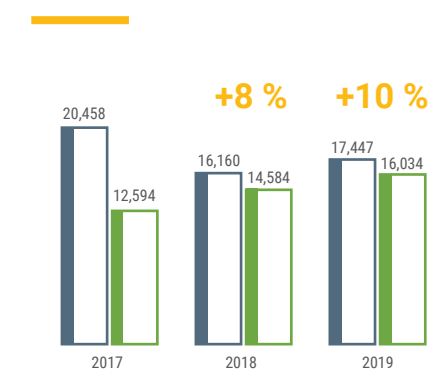
selection stage, demonstrated their knowledge and skills in the theoretical and practical parts of the contest in six categories:

- Operator of Oil and Gas Production;
- Operator of Dehydrators and Desalters;
- Electrical/Gas Welder;
- Locksmith Repairman;
- Passenger Vehicle Driver;
- Chemical Analyst.

Winners were also determined in the additional categories of Best in Production System and Best in HSE.

Traditionally, foreign employees of Zarubezhneft Group take part in the contest. In the financial year, the JV Vietsovetro specialists from the Socialist Republic of Vietnam supported the international nature of the event by participating in three contest categories and took prizes in two categories. In the team competition, the winners were once again employees of Zarubezhneft-Dobycha Kharyaga LLC, having shown a traditionally high level of training. The contest winners were awarded diplomas, monetary prizes, and gifts.

Welfare Benefits per Employee, RUB



Another significant event is the annual public showing Best Facility contest, held among Zarubezhneft Group facilities that can claim the title "Facility of High-Standard Operating Practices" in two categories: Oil, Gas, Water Treatment and Transportation; and Petroleum Production. The contest contributes to shaping a responsible attitude towards work, increasing labor performance and quality of work, improving labor discipline and development of corporate labor culture, and promoting environmental protection.

In 2019, the title of "Facility of High-Standard Operating Practices" was awarded to the following facilities:

- in the category Oil, Gas, Water Treatment and Transportation, to the Chemical Analysis Testing Laboratory of Zarubezhneft-Dobycha Kharyaga LLC;
- in the category Petroleum Production, to Well Cluster No. 5 of JC RUSVIETPETRO LLC's Zapadno-Khosedayuskoye oil field.

Zarubezhneft JSC holds a Best Employee contest on a quarterly basis to determine the employees with maximum influence on the Company's results in three focus areas: development of technological expertise, enhancement of organizational performance, and fulfillment of Shareholder's requirements and expectations. At the yearend, the Best Employees with a proactive attitude to life are determined.



COLLECTIVE AGREEMENT

GRI 102-41

Subsidiaries are gradually abandoning collective agreements due to the introduction of a common social policy, including a common list of benefits and procedures for their provision, since the new approach includes more guarantees and remunerations than subsidiaries' individual collective agreements. In 2019, collective agreements continued to be valid at Arcticorneftegazrazvedka JSC and Giprovostokneft JSC. Collective labor agreements cover 7.6% of the employees of the Group of companies.

OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY

PRIORITIES IN THE FIELD OF OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY

The HSE and social responsibility policy is the main one for strategic planning and managing Zarubezhneft JSC's current activities, setting and implementing goals, efficient monitoring and control, and continuous improvement of activities.

Recognizing its responsibility for a favorable environment, preservation of life, and the health and wellness of people, Zarubezhneft JSC undertakes the following obligations:

- to pursue the Zero Goal, to prevent injuries, deterioration of human health, and environmental contamination;
- to use natural resources, materials, and power in a reasonable and rational manner;
- to respect the interests and rights of local populations in regions of its presence;
- to comply with Russian and international laws, to fulfill its obligations to the local communities, state authorities, foreign and Russian business partners, and other stakeholders;
- to constantly improve its occupational health, industrial safety, and environmental protection management system.

HSE MANAGEMENT SYSTEM OPERATION AND IMPROVEMENT

GRI: 103-1, 103-2, 403-3

In 2019, a supervision audit of Zarubezhneft JSC, JC RUSVIETPETRO LLC, Zarubezhneft-Dobycha Kharyaga LLC, RMNTK Nefteotdacha JSC, Zarubezhneftstroyromtazh LLC, Modriča Motor Oil Plant A.D. was successfully completed to confirm compliance of the HSE Management System with the international standard OHSAS 18001:2007. The HSE Management System Certification covered the following entities: Zarubezhneft-Dobycha Samara LLC, Ulyanovskneftegaz LLC, Orenburgnefteotdacha JSC, and Giprovostokneft JSC.

VISION ZERO CONCEPT

In 2019, implementation of the Vision Zero (Zero Injury) Concept continued according to the Unified Program for Implementation of the Zero Injury Concept, Vision Zero, in Zarubezhneft Group in 2018-2021, approved by S.I. Kudryashov, General Director of Zarubezhneft JSC.

On March 22, 2019, a strategic session entitled "Responsible Leadership in Development of Safety Culture and Implementation of the Vision Zero Concept in Zarubezhneft JSC" was conducted for the Company's top management and the General Directors of subsidiaries.

Within the session, the "Their Route" program was presented to the Company's management and subsidiaries, with a view for managers to develop and maintain responsibility to others in a positive and substantial way (the second part of the "My Route" program).

Following on results of the work, the session participants made proposals on the Vision Zero Roadmap for 2019, taking into account the School of Safe Production Culture supported by the Company's internal coaches.

At the All-Russian Labor Protection Week V, held in Sochi on April 22 -26, 2019, Zarubezhneft JSC representatives participated in meetings of the International Council for Implementation of the Vision Zero Concept (chaired by Hans-Horst Konkolewski), had a meeting on the "Unified Approach to Interaction with Contractors Taking into Account the Introduction of the Vision Zero Concept in Zarubezhneft Group", and held a round table on the "Best Practices in Developing a Culture of Safety at Zarubezhneft JSC. Exchanging Experiences."

Meetings of the International Council for Implementation of the Vision Zero Concept were attended to discuss the International Social Security Association's methods to determine the criteria for evaluating sufficient preventive measures, as well as implementation of the Vision Zero Concept in international projects and interaction with contractors.

Conferences on the "Experience of Implementing the Vision Zero Concept in Zarubezhneft Group and Contractors" were held in Usinsk, Moscow, and Samara to involve contractors in implementing the Vision Zero Concept.

For Zarubezhneft JSC's international projects, workshops titled "Vision Zero (Zero Injury) Concept. Development of Personal Responsibility" were held in JV VIETSOVPETRO (the Socialist Republic of Vietnam) and at the enterprises of the Oil Refining and Sales segment (Bosnia and Herzegovina).

A project on the "Industrial Safety Training System. Safety Culture

School" was approved by Order of S.I. Kudryashov, General Director of Zarubezhneft JSC, No. 286 dated September 18, 2019, in order to establish a unified corporate training system in occupational safety for Zarubezhneft Group employees.

During project implementation, it has been planned to train 26 internal coaches from among the Corporate Center and subsidiaries' employees, to elaborate five corporate educational and methodical courses, and to train pilot groups by involving internal coaches on the following topics:

- Introduction to Occupational Health and Safety Management System;
- On-Site Safety (production facilities);
- Vision Zero Concept. 7 Golden Rules;

- Accident Investigation Procedure;
- Contractor Safety Management.

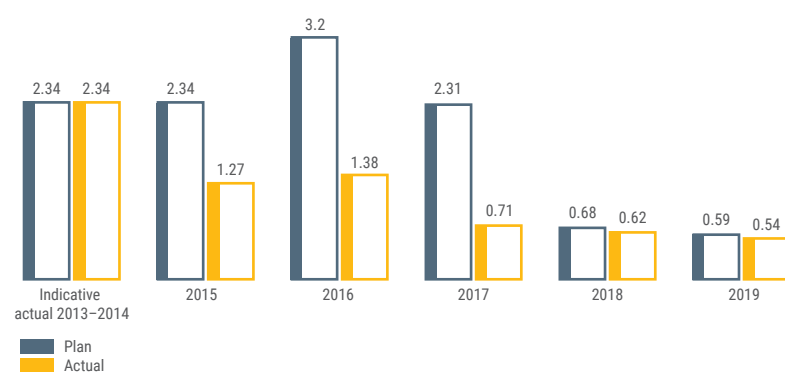
Strategic Sessions on "Leadership in HSE: Managerial Responsibility. Implementation of the Vision Zero Concept" were conducted at the subsidiaries and contractors in the regions of presence (Samara, Modriča). According to the sessions' results, the HSE Road Maps were formed with key tasks for the subsidiaries in 2019, with an emphasis on implementation of the Vision Zero Concept principles within the contractors.

In 2019, JV VIETSOVPETRO and 24 contractors officially joined the Vision Zero Concept.

INDUSTRIAL INJURIES

The Lost Time Injury Frequency Rate (LTIFR) is the internationally-accepted main indicator of a company's performance in the area of occupational health and industrial safety. The LTIFR has been applied in Zarubezhneft JSC since 2015. The LTIFR decreased by more than three times compared to 2015, and amounted to 0.54 in 2019 vs. 1.27 in 2015.

LTIFR dynamics, 2015–2019



MAINTAINING READINESS FOR CIVIL DEFENSE AND EMERGENCY SITUATIONS

0613

The Company takes preventive measures to minimize the risk of natural and human-caused emergencies, preparing to protect and actually protecting the Company's personnel and material assets from hazards arising from or due to military conflicts as well as in case of emergencies.

Tabletop trainings are held on a regular basis as per the approved schedule to drill emergency response actions and interaction between the Emergency and Fire Safety Commissions of Zarubezhneft JSC and its subsidiaries.

The Company confirms preparedness for abnormal and emergency situations through an integrated approach that includes:

- inspection of protective structures and training of people responsible for civil defense and emergency situations in training centers;
- timely development and approval by state supervisory authorities of response plans in case of oil and petroleum product spills at the fields;
- training and attestation of non-professional emergency response teams at the fields;

- agreements for drills to be carried out twice a year by professional emergency response teams belonging to the gas rescue service and the well-kill safety service;
- drills on possible emergency response actions conducted for personnel.

An integral part of Zarubezhneft JSC personnel operations in the occupational health and industrial safety management system is constant and systematic interaction with the contractors carrying out their activities at Zarubezhneft JSC production facilities as per the laws of the Russian Federation and the Company's approved internal requirements.

The Company pays special attention to enhancing production culture, leadership, and personal involvement of managers, as well as to improving internal interaction levels in respect to HSE. These are facilitated by practical implementation of target programs in the course of production:

- 12 Life Saving Rules;
- Leadership in HSE;
- HSE Risk Management;

- 5S System in the framework of Zarubezhneft JSC Production System.

145 people from the Corporate Center and subsidiaries were comprehensively trained in the 5S System and arranged into groups of internal coaches for 5S System development in Zarubezhneft Group.

Following the results of 2019, the investment costs allocated for provision of safe working conditions in Zarubezhneft Group amounted to over 500 MM RUB.

The Monitoring HSE Indicators Information System was modified and the Technoarea Safety Information System (TS IS) was improved over the course of 2019 as part of automating the occupational health and industrial safety processes. The TS IS was introduced in two stages and was piloted by Zarubezhneft-Dobycha Kharyaga LLC, where a third-party organization acted as the contractor. The system has been distributed to the remaining subsidiaries of the Russian segment by the subsidiary Giprovostokneft JSC.

ENVIRONMENTAL PROGRAMS

COMMITMENT TO CONTINUOUS SYSTEM IMPROVEMENT AND DEVELOPMENT

GRI 103-1

Starting from 2014, Zarubezhneft JSC has undergone an independent Ecological Openness evaluation as per the WWF rating criteria. Among the 20 largest oil and gas companies, Zarubezhneft JSC took second place in 2019, reiterating its 2018 position.

In 2019, the financing level of environmental protection activities in the subsidiaries located in the Russian Federation amounted to about 218.04 MM RUB, which is significantly higher than the 2018 level.

In 2019, a supervision audit was successfully conducted to confirm the Certification for compliance with international standards ISO 14001:2015 at the Zarubezhneft JSC Corporate Center, JC RUSVIETPETRO LLC, Zarubezhneft-Dobycha Kharyaga LLC, RMNTK Nefteotdacha JSC, Zarubezhneftstroyontazh LLC, and Modriča Motor Oil Plant A.D. The subsidiaries Zarubezhneft-Dobycha

Samara LLC, Ulyanovskneftegaz LLC, Orenburgnefteotdacha JSC, Giprovostokneft JSC were introduced in the HSE Management System certification coverage perimeter.

Zarubezhneft Group subsidiaries control the integrity of intrafield oil pipelines on a monthly basis, which is one of the priorities of the Company's Environmental Policy.

Subsidiaries regularly trained managers on the Hazardous Waste Management program, developed and updated environmental regulatory documents, conducted environmental audits, identified environmental risks, and obtained all the necessary licenses and permits for emissions and discharges of pollutants and limits for waste disposal.

Calculation and payment of environmental loss compensation were carried out as prescribed by law.

Reports were prepared and submitted to state supervisory and statistical bodies in a timely manner.

In 2019, Zarubezhneft JSC took part in the Federal Service for Supervision of Natural Resource Usage pilot project on issuing all-in environmental permits, as part of the federal Ecology National Project's Implementation of the Best Available Technologies. As a result of this project, Zarubezhneft-Dobycha Kharyaga LLC (Zarubezhneft JSC subsidiary) was positively assessed by the ecological expert commission and was the first Russian company to receive a comprehensive environmental permit (CEP).

As part of automating environmental protection processes in the geological exploration and production segment group of companies, a solution was implemented for accounting environmental indicators in the ECOURS automated control system (ACS).

Zarubezhneft Group Environmental Protection Costs,

MM RUB

Indicator	2015	2016	2017	2018	2019
Investments in fixed capital for environmental protection	41.36	97.80	270.22	228.21	60.3
Charges for adversely impacting the environment	19.89	27.283	28.509	20.380	17.30
Environmental damage compensation	0	0	0	0	2.19
Imposed penalties for the environment pollution	0.937	0.09	0.32	0.507	0.940
Current environmental protection costs	196.92	142.63	160.6	163.8	218.04
including:					
• water bodies protection	3.00	4.58	7.68	23	10.31
• air protection	1.58	1.65	3.5	3.7	7.72
• protection of land from industrial waste and consumption	155.00	111.66	131.52	118.9	181.7
• land reclamation	31.19	12.99	12.09	17.4	18.31
other environmental protection activities	6.18	11.75	0.0	0	0



ENVIRONMENTAL EFFECTS

GRI 103-2

One of the most important environmental challenges to minimizing the negative influence of drilling waste is neutralizing and using the waste, followed by elimination of sludge pits.

In 2019, two drilling fluid pits were reclaimed. No oil and oil product spills were registered in Zarubezhneft Group in the reporting period. There are no oil-contaminated soils on Zarubezhneft Group balance sheet.

The air environment, soil, snow, surface water, and bottom sediments were regularly measured at all licensed sites of Zarubezhneft Group enterprises as part of local environmental control and industrial environmental management.

Observation data are compared with the background values of natural indicators. During the reporting period, the maximum permissible concentrations (MPC) in the territory of the Russian Federation were not exceeded.

In 2019, the Company continued its systematic work to control atmospheric emissions.

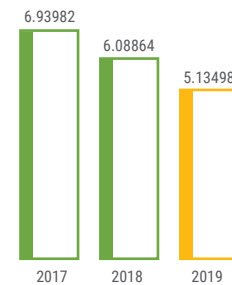
In the Downstream segment, gasification of technological processes at Brod Oil Refinery A.D. is being continued in order to improve production energy efficiency and reduce the amount of sulfur oxide emissions down to European Union (EU) norms and standards.

AIR EMISSIONS

GRI: 305-1, 305-7

Implementation of the Gas Program for rational APG use for the period 2019-2023 was one of the priorities of Zarubezhneft Group of Companies in 2019.

Air emissions,
thous tons of oil



Gross Atmospheric Emissions by Zarubezhneft Group in the Exploration and Production Segment,

thousand tons

Indicator	2016	2017	2018	2019
Gross emission of harmful substances into the atmosphere, including:	27.483	32.528	29.2	24.99
solids	0.865	0.549	0.437	0.280
sulfur dioxide	3.309	7.507	6.909	6.841
carbon monoxide	9.697	8.874	7.914	6.375
nitrogen oxides	1.138	1.391	1.213	1.225
hydrocarbons (without volatile organic compounds)	8.952	10.115	8.804	7.015
volatile organic compounds	3.337	4.069	3.900	3.251
benzopyrene	0.000	0.000	0.000	0.000
other gaseous and liquid substances	0.186	0.000	0.000	0.000

UTILIZATION OF ASSOCIATED PETROLEUM GAS

Due to activities completed as part of the 2019 Gas Program, APG use for the Company's own heat and power generation needs has increased.

The volume of APG production and use is calculated based on readings of gas metering units. In 2019, the level of APG value added use in the Russian segment of the Group (RUSVIETPETRO, Zarubezhneft-Dobycha Samara within Orenburgnefteodacha JSC,

and Ulyanovskneftegaz LLC) was 92.5%, which is higher than the planned indicators embodied in the 2019 Gas Program (actual in 2018 was 87.5%, planned for 2019 was 92.0%).

Production and Use of Associated Petroleum Gas by Zarubezhneft Group,

MM m³

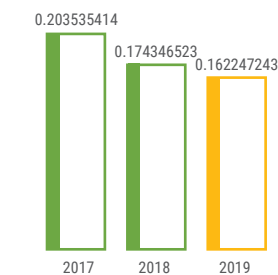
Zarubezhneft Group Enterprise	APG production	APG use for own needs	APG usage %
JC RUSVIETPETRO LLC	120.8	111.54	92.4
Orenburgnefteodacha JSC	2.37	2.35	99.4
Ulyanovskneftegaz LLC	0.53	0.50	94.5
TOTAL:	123.69	114.39	92.5

GREENHOUSE GASES EMISSION DECREASE

Zarubezhneft JSC considers the Kyoto Protocol to be an important step towards expanding efficient use of associated gas. The mechanism of Joint Implementation Projects (JIP) on Greenhouse Gas Reduction, provided by the Kyoto Protocol to the United Nations Framework Convention on Climate Change, remains one of the most serious incentives for implementing APG disposal projects and other projects aimed at reducing greenhouse gas emissions.

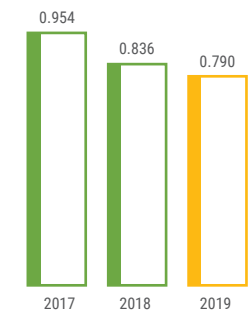
As per the Guidelines and Instructions for Quantitative Calculation of Volume of Greenhouse Gas Emissions by Enterprises Conducting their Business or Other Activities in the Russian Federation (approved by Order of the Ministry of Natural Resources and Environment of the Russian Federation No. 300 dated June 30,

Gas emissions in the Russian Federation,
thous tons of oil



2015), registered with the Ministry of Justice of the Russian Federation on December 15, 2015, registration No. 40098, Zarubezhneft JSC determined the atmospheric greenhouse gas emission volume for 2019 as a result of the oil production enterprises' production activities. In 2019, the amount

Due to the Gas Program, the volume of emissions in 2019 amounted to about 0.79 Mt CO₂ equivalent, which is 6% lower than the last year.

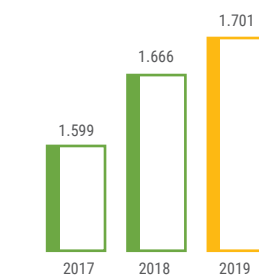


of emissions was about 0.79 t CO₂ equivalent. The Gas Program makes it possible to reduce greenhouse emission.

WATER CONSUMPTION

The slight increase in water consumption in 2019 compared to 2018 is due to Zarubezhneft-Dobycha Kharyaga LLC and JC RUSVIETPETRO LLC commissioning a new well stock, and an increase in the volume of water used in the water injection system.

Water extraction,
thous tons of oil



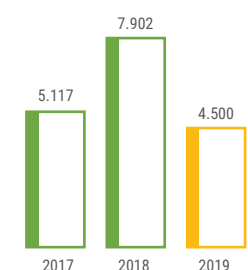
WASTE MANAGEMENT

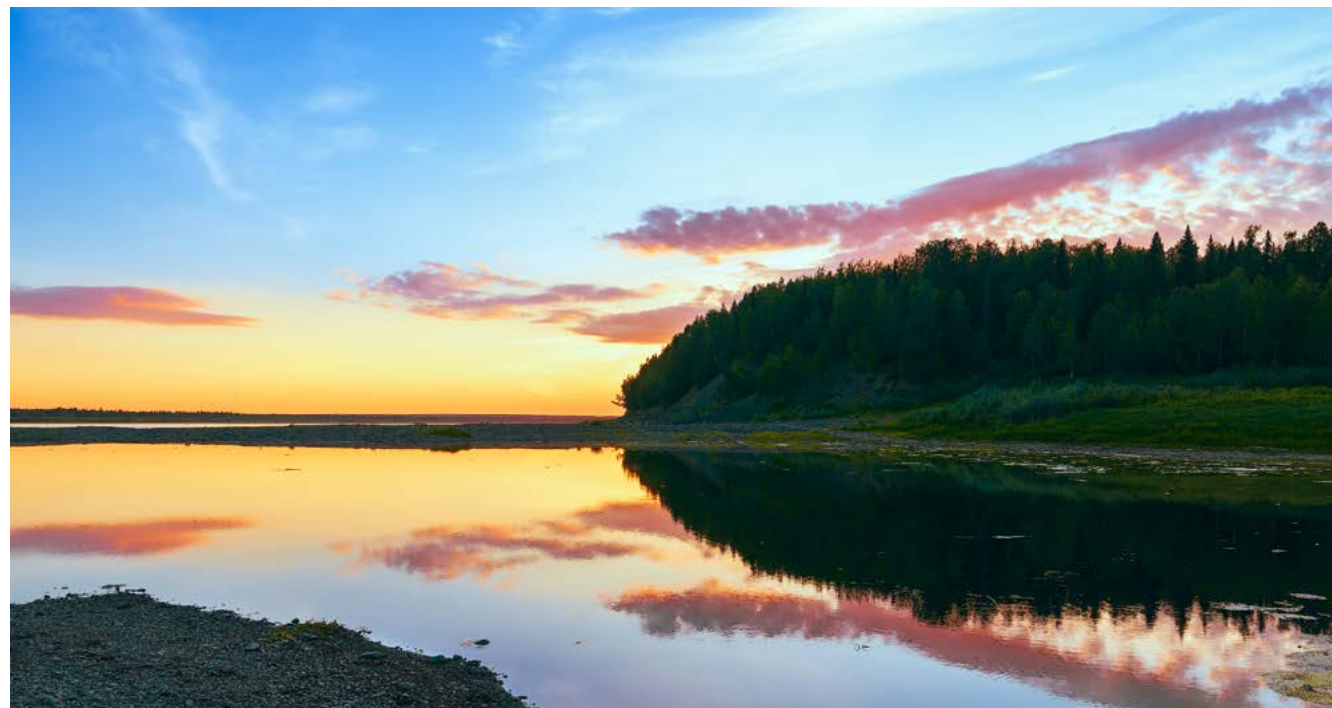
GRI: 306-2, 306-3

In 2019, drilling volumes decreased compared to 2018, which led to a decrease in the drilling waste generated at JC RUSVIETPETRO LLC fields. Specific waste generation decreased from 7.9 tons per 1,000 tons of oil in 2018 to 4.5 tons in 2019. The waste generated is composed of, by weight, more than 95% hazard class IV, i.e. sludge. As per the current Company internal regulations, all sludge was processed to inert material.

All waste generated in subsidiaries is transferred for further use, neutralization, disposal, and burial at specialized landfills according to agreements concluded with specialized enterprises.

Waste generation,
thous tons of oil G4-EN23





BIODIVERSITY MANAGEMENT

GRI: 304-3

In accordance with licenses for the use of subsurface resources obtained by Zarubezhneft Group participants, they search for, explore, and produce hydrocarbon raw materials, and develop and construct fields on territory that does not fall within the boundaries of specially protected natural territories but may be adjacent to territories of traditional nature management or specially protected natural territories.

In 2019, Zarubezhneft Group subsidiaries with production activities in the Arctic zone of the Russian Federation (Zarubezhneft-Dobycha Kharyaga LLC and JC RUSVIETPETRO LLC) continued working on biodiversity preservation as per approved programs. The observation program of established lists indicating specimens for different operating regions is included in the Environmental Monitoring Program. In 2019, Zarubezhneft-Dobycha Kharyaga LLC updated the Biological Diversity Preservation Program at the Kharyaga license site based on inventory of biota and identification of species that

are indicators of the sustainable state of ecosystems at the Kharyaga field. Implementation of the Biological Diversity Preservation Program is scheduled for 2020–2021.

At the end of 2019, a Cooperation Agreement was signed between the Ministry of Natural Resources and Environment of the Russian Federation and Zarubezhneft JSC, providing for joint activities under the federal project on Biodiversity Preservation and Development of Ecotourism in the context of the National Ecology Project.

Caring for the Far North's fragile ecosystem has traditionally been one of the Company's priorities. In 2019, JC RUSVIETPETRO LLC released about 1,000 juvenile fish of valuable species into the Usa River (the Pechora River basin). Since 2014, JC RUSVIETPETRO LLC has released more than 801,000 juvenile fish of valuable species into the Pechora River basin.

In accordance with the Standard Procedure for Search and Evaluation of New Projects, the Company pays special attention to environmental factors and evaluating environmental risks. All projects undergo an Environmental Audit, the main criterion of which is that the contract area does not contain any nature reserves. During project implementation, environmental impact is evaluated and measures are developed to reduce fragmentation of landscapes and the area of disrupted territories.

Zarubezhneft JSC has uniform HSE requirements to contractor organizations. The regulations adopted within the Company establish similar requirements for compliance with environmental standards both by the contractors operating within the Company and Zarubezhneft JSC subsidiaries. It is prohibited to collect mushrooms and berries or to hunt and fish in the area where the Company implements its projects.

ENERGY SAVING PROGRAM

GRI: 302-4

The Energy Saving and Energy Performance Improvement Program for 2019 was developed in December 2018¹.

The following main principles were applied for program development:

- lean production policy based on measures with a payoff period from 3 to 5 years;
- development of measures to decrease specific energy costs per unit of production, oil containing fluid treatment, and formation pressure maintenance in the Upstream segment, raw materials refining in Downstream segment, and decrease of annual power resources consumption in the Service and Other Assets segment;
- engagement of all personnel of the enterprises in saving power resources;
- engagement of secondary power resources and production waste (APG, spent oil waste, etc.) in the production process.

This program is a continuation of the Power Saving and Energy Performance Improvement Program that was implemented in Zarubezhneft Group in 2018. The main goal of developing and implementing the program for 2019 is to decrease product self-costs in Zarubezhneft Group production business segments, and, consequently, to enhance competitiveness within domestic and global markets.

The program decreases specific power resource costs for producing oil-containing fluid (OCF) in the Russian segment's oil-producing subsidiaries by at least 4.0% as compared to the level of 2015. The 2019 Energy Saving Program target milestones include developing and introducing new measures (along with the measures introduced in 2016-2018) with due regard to the peculiarities of the segmented activity, organizational structure, and the specifics of Zarubezhneft Group activity as a whole.

The overall economic benefit due to the Energy Saving Program implemented in Zarubezhneft Group in 2019 was equal

to 1.908 MM RUB, or 57,983 tons of oil equivalent (toe), including savings of:

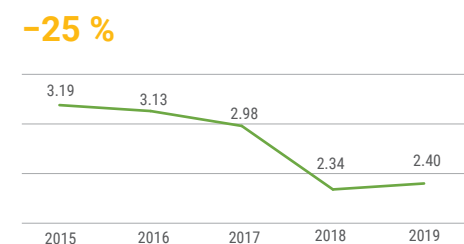
- 1.377 MM RUB (46,692 toe) in the Russian segment;
- 72.2 MM RUB (2,116 toe) at JV Vietsovpetro;
- 18.5 MM RUB (772 toe) at Brod Oil Refinery A.D. and Modriča Motor Oil Plant A.D.

The energy resources saving activities and the program measures introduced in all Zarubezhneft subsidiaries in the financial year made it possible to reduce specific energy consumption costs for OCF production to the level of 2015 in the Exploration and Production segment, and consequently to increase energy efficiency indicators of each individual subsidiary and of Zarubezhneft Group as a whole.

In 2019, 61 measures were introduced. Due to the shutdown of Modriča Motor Oil Plant A.D. and Brod Oil Refinery JSC plants for repairs and a lack of raw materials, only organizational measures were implemented in 2019.

Changes in specific energy consumption for oil-containing fluid production by Zarubezhneft JSC oil production enterprises,

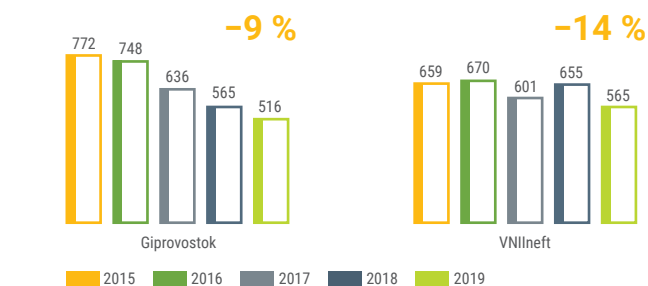
toe / thous m³ (Russian segment)



In the financial year, specific energy consumption for OCF production by the Russian segment oil production enterprises was reduced by 24.8% compared to the 2015 level

Actual energy consumption figures in 2015-2019,

the Service and Other Assets segment



The Service and Other Assets segment enterprises decreased energy resources consumption indicators by 6% compared to 2018, including: Giprovostokneft JSC -9%; VNIIneft JSC -14%; Arktikmorneftegazrazvedka JSC +8%.

¹ Order No. 18 dated December 2018, 424.

ENERGY EFFICIENCY PROJECTS

JC RUSVIETPETRO LLC

- Industrial implementation of the Energy Performance of Oil and Gas Enterprise analytical information system (EPOGE AIS).
- Low-pressure compressor station commissioned at the Central Production Facility (CPF) Severnoye Khosedayu to use additional gas for power generation.
- Generator equipment overhaul repairs (gas-turbine plant, gas piston generator unit, diesel generator unit), conversion of gas piston generator unit to operate on purified gas.

Zarubezhneft-Dobycha Kharyaga LLC

- Construction of 6 kV overhead line for a new shift camp with plans to arrange electrical heating in buildings when gas is supplied to the boiler room.
- Operational optimization of pumping equipment control stations (ground-based electrical equipment (GEE)).
- Deployment of the EPOGE AIS at the enterprise's process facilities.

JV Vietsovetro

- Installation and use of fuel flow and power generation metering system at the jack-up rig.
- Power supply of vessels moored sidewise from the electrical power supply system while docked at a port.
- Connection of Tam Dao-1 jack-up to the unified centralized power system.

In general, the activities carried out in 2019 contributed to stabilizing the enterprises' energy costs, further developing energy savings, and improving Zarubezhneft Group's energy performance.

RENEWABLE POWER SOURCES

By diversifying their businesses, oil and gas companies rely on their unique experience in onshore and offshore drilling, oil and gas refining, transportation and installation operations, and organization trading operations. Oil and gas companies expand their activity in RES through development of their own expertise, purchase of core assets, and through cooperation with leading suppliers of technological equipment and project developers. Following this trend (the leaders such as Total, BP, and Shell, etc.), Zarubezhneft JSC also considers its participation in RES projects.

Over the long history of successful projects, Zarubezhneft JSC has accumulated extensive experience communicating with the leadership of developing countries that are currently motivated to develop RES in their regions.

In March 2019, the Zarubezhneft JSC Board of Directors considered the issue of developing RES projects, and in June 2019, a new Department for Development of Renewable Energy Sources (DDRES) was created as a structural subdivision of the Company to implement phased

development of its own expertise, as a related business, which would be an additional factor in improving the sustainable development of its own structures.

Since the DDRES was established, a project screening funnel was formed in accordance with the developed criteria and primary approaches defined for selecting regions/countries with potential for RES projects. In 2019, the passport for business process R-8: RES Development was developed and approved during integration of a new area in the Corporate Center. Twenty projects in the following countries were considered: Vietnam (nine projects), Cuba (two projects), India (three projects), Bosnia and Herzegovina, the Russian Federation, Uzbekistan, Turkey, Kazakhstan, and other countries corresponding to the main business focus.

Within this area of activity, partner relationships were established with both international and Russian companies to implement the RES projects, and cooperation was established with process equipment leading suppliers and project developers.

Work is ongoing to search for and analyze the feasibility of taking part in RES projects in the countries of presence and in new perspective markets of the RES core business.

DEVELOPMENT OF OPERATING REGIONS

GRI 413-1



Zarubezhneft JSC contributes to sustainable development of the regions where it is present as an employer, a taxpayer, and an essential economic actor.

In terms of cooperation with the regions, emphasis is put on developing local initiatives and social activism.

Zarubezhneft Group has been cooperating constructively with local authorities and public organizations. The subsidiaries annually conclude agreements with regional administrations for joint regional development activities.

The Group provides support to socially vulnerable groups and implements social

and charitable projects in health care, education, improving housing conditions, culture, sports, and developing social infrastructure.

Zarubezhneft Group operates in a range of countries. Financial and economic details, by footprint regions, are presented in the table below¹.

Zarubezhneft JSC Indicators for the Year Ending December 31, 2019,

MM RUB²

	Total	Russian Federation	Socialist Republic of Vietnam	Republic of Cuba	Bosnia and Herzegovina (Republic of Srpska)	Other
1. Income disclosure	249,180	152,290	63,571	501	32,470	350
2. Capital expenditure disclosure	39,109	19,152	18,719	861	261	117
3. Profit for the year	7,251	16,445	2,485	-1,047	-10,278	-353
4. Income tax costs	13,740	3,790	9,898	20	31	1
5. Amount of public contribution/charitable donations	244	149	95	-	0.4	-

¹ The list of indicators was defined based on the recommendations of Transparency International.

² As of March 16, 2020.

Digital
technologies
in business processes

04

APPENDICES



THE PRIORITY DIGITAL
 TECHNOLOGIES DEVELOPMENT
 FOCUSES AT THE SECOND
 STAGE OF THE STRATEGY

IMPLEMENTATION
 ARE THE TECHNOLOGIES
 OF MACHINE LEARNING, "BIG
 DATA" PROCESSING, "DIGITAL
 TWINS" AND ARTIFICIAL
 INTELLIGENCE.

GRI CONTENT INDEX

GRI: 102-54, 102-55

The GRI Materiality Disclosures Service confirms that the GRI content index is clearly presented, and the links/references to the disclosure of indicators from 102-40 to 102-49 correspond to the sections in the general part of the Report. The service was performed on the Russian version of the report.



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102-2 Activities, brands, products, and services	2
102-3 Location of headquarters	74
102-4 Location of operations	6
102-5 Ownership and legal form	1
102-6 Markets served	8
102-7 Scale of the organization	4
102-8 Information on employees and other workers	36
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102-10 Significant changes to the organization and its supply chain	33
102-11 Precautionary principle	29
102-12 Initiatives, charters, and principles supported by the organization	22
102-13 Association Memberships	Russian Union of Industrialists and Entrepreneurs
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102-16 Values, principles, standards, and norms of behavior	35
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102-23 Chair of the highest governance body	30, Annual report
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102-32 Highest governance body's role in Sustainable Development Reporting	Introduces proposals regarding content development and approved the final revision of the Sustainability Report.
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102-42 Identifying and selecting stakeholders	22
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102-48 Restatements of information	no
102-49 Changes in reporting	73
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102-51 Date of most recent report	July 2019
102-52 Reporting cycle	year
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102-54 GRI compliance	This report has been prepared in accordance with the GRI Standards, Core option
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103-1 Explanation of the material topic and its boundaries	58
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CERTIFICATE OF PUBLIC ACKNOWLEDGMENT OF CORPORATE NON-FINANCIAL REPORT

GRI 102-56



IDENTIFICATION OF SIGNIFICANT TOPICS

GRI: 102-44, 102-46, 102-47, 102-49, 103-1

The Company considers the international standard ISO 26000:2010 defining main topics of social responsibility (organizational management, human rights, labor practices, environment, good business practices, relationships with consumers, participation in life of the communities and their development) as the basis to determine a set of indicators for this Report.

All topics included in this standard were reflected in this Report. To prepare the Report, a project team was organized consisting of representatives of all related structural units of the Company. The project team's main tasks included clarifying approaches to information

disclosure, interacting with structural units in the course of collecting information for the report, mapping significant GRI topics, and determining the boundaries of their disclosure. Report preparation traditionally included analysis of expert community feedback, study of Sustainable Development Reports of comparable companies, and analysis of media publications. Research results showed the importance of disclosing the following topics in the Report:

- development of new foreign projects - p. 6;
- development of technological expertise and introduction of advanced technologies - p. 23;

- reducing costs and increasing financial results - p. 27;
- high environmental responsibility - p. 58;
- attention to labor protection - p. 55, 56;
- development of personnel's unique expertise - p. 42, 44;
- development of renewable energy sources (RES) - p. 64.

CONTACTS

GRI: 102-44, 102-46, 102-47, 102-49, 103-1

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