

REMUNERATION AND SOCIAL BENEFITS

The Company has a unified employee incentive system designed to recruit, retain and develop talented professionals, while also supporting employees' career and professional growth.

The objectives and principles of financial and non-financial employee incentives are set forth in the single Corporate Standard.

The incentive system is based on the following principles:

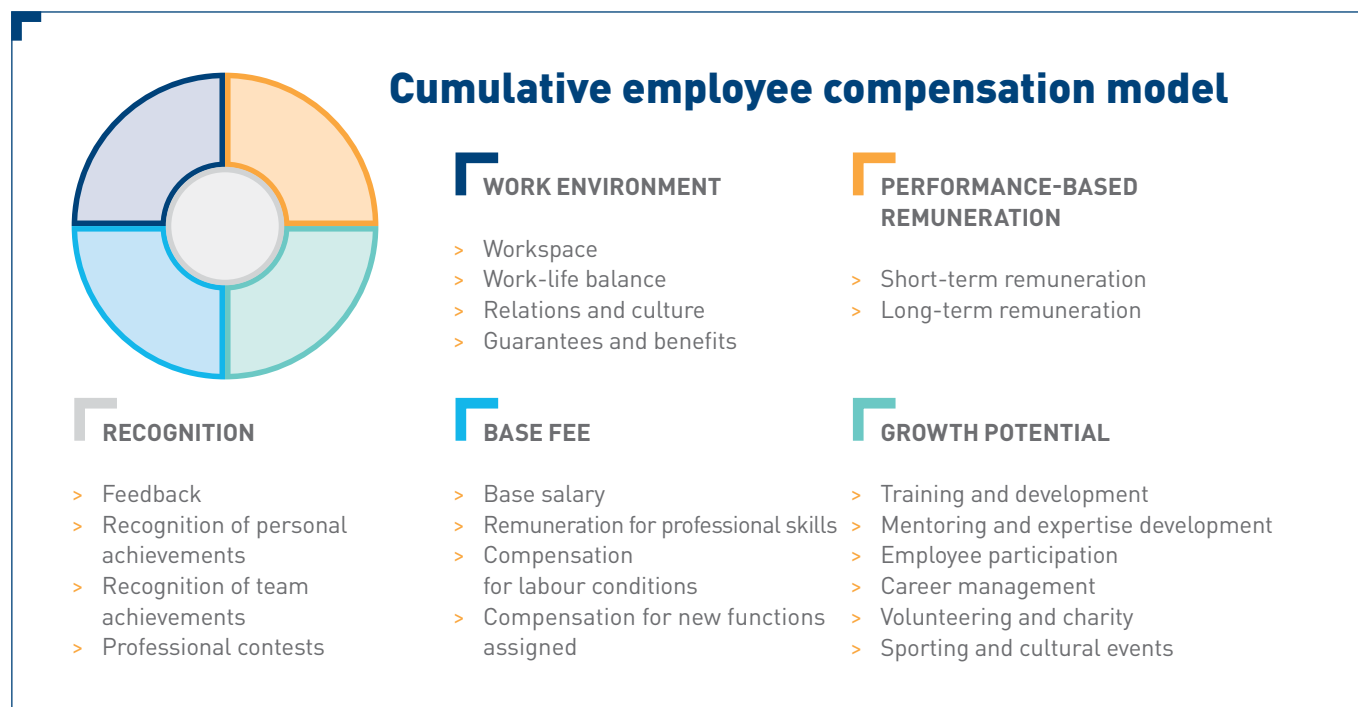
- > external competitiveness;
- > internal equity;
- > performance-based remuneration;
- > impartiality, transparency, and availability of information to employees through a variety of convenient channels;
- > comprehensive approach to assessment and development;
- > sharing of training and professional development responsibilities among employees, managers and the Company;
- > additional training available to every employee.

122,587 +8%
y-o-y

₽ AVERAGE SALARY
at the Company in 2018

101.5 +13%
y-o-y

₽ BN
personnel costs



L

2018 saw the Company transform the employee remuneration package on the basis of a cumulative compensation approach, including base fee, performance-based remuneration, growth opportunities, recognition of achievements, and workplace environment (including social guarantees and benefits, working conditions, and corporate culture).

Specific remuneration components and their balance in the wider compensation model are defined taking into account the motivation profiles of different personnel groups. The model will help align the Company's objectives and personal employee needs, while also setting the stage for flexible HR and business strategies.

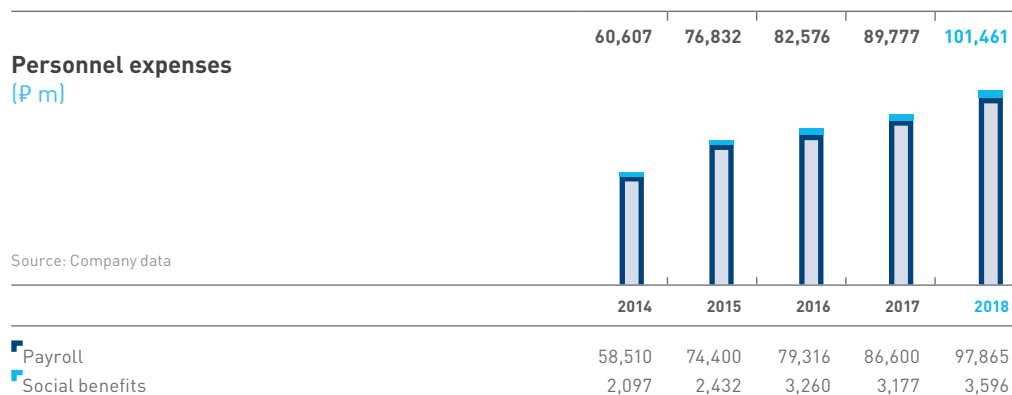
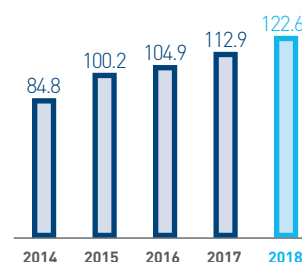
Gazprom Neft seeks to make sure that all components of its remuneration system

are highly competitive. The Company analyses labour markets in the regions of operation and regularly adjusts salaries and wages in line with the market trends. There is no difference between the base salaries of men and women. In 2018, the average monthly salary at Gazprom Neft was ₺ 122,587.

In 2018, Gazprom Neft approved a new bonus calculation approach based on comprehensive assessment of the business unit and employee performance. The new system is expected to be piloted at three subsidiaries in 2019.

The Company makes sure to offer its employees a balanced benefits package and competitive social security guarantees. A single social benefits system effective at all subsidiaries comprises compulsory (base) and potential (extra) compensations².

Average monthly salary
 (RUB '000)³



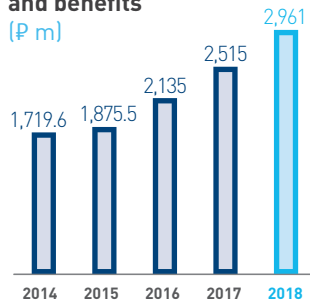
¹ Salaries in the regions are shown in accordance with the data for 2018 provided by the Federal State Statistics Service http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/wages/.

² For a list of benefits, see Appendix 1 Additional information and sustainable development metrics.

³ Excluding joint ventures.

**Cost of social guarantees
and benefits**

(P m)



The Company runs **non-financial incentive programmes**, updating their contents and formats in line with its strategic goals.

One of the key programmes involves individual and team **competitions of professional skills**, held across the Company's divisions.

The competition programme is updated on an ongoing basis to cover new areas of expertise and most relevant competencies, with the number of participants, regions, and countries involved constantly growing.

250 employees from 13 subsidiaries, including foreign operations, participated in the 10th International Best in Profession Contest of the Upstream Division, with winners invited to take part in the nationwide stage of the Best in Profession Contest.

In 2018, the Best in Profession Contest of the Downstream Division underwent transformation from an in-house corporate event to an industry-wide competition attracting participants from all subsidiaries of the Division, NIS (Naftna Industrija Srbije A.D., Novi Sad), Rosneft, TANECO, SIBUR, SLAVNEFT, and Gazprom neftekhim Salavat. For the first time in the Contest's history,

the competition in the Chemistry Lab Technician category was held under the rules of WorldSkills, an international championship of vocational skills.

When selecting candidates for participation in the 10th anniversary edition of the Contest, the Regional Sales Directorate reviewed not only contestants' expertise, but also their performance indicators and managerial skills. This year, the Contest tried out a new format, with the second day dedicated to socialisation, experience exchanges and introduction to the latest technologies implemented or developed by the Company.

The Company's key non-financial incentive programmes also include target programmes of business units intended to recognise strong performance. These programmes offer contests for corporate teams, performance-based bonuses for production facilities, employees and teams, including contractors, Summer and Winter sports games for employees, and other leisure activities.

"The Company aims to set a global benchmark against which other businesses will assess their performance and technical efficiency. We have made a clear step forward by joining the WorldSkills movement, holding corporate championships, and introducing our employees to international professional standards."

Alexander Panov
Head of Engineering and Technology Policy Department, Downstream Division