

Focus on future trends

Integrated
Report
2020

INFORMATION ABOUT THE REPORT

Zarubezhneft Joint-Stock Company (hereinafter referred to as Zarubezhneft or the Company) was established on September 30, 1967.

For the purposes of this report, Zarubezhneft Group refers to a set of companies comprised of Zarubezhneft and its subsidiaries and joint ventures. The scope of information disclosed in the Annual Report is consistent with the scope of consolidation for the purposes of preparing the Group's financial statements in accordance with International Financial Reporting Standards (IFRS).

The consolidated IFRS financial statements of Zarubezhneft and its controlled entities reflect a reliable assessment of the Group's assets, liabilities, financial position, profits, or losses.

The Annual Report contains information about the Company's operations in 2020, its economic indicators, financial position, strategy, and sustainable development activities, as well as its plans and forecasts for future periods.

Information about assets is indicated without taking into account the equity interest of Zarubezhneft and without excluding intra-group turnover.

Starting with the Annual Report for 2020, financial and economic indicators are presented in accordance with IFRS, unless otherwise stated. For the purposes of comparability, information for 2019 is also given in accordance with IFRS and may differ from the information previously published in the Annual Report for 2019.

Comments and recommendations from the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (RUIE) were taken into account when preparing this Report.

The information presented in this Report has been confirmed by the Revision Commission and tentatively reviewed by the Board of Directors.

Disclaimer

The Company does not claim or warrant that the results indicated in forward-looking statements will be achieved. Actual performance may differ from the values indicated in forward-looking statements and estimates due to the influence of various factors, including a number of economic, political, and legal factors beyond the Company's control (the global financial, economic, and political situation, the situation on key markets, or changes in tax, customs, and environmental legislation, among other things).

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#1



ABOUT THE COMPANY

Creating a
sustainable
platform for
development

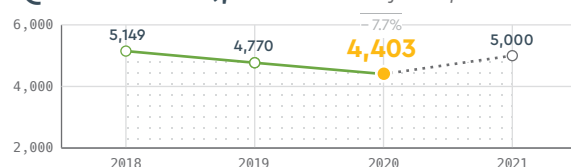
KEY PERFORMANCE INDICATORS

OF ZARUBEZHNEFT GROUP

102-7 201-1

Production performance

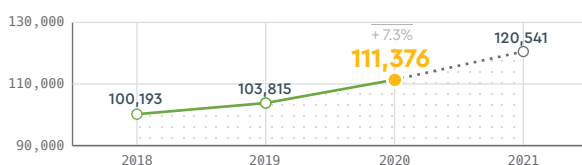
GROSS HYDROCARBON PRODUCTION OF ZARUBEZHNEFT GROUP (INCLUDING EQUITY INTEREST), thousand tons of oil equivalent



In 2020, ZARUBEZHNEFT GROUP, along with most Russian vertically integrated oil companies, was subject to production restrictions under the OPEC+ agreements

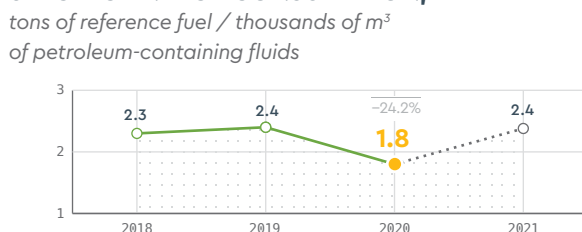
For most major VI0Cs, production declined by around 1% compared with the previous year

RESERVES OF ZARUBEZHNEFT GROUP (INCLUDING EQUITY INTEREST), thousand tons of oil equivalent 061



The Company continued to systematically increase its resource base through active expansion into Russian and foreign oil and gas markets

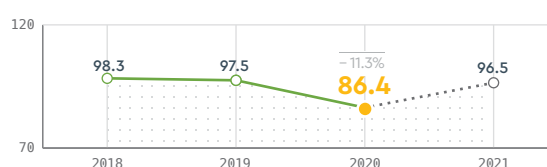
SPECIFIC ENERGY CONSUMPTION, tons of reference fuel / thousands of m³ of petroleum-containing fluids



The implementation of the Energy Conservation and Efficiency Improvement Program ensures a reduction in production costs in the Group's production segments and enhances its competitiveness on the Russian and global markets

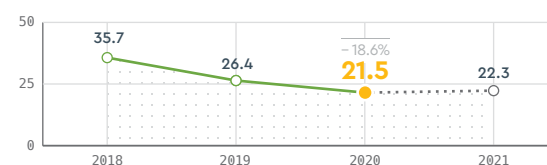
Financial and economic indicators

REVENUE, RUB bln¹



The development of alternative sources of income, particularly trading activities, enabled the Group to mitigate the negative impact of the macroeconomic environment

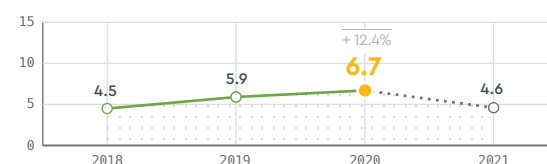
EBITDA, RUB bln



Consolidated EBITDA of RUB 21.5 bln provided an EBITDA margin of 26% and enabled ZARUBEZHNEFT GROUP to remain competitive both among Russian oil and gas companies as well as global oil and gas industry leaders

For most major VI0Cs, EBITDA declined by 29% to 90%

DIVIDENDS, RUB bln



The Company continued to increase dividend payments to the budget of the Russian Federation for a fourth consecutive year and paid a record dividend of RUB 6.7 bln

¹ A calculation of the indicator is given on page 67

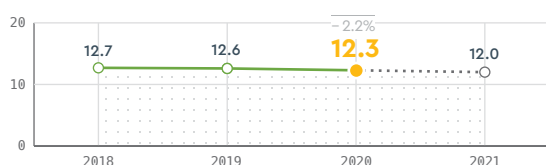
Similar key indicators are available on the Company's website



About the Company

Social indicators

HEADCOUNT, thousand people



The implementation of a set of measures to improve efficiency ensures the systematic optimization of the Group's headcount

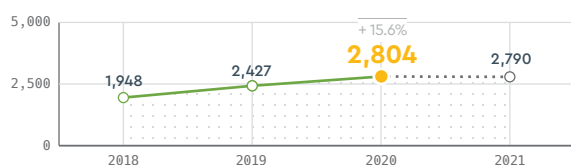
Environmental indicators

GROSS AIR EMISSIONS, thousand tons



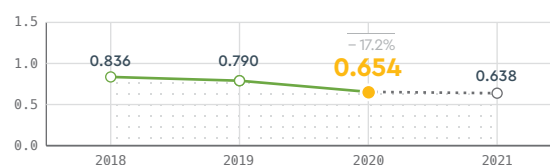
The implementation of the gas program ensured a systematic reduction in air emissions

SOCIAL PAYMENTS, RUB mln



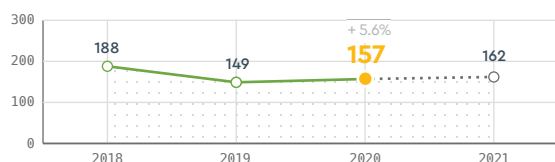
Zarubezhneft maintains the status of a socially oriented oil and gas company, and all social payments were made in 2020 as planned without any cuts despite the pandemic

GREENHOUSE GAS EMISSIONS, mln tons of CO₂ equivalent



The Group continued to reduce greenhouse gas emissions by unconditionally observing the Paris Climate Agreement

CHARITY AND SOCIAL PROGRAMS, RUB mln



ZARUBEZHNEFT GROUP's activities have a major impact on the socioeconomic development of the regions where it operates

UTILIZATION OF ASSOCIATED PETROLEUM GAS, %



The Group's production enterprises continued to maintain the gas utilization rate at the level prescribed by law during the reporting year

MESSAGE FROM THE GENERAL DIRECTOR

102-14

*Dear Colleagues,
The year 2020 was full of unique events that catalyzed global changes in legislation, social policy, and the pattern of demand for energy resources. These changes directly affected the oil and gas industry as well. We saw the most rapid and intense market decline in history, the highest volatility of all time as well as negative oil prices. Average annual global oil prices plunged by 35% from USD 63.9 per barrel in 2019 to USD 41.7 per barrel in 2020.*

During this slump on world markets, and particularly in the oil and gas industry, ZARUBEZHNEFT GROUP held strong and had a robust financial performance, which shows the importance of our development strategy, the sustainability of our business, and the impressive professional expertise of our staff.



The Group had consolidated revenue of RUB 82.9 billion and consolidated EBITDA of RUB 21.5 billion. An EBITDA margin of 26% enabled ZARUBEZHNEFT GROUP to remain competitive both among Russian oil and gas companies as well as oil and gas industry leaders worldwide.

This high rate of economic efficiency helped ZARUBEZHNEFT GROUP to end the year 2020 with a net profit of RUB 9.2 billion. The Company continued to increase dividend payments to the Russian budget for the fourth year in a row and paid a record dividend of RUB 6.7 billion.

Combating the COVID-19 pandemic was a top priority in 2020. The Company introduced a set of measures to prevent cases of infection at its production sites and offices and ensured that all production processes continued uninterrupted.

In 2020, the Company continued to develop its oil and gas assets, while also searching for and testing advanced technological solutions to improve oil and gas production. Zarubezhneft established a joint venture with Gazprom Neft in the Khanty-Mansi Autonomous Area. The joint venture will seek to set up sites to develop and test production technologies for hard-to-recover oil.

In July 2020, the Vietnamese Ministry of Industry and Trade issued an adjusted investment license for Oil and Gas Block 09-2/09 on the country's continental shelf. This result was achieved due to focused efforts to increase the resource base in Vietnam through participation in new oil and gas projects.

The Company finished drilling four horizontal wells at the Boca de Jaruco oil field in Cuba and began testing cyclic steam and thermal gravitational drainage technologies. It also successfully completed testing on catalytic aquathermolysis technologies. This project is a key component of Zarubezhneft's strategy to maintain its technological leadership in the industry.

In this new environment, programs that aim to recruit the best employees and ensure staff training and development took on special importance. The lockdown demonstrated the capabilities and, most importantly, the effectiveness of digital technologies, primarily as it pertains to online training. In the future, the Company plans to thoroughly assimilate such training and also develop related skills and expertise.

Zarubezhneft supports sustainable development principles and is implementing a policy of long-term mutually beneficial partnership in all its Russian and international projects. Compliance with sustainable development requirements is part of the Company's business strategy as regards corporate and social responsibility. It is essential for us to make the greatest possible contribution to achieving the UN Sustainable Development Goals and, to this end, the Company actively works to implement the tasks within these goals. We plan to develop and improve our technological processes in an effort to achieve impressive results in sustainable

development and environmental safety. Zarubezhneft was recognized as a leader in the 'Transparency Rating of Environmental Information of Oil and Gas Companies 2020', which confirmed the effectiveness of our activities in this regard. We managed to achieve this result with the help of our partners, such as PetroVietnam, Total, and Equinor, which are all involved in Zarubezhneft's key projects. In 2021, the Company plans to become the first Russian company to introduce the methodology of the transparency rating of environmental information at its foreign assets. The first among them will be Andijanpetro, a joint venture that was established with the Uzbek state-owned company Uzbekneftegaz.

Zarubezhneft invested more than RUB 323 million in environmental protection in 2020. Future environmental protection projects include the decontamination of drilling waste and the elimination of sludge pits. The implementation of the Gas Program for the Sustainable Use of Associated Petroleum Gas in 2020-2024 is also a priority. The measures taken as part of the Gas Program in 2020 resulted in a 3% increase in the use of APG for internal needs to generate heat and electricity. Implementing the Gas Program has also enabled us to reduce the specific emissions of pollutants, which decreased from 5.13 tons to 3.86 tons per thousand tons of oil produced in the reporting year compared with 2019, as well as specific greenhouse gas emissions from 160 tons of CO₂ equivalent per thousand tons of oil produced to 150 thousand tons of CO₂ equivalent per thousand tons of oil produced.

In addition to launching environmental initiatives in 2021, despite the pandemic, we managed to preserve the technological and financial groundwork for the future and continue to develop the Company's core businesses, while also concentrating on our strategic focuses. I am certain that the skills the Company acquired during the pandemic will be useful in the future and that Zarubezhneft will demonstrate a high level of efficiency in 2021. We intend to continue moving towards the goals we set in the Strategy-2030, while undergoing fundamental transformation and focusing on best practices and market trends.

**SERGEY
KUDRYASHOV**

General Director of ZARUBEZHNEFT JSC

BUSINESS PROFILE

OF ZARUBEZHNEFT GROUP 102-2

Focus

Geological exploration and hydrocarbon production segment (Upstream)

Exploration, development, and operation of oil and gas fields in the Russian Federation and abroad, both onshore and offshore. Extensive experience in developing complex reservoirs.

>20

assets in the segment

5

production facilities
in the segment



Focus

Crude oil refining and supply segment (Downstream)

Refining facilities, wholesale and retail sales of petroleum products, petroleum product trading, and a filling station chain.

Focus

Services

Construction and drilling services. Use of advanced domestic technologies for the development of oil and gas fields. Use of modern oil recovery enhancement methods to expand exports of high-tech services.

8

service assets

MAP OF ZARUBEZHNEFT

GROUP'S OPERATIONS 102-4

When selecting new projects, a key factor in the decision is the existence of a synergistic effect in terms of the joint use of infrastructure, the replication of technological solutions, and the optimization of management expenses.

8

countries of presence

in 2020

Country-by-country reporting

Enhancing the transparency of corporate reporting is one of the priorities for improving the operations of Zarubezhneft. ZARUBEZHNEFT GROUP works in different countries. The table below presents financial and economic information in the regions of operation.

The 'Income disclosure', 'Profit for the year', and 'Income tax expenses' indicators are based on the country report prepared in accordance with statutory requirements (Tax Code (Part 1), Chapter 14.4-1).

The 'Capital expenses disclosure' and Amount of public contributions/charity donations were prepared based on management accounting.

The indicators for the Russian Federation and the Socialist Republic of Vietnam take into account the indicators of joint ventures located in these countries, as reflected in consolidated financial statements using the equity accounting method.

The list of indicators is based on the recommendations of the transnational movement Transparency International.

ZARUBEZHNEFT PERFORMANCE INDICATORS FOR THE YEAR ENDED DECEMBER 31, 2020¹, RUB mln

	Russian Federation	Socialist Republic of Vietnam	Republic of Cuba	Bosnia and Herzegovina (Republic of Srpska)	Other	TOTAL
1. Income disclosure	150,720	46,907	503	43,798	473	242,400
2. Capital expenses disclosure	19,288	17,629	855	823	1,247	39,843
3. Profit for the year	15,607	-4,081	-400	5,598	-281	16,444
4. Income tax expenses	2,892	6,613	20	11	12	9,548
5. Amount of public contributions/charity donations 203-1	157	71	-	0,5	-	228

¹ As of February 20, 2021.



CORPORATE PROJECT STRUCTURE

OF ZARUBEZHNEFT GROUP



Upstream



Upstream assets	Consolidation share	Oil and gas exploration projects	Consolidation share
Russia			
JC RUSVIETPETRO LLC	51%	Severo-Karasevskoye Petroleum Enterprise LLC	100
ZARUBEZHNEFT-Dobycha Kharyaga LLC	40%		
ZARUBEZHNEFT-Dobycha Samara LLC	100%		
Orenburgnefteotdacha JSC	100%		
Ulyanovskneftegaz LLC	100%		
ZARUBEZHNEFT-Dobycha LLC	100%		
UNGP LLC	56.17%		
ZN Dobycha LLC	100%		
ZN Development Ltd.	100%		
ZN Energy Ltd.	100%		
ZN ZS LLC	100%		
Nestro LLC	100%		
Vietnam			
JV Vietsovpetro, including high-speed line (HSL) projects	49%	Block 09-2/09	50%
Block 09-3/12	27%	Block 12/11	100%
Block 16-1/15	25%		
Block 04-3	49%		
Block 09-3	100%		
CUBA			
		Boca de Jaruco	100%
UZBEKISTAN			
JV ANDIJANPETRO LLC	50%		
EGYPT			
		SEREU	50%
		EGZ	50%
INDONESIA			
		TUNA Block	50%



Downstream

Oil refining	Consolidation share	Supply	Consolidation share
Bosnia and Herzegovina			
Brod Refinery A.D.	100%	OPTIMA Grupa d.o.o.	100%
Modriča Motor Oil Plant A.D.	100%	NeftegazInCor JSC	100%
		Nestro Petrol A.D.	100%



Service assets

Service	Consolidation share
Russia	
Zarubezhneftstroyontazh LLC	100%
Zarnestservice LLC	100%
Arktikmorneftegazrazvedka JSC	100%
RMNTK Nefteotdacha JSC	100%
Giprovostokneft JSC	100%
ZN Snabzhenie LLC	100%
VNIIneft JSC	100%
EXPLON LLC	100%



Other assets

Other	Consolidation share
Russia	
Zarubezhneft JSC	100%
Zarubezhneft Holding & Services AG	100%
VNIIneft-Western Siberia JSC	100%
SPK LLC	100%
NOLTEK ENERGY TRADING DMCC	100%
ZN Sever LLC	100%
Nestro-Samara LLC	100%
SPIMEX JSC	10%

BUSINESS MODEL

Capital
(resources)



Social reputation

8 countries of presence
2 Intergovernmental agreement



Human

12,311 Group headcount including foreign employees
3 in-house leadership and technological competence schools
Healthcare for employees and their families
13,118 persons insured by voluntary health insurance (VHI)
7 types of medical care provided by VHI



Organizational

36 Digital projects
71 Process management projects
18 Change projects



Technological

2 Scientific institutes



Operational

58 years of experience with complex deposits:
>20 producing enterprises

Integrated in-house service throughout the entire production process:
8 enterprises of the Service unit

In-house Downstream unit in BiH
5 downstream segment enterprises



Financial

Net debt
NONE

STRATEGIC PRIORITIES



Expansion

~15

mln tons of oil equivalent
HC production by 2030



Talent management

EFFICIENT

team



Corporate evolution

MAX

decision-making
speed



Technological leadership

100%

assurance
of technological
competencies for
the Company's projects

EXPLORATION

111.4

mln TOE
reserves

PRODUCTION

4.4

mln TOE

Design

68

projects

113

projects

Drilling

101.7

thousand m

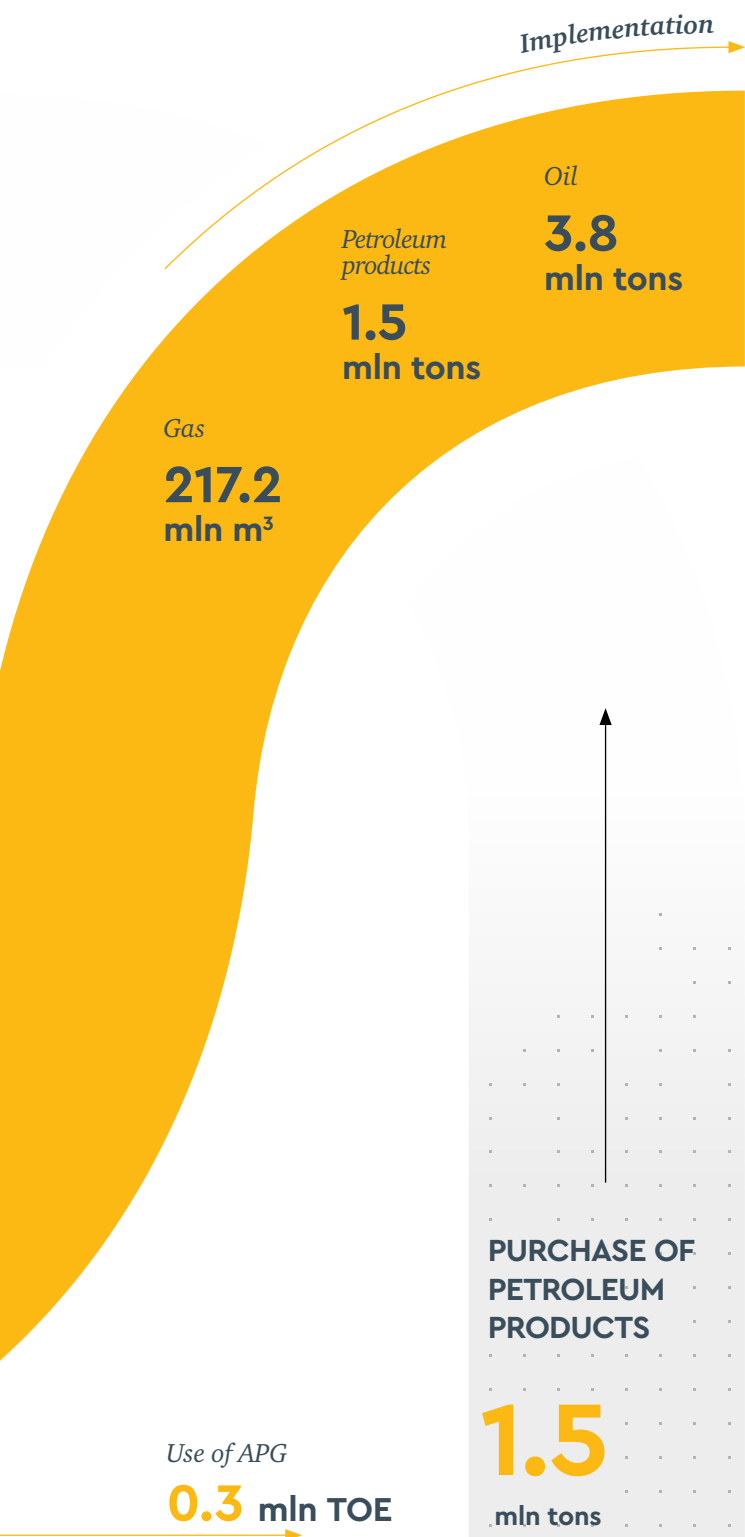
ONSHORE

76.8

thousand m

OFFSHORE

PARTNERS

**REVENUE**

86.4
RUB bln

EBITDA

21.5
RUB bln

NET PROFIT

9.2
RUB bln

Capital
(outcomes)**Social reputation**

RUB 78.9 bln taxes paid in all countries of presence
RUB 157 mln contributions to social programs and charity

**Human**

- **Development of an institute of expert methodologists**
60 methodologists
117 candidates as experts on strategic competencies
- **NestroLEAD talent identification and development contest**
757 participants
80 finalists
40 winners
- **PWC Head Hunter Rating** (for companies with 1,000-5,000 employees)
39th place
4th place in Power and Raw Materials Production, and No. 1 in Russia for the 5Z Culture pilot project

**Organizational**

Standout for the government:
100% fulfillment of government requirements
NO CLAIMS from the regulatory authorities
100% fulfillment of directives of the Russian government and the Board of Directors

**Technological**

1 in the ITF's¹ assessment of the quality of innovation development program reports
0,53% share of R&D in revenue
4 patents

**Operational**

126% reserve replacement rate
86% contingency of exploratory drilling
 USD **2,7/bbl** cost of reserve increment from oil and gas exploration

**Financial**

RUB 6.7 bln of dividends transferred to the RF budget
0,2 EBITDA/Revenue



Zarubezhneft is a conduit for the government's fuel and energy interests on the international arena

¹ ITF – Interagency Task Force on Technological Development under the Government Commission on Economic Modernization and Innovative Development of Russia (Ministry of Economic Development of the Russian Federation)

MAJOR EVENTS OF 2020

June

Zarubezhneft and DEME Concessions Wind NV signed a cooperation agreement on marine wind generation in South Vietnam for the 1-GW Vinh Phong offshore wind farm project. Zarubezhneft became the first Russian company to take a practical step towards participating in large-scale offshore wind generation projects.

June

ZARUBEZHNEFT-Dobycha Samara launched construction on Well 5VP at the Lutseyakhskoye field. This is the first of six planned wells during the project's pilot operation period. Testing was successfully conducted on an overlying new bituminous object of reservoir M at the Boca de Jaruco field in Cuba and a free flow of super-viscous oil was obtained for the first time.

April

Downhole equipment was assembled without repairs at the Boca de Jaruco field in Cuba.

January

ZARUBEZHNEFT-Dobycha Samara won an auction for the right to use subsurface resources for the geological exploration of the Turgaysky site in the Orenburg Region.

September

Zarubezhneft sold a consignment of crude oil for export in an online auction for the first time ever. It sold 300,000 tons of Urals oil via the electronic platform of the St. Petersburg International Mercantile Exchange (SPIMEX). Since 2014, the Company has carried out procedures for the export sale of more than 9.2 mln tons of crude oil.

Zarubezhneft's project 'Introduction of the IFRS and Other Reporting Consolidation System Based on 1C: Holding Management' won the category 'Best Project in the Domain Area – Management and Financial Accounting (FRP)' at the 1C: Project of the Year corporate automation competition.

September

On September 25, 2020, Premier Oil Tuna B.V. and ZN Asia LLC signed an agreement to transfer a stake in a production sharing agreement (PSA) (FOA) for the Tuna Block. The Tuna Block is located in the Indonesia offshore economic zone 13 km from the border of the Vietnam offshore economic zone and includes two gas fields: Kuda Laut and Singa Laut.

(For reference: the Indonesian government, as represented by the Ministry of Energy and Mineral Resources, approved the transfer of a 50% stake in the Tuna Block PSA on December 22, 2020, and SKK Migas, the state regulator for the management of oil and gas exploration and production activities, gave approval on January 4, 2021).

August

The Ministry of Energy presented awards to Zarubezhneft subsidiaries as part of a contest for the best socially-oriented company in the oil and gas industry:

- ▶ JV RUSVIETPETRO
 - Creation of living conditions at remote production sites
 - Implementation of measures to prevent accidents and occupational diseases
 - Best project – Implementation of the Vision Zero concept
- ▶ Zarubezhneft
 - Intra-company training (advanced training)
- ▶ Arktikmorneftegazrazvedka
 - Occupational safety organization
- ▶ ZARUBEZHNEFT-Dobycha Samara
 - Active implementation of social policy

September

The first multi-lateral well, E2-21, was put into operation at Kharyaga oilfield. The bottom-hole depth of the well holes was 3,647 and 3,790 meters.

- Operating
- International cooperation
- Corporate events

October

Zarubezhneft launched its Business Service Center. Its goal is to make major changes to internal processes, reduce operating expenses, and improve the Company's process efficiency and competitiveness.

October

Drilling of a well at the Sadetsky Zapadno-Khosedayskoye oil field was completed at a record schedule speed. Despite a planned drilling time of 45 days, the well was drilled in 34 days. The projected bottom hole was 3,267 meters.

A new drilling achievement occurred at the Kharyaga oil field with the drilling of a controlled directional well. The W1-07 producing well was drilled in 32 days. The schedule speed was 3,321 m/machine-month and exceeded the planned target by more than 50%.

The Operational Monitoring Center began operating on a pilot basis at the Zarubezhneft Communication Center. The OMC helps to promptly monitor the operation of subsidiaries and platforms based on oil, liquid, and gas production indicators and build dependence diagrams based on production indicators with a daily/monthly/yearly breakdown.

November

Zarubezhneft held its first seminar for the federal executive authorities on searching for and evaluating projects. The event was attended by most of the Russian authorities: the Russian government, the Ministry of Energy, the Ministry of Foreign Affairs, the Ministry of Economic Development, the Ministry of Finance, the Ministry of Industry and Trade, and the Ministry of Natural Resources and Environment as well as Russia's embassies and trade promotion offices abroad.

November

A solar power plant was installed and commissioned at the Brod Refinery. The solar power plant has 2,724 solar panels and can generate at least 1,05MW of electricity per year.

A new line for packaging finished products was launched at the Modriča Motor Oil Plant, which will increase output, provide an opportunity to expand the range of packaging, improve the quality of group packaging, reduce the line changeover time when switching to another type of packaging, and ensure increased bottling efficiency.

December

Zarubezhneft finished first in the environmental responsibility rating of Russian oil and gas companies.

Tests of catalytic aquathermolysis technology were successfully completed, and a patent was obtained for the technology.

The Expert RA rating agency assigned Zarubezhneft a 'ruAAA' credit rating with a stable outlook. The credit rating was assigned to Zarubezhneft for the first time. The 'ruAAA' rating is the highest national credit rating and indicates Zarubezhneft has the highest borrowing capacity level.

December

Zarubezhneft concluded a transaction to acquire a 56.17% share in UNGP from Trust Bank. UNGP owns three license areas in the south of the Orenburg Region. The fields have been put into operation, and current output is around 200,000 tons of oil equivalent per year.

A Zarubezhneft and Gazprom Neft joint venture opened a new hard-to-recover hydrocarbon field in the Khanty-Mansi Autonomous District-Yugra. The first oil was obtained during well flowback operations at the Salymsky 3 license area.

#2



STRATEGIC
REPORT

Strategic report

Developing
the skills
of promising
young people

DEVELOPMENT STRATEGY

3 STAGES OF CORPORATE STRATEGY IMPLEMENTATION: 102-10

In 2020, the Company wrapped up the second stage of its strategy 'Ready for Growth and First Successes' (implementation period: 2017–2020) and moved on to the third stage of the strategy 'Intensive Growth' (2021–2030). The corporate development strategy of Zarubezhneft until 2030 was approved by the Board of Directors in 2014 (Minutes No. 85 dated June 26, 2014). Per the strategy, the Company's primary focus is the Upstream segment in which Zarubezhneft is focusing on the fields where the Company can build up its existing expertise, namely fields with an unbalanced development system and fields with complex reservoirs similar to those that have been developed in the Company's regions of operation.

2014–2016

Stage I 'Preparing for Growth'

- ▶ Active work on current assets
- ▶ Development of expertise and improvements to the efficiency of all organizational processes

In 2020, we continued implementing the main objectives of the Corporate Strategy as part of the Company's four strategic development focuses and strategic development programs:

- ▶ The **Technological Leadership program** consists of a set of projects and initiatives that aim to develop crucial technology expertise in order to improve the efficiency of current assets and expand globally
- ▶ The **Expansion program** includes a set of project tasks that involve searching for, assessing, and new projects, as well as the creation of effective tools for to search for and assess projects, and mechanisms for effective work in new countries and regions
- ▶ The **Corporate Evolution program** aims to create a flexible, adaptive business system for efficient work with underlying assets and the rapid integration of new assets, while ensuring maximum speed and flexibility in processes related to management as well as executing and adopting decisions
- ▶ The **Talent Management program** consists of objectives to build a succession pipeline and staff rotation programs in key positions for new foreign projects.

2017–2020

Stage II 'Ready for Growth and the First Successes'

- ▶ Completed formation of a business development team
- ▶ Joined 3–5 new assets as part of accumulated expertise

2021–2030

Stage III 'Intensive Growth'

- ▶ Joined 5 or more new projects
- ▶ Reached production levels of more than 15 million tons by 2030

CONSISTENT ATTAINMENT OF STRATEGIC FOCUSES 102–46 102–47

Strategic development priorities

Strategic programs

1

Further development of technological expertise

TECHNOLOGY LEADERSHIP PROGRAM

The program integrates and synchronizes key milestones and KPIs of the portfolio of technologies that have been developed and tested:

- ▶ Catalytic Aquathermolysis technologies (for intraocular oil enrichment)
- ▶ Chemical EORM methods (start of pilot operations)
- ▶ Development of mobile solutions for remote field development
- ▶ Digitalization of production projects

▶ p 22

2

Joining new projects abroad

EXPANSION PROGRAM

The program combines and synchronizes the objectives of various units and subsidiaries in the search for new projects and resource base expansion in the RF, CIS countries, and other high-priority countries; it also creates effective tools to search for and evaluate new projects and mechanisms for effective work in new countries and the region

▶ p 40

3

Continuous improvement of management efficiency

CORPORATE EVOLUTION PROGRAM

The program ensures a flexible, adaptive business environment for effective work with current underlying assets, the rapid integration of new assets, and the increased efficiency of expansion processes, including the following goals:

- ▶ Maximizing the speed of decision-making
- ▶ Automating management processes with simultaneous re-engineering
- ▶ Introducing a service model

▶ p 44

4

Completion of skilled personnel training

TALENT MANAGEMENT PROGRAM

The program includes a package of comprehensive initiatives to identify, develop, and promote talented employees within the Group:

- ▶ Forming a talent pool and rotation programs for key positions in new foreign projects
- ▶ Developing a system of experts and methodologists
- ▶ Gradually increasing staff expertise through internal training schools (SNI, Project Management School, and the Leadership School)

▶ p 54

TECHNOLOGICAL LEADERSHIP PROGRAM

In an effort to develop crucial technology expertise and introduce the best technical solutions throughout the technological chain, the Technology Leadership program has been developed and is being implemented, including projects in the following areas:

- ▶ Technologies to ensure efficiency gains in exploration (Discovery project)
- ▶ Technologies to increase the oil recovery index (ORI) (Smartflooding, Entalpy, and Tight Oil projects)
- ▶ Technologies for the efficient development of small fields (Nestro-TEC)



A key focus in this regard is also the end-to-end digitalization of production processes through the implementation of the program projects. The strategy guides the Company's digital development.

PROGRAM PORTFOLIO. CHALLENGES AND ACHIEVEMENTS



Geological exploration

≤20%

Share of replenishment of production reserves with new oil and gas exploration technologies

DISCOVERY

- ▶ Increased efficiency of oil and gas exploration



Development

- ▶ Using technologies to increase the NPV and ORI of current assets
- ▶ Technological basis for entry into new projects

≤5%

ORI of current assets

SMARTFLOODING

- ▶ Enhanced oil recovery methods using chemicals and gas

~1

bln tons

commercialization of bitumen production in Cuba

ENTALPY

- ▶ Enhanced heating oil recovery methods

2

Launch of new projects

Involvement in the production of hard-to-recover reserves (HTR), vertical seismic profiling (VSP), and radio-frequency surveying in the Kharyaga production sharing agreement

TIGHT OIL

- ▶ HTR development



Production

≤3 times

CAPEX optimization by applying mobile solutions and new technologies

NESTRO-TEC

- ▶ Infrastructure

Efficiency gains in geological exploration activities (GEA) — expanding the resource base

As part of the Technological Leadership program, the Company has initiated and is implementing the cross-cutting Discovery innovative project.

achieve a production level of more than 15 million tons of oil equivalent (TOE) by 2030 in accordance with the Corporate Strategy of Zarubezhneft.

The goal of the project is to increase the resource base and transform it into commercial reserves in order to

INCREASED EFFICIENCY OF OIL AND GAS EXPLORATION

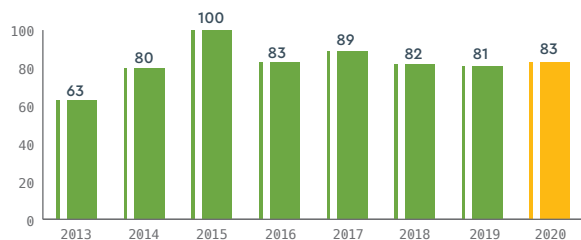
Current situation

- ▶ Work with assets that have a long history of exploration and production
- ▶ Need to incorporate new reserves. Inadmissibility of a decline in drilling success rate



- ▶ New approaches and technologies as well as unconventional solutions

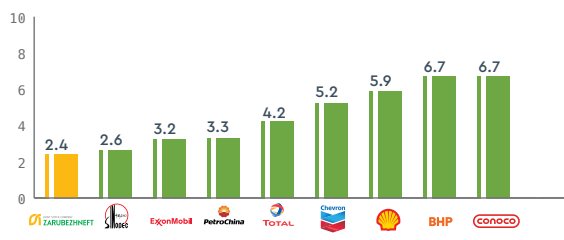
EXPLORATION DRILLING SUCCESS RATE, %



The Company aims to achieve its goal as a result of efficiency gains in prospecting for promising targets at its existing assets, including complex traps, additional exploration, localization, and the incorporation of residual reserves into development using innovative oil and gas exploration methods.

Zarubezhneft's main focus in geology and exploration is to develop and introduce advanced technologies for the complex interpretation of seismic materials and well log survey (WLS) data (neural networks, machine learning, and artificial intelligence) as well as geological and basin modeling, and transition to the automated routine manual work of specialists while improving the quality of the work they perform.

COST OF INCREASE IN GEOLOGICAL EXPLORATION RESERVES, USD/bbl



The primary goal of the Discovery project for the period until 2025 is to create and automate an uninterrupted chain from digital core, petrophysics, WLS data, seismic, regional, and basin modeling data to digital geological models, and ensure their automated updating based on new incoming data. The use of Big Data and Data Mining technologies (gaining new knowledge from data – machine learning, artificial intelligence, etc.) will improve planning accuracy and the speed of decision-making.

One example of a way to enhance the information content of seismic data is the experience of 3D/4C seismic work with bottom recording devices on the shelf of Vietnam. This work helped to identify 23 prospective exploration targets, including low-amplitude and nonstructural traps.

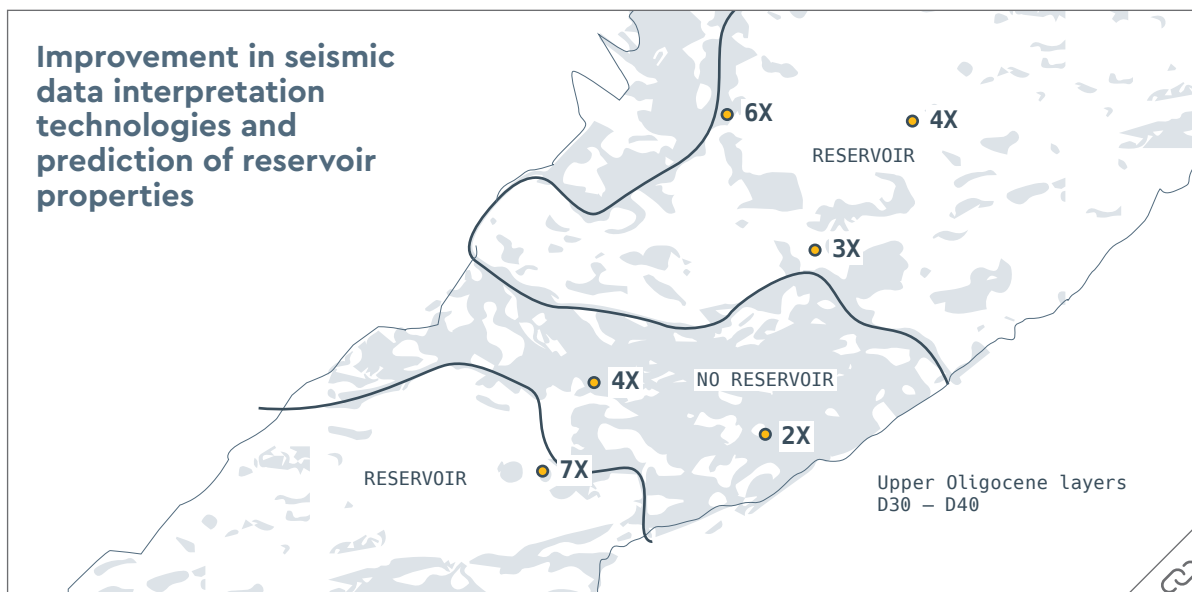
Cross-cutting project

Discovery

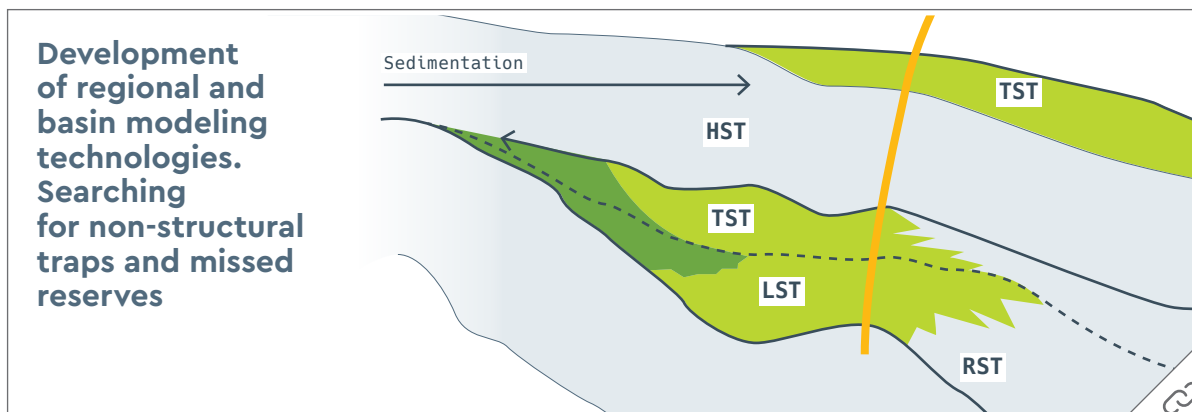
The work performed as part of the cross-cutting Discovery innovation project produced success in 2020.

- ▶ Based on the forecast of the reservoir quality from data on the integrated use of a seismic attribute analysis, well ST-7X was successfully drilled at the Beluga field, which added more than 1.1 million tons of recoverable reserves and showed that the hydrocarbon prospects of the field could be expanded to the southwest
- ▶ More than 1.9 million tons of recoverable oil reserves are expected to be added from an isolated unstructured object of the Oligocene deposits as a result of drilling wells BT-53 and BT-57 at the White Tiger field
- ▶ Preliminary pilot testing results, together with the separation of the litho-facial zones via a seismic attribute analysis, show a possible increase in recoverable reserves by 1.5 million tons at the Lutseyakhskoye field

Improvement in seismic data interpretation technologies and prediction of reservoir properties



Development of regional and basin modeling technologies. Searching for non-structural traps and missed reserves



Key results of 2020 and prospects

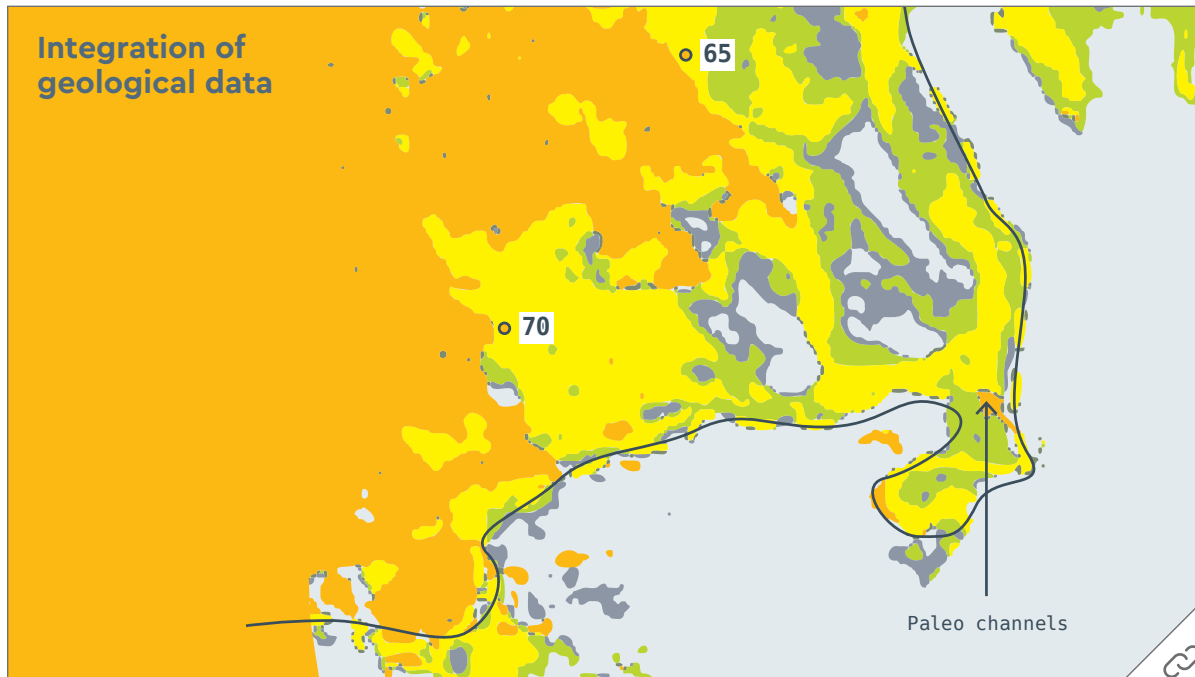
>1.1 mln t

Growth in recoverable oil resources in the Southwest part of the field (structure) of Beluga Block 09-3/12

>1.9 mln t

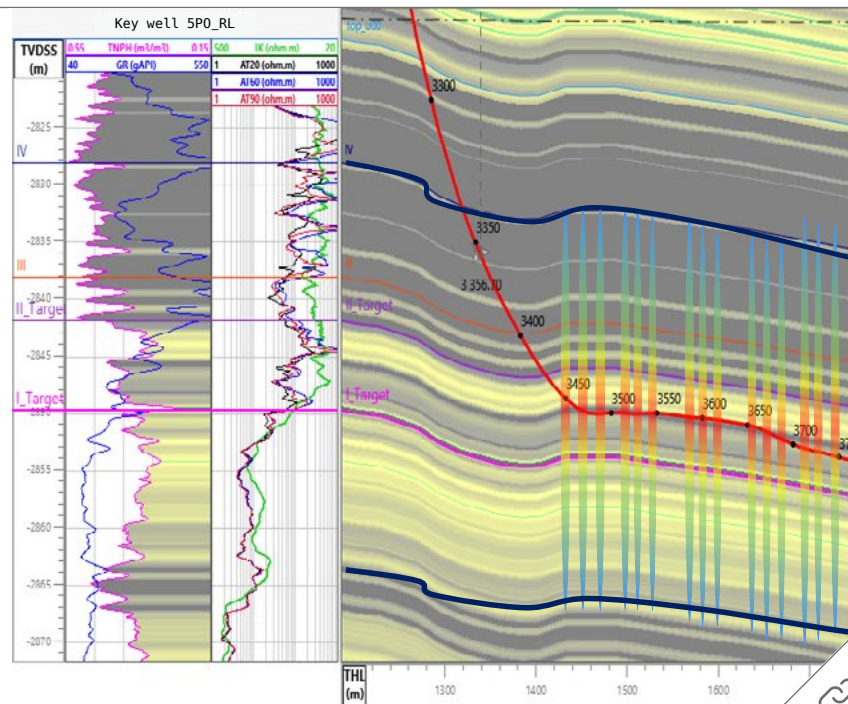
Recoverable oil resources expected to growth based on drilling of Well BY-53 and BT-57 of the White Tiger on non-structural sites in Oligocene D

Integration of geological data



Drilling of complex exploration wells

Projects in Vietnam: drilling of exploration wells with multiple boreholes, including with hydrolyzed polyacrylonitrile clayey plug-back paste



+1.5 mln t

Growth in C1 recoverable oil reserves from the additional exploration of the Lutseyakhskoye field when conducting pilot commercial development

Increase in oil recovery index (ORI)

The Company is successfully introducing technologies to increase ORI and maintain base production levels:

- ▶ Use of technologies to incorporate previously undrained reserves into development (K_{sweep})
- ▶ Use of technologies to increase the efficiency of displacement from hydrophobic reservoirs (K_{disp})
- ▶ Selection of technologies to effectively incorporate previously unprofitable reserves into development

The following measures ensure positive production dynamics:

- ▶ Optimization of the natural reservoir pressure increase (NRPI) system in the terrigenous reservoirs of the White Tiger field

- ▶ Implementation of the hydraulic fracturing (HF) program on the shelf of Vietnam
- ▶ Highly effective geological and technical actions at major fields
- ▶ Use of polymer compositions at the fields of JV RUSVIETPETRO LLC and ZARUBEZHNEFT-Dobycha Kharyaga LLC
- ▶ Systematic and effective work with unbalanced deposits in the Ural-Volga region

Use of enhanced oil recovery methods. Smartflooding project

■ USE OF ENHANCED OIL RECOVERY METHODS

Zarubezhneft is actively working to improve the efficiency of its current assets and their ultimate oil recovery rate

SMARTFLOODING

Project

Four key focuses of the SMARTFLOODING project

Stage IV digital core – creating complex forecasting tools

- ▶ ZARUBEZHNEFT-DOBYCHA KHARIAGA LLC
- ▶ JC RUSVIETPETRO LLC

Stage III SWCTT on surfactant-polymer treatment

- ▶ ZARUBEZHNEFT-DOBYCHA KHARIAGA LLC
- ▶ JC RUSVIETPETRO LLC

Stage II Flow diverter technologies and remedial cementing

- ▶ JC RUSVIETPETRO LLC
- ▶ ZARUBEZHNEFT-DOBYCHA KHARIAGA LLC

Stage I Optimization of the water flooding system

- ▶ JV VIETSOVPETRO

The need to develop complex hydrophobic carbonate reservoirs has challenged the Company to search for effective innovative solutions to increase oil recovery. A 5% increase in ORI only at its Russian operating assets would enable Zarubezhneft to increase recoverable reserves by more than 15 million tons.

The Company decided to focus its efforts in this regard by initiating and implementing the SmartFlooding project, which seeks to increase the ORI of operating assets by, as mentioned above, improving technologies that aim to incorporate reserves that have not been drained into development (K_{sweep}) as well as technologies that aim to increase the efficiency of oil displacement from hydrophobic carbonate reservoirs (K_{disp}).

The need to develop complex hydrophobic carbonate reservoirs poses a challenge to the Company in terms of finding effective innovative solutions to enhance oil recovery.



Objectives of the SmartFlooding project

- ▶ Increase the efficiency of secondary enhanced oil recovery methods (EORM) by developing and introducing new approaches to organizing and monitoring the NPRI system
- ▶ Increase the ORI by 5–10% due to EORM in carbonate assets
- ▶ Plan EORM research and development (R&D) and a pilot project within Zarubezhneft
- ▶ Develop technological processes for EORM planning
- ▶ Improve business processes for organizing R&D on EORM with the aim of reducing the timeframe of R&D
- ▶ Develop expertise among specialists concerning modern EORM.

The Company already has an example of the successful application of EORM technologies. In particular, flow diverting technologies are employed at the Kharyaga oilfield, which has historically implemented an ion-modified water injection program. JC RUSVIETPETRO is conducting pilot testing on innovative stream diverting technologies, selective isolation, and, for the first time in Russia, a chemical tracer test to determine the effectiveness of surfactants.

Key results of 2020 from the use of EORM

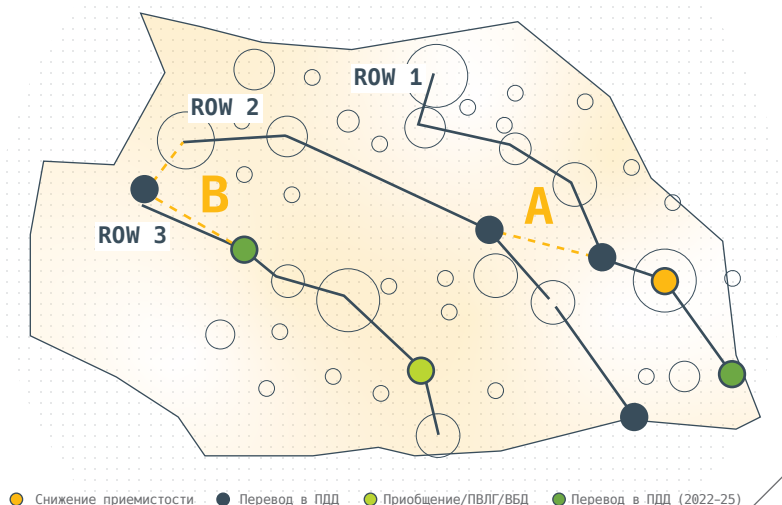
- ▶ Diverter solutions were pumped into four wells at the Kharyaga oilfield (production has increased by more than 200,000 tons since this technology started being used)
- ▶ A pilot project was conducted for bottom water shutoff at the Zapadno-Khosedayuskoye field (production has increased by more than 12,000 tons since 2019)
- ▶ A study was conducted on the effectiveness of the surfactant-polymer compound on a single well at the Kharyaga field using the chemical tracer method (under reservoir conditions, the recovery factor of the chemical compound was 17%, which is consistent with the results of lab studies)
- ▶ Pilot projects were launched to study the effectiveness of low-mineralized water at the Visovoye and Kharyaga fields
- ▶ Laboratory studies were completed on the selection of a surfactant-polymer compound for the terrigenous fields of Block 09-1 at JV Vietsovpetro

Key results in 2020

Flood optimization

~1.5 times

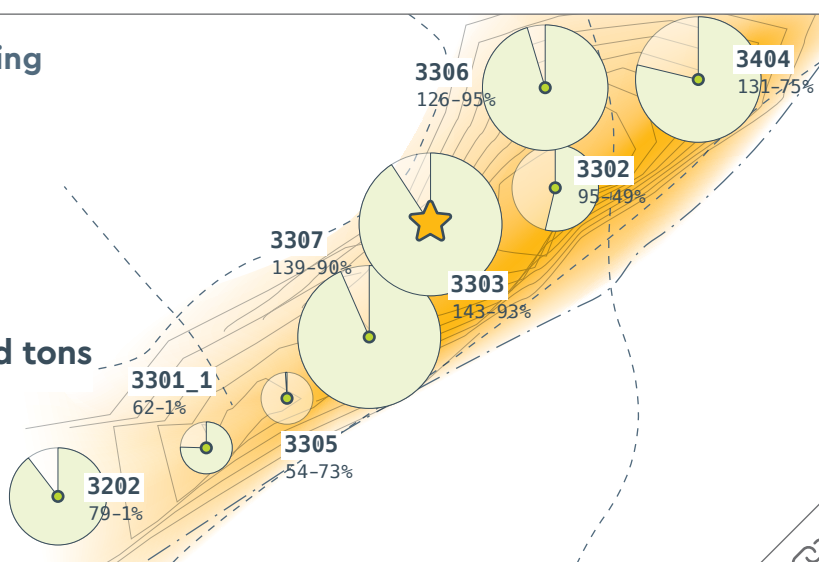
Reduction in the rate of decline in basic production since 2017 due to effective work with water cut without additional drilling



Diverting and cementing

~250 thousand tons

Due to the successful application of innovative flood diverting technologies at RVP fields



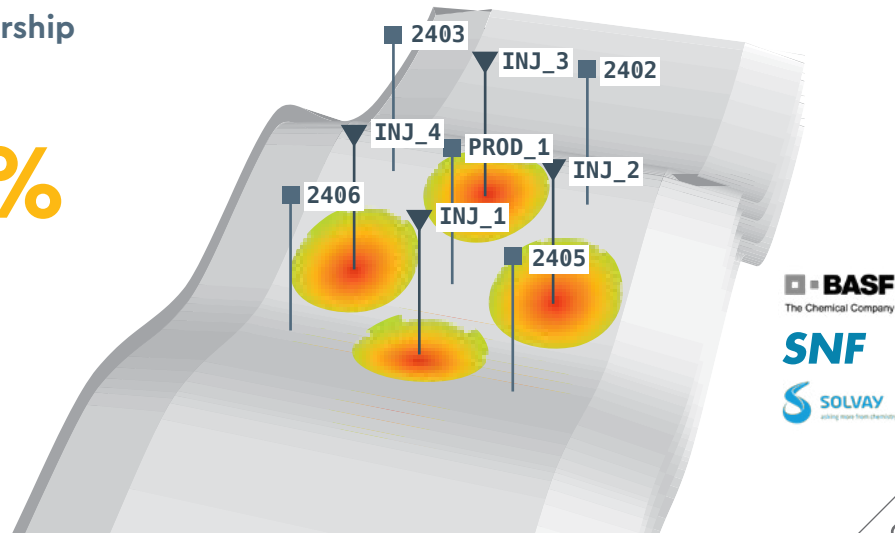
EORM in partnership

+5-10%

increase of ORI

RUB ~1 billion

NPV from the pumping of chemical compositions



Enhanced oil recovery technology for high-viscosity oil fields using catalytic aquathermolysis. Entalpy project

The introduction of modern thermal oil recovery methods based on innovative technologies has become a priority for Zarubezhneft since the Company has natural bitumen deposits with complex geological and physical conditions at the Boca de Jaruco field in Cuba. The development of innovative thermal EORM solutions will provide the Company with a competitive advantage in the development of fields with high viscosity and super-viscous oil as well as bitumen.

Since 2015, the Company has been carrying out pilot operations using thermal EORM to extract natural bitumen from the M formation of the Boca de Jaruco field. The field is located in the North Cuba heavy oil belt, 37 km

from Havana. The fractured carbonate formation M has a regional occurrence. It has significant oil resources (3.7 billion tons) that are classified as hard-to-recover because of the high viscosity of the oil. The viscosity of the formation M oil is more than 35,000 cP at 36 °C in initial formation conditions and more than 50,000 cP in standard conditions, which is among the highest levels in the world among developed natural bitumen fields. Oil density is 1.027 g/cm³ (6°API).

Even though significant bitumen reserves are concentrated in carbonate formations all over the world, the pilot work of Zarubezhneft is the only active pilot project in the world that involves the extraction of natural bitumen from such formations. A number of pilot projects in Canada that tested the ability to extract bitumen from carbonates using conventional thermal methods ended in failure.

EORM USING THERMAL ENERGY

Boca de Jaruco project in the Republic of Cuba

Oil reserves and resources

~195 mln tons

Geological reserves of natural bitumen in the contract area

722 mln tons

natural bitumen resources in the contract area

Rocks with bituminous saturation with high potential (not examined before) are found in the upper part of the cut



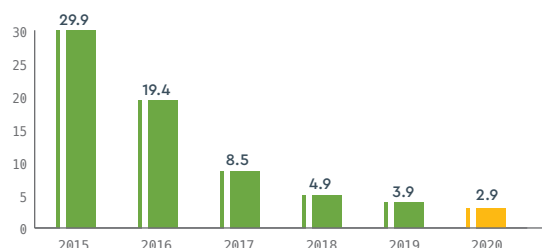
Photo of the core from the 1st production well

Project ENTALPY

Unique technologies

- ▶ Super-viscous oil extraction using steam-heat methods
- ▶ Catalytic aquothermolysis for intrastratal oil upgrading
- ▶ Fiber optic thermometry system
- ▶ Steam-cycle well treatments using a producing pump

CHANGES IN THE STEAM-OIL FACTOR, tonnes of steam per 1 tonne of oil



-50%

Decrease in oil viscosity

-30%

Reduction in the molecular weight of resins

x3 Times reduction
in asphaltenes

+14%

Output of light fractions
in atmospheric distillation

3 new horizontal wells were drilled to the main bituminous M formation at a depth of 600m

An additional 4th well was drilled to test the new formation at a depth of 250 m. A gushing flow of bitumen was obtained following the steam treatment of the reservoir



Next steps in the project

190 mln EUROS

project investments

57 wells

project stock

3.7 mln tons

of oil production

Outlook

If well drilling produces positive results, the prospect of developing oil resources in northern Cuba is a feasible task in the foreseeable future. However, an industry solution for using the oil that is produced needs to be found.

OBJECTIVES OF THE INNOVATIVE ENTHALPY PROJECT:

- ▶ Achieve target production levels at the Boca de Jaruco field
- ▶ Develop Huff and Puff (HNP)/SAGD modeling and design technologies
- ▶ Develop approaches to characterizing bitumen-bearing formations
- ▶ Develop technological processes for the production and processing of bitumen
- ▶ Develop technologies to monitor development using thermal methods
- ▶ Develop expertise among specialists on thermal EORM.

Jointly with Kazan (Volga) Federal University, Zarubezhneft conducted R&D on the development of a technology to increase the oil recovery of high-viscosity oilfields using catalytic aquathermolysis. The technology allows for the intensification of in-situ enrichment of heavy oil in steam-heat processing, which will improve the quality of oil produced, reduce its viscosity, and ultimately improve the energy and economic efficiency of the Boca de Jaruco field (and potentially other similar fields in the heavy oil belt of Cuba and other countries). On November 26, 2019, pilot testing of this technology began at well BH-3003; the pilot project was completed in 2020.

While working on the project, the Company achieved impressive results through the use of unique technologies and innovative approaches:

- ▶ Production infrastructure was built for oil production and steam injection into the reservoir
- ▶ Heavy oil flows with start-up flow rates of more than 20 tons/day were obtained from the M formation for the first time
- ▶ The steam-oil factor was reduced by almost 89% to 2.9 tons of steam/ton of oil per well
- ▶ Energy return on investment (EROI), a ratio that measures the amount of usable energy delivered from an energy source versus the amount of energy used to obtain said energy resource, per well increased fivefold to 5.1, which is on par with cost-effective projects worldwide. EROI is projected to continue growing.

5.1

EROI (energy return on investment) in the Enthalpy project, which is at the level of profitable projects around the world. EROI is forecast to continue to grow.

Introduction of technologies to develop low-permeability and unconventional reservoirs. Tight oil project

In line with the global trends of recent decades, oil companies are putting assets into production with hard-to-recover reserves concentrated in low-permeability reservoirs. The so-called shale revolution in the United States has significantly increased hydrocarbon production (both oil and gas) in North America and changed the global hydrocarbon production market. Numerous estimates project that the remaining recoverable shale resources exceed 50 billion tons.

Understanding the importance of this phenomenon, Zarubezhneft expanded its resource base in 2016 with unconventional reservoirs by acquiring the Lutseyakhskoye field. The remaining recoverable reserves of the Achimov deposits in Western Siberia, listed in the State Balance of the Russian Federation, exceed 2 billion tons, which creates broad prospects for increasing the Company's resource base and oil production if the Achimov deposits of the Lutseyakhskoye field are successfully commissioned.

Zarubezhneft is implementing new projects with hard-to-recover reserves. To effectively develop complex hydrocarbon reserves, Zarubezhneft has initiated and is actively implementing the comprehensive innovative Tight Oil project. The strategic goal of the project is to develop solutions to improve the efficient development of low-permeability reservoirs and to increase their oil recovery factor as a result.

OBJECTIVES OF THE INNOVATIVE TIGHT OIL PROJECT:

- ▶ Reduce the construction time and cost of horizontal wells with multistage hydraulic fracturing (MSHF) (work with equipment and materials rates and cost)
- ▶ Extend the horizontal well section up to 2–3 km without significantly increasing well costs
- ▶ Develop optimal hydrofracturing techniques for low-permeability reservoirs (selection of optimal equipment and materials: design, number of stages/clusters, pumping speed, etc.)
- ▶ Organize an effective system of NPRI with water injection
- ▶ Adapt tertiary enhanced oil recovery methods based on gas injection (HC, nitrogen, and air) and their derivatives (Huff & Puff and foam compounds)
- ▶ Conduct a comprehensive study of reservoirs (core, WLS, geochemistry, geomechanics, standards, etc.)

INCREASING THE EFFICIENT DEVELOPMENT OF LOW PERMEABLE RESERVOIRS

PROJECT

Making well designs more complex in low-power zones of ZARUBEZHNEFT-Dobrycha Kharyaga (ZNDK) and radio-frequency surveying

TIGHT OIL

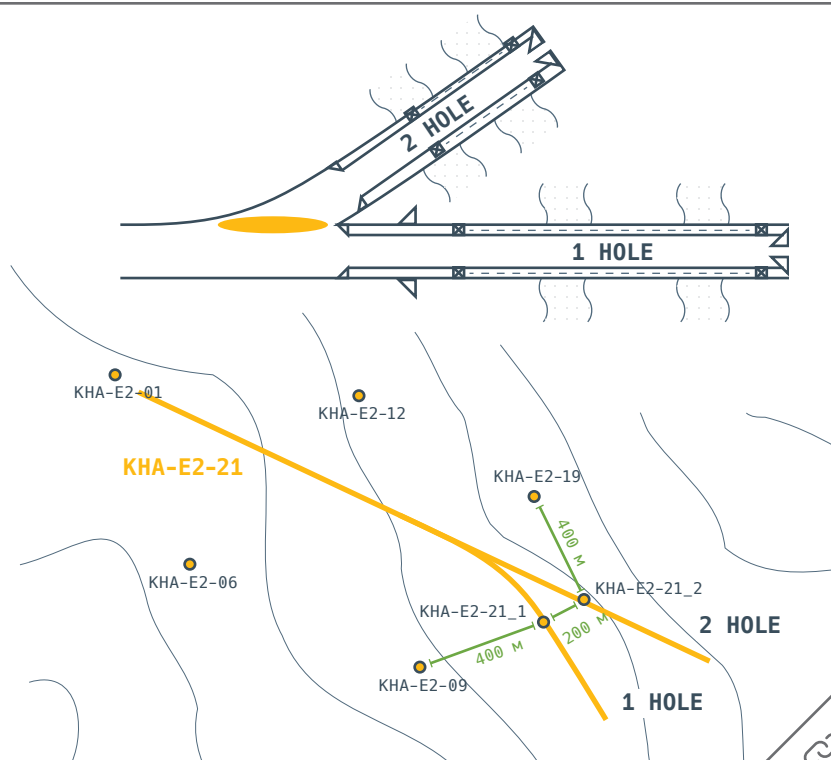
successfully drilled wells in 2020:

2 horizontal wells (HW) in radio-frequency surveying and ZNDK

1 Multilateral well at ZNDK

1 Black shale with MSHF at ZNDK

≤17 mln tons potential for development



Exploration of submerged dense oligocene formations in Block 09-1 with HF

TESTING DEEP LAYERS WITH HF

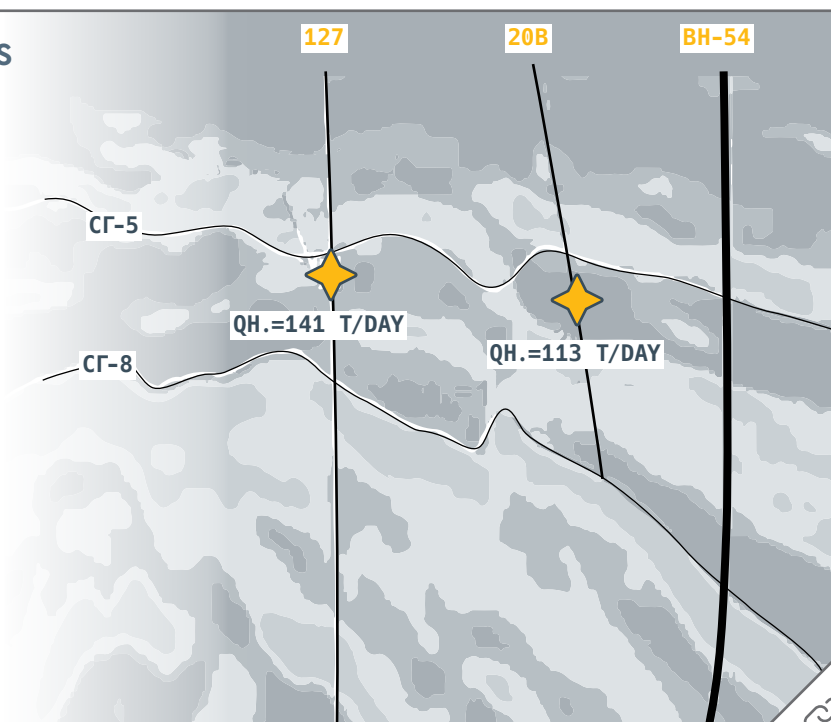
>4 thousand m

In exploration wells BT-54 and BT-57

They previously provided non-industrial oil inflows, were not on the balance sheet, and were not developed

>5 mln tons

potential for reserve growth





For more information
see the Company's website

Lutseyakhskoye field

~7 mln tons

of recoverable reserves

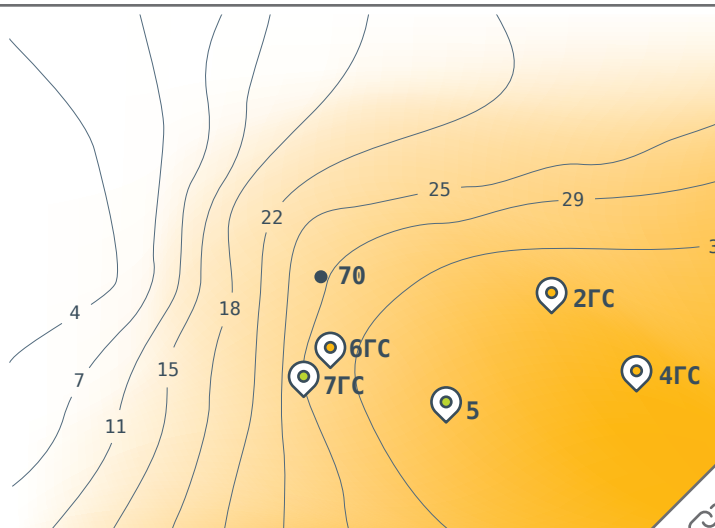
4000 thousand m²

deposit area

~0.1 mD

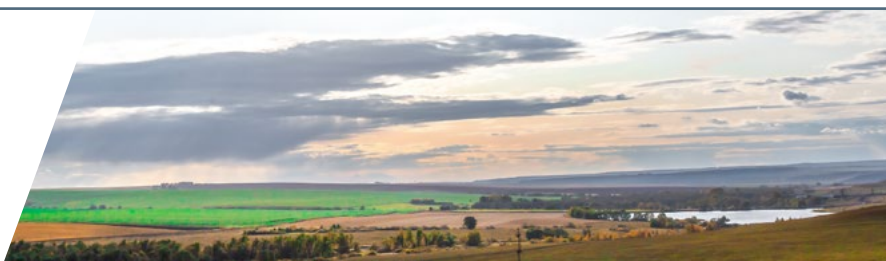
permeability

- ▶ Hard-to-recover reserves of the Achimov deposits
- ▶ Formation of a pilot plot 2020-2021



Salym plots no. 3 And no. 5

- ▶ Horizontal well with 15 HF stages
- ▶ Natural oil flow



In order to achieve the strategic goals of the Tight Oil project in 2020, the following work was carried out on sub-projects:

- ▶ Implementation and support of the pilot project at the Lutseyakhskoye field
- ▶ Selection and adaptation of low-permeability core survey methods
- ▶ Design of HF for conditions at the Lutseyakhskoye field

Key Tight Oil project results in 2020

- ▶ In 2020, JC RUSVIETPETRO drilled the first horizontal well at the low-permeability, thin D3fmIV formation. The well was launched with a flow rate of 50 tons per day. Two additional horizontal wells will be drilled and fractured at this location with HF in 2021. If the results are successful at the pilot project stage, this technology will make it possible to develop more than 15 million tons of geological reserves at the D3fmIV formation, which currently are not being developed by JC RUSVIETPETRO.
- ▶ ZARUBEZHNEFT-Dobycha Kharyaga drilled the first two-hole well to the edge zone of the D3fm formation with a flow rate of more than 100 tons per day. The Company plans to replicate the technology in 2021.
- ▶ Zarubezhneft drilled a horizontal well with a 15-stage HF operation at the Bazhenov deposits for the first time. An oil flow to the surface was obtained, and tests are in progress.
- ▶ Drilling began on a pilot project section at the Achimov deposits of the Lutseyakhskoye field (Yamalo-Nenets Autonomous Area (YNAO)), which has permeability of about 0.1 mD. The Company plans to drill four horizontal and one directional well. Within the pilot project section, the plan is to select the optimal technology for multistage fracturing and ways to influence the reservoir in order to increase the efficiency of oil displacement from low permeability formations.
- ▶ The Company launched R&D to create a geo-mechanical model of the Lutseyakhskoye field to optimize HF.
- ▶ A specialized program of low-permeability core research based on the best domestic and foreign practices has been prepared and is being implemented

Technologies for the efficient development of small fields. Nestro-TEC Project

The NESTRO-TEC project is being implemented as part of the Technological Leadership strategic focus in order to ensure efficient oil production with minimum capital and operating costs, increase mobility through block-modular manufacturing of site equipment, improve energy efficiency, and introduce new product preparation technologies.

The NESTRO-TEC project includes a set of technological initiatives that aim to develop mobile technological solutions and equipment as well as reduce the cost of existing components, which helps to obtain finished products at the field trial operation stage with the ability to influence the productivity of the technological operations that are being performed.

OBJECTIVES OF THE NESTRO-TEC INNOVATIVE PROJECT:

- ▶ Develop preliminary water discharge mobile units at fields during the early stage of development
- ▶ Generate power using oil instead of diesel fuel
- ▶ Reduce capital and operating costs on preparing APG for power generation
- ▶ Reduce APG flaring
- ▶ Reduce specific electricity costs for the extraction of oil-containing liquids
- ▶ Reduce the operating costs of energy-consuming equipment
- ▶ Ensure better planning of repair operations with surface equipment
- ▶ Efficiently operate wells with a complex profile
- ▶ Reduce capital expenses on field development

The NESTRO-TEC project is already introducing and replicating technologies that were developed in 2016–2018, including the following:

- ▶ The preliminary produced water discharge unit for small fields (NESTRO-KSI/Kickoff Surface Infrastructure) is a modular preliminary water discharge unit that is located directly at the field during pilot operation and can be quickly relocated by road or rail (ZARUBEZHNEFT-Dobycha Samara LLC is operating it with success).
- ▶ A Russian-produced power plant that runs on oil of all categories that consists of a diesel power plant

manufactured by Kolomna Locomotive Works OJSC and Zvezda-Energetika JSC and is equipped with fuel equipment designed by Zarubezhneft for operation on category 3 oil. Pilot tests have been completed. The project has been approved for replication. The Company plans to purchase another power plant and put it into operation in 2021.

- ▶ The Oil and Gas Enterprise Energy Efficiency Analytical Information System (OGEEE AIS) has been introduced at JC RUSVIETPETRO; replication is under way at ZARUBEZHNEFT-Dobycha Kharyaga.
- ▶ The Oilfield Equipment Integrity Management Information System (OEIM IS) is an automated system for oil production, treatment, and transportation infrastructure facilities. In 2020, the Company continued to develop the functionality of the OEIM IS and AWS-mechanics taking into account the needs of production facilities. The Metrologist AWS module was introduced to optimize the maintenance of metrological equipment as well as instrumentation and automation. In 2021, the Company plans to implement the next AWS-power module, which will ensure information systems fully encompass the entire equipment maintenance cycle.

In addition, as part of the project, Zarubezhneft is implementing a R&D project called Creation of Catalytic APG Purification from Hydrogen Sulfide in 2020–2022. The catalytic APG purification technology is based on gas purification from sulfur-containing components with the use of catalysts developed in Russia (Lomonosov Moscow State University). It can be implemented at any isolated field and ensures the purification of the whole volume of APG. It is introduced within a year when the decision is made, and has low capital and operating costs.

Pilot testing was completed on a mobile small-sized unit that purifies gas from hydrogen sulfide at the Kharyaga oilfield. A decision by the Scientific and Technical Council of the Russian Federation approved the results and endorsed the start of the 5th stage of a R&D contract for the development of the design documentation for the modular industrial unit for APG catalytic purification from hydrogen sulfide and mercaptans for JC RUSVIETPETRO at the Severno-Khosedayuskoye field.

Digitalization of production processes

It is essential for the Company to incorporate the advantages that technological progress has given us. To this end, the Company responds to the realities of the times and uses the best global practices to improve business efficiency.

In 2020, more than 30 projects were launched as part of digital transformation programs.

The highest priority areas for the Company are the development and introduction of machine-learning technologies, big data processing, artificial intelligence, and software robotics.

The development of digital technologies creates new opportunities for oil and gas production processes, from the ability to remotely control processes and objects to the creation of high-precision simulators for the modeling of physical and chemical processes under given temperature and pressure conditions.

In an attempt to practically apply these opportunities, the following key digital projects with a technological focus are being implemented as part of the Company's Digital Transformation Program:

- ▶ Digital Field project
- ▶ Digital Core project

DIGITALIZATION OF PRODUCTION PROCESSES

Implementation of the complex Digital Field project — a powerful driver for increasing development efficiency

Remote, complex fields can be successfully developed using real-time management methods and technologies, modeling tools and decision support when there is risk and uncertainty.

In this regard, the implementation of the Digital Field project is a powerful driver for improving development efficiency, as it enables remote online management of production facilities, while significantly reducing production costs and increasing operational safety.

Project Digital field

« Reducing the time that people are physically present at production sites has become even more important given the pandemic. The ability to remotely monitor and control the production process is one of the key goals of the Digital Field.



Remote control

online operation of production facilities



Creation of high-precision simulators

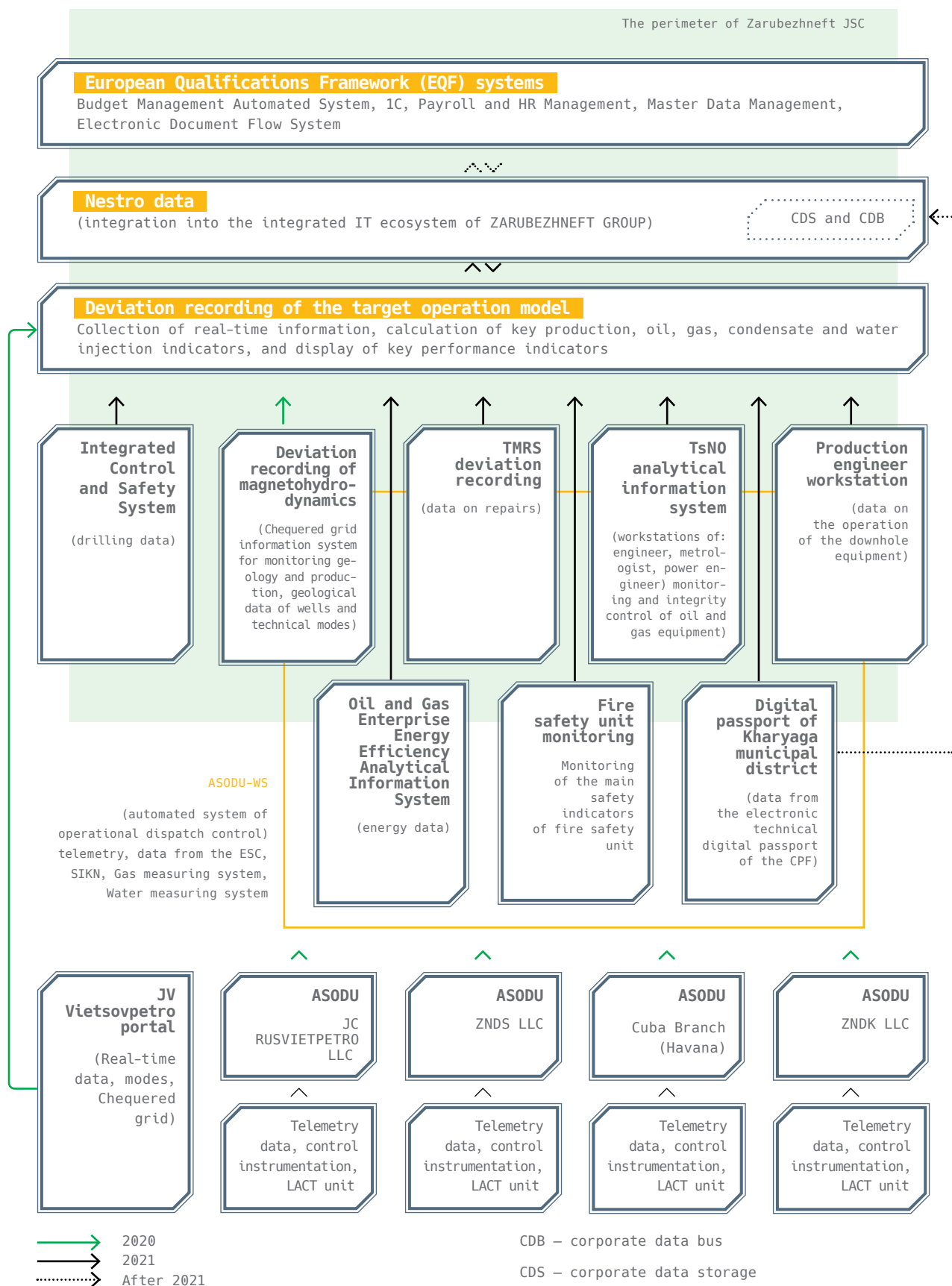
to simulate physical and chemical processes



Decrease in production expenses

and increase in operating safety levels

CONCEPTUAL FLOW CHART



Telemetry data is obtained from oilfield production facilities through an automated dispatch control system (ADCS), which uploads process data on the operation of facilities at Zarubezhneft fields to higher-level systems for the adoption of the management decisions presented below.

1. **The Real-time Monitoring Center Information System (RMC IS).** The key higher-level system that aggregates all production indicators at Zarubezhneft is the Real-time Monitoring Center information system, which ensures the calculation of key indicators of ZARUBEZHNEFT GROUP's subsidiaries, the display of these indicators, and the automated generation of reports.
2. **The Oil and Gas Field Equipment Integrity Automated Information System** controls and monitors oil and gas equipment, certifies supervisory equipment, oversees accounting, the correct and safe operation of oil field equipment, and the planning and control of maintenance and repair activities, and predicts equipment failure time (predictive analytics) in the following areas: Mechanics, Power Engineering, Metrology, and Control Instrumentation.
3. **The Production Engineering Automated Workstation (AWS)** performs real-time control and monitoring of the condition of the power-operated well stock, calculates the flow and pressure indicators of pumps, generates a preventive maintenance schedule, predicts the movement of crews, and maintains a database of manufacturer's certificates for submersible equipment.
4. **The Automated Energy Efficiency System (AEES)** monitors the state of the energy system, simulates the electric grid, and assesses the energy efficiency of technological processes and the operation of pumping equipment.

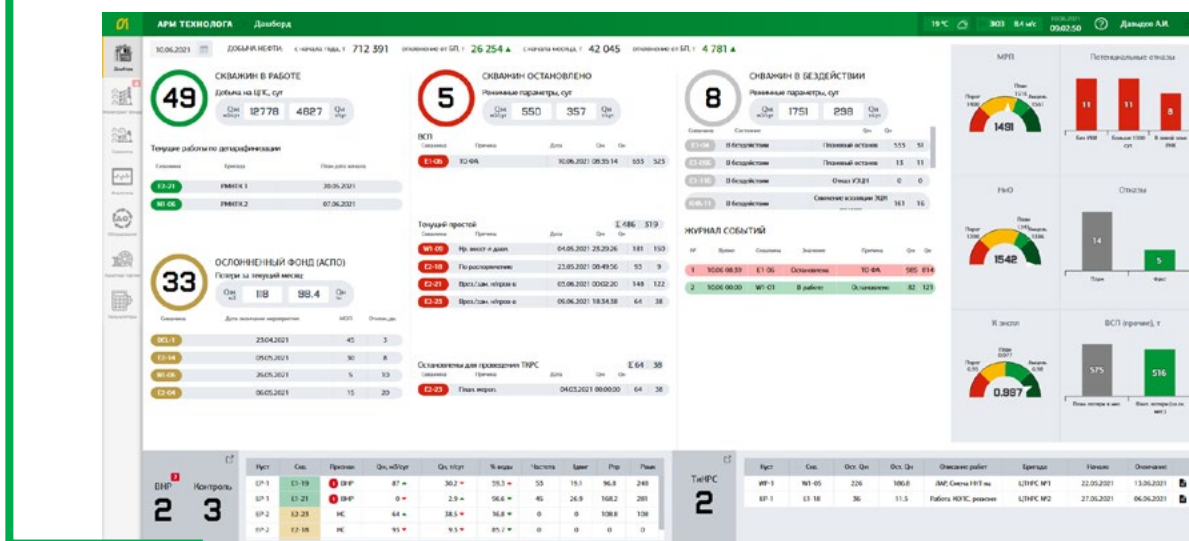
5. The digital passport of the Kharyaga oilfield

is a paperless technical data sheet of the Central Gathering Facility of the Kharyaga oilfield. The passport is a joint information center for obtaining data on design, working, engineering, and as-built documentation, which can be accessed from a 3D model of the object with a high degree of detail. The digital passport can display 3D and VR models of the Kharyaga oilfield's Central Production Facility. It also includes Virtual Reality and Personnel Training Simulator modules.

The digital twin of the Kharyaga oilfield is a unique development that has no counterparts in the industry.

6. **The hazardous production facility monitoring information system** performs real-time assessments of the condition of hazardous production facilities in hazard classes I and II that are listed in the state register, including monitoring of current technological parameters affecting industrial safety, an analysis of the overall state of industrial safety, and the prediction of emergency situations.
7. **The routine repair and well reconstruction information system** helps to plan repair work, ensure real-time accounting and monitoring of the parameters of operations, draft regulatory reporting, analyze work efficiency, and compile a database and electronic dossier of wells.
8. **The drilling management information system** ensures real-time and strategic planning, the prompt provision of complete and reliable information to all levels of management about work, research, costs, and operative solutions to geological and technological problems.

Production engineer workstation



■ OPERATIONAL MONITORING CENTER

Digital Field

The key higher-level system that aggregates all production indicators at Zarubezhneft JSC

It ensures the calculation of key indicators of ZARUBEZHNEFT JSC Group's subsidiaries, the display of these indicators, and the automated generation of reports.

Implemented system modules:



Operative
2-hour



Material
balances



Statements



General
display



■ PRODUCTION ENGINEER WORKSTATION

Digital Field

performs real-time control and monitoring of the condition of the power-operated well stock, calculates the flow and pressure indicators of pumps, generates a preventive maintenance schedule, predicts the movement of crews, and maintains a database of manufacturer's certificates for submersible equipment

5 developed modules

+70%

available time



■ DIGITAL PASSPORT OF THE KHARYAGA OILFIELD

Digital Field

The Digital Technical Passport of the Kharyaga Oil Field Central Processing Facility is a joint information center for obtaining data on design, working, engineering, and as-built documentation, which can be accessed from a 3D model of the object with a high degree of detail.

The digital twin of the Kharyaga oilfield

*is a unique development
that has no counterparts in the industry.*

TOTAL

rated this project as a model one.



The biggest significant effect has been achieved by introducing a comprehensive development system that ensures the sound management of the development, planning, and implementation of measures to increase the degree of oil reserves recovery.

DIGITALIZATION OF PRODUCTION PROCESSES

The Company seeks to achieve a real practical effect from digitalizing the production processes of its assets. In the near future, the Company plans to continue the development of the Digital Core project.

Digital Core

At the hydrophobic fractured reservoirs of ZARUBEZHNEFT GROUP's fields, some of the most urgent issues are the reliable identification of filtration features for the analysis of water-flooding conditions and selection of chemical and physical injection media to increase oil recovery.

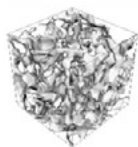
The solution is to create approaches and tools for the analysis and modeling of processes at a micro-level

(core scale), with the subsequent application of results using standard tools at a macro-analysis level (field scale).

In 2020, VNIIneft JSC and Kazan Federal University (KFU) created a prototype for calculating dual-phase immiscible flows. In 2021, the prototype model is expected to be conveyed to the engineering tool. In addition, the foundations were laid in 2020 for the creation of a new theory for modeling compositional flows on a pore scale.

Goal

Reliable field-scale simulation of EORM using available hydrodynamic simulators



Core

Transferred parameters:

- ▶ Physical and chemical interaction parameters
- ▶ Statistical parameters of void space and geometry



Representative volume element

Transferred parameters:

- ▶ P_c
- ▶ Single-phase flow
- ▶ S_{or} , S_{wcr}
- ▶ Permeability and porosity tensors



Full-scale model of the object

MICRO-scale

MESO-scale

MACRO-scale

Physical and chemical core simulator

Meso-level simulator

(calculation simplification for an acceptable loss of accuracy)

Full-scale simulator

(Eclipse, CMG)

The project focuses on developing a set of experimental and computational tools to study oil and gas reservoir rocks in order to:

- ▶ Enhance the speed and reliability of determining properties
- ▶ Minimize the time and expenses for the selection of EORM agents
- ▶ Ensure the correct transition from core scale to hydrodynamic model scale
- ▶ Reduce uncertainties in the appraisal of new projects
- ▶ Solve the problem of core material preservation

The ability to introduce Digital Core technology to replace traditional core studies is a breakthrough, fundamental step in improving the efficiency of EORM selection and design process, which ensures:

- ▶ A multi-fold increase in the efficiency of the selection and application of tertiary enhanced oil recovery methods
- ▶ A reduction in the cost of EORM selection and the time required to fulfill a pilot project
- ▶ An increase in the success of projects that use EORM

EXPANSION PROGRAM

As regards its Corporate Strategy, the Company continues to actively seek out, evaluate, and join new oil and gas projects in Russia and abroad.

Given the current circumstances, the Company has taken a more cautious approach to new projects, weighing risks more carefully and sharing them with partners whenever possible. At the same time, we understand that any crisis, and this one is no exception, contains potential opportunities. For example, the terms for joining numerous projects have become more attractive.

Despite the pandemic, the Company continues to be active within its corporate footprint and is working on joining new foreign projects, with Southeast Asia and countries such as Egypt, Algeria, Iraq, and Kazakhstan remaining priorities in this regard.

When looking for potential assets, the Company is driven by the following principles:

- ▶ Cluster approach — synergy with existing assets
- ▶ Comprehensive integration into a region
- ▶ Portfolio strategy

The following priority areas have been identified for the Company's investment project portfolio:

- ▶ The establishment of production clusters in countries of the Middle East and North Africa
- ▶ A cluster of projects in the Ural-Volga region
- ▶ The establishment of a cluster — an investment project portfolio for the development of activities in Kazakhstan
- ▶ Joining renewable energy source (RES) projects

PRINCIPLES FOR SELECTING NEW COUNTRIES FOR EXPANSION

Stage I

Screening of countries according to primary criteria

- ▶ Proven reserves of less than 10 mln tons in the countries
- ▶ Unfavorable foreign policy relations with Russia
- ▶ Availability of projects only in deep water (more than 100 m)

Stage II

Ranking

- ▶ Ranking of countries by rating business and technology factors



New targets

- ▶ Kazakhstan
- ▶ Iraq (Kurdistan)
- ▶ Algeria



Business development

- ▶ Egypt



Developing a strategy for entering countries



Selection of in-country projects based on criteria



The project is rated by 16 points



Based on the rating results, the project is assigned a final score

Joining new oil and gas assets

The key decision-making factor when selection of new projects is:

- ▶ The presence of existing production at fields in the initial stages of development and synergies in terms of the feasibility of creating a cluster of projects
- ▶ Fields with ready reserves that can be quickly commissioned in a short period
- ▶ The feasibility of the joint use of existing infrastructure
- ▶ The feasibility of the replication of technological solutions
- ▶ The feasibility of cost optimization for the field's development

Upstream gas

Priority:

Vietnam is a priority for developing the gas business (through the expansion of its presence)



Focus

on the acquisition of gas assets in order to diversify the portfolio by the type of hydrocarbon and reduce risks associated with oil price volatility



The key point

in this regard is clustering, including active assets

As a result of its proficient project exploration and appraisal work, the Company joined 6 new projects in 2020.

Upstream oil

Priority:

Joining new projects at the operational stage in the main regions of operation (Vietnam, Yamalo-Nenets Autonomous District, and priority countries)



Main source of profit

These assets require large investments, but are seen as main source of profit for the Company in the future.



The current main priority

is the development of the Volga region cluster and northern Kazakhstan



Focus

to mitigate risks from acquiring an unproductive asset, the main focus is viewed as the stage of the project not below the farm in/out stage

>10 projects

are being actively developed and will provide potential for joining new projects in 2021.

KEY PRINCIPLES FOR EXPANDING AREAS OF OPERATION

- ▶ Existing assets are the main source of profit, an 'incubator' of employees for future assets, and a platform for building expertise
- ▶ Elimination of unprofitable assets (no 'rotten apples')
- ▶ Key parameters of the project are free entry and fast payback (FCF 1–2 years > 0)
- ▶ Focus on the cluster format within the corporate priority footprint and the search for possible synergies with existing assets

- ▶ New regions only in the format of constant monitoring (minimization of labor costs — no more than 2 people per development unit)
- ▶ Priority countries for finding new projects are Algeria, Egypt, Kazakhstan, and Iraq (Kurdistan)

In order to achieve its strategic goals in 2020, the Company continued to actively seek out and evaluate new projects in the Middle East, North Africa, Central Asia, and the Russian Federation, as well as within its traditional corporate footprint

Renewable energy sources

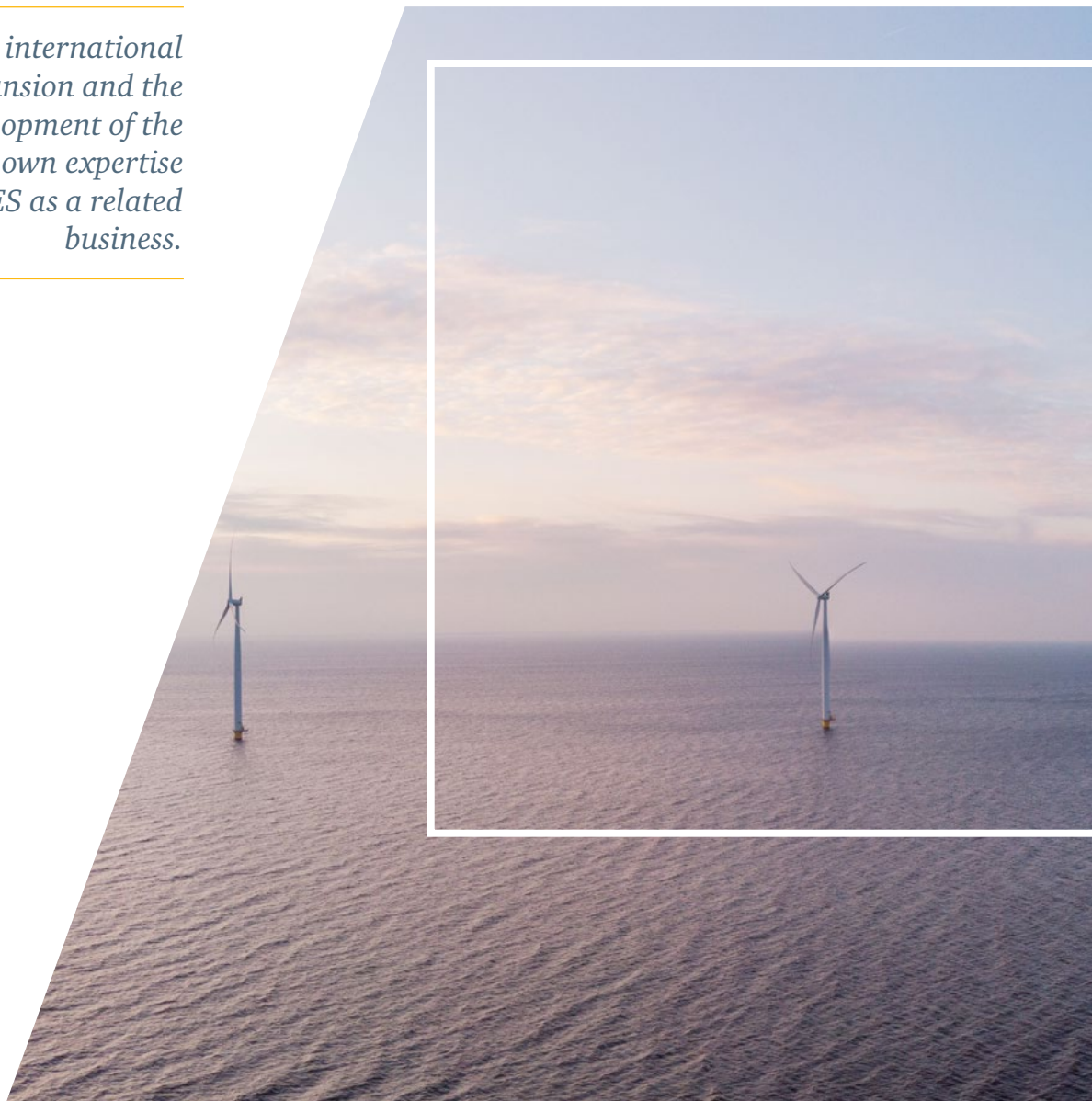
Business diversification is a key element of strategic planning and creating a balanced portfolio of assets. The development of RES is the most promising area for energy companies, and the Company actively keeps up with the global trends. The future is in this business, so it is crucial for Zarubezhneft to be proactive in this regard.

Our goal is to expand globally and develop our own expertise in RES as a companion business. The Company has created and approved a system to search for and evaluate RES projects called 'R-8. RES Development' and implemented a project funnel in accordance with the criteria that was developed.

In addition, Zarubezhneft is establishing a competence center for alternative energy:

- ▶ It signed a memorandum of understanding with Gubkin Russian State University of Oil and Gas on work to assist in developing ZARUBEZHNEFT GROUP's Competence Center
- ▶ It is developing electric vehicles, hydrogen energy projects, and projects to optimize grid components in the countries where Zarubezhneft operates

Goal - international expansion and the development of the Company's own expertise in RES as a related business.



Major breakthroughs by Zarubezhneft in the development of RES:

- ▶ It commissioned a roof-mounted solar power plant at Brod Refinery in Bosnia and Herzegovina as part of ongoing state support
- ▶ It adopted a favorable investment decision to implement a pilot project for its assets in the Russian Federation for a ground-mounted solar plant to partially supply the internal needs of the Pashkinskoye field in the Orenburg Region
- ▶ It launched a partnership with a qualified offshore wind generation market participant to develop its own expertise for joint projects in Vietnam

As human resources develop, the Competence Center grows, and the project portfolio expands, ZARUBEZHNEFT GROUP will be able to gradually transform from a financial partner into a technological and financial partner in the alternative energy sector.

Long-term prospects for the development of RES

The long-term strategic goal until 2030 is to create a balanced portfolio of alternative energy projects and transform Zarubezhneft into a diversified energy company.

Promising priority focuses

- ▶ Search for and evaluation of new projects in wind power, solar energy, and hydropower in different countries
- ▶ Join RES projects at various stages of development
- ▶ Continue work to further develop the Competence Center for alternative energy on the basis of the Corporate Center

**Creating
the Competence
Center** will make it
possible to start implementing
specialized RES projects in
the initial stage with a medium-
term planning outlook.

CORPORATE EVOLUTION PROGRAM

ESTABLISHMENT OF AN ADAPTIVE BUSINESS SYSTEM

Based on the Company's strategic goals, in order to increase the efficiency of existing assets and expand globally, the key objective in terms of developing processes and systems is to form an adaptive business system featuring decision-making speed, speed of changes, unified work standards

Since 2014, the Company has been gradually developing a performance management system that has integrated a full set of continuous improvement tools in the PDCA (plan-do-check-act) cycle. The system is patented in the Patent Office of the Russian Federation.

Key system components:

- ▶ The business processes system, which is the foundation for building an effective management system for the Group. It forms the basis for building the organizational structure, the distribution of responsibility and authority, and the regulatory system. Business processes are the basis for control and analysis of performance and the identification of potential areas for optimization, including benchmarking
- ▶ The Company's improvement project management system helps to effectively carry out organizational and management transformations as well as introduce best practices and changes in the process

The corporate business system is further development within the Corporate Evolution Program

top 15

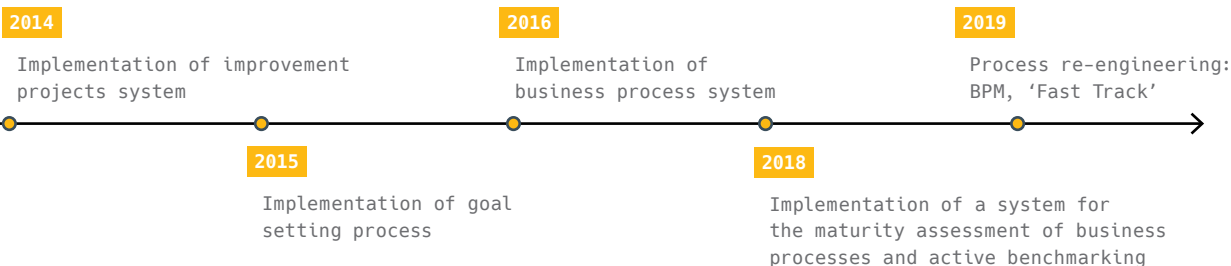
In 2020 Zarubezhneft was the only oil and gas company among the contest's finalists



**BPM –
PROJECT
OF THE YEAR**

EFFECTIVE ORGANIZATIONAL DEVELOPMENT ENSURES FULFILLMENT OF THE STRATEGY

The performance management system has been gradually developed since 2014. Business process optimization is the key tool behind the Company's transformation



Key goals of the adaptive business system



Decision-making speed



Speed of changes



Unified work standards

Key focuses of the program



Adaptive processes

Fast track

- ▶ Maximum speed with no bureaucracy

Corporate BSC

- ▶ Centralization of service functions



Digitalization and automation

'Live processes'

- ▶ Digitalization of business processes

Centralization and digitalization of the treasury

- ▶ Introduction of digital tools

Legally valid electronic document workflow

- ▶ Implementation of electronic digital signature



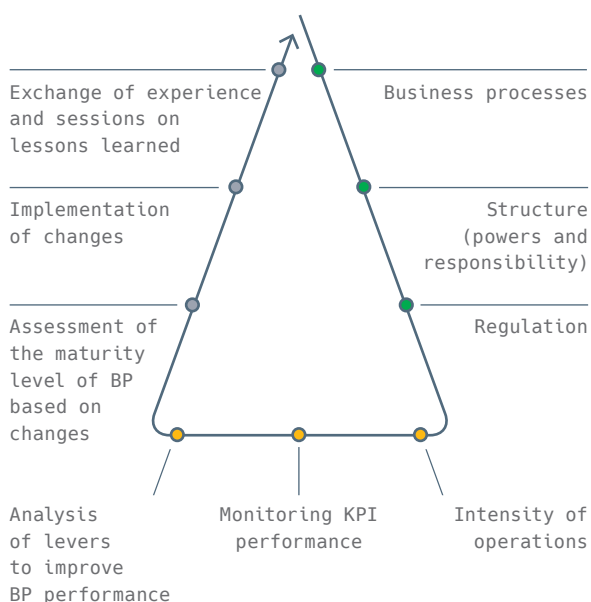
Communications

Global info

- ▶ Development of a unified information space

ZARUBEZHNEFT performance management system integrated a set of continuous improvement tools built using the logic of the PDCA cycle

PERFORMANCE MANAGEMENT SYSTEM, DEVELOPMENT OF DRILLING AND QUARTERS (BP), AND IMPLEMENTATION OF CHANGES



Adaptive processes

Increased efficiency in considering initiatives to join new projects (Fast Track project)

The 'Expansion' strategic focus requires speeding up the general corporate procedures and processes that are required to consider initiatives to join new projects. For this purpose, the Company carried out work in 2020 to optimize procedures and implemented more than 20 optimization proposals, which were reflected in amended business processes and regulatory documents.

■ KEY CHANGES:

- ▶ Long-term framework contracts on legal services for new projects were concluded
- ▶ Long-term framework contracts on due diligence were concluded

- ▶ The criteria of non-binding documents was drafted for using the accelerated approval route
- ▶ Procedures were simplified for expert reviews prior to the meeting of the Investment Committee and the approval of its minutes, and a template of RES materials was prepared
- ▶ A new collegial body for the review of new projects, the Committee on New Projects, was established

As a result, the standard time for the review of documents for priority new projects was reduced from 7 to

4.5 months

■ IMPLEMENTATION OF FOCUS INITIATIVES

Goal

Speeding up procedures and processes for joining new projects

Effects

- ▶ optimization of core and related processes to join new projects
- ▶ unification and standardization of entry processes

Results

1.5 times

Regulatory timeframes for review of documents were shortened

30%

Framework contracts on typical services for new projects (legal services, due diligence) were concluded

-15%

Accelerated approval route were applied

-15%

Procurements for small projects were centralized

Fast Track

On new projects

Establishment of the Corporate Business Service Center (BSC)

At present, Western and Russian companies constantly face new challenges related to improving the efficiency of business processes. One of the tools to increase operational efficiency is to centralize service functions

within a separate business segment, or a business service center. By creating such centers, companies enjoy the savings associated with centralization, process alignment, and process optimization and automation, which ultimately leads to a reduction in costs not related to the core business, the increased transparency of business processes, higher efficiency and manageability, and fewer risks.

ADAPTIVE PROCESSES KEY PROJECT

Centralization of service functions and rapid integration of new practices

Goals and objectives of the BSC

- ▶ Reduce operating costs
- ▶ Improve the level of service quality
- ▶ Eliminate duplicate functions
- ▶ Ability for further rapid transformation, automation, and robotics through centralization

Actual benefit

(Based on respondent survey)

~30%

Cost optimization

~20%

Headcount optimization

~50%

Increase in response control and speed

Scope



Territorially

- ▶ Russian assets of Zarubezhneft JSC
- ▶ Foreign assets of Zarubezhneft JSC in terms of operations carried out at the Management Company in Russia



Functionally

- ▶ Accounting, reporting, and payroll
- ▶ HR administration
- ▶ Treasury

First results

Stage I: Preliminary

detailed design

~20

Responsibility statements have been prepared

>100

Workshops have been held in associated companies

>55

Statuses

~40

Unique kpi formed

~400

Business process charts, regulations, and instructions developed

October 1 2020

The Business Service Center launched work for the companies of the Samara group of Zarubezhneft subsidiaries

2021

We plan to transfer all companies in the Russian segment of the Group to the Process Center

Main objectives of establishing the BSC:

- ▶ Reduce operating costs. Combining functions and processes reduces process redundancy and minimizes operating costs. Additional savings can be achieved through the price arbitration of salaries.
- ▶ Increase productivity. Transferring multiple processes into the BSC helps to optimize manpower by simultaneously unifying and standardizing a number of supporting processes.
- ▶ Enhance the flexibility and scalability of a growing business. Increased speed and the reduced cost of integrating new business units/projects into the unified BSC contributes to the Company's competitiveness.
- ▶ Improve the quality of internal services. The centralization of processes in the BSC helps to unify and improve the quality of internal customer service due to the broader application of the service approach.
- ▶ Concentrate on key business skills. The transfer of standard supporting processes to the BSC helps to focus on developing and improving key business processes that create value added.

Benchmarking results indicate that the centralization of processes will produce a cost effect of 20–30% in the first stage alone. The same effect is achieved by the further optimization and automation of the centralized process.

In 2020, a project was initiated and implemented to create a business service center for the Group's following functions: accounting and reporting, HR administration, and treasury. The Analysis and Design stages of the Center's target processes have been successfully completed, and HR migration processes have begun.

On October 1, 2020, the BSC began working for the Samara Group's production facilities of ZARUBEZHNEFT subsidiaries.

The gradual transfer of the processes of ZARUBEZHNEFT GROUP's Russian-segment companies to the Center for servicing is scheduled for 2021.

Numerical solutions

Establishment of a system of digital business processes (introduction of Business Process Management — BPM)

According to Global Adroit Market Research, the global BPM market will grow at an average annual rate of 15.2% from 2017 to 2023. The main driver is the transition to cloud computing, which promotes the integration of companies' business applications around the world. Analysts are confident that the BPM market will actively develop in coming years due to the ever-increasing need to improve the efficiency and manageability of business processes. In addition, its development will be aided by the strengthening of regulatory controls around the world and increased requirements for ROI. There will be particular demand for BPM solutions, which provide the ability to quickly adjust business processes and predict their development.

The goal of the BPM project is to create and introduce software products that implement the process management concept, based on which the high speed and quality of process execution is achieved through the modeling, execution, control, and continuous improvement of executable processes, with the entire business logic of such products flexibly adapting in the event of organizational changes.

ADAPTIVE PROCESSES KEY PROJECT

In a period of active growth, the efficiency of joining projects and the quality of decision-making processes is crucial for the company

Introduction of BPM 'Digital processes'

Objectives for introducing BPM

- ▶ Building an end-to-end process for subsidiary communication centers in a single field
- ▶ Re-engineering and revaluation of the process when automating it
- ▶ Online monitoring of process performance by indicators, flexible analytics, and dashboards for participants
- ▶ Setting automated benchmarks (logical conditions) and reducing the number of errors
- ▶ Quick changeover of the process on the fly in order to reduce FTE, the share of manual operations, supporting documents, etc.

What have we achieved with BPM?

real benefit

Actual benefit (based on a respondent survey)

-51%
(from 13.5 to 7 PTE)
reduction in labor intensity

-32%
(from 16 to 11 hours)
reduction in the examination period

-35%
(from 17 to 11)
reduction in manual operations

-50%
(from 8 to 4 hours)
reduction in expert response time

The BPM system aids in continuously improving the PDCA cycle

FOCUS 2020+

Full-scale implementation of BPM solutions for general corporate processes (digital office)

8 BPM processes – now...

3 introduced

- ▶ BP 'INVESTMENT PLANNING' (expertise of communication centers of Investment Companies)
- ▶ BP 'INVESTMENT PLANNING' (Control gear of associated companies: ZNDK, RVP, RMNTK, VNIINEFT)
- ▶ BP CORPORATE MANAGEMENT OF SUBSIDIARIES (Data reconciliation in subsidiaries)

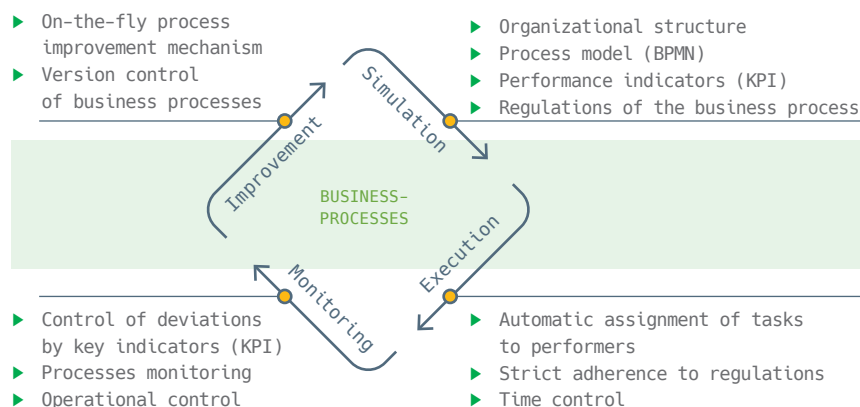
5 initiated

- ▶ BP INTERNAL REGULATIONS MANAGEMENT
- ▶ BP REVISIONS OF SUBSIDIARIES (Giprovestokneft, ZNSM)
- ▶ BP 'MANAGEMENT OF PROCUREMENTS BY SUBSIDIARIES' (RMNTK, ZNDS)
- ▶ ORGANIZATIONAL STRUCTURE INTEGRATION
- ▶ BP ACCOUNTING OF SUBSIDIARY COMMUNICATION CENTER

...6 processes – in the future

- ▶ BP 'Procurement Management' (+ZNDK, RFS, ZN) + Procurement plan, integration with comprehensive development framework (CDF)
- ▶ BP 'CONTRACT MANAGEMENT' BUSINESS UNIT Communication Center (contract coordination)
- ▶ BP 'INTERNAL REGULATIONS MANAGEMENT' SUBSIDIARIES (ZNDK, RFS, ZNDS)
- ▶ BP CORPORATE MANAGEMENT (Data reconciliation of Communication Center: circulation of SUBSIDIARIES)
- ▶ BP 'BUSINESS PLANNING', COMPILATION OF THE ANNUAL REPORT, BUSINESS PLAN BOOKS
- ▶ BP PRODUCTION SYSTEM

THE BPM SYSTEM AIDS IN CONTINUOUSLY IMPROVING THE PDCA CYCLE



Main objectives:

- ▶ Adjust and start executing the process from its start to completion in a single system based on the configured algorithm
- ▶ Track the progress and provide up-to-date statistics on all process parameters (milestones and changes in document versions)
- ▶ Identify bottlenecks and deviations and quickly redesign the process without the need to fine-tune such systems as the EDMS or reconfirm regulations
- ▶ Robotize separate standard areas of the process, which lend themselves to a clear logic of execution

The criteria for the project success are increased speed, a reduction in the labor intensity of the business process, a reduction in paperwork, sufficient information for an analysis of process efficiency, flexible changeover process, minimum complexity of the business process configuration in the system, and convenience for the process methodologist.

The Company has successfully implemented a pilot project to introduce the BPM, using the automation of the investment process as an example.

The project has shown significant potential for improving the efficiency of processes:

- ▶ Process automation took 5 months (instead of one or more years) when implementing EDMS-class systems
- ▶ The labor intensity of administering the investment process was reduced by 50%

- ▶ Flexible adaptation: the reconfiguration of simple operations in the process takes up to 1 day
- ▶ The ability to track any parameters in the performance of the process (deadlines, documents, participants' workload, and bottlenecks)

In 2020, the project was replicated throughout the Group.

In addition, the Organization of Meetings of Subsidiary Management Bodies project was successfully implemented in 2020, and projects were initiated for the following business processes:

- ▶ Management of the drafting of internal regulatory documents
- ▶ Organization of audits at subsidiaries
- ▶ Procurement management of subsidiaries (1st phase).

In the long-term, the Company plans the end-to-end automation of the following 6 processes:

- ▶ Procurement management (circulation)
- ▶ Contract management
- ▶ Replication of the drafting of internal regulations at subsidiaries
- ▶ Drafting of the annual reports of subsidiaries
- ▶ Business planning;
- ▶ Organization of the performance monitoring of the production system.

CENTRALIZATION AND DIGITALIZATION OF THE TREASURY

Goal

Development of the function using new solutions and best practices

Effects

- ▶ Increased level of automation (new technologies)
- ▶ Better data quality
- ▶ Decreased service costs of counterparty banks
- ▶ Increased profitability (dealing and dynamic discounting)

Tools

- ▶ Process mining – unification of the payment process and accelerating the process
- ▶ Dashboards – quick access to financial and economic information
- ▶ Mass request for quotations – increasing the Company's profitability through the more efficient placement of funds

~105 mln RUB

annually due to dynamic discounting

project

Treasury

The key goal of the project is to work out a long-term strategy for the development of the treasury function, including the use of new technological solutions and best industrial practices. This includes the implementation of digital tools. The digitization of the treasury will make it possible to reduce the cost of servicing counterparty banks and optimize existing capital. Another positive effect will be a reduction in labor costs for standard operational tasks.

The project has several stages and is designed for three years. Six short-term pilot initiatives have been approved for implementation in 2020 (Minutes No. 61 of the Investment Company dated December 27, 2019):

- ▶ Introduction of a dynamic discounting platform
- ▶ Robotics of the Corporate Dealing process
- ▶ Installation of a multi-bank platform to exchange payment documents
- ▶ Installation of the Eikon Refinitiv terminal for the mass request of quotations
- ▶ Display of accounts (dashboards)
- ▶ Application of Process Mining technology in the business process starting from the planning of demand all the way through payment

Unified management practices

Development and introduction of a management work standard

Given the Company's active development, unified standards are needed for managers to show their

leadership in the commitment to key strategic focuses at all levels.

A work standard for managers that uses simple and clear algorithms helps to ensure a coordinated approach in the most important aspects of their work and a high level of management at each workplace regardless of the remoteness or specifics of a department's activities.

THREE FOCUSES OF A MANAGER'S ATTENTION

Manager's working principles

Principle

GPS

Goals People Systems

Goals

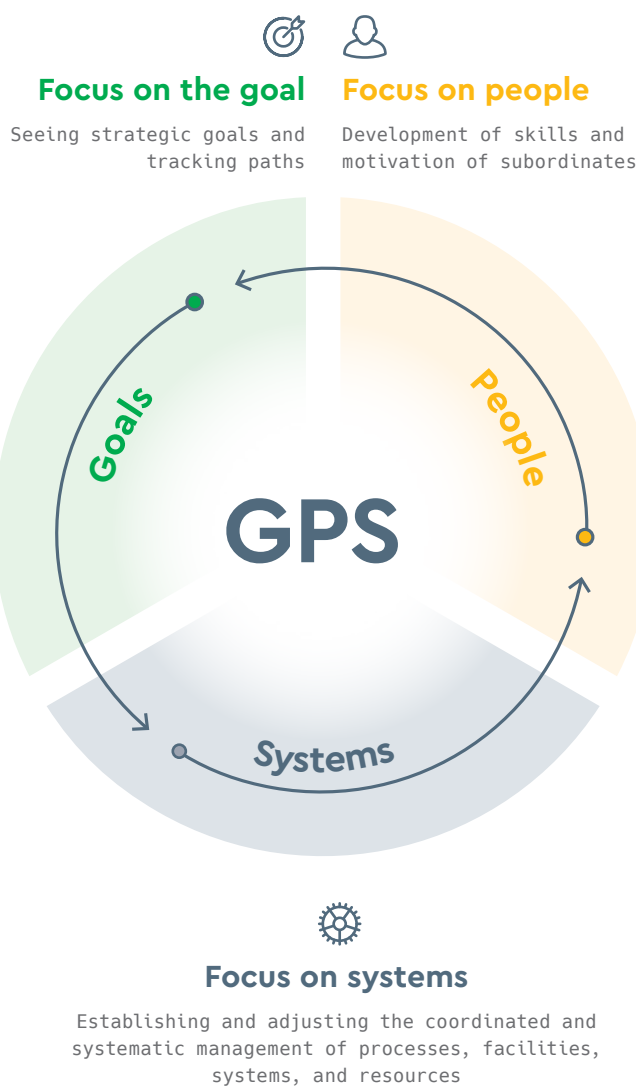
- ▶ I am on the front line of production and am aware of the Company's current problems, tasks, and challenges
- ▶ I focus on favorable opportunities for business development and search for innovative solutions
- ▶ I am constantly improving my knowledge and am open to new ideas
- ▶ I involve my employees in solving overarching problems and help them form a coherent picture of the Company's goals and prospects

People

- ▶ I communicate the Company's values to my subordinates, colleagues, and partners
- ▶ I involve my employees in searching for solutions and listen to their opinions
- ▶ I am involved in the development and motivation of my subordinates
- ▶ I set clear and understandable goals and tasks and also delegate authority
- ▶ I provide regular feedback (both negative and positive)

Systems

- ▶ I maintain and demand high standards of workmanship from others
- ▶ I demonstrate leadership and a commitment to the development of the production system and safety
- ▶ I adhere to the standards of corporate ethics and comply with agreements



The main focus in 2020 was to further promote of the Leader Performance Standard for subsidiaries at oilfields up to the level of line managers at production sites.

The following objectives were accomplished in this regard:

- ▶ A workgroup was formed to finalize the Standard for oilfields from among the heads of communication centers and subsidiaries
- ▶ A matrix for the application of practices at oilfields was developed
- ▶ The practices of the Standard were analyzed and their applicability within the Production System was assessed. Five pilot practices were selected for implementation at oilfields
- ▶ Amendments were made to the practices of 'Cascade Informing', 'Feedback', 'Visual Performance Management', 'Production System Meeting', and 'Linear Bypass' in order to adjust them to industry conditions
- ▶ A management training program was developed for all the aforementioned practices
- ▶ The format of the practices was revised and visualized as a standard operating procedure.

At present, the Company is actively working to develop a distance learning course on the work breakdown structure (WBS). The plan is to select and train leaders of change for the further introduction of the WBS at production subsidiaries and to supervise the work of subsidiary line managers in the field with the provision of developmental feedback on ways to improve skills when introducing the practices.

The communication center is also continuing work to promote the Standard. In the past year, the Communication Center has updated ten WBS practices and the Company's subsidiaries have updated 12 WBS practices. In particular, the decision was made to combine the practices 'Performance and Development Meeting' and 'Work with a Succession Pool Member' into a single practice called 'Employee Development Meeting'. In addition, the enhanced monitoring procedure 'Production Site Visit' was transformed into the WBS-enhanced monitoring procedure 'Linear Bypass' and merged with the enhanced monitoring procedures 'Visual Performance Management' and 'Production System Meeting'.

The Communication Center and associated companies annually conduct an independent survey to assess the quality of WBS application, which helps to track the indicators of how regular management practices are applied throughout the Company as well as provide managers with the opportunity to receive feedback from employees in the form of personal reports

Common information space

Global Info

The project involves developing a common information space at ZARUBEZHNEFT GROUP that provides access to different means of communication.

As part of the project, the corporate portal will be rebooted to support the development of corporate publications and new means of communication.

In addition, the establishment of a unified Competence Center for internal and external communications will help coordinate work and tools in different areas.

These modern technologies will ensure that all employees have 24-hour access to news and information materials about the Company. The Company is forming a system of structured and intelligent communications and increasing the awareness and involvement of employees in the common cause.

At present, we have already evaluated the audience coverage and available communication channels used throughout ZARUBEZHNEFT GROUP and determined the channels that will have to be created. For each of them, the type of content and the frequency of information provision have been determined in accordance with the Company's goals and objectives for the next two years.

We plan to create a centralized system to aggregate and process all information content at the Company and introduce solutions that are in line with global trends of modern corporate communications.

IMPLEMENTATION OF FOCUS INITIATIVES

System of internal corporate communications

Unified information space

Global Info

Goal

To create a unified information space

Effects

- An aligned communications system
- Communication support for strategic focuses and initiatives
- Support for the Company brand's and development of its reputation

Results



100%

All employees simultaneously receive information in a single format



The practice of mailing and posting the General Director's statements on infoboards has been introduced

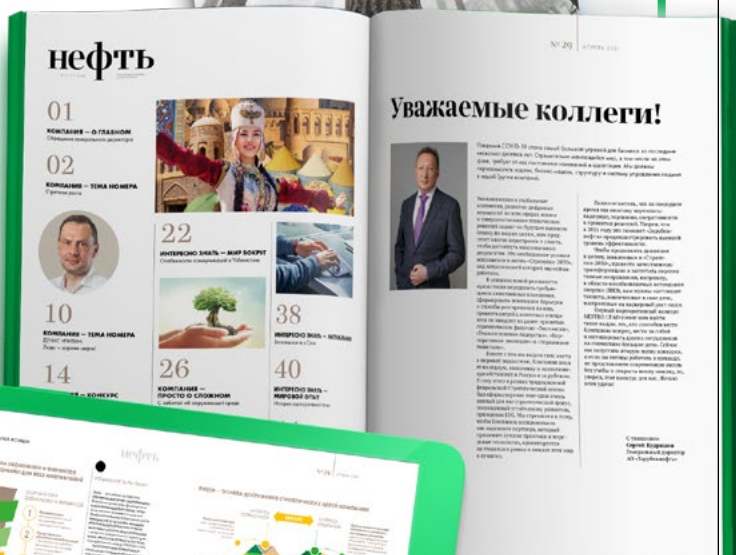


The first group-wide engagement survey was conducted



New format of Awareness Day

Rebooting of the Corporate magazine



Newsletter
corporate newsletter

TALENT MANAGEMENT PROGRAM

HR DEVELOPMENT

The key strategic focus in HR is to develop human capital. It is essential for the Company to balance the interests of employees and the Company, create a favorable work environment, and encourage the development and career growth of active employees in order to form effective teams to achieve strategic goals.

For this purpose, the Company has created and is implementing the 'Talent Management' strategic program, which includes a set of projects to develop both professional competencies (hard skills) and managerial competencies (soft skills).

■ SOFT SKILLS



Nestro Lead corporate contest

Selection and advancement of talented and goal-oriented professionals with high professional and managerial skills and the formation of a team of highly qualified personnel to work on the Company's new and existing projects



Remote learning

Online training using the leading media platforms in soft skills, hard skills, general and business English with the provision of access to e-courses and business cases on the corporate WebTutor portal, online conferences, and the Alpina Digital library



Leadership Development School

Continuous development of the talent pool based on the concept of modular training of succession pool candidates



Internal rotation

Filling of open vacancies with the Company's internal employees; the number of internal rotations increases every year, including for international projects.

Projects of the program

■ HARD SKILLS



Nestro Know

A knowledge management system has been designed in accordance with best practices and the Company's specific needs and has the necessary tools to support the entire knowledge management cycle – from recording, searching for, and accumulating to the application and dissemination of information.

↗
p 56



Institute of Experts

A unified system of assessment, development, and coverage of key skills by expertise; selection, functioning, and motivation of the Company's experts

↗
p 57



Petroleum Engineering School

Development of technological competencies among the Company's professionals

↗
p 57

Development of technological competencies (hard skills)

Knowledge management system (Nestro Know)

In the modern world, we are currently seeing a thorough reassessment of priorities under the influence of fundamental changes in the structure of factors and sources of business efficiency. As the role of information and knowledge increases, the creation and management of intellectual resources and knowledge is becoming one of most important tasks in business.

Keeping up with modern trends, Zarubezhneft also emphasizes such issues as innovative development and knowledge management as part of its strategic development priorities. Today, knowledge management tools are fully interconnected with the main focuses

of the Company's development strategy: expansion, technological leadership, corporate evolution, and talent management.

At present, the single platform that unites key elements of knowledge management at Zarubezhneft is the corporate Knowledge Management System (KMS), which has been given the corporate name NESTRO KNOW.

The KMS was designed in accordance with best practices and the Company's specific needs and has all the necessary tools and mechanisms to support the entire cycle of knowledge management, from recording, searching for, and accumulating to the application and dissemination of information.

STRATEGIC FOCUSES OF ZARUBEZHNEFT JSC

Corporate evolution (adaptive business system)

Technological leadership

Expansion

Talent management



ZARUBEZHNEFT JSC

KNOWLEDGE MANAGEMENT SYSTEM

Change management through deep integration into business processes

A tool for creating and supporting innovative ideas

Codification of critical knowledge and exclusive competencies as a competitive advantage for business development

Communication platforms to bring together professionals



Nestro Know

Purpose of the knowledge management system

To enhance the efficiency of production processes

by optimizing the management cycle of knowledge preservation, dissemination, and usage

Major tasks

'Do it right!'

Maximizing the effective use and practical application of knowledge in activities to reduce the risks of routine production tasks repeatedly being performed incorrectly

'Do it yourself!'

A source of up-to-date information and technology trends for generating ideas and finding and introducing new technological solutions and best practices in production processes

Principles of the knowledge management system



Self-developing system



Flexibility and compactness of data sets



Extreme relevance of information



Focus on unique technical knowledge



Scope coverage

The KMS aims to enhance the efficiency of production processes by optimizing the full cycle of knowledge management and resolves two conceptual problems:

- ▶ Maximizing the effective use of accumulated experience and reducing the risk of production tasks being repeatedly performed incorrectly
- ▶ Establishing a platform to generate ideas for technology development and solving unconventional technical problems.

More than 3,000 employees of ZARUBEZHNEFT GROUP are now connected to the system.

Work with methodology, process optimization, and users is a key component of success when working with knowledge, as the project team continuously monitors the development of the system, collects feedback, and improves both the IT solution itself and the procedure, but the current success is achieved mainly due to such factors as:

Synergy with strategy

A tool to implement the strategy that is fully integrated into the existing IT infrastructure and business process hierarchy

Focus on technology

The system development trajectory is aligned with the company's technological focuses

Continuous development

A self-developing and change-responsive system

Institute of experts

Codification of unique expert knowledge integrated into the system

Engagement management

Motivation for changes and unconventional methods of engaging and managing customer activity

From the moment the KMS was put into commercial operation, it was piloted to focus solely on technological knowledge. In 2020, however, due to the project to create a single institute of experts, knowledge areas were restructured and replicated in all areas of strategically important competencies at the Company.

As part of the development of the knowledge model and tools in 2020, the Company continued work to improve and develop the system's technical functionalities. New functions have already been introduced for to manage communities of practitioners, create discussion panels, plan key S&T events, and develop an expert's personal account, while the most significant event was the full automation of the S&T Contest based on the KMS.

The project team has worked to ensure that, starting from 2020, the entire cycle — from the application and review of works to an assessment of their effective introduction — is fully incorporated within the KMS.

This innovation has proven to be very timely. Given the difficult epidemiological situation in 2020, the Company managed to successfully hold the S&T Contest on the basis of NESTRO KNOW.

Conducting the first online contest was a major event for the Company. This platform made it possible to use modern technical means, while simultaneously expanding the audience and geographical scope of the participants.

Institutes of experts and methodologists

In synergy with the accumulation and distribution of knowledge, the Company is actively developing the expert function. Today, it has more than 120 experts in various areas of expertise.

The Company has formed designated groups of technology experts, methodology experts, and KMS experts.

Moreover, in 2020, the decision was made to transform and develop internal expertise, with the initiation of the project Creation of the Unified Institute of Experts.

The project will enable the Company to form unified standards of expertise to improve the quality of work on key production tasks, develop expertise, and further share knowledge.

In 2020, a comprehensive methodology was developed to identify and select key areas of expertise that are crucial for achieving the goals of the strategy.

Petroleum engineering school

The Company continues to successfully run the Corporate School of Petroleum Engineering in an effort to develop technical expertise. The School's curriculum covers both basic issues in field development and specialized sections on the most advanced technologies and methods of their application in the Company's technological processes with the involvement of internal and external lecturers.

In 2020,

17 courses

*were held for 19 groups,
with 256 employees completing
training in various courses.*

Identification and support of leaders / soft skills

Nestro Lead

Professional retraining in the EMBA (Executive Master of Business Administration) program on 'Energy Business Management' is provided at the International Business School of Gubkin Russian State University of Oil and Gas to continue the training and development program for winners of the Nestro Lead competition.

The goal of the program is to improve the professional, managerial, and personal business skills needed to ensure the proper performance of professional activities and develop flexible skills (soft skills), such as communication, self-management, efficient thinking, time management, leadership qualities, personal growth, and creativity in solving tasks, and to use professional experience (hard skills).

The program extends the range of skills that have already been accumulated, helps to create a global vision of advanced trends in the world energy sector, and ensure the Company can function in a turbulent business environment. Such training will serve as a kind of bridge between the educational process as well as the career and further professional development of students.

Starting from the first module, project teams actively work with moderators; they are expected to defend the graduating group's projects and obtain a professional EMBA retraining diploma during the final module in February 2021.

The course lecturers include leading Russian lecturers and honored teachers of Gubkin University as well as foreign speakers.

During their remote work, the contest winners were also assigned online training using the Eduson platform, which provides access to 1,000 e-courses and business cases for the development of professional and leadership skills.

Since the Company is actively developing, expanding its geography by joining new projects, and diversifying its business in accordance with current global trends, it faces new challenges and tasks that require highly qualified personnel with high potential. In order to recruit new teams to solve the Company's tasks, the second NESTRO LEAD contest is scheduled to be launched in 2021.



Training structure for the 26 winners in the EMBA program:

- ▶ Three five-day modules at Gubkin Russian State University of Oil and Gas
- ▶ Online training format, including lectures, business games, training sessions, master classes, and case studies
- ▶ Total program duration: from November 16, 2020 to February 19, 2021



The following development programs are available to NESTRO LEAD winners and finalists:

- ▶ Professional training — referral on a priority basis to individual training in order to develop professional skills
- ▶ Access to the BBI Lecture Hall — lectures by experts from the world's leading business schools
- ▶ Distance learning courses on the basis of Web Tutor: online training ranging from digital skills to soft skills
- ▶ Nestro Read corporate digital library based on Alpina Digital
- ▶ Corporate English training (individual remote training)

Leadership school

The School of Leadership and Potential Development plans to offer 35 courses on a 10-module program in 2020–2021. Twelve courses were held in 2020, with 122 people receiving training per course.

The program includes the following modules:

- ▶ Fundamentals of digital transformation in the oil and gas industry
- ▶ Building relations and influence
- ▶ Team and personal leadership
- ▶ Openness to new ideas and innovations
- ▶ Planning and organization. Decision making. Results orientation
- ▶ WBS: work with a succession pool candidate. Effective feedback/meeting on performance and development. Effective delegation
- ▶ Strategic thinking
- ▶ Managing change at a company
- ▶ Negotiations in an international setting
- ▶ International project management practice

Remote education

The Company pays special attention to the training and advancement of its employees, and thus provides continuous training using various tools. In light of the current epidemiological situation with coronavirus in 2020, starting in April, all training courses have

been switched to online distance learning format, and the use of various online platforms has been significantly expanded:

- ▶ Training on the Eduson online platform (120 employees) was conducted during the period when people were working from home
- ▶ On the educational portal Web Tutor (203 employees)
- ▶ An additional 27 video and electronic courses were purchased and placed on the educational portal Web Tutor
- ▶ Access to online conferences was purchased
- ▶ Conversion of corporate and individual face-to-face training to online format

Personnel training for international projects

The key task in such training is to form cross-functional teams that can work effectively in different regions taking into account cultural and national specifics at the Company:

- ▶ English: more than 150 employees are undergoing individual online training, and positive feedback and training attendance is 76%
- ▶ Since the start of 2020, there have been 47 rotations between ZARUBEZHNEFT GROUP's entities, including the formation of teams for international projects
- ▶ The talent pool for executive positions has 114 employees, including 52 employees in the talent pool for international projects



12 courses

*of the 35 planned in 2020
as part of the leadership school*

■ TRAINING STAFF FOR INTERNATIONAL PROJECTS

Project

Goal

Form cross-functional teams that can work effectively in different regions taking into account cultural and national specifics

Talent management

Rotations within the group

47 rotations

in 2020

Project motivation

- ▶ An incentive system has been formed and approved for project teams when joining new assets
- ▶ Increased efficiency of the project team due to the focus on searching for upsides
- ▶ An incentive fund for projects was calculated and approved according to new methodology

Career advancement

Finalists of NL

throughout the Contest Period

49 employees

66% of the finalists promotion/professional status/rotation since the start of the project

Talent pool






2019-2020

49 employees






43% of appointments to management positions

Participation of Nestro Lead winners and finalists in new projects at the evaluation stage

Winners

	Uzbekistan 3 persons
	Republic of South Africa 3 persons
	Egypt 7 persons
	Vietnam 09-2/09 1 person
	Iraq 1 person

Participants

	Uzbekistan 15 persons
	Republic of South Africa 6 persons
	Kazakhstan 10 persons
	Indonesia 6 persons
	Iraq 6 persons

In June 2020, a new Regulation on Incentives for Project Teams when Joining New Assets were approved.

The main purpose of the regulation is to ensure greater efficiency when searching for and evaluating new assets and preparing and signing documents that establish the conditions for Zarubezhneft to join a new asset.

The regulation aims to increase incentives for members of project teams for:

- ▶ Quickly and proficiently examining documents
- ▶ Searching for and proposing upsides
- ▶ Identifying and minimizing risks
- ▶ Increasing the efficiency of negotiations in terms of protecting the interests of Zarubezhneft
- ▶ Ensuring the successful signing of documents on joining a new asset

Project teams have already been formed in accordance with the new internal regulation, and an incentive fund for four projects in Russia and abroad has been calculated and approved.

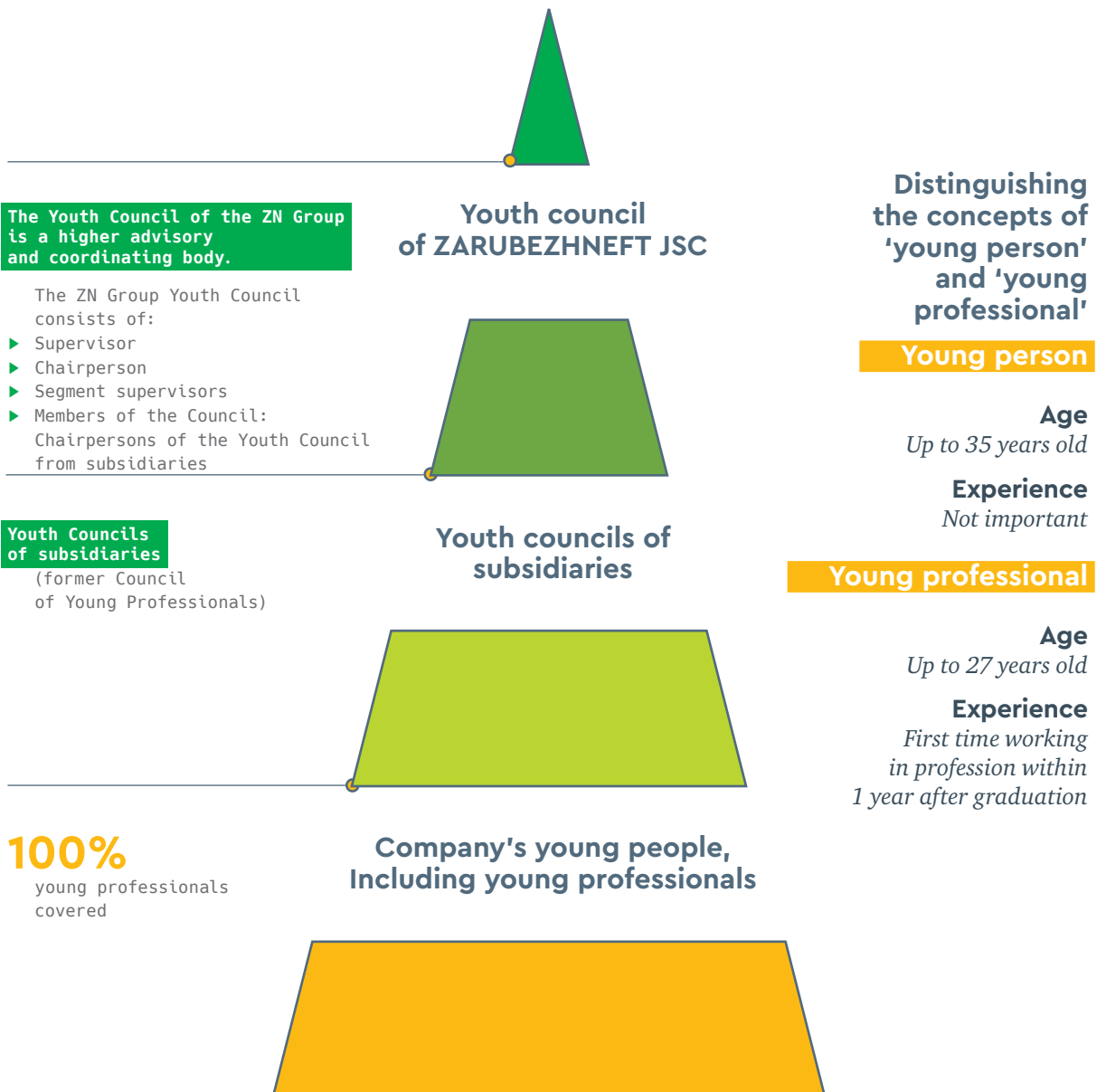
Youth policy

In 2020, the Company continued to work on achieving its youth policy goals. The Board of Directors considered issues related to work with young people (Minutes No. 178 dated March 25, 2020).

Based on the results of the meeting, the decision was made to establish a Youth Council of ZARUBEZHNEFT GROUP. Regulation No. 241 on the Youth Council were approved on October 13, 2020.

A distinctive feature of the new structure of ZARUBEZHNEFT GROUP's Youth Council is that all representatives of the youth councils of subsidiaries have a presence in the governing structure of the Youth Council, which will extend the general focus of the Youth Policy's development from the corporate center to all young people at subsidiaries. The terms 'young specialist' and 'young person' were separated to allow for more targeted and focused work with each group of employees under the age of 35. Thus, 'young person' refers to a Company employee under 35, while a 'young specialist' refers to a Company employee under 27 years of age who has joined the Company for the first time and within one year after graduating from a higher educational institution.

■ YOUTH POLICY-MAKING BODIES



LONG-TERM DEVELOPMENT PROGRAM

E&P – key focus of LDP

The LDP of Zarubezhneft was prepared in accordance with Directive No. 4955p-P13 of the Russian Government dated July 17, 2014, which was approved by the Zarubezhneft Board of Directors in Minutes No. 91 dated November 20, 2014.

The purpose of the Long-Term Development Program (LDP) is to provide a comprehensive assessment of assets when developing existing enterprises with a view to 2030 as well as geological exploration projects and potentially attractive investment projects.

THE LDP OF ZARUBEZHNEFT WAS APPROVED BY:

The Strategic Planning Committee under the Zarubezhneft Board of Directors

Minutes No. 1 dated September 19, 2014

The Expert Council under the Russian Government

Letters No. ES-2909/02 dated September 29, 2014. No. ES-1211/02 dated November 12, 2014

Federal Agency for State Property Management

Letter No. 05/43392 dated October 10, 2014

Ministry of Energy of the Russian Federation

Letter No. KM-11835/05 dated October 20, 2014

Ministry of Economic Development of the Russian Federation

Letter No. 26273-NP/D07 dated October 24, 2014

Government Commission for the Development of the Fuel and Energy Industry, Replacement of the Mineral Raw Material Base, and Enhanced Energy Efficiency of the Economy

Minutes No. 2 dated October 23, 2014

The Company carries out targeted work in several key areas to improve efficiency in the main Exploration and Production segment:

- ▶ Maximizing synergy between the Group's existing assets and new projects
- ▶ Developing skills for the efficient production of complex reservoirs through the development of the Company's scientific assets — VNIIneft and Giprovostokneft
- ▶ Developing full-cycle services for fields at any development stage by engaging full-scale internal construction and drilling contractors based on the service segment: Zarubezhneftestroyontazh LLC continued to work as a full-fledged construction contractor for Zarubezhneft Group, and work is underway to expand its own capacities; Oil Refinery JSC continues to implement projects that aim to develop services for sidetracking operations (SXL) and the further replacement of third party contractors for work and supervising remote fields of JC RUSVIETPETRO and other assets of the Group.

The first priority for the Company's future development is to not only intensively develop its current production assets but also to actively search for and join promising major oil and gas investment projects. The Company above all considered potential regions where it has gained considerable experience in comprehensive project implementation, such as Southeast Asia, the Russian Federation, and the Middle East. One of the strengths of the Company's existing expertise is the experience it has acquired from bolstering the current value of its assets by growing the resource base of its current assets, enhancing the efficiency of its development by boosting the oil recovery index of fractured bed deposits, as well as its active involvement in the development of low-capacity terrigenous block structures.

In order to monitor the achievement of the goals set by the Corporate Strategy, the Company annually prepares a list of program measures for achieving its strategic goals — Appendix No. 10 to the LDP. The Appendix specifies the development objectives, sets the deadlines for achieving the objectives, and designates the responsible deputies of the General Director and the heads of structural divisions and subsidiaries.

Audit of the Long-term development program of Zarubezhneft

The LDP is audited in accordance with Directive No. 4955p-P13 of the Russian Government dated July 17, 2014.

In 2020, pursuant to Directive No. 6739p-P13 of the Russian Government dated July 30, 2020, the Company's Board of Directors approved the Regulation for the Assessment of the Implementation of the Long-Term Development Program and Fulfillment of the Key Performance Indicators of Zarubezhneft.

Since 2014, six audits of the LDP have been conducted by independent auditors:

- ▶ In 2015, Financial and Tax Audit LLC, a subdivision of the WiseAdvice Group, confirmed the achievement of the LDP goals for 2014 in the report 'Results of the Audit of the Long-Term Development Program of Zarubezhneft' dated July 1, 2015
- ▶ The results of the LDP audit for 2014 were submitted to the Strategic Planning Committee under the Zarubezhneft Board of Directors for consideration (Minutes No. 7 dated September 21, 2015) and were sent to the Russian Ministry of Energy on October 5, 2015
- ▶ In 2016, Nexia Pacioli LLC confirmed the reliability of the actual indicators of ZARUBEZHNEFT GROUP's operational results for 2015 in the report 'Results of the Audit of the Long-Term Development Program for 2015' dated April 28, 2016
- ▶ In 2017, Nexia Pacioli confirmed the reliability of the actual indicators of ZARUBEZHNEFT GROUP's operational results for 2016 in the report 'Results of the Audit of the Long-Term Development Program for 2016' dated April 15, 2017. The data of the financial economic model (FEM) of the LDP is confirmed by ZARUBEZHNEFT GROUP's financial statements and audited consolidated financial statements and is consistent with the initial data for calculations of the actual target KPIs of Zarubezhneft as of 2016. The targeted nature of the use of funds within the approved investment budgets was confirmed according to the planned activities of development projects
- ▶ Based on the results of the 2016 audit, a number of appendices to the LDP Program were revised and updated as regards ZARUBEZHNEFT GROUP's activities in innovative technologies, increasing labor productivity, optimizing operating costs, work on substituting foreign products, and the Group's readiness for privatization. Updated versions of the appendices to the LDP were approved by resolutions of the Zarubezhneft Board of Directors (Minutes No. 147 dated January 19, 2017 and No. 150 dated February 22, 2018)
- ▶ In 2018, Nexia Pacioli confirmed the reliability of the actual indicators of ZARUBEZHNEFT GROUP's operational results for 2017 in the report 'Results of the Audit of the Long-Term Development Program for 2017' dated April 20, 2018. In addition, the independent auditor noted the fulfillment of activities that are significant for achieving the goals of the Group's LDP
- ▶ In 2019, Nexia Pacioli issued a positive conclusion about the LDP audit and confirmed the actual implementation of the measures of the LDP in 2018
- ▶ On April 21, 2020, Nexia Pacioli confirmed the reliability of the actual indicators of ZARUBEZHNEFT GROUP's results for 2019 as well as compliance with the indicators established by the LDP of ZARUBEZHNEFT for the period of 2014–2030

6 **successfull audits**
of the LDP conducted since 2014

KEY PERFORMANCE INDICATORS SYSTEM

OF ZARUBEZHNEFT GROUP

The goal of the Zarubezhneft system of key performance indicators (KPI) is to motivate the Company's management and subsidiaries to fulfill the tasks set by the government as the Company's sole shareholder, national objectives, the goals of the industry strategic planning documents of the Russian Federation, the target indicators of the Company's Strategy, Long-Term Development Program, Business Plan indicators, and investment projects.

Main tasks of the KPI system

- ▶ Monitor and control the implementation of the Company's Corporate Strategy
- ▶ Evaluate the achievement of strategic objectives
- ▶ Guide employees in achieving the Group's priority objectives
- ▶ Create a tool to enhance the efficiency of managerial decisions

financial and industrial



Corporate

- ▶ The Company's key performance indicators are approved and monitored by the Board of Directors and the Audit Committee under the Board of Directors.
- ▶ They are included in the charts of the General Director, taken into account when summing up the KPIs of all deputy General Directors and department heads, and included in the KPIs of the General Directors of subsidiaries.

Internal control

Internal regulatory documents governing the KPI system at Zarubezhneft:

- ▶ Regulations on the key performance indicators of Zarubezhneft approved by a resolution of the Board of Directors in Minutes No. 131 dated November 25, 2016 (new regulations were approved by a resolution of the Board of Directors in Minutes No. 189 dated January 29, 2021)
- ▶ KPI certificates of Zarubezhneft were approved by a resolution of the Board of Directors in Minutes No. 131 dated November 25, 2016 (the integral KPI certificate of innovative activity was approved in Minutes No. 141 dated August 21, 2017; the updated certificate of the corporate KPI 'Labor productivity' was approved on February 14, 2020)

THERE ARE THREE MAIN GROUPS OF KPIS WITHIN THE COMPANY'S KPI SYSTEM:

operational indicators by area of business



Functional

- Indicators on functional areas of operations are set for deputy General Directors, department heads, and General Directors of subsidiaries in accordance with the authority and responsibility matrix.
- They are approved and monitored by the General Director.

strategic initiatives on business areas



Project

- Indicators on the fulfillment of top business initiatives and project tasks are set for deputy General Directors, department heads, and General Directors of subsidiaries.
- They are approved and monitored by the General Director.



For more,
see the Company's website

External control

The following documents govern external control over the implementation of corporate KPIs:

- Directive No. 2579p-P13 of the Russian Government dated April 25, 2014 "On the Approval of the Company's Key Performance Indicators" (taking into account the attached methodological guidelines for the application of KPIs)
- Directive No. 1388-p of the Russian Government dated June 27, 2019 "On the Approval of Methodological Recommendations on the Application of Key Performance Indicators of Business Companies in Whose Charter Capital the Russian Federation or a constituent entity of the Russian Federation owns over 50 percent, and Performance Indicators of State Unitary Enterprises in Order to Determine the Remuneration of their Senior Executives"
- Directive No. 7389p-P13 of the Russian Government dated October 31, 2014 "On Increasing Labor Productivity in Society"
- Directive No. 2303p-P13 of the Russian Government dated April 16, 2015 "On Reducing Operating Expenses (Costs) by at Least 2-3 Percent Annually"

- Directive No. 1472p-P13 of the Russian Government dated March 3, 2016 "On Innovative Development"
- Decree No. 474 of the Russian President dated July 21, 2020 "On the National Development Goals of the Russian Federation for the period until 2030"
- Directive No. 3579-p of the Russian Government dated December 28, 2020 on the approval of the methodological recommendations for the compilation and application of KPIs of joint-stock companies whose shares are owned by the Russian Federation

Indicators of the Zarubezhneft KPI system are synchronized with the KPIs of the Long-Term Development Program

Measures to improve the KPI system

In 2020, the following measures were implemented as regards the operation and improvement of the KPI system:

- ▶ In accordance with methodological instructions on the application of KPI by state-owned companies, the Board of Directors approved a report on the achievement of the target values of corporate KPIs for 2019 (Minutes of the Board of Directors No. 182 dated May 29, 2020), and the values of corporate KPIs for 2020 were updated (Minutes of the Board of Directors No. 175 dated December 26, 2019)
- ▶ The Zarubezhneft Board of Directors considered the intermediate results of KPI performance in the first quarter of 2020 (Minutes of the Board of Directors No. 183 dated June 25, 2020), a report on the achievement of corporate KPI based on the year-end forecast with the actual KPI for the first half of 2020 (Minutes No. 186 dated September 30, 2020), and a report on the achievement of corporate KPI based on the year-end forecast with the actual KPI for the first nine months of 2020 (Minutes No. 187 dated November 11, 2020)
- ▶ In order to execute Instructions No. MM-P13-15370 of the Russian Government dated November 26, 2020, Zarubezhneft conducted an analysis of the Regulation on the KPI of Zarubezhneft for compliance with the approaches to compiling and applying the KPI of organizations with state participation for companies operating on the competitive market, which were approved by the Minutes No. 1 of the Interdepartmental Working Group on the Optimization of the Organizational Structure of Development Institutions dated December 4, 2020 (hereinafter, the approaches to determining KPI). The KPI Regulation generally corresponded to the approaches to

determining KPI, updates were made to the general provisions (as regards the need to take into account the requirements of Presidential Decree No. 474 dated July 21, 2020 "On the National Development Goals of the Russian Federation until 2030" and key strategic documents of the Russian Federation), and the KPI system's objectives were clarified. The updated regulation on the key performance indicators of Zarubezhneft was approved by a resolution of the Board of Directors (Minutes No. 189 dated January 29, 2021)

- ▶ Pursuant to Directive No. 304p-P13 of the Russian Government dated January 19, 2021, the Zarubezhneft Board of Directors approved the updated scope, weight, new editions of certificates, and target values of the corporate KPIs of Zarubezhneft for 2021 (Minutes No. 189 dated January 29, 2021)
- ▶ The KPI system is sent to the level of deputy General Directors of subsidiaries and a production contract is developed (unified set of indicators for the senior executives of a subsidiary)
- ▶ In accordance with the regulations on the KPI system of Zarubezhneft, management defends the fulfillment of the KPI to the General Director on a semi-annual and annual basis.

In 2020, the Company's KPI system encompassed all the Group's key management layers:

- ▶ Corporate Center management (deputy General Directors and department heads) — 37 individuals
- ▶ General Directors of subsidiaries — 17 individuals
- ▶ Deputy General Directors of subsidiaries — 74 individuals. A total of more than 400 indicators are monitored.

Progress monitoring

KPIs are monitored regularly on a quarterly, semi-annual, and annual basis.

When summarizing the results, the target indicators are standardized taking into account changes in external macroeconomic conditions — currency exchange rates and world prices for oil and petroleum products. In addition, the target indicators for oil

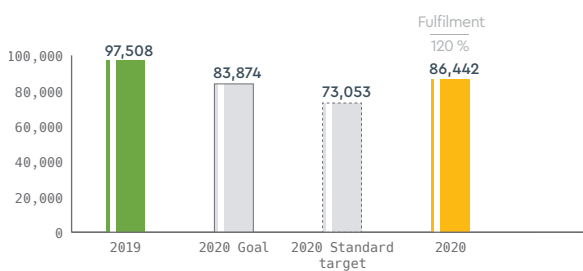
production limitations are standardized taking into account the application of oil production limitations as part of OPEC+ agreements for certain companies of ZARUBEZHNEFT GROUP. The indicators are standardized in accordance with the approved methodology for the standardization of the main operational indicators of ZARUBEZHNEFT GROUP (approved by Order No. 318 dated December 14, 2020).

Results of 2020

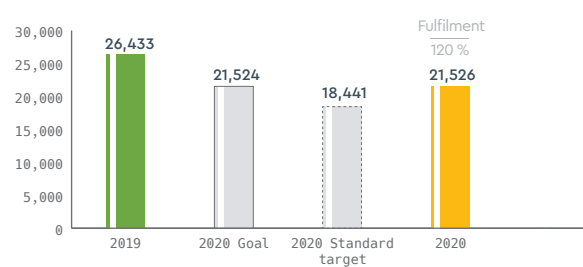
Consolidated revenue amounted to RUB 86.442 billion, meaning the KPI was fulfilled by 120%. The indicator is generated based on IFRS consolidated financial statements. It does not include income from JV Vietsovpetro recognized in the IFRS statements, but does include income from participation in JV Vietsovpetro recognized in the Company's RAS statements.

EBITDA amounted to RUB 21.526 billion, fulfilling the KPI by 120%. The higher operating efficiency relative to the standard target resulted from the successful implementation of a set of stabilizing measures that were prepared in response to the decline in oil prices.

CONSOLIDATED REVENUE, RUB mln



EBITDA, RUB mln



In accordance with the dividend policy of Zarubezhneft approved by the Board of Directors (Minutes No. 134 dated February 16, 2017), dividends should amount to at least 25% of the highest value of following two values: RAS net profit adjusted for income/expenses from the revaluation of the marketable securities of subsidiaries and related income tax, and IFRS net profit. Dividends amounted to

RUB 6.655 billion in 2020. Dividends due to the Russian Federation on the shares it owns were paid on October 20, 2020 in accordance with Directive No. 337-r of the Federal Agency for State Property Management dated August 27, 2020 "On the Decisions of the Annual General Meeting of Shareholders of Zarubezhneft Joint-Stock Company".

The return on equity indicator was 6.0%. Despite a significant drop in global oil prices, a set of stabilizing measures in all areas of operations enabled Zarubezhneft to maintain the return on equity at a high level exceeding the set target value of 5%.

Pursuant to Directive No. 12153p-P13 of the Russian Government dated December 25, 2019 (hereinafter, the Directive) the labor productivity indicator in the chart of corporate KPIs of Zarubezhneft was updated in 2020 in accordance with the methodology approved by Order No. 659 of the Russian Ministry of Economic Development dated October 15, 2019 "On Amendments to the Methodology for the Calculation of Labor Productivity Indicators of an Enterprise, Industry, or Constituent Entity of the Russian Federation Approved by Order No. 748 of the Russian Ministry of Economic Development dated December 28, 2018 "On the Approval of the Methodology for the Calculation of Labor Productivity Indicators of an Enterprise, Industry, or Constituent Entity of the Russian Federation and the Methodology for the Calculation of Individual Indicators of the 'Labor Productivity and Employment Support' National Project" (Minutes No. 177 of the Board of Directors dated February 14, 2020).

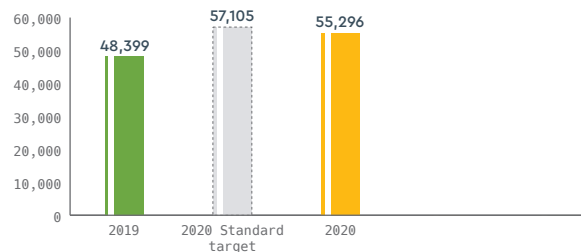
The updated indicator is calculated based on the consolidated IFRS reporting of ZARUBEZHNEFT GROUP.

The Directive set a target for growth in labor productivity of at least 5% annually excluding inflation. Actual labor productivity amounted to RUB 5.6 million per person in 2020, which is 4% higher than the target value.

The reduction in operating costs was approved with a target value of -2% (Directive No. 2303p-P13 dated April 16, 2015). The indicator is calculated in accordance with the Methodological Guidelines for the Establishment of Operating Expenses and the Determination of the Operating Cost Reduction Indicator (Minutes No. 163 of

the Board of Directors dated January 28, 2019). According to the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program in 2020, operating expenses decreased by 3.17% in 2020, which exceeds the guideline value set by the Russian Government. The main factor behind this decrease (for a total of RUB 8.5 billion) was a change in the production program due to the increased volume of oil and petroleum product trading at Zarnestservice LLC compared with 2019.

DECREASE IN OPERATIONAL COSTS IN 2019, RUB mln



Gross hydrocarbon production by ZARUBEZHNEFT GROUP in 2020 amounted to 4.403 million TOE, down slightly from the target of 4.811 million TOE. The indicator was fulfilled at a level of 84% due to decreased production from new projects as a result of the delayed

commissioning of projects on account of the impact of the COVID-19 coronavirus on activities associated with searching for and evaluating new projects as well as negotiations with vendors.

As a result of effective exploration, the volume of reserves stood at 111.376 million TOE at the end of the reporting period, while the target value was 110.052 million TOE.

The integral KPI of innovation activities was estimated by setting a limit of 100% for each component of the indicator; the indicator was fulfilled at an even 100%.

Two indicators – 'Not exceeding the Net Debt/EBITDA limit' and 'Achieving revenue target' – amortized. Both indicators were met; the depreciation ratio was equal to 1. The Net Debt/EBITDA indicator was 0 at the end of the reporting year, which is due to the Group's low debt burden and efficient liquidity management.

*The cumulative final achievement
of KPI for 2020 is assessed at*

106%



ACHIEVEMENT OF KPI TARGET VALUES IN 2020

INDICATOR	UNIT	indicator weight	2020			
			target	standard target	actual	execution, %
Consolidated revenue	RUB mln	5%	83,874	73,053	86,442	120.0
EBITDA	RUB mln	5%	21,524	18,441	21,526	120.0
Dividends	RUB mln	15%	6,000	6,000	6,655	100.0
Return on equity	%	15%	5.0	5.0	6.0	120.0
Labor productivity	RUB mln/ person	10%	7.2	5.4	5.6	108.5
Reduction in operating expenses (costs)	%	10%	2.0	2.0	3.2	120.0
Gross production volume	thousand tons of oil equivalent	15%	5,000	4,811	4,403	83.8
Inventory volume	thousand TOE	15%	110,052	110,241	111,376	104.1
Integral KPI of innovative activities	%	10%	100	100	100	100.0
Corporate KPI met:						106,0
Not exceeding the limit of Net Debt/EBITDA	–	amortization indicator	2.0	2.0	0.0	Amortization indicators are met
Achieving revenue target	–	amortization indicator	70%	70%	103%	The amortization coefficient equals 1
FINAL PERFORMANCE:						106,0



6,655 bln RUB
amount of dividends paid in
2020 (the actual value was
higher than the target)

INVESTMENT PORTFOLIO MANAGEMENT SYSTEM

The basic documents regulating Zarubezhneft's investment portfolio management activities are the Investment Planning Business Process Standard (approved by Order No. 209 dated June 28, 2019, with amendments and additions by Order No. 146 dated July 6, 2020) and the Methodology for Ranking Investment Projects of ZARUBEZHNEFT GROUP (approved by Order No. 366 dated December 11, 2019).

140.8 current
NPV
of ZARUBEZHNEFT GROUP

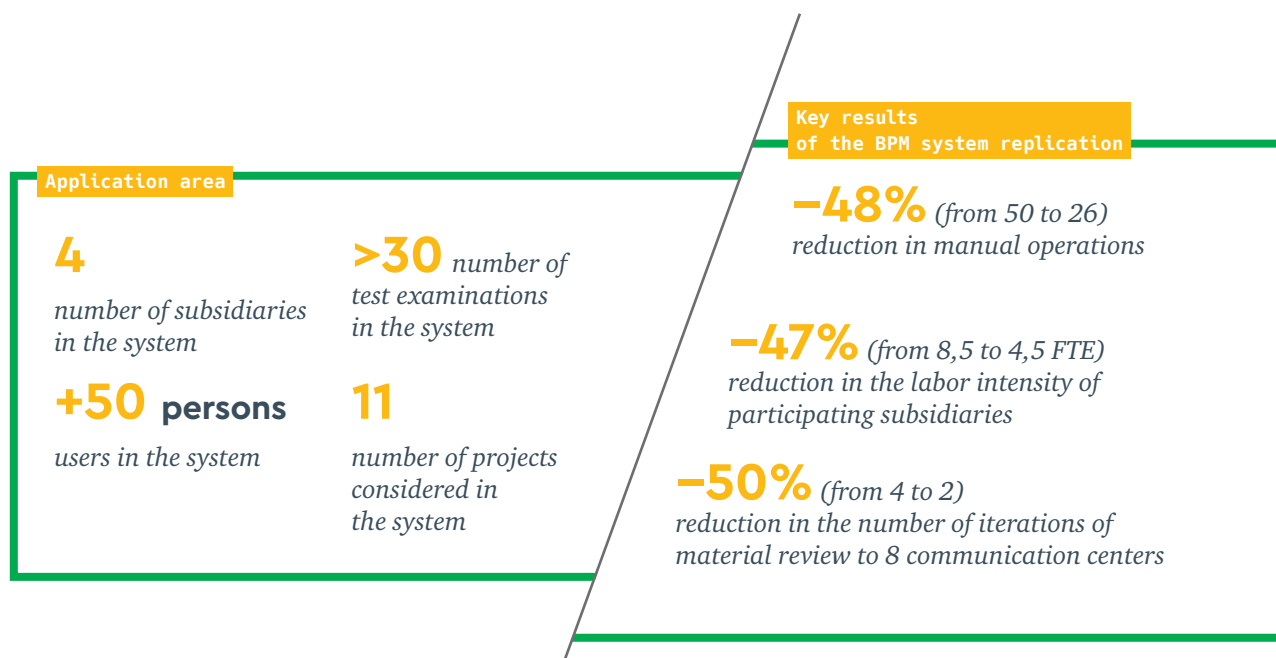
Goals and process improvement

The main priorities in the development of Zarubezhneft's investment planning system are the optimization and automation of investment processes and an emphasis on increasing the quality and speed of managerial decisions. The Company pays particular attention to the optimization of the due diligence process both within the monitoring of current projects and when joining new projects. The following measures were taken for these purposes in 2020:

- ▶ The examination checklists for new projects were thoroughly re-engineered
- ▶ A matrix was developed for the expert review of the involvement of responsible structural units in the expert review of materials taking into account the type and stage of the project or investment initiative

In order to improve the efficiency of the investment process in 2020, the Company decided to replicate the ELMA BPM system that was introduced during the previous year in the Corporate Center at the Group's pilot subsidiaries. This solution enabled the Company to achieve impressive results in terms of reducing the labor intensity of the process and increasing the level of automation.

In addition, the confluence of two previously separate processes — the establishment of the long-term Asset Development Project (ADP) and the medium-term Business Plan — also influenced the reduction in the labor intensity of the process. This solution was introduced during the stage of preparations for the 2021–2025 budget campaign. The ADP was created and defended within a single document, which helped significantly reduce the number of forms and slides in presentation materials.



Monitoring of investment projects and wellbore interventions

Monitoring of the investment portfolio is an integral part and a key tool of process management during the stage of the development and implementation of investment projects.

All projects and investment initiatives that have the status of being approved by the Company Investment Committee are subject to monitoring.

The existing system of investment decision-making has high requirements for the development of each project and ensures the highest possible accuracy of cost planning is achieved at each stage of the implementation of investment projects.

As investment projects are updated as part of the Forecast for the Implementation of the Long-Term Development Program of Zarubezhneft, positive dynamics remain in terms of net present value for ZARUBEZHNEFT GROUP's current investment portfolio.

The purpose of monitoring is to obtain reliable information about the results and prospects of investment projects and initiatives to make sound, timely management decisions.

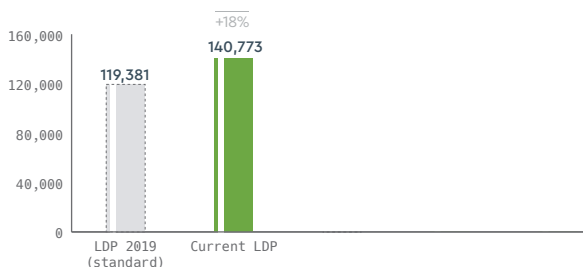
In addition to the procedure for monitoring investment projects, the Company carries out ongoing monthly control of the implementation of wellbore interventions:

- ▶ Each wellbore intervention undergoes an express evaluation in accordance with investment analysis principles
- ▶ A mandatory determination is conducted of a minimum cost-effective oil price for a zero economic result for each project as well as an initial screening of projects whose positive implementation could not be possible under the target macroeconomic conditions

In addition, in order to manage the risk of changes in macroeconomic parameters, the Company regularly monitors exchange rates and oil prices, compares them with approved indicators, and evaluates the impact on the investment project portfolio by developing, if necessary, a set of stabilization and optimization measures and monitoring their further implementation.

The Company's combined use of all these tools makes it possible to maximize efficiency in investment activities during each stage of the investment planning process.

GROUP'S NPV DYNAMICS, RUB mln



INVESTMENT ACTIVITIES OF ZARUBEZHNEFT

Zarubezhneft's projects are funded in accordance with investment decisions and aim to ensure the Company's development in accordance with the approved Long-Term Development Program. In 2020, Zarubezhneft's investment activities were associated with the continued implementation of investment projects that had previously been initiated, such as the prospecting and development of fields in Vietnam, Cuba, Egypt, and Uzbekistan.

The investment program for 2020 was approved by a resolution of the Zarubezhneft Board of Directors in Minutes No. 175 dated December 26, 2019.

6.1 RUB BLN

Invested in 2020

Intragroup borrowings amounted to

4.6 RUB BLN

The investment program was funded taking into account optimization measures and the current needs of subsidiaries.



FUNDING OF ZARUBEZHNEFT'S INVESTMENT PLAN, RUB mln

Investment target	2020 Plan	2020 Actual	+/-	%
Exploration projects	3,479	2,202	-1,277	-37
Block 12/11	2,344	1,298	-1,046	-45
Boca de Jaruco	1,135	904	-232	-20
Corporate Center investments	10,394	3,900	-6,494	-62
Expansion of the business function	10,000	3,543	-6,457	-65
R&D	338	188	-150	-44
Other	56	169	113	202
TOTAL	13,874	6,102	-7,771	-56
Intra-group loan program	2020 Plan	2020 Actual	+/-	%
Exploration and production segment	4,373	3,198	-1,175	-27
Severo-Karasevskoye Oil and Gas Production Enterprise	3,603	1,417	-2,185	-61
ZN Dobycha	6	6	1	9
ZN LA	300	573	273	91
ZN BV	465	1,130	665	143
ZN Development	0	71	71	-
Service and other assets segment	662	1,400	738	111
Arktikmorneftegazrazvedka JSC	422	346	-76	-18
SPK	240	1,024	784	327
EXPLON	0	1	1	-
Zarnestservice	0	14	14	-
Nestro	0	15	15	-
TOTAL	5,035	4,598	-437	-9
INVESTMENT PLAN TOTAL	18,909	10,701	-8,209	-43

In addition, the Company continued to develop the Orenburg cluster. In December 2020, it acquired a 56.17% stake in Uralneftegazprom JSC (UNGP), which owns three license areas in the southern Orenburg region, where three oil and gas condensate fields have been discovered.

ZARUBEZHNEFT GROUP's assets in 2020 also included its own pipeline system in the Nenets Autonomous Area, whose further development will help to maximize synergy with producing assets in the district.

We also continued to modernize our assets in Russia.

The actual funding of the investment program amounted to RUB 6.1 billion, including:

- Funding of RUB 2.2 billion for Zarubezhneft's exploration projects
- Investments of RUB 3.9 billion in the Corporate Center (expansion of the area of operations and modernization of the Corporate Center's fixed assets)

INTERNAL IMPROVEMENTS PROJECTS

Zarubezhneft has compiled a portfolio of change projects since 2013 and annually expanded its perimeter.

THE PORTFOLIO CONSISTS OF FOUR TYPES OF PROJECTS:



Improvement projects



IT projects



R&D projects



Technological development projects

In 2020, the Company began implementing a fifth type of project — digital projects, which aim to develop new or introduce existing digital initiatives created on the basis of end-to-end digital technologies.

Since Zarubezhneft actively explores new regions, joins foreign projects, and develops additional business focuses, starting in 2019, the project portfolio is compiled within four strategic

priorities defined at a strategic session of the Group's executives — 'EXPANSION', 'TECHNOLOGICAL LEADERSHIP', 'CORPORATE EVOLUTION', and 'TALENT MANAGEMENT'.

Key goals and tasks are defined for each strategic priority, with long-term project programs prepared and updated annually to achieve the priorities. These programs involve the introduction of innovative technologies, cost reduction, process optimization, infrastructure development, and more.

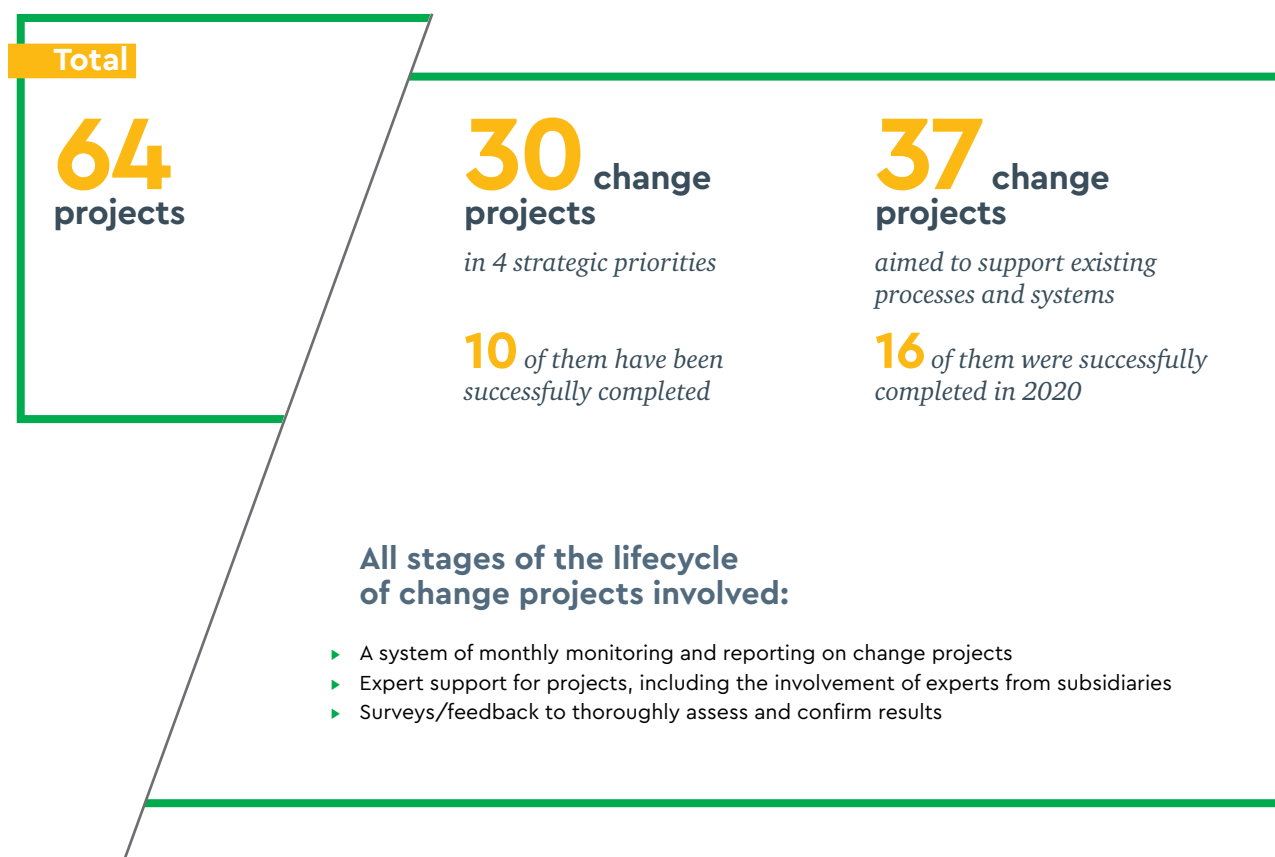
The number of change projects in all focus areas of Zarubezhneft's Corporate Strategy increases each year. This is due to the fact that the Company continuously looks for new opportunities, conducts benchmarking, actively participates in experience exchange meetings with industry leaders, and analyzes lessons it has learned. This systematic work helps to identify new areas for improvement and development, which become the basis for new change projects.

In addition, in order to increase management's awareness of the implementation of strategic tasks and develop new change projects, the project initiation mechanism was revised in 2020, and unified principles for identifying and classifying projects as ones with a strategic focus were developed, including a thorough analysis and defense of projects under the Company's management.

The Company also carried out work in 2020 to optimize the system for the selection, monitoring, and evaluation of the effective implementation of improvements and also developed tools to work with organizational and management changes.

In 2020, Zarubezhneft established a new collective advisory body — the Committee for Improvements — for this purpose, among others. The Committee's main purpose is to create a unified platform to support systematic work to identify, select, and monitor the effective introduction of organizational and management improvements and also to draft and assess the implementation of comprehensive programs to introduce changes to fulfill the Company's strategic objectives and increase the level of maturity of business processes. Committee meetings are held monthly and chaired by the Company's General Director.

PROJECTS PORTFOLIO IN 2020



Main results of the change projects within the 4 strategic priorities

Expansion

Projects in the 'Expansion' focus aim for the Company to join new foreign projects by creating effective tools for to search for and evaluate projects as well as mechanisms for effective work in new countries and regions.

Upstream project management based on the cluster principle using the example of the gas cluster in Vietnam:

- ▶ A pool of oil and gas assets was formed based on existing projects as well as those that have been acquired and restructured in the same geographical location and are suitable for consolidation into the cluster
- ▶ Arrangements were made for Zarubezhneft Group to acquire stakes in new gas blocks in the territorial 'zone' of the future cluster

Development of negotiation skills at the company:

- ▶ A negotiation strategy for the General Director was developed
- ▶ A methodology was drafted to prepare for negotiations at the level of the Company's senior management who regularly negotiate with high-level partners
- ▶ A procedure was determined for recording the results of negotiations

Creation of opportunities to finance new projects:

- ▶ A sovereign credit rating of ruAAA (the highest) was obtained from Expert RA

Technological leadership

Initiatives in the 'Technology Leadership' focus aim to create and develop new advanced technological skills to provide the necessary competitive advantages to increase the efficiency of current assets and expand globally.

Opening

- ▶ High-tech seismic operations at Block 09-1 in Vietnam resulted in a reserve increment of more than 1.9 million tons
- ▶ The construction of a multilateral exploration well at Block 12/11 was completed, adding more than 4 million TOE to reserves
- ▶ A new method of seismic processing – full-wave inversion – was successfully introduced, making it possible to significantly detail geological models
- ▶ A joint venture was set up with Gazprom Neft for the oil and gas exploration of low-permeability and unconventional formations in Western Siberia

Entalpy

- ▶ Three new horizontal wells were drilled into the main bituminous M formation at a depth of 600 meters
- ▶ An additional fourth well was drilled to test the new reservoir at a depth of 250 meters; a gushing flow of bitumen was obtained following the steam treatment of the reservoir

Smartflooding

- ▶ The base production decline rate has been reduced by 33% since 2017 due to efficient work with water cut without additional drilling
- ▶ Incremental production of around 250,000 tons was achieved due to the successful application of innovative flow-deflecting technologies at JC RUSVIETPETRO fields
- ▶ ORI increased by 5–10%

Tight Oil

- ▶ Two horizontal wells were successfully drilled in 2020 at JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Kharyaga, 1 multilateral well at ZARUBEZHNEFT-Dobycha Kharyaga, and 1 horizontal well with multistage hydraulic fracturing at ZARUBEZHNEFT-Dobycha Kharyaga
- ▶ Testing was conducted with hydraulic fracturing of deep Oligocene formations at block 09-1 with HF over 4,000 meters in exploratory wells BT-54 and BT-57
- ▶ Two inclined-vertical wells were drilled in the pilot project area of the Lutseyakhskeye field, and drilling started on a horizontal well
- ▶ Specialized projects were implemented to expand the Company's expertise in drilling horizontal wells, core studies of unconfined reservoirs, and HF

Talent management

Projects in the 'Talent Management' focus aim to perform systematic work to identify, develop, and utilize human potential to solve the Company's strategic objectives.

Creation of a united experts institute:

- ▶ An internal expert evaluation of competence coverage was conducted and a campaign was organized for the selection of candidate experts for Zarubezhneft Group: 117 of 319 applications from candidates for inclusion as experts were selected and the candidates were approved; a work plan for the Expert candidates was prepared
- ▶ A knowledge management system (KMS) was identified as a single platform for expert work and the KMS was thoroughly restructured: additional areas of knowledge were allocated, communities were introduced, and an expert's personal account was created
- ▶ A provisional regulation was drafted and approved on the creation and functioning of a unified system of experts

Nestro Lead

- ▶ The winners of the contest were trained in the 'Energy Business Management' Executive Master of Business Administration program
- ▶ Lessons from the past contest and proposals for its further format and periodicity were prepared
- ▶ Instructions were drafted and approved on the procedure for preparing, holding, and announcing the results of the contest to identify and develop the most promising employees (Nestro Lead).

Talent management

- ▶ An incentive system for project teams when joining new assets was prepared and approved
- ▶ Job profiles were developed and approved, and the Company completed the first stage of an employee information database that was developed to match employees to a specific job profile when selecting candidates, moving them to positions, appointing them to target positions, and selecting them to the talent pool
- ▶ An electronic course on mentoring was developed, and a contest of the best mentors was held

CORPORATE EVOLUTION

The key goal of projects in the 'Corporate Evolution' focus is to create an effective process and system management model to ensure the necessary competitive advantages to increase the efficiency of current assets and international expansion.

BSC formation:

- ▶ Target patterns of business processes, user instructions, and documents securing responsibility were established
- ▶ The main accounting units were prepared: accounting and tax accounting, treasury, HR administration, and settlements with personnel
- ▶ A front office and call center was set up
- ▶ The Business Service Center started working on October 1, 2020 for the companies of the Samara group of Zarubezhneft's subsidiaries

Automation of business processes using BPM class it systems:

- ▶ Based on the results of the introduction of BPM:
 - The share of manual operations was reduced by 35% (from 17 to 11)
 - Labor intensity was reduced by 51% (from 13.5 to 7 FTE)
 - The time of expertise was reduced by 32% (from 16 to 11 hours)
- ▶ At present, seven processes are being automated in the BPM: three have been completed (investment planning, investment planning at subsidiaries, and corporate governance) and four are being implemented (internal regulations management, audits at subsidiaries, procurement management at subsidiaries, and R&D management)
- ▶ Zarubezhneft was the only oil and gas company in 2020 to be among the finalists of the 'BPM Project of the Year' contest (top 15)

Centralization and digitalization of the treasury:

- ▶ The following pilot initiatives were successfully implemented: dynamic discounting, process mining, setup of dashboard prototypes, payment system, robotics pilot project, and the Eikon Refinitiv terminal
- ▶ A significant economic effect was achieved following the implementation of pilot transactions on early payment with the receipt of premiums, including the use of the Dynamic Discounting Platform. The premium received by DP amounted to RUB 24.82 million and exceeded the costs under the contract for the implementation of short-term pilot initiatives by RUB 18.72 million

Global info:

- ▶ A system of internal communications was established
- ▶ Continuous communication support was organized for strategic focuses and key initiatives
- ▶ The first Group-wide engagement survey was conducted
- ▶ The corporate magazine was also completely updated, its circulation was increased, the corporate newsletter was introduced, and screen savers were installed

INNOVATIVE ACTIVITY

Zarubezhneft's Innovative Development Program aims to achieve the objectives of the Company's Strategy and LDP by introducing innovative technologies and solutions to achieve the strategic goals that have been set.

Zarubezhneft's updated Innovative Development Program (IDP) for 2020–2024 (with a view to 2030) was developed in accordance with an order of the Government Commission for Economic Modernization and Innovative Development and approved by the Board of Directors in Minutes No. 188 on December 24, 2020

THE HIGHEST IDP AMONG ALL STATE-OWNED COMPANIES

Based on the results of an independent expert evaluation of the quality of the development and implementation of the IDP, Zarubezhneft has consistently received the highest marks among oil, gas, and energy companies with state participation for the development of the IDP in 2016 and for the implementation of the IDP in 2016–2018. In a preliminary quality assessment of the IDP update for 2020–2024, the Company also received the highest score among state-owned oil and gas companies.

99%

The Company's IDP received the highest score among all the state-owned companies that were evaluated

The IDP aims to achieve the following goals:

Growth in the efficiency of current assets development by:

- ▶ Attaining leading positions in the development of carbonate reservoirs
- ▶ Increasing the efficiency of oil and gas field development
- ▶ Increasing oil and gas

Growth in the resource base by:

- ▶ Improving the efficiency of prospecting and evaluation of new assets
- ▶ Searching for promising targets at current assets, including non-structural traps
- ▶ Additional exploration, localization, and involvement in the development of residual reserves through innovative geological exploration methods

Improving the efficiency of production processes by:

- ▶ Improving the efficiency of key business processes and increasing labor productivity
- ▶ Improving the efficiency of decision-making due to the digitalization of the main processes of the Company's activities
- ▶ Improving the energy efficiency and eco-friendliness of production
- ▶ Enhancing the level of the Company's digital maturity

Additional financial result due to the implementation of the IDP.

Innovative technology projects

Key project

Opening

- Improvement of oil and gas exploration program planning, increased reserves growth, reduced oil and gas exploration costs, and increased opportunities to find prospective areas for drilling

Key project

Smartflooding

- Development of innovative agents to displace oil from the pore space, including the selection and development of surfactants, polymers, 'smart' water, and gas mixtures

Entalpy

- Development of innovative technologies for steam injection and thermal gas stimulation, as well as combining these methods with catalytic oil enrichment in reservoirs

Tight Oil

- Development of innovative technologies for developing low-permeability and unconventional reservoirs, including the Bazhenov suite

Nestro-TEC

- A set of technological projects aimed at leadership in technology that helps reduce OPEX and CAPEX

Efficient well operations

- Implementation of innovative technologies and equipment in construction and the reconstruction and repair of wells for any purpose

Digital transformation projects

Key project

Digital field

- A combination of technological solutions for collecting, transmitting, storing, and analyzing data, and controlling production processes on their basis. Integration of technological solutions within a unified system

Digital assessment of new projects

- Information environment ensuring the fastest possible search for, evaluation, and integration of new Zarubezhneft projects

Digital office

- An office environment that allows employees to organize their work in a personalized way from anywhere in the world

Digital expertise of personnel

- Employees capable to apply digital technologies fully independently at all stages of business processes

The Zarubezhneft portfolio includes

10 innovative projects

THE MAIN CONTRACTORS INVOLVED IN INNOVATIVE PROJECTS IN 2020 ARE DESIGN AND RESEARCH ORGANIZATIONS.

Among the Group

- VNIlneft
- Giprovostokneft

Leading higher educational institutions in the Russian Federation

- Kazan (Volga Region) Federal University (KFU)
- Skolkovo Institute of Science and Technology (Skoltech) and others

Small and medium-sized businesses

and other scientific and industrial organizations

2020 — new stage of IDP

Starting in 2020, Zarubezhneft launched a new stage of the IDP called 'Active Testing of Innovations', which involves a transition to the pilot testing of technological innovations. During this stage, technologies are actively moved "from the laboratory to the field" for the testing of new advanced technologies and solutions to provide competitive advantages to enhance the efficiency of current assets.

Innovative projects

Creation of a power plant that runs on all classes of russian-produced oil

The project was initiated due to the significant costs of purchasing diesel fuel for power generation at JC RUSVIETPETRO fields and difficulties in procuring such fuel.

The project aims to use Russian-made equipment (DVS Kolomna Plant) for oil up to Class 3 (high-viscosity and sulfurous) and increase the overhaul intervals of power machines.

Existing power machines, both foreign-made and those produced by the Kolomna plant, require a high degree of oil treatment and are designed to run on Class 1, light, and low-sulfur oil. Fuel equipment (injection nozzles and the pipeline system) is where the power machines have a bottleneck.

R&D work was conducted in 2017–2020 as part of the implementation of the innovative project to improve power plant equipment units operating on Class 3 oil, develop design documentation, harmonize the power plant with oil industry standards and regulations, and conduct pilot tests at JC RUSVIETPETRO.

The diesel oil power plant was manufactured and delivered to JC RUSVIETPETRO. The power plant underwent pilot tests with diesel fuel, was put into commercial operation, and was adapted to run on oil.

Result

- ▶ In 2020, the R&D project was successfully completed
- ▶ Two patents for inventions were obtained from Rospatent
- ▶ The replication of the project results has begun, and JC RUSVIETPETRO signed a contract for the delivery of the second oil power plant based on the technical specifications that are drafted in 2021

Technology to increase oil recovery at high-viscosity oil fields using the catalytic aquathermolysis method

The technology was initiated in 2017, when the Company, together with KFU, began conducting R&D to design a technology to increase oil recovery at high-viscosity oil fields using the catalytic aquathermolysis method.

The technology aims to intensify the in-situ enrichment of heavy oil in the process of steam-heat processing, which helps to improve oil quality and reduce its viscosity.

The improvement of oil properties in-situ will enhance the energy and economic efficiency of operations at the existing Boca de Jaruco field and potentially other similar fields in the heavy crude oil zone in Cuba and other countries.

In 2017–2018, a series of experiments was conducted at KFU to select the most effective catalyst using the reactor. The nickel catalyst that was selected provides the maximum oil conversion and a significant reduction in viscosity, while the low cost of the nickel catalyst compared with the cobalt catalyst is an additional advantage.

In 2018, the second stage of R&D was completed, during which the remaining research tasks were carried out: evaluation of catalytic activity and catalyst encrustation in aquathermolysis processes, catalyst adsorption on rock (displacement in the combustion tube), a study of solubility, thermal stability, and filtration characteristics of the catalyst solution that was developed. A pilot run of the catalyst for the pilot project was carried out.

In 2019, the catalyst was delivered to Cuba by sea. The Company conducted preparatory work on the pilot project to test the technology as well as the basic Huff and Puff (HNP) of the well candidate (without the presence of the catalyst). In November–December 2019, Zarubezhneft specialists successfully injected the catalyst into the formation and conducted the subsequent HNP.

In 2020, well BKh-3003 was tested in flooding and pumping operation mode (installation of a sucker rod screw pump) with product sampling to study oil properties and confirm the efficiency of in-situ oil enrichment. A total of 190 samples were taken and sent to VNIIneft, and 500 laboratory tests were performed.

Result:

- ▶ The technological efficiency of the method was confirmed, additional production was 102% relative to the base cycle, and the vapor-oil factor was less than 2.8 tons of steam per ton of oil
- ▶ An invention patent for catalytic aquathermolysis technology was obtained jointly with KFU during the reporting year

Pilot project to test technology for the isolation of subsurface formation waters at JC RUSVIETPETRO

Pilot work was carried out in 2020 to test bottom water isolation technology at the Zapadno-Khosedayuskoye oil field.

The technology aims to have an integral impact, which consists of pumping gel-forming composition RV-3P-1 into the watered interval with its subsequent cementation. The gel forms a hydro screen, cutting off the water encroachment cone, as a result of work in the bottom hole zone.

Result:

- ▶ A total of 9 wells were processed
- ▶ Incremental oil production from the implementation of measures in 2020 amounted to 13,000 tons

Pilot project to use diverter technologies at ZARUBEZHNEFT-Dobycha Kharyaga

The project was initiated in 2017. ZARUBEZHNEFT-Dobycha Kharyaga successfully continued to implement the pilot project to use diverter technologies (injection of cross-linked polymer compositions based on polyacrylamide).

The project aims to redistribute filtration flows and reduce well production water cut by blocking highly permeable watered interlayers with polymer composition.

Result:

- ▶ In 2020, ZARUBEZHNEFT-Dobycha Kharyaga treated four injection wells at the Kharyaga oilfield with a gel-forming composition that was developed as a result of research work
- ▶ Total additional oil production for this period is estimated at more than 234,000 tons, including over 94,000 tons in 2020

Financing structure of the IDP in 2020

Total funding for new technology projects and activities, as well as the innovation management system and innovation infrastructure in 2020, exceeds RUB 3.353 billion (table 1), excluding the duplication of financing.

All IDP activities are funded by ZARUBEZHNEFT GROUP.

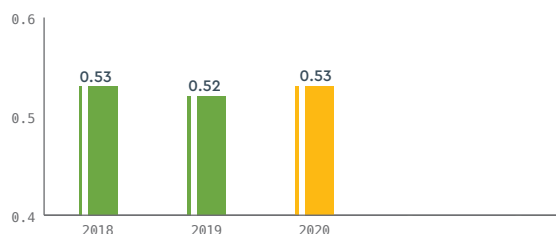
TOTAL FUNDING OF MEASURES RELATED TO INNOVATIVE DEVELOPMENT IN 2020

Targets and measures	Funding, RUB mln
Innovative projects and measures (process innovations) and R&D	3,198.1
Development of the innovation management system and innovation infrastructure and interaction with outside organizations	155.4 (387.4 ¹)
TOTAL FOR THE PERIOD:	3,353.5

¹ Funding including duplication

Procurement of innovative products and services

SHARE OF REVENUE ALLOCATED FOR R&D FUNDING, %



In 2020, ZARUBEZHNEFT GROUP obtained four patents for inventions and 12 certificates for software, and submitted 12 applications to Rospatent for the registration of the results of intellectual activity. The Group published 32 scientific articles and publications.

PROCUREMENTS

Group's procurements in 2020

RUB **32.47** bln

Including

procurements of subsidiaries

RUB **31.15** bln

(96% of all procurements)

Group's innovative procurements in 2020

RUB **892.64** mln

Including

procurements of subsidiaries

RUB **763.94** mln

(85.6% of all innovative procurements)

2.7%

share of procurements of innovative products/services in the total volume of Zarubezhneft procurements

New technology testing and deployment system

In order to effectively manage the processes of testing and introducing new technologies that exist on the market but have not been used ZARUBEZHNEFT GROUP, the Company continued to develop a system for the testing of new technologies, equipment, and machinery in 2020. Testing of new equipment and technologies was conducted in 2020 at the Group's following production facilities: JC RUSVIETPETRO, ZARUBEZHNEFT-Dobycha Samara, ZARUBEZHNEFT-Dobycha Kharyaga, and at the Zarubezhneft branch in Cuba. The testing results confirmed the technological and economic effect, and a number of technologies have been recommended for introduction at the Company's production facilities.

JC RUSVIETPETRO conducted testing in the following key areas in 2020: testing of new chemical compounds for selective isolation, anti-salt buildup in wells, reduction of well construction time, and the reduction of floating oil heat loss during movement through the wellhead fittings. In addition, in order to promptly detect heat losses in inter-field oil pipelines, thermal imaging cameras mounted on unmanned aerial vehicles were tested.

ZARUBEZHNEFT-Dobycha Samara performed work to improve the efficiency of wells that were complicated by asphaltene-resin-paraffin deposits, and tested a new electric plunger pump to improve the efficiency of the low-yield (intermittent) well stock.

In 2020, ZARUBEZHNEFT-Dobycha Kharyaga tested the following: a downhole heating cable with an upgraded sealing device, a multistage fracturing unit on a horizontal well, and thermal shrouds for fuel gas manifolds on a gas turbine unit. Pilot projects were held to test ball valves as part of flowing valves in order to reduce the amount of maintenance. A total of 15 tests were conducted in 2020.

The Zarubezhneft branch in Cuba launched work in 2020 to test the universal configuration of downhole drilling equipment at two horizontal wells for steam injection and oil production with SRPI without conducting current well workovers for the replacement of the downhole drilling equipment.



DIGITAL TRANSFORMATION

The Company's goal in digital transformation is to overcome technological challenges and create competitive advantages in Russia and abroad through the large-scale use of digital technologies.

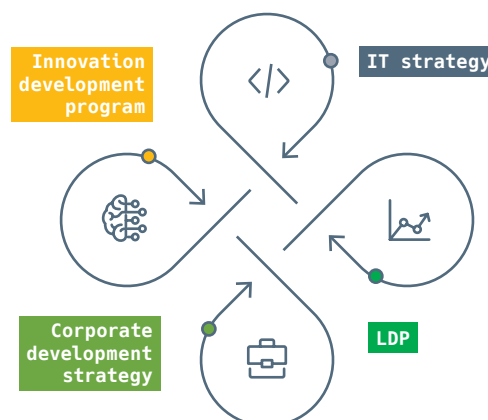
Today, digital transformation of business is one of the leading global trends. Companies are using digital technologies and IT developments in all areas, from increasing business efficiency to employee training.



The Russian oil and gas industry has actively joined this process and ZARUBEZHNEFT GROUP is no exception. Today, the Company is actively building up potential for the use of digital technologies, which will provide an opportunity to strengthen its position as a high-tech player on the hydrocarbons production market both in Russia and abroad for at least the next 10–20 years.

The Company has developed and approved a Digital Transformation Strategy. The Strategy takes into account and comprehensively complements the goals and objectives of the strategic planning documents adopted by Zarubezhneft, including the Corporate Development Strategy and the LDP, and is closely linked with the Company's Innovative Development Program and IT Strategy:

Digital Transformation Strategy



>30 new digital projects
launched in 2020

Starting in 2020, the Company launched Digital Harmony, the second phase of its Digital Transformation Strategy.

ZARUBEZHNEFT HAS IDENTIFIED THREE MAIN STAGES OF DIGITAL DEVELOPMENT:

2013–2019

Stage I

Collecting key production information

2020–2022

Stage II

Digital harmony (Pilot projects)

2023–2030

Stage III

Digital superiority

Key objectives of the Digital Harmony stage

- ▶ Development of the concept of corporate data management
- ▶ Ensuring the quality of data and its compliance with corporate requirements
- ▶ Automated formation of corporate reports based on primary data
- ▶ Implementation of complex digital projects and the pilot testing of digital technologies and solutions available on the market
- ▶ Establishment of a training system for the Group's employees and involving them in the implementation of the Digital Transformation Strategy
- ▶ Targeted search for and use of digital technologies to quickly find, diagnose, and evaluate new assets
- ▶ Digital transformation of production facilities as part of the Digital Field program.

The priority focuses of Zarubezhneft's strategic development shape the scope of the digital projects portfolio included in the Digital Transformation Program. These are primarily the key projects that have the greatest impact on the Company's business through the introduction of digital solutions in addition to projects in priority areas of the Company's technological and innovative development.

Zarubezhneft launched more than 30 new digital projects in 2020 as part of its four comprehensive digital transformation programs. The key project was a project to create a corporate digital platform called Nestro Data. In early 2020, a project concept was developed that specified the general principles and approaches to data management organization at the Zarubezhneft Group based on best international and Russian data management practices, the DAMA-DMBOK data management manual, as well as the practical experience of Company employees.

Zarubezhneft plans to shift the emphasis to work with data and transition from local problem solving to systematic and long-term work based on data at the corporate level.

One of the first completed projects was the creation of a digital duplicate of the Kharyaga field Central Production

Facility (CPF). An electronic technical digital passport provides prompt access to the detailed engineering and technical information of the CPF. To create it, the employees of ZARUBEZHNEFT-Dobycha Kharyaga uploaded

More than
23,000 objects
7,000 documents
180,000 passport ratings
after systematizing heterogeneous paper data of design, working, engineering, as-built, and operational documentation

In addition to the passport, a highly detailed 3D model of the Kharyaga field CPF containing over 1 million details was created. The 3D model became the basis of virtual simulators for the training and certification of employees. The simulator algorithms are created in accordance with the plant's process regulations and allow practicing both standard operations, such as starting up the inlet separator or external pumping, and emergency situations in accordance with the emergency response plan in virtual reality, without creating real risks in production.

In 2020, the Company put into commercial operation the Operational Monitoring Center of Zarubezhneft — a tool to coordinate the production activities of Upstream unit enterprises. The Center's job is to make swift decisions on the Company's strategic tasks. The computer system not only consolidates data from all facilities but also builds connections and links between them. As a result, any employee who has the appropriate access to the system can see all the information on a certain facility — from archived indicators to current day data with an increment of 2 hours.

Development opportunities

The Company considers artificial intelligence technologies, including machine learning, big data processing technologies, and digital twins, to be the highest priority for the development and introduction of end-to-end digital technologies now and in the near future.

In 2021, the Group plans to continue searching for, studying, and initiating projects of different scales, from the introduction of existing digital solutions on the market to projects involving the creation of in-house developments that are consistent with the Company's key focuses.

#3



OPERATIONAL RESULTS
FOR THE REPORTING PERIOD

Developing
**the managerial
skills**
of the talent pool

MARKET PERFORMANCE

102-6

Zarubezhneft began 2020 with a fairly strong position on international markets. Despite a decline in the global economy in the first half of 2020, growth resumed in the third quarter of 2020, driven by fiscal and monetary stimulus, as well as the easing of isolation measures by the end of the second quarter. The World Bank estimates that global GDP declined by 4.3 percent in 2020.



However, the World Bank forecast also predicts that global GDP will grow by 4 percent in 2021. Moreover, the recovery of global GDP will be primarily driven by developing economies (+5%), in particular East Asia and the Pacific (+7.4%), Latin America and the Caribbean (+3.7%), Europe and Central Asia (+3.3%), and the Middle East and North Africa (+2.1%). GDP in the Russian Federation is expected to grow by 2.6%.

The actual upward trajectory will depend on uncertainties connected with COVID-19 developments, the new US Administration's policies, Brexit discussions as well as ongoing trade negotiations. Recent news on the implementation of vaccination programs in most major economies offers a positive effect for the current outlook.

As a result of the decline in oil demand in early 2020 caused by the spread of the novel coronavirus infection COVID-19, the average price of Urals oil at the end of 2020 was USD 41.74/bbl.

The USD exchange rate versus the ruble at the beginning of the year reached a minimum of RUB 60.95/USD and had a positive trend throughout the year. The maximum value was RUB 80.88/USD at the end of March.

The price of Urals oil peaked on January 6 at USD 66.04/bbl, while the lowest level was on April 1 at USD 14.72/bbl.

https://www.opec.org/opec_web/static_files_project/media/downloads/publications/0B122020_012021.pdf





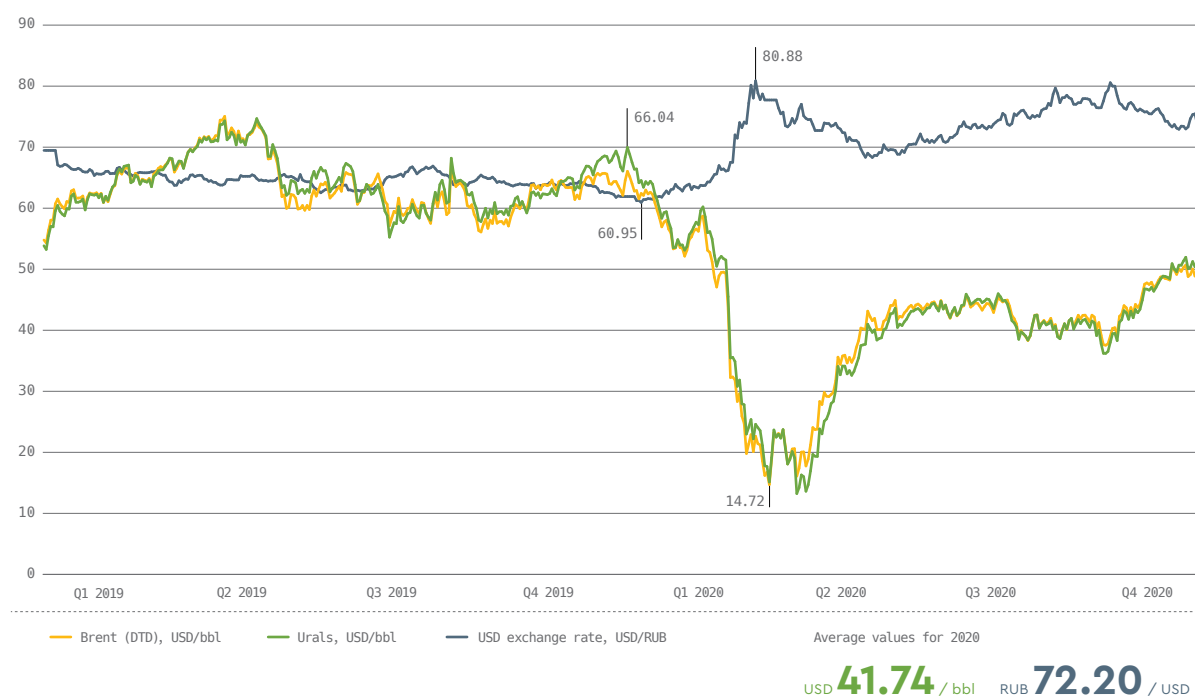
Operational results
for the reporting period

WORLD BANK REAL GDP FORECAST FOR THE WORLD, REGIONS, AND COUNTRIES¹, %

World/Region/Country	2018	2019	2020	2021
World	3.0	2.3	-4.3	4.0
Developing countries	4.3	3.6	-2.6	5.0
East Asia and the Pacific (EAP)	6.3	5.8	0.9	7.4
Vietnam	7.1	7.0	2.8	6.7
Indonesia	5.2	5.0	-2.2	4.4
Europe and Central Asia (ECA)	3.4	2.3	-2.9	3.3
Bosnia and Herzegovina	3.7	2.7	-4.0	2.8
Russian Federation	2.5	1.3	-4.0	2.6
Uzbekistan	5.4	5.6	0.6	4.3
Latin America and the Caribbean (LAC)	1.9	1.0	-6.9	3.7
Middle East and North Africa (MNA)	0.5	0.1	-5.0	2.1
Egypt	5.3	5.6	3.6	2.7

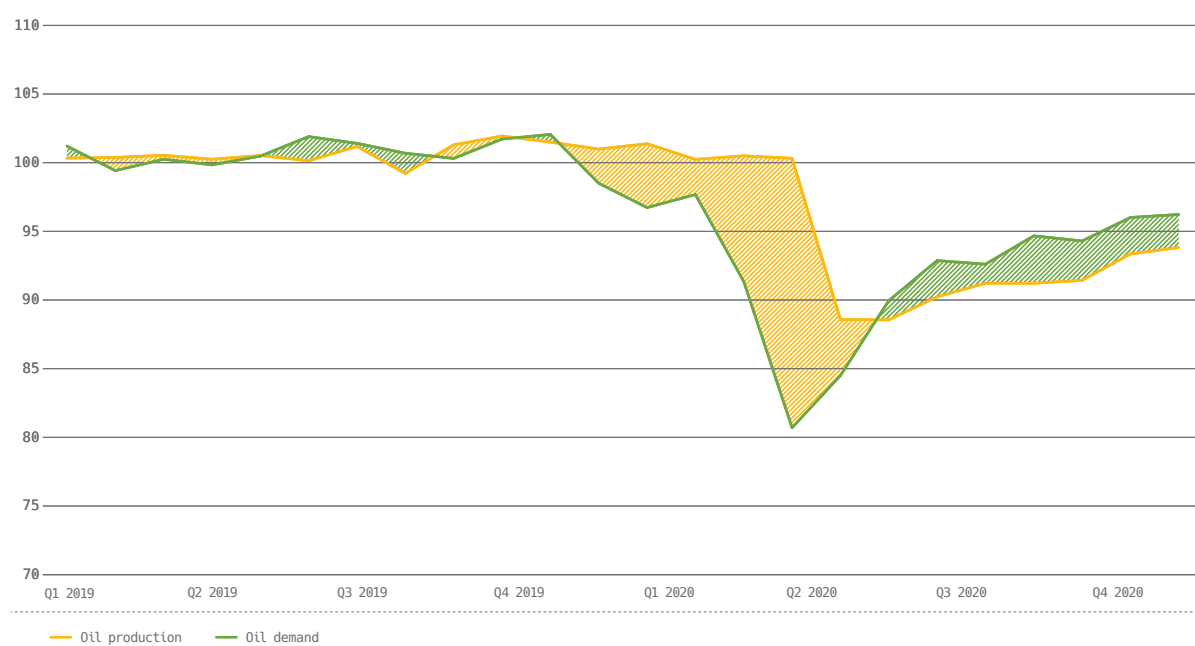
¹ <http://pubdocs.worldbank.org/en/255171599837402202/Global-Economic-Prospect-2021-GDP-growth-data.xlsx>

OIL PRICE AND USD/RUB EXCHANGE RATE



The major factor in the stabilization of oil prices in the second half of 2020 was the agreement of OPEC+ members to reduce oil production by 10 million bbl per day starting from May 1.

WORLD OIL PRODUCTION AND DEMAND, mln bbl per day



At the start of the year, Brent oil started a negative trend and continued to decline to its low of USD 13.24/bbl in April. Due to the OPEC+ agreement to reduce production by 10 million bbl per day starting from May 1, the oil price stabilized and exceeded USD 50/bbl by the end of the year.

An increase in prices for global oil brands was seen at the end of 2020 due to market recovery and higher demand for hydrocarbons:

Name	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	+/-	%
Brent (Dtd), USD/bbl	71.3	64.3	50.3	29.2	43.0	44.2	41.7	-23	-35
Urals (Rdam), USD/bbl	69.9	63.0	48.0	31.0	42.9	44.3	41.6	-21	-34
Urals (MED), USD/bbl	70.2	63.9	48.4	31.4	43.2	44.7	41.9	-22	-34
Urals (World), USD/bbl	70.1	63.5	48.2	31.2	43.0	44.5	41.7	-22	-34
USD exchange rate, RUB	62.6	64.7	66.4	72.3	73.6	76.1	72.2	8	12
Cost of Urals (Rdam), USD/bbl	4,377	4,083	3,187	2,244	3,153	3,376	3,001	-1,082	-26
Cost of Urals (MED), RUB/bbl	4,398	4,136	3,213	2,273	3,176	3,401	3,027	-1,109	-27
Cost of Urals (World), RUB/bbl	4,387	4,103	3,200	2,258	3,164	3,389	3,014	-1,089	-27

In 2020, the average global price of Urals oil was 34% lower than the average value in 2019. At the same time, the price in rubles decreased by only 27%, which was compensated by a 12% increase in the USD exchange rate.

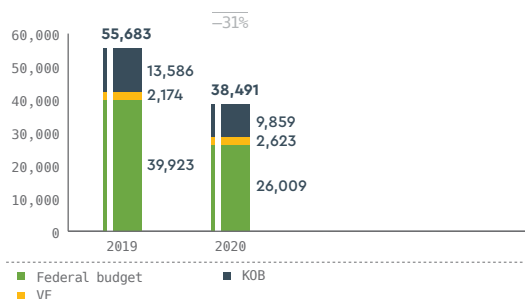
Name	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	+/-	%
Urals (World), USD/bbl	70.1	63.5	48.2	31.2	43.0	44.5	41.7	-22	-34
USD exchange rate, RUB	62.6	64.7	66.4	72.3	73.6	76.1	72.2	8	12
Export duty, USD/ton	128	94	74	23	44	43	45	-48	-52
Mineral replacement tax, RUB/ton	12,455	13,039	10,490	4,841	9,329	9,942	8,650	-4,388	-34
Tax load RUB/ton	20,502	19,097	15,387	6,501	12,579	13,237	11,926	-7,171	-38
Price excluding levies and taxes, RUB/ton	11,219	10,566	7,750	9,827	10,300	11,262	9,864	-702	-7

A 38% decrease in the tax burden in 2020 compared with 2019 (including a 34% decrease in the mineral replacement tax (MRT) and a 52% decrease in the export tax) was driven by falling global oil prices caused by lower demand

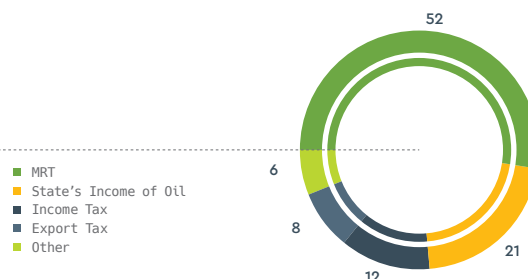
for hydrocarbons. Recovery and growth in global oil prices in the second half of the year contributed to a more than twofold increase in the tax burden compared with the decline in the second quarter.

TAX LIABILITIES OF ZARUBEZHNEFT GROUP

TAXES AND OTHER MANDATORY PAYMENTS TO THE BUDGET OF THE RUSSIAN FEDERATION, RUB million



STRUCTURE OF TAXES AND OTHER MANDATORY PAYMENTS OF THE E&P SEGMENT, %



The mineral replacement tax, profit tax, and profit oil of ZARUBEZHNEFT-Dobycha Kharyaga account for the largest share of mandatory payments of the producing companies.

Tax payments

Along with such macroeconomic factors as changes in oil prices and the ruble exchange rate, taxation significantly influences the results of ZARUBEZHNEFT GROUP's activities.

ZARUBEZHNEFT GROUP calculates and pays taxes and other obligatory payments in strict compliance with the current legislation of the Russian Federation, Bosnia and Herzegovina, Vietnam, and other countries where it operates.

Zarubezhneft and its joint ventures and subsidiaries fully meet their obligations to pay taxes, fees, duties, and insurance contributions to the budgets of all levels and extra-budgetary funds of the Russian Federation. The diagram shows the national accounting tax payments without taking into account the share of Zarubezhneft.

The Group paid a total of RUB 38.5 billion in taxes and other mandatory payments in the Russian Federation in 2020, which is 31% lower than in 2019. The federal budget of the Russian Federation accounted for 68% of

THE AMOUNT OF PAYMENTS TO THE BUDGETS OF ALL LEVELS FOR 2020

amounted to

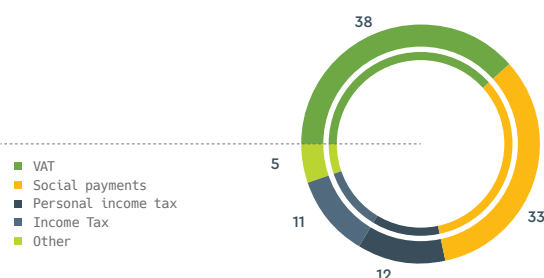
EUR **78.65**
million

Indirect taxes and social insurance premiums account for the bulk of payments from production facilities

excises	VAT	and social insurance premiums
65%	26%	9%

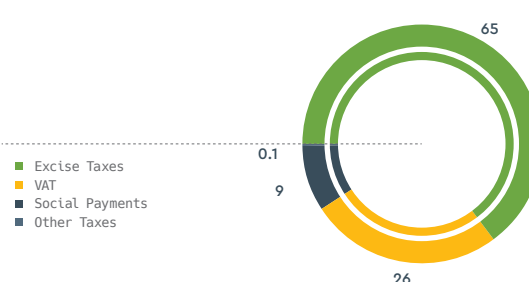
Operational results
for the reporting period

STRUCTURE OF TAXES AND OTHER MANDATORY PAYMENTS OF THE SERVICE AND OTHER ASSETS SEGMENT, %



VAT, social insurance contributions, and income tax make up the main burden of enterprises in the service segment.

STRUCTURE OF TAXES AND OTHER MANDATORY PAYMENTS OF THE DOWNSTREAM SEGMENT, %



ZARUBEZHNEFT GROUP is the biggest payer to the budget system of Bosnia and Herzegovina.

all payments, the consolidated budgets of constituent entities — make 26%, and extra-budgetary funds — 6%.

Liabilities primarily declined in 2020 due to the macroeconomic environment, namely a decrease in oil prices and the OPEC++ oil production limitations.

There are significant differences in the structure of tax payments by the business segments 'Exploration and

Production' and 'Service and Other Assets' due to industry taxes in the 'Exploration and Production' segment — the MRT, export customs fees on oil, as well as royalties and profit oil of the state as part of the Kharyaga production sharing agreement.

PROCUREMENT ACTIVITIES

Zarubezhneft is committed to increasing the openness and transparency of its procurement activities. In 2020, the Company was declared the winner of the annual rating of organizers of procurement procedures working under Federal Law No. 223-FZ "On the Procurement of Goods, Work, and Services by Individual Types of Legal Entities" in the 'Customer of the Year' category.

96.6%

openness of procurement procedures in 2020

Zarubezhneft carries out its procurement activities in accordance with the requirements of Federal Law No. 223-FZ "On the Procurement of Goods, Work, and Services by Individual Types of Legal Entities" and in accordance with the Procurement Regulation.

In 2020, Zarubezhneft:

- Organized 440 procedures for the procurement of goods, works, and services for the needs of Zarubezhneft and its subsidiaries for more than RUB 38.7 billion
- Considered 605 questions within the Company's Tender Board

To improve the openness and transparency of procurement activities, the Group uses a system of electronic trading platforms as well as the publication of information on procurements in the state Unified Information System and corporate information resources, which increases the number of procurement participants and expands the Company's ability to select the most favorable offers. As a result of consistent work in this area, the transparency of procurement procedures was 96.6% in 2020, and the average number of participants in competitive procurements was 4.5.

The Company works with potential suppliers/contractors in an effort to optimize and reduce costs. Based on an analysis of technical and commercial bids by procurement participants, when an opportunity was found to reduce the cost of goods and services, participants were given the opportunity to improve their commercial offers to obtain the maximum possible discount. The Company took advantage of the rebidding procedure and conducted pre-contract negotiations. As a result of these activities, the efficiency of procurement procedures (budget economy) was 15.3% in 2020 (13% in 2019).

Results of measures to expand access of small and medium-sized businesses to procurements at Zarubezhneft in 2020

- The share of procurements by Zarubezhneft solely from small and medium-sized enterprises was 56.33%, while the target for this period was 20% (according to the methodology contained in Resolution No. 1352 of the Russian Government dated December 11, 2014 "On specific aspects of the participation of small and medium-sized enterprises in the procurements of goods, works, and services by certain types of entities")
- The share of procurements involving only small and medium-sized businesses was 22.61%, while the target was 18%
- At present, 16 companies have joined the Zarubezhneft program for partnership with small and medium-sized enterprises

Fulfillment of the Russian government's directives on procurement activities

- ▶ No. 6464p-P13 dated December 15, 2010 — Submission of reports on the Company's procurement activities
- ▶ No. 2793p-P13 dated April 19, 2016 — On the Company's regulatory acts establishing the standardization of procurements of certain types of goods, works, and services
- ▶ No. 4972p-P13 dated July 11, 2016 — On the procurement of competitive domestic software required for the joint-stock company's activities (to be performed in accordance with the set deadlines)
- ▶ No. 6558p-P13 dated September 5, 2016 — On amendments to the Company's procurement policy with regard to innovative construction materials
- ▶ No. 7704p-P13 dated October 11, 2016 — On expanding the practice of factoring in the execution of contracts for the supply of goods (work, services)
- ▶ No. 7923p-P13 dated September 26, 2018 — On annual reporting on the procurement of civilian products for fuel and energy facilities from military-industrial complex companies
- ▶ No. 1519p-P13 dated February 20, 2019 — On the development of programs to improve the quality of procurement management
- ▶ No. 4111p-P13 dated May 8, 2019 — On expanding the use of factoring in the execution of contracts for the supply of goods (work, services)
- ▶ No. 9984p-P13 dated November 1, 2019 — On the procurement of Russian products used for implementation of national projects and the comprehensive plan for the modernization and expansion of trunk infrastructure
- ▶ No. 10464p-P13 dated November 18, 2019 — On amendments to the procurement documentation of Zarubezhneft regulating competitive procedures
- ▶ No. 6781p-P13 dated July 31, 2020 — On the procurement of automotive products

During procurement procedures, we ensure the use of reliable occupational safety and environmental protection practices. When performing work at hazardous production facilities as well as work involving the construction, reconstruction, and repair of buildings, structure, and equipment, it is mandatory for the Company's requirements for occupational safety, safety regulations, and environmental protection to be included in the procurement documentation.

In order to select reliable suppliers/contractors, all procurement participants confirm compliance with the Company's anti-corruption policy and undergo a mandatory due diligence check for financial stability, trustworthiness, and business reputation. The evaluation criterion 'Positive experience from cooperation (proper execution of contractual obligations) with Zarubezhneft and/or its subsidiaries for the last five years' has been integrated into the procurement procedures, which helps to select reliable and verified contractors to ensure the proper performance of the Group's production program within the set deadlines.

Development opportunities

In its work, Zarubezhneft adheres to the Russian Government's policy regarding import substitution, which is a strategic focus for state-owned companies in the coming years. In this regard, the Company is constantly working on the planned and gradual substitution of imported products with domestic ones.

As a result, the share of procured products, work, and services of foreign origin is being systematically reduced and currently amounts to 1.03% at the Group's companies operating in the Russian Federation.

OPPORTUNITIES AND EXPANDING THE SCOPE OF OPERATIONS

*Joining new projects and expanding Zarubezhneft's scope of operations is a key strategic task for the Company.
The Company focuses on gas assets and assets in the early stages of the life cycle.*

The company joined

6 new projects
in 2020

As part of its corporate strategy, the Company continues to actively seek out, evaluate, and join new oil & gas projects in Russia and abroad. In accordance with the Company's strategic goals in the medium term, new projects should account for about half of all production.

In 2020, the Company joined 6 projects:

- ▶ The TUNA Block in Indonesia
- ▶ Block 09-2/09 in Vietnam
- ▶ Binding documents were signed with Trust Bank to acquire shares UNGP, which is viewed as a new project in the Orenburg cluster — an additional anchor asset for ZARUBEZHNEFT-Dobycha Samara
- ▶ Zarubezhneft acquired the Turgaiskii license area in the Orenburg Region, Severnoye Siyanie in the Nenets Autonomous Area, and Salymskii 3.5 in the Khanty-Mansi Autonomous Area

In 2020, the Company paid special attention to the process of directly searching for new projects. Work in the 'Expansion' segment identified the following countries in which the Company should search for and join new projects:

- ▶ Kazakhstan, Egypt, Iraq (including Kurdistan), and Algeria

Along with these top five countries, and in addition to the countries where the Company traditionally has a presence (Vietnam and Cuba), Zarubezhneft's business development activities focused on countries which the Company plans to enter in the coming years:

- ▶ Uzbekistan, Egypt, and Indonesia

In addition, the search, assessment, and study of projects is carried out:

- ▶ in countries of the Middle East, Africa, CIS, and Southeast Asia

The Company sees the cluster approach, which is used to search for and evaluate assets in Russia and CIS countries, as a key focus for its development. New projects in the Ural-Volga cluster are being considered, and active work is underway to create a cluster in Kazakhstan.



Development opportunities

In 2021, the Company began implementing the third stage of its development strategy — the Intensive Growth stage. The stage is based on the following key principles:

- ▶ Developing production clusters to ensure the Company's further growth
- ▶ Comprehensive integration into the regions (service + RES)
- ▶ Synergy with current assets;
- ▶ Focus on gas assets with production or assets that are ready to be launched
- ▶ Focus on oil assets with current production

Transitioning to the intensive growth stage in 2021 will make it possible to acquire additional assets in relatively large-scale projects in jurisdictions that are completely new to the Company as well as in the Russian Federation, achieve production targets, and increase reserves from new projects — the implementation of strategic goals aims to achieve production levels of 15 million tons of oil equivalent by 2030.

HYDROCARBON EXPLORATION AND PRODUCTION

■ SEGMENT STRUCTURE



Russia

Profitable assets

- ▶ JC RUSVIETPETRO LLC
- ▶ ZARUBEZHNEFT – Dobycha Kharyaga LLC
- ▶ ZARUBEZHNEFT – Dobycha Samara LLC
- ▶ Orenburgnefteotdacha JSC
- ▶ Ulyanovskneftegaz LLC
- ▶ Zarubezhneft – Dobycha LLC
- ▶ Uralneftegazprom JSC
- ▶ ZN Dobycha LLC
- ▶ ZN Development Ltd.
- ▶ ZN Energy Ltd.
- ▶ ZN ZS LLC
- ▶ Nestro LLC

GEW projects

- ▶ Severo-Karasevskoye Petroleum Enterprise LLC



Cuba

GEW projects

- ▶ Boca de Jaruco



Egypt

GEW projects

- ▶ SREU
- ▶ EGZ





Vietnam

Profitable assets

- ▶ JV Vietsovpetro, including VSP projects
- ▶ Block 09-3/12
- ▶ Block 16-1/15
- ▶ Block 04-3
- ▶ Block 09-3

GEW projects

- ▶ Block 09-2/09
- ▶ Block 12/11



Uzbekistan

Profitable assets

- ▶ JV ANDIJANPETRO LLC



Indonesia

GEW projects

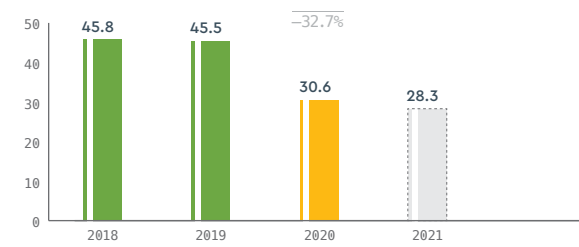
- ▶ Block TUNA

Segment indicators

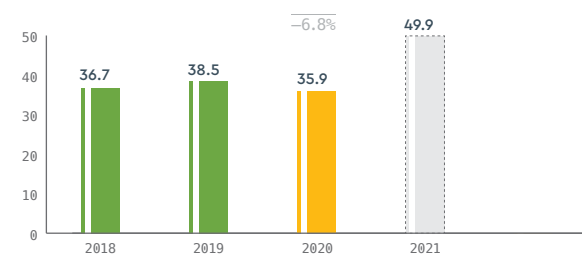
The Exploration and Production segment is ZARUBEZHNEFT GROUP's key segment. The Company's strategic development is based on improving asset performance and developing new promising projects.

Changes in the segment's main indicators are consistent with the changes in oil prices in 2020

REVENUE, RUB bln

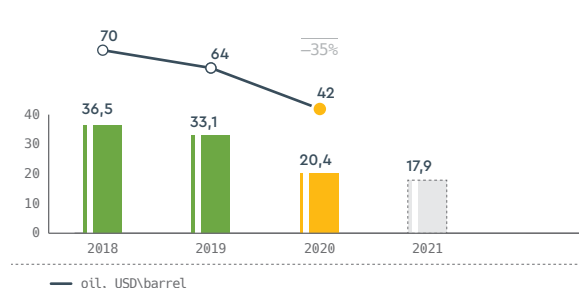


CAPITAL EXPENSES, RUB bln¹



The bulk of investment in 2020 was spent on implementing the production programs of the Group's main Russian assets – JC RUSVIETPETRO and ZARUBEZHNEFT–Dobycha Kharyaga.

EBITDA, RUB bln



Oil prices declined by around 39% in 2020. Another negative factor was the decline in production volumes due to limited oil production under the OPEC+ agreement.

Current portfolio of assets/upstream projects

In 2020:

- ▶ The Group acquired a license to use a subsurface site for geological study at the Turgayskii subsurface site in the Orenburg Region and established a joint venture for the development of heavy oils jointly with Gazprom Neft PJSC
- ▶ The Vietnamese Ministry of Industry and Trade received an adjusted investment license for Block 09-2/09 with a 30% stake held by Zarubezhneft
- ▶ The Group acquired Uralneftegazprom JSC

In 2020, Zarubezhneft Group of Companies was the owner of

23 licenses,

of which 12 were development licenses for production of hydrocarbons, 9 exploitation licenses for geological survey, exploration and production of hydrocarbons, and 2 licenses subject to the conditions of entrepreneurial risk for prospecting and evaluation of hydrocarbon deposits.

¹ Hereinafter the information is specified according to national accounting standards

Operator/subsurface user	Projects	Life cycle stage
Vietnam		
JV Vietsovpetro	Block 09-1, oil fields: White Tiger, Dragon, White Hare, and Polar Bear	Exploration and production
	Block 04-3, Thien Ung oil and gas condensate field	Production
	Block 09-3/12	Exploration and production
	Block 12/11	Exploration
	Block 16-1 / 15, field: Golden Wolf	Exploration
	Block 09-2/09, exploration targets: KTN, KNT	Exploration
VRJ Petroleum Co. (Block 09-3)	Combined site of blocks 09-3 and 09-1. Southern Dragon — Sea Turtle	Production
Cuba		
Zarubezhneft Branch	Oil field Boca de Jaruco	Enhanced oil recovery
Egypt		
ZN-BV LLC	South East Ras El Ush Block	Exploration
	East Gebel El Zeit Block	Exploration
Republic of Uzbekistan		
JV ANDIJANPETRO LLC	Ferghana region. Fields: Khartoum, East Khartoum, and South Alamyshyk	Production
Russian Federation		
JC RUSVIETPETRO LLC	Block Central Khoreyver Uplift 1, Severo-Khosedayuskoye Field	Production
	Block Central Khoreyver Uplift 2, oil fields: Visovoye and Verkhnekolvinskoye	Exploration and production
	Block Central Khoreyver Uplift 3, oil fields: Zapadno-Khosedayuskoye, Sikhoreyskoye, Vostochno-Sikhoreyskoe, and Severo-Sikhoreyskoye	Exploration and production
	Block Central Khoreyver Uplift 4, oil fields: Syurkharatinskoye, Severo-Oshkotynskoye, Pyuseyskoye, Yuzhno-Syurkharatinskoye, Urernyrdszkoye, and Vostochno-Yanemdeyskoye	Exploration and production
	Zapadno-Yareyaginskoye	Exploration
ZARUBEZHNEFT-Dobycha Kharyaga LLC	Kharyaga oil field	Production
Orenburgnefteotdacha JSC	Pashkinskoye oil field, Kirsanovskoye oil field	Exploration and production
	Chernovskoye oil field	Production
ZARUBEZHNEFT-Dobycha Samara LLC	Turgay site South-Pcheliny site	Exploration
Ulyanovskneftegaz LLC	Ruzhevskoye oil field, Slavkinskoye oil field, Kondakovskoye oil field, Sulakskoye oil field	Production
	Radishchevsky site, Nizhnemazinskoye field	Exploration
Severo-Karasevskoye Petroleum Enterprise LLC	Lutseyakhskoye field	Exploration
ZN ZS LLC	Salyimskiy-3	Exploration and production
	Salyimskiy-5	Exploration
Uralneftegazprom JSC	Kopanskoye oil and gas condensate field Berdyanskoye oil and gas condensate field Chkalovskoye oil and gas condensate field	Production

Condition of resources and feedstock

As of January 1, 2021, Zarubezhneft Group had just over 1.182 billion TOE in total remaining geological reserves of A+B1+C1 and 2P¹ category hydrocarbons in Russia and abroad excluding the Company's participating interest, and 574.4 million TOE including the participating interest. Total remaining hydrocarbon recoverable reserves amounted to 221.9 million TOE excluding the participating interest and 111.4 million TOE including the participating interest.

As of January 1, 2020, Zarubezhneft's balance sheet includes oil, gas, and condensate reserves at 29 fields under development: White Tiger, Dragon, Southern Dragon — Sea Turtle, White Bear, White Rabbit, Beluga, Severo-Khosedayuskoye, Visovoye, Vostochno-Yanemdeyskoye, Zapadno-Khosedayuskoye, Severo-Oshkotynskoye, Severo-Sikhoreyskoye, Sikhoreyskoye, Ureynyrdskoye, Syurkharatinskoye, Pashkinskoye, Kirsanovskoye, Chernovskoye, Kondakovskoye, Ruzhnevskoe, Slavkinskoye, Sulakskoye, Kharyaga, fields of South Alamyshyk, East Khartoum, Khartoum (Republic of Uzbekistan), Kopanskoye, Berdyanskoye, and Chkalovskoye as well as 15 fields under exploration:

Thien Ung, Thien-Nga, and Gold Tiger structure (Block 16-1/15, Vietnam), KNT and KTN structures (Block 09-2/09, Vietnam), West Ashrafi and North Ras El Ush (Egypt), Verkhnekolvinskoye, Vostochno-Sikhoreyskoye, Pyuseyskoye, Yuzhno-Syurkharatinskoye, Zapadno-Yareyaginskoye, Nizhnemazinskoye, Lutseyakhskoye, and Solhem.

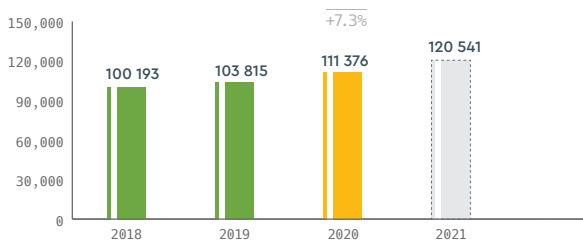
Pilot commercial development was carried out at the Boca de Jaruco field in 2019 to introduce enhanced oil recovery methods.

As a result of prospecting drilling in 2019, growth in Zarubezhneft's hydrocarbons reserves, excluding the participating interest, amounted to:

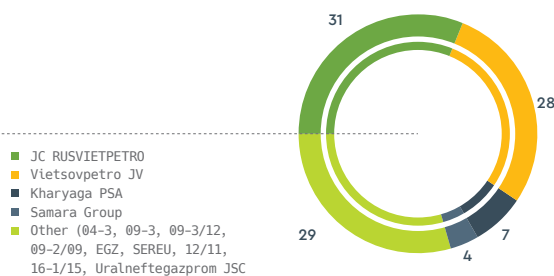
- ▶ 6,854,000 tons for Vietsovpetro JV at the fields of Blocks 09-1, 16-1/15, and 09-3/12
- ▶ 275,000 tons for JC RUSVIETPETRO at the Pyuseyskoye field

Uralneftegazprom was acquired in 2020. Hydrocarbon recoverable reserves in 2020 increased by 10,170,000 TOE (including the participating interest).

CHANGES IN ZARUBEZHNEFT GROUP'S CURRENT RECOVERABLE RESERVES (AB1+C1+2P), INCLUDING PARTICIPATING INTEREST, thousand tons of O.E.



STRUCTURE OF RESERVES AS OF JANUARY 1, 2021



JC RUSVIETPETRO reserves account for 31% of A+B1+C1 category reserves. The major share of hydrocarbon reserves is concentrated at the Severo-Khosedayuskoye and Zapadno-Khosedayuskoye fields.

The share of Vietsovpetro JV reserves is 28%, which are primarily concentrated at the White Tiger and Dragon fields.

29

fields under development

19

fields under exploration

¹ Note: The reserves are taken into account as 2P for fields in Vietnam (Vietnamese classification) and as 1P category for fields in Egypt (SPE-PRMS international classification).

STRUCTURE OF ZARUBEZHNEFT GROUP'S CURRENT RECOVERABLE RESERVES (AB1+C1+2P), INCLUDING PARTICIPATING INTEREST, *thousand tons of O.E.*

ENTERPRISE	2020 plan	2020 actual	Deviation plan/actual
ZARUBEZHNEFT – Dobycha Kharyaga LLC	31,763	31,246	-517
BLOCK 09-3	34,856	35,057	202
Orenburgnefteodacha JSC	7,675	7,832	157
Ulyanovskneftegaz LLC	905	901	-4
Block 04-3	2,311	2,186	-126
Severo-Karasevskoye Petroleum Enterprise LLC	1,571	1,588	17
Block 09-3/12	3,251	3,291	39
Block 12/11	1,037	1,037	0
Block 16-1/15	2,266	1,776	-490
Block 09-2/09	6,818	9,182	2,364
JV ANDIJANPETRO LLC	350	474	124
New assets	2,974	4,661	1,687
ZARUBEZHNEFT – Dobycha Kharyaga LLC	637	561	-76
Block 09-3	14,922	11,584	-3,338
TOTAL	111,337	111,376	39

Operational results
for the reporting period



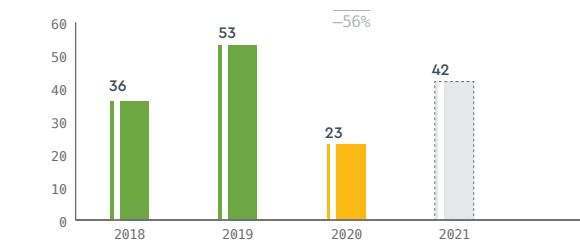
Geologic exploration

The Company's strategic goal is to ensure stable growth in hydrocarbon production in the medium and long term through geological exploration and by expanding the hydrocarbon resources portfolio.

In 2020, the Company conducted geological exploration at sites in Vietnam and Russia.

During the reporting year, construction was completed on six offshore exploration wells in Vietnam, one well in the Nenets Autonomous Area, and one well in the Khanty-Mansi Autonomous Area.

EXPLORATION DRILLING, thousand m



Total exploration drilling in 2020 amounted to 23,000 meters. The primary goal was to designate structures containing undrilled reserves at active fields and recognize inferred reserves at new blocks.

PRIMARY RESULTS OF EXPLORATION DRILLING IN 2020

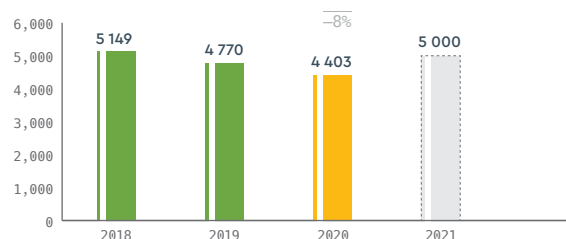
Project, operator	Site	Legal form and participating interest	Project results in 2020
Vietnam			
Block 09-1 JV Vietsovpetro	Shelf	Intergovernmental agreement between Petrovietnam Oil and Gas Corporation (51%) and Zarubezhneft JSC (49%)	Five exploration wells were drilled. Geological exploration performed at the White Tiger and Dragon fields. This work resulted in 2P category reserves increasing by 3,945,000 toe as of December 31, 2020.
Block 09-3/12 JV Vietsovpetro	Shelf	Oil and gas contract between JV Vietsovpetro (55%), PVEP (30%), and Bitexo (15%)	Testing was completed at CT-7X well in the Ca-Tam structure. 2P category reserves increased by 1,136,000 toe.
Block 16-1/15 JV Vietsovpetro	Shelf	Oil and gas contract between JV Vietsovpetro (49%), PVEP (29%), Bitexo (10%), and Sovico (10%)	Drilling was completed on the 2nd exploration well at the Soi Vang (Golden Wolf) structure, and the 1st unit was tested in 2020. At the start of 2021, commercial oil flows were obtained at 4 units of Well SV-1X based on the testing results. 2P category reserves are expected to grow by 1,773,000 toe.
Egypt			
EGZ Project	Shelf	Concession between Zarubezhneft JSC (25%), VEGA (25%), and GANOPE (50%)	Drilling started on the 1st prospecting well ADAM-B-1X, which is expected to be completed in 2021.
Russian Federation			
PYUSEYSKOYE JC RUSVIETPETRO LLC	Onshore	Intergovernmental agreement between Petrovietnam Oil and Gas Corporation (49%) and Zarubezhneft JSC (51%)	Construction on an exploration well was completed, and reserves increased by 275,000 toe.
Salyimskiy – 3 ZNZS LLC	Onshore	Contract between Gazprom Neft PJSC (51%) and Zarubezhneft JSC (49%)	A gas well was drilled at well 5PO with multistage hydraulic fracturing. Oil reserves increased by 61,000 toe.

Hydrocarbon production

In 2020, the Company focused on stabilizing production by implementing geological, technological, organizational, and technical measures as part of its production program. The Group commissioned 41 new wells at its companies' fields, conducted a number of well interventions (sidetracking, fracking, and well re-completion to overlying formation), as well as 131 other well interventions.

Including the share of Zarubezhneft, the hydrocarbon production totaled 4,403,000 toe. Production declined by 8% compared with the previous year because the major fields of the JV Vietsovetpetro, the White Tiger and the Dragon fields, entered the complex final development stage and all assets of the Russian segment in the OPEC+ deal were included within the oil production quota allocation.

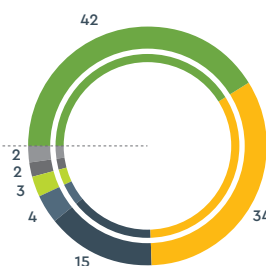
HYDROCARBON PRODUCTION OF ZARUBEZHNEFT GROUP (INCLUDING THE SHARE OF ZARUBEZHNEFT), thousand toe



PRODUCTION STRUCTURE IN 2020, %

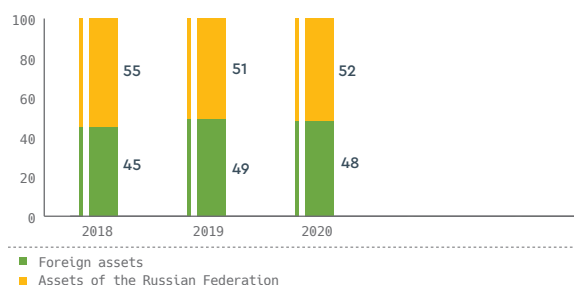
4,403
thousand toe

- JV Vietsovetpetro
- SK RVP
- Kharyaga PSA
- Block 09-3/12
- Samara group
- Block 04-3
- Others (09-3, UNGP, ANDIJANPETRO)



The primary production assets in 2020 were the JV Vietsovetpetro, JC RUSVIETPETRO, and ZARUBEZHNEFT-Dobycha Kharyaga.

CHANGES IN PRODUCTION SHARE BASED ON GEOGRAPHICAL OPERATIONS OF ZARUBEZHNEFT, %



OIL AND GAS CONDENSATE PRODUCTION, INCLUDING THE SHARE OF ZARUBEZHNEFT,

thousand tons

NAME	2018	2019	2020	+/-	%
JV Vietsovetpetro	1,998	1,728	1,572.4	-155	-9
JC RUSVIETPETRO	1,589	1,616	1,442	-174	-11
ZARUBEZHNEFT - Dobycha Kharyaga LLC	606	613	604	-9	-1
Block 09-3 (VRJ)	92	79	74	-5	-6
Orenburgnefteotdacha JSC	111	122	119	-3	-3
Ulyanovskneftegaz LLC	51	47	45	-2	-3
Block 04-3	19	13	12	-1	-
Block 09-3/12	-	112	102	-10	-
JV ANDIJANPETRO LLC	-	0,4	6,3	6	-
UNGP JSC	-	-	0,7	1	-
TOTAL	4,468	4,330	3,978	-352	-8

Asset performance

Vietnam

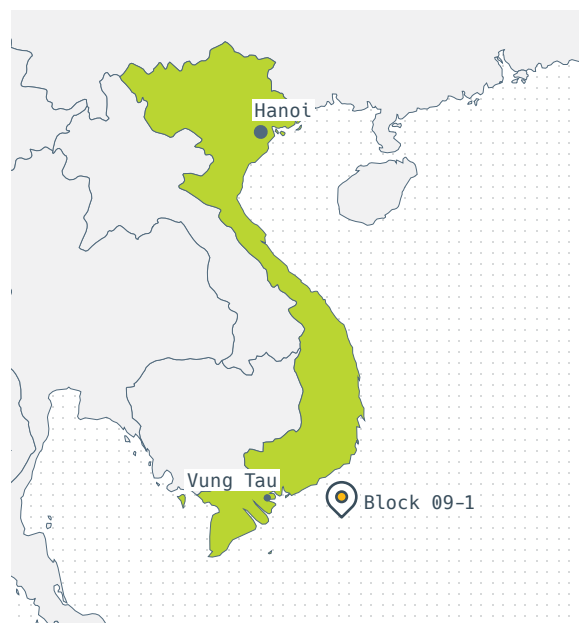
Block 09-1

Block 09-1 is being developed as part of an intergovernmental agreement dated December 27, 2010. The White Tiger and the Dragon as well as the White Hare and the White Bear fields, which are being developed by the JV Vietsovpetro, are located 150 km offshore on the southern Vietnam shelf.

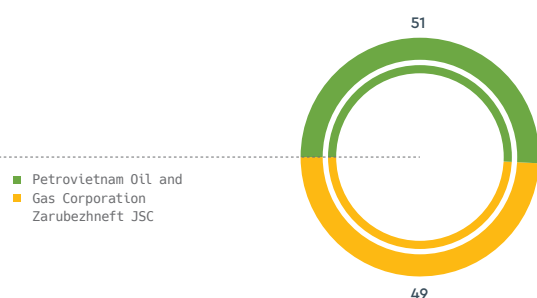
Production performance

Production declined in the project due to natural depletion at the White Tiger and Dragon fields, which led to a decline in production at the core well stock.

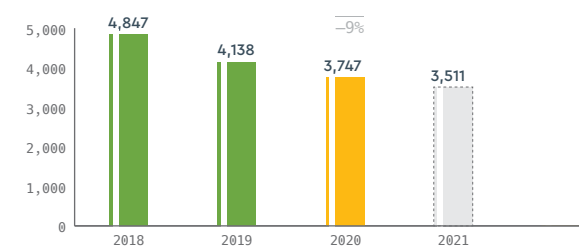
Zarubezhneft conducted production and exploration drilling as part of its planned production program, which has been adjusted due to the significant decline in oil prices. The updated drilling plan called for abandoning the lease of contracted jack-up drilling rigs and the use of the Company's own drilling rigs to conduct the planned well interventions.



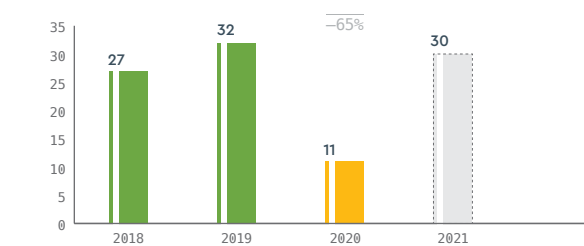
OWNERSHIP STRUCTURE, %



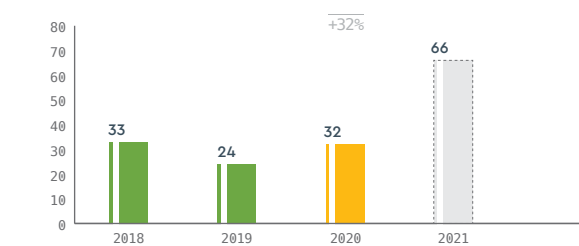
HYDROCARBON PRODUCTION, thousand toe



EXPLORATION DRILLING, thousand m



PRODUCTION DRILLING, thousand m



Economic performance

In 2020, major construction work included the commissioning of the new WHP-21, a system of underwater pipelines, and power transmission lines.

As of the end of 2020

- ▶ An extensive well intervention program (WIP) was completed with incremental production of 167,500 tons of oil
- ▶ Measures were taken to establish the formation pressure maintenance system at the block's fields, which helped to reduce the decline rates to 17.6%
- ▶ Natural gas production targets were exceeded by 10%
- ▶ Construction was completed on 11 new wells
- ▶ Three sidetracking interventions were completed
- ▶ The unmanned WHP-21 was commissioned in October 2020
- ▶ Five fracking interventions were completed, including two well interventions using Frac&Pack sand control technology

- ▶ 36 offshore facilities were built and commissioned with total investment of USD 41.5 million
- ▶ The additional compressor facility for gas flaring reduction at the Dragon field was commissioned, pushing up the associated gas utilization rate to 95%
- ▶ The natural gas processing system for connection to the Fastrack pipeline at RC1/RC3 was rebuilt and commissioned to implement the second development phase of the northeast block of the Dragon field.

Cost optimization measures reduced operating expenses in the reporting period by 14% compared with the previous year. The lower profitability rate was caused by oil prices dropping to USD 47.1 per barrel and a decline in oil sales.

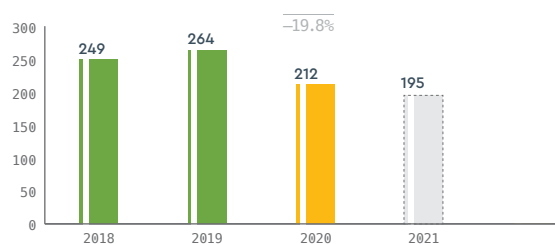
Development prospects

In the medium term, the primary goal of the project is to take measures to slow the decline in production and maintain the annual level of oil and condensate production within 3,000,000 tons.

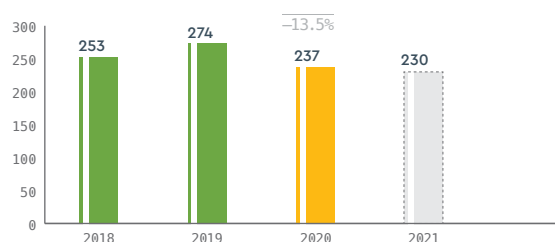
For this purpose, the Company plans to complete 67 well interventions in an effort to integrate the residual reserves of the White Tiger, Dragon, Polar Bear, and White Hare fields.

With respect to major construction work, the Company plans to install and build two wellhead platforms (WHP-18A and WHP-19) and commission them in the fourth quarter of 2021. Tenders will be held for the purchase of materials, equipment, and services to build the RC-10 wellhead platform and RC-RB1 riser platform at the Dragon field so that they can be commissioned in 2022.

CAPITAL EXPENSES, USD mln



OPERATING EXPENSES, USD mln



Block 09-3

Work at Block 09-3 (VRJ) is performed under the Petroleum Contract for the Development and Operation of Block 09-3 Reserves on the shelf of Vietnam dated January 19, 2002, and the Joint Development Agreement (JDA) on the Southern Dragon—Sea Turtle field (SD-ST) dated June 26, 2009. Under the JDA, the participating interest and allocation of production for Block 09-1 and Block 09-3 in the development of the joint SD-ST block is 50% and 50%, respectively.

In 2017, Idemitsu (15%) and PVEP (35%) withdrew from the Petroleum Contract and transferred their shares to Zarubezhneft on January 1, 2017. On September 6, 2018, the Vietnamese Government issued an investment certificate for Block 09-3 permitting oil and gas activities, under which Zarubezhneft is the contractor with a 100% of participating interest starting from January 1, 2017.

Production performance

The decline in production at the Southern Dragon—Sea Turtle field in 2020 compared with the previous period is mainly due to the reduced formation pressure. The overall decline is lower than the target due to lower rates of water flooding.

As of the end of 2020:

- ▶ An inspection was conducted of the sail of the substructure, the load-bearing module, the topside structure, and risers of underwater pipelines of WHPs RC-4 and RC-DM
- ▶ Corrosion-resistant coating (CRC) was restored and metal structures of the topside structure on RC-4 and RC-DM were repaired
- ▶ A pilot descent of the electrical centrifugal pump (ECP) into well 422 was performed



Economic performance

The increased operating expenses in 2020 compared with the previous year is due to the cost of gas lift services (revision of the service rates by the decision of the Participants at Custody Meter Station No. 13 of the Southern Dragon—Sea Turtle Joint Block) and the repair of marine structures (more routine repair work on 2 WHPs, RC-4, and RC-DM than planned).

The reduced profitability was due to oil price dropping to USD 47.1/bbl and a decline in oil sales.

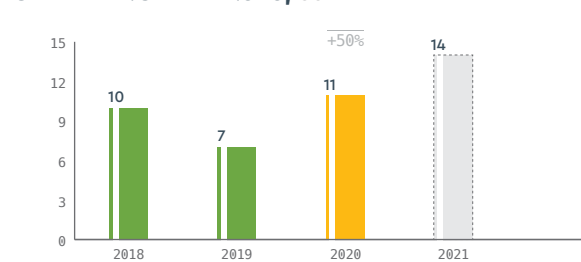
Development prospects

The Company plans to perform work to equip the ECP Unit in Well No. 2X/RCDM in 2021 to solve the main problem with the block and to stabilize production.

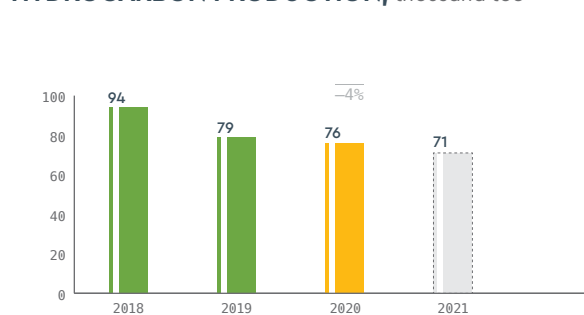
OWNERSHIP STRUCTURE, %



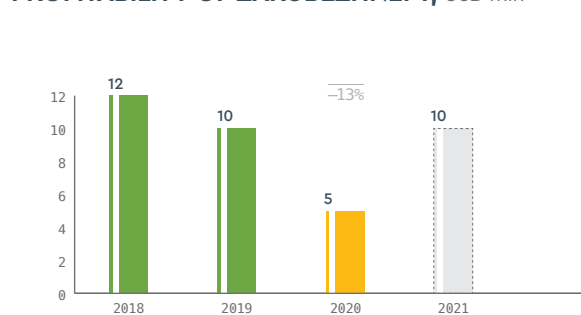
OPERATING EXPENSES, USD mln



HYDROCARBON PRODUCTION, thousand toe



PROFITABILITY OF ZARUBEZHNEFT, USD mln



Block 04-3

Block 04-3 is located in the northern part of the Nam Con Son basin on the southern shelf of Vietnam, 280 km southeast of Vũng Tàu. The Thien Ung — Mang Cau structure is located within Block 04-3.

Petrovietnam Oil and Gas Corporation and Zarubezhneft signed a petroleum contract on June 26, 2009 based on a commercial discovery concerning Block 04-3 on the Vietnam shelf. JV Vietsovpetro is the project operator.

Thien Ung WHP was commissioned on December 20, 2016 after the completion of drilling and testing of the gas condensate well 6-TU.

Thien Ung WHP is designed for treating gas from the Dai Hung and Thien Ung fields.

Production performance

Total gas production was 528.2 million m³ after the start of operations and gas condensate production was 128,000 tons.

2020 results

Until September 2020, gas condensate from the Thien Ung and Dai Hung fields was transported from the Thien Ung WHP to the White Tiger field via the Nam Con Son 2 pipeline (NCS-2), phase 1, length L=160 km. Connection to the NCS-2 phase 2 pipeline is expected in 2021.



Economic performance

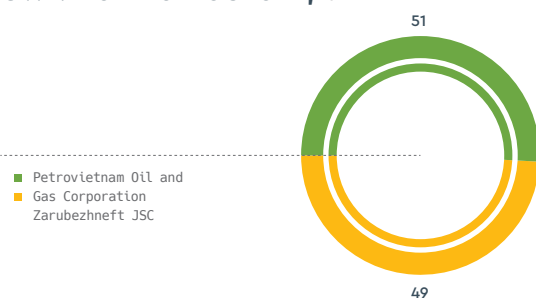
The existence of new work on well flow testing, packer fluid injection, etc. in the 2020 program affected the growth of operating expenses compared with the previous year.

Profitability increased due to growth in sales volumes.

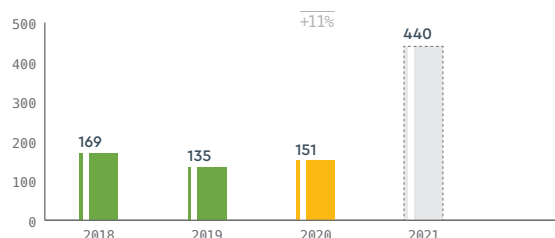
Development prospects

In 2021, gas production is expected to jump due to the planned commissioning of the Nam Con Shon phase 2 pipeline and the launch of four wells with a planned gas flow rate of 820,000 m³ per day.

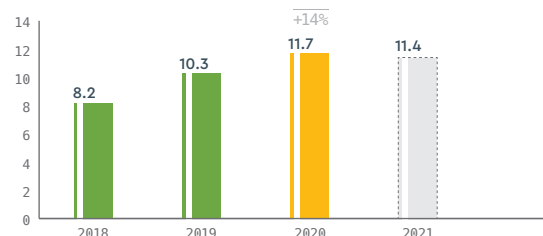
OWNERSHIP STRUCTURE, %



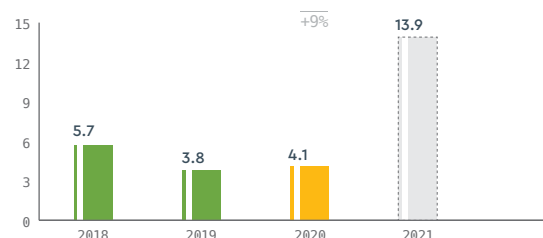
HYDROCARBON PRODUCTION, thousand toe



OPERATING EXPENSES, USD million



PROFITABILITY OF ZARUBEZHNEFT, USD mln



Block 12/11

Block 12/11 is located within the Nam Con Son gas condensate basin, 350 km southeast of Vũng Tàu.

Its oil and gas potential comes from the Oligocene and Lower Miocene deposits within the Thien Nga-Hai Au structures that have been identified and the group of E structures, whose hydrocarbon resources fall under the P3 category.

The PSA on Block 12/11 was signed on December 19, 2012. The PSA has validity of 25 years for oil and 30 years for gas with a renewal option for five years, including five years of geological exploration work (GEW) with a renewal option for two years. The minimal license obligations call for the drilling of three exploration wells. All the operational obligations of Phase I for the prospecting and exploration stage under the provisions of the PSA have been fulfilled.

On September 27, 2020, Phase II of the GEW stage was completed, which includes the re-processing and interpretation of 1,000 linear km of 2D seismic exploration and the drilling of one exploration well. All the operational obligations of Phase II for the prospecting and exploration stage under the provisions of the PSA have been fulfilled. The parties to the PSA agreed on the transition of the project to Phase III of the GEW stage with the implementation of additional exploration work on the seismic acquisition, processing, and interpretation of 3D seismic survey materials with a minimum volume of 500 km² to determine the location before drilling the fifth exploration well in line with the obligations under Phase III of the GEW stage.

Phase III of the GEW stage of the project has been underway since September 28, 2020.

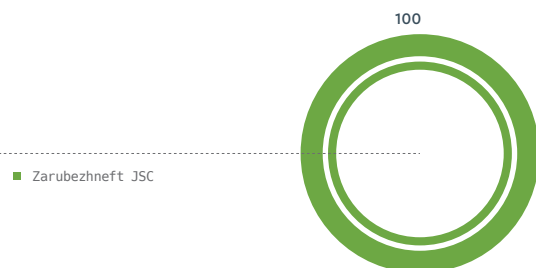
Capital expenses declined in 2020 compared with the previous year due to adjustments to the scope of works during the drilling and testing of the TN-4X well, the suspension of field design work until 2021 due to the update of the overall development plan based on the exploration drilling results, as well as the GEW stage's transition to Phase 3 with additional GEW in the medium term.



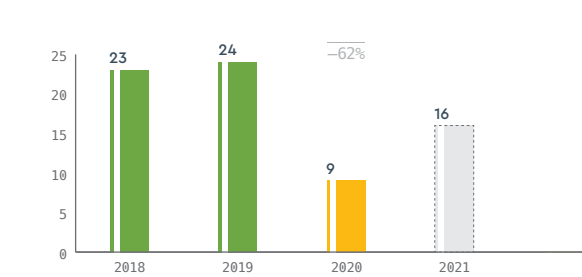
2020 results

Geological and geophysical work. Petrographic and biostratigraphic studies of samples of well 12/11-TN-4X were completed; geochemical studies of samples of well 12/11-TN-4X were completed; laboratory studies of the drill-hole core of well 12/11-TN-4X were completed; lithological-petrographic and petrophysical characteristics of the rocks of well TN-4X were studied; the VSP data of well 12/11-TN-4X were interpreted; laboratory studies of the drill-hole core of well 12/11-TN-4X well were completed to determine the relative permeability of collecting pipes; laboratory analyses of samples of well 12/11-TN-4X (water, oil, gas, and condensate) were completed; a report on the drilling of well 12/11-TN-4X was compiled; the updating of the geological structure and assessment of oil and gas potential after drilling the fourth well of Block 12/11 was completed; the recalculation of the reserves and resources of the TN-HA structure of Block 12/11 based on the drilling of exploration well 12/11—TN-4X was completed, and a report was adopted by the Scientific and Technical Council of JV Vietsovpetro in October 2020 and sent to the public authorities of Vietnam for approval and adoption.

OWNERSHIP STRUCTURE, %



CAPITAL EXPENSES, USD mln





Drilling work. Testing on the fourth exploration well TN-4X was completed, with industrial hydrocarbon inflows obtained from the Oligocene (gas, condensate) and oil (Miocene) deposits along the ST2 well hole of the Thien Nga structure; the well was abandoned on January 25, 2020.

Design and infrastructure development. Work to update the 'ODP of the Thien Nga—Hai Au group of structures for Block 12/11' has started and is progressing according to Zarubezhneft's decision on the need to update the R&D 'ODP of the Thien Nga—Hai Au group of structures for Block 12/11 based on the drilling results of the exploration well TN-4X; the work is being carried out by the VNIIneft Consortium (VPI).

Other work. Negotiations with Korea National Oil Corporation on developing the nearby Rong Doi field are ongoing to determine the feasibility of using hydrocarbon transportation facilities to increase the profitability of Block 12/11, including issues on the preparation and transportation tariff of Block 12/11 production, and on the acquisition of a share in the PSA of Block 11–2.

Negotiations with Petrovietnam Oil and Gas Corporation are ongoing concerning the approval of a gas sale price that is sufficient for the profitable development of Block 12/11 before the start of infrastructure development and production.

Development prospects

In 2021, Zarubezhneft plans to conduct a 3D seismic survey and start processing and 3D interpreting of Pre-Stack Time Migration (PSTM) and Pre-Stack Depth Migration (PSDM), develop a FEED and FDP for the TN-HA structures, and prepare engineering surveys for the construction of WHP (TN-HA) and the TN-HA—Tie-In point pipeline. The TN-HA structure is scheduled to be commissioned in the fourth quarter of 2022.

The medium-term work program includes the infrastructure development of the TN-HA structures, a detailed design for the technical upgrade of Rong Doi, TN-HA off-shore structures, the main gas pipeline to Rong Doi, the fulfillment of obligations under the PSA of Block 12/11 as part of Phase III of the GEW stage, as well as work related to the construction of the fifth exploration well.

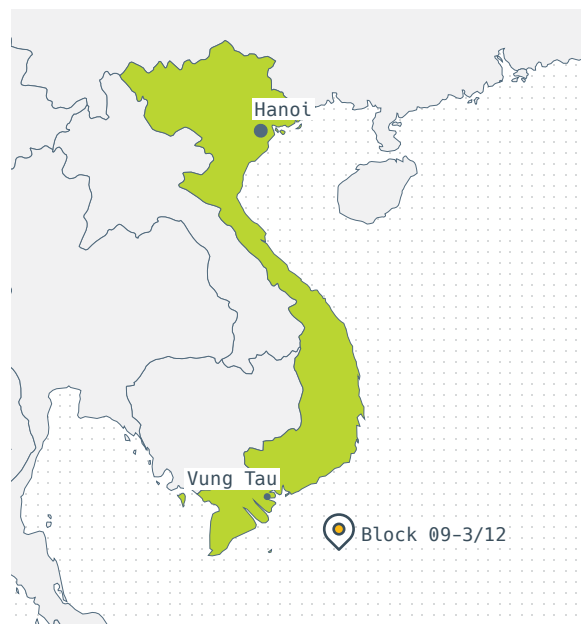
Block 09-3/12

Block 09-3/12 is located 160 km southeast of Vũng Tàu.

Petrovietnam Oil and Gas Corporation, PVEP, JV Vietsovpetro, and Bitexco Group signed the PSC on Block 09-3/12 on September 12, 2012. JV Vietsovpetro is the project operator. The PSC is valid for 25 years with a renewal option for five years. The minimum work obligations for geological exploration activities under the project include two phases. The minimum work obligations of the two PSC stages have been fulfilled in full.

The Ca Tam (Beluga) oil field was discovered within the block. The discovery took place in 2014 following the drilling of CT-2X and CT-3X exploration wells. The commercial discovery was announced in 2017. In 2018, the CTC-1 WHP support unit was installed and all pipelines were routed.

Zarubezhneft has an effective stake in the project of 26.95%



Production performance

The Beluga field was commissioned in January 2019. It is being developed in natural conditions with an operating well stock of 12 wells.

2020 results

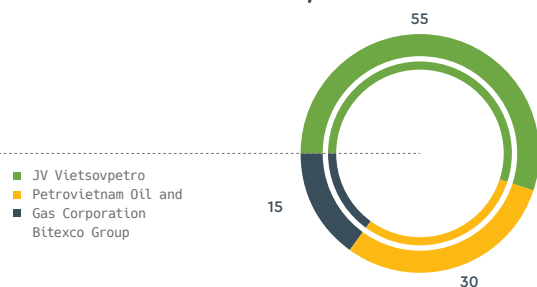
An extensive well-integrity platform has been completed for the field: one exploration well with an actual increase of 107 tons per day has been put back into production, one production well was drilled and put into operation,

two inclusion measures were carried out, and oil production was intensified at two wells.

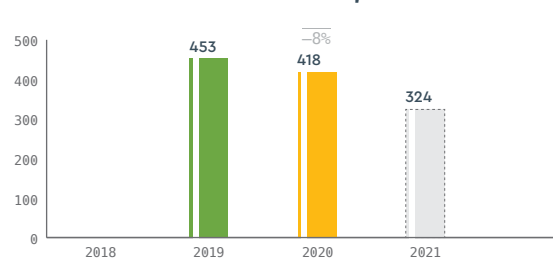
Development prospects

To increase production levels, in particular, for sand control purpose, formation pressure maintenance (FPM) interventions using Frac Pack technology are planned for Well No. 105 in 2021. After this, the Company plans to consider the feasibility of the pilot testing of Frac Pack technology as a sand control method at the asset.

OWNERSHIP STRUCTURE, %



HYDROCARBON PRODUCTION, thousand toe



Block 09-2/09

Block 09-2/09 belongs to the so-called small blocks of the Vietnamese shelf. The block is located near Blocks 09-1 and 09-3/12. Several structures have been explored at the block site. The best two (KNT and KTN) have potential geological resources of 30 million m³.

Petrovietnam Oil and Gas Corporation and PVEP signed the PSA on August 6, 2009.

PVEP and JV Vietsovpetro signed the FoA agreement on May 17, 2019 for the assignment of the stake owned by PVEP, and PVEP and Zarubezhneft signed the agreement on May 22, 2019. The partners invest in the project in accordance with their participating interest. Zarubezhneft's effective share is 49.6%.

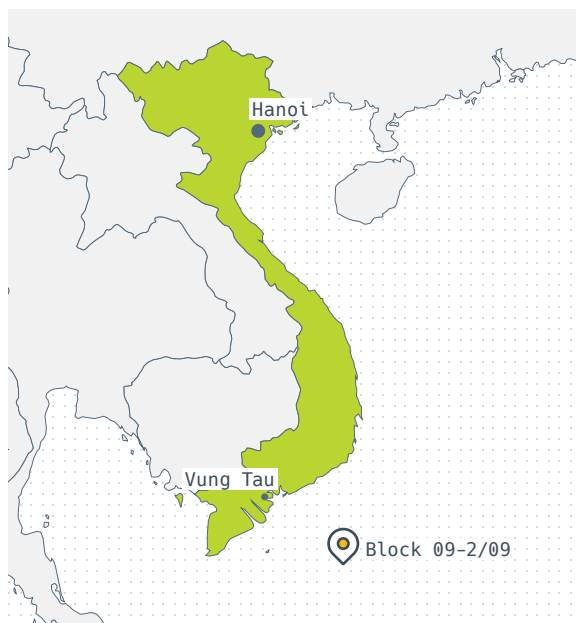
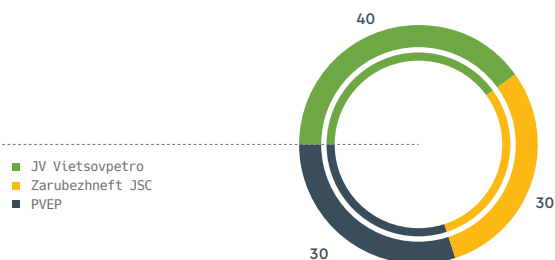
The block is located in an area with existing producing and transport infrastructure with intense oil and gas activity.

The two best structures of the block (KNT, KTN) have potential geological resources of 30 million m³. Inflows up to 600 m³ per day were obtained from the primary horizon at the fields (E70). Extensive exploration work has been completed at the block: 11 exploration wells have been drilled.

2020 results

- In July, an amended investment certificate was received and a joint operating agreement was signed; on August 14, the first meeting of the PSA Management Committee of Block 09-2/09 was held to approve the block's work program and budget for 2020; at the end of the year, the second meeting of the PSA Management Committee was held to approve the work program and budget for 2021

OWNERSHIP STRUCTURE, %



- The ODP of the KNT and KTN fields has been developed, the options for connecting to the Rang Dong field have been studied, and the construction of a geological model, a development model, and the calculation of options for the development of the KNT and KTN fields are in progress.

Development prospects

The block is located in an area with existing producing and transport infrastructure with intense oil and gas activity. According to the G&G data and exploration drilling, there are 3 exploration targets (COD, KND, SON) with high prospective resources at Block 09-2/09 beyond the two oil and gas discoveries. In the event of commercial oil discoveries, GEW is advantageous to develop these discoveries.

The mid-term budget for Block 09-2/09 calls for the installation of a manned well-head platform (WHP) and an unmanned WHP at the KNT structure. In 2021, the Company plans to summarize the geological and geophysical data, update the geological structure of the block, report on additional exploration, approve the ODP, and develop the FEED and FDP of the KNT and KTN fields.

The planned field commissioning date is 2023. The maximum level of production is projected to be achieved in 2024.

Block 16-1/15

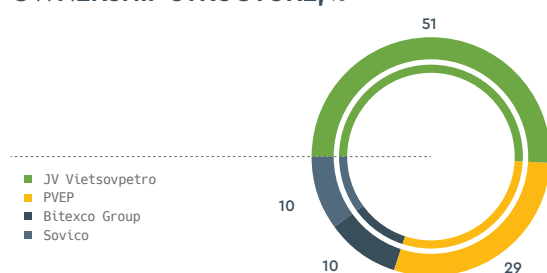
Block 16-1/15 with an area of 3,117 km² is located in the western part of the Cuu Long basin of the Vietnamese continental shelf, 80 km southeast of Vũng Tàu. The block's eastern border adjoins Block 09-1.

Petrovietnam Oil and Gas Corporation, JV Vietsovpetro, PVEP, BITECO, and SOVICO signed the PSC on May 16, 2016 as part of the Vietnamese Shelf Block 16-1/15 Exploration and Development project. JV Vietsovpetro was selected to be the project operator, and an investment certificate was obtained. The PSC is valid for 25 years with a renewal option for five years, including five years of exploration work with a renewal option for two years. The minimum work obligations as regards geological exploration activities under the project include two phases. At present, Phase I of the GEW stage is being implemented, which involves seismic surveys and the drilling of two prospecting and exploration wells. The Vietnamese Ministry of Industry and Trade and Petrovietnam Oil and Gas Corporation approved the second extension of Phase I of the GEW stage for one calendar year until June 11, 2021. Project funding for JV Vietsovpetro's stake comes from the JV Production Development Fund. Zarubezhneft's effective share is 24.99%.

2020 results

- During the reporting year, work was completed to prepare for drilling, including the development of the site for drilling and well planning; in September, drilling began on the second exploration well 16-1/15-SV-1X at the Soi Vang structure to fulfill the minimum obligations of Phase I of the GEW stage

OWNERSHIP STRUCTURE, %



- Laboratory studies of sludge and fluids using a petrographic and biostratigraphic analysis of samples from the second exploration well and a geochemical analysis of fluid and sludge samples have started and remain in progress; work on the report on the completion of the first phase of GEW is ongoing

Development prospects

The 2021 work program provides for the geological and geophysical survey of the second exploration well 16-1/15-SV-1X in the Soi Vang structure.

In the medium term, the Company plans to drill one appraisal well under the minimum conditions of Phase 2 of the GEW stage as part of the PSA for Block 16-1/15.

Zarubezhneft plans to develop the Soi Vang structure and produce hydrocarbons using an unmanned WHP, drill ten development wells, and re-enter two exploration wells.

The main investments in field development are expected in 2022-2024 in order to ensure the start of oil production in 2024.

Cuba

Boca de Jaruco

The Boca de Jaruco field is located on the north coast of Cuba, 30 km from Havana. The contract area of 37 km² is located in the northwestern part of the field on the sea shore, 3.7 km west from the village of Boca de Jaruco. The field was discovered in 1969 and is operated by the Cuban state oil company CubaPetroleo.

Zarubezhneft, as the contractor, carries out its activities under the International Economic Association Agreement (IEAA) on increasing oil recovery and share production dated June 24, 2011. The Agreement is valid for 25 years and includes two stages: Pilot Commercial Development Stage — four years (with a renewal option for four years) and the Operating Stage. Well steam treatment is the primary method of enhanced oil recovery.

Since August 2020, co-financing for the Project for pilot commercial operation at the M formation has been extended for two years via the Special Account (2020–2022): Zarubezhneft and Kupet signed a contract for the completion of work, provision of services, and supply of materials and resources via the Special Account, a non-written-off part of Cuba's debt under the Agreement between the Government of the Russian Federation and the Government of the Republic of Cuba dated October 25, 2013 on the adjustment of Cuba's debt to the Russian Federation for loans granted during the existence of the former USSR.

In March 2020, tax holidays were provided for the project: the project is exempt from income tax for eight years following the transition to the regular management practice stage.

As of the end of 2020

- ▶ 4,550 tons of oil had been produced
- ▶ 49,000 tons of steam had been injected into the M formation
- ▶ 5 cyclic steam treatments of wells had been carried out
- ▶ horizontal wells had been completed
- ▶ 1 well servicing and workover interventions had been completed, including to equip the fiber-optic system.



In addition, innovative development testing was completed last year with intraformational oil upgrading by catalytic aquathermolysis at the BKh-3003 well. Steam to oil factor at the BKh-3003 well reached 2.9 tons of steam/tons of oil, which is the best indicator of the steam to oil factor.

The gas well cluster development and the construction of the oil and gas pipelines have been completed and commissioned. Pilot commercial development work using the cyclic steam treatment technology was carried out at wells 3001, 3003, 3004, and 3007. Commercial development work has been launched to test SAGD technology at wells 3005 and 3006.

The methodology for calculating bituminous oil reserves was developed and approved by the Company's Scientific and Technical Council, and a primary calculation was made of natural bitumen reserves in the contract area: C1+C2 reserves amounted to 195 million tons, while resources totaled 727 million tons. The total penetration in 2020 was 2,795 meters.

Development prospects

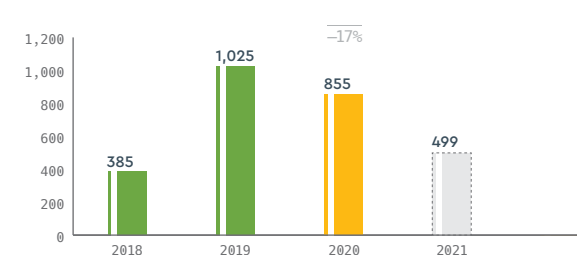
The 2021 work program for the project provides for the:

- ▶ Continued steam treatment of current wells
- ▶ Testing of the cyclic steam treatment technology in a horizontal well and steam assisted gravity drainage (SAGD)
- ▶ Pilot testing of the intraformational oil upgrading via catalytic aquathermolysis

OWNERSHIP STRUCTURE, %



CAPITAL EXPENSES, RUB mln



Capital expenses were made as part of the work plan approved for 2020.

Uzbekistan

JV ANDIJANPETRO

JV ANDIJANPETRO is an oil producing asset in which Zarubezhneft has a 50% stake that operates in cooperation with Uzbekneftegaz.

Three fields (South Alamyshyk, Khartoum, and East Khartoum) are located in Uzbekistan's Fergana Region. They were put into development in 1945, 1957, and 1973, respectively. The main operational facilities are fully drilled and in the fourth stage of development.

As of the end of 2020:

- ▶ The operating well stock had increased from 98 to 101 taking into account measures to shift wells from the piezometric stock in 2020
- ▶ Hydrocarbon production amounted to 13,000 TOE in 2020
- ▶ 37 WI interventions had been completed with an increase of 36.3 tons per day and incremental production of 3,700 tons

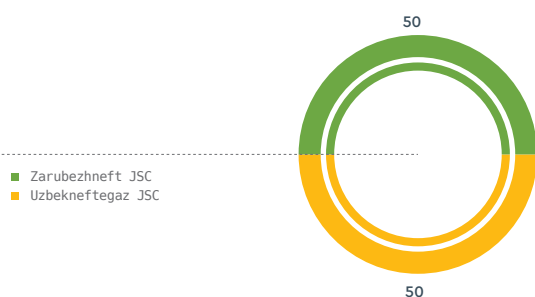
Capital expenses increased in the reporting year compared with 2019 due to the need to purchase priority equipment that is not included in the construction cost estimates (oilfield equipment, furniture, office appliances, office equipment, etc.).



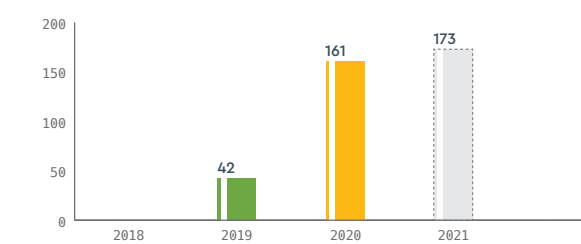
Development prospects

The joint venture's primary task for 2021 is to achieve a total production increase of at least 20,000 TOE. For this purpose, an extensive WI program has been established, including 43 measures (interventions) with a total increase of 26.1 tons per day and incremental production of 2,900 tons. The main planned measures are well re-completion to overlying formation and commingling, re-commissioning wells from other stocks, as well as remedial cementing.

OWNERSHIP STRUCTURE, %



CAPITAL EXPENSES, RUB mln



Russian Federation

JC RUSVIETPETRO

JC RUSVIETPETRO is Zarubezhneft's primary Russian production asset.

JC RUSVIETPETRO has been conducting hydrocarbon production operations at sites of the Central Khoreyver Uplift in the Nenets Autonomous Area since September 2010.

Production performance

In 2020, hydrocarbon production by JC RUSVIETPETRO amounted to 2,911,000 TOE, which is 11.9% lower than the previous year and 10% below the target level. The failure to meet the target is due to the asset's participation in the OPEC+ deal as part of the oil production quota allocation. Production takes place at the following fields of the Central Khoreyver Uplift: Severo-Khosedayuskoye, Visovoye, Verkhnekolvinskoye, Zapadno-Khosedayuskoye, Sikhoreyskoye, Vostochno-Sikhoreyskoye, Severo-Sikhoreyskoye, Severo-Oshkotynskoye, Syurkharatinskoye, Yuzhno-Syurkharatinskoye, Pyuseyskoye, Urernyrdskoye, and Vostochno-Yanemdeyskoye. The operating well stock includes 304 wells.

In order to fulfill the production plan over the course of the reporting period, 15 new wells with a total starting production rate of 1,185.9 tons per day were commissioned, and 35 other production stimulation measures with a total starting production rate of 1,443.5 tons per day were taken.

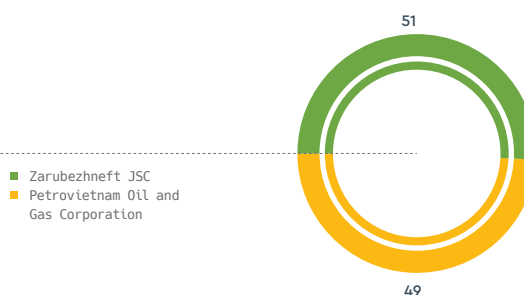
In 2020, 50 interventions were conducted on the producing well stock. Additional oil production from activities amounted to 297,114,000 tons. Construction was completed on 12 production and exploration wells.

Apart from well interventions, enhanced oil recovery methods were evaluated for performance: thermal gas treatment, surfactant polymer treatment, use of smart water, and the selective isolation of bottom waters. The field test stage was completed for a number of operations and an optimal development option was selected to increase the displacement efficiency and the cost of chemicals in order to ensure favorable project economics.

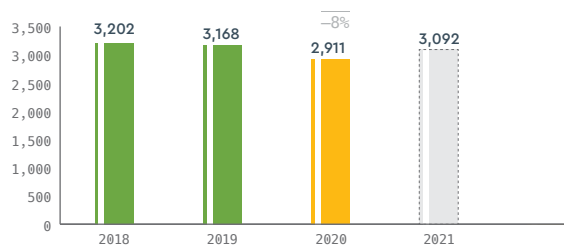
JC RUSVIETPETRO's production program is traditionally implemented in close cooperation with the companies of the Service and Other Assets segment: RMNTK Nefteotdacha JSC supports demand for integrated services when drilling wells and performing workovers at the Central Khoreyver Uplift fields; Zarubezhneftstroyontazh LLC performs construction and installation activities for the infrastructure development of the oil fields; VNIlneft and Giprovostokneft perform R&D work to search for new technologies and reagents in order to improve performance and enhance oil recovery at formations in the Central Khoreyver Uplift conditions.



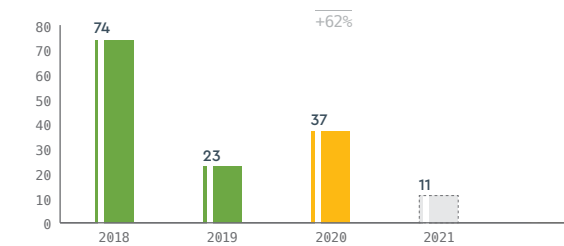
OWNERSHIP STRUCTURE, %



HYDROCARBON PRODUCTION, thousand toe



PRODUCTION DRILLING, thousand m



Economic performance

JC RUSVIETPETRO sells the oil it produces on internal and external markets under commission agreements and also delivers it for the technological needs of fields via direct contracts.

Along with the Company, the commission agent continuously monitors the situation on international and internal oil markets in order to flexibly respond to changes in demand and thus increase the profitability of JC RUSVIETPETRO.

Revenue from sales, including other sales, decreased by 41% in 2020 compared with 2019 to RUB 47.263 billion due to a drop in oil prices (–39%) and a decrease in sales volumes in physical terms (–10%). Plus, in 2019, there was an export tax benefit of RUB 2.194 billion.

Capital expenses in the reporting year were 25% lower than in the previous period due to the Company's implementation of a set of stabilizing measures in the first quarter of 2020.

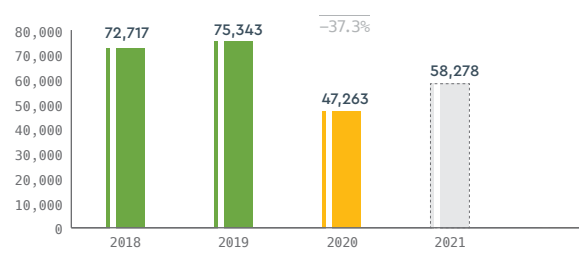
Development prospects

As part of measures to improve the efficient use of associated gas, the Company plans to carry out pilot commercial development work (PCDW) in 2021 as part of a pilot unit for of the catalytic purification of APG from hydrogen sulfide. Based on the positive effect from the PCDW, a decision will be made to build an industrial APG catalytic treatment plant, which will reduce the hydrogen sulfide content in fuel gas for gas pumping units to 20 mg/m³.

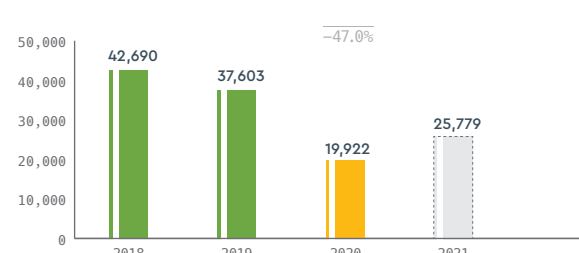
As part of an ongoing program to conserve energy and improve energy efficiency, the Company plans to introduce a second modernized power plant that runs on crude oil in order to reduce diesel fuel consumption.

In 2021, in order to confirm the production potential of the Zapadno-Yareyaginskoye field, Zarubezhneft plans to de-mothball well 1 along with hydraulic fracturing and development work.

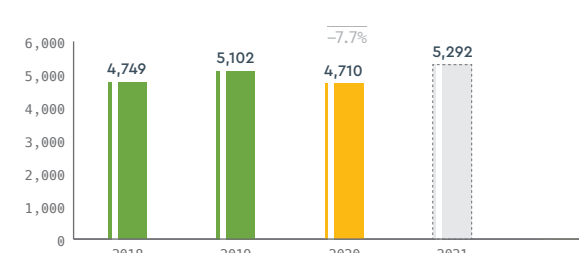
REVENUE, RUB mln



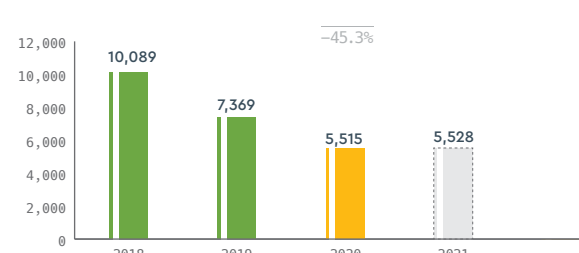
EBITDA, RUB mln



OPERATING EXPENSES, RUB mln



CAPITAL EXPENSES, RUB mln



Kharyaga PSA

Zarubezhneft joined the Kharyaga PSA project on January 1, 2010 with a participating interest of 20%.

In accordance with Appendix 3 to the Product Sharing Agreement on the Development and Production of Oil at the Kharyaga Oil Field dated August 1, 2016, the company Total Exploration and Development Russia transferred 20% of its participating interest and the project operator functions to the Zarubezhneft subsidiary — ZARUBEZHNEFT-Dobycha Kharyaga. As the result, the parties to the Kharyaga PSA are Statoil Kharyaga AS (30%), Zarubezhneft (20%), ZARUBEZHNEFT-Dobycha Kharyaga (20%), Total Exploration and Development Russia (20%), and Nenets Oil Company (10%).



Operational results
for the reporting period

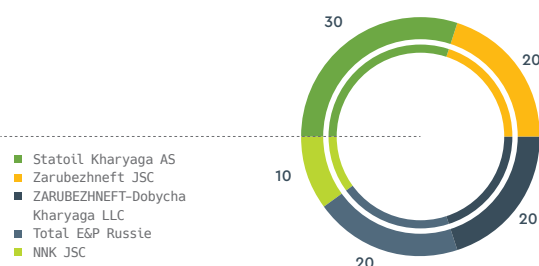
Production performance

In 2020, ZARUBEZHNEFT-Dobycha Kharyaga reached its highest production level over the last six years at 1,607,000 TOE. The result exceeded the 2019 level by 0.5% and the target level by 1.4%. The above-target results are due to the permanent optimization and integrated control of the FPM system, which made it possible to reduce the water breakthrough rate for wells, and the implementation of a program for further drilling at the field.

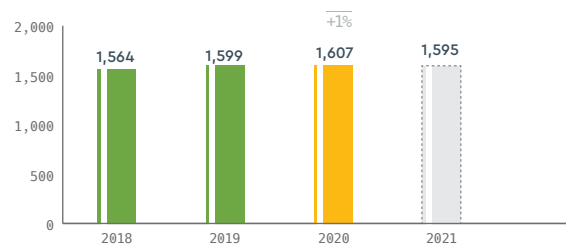
In the reporting year, ten new wells were commissioned with an actual increase of 832 tons per day. The operating well stock includes 61 wells.

In 2020, the Company introduced new technologies, including drilling a multi-hole well and multi-stage acid-proppant hydraulic fracturing. Apart from well interventions, enhanced oil recovery methods are evaluated for performance: injection of water diverting agents, polymer compound surfactants, and low-mineralized water.

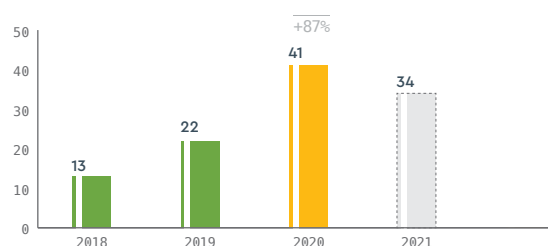
OWNERSHIP STRUCTURE, %



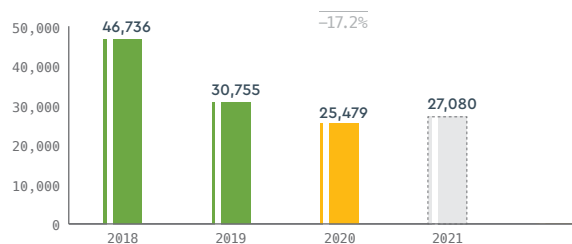
HYDROCARBON PRODUCTION, thousand toe



PRODUCTION DRILLING, thousand m



REVENUE, RUB mln (excluding the government's profit oil)

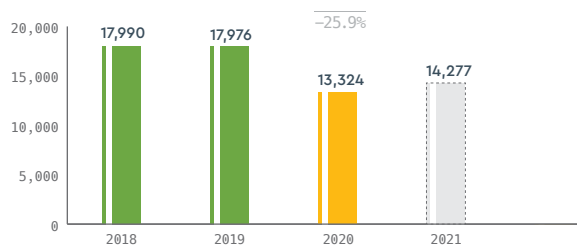


Economic performance

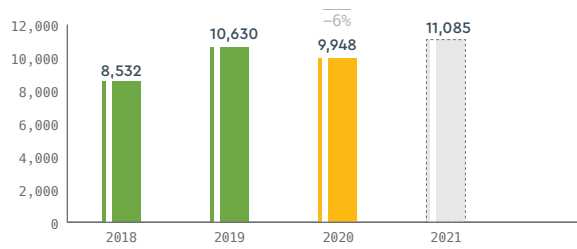
Revenue declined due to the change in ruble-denominated oil prices as well as the redistribution of oil sales throughout the year due to production constraints. COVID-19 response expenses also affected EBITDA.

Capital expenses decreased due to changes in the construction and operational drilling dates as a result of optimization measures that were taken to reduce capital expenses for facilities that do not affect oil production as well as changing macro parameters and measures to prevent the spread of COVID-19 in 2020.

EBITDA, RUB mln (excluding the government's profit oil)



CAPITAL EXPENSES, RUB mln



Development prospects

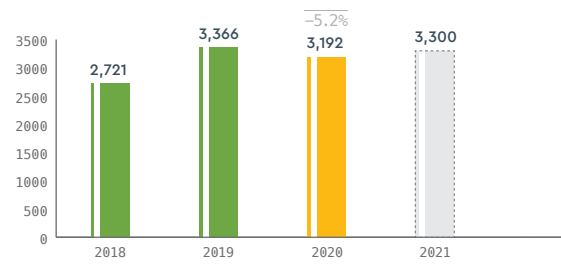
In the medium term, the Company will primarily focus on maintaining production levels at 1.5 million tons. A program has been drafted for this purpose, and the Company plans to continue the optimization of the water flooding system and the use of EOR methods.

As part of the implementation of the Energy Efficiency Program in 2021, the Company plans to switch a shift rotation housing complex from running on a gas turbine power plant to commercial energy, which will reduce the purchase cost of diesel fuel and electricity.

As part of a program to improve mechanized extraction, Zarubezhneft plans to commercially use a bottomhole formation zone reboiler on a pilot basis, which will avoid the downtime of wells due to the influence of high-resistant emulsion and reduce intra-shift oil losses.

In 2021, as part of ongoing measures to improve the efficient use of associated petroleum gas, the Group plans to complete construction as well as install and commission an amine treatment plant, which will significantly increase the current APG utilization rate from 62% to 74%.

OPERATING EXPENSES, RUB mln



The level of specific operating expenses in 2020 is attributable to the Company's cost optimization program.

10

New wells

with actual growth of 832 tonnes/day commissioned in 2020 by ZARUBEZHNEFT-Dobycha Kharyaga



ZARUBEZHNEFT-Dobycha Samara

ZARUBEZHNEFT-Dobycha Samara was established to improve the production and economic performance of companies within the Samara group. The company was registered on July 2, 2015 and entrusted with the functions of the management company. The oil and gas production assets of Ulyanovskneftegaz, Orenburgnefteotdacha, and Severo-Karasevskoye Petroleum Enterprise have been transferred under its control. In May 2017, a license was granted to use the subsoil of the South-Pcheliny license site under development. Zarubezhneft-Dobycha is the sole participant in the Company.

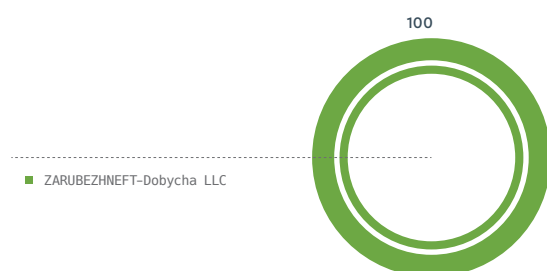
The operating activities of ZARUBEZHNEFT-Dobycha Samara made it possible to ensure stable growth in production for the Samara group's assets (+16% in 2020 compared with 2016).

Operating expenses were fully covered by the Company's revenue.

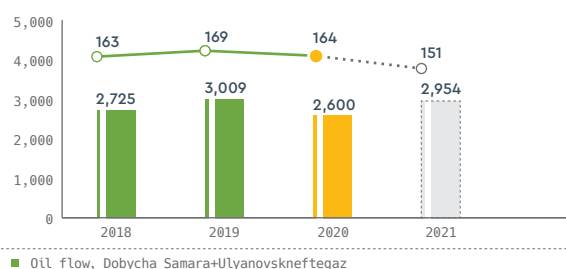


Operational results
for the reporting period

OWNERSHIP STRUCTURE, %



OPERATING EXPENSES FOR THE SAMARA GROUP, RUB mln



Ulyanovskneftegaz

Ulyanovskneftegaz is an oil producing asset that performs prospecting, exploration, and production at five license sites in the Ulyanovsk Region. Oil and gas are produced from sediments of the Lower and Middle Carboniferous period that predominantly consist of terrigenous reservoirs.

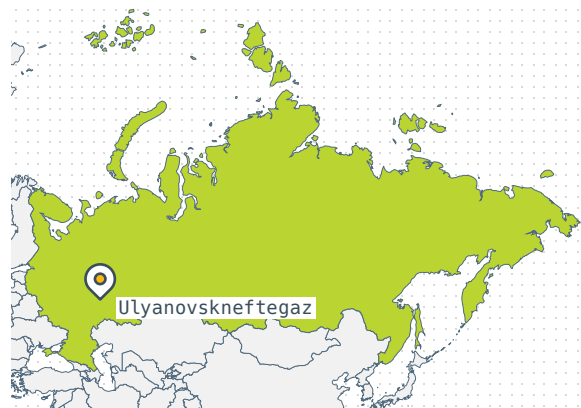
Production performance

For cost optimization purposes, no well interventions ensuring incremental oil production were carried out in 2020. Despite this, the production targets were exceeded due to a decrease in the rate of decline in the base stock of wells relative to the target values (the rate of decline was 6% vs. the target of 19%).

Economic performance

Despite the difficult economic conditions in 2020, by implementing a set of stabilizing measures, the Company managed not only to maintain, but also to reduce its specific operating expenses.

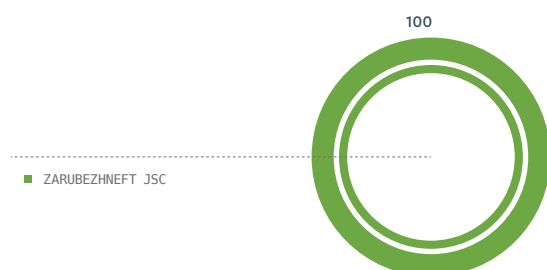
The decrease in capital expenses in 2020 compared with the previous period is due to a decline in production drilling volumes.



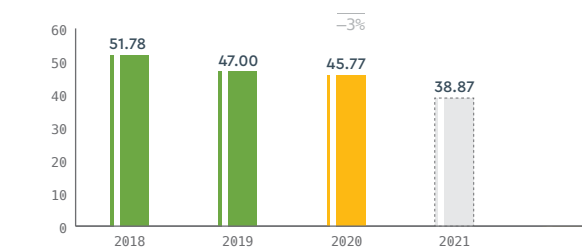
Development prospects

The Company's primary goal is to continue work to implement the production system, search for and approve a project to alter the logistics for the delivery of petroleum-containing fluid at alternative oil inlet stations, develop and implement an Efficiency Improvement Program, and introduce remote control at on-site facilities for the automatic calculation of oil-containing liquid production.

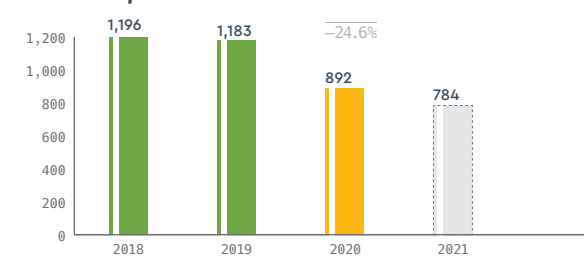
OWNERSHIP STRUCTURE, %



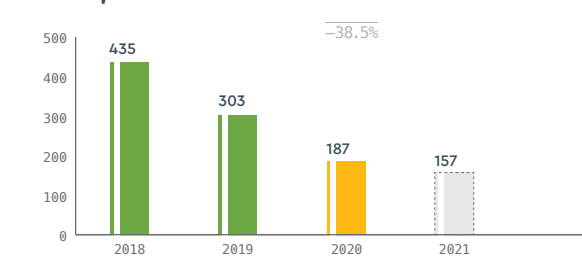
HYDROCARBON PRODUCTION, thousand toe



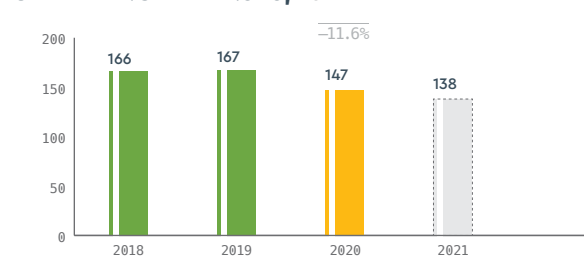
REVENUE, RUB mln



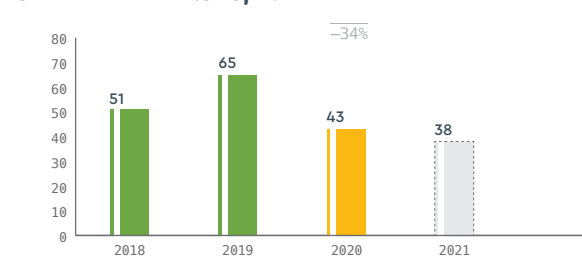
EBITDA, RUB mln



OPERATING EXPENSES, RUB mln



CAPITAL EXPENSES, RUB mln



Orenburgnefteotdacha

Orenburgnefteotdacha is an oil producing asset that performs prospecting, exploration, and production at three license sites in the Orenburg Region. Oil is produced from sediments of the Lower Carboniferous and Upper Devonian periods that predominantly consist of carbonate reservoirs.

Production performance

The primary factors that helped maintain production rates in the reporting year were the commissioning of three new wells at the Pashkinskoye and Kirsanovskoye fields as well as the completion of a hydraulic fracturing intervention at the 5P well of the Kirsanovskoye field. The operating well stock includes 34 wells.

Hydrocarbon production decreased due to the curtailing of work in progress in 2020 as part of the optimization of the production program (six measures were completed instead of 11). Despite this, the actual oil production levels exceeded the targets due to a decrease in the rate of decline in the base wells (the rate of decline was 8.4% vs. the target of 21%).

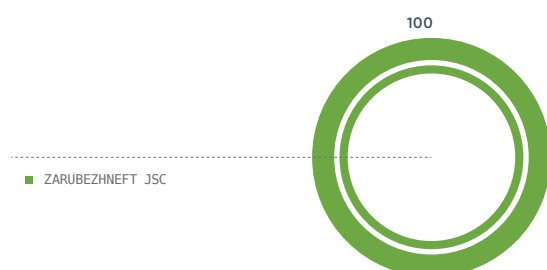
Economic performance

Capital expenses increased in 2020 compared with the previous period due to higher production drilling volumes.

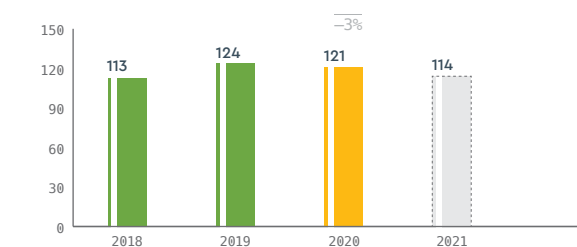


Operational results
for the reporting period

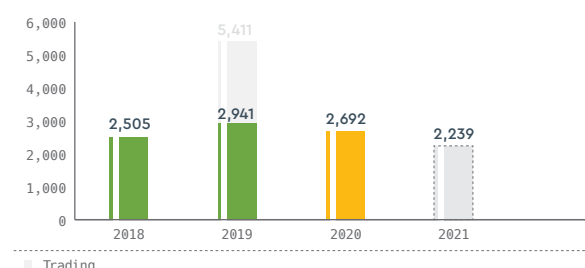
OWNERSHIP STRUCTURE, %



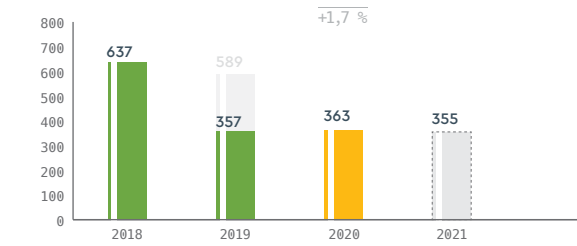
HYDROCARBON PRODUCTION, thousand toe



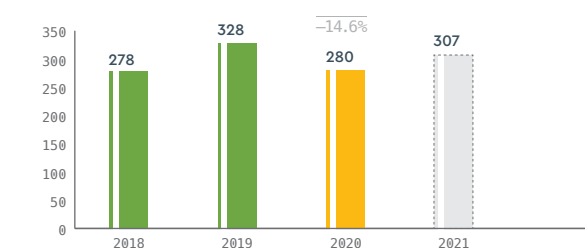
REVENUE, RUB mln



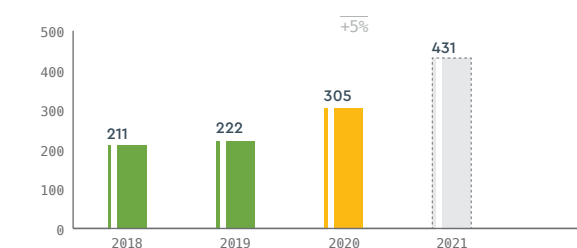
EBITDA, RUB mln



OPERATING EXPENSES, RUB mln



CAPITAL EXPENSES, RUB mln



Severo-Karasevskoye Petroleum Enterprise LLC

The Lutseyakhskoye oil field with the area of 360.8 km² is located in the Nadymsky District of the Yamalo-Nenets Autonomous Area in the Tyumen Region, 45 km northwest of the district center of Nadym.

The Lutseyakhskoye field was discovered in 2011 after the drilling of prospecting and appraisal well No. 70-Lutseyakhskaya. The subsoil use license dated March 1, 2013 for the field is owned by Severo-Karasevskoye Petroleum Enterprise. In June 2016, Dedaci Enterprises Limited and Zarubezhneft (ZARUBEZHNEFT-Dobycha Samara) signed a contract to acquire a 100% participating interest in Severo-Karasevskoye Petroleum Enterprise. Based on the results of 3D seismic surveys over an area of 270 km² in June 2019, the operational recalculation of the Lutseyakhskoye field's C1 and C2 hydrocarbon reserves was approved (Minutes No. 03-18/201-pr of the Federal Agency for Mineral Resources dated June 4, 2019). The field has geological reserves of 42.88 million tons and recoverable reserves of 11.063 million tons.

In 2019, a draft document was approved regulating pilot production at the Lutseyakhskoye field; the decision was contained in the minutes of a Central Oil and Gas Commission meeting dated July 15, 2019 (Central Commission for HC Reserves)



2020 results

In 2020, the Company obtained the results of processing and interpretation of 3D seismic surveys, based on which the locations of exploration wells 71R and 72R were identified. Work was carried out to prepare for drilling, and in June, production well drilling began as part of the Pilot Commercial Development Work Phase at the license area of the Lutseyakhskoye field.

- Special well 5 of the VP was drilled and tested; directional well 1 NNS was drilled; and the drilling of well 2-G started in October



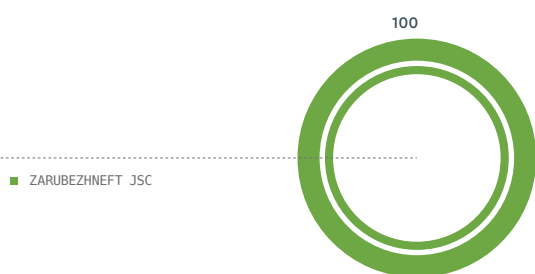
- ▶ Preparations continued for pilot commercial development work at the field
- ▶ In order to distribute the area of responsibility of the parties involved in the implementation of the project 'Development of the Lutseyakhskoye field within the pilot production project', ZARUBEZHNEFT-Dobycha Samara signed contracts with Giprovostokneft for surveying support, field development audit, and engineering, with Zarubezhneftstroyontazh for seismic microzoning, pre-commissioning, and engineering, and with Zarnestservice for the supply of equipment. The integrated service of RMNTK Nefteotdacha is involved in organizing well drilling operations.

Development prospects

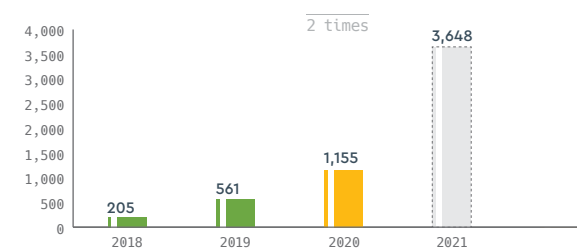
The 2021 work program envisages the continued drilling of production wells for pilot production at the Lutseyakhskoye field along with the development of horizontal wells and testing of directional well as well as the start of drilling on exploration well 71R.

In the medium term, the Company expects to implement the exploration work program on a phased basis, establish a PCDW site, perform a range of preparatory work for production drilling, drill production, injection, and exploration wells, and develop the field with oil production starting in 2023.

OWNERSHIP STRUCTURE, %



CAPITAL EXPENSES, RUB mln



Capital expenses have increased sharply since 2020 due to preparations for drilling; in June, drilling started on a production well as part of the Pilot Commercial Development Work Phase.



11,063,000

t

recoverable reserves
at the Lutseyakhskoye field

Egypt

ZN-BV SEREU

The South East Ras El Ush (SEREU) block is located in Egypt's Gulf of Suez. The block has four drilled wells, two of which were used to open the West Ashrafi offshore oil field with tests of 300 and 500 m³ per day. The block contains nine prospective features for exploration drilling, two of which are close to the shore and can be drilled onshore. The block's geological reserves and resources are estimated at 8.2 million tons.

On December 24, 2019, Zarubezhneft, the Egyptian Ministry of Oil and Mineral Resources, the Egyptian state holding company GANOPE, and Pacific Oil Limited signed the Production Sharing Concession Agreement for the SEREU block in Cairo. The agreement stipulates that the exploration period is four years with a renewal option for two years. In the event of a commercial oil discovery, the development period will be 20 years, with a renewal option for five years.

Minimum obligations under the concession agreement (until December 24, 2023):

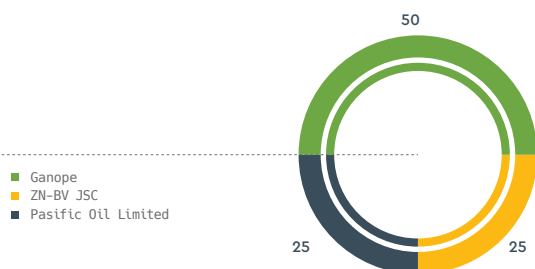
- ▶ Re-processing of 3D seismic data over an area of 68 km² and 2D seismic data over an area of 240 km
- ▶ Integrated interpretation of geology and geophysics
- ▶ 3D modeling of the West Ashrafi field
- ▶ Drilling of three wells as part of GEW from the shore to the Nubia formation



Development prospects

The work program for 2021 includes the drilling of the SEREU-1X exploration well as well as the re-processing and complex reinterpretation of previous 2D and 3D seismic surveys. The work program for 2021-2025 includes the onshore drilling of two exploration wells with the further drilling of six production wells as well as field development. If the GEW is successful, the planned start-up date is 2022, with the maximum production level to be reached in 2025.

OWNERSHIP STRUCTURE, %



EGZ

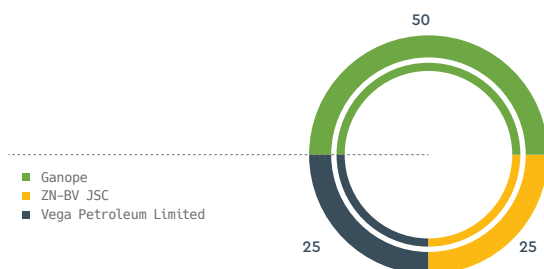
The East Gabel El Zeit (EGZ) block is located in Egypt's Gulf of Suez. The block has two drilled wells. The EGZ-1XST well opened the North Ras El Ush oil field with an oil inflow of 77 m3 per day. The underlying layers of the field are believed to have oil deposits as well as a separate GEW structure ADAM. In total, there are 19 promising deposits in eight blocks. All the block's structures are located close to the shore and can be drilled from onshore. The block has geological reserves and resources are estimated at 6.8 million tons.

GANOPE and VEGA Petroleum Limited signed the EGZ Block concession on August 21, 2014. Per the concession agreement, the exploration period is three years with a renewal option for three years. In the event of a commercial oil discovery, the development period will be 20 years, with a renewal option for five years. In December 2019, Zarubezhneft, the Egyptian Ministry of Oil and Mineral Resources, the Egyptian state holding oil company GANOPE, and VEGA Petroleum Limited completed a deal in Cairo to include Zarubezhneft in the EGZ project.

Minimum obligations under the concession agreement:

- ▶ GEW at the block — 3D seismics over an area of 50 km2 and the drilling of one well to the Nubia horizon, or 1,500 meters TVDSS
- ▶ At the production block — commissioning of the field

OWNERSHIP STRUCTURE, %



Development prospects

In 2020, work was completed to prepare for drilling; in July, work began on the drilling of the first exploration well ADAM-B-1X. In October 2020, drilling was suspended due to a new drilling contractor. Work resumed in February 2021.

The work program for 2021 envisages the completion of drilling and development of the ADAM-B-1X exploration well, interpretation of the Enhanced Full Tensor Gravity Gradiometry (EFTG) and magnetic survey data performed in 2020, and the comprehensive re-processing and reinterpretation of seismic data. The work program for 2021-2025 provides for the drilling of four exploration wells and the development of fields. If GEW is successful, the planned start-up date is 2022, with the maximum production level to be reached in 2024.

OIL REFINING AND SALES (ORS)

SEGMENT STRUCTURE



Bosnia and herzegovina

Oil refining

- ▶ Optima Grupa Purchase of crude oil and raw materials for motor oil production and the wholesale and small wholesale of petroleum products, motor oils, and lubricants on domestic and export markets
- ▶ Brod Refinery Oil refining and manufacturing of petroleum products
- ▶ Modriča Motor Oil Plant Manufacture of base oils, paraffins, motor oils, and greases
- ▶ NESTRO Petrol Retail sale of petroleum and related products



Russian Federation

Oil refining

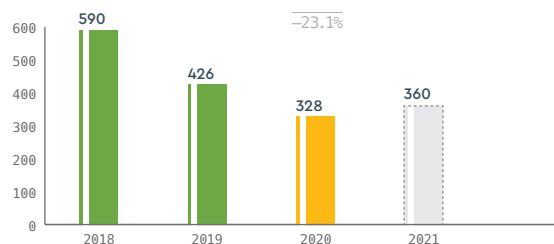
- ▶ NeftegazInCor The main borrower of loan funds for the project and owner of the controlling stake in BH enterprises

Zarubezhneft's project to rebuild and modernize ORS segment companies in Bosnia and Herzegovina started on February 2, 2007 with the signing of an agreement with the Government of the Republic of Srpska (Bosnia

and Herzegovina) on the purchase of the Bosanski Brod Refinery, which produces motor oils in the city of Modriča, and the Nestro Petrol retail chain, which owned 85 gas stations at the time of the purchase.

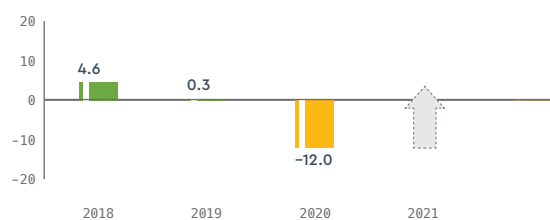
Segment indicators

REVENUE, EUR mln



The segment's revenue declined by 23% in 2020 compared with the previous year due to lower quotations and, as a result, prices for petroleum products and also because of a decrease in retail sales of petroleum products due to the negative impact of the pandemic.

EBITDA, EUR mln



The revaluation of reserves in 2020 per IFRS due to the global decline in prices for refined products had the biggest impact on the decline in the segment's operating results. In the future, as global prices increase, the impact on EBITDA will be reversed.

Petroleum products market, pricing, and competition

Following the shutdown of the Brod Refinery in 2018, the Segment's companies in the Republic of Srpska handle the wholesale of petroleum products through the trading operations of third-party products on the Bosnia and Herzegovina market and also supply fuel and sell it through their own retail network.

Bosnia and Herzegovina

The Bosnia and Herzegovina market is highly marginal, but the solvency of counterparties and the population remains low. The largest suppliers of petroleum products to the territory of Bosnia and Herzegovina are INA (Croatia), NIS (Serbia), and Petrol (Slovenia), which produce and supply petroleum products from neighboring territories. There is also a significant number of large, medium, and small companies that sell petroleum products imported from foreign countries on the Bosnia and Herzegovina market, along with the OPTIMA Grupa. The availability of delivery points from Ploče, Zadar, etc. increases the competition in the south and southeast of Bosnia and Herzegovina, where the main demand exists for petroleum products.

In general, the Bosnia and Herzegovina market is open to foreign products. The main factors for the current situation are the absence of legal barriers to obtaining imported fuel and a simple procedure for registering companies for the purchase and sale of petroleum products, which does not require licensing.

OPTIMA Grupa accounted for 22% of petroleum sales on the Bosnia and Herzegovina market in 2020, which is 2% higher than the same indicator for the previous year.

The Company's share on the Bosnia and Herzegovina market increased due to the most competitive and flexible price offers on the petroleum products market.

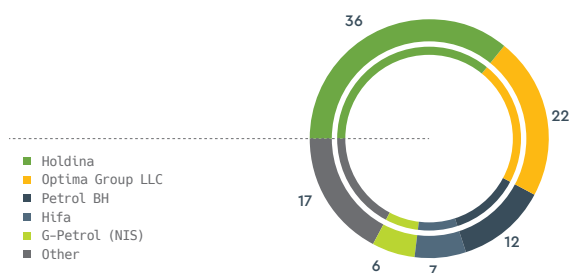


The main factors behind the wholesale pricing for petroleum products on the Bosnia and Herzegovina market as well as in the region as a whole are:

- ▶ Quotations for petroleum products in Platts European Marketscan
- ▶ Price premiums for each type of petroleum
- ▶ Products sales margin

The sales margin was the main factor for the OPTIMA Grupa in pricing in the absence of its own products. The average margin for the basket of petroleum products sold by OPTIMA Grupa in 2020 was EUR 10.75/t.

MAIN WHOLESALE SUPPLIERS OF PETROLEUM PRODUCTS ON THE BOSNIA AND HERZEGOVINA MARKET, %



Asset performance results

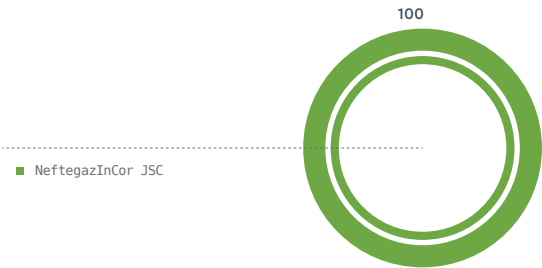
OPTIMA GRUPA d.o.o.

OPTIMA Grupa is a commercial asset of the ORS segment, which carries out wholesale sales of petroleum products in Bosnia and Herzegovina as well as neighboring countries.

Since 2019, the sale of petroleum products has been a priority for developing OPTIMA Grupa's business activities. As it develops the functional trading segment as part of its operational activities, the Company is trying to restore the market share it had prior to a major accident and production at Brod Refinery was suspended



OWNERSHIP STRUCTURE, %



Operating results

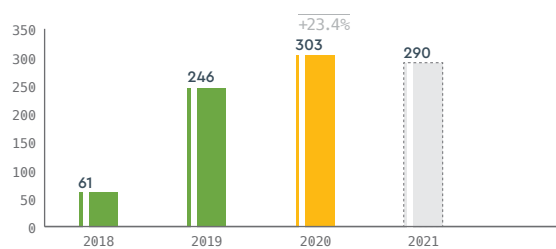
In order to develop the petroleum products business in 2020, OPTIMA Grupa changed the concept of its approach to wholesale in Bosnia and Herzegovina and provided its customers with the opportunity to purchase from the four most affordable regional points of petroleum products supply: from the east (NIS), west (Crodux), south (Ploce tanker), and north (Brod Refinery Terminal).

The actual volume of fuel sales through the trading channel in 2020 amounted to 302,900 tons. The margin from the sale of petroleum products was EUR 10.75/t, which is EUR 2.3/t better than in 2019. In its commercial activities, products sold by OPTIMA Grupa made up 22% of the Bosnia and Herzegovina market in 2020.

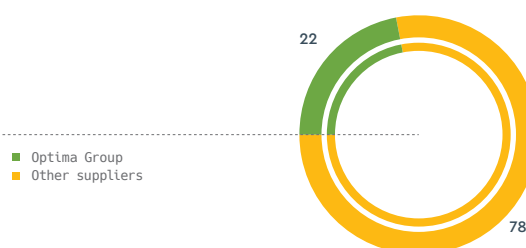
Motor oil and lubricant (MOAL) sales amounted to 11,129 tons in 2020, an increase of 69 tons from 2019. The gross margin for MOAL was EUR 305/t, which is EUR 47/t higher than the previous year.

The reasons for the decline in revenue in 2020 are the discontinuation of the sale of in-house products by Brod Oil Refinery, base oils and paraffins produced by Modriča Motor Oil Plant, and a decrease in the selling price by EUR 213/t as global oil prices slumped.

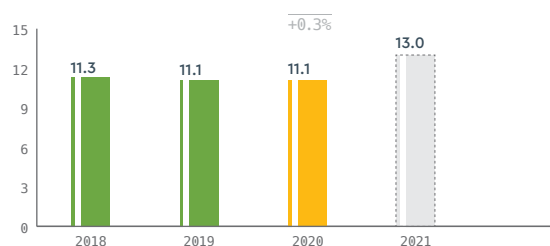
PETROLEUM PRODUCTS TRADING VOLUME, thousand tons



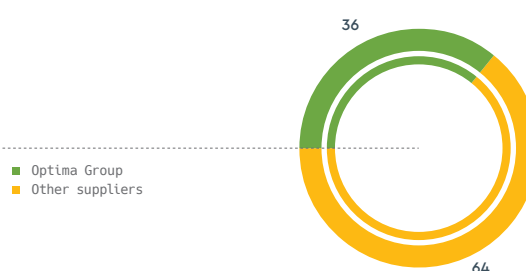
MARKET SHARE OF PETROLEUM PRODUCTS IN BOSNIA AND HERZEGOVINA, %



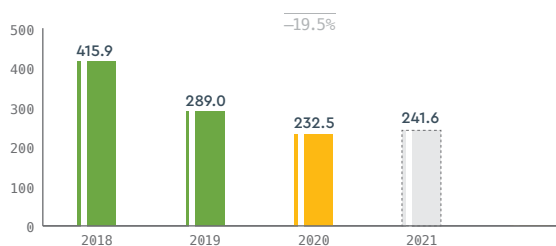
ENGINE OILS AND LUBRICANTS SALES, thousand tons



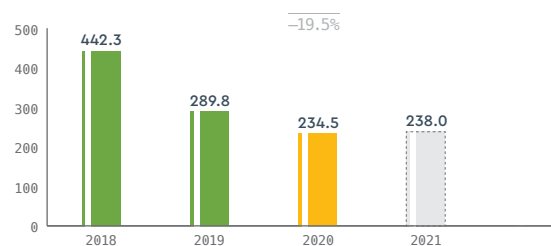
ENGINE OILS AND LUBRICANTS MARKET SHARE IN BOSNIA AND HERZEGOVINA, thousand tons



REVENUE, EUR mln



OPERATING EXPENSES, EUR mln



Brod Refinery

Brod Refinery has been refining oil in Bosnia and Herzegovina since 1968 and as part of Zarubezhneft Group since 2007.

No oil refining was carried out in the reporting period due to the refinery's shutdown at the end of 2018. In 2019, a joint project involving the gasification of Brod Refinery and autonomous gasification in the Republic of Srpska was initiated and is currently being implemented.

Operating results

During the reporting year:

- ▶ The refinery completed construction and installation work, electrical installation, and the installation of instrumentation and control systems and upgraded APCS internal gas networks.
- ▶ More than 1,300 meters of various diameter pipelines were laid as part of the new natural gas distribution system inside the refinery, and a measuring station was installed to reduce pressure and measure the amount of gas entering the refinery.
- ▶ All permits were issued, and the facility was granted a permit for commercial operation; this system will ensure the supply of natural gas to a new boiler house and other potential consumers at the refinery.
- ▶ As part of the construction of a direct gas pipeline from the gas transmission system of the Republic of Croatia to Brod Refinery, project documentation was developed, equipment was completed, construction permits were obtained in the Republic of Srpska and the Republic of Croatia, and construction and installation work is underway.
- ▶ A project for the construction of a solar power plant with installed capacity of up to 1 mW was implemented. A total of 2,724 photovoltaic modules with unit power of 350W were installed for a total



of 953.4 kW. The total surface area covered by the modules was about 5,000 m². The Solar Energy Project has been in commercial operation since November 30, 2020. The minimum guaranteed electricity production in the first year of operation will be 1,050 mWh.

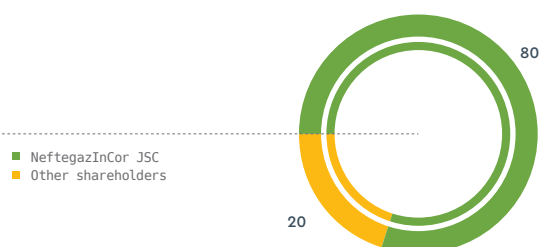
- ▶ Throughout 2020, the refinery staff carried out work to repair equipment, dismantle inactive installations, and improve the refinery's territory.

In addition, the refinery managed to achieve a significant reduction in labor costs in 2020 due to a decrease in the number of employees.

As a result of changes to the production program and adjustments to the schedule for the plant's machinery, expenses on electricity and routine maintenance of fixed assets were reduced.

The bulk part of investment (EUR 3.65 million including VAT) in the reporting year was directed to the completion of the Solar Energy project and the implementation of the 'Gasification of Brod Refinery and Autonomous Gasification of the Distribution Station' project. Total investment amounted to EUR 4.29 million and encompassed the Innovative Development Program, the purchase of equipment, and construction and installation work on these projects.

OWNERSHIP STRUCTURE, %



Modriča Motor Oil Plant

Modriča Motor Oil Plant has been operating in Bosnia and Herzegovina since 1957 and has been part of ZARUBEZHNEFT GROUP since 2007.

Modriča Motor Oil Plant is the only plant that produces oils and lubricants in Bosnia and Herzegovina.

The plant's product range includes more than 220 items. The plant currently produces the following types of products:

- ▶ Lubricants and fluids for motor vehicle machinery
- ▶ Lubricants and fluids for industrial installations
- ▶ Engine oils for gasoline and diesel engines
- ▶ Industrial oils and liquids for metal processing
- ▶ Grease lubricants

The products of Modriča Motor Oil Plant are certified by the main manufacturers of cars and industrial equipment (Audi, Volkswagen, BMW, Daimler-Chrysler, Opel, Scania, Volvo, MAN, Caterpillar, John Deere, etc.) and the South Korean companies Hyundai and KIA Motors, which are active in the European market, and this significantly increases the competitiveness of its products.

Operating results

The production volume of motor oils and lubricants remained at the level of the previous year in 2020.

The decline in production volume was due to optimal stocks of products being maintained in warehouses as shipments declined in March, April, May, and June as a result of COVID-19. The main reason for the deviation in the structure of finished products relative to the BP is the change in the actual sale of finished products by the customer.



The plant's revenue decreased due to the lack of refining of oil distillate. However, a decrease in staff costs led to an overall reduction in operating expenses.

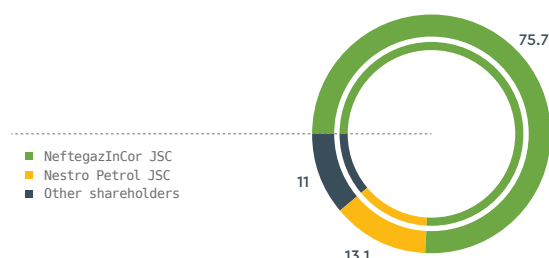
In 2020, investments were mainly directly toward maintaining the operational readiness of equipment and purchasing the minimum necessary equipment. As part of the implementation of the investment program:

- ▶ Worn-out equipment was regularly replaced at production facilities
- ▶ A feasibility study was completed on the project 'Replacement of the steam boiler with a new thermal oil boiler'

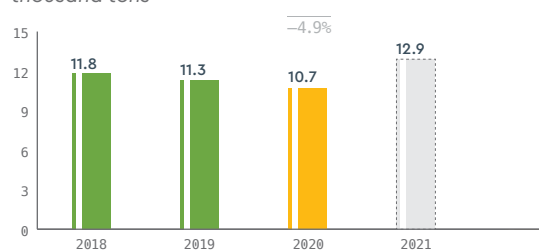
The Company's investments are fully financed from its own funds.

Operational results
for the reporting period

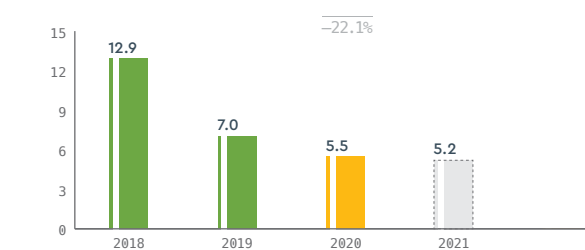
OWNERSHIP STRUCTURE, %



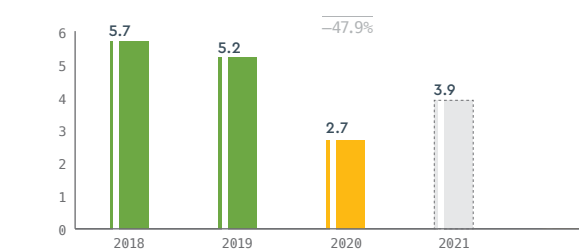
MOTOR OIL AND LUBRICANT PRODUCTION, thousand tons



REVENUE, eur mln



OPERATING EXPENSES, eur mln



Nestro Petrol

Nestro Petrol is a retail network of gas stations that was established in 1945 and whose production assets are located in the Republic of Srpska and Bosnia and Herzegovina. It has been operating as part of ZARUBEZHNEFT GROUP since 2007. It is a commercial asset of the ORS segment, which handles the retail sale of the main types of products produced by Modriča Motor Oil Plant as well as petroleum products purchased from OPTIMA Grupa.

The sale of petroleum products as well as an additional range of products is carried out through the retail network, which included 86 gas stations as of the end of 2020.

Operating results

Total petroleum product sales amounted to 74,000 thousand tons in 2020. The decrease in sales is primarily attributable to measures taken by the government of Bosnia and Herzegovina to prevent the spread of COVID-19: in mid-March, decisions were made to close borders, restrict the work of public catering and trade enterprises, and restrict the movement of the population. Almost all measures remained in effect until the end of 2020, which led to petroleum product sales on the Bosnia and Herzegovina market declining by about 21.4% versus the target.

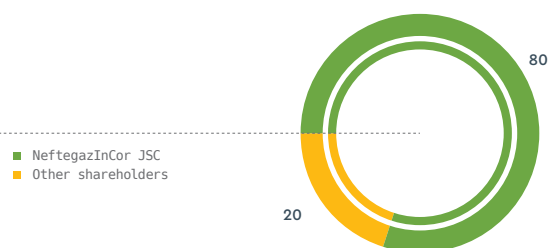
In 2020, the marginal income from the sale of additional products amounted to EUR 2.91 million, an increase of EUR 0.05 million from the previous year.



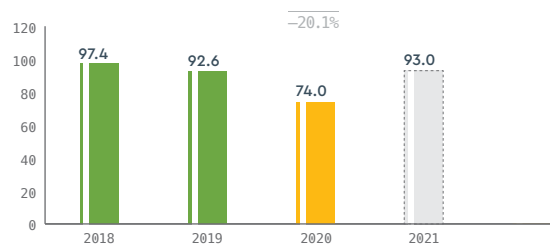
The number of gas stations increased by one station as of the end of 2020 compared with the previous period.

Daily fuel sales at one gas station in 2020 was 2.2 tons per day, or 0.6 tons per day less than the 2019 level. The main reason for the decrease in sales per gas station was the restrictions imposed due to the pandemic and a significant decrease in traffic flow and the movement of the population between neighboring states. A significant decline in business activity led to a decrease in commercial traffic.

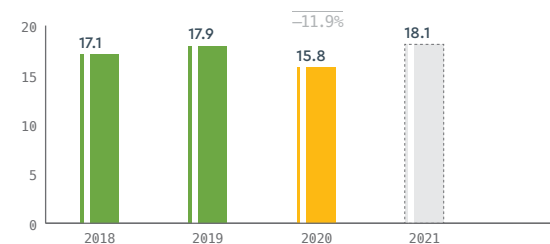
OWNERSHIP STRUCTURE, %



RETAIL SALES OF PETROLEUM PRODUCTS, thousand tons



REVENUE FROM THE SALE OF ADDITIONAL PRODUCTS, EUR mln



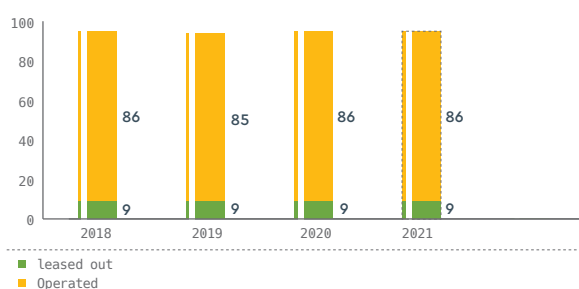


Sales revenue declined in 2020 compared with the previous year was due to decreased retail sales (down 18,600 tons or EUR 21.8 million), a drop in the average sales price by EUR 205/t (down EUR 14.2 million), and decreased revenue from the sale of additional products (down EUR 2.2 million) due to the restrictive measures taken by the government of the Republic of Srpska to combat the pandemic.

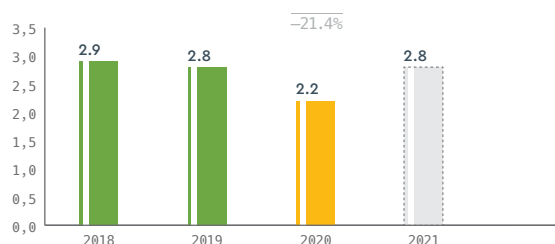
During the reporting year, the Company's investments were fully financed from its own funds. The main targets of investment funding in 2020 were:

- ▶ Reconstruction and rebranding of gas stations
- ▶ Installation of commercial equipment at grocery stores and cafes at gas stations
- ▶ Completion of the construction of a new gas station in Zalužani

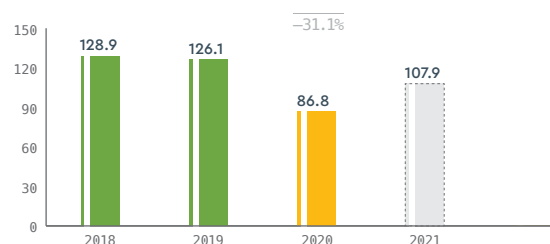
NUMBER OF GAS STATIONS



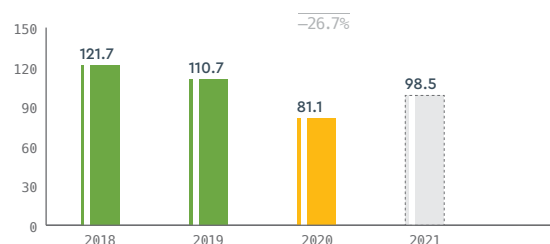
AVERAGE DAILY SALES PER 1 GAS STATION, tons per day



REVENUE, EUR mln



OPERATING EXPENSES, EUR mln



SERVICE AND OTHER ASSETS

■ SEGMENT STRUCTURE



Russia

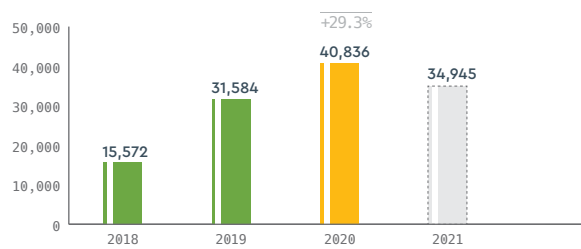
Service assets

- ▶ Arktikmorneftegazrazvedka JSC Provides of offshore drilling contract services
- ▶ Giprovostokneft JSC A design, survey, and engineering organization that performs complex research and the general design of facilities at all stages of field development
- ▶ VNIIneft JSC Branch institute for the development of oil and gas fields
- ▶ RMNTK Nefteotdacha JSC Performs oilfield services
- ▶ Zarubezhneftestroymontazh LLC Organizes construction, reconstruction, major repairs, construction supervision, and the preparation of design documentation
- ▶ Zarnestservice LLC Sells oil produced by the Group and supplies equipment and materials
- ▶ Explon LLC Operation and maintenance, provision of additional services, as well as sanitary maintenance of real estate facilities of Zarubezhneft and other facilities belonging to the Group's companies
- ▶ ZN Snabzhenie LLC Performs the 'internal supplier' function and centralization of the 'material resources supply' function to ensure the Group's continuous production and economic activities



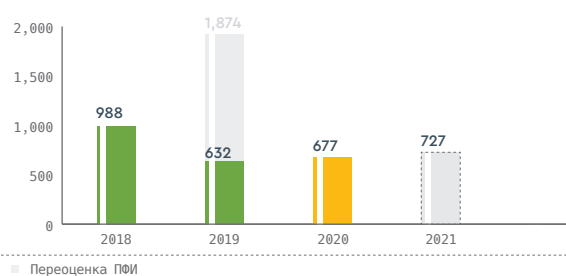
Segment indicators

REVENUE, RUB mln



The segment's revenue increased in 2020 mainly due to the development of petroleum product trading activities by Zarneftservice.

EBITDA, RUB mln



This indicator was affected during the reporting year by changes in the fair value of the derivative received in 2019. In comparable conditions, EBITDA was 7% higher in 2020.

Operational results
for the reporting period



Asset performance

Arktikmorneftegazrazvedka

Arktikmorneftegazrazvedka provides offshore drilling services in the oil and gas sector.

The company's priority is Southeast Asia, where the company is involved in projects to build wells for various purposes on the shelf of Vietnam.

Arktikmorneftegazrazvedka's main development focus is to expand the geography of its activities, increase the size of its own drilling fleet, and build up its own expertise in offshore drilling.

Operating results

In 2020, the Company carried out the following activities:

- ▶ Jack Up Rig Murmanskaya worked for 234 days to build exploration wells TN-4X (Block 12/11) and BH-54 (Block 09-1)
- ▶ The target for key performance indicators (EBITDA + RUB 74 million, FCF + RUB 115 million) was exceeded
- ▶ A bid was awarded in tender procedures for external customers, which made it possible to get a stable load for the additional floating drilling rig of Arktikmorneftegazrazvedka in 2022-2025

Production performance

The Jack Up Rig Murmanskaya operated at a daily rate of USD 40,000 per day in 2016-2020, which is consistent with the price level in the region for a similar jack up rig.



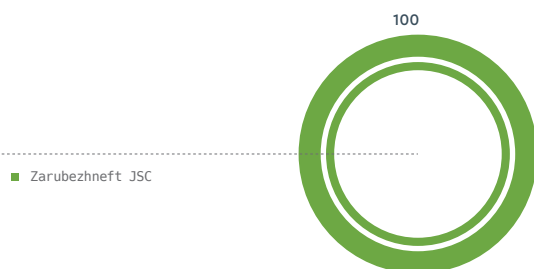
The number of days that the jack up rig was in operation in 2018 and 2019 decreased due to the repair of the installation to pass the class certification, while in 2020, the number of operating days declined as a result of forced downtime due to the inability to organize shifts in connection with COVID-19.

Economic performance

Revenue grew in 2020 compared with the previous year due to the increased duration of operation of the Jack Up Rig Murmanskaya (110 days in 2019 versus 234 days in 2020) as well as changes in the exchange rate.

The Company is constantly working to improve the efficiency of its production activities. This resulted in the stable trend of decreasing operating costs (operating costs grew in 2019 due to the planned repair of the Jack Up Rig Murmanskaya to pass the class certification).

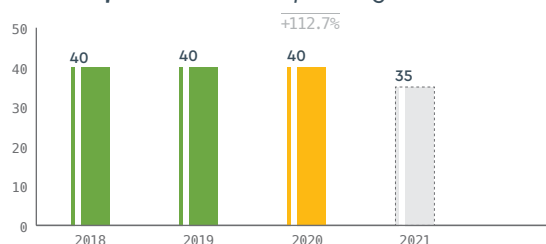
OWNERSHIP STRUCTURE, %



Development prospects

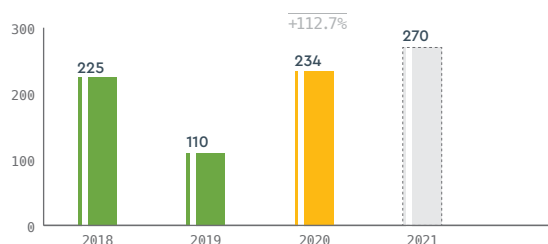
The Company's main goal in its further development is to stabilize the financial and economic situation, which in the long term is the foundation for maximizing production and economic efficiency and minimizing funding from Zarubezhneft.

SLDR RATE, USD thousand per day



The Company is constantly working to improve the efficiency of its production activities. This resulted in the stable trend of decreasing operating costs (operating costs grew in 2019 due to the planned repair of the Jack Up Rig Murmanskaya to pass the class certification).

NUMBER OF DAYS OF SLDR WORK



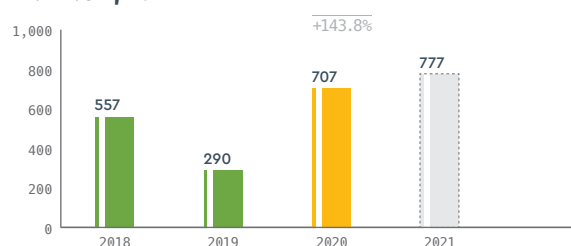


In order to achieve this goal, the key focus of the Company's activities in the medium term aims to:

- ▶ Ensure the utilization of the Jack Up Rig Murmanskaya at the facilities of JV Vietsovpetro, new projects of Zarubezhneft Group, and in joint activities with Indonesian and Malaysian companies, which allow for the long-term use of the jack up rig
- ▶ Expand the drilling fleet through the acquisition or long-term lease of additional jack up rigs for use at the facilities of external customers in 2022–2025 under the drilling contract awarded to AMNGR
- ▶ Improve the operational efficiency of the Valentin Shashin Drilling Vessel
- ▶ Provide educational services by the School of Industrial and Technical Education with the development of expertise and the scope of work in the distance education segment, including full-time distance learning using the WebEx platform for web conferences; regularly update and revise existing distance learning courses and develop new full-time and distance courses based on the needs of Zarubezhneft and subsidiary companies of the parent company
- ▶ Conduct training for specialists of JV Vietsovpetro in the following courses: 'Organization and repair of a well equipped with the installation of electric centrifugal pump by the underground and major well repairs team' and 'Start-up, commissioning, and operation of a well equipped with the installation of an electric centrifugal pump'; focus on the participation of the School of Industrial and Technical Education in tenders for training specialists of third-party organizations on electronic trading platforms (ETP); ensure specialists from the School of Industrial and Technical Education take part in tenders and conduct daily monitoring of the ETP
- ▶ Enhance the efficiency of the Company's production processes in order to optimize administrative and management costs

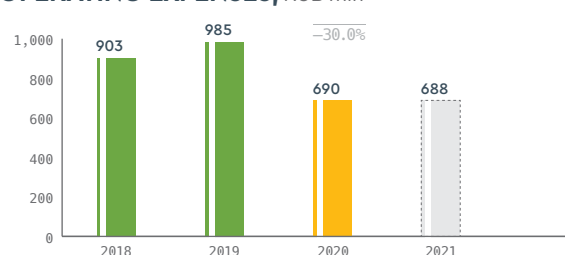
Assets of Arktikmorneftegazrazvedka	Brief description	
1. Jack Up Rig Murmanskaya		
The Jack Up Rig is capable of drilling wells up to 6,000 m deep with a maximum sea depth of 100 m	Year of manufacture/upgrade	1991/2013
	Overall dimensions	149 × 28 m
	Residential areas	84
2. DV Valentin Shashin		
The drilling vessel (DV) is capable of drilling wells up to 7,000 m deep with a maximum sea depth of 1,715 m	Year of manufacture/upgrade	1982/2014
	Overall dimensions	149 × 28 m
	Residential areas	116
3. The onshore infrastructure of Arktikmorneftegazrazvedka includes:		
<ul style="list-style-type: none">• Operational and Technical Section (OTS) – (2, Kildinskoe sh., Kola)• School of Industrial and Technical Education (GTGO)		

REVENUE, RUB mln



Revenue grew in 2020 compared with the previous year due to the increased duration of operation of the Jack Up Rig Murmanskaya (110 days in 2019 versus 234 days in 2020) as well as changes in the exchange rate.

OPERATING EXPENSES, RUB mln



Giprovostokneft

Giprovostokneft is an industrial-level design, survey, and engineering organization that carries out complex research and the general design of facilities at all stages of field development (geological exploration, development, and production) in order to ensure the most efficient extraction of hydrocarbon resources.

The Company's main activities are design and engineering surveys of oil production, treatment, and transportation facilities.

The Company has extensive experience in various areas — designing concepts for the development of assets of oil and gas companies (individual fields and groups of hydrocarbon deposits), conducting research on drilling and the development of well construction projects, and providing consultation services for the management of construction projects, and is also the scientific and technical center of competence of ZARUBEZHNEFT GROUP in such areas as drilling engineering, the integrated design and arrangement of technically complex facilities, the preparation of regulatory and methodological materials concerning oil and gas production, and pricing and rationing in design and construction.

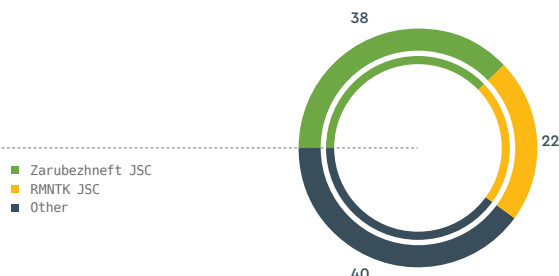


Operating results

The Company achieved impressive performance results in 2020:

- ▶ The Company's upgraded medium-term development strategy was approved
- ▶ The Company thoroughly upgraded its IT infrastructure (server and network infrastructure, data storage systems, UPS, telecommunications, and wireless technologies)
- ▶ The certification audit of the integrated management system was successful
- ▶ 46 positive conclusions of design documentation and engineering surveys were obtained
- ▶ A portfolio of orders for 2021 was compiled (contracts were signed for a total of RUB 948.5 million, which is 53% of the plan)
- ▶ New geophysical research skills were mastered, with the completed work valued at RUB 11.5 million
- ▶ Research was carried out to develop a technology for the trouble-free drilling of horizontal wells at the Achimov deposits of the Lutseyakhskoye field
- ▶ A new material was invented and a patent was obtained for 'Heat-Resistant Grouting Material for Well Casing to Ensure High Strength against Changing Temperatures and Exposure to H₂S and CO₂'

OWNERSHIP STRUCTURE, %



x2.6

growth in FCF
in 2020



Economic performance

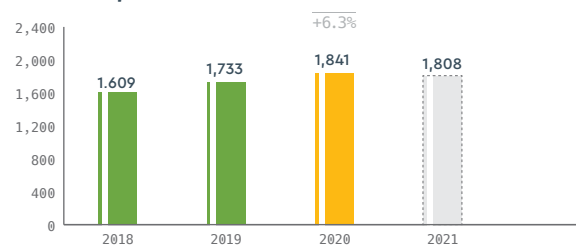
Revenue and cash flow increased in 2020 compared with the previous year due to the signing of new business orders with Gazprom Neft and the Caspian Pipeline Consortium (CPC), the conclusion of new contracts with other customers as well as the receipt of revenue within the Group due to the conclusion of new contracts for design work on the circulation of treasury control solutions for subsidiaries, the introduction of a materials and resources directory for all subsidiaries, and the sale of 1C licenses for Zarubezhneft.

Development prospects

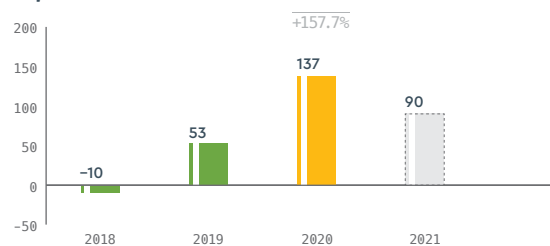
The Company's further development will focus on general designs for the facilities of Zarubezhneft, Gazprom Neft, Irkutsk Oil Company, the CPC, and other facilities in the traditional regions of the Russian Federation, as well as the development of evaluation and reengineering.

Operational results
for the reporting period

REVENUE, RUB mln



FCF¹, RUB mln



¹ Hereinafter, FCF is calculated as the sum of cash flows from operating and investment activities.

VNIIneft

VNIIneft is a leading industry institute for the development of oil and gas fields.

The Company mainly focuses on providing scientific and technical support for the projects of Zarubezhneft as well as engineering and scientific support of the development of ZARUBEZHNEFT GROUP's fields; implementing the R&D program to overcome the current technical and economic limits for displacement and sweep efficiency at hydrophobic carbonate reservoirs; creating and improving modern methods for increasing oil recovery and the laboratory studies of core and reservoir fluids; eliminating the Company's license risks; and carrying out work to calculate oil and gas reserves and design the development of oil and gas fields.

In order to fulfill ZARUBEZHNEFT GROUP's key strategic objective of joining new projects in Russia and abroad ('Expansion'), VNIIneft conducts work to search for and evaluate new assets.

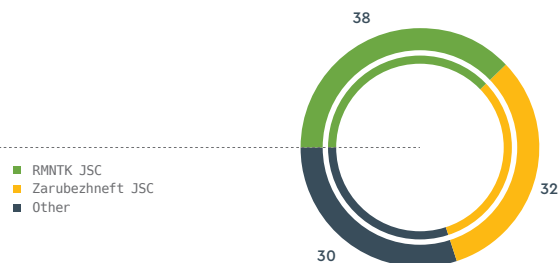


Operating results

The Company achieved the following results in 2020:

- ▶ Conducted an independent assessment of reserves per the SPE PRMS classification for the developed assets of ZARUBEZHNEFT GROUP, formed a project group, and prepared plans for the development of software to automate processes based on solutions for the monitoring of geology and development of assets already in operation at the Group
- ▶ Defended the operational estimation of reserves at two new deposits D3-IIIa and D3-IIIg of the Famennian deposits of the Kharyaga field at the State Commission on Reserves for the purpose of recording them in the State Balance Sheet and putting them into development
- ▶ Implemented a project to upgrade an installation at a laboratory complex to conduct filtration experiments 24/7 and increased productivity by 60%
- ▶ Achieved a 15.8% rate of decline in the carry-over assets of JV Vietsovpetro (compared with the planned 27.1%) in 2020, including due to the efforts of the VNIIneft Project Group, which aimed to generate increased reservoir pressure and implement other measures to optimize development, including the use of reservoir models
- ▶ Developed the prototype for an immiscible displacement simulator in the geometry of scanned core samples as part of the Digital Core project; the resulting solution will be actively used throughout the Company and promoted to the market immediately after the engineering application is developed

OWNERSHIP STRUCTURE, %





Economic performance

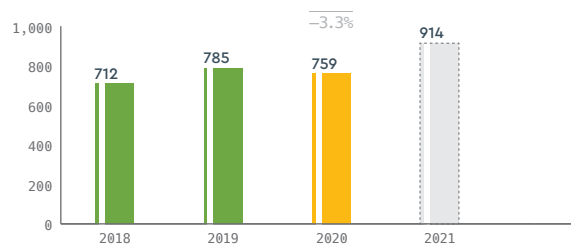
Revenue decreased in 2020 compared with the previous year due to a reduction in the scope of R&D work for JC RUSVIETPETRO as a result of changes in the customer's production program. In addition, the rental revenue decreased due to the impact of COVID-19.

Development prospects

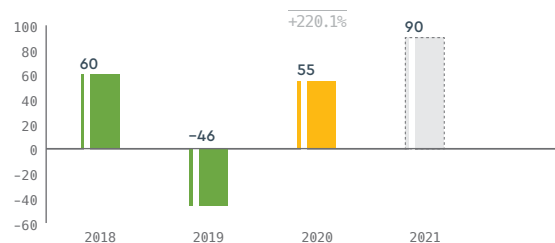
VNIIneft will primarily focus on supporting ZARUBEZHNEFT GROUP's additional production by joining new assets and introducing new technologies, including the method of increasing oil recovery, in the development of current assets.

It will continue work on the following technological development projects – 'Discovery', 'Tight Oil', 'Smartflooding', and 'Enthalpy'.

REVENUE, RUB mln



FCF, RUB mln



RMNTK Nefteotdacha

RMNTK Nefteotdacha is an enterprise that performs a wide range of oilfield services (major and routine well repairs, integrated service during drilling, geotechnical research, and hydrodynamic research, etc.), including technical and staff support for service work. In addition, the Company functions as an operator for pilot industrial work and implementing steam-thermal methods to increase oil recovery at the fields of ZARUBEZHNEFT GROUP and beyond.

Main activities of the Company:

- ▶ Performs oilfield services (integrated service for drilling wells, routine and major well repairs, geological and technological research, reservoir testing, etc.) in the Arkhangelsk Region (Nenets Autonomous Area) at the fields of JC RUSVIETPETRO and also on the territory of Kharyaga Production Sharing Agreement at the facilities of ZARUBEZHNEFT-Dobycha Kharyaga
- ▶ Supports demand to build production wells, provides engineering services as well as technical and technological supervision and control services during the construction of wells, and conducts a wide range of pilot work on the introduction of steam-thermal methods to increase oil recovery at the Boca de Jaruco field in Cuba
- ▶ Provides integrated service, supervision, and geological and technological support during the construction of wells at the facilities of ZARUBEZHNEFT-Dobycha Samara (Orenburg and Ulyanovsk Regions)
- ▶ Conducts technical and technological supervision and control during the routine and major repairs of wells and when performing work to provide field and geophysical research, hydrodynamic studies of wells, and downhole rope work at the facilities of JV ANDIJANPETRO in Republic of Uzbekistan

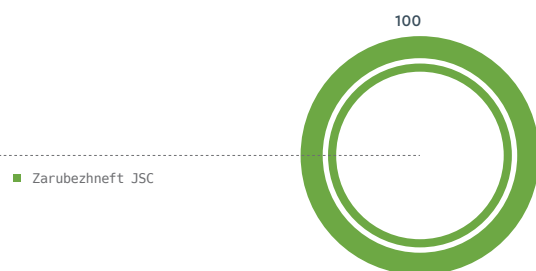


Operating results

Key results of the Company's activities in 2020:

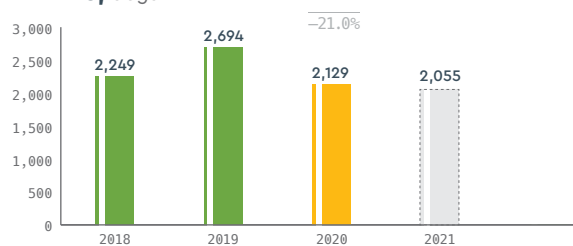
- ▶ Services for the routine and major repairs of wells at the fields of JC RUSVIETPETRO were provided by five in-house teams; two routine and major well repair crews were put on standby without any personnel due to changes in the Company's production program; services for the routine and major repairs of wells at the fields of ZARUBEZHNEFT-Dobycha Kharyaga were carried out by two crews.
- ▶ The decrease in the scope of integrated service and drilling of wells is associated with the refusal to work by JC RUSVIETPETRO due to the bankruptcy of the drilling contractor (Oilfield Service Company Burservis-Perm LLC).
- ▶ Additional well BJ-3007 was drilled as part of the Boca de Jaruco project.

OWNERSHIP STRUCTURE, %

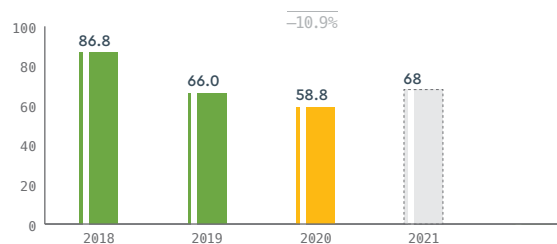


Production performance

DURATION OF ROUTINE AND MAJOR WELL REPAIRS, days



OILFIELD SERVICES, thousand m



Economic performance

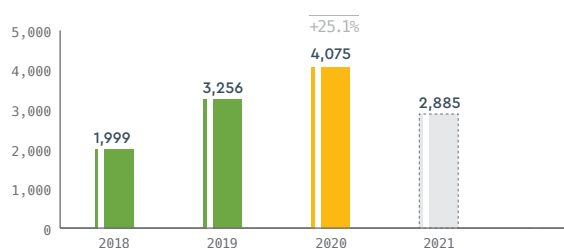
Revenue grew in 2020 compared with the previous period due to the increased drilling operations of JC RUSVIETPETRO (4,986 meters in 2019 and 34,564 meters in 2020), as well as the start of the provision of integrated drilling services for wells drilling at the Lutseyakhskoye field.

Operating expenses increased compared with the previous period due to the organization of work for the drilling and reconstruction of wells (subcontractor services) as well as work to provide integrated service at the Lutseyakhskoye license area.

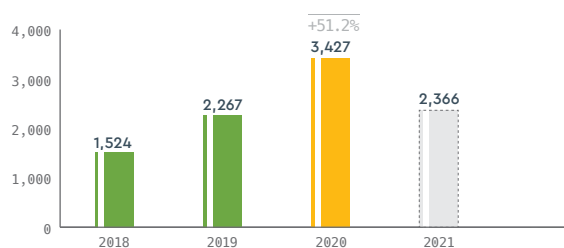
Development prospects

The key objectives for the Company's further development are the provision of integrated services for well drilling and major repairs at the fields of JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Kharyaga. The Company is primarily focusing on the utilization of its in-house production capacities, increasing the production rate by routine and major well repair crews, reducing unproductive time, monitoring operational efficiency, and entering the foreign market.

REVENUE, RUB mln



OPERATING EXPENSES, RUB mln



Zarubezhneftestroyontazh

Zarubezhneftestroyontazh organizes construction, reconstruction, and major overhauls, performs construction supervision, prepares design documentation, and is hired by a developer or customer based on a general contractor agreement.

The Company's main activities include the development of the fields of JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Kharyaga, the construction of facilities to develop the Lutseyakhskiye oil field of Severo-Karasevskoye Oil and Gas Company, and the provision of engineering services and delivery of materials to the Boca de Jaruco field as part of the development of the experimental and industrial work site.

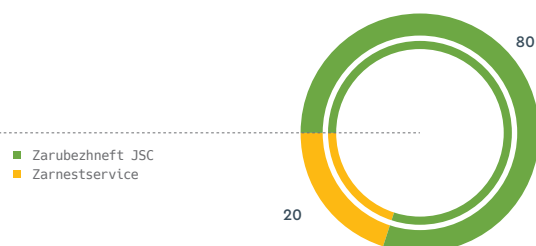


Operating results

Key performance results in 2020:

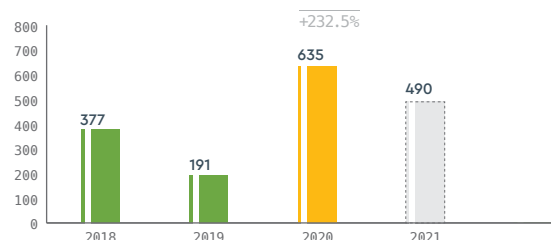
- ▶ Construction and installation work was carried out efficiently and on time by subcontractors and using the Company's own resources, and 77 planned facilities were built within the set timeframe
- ▶ Construction was completed on 9 km of pipelines, 10 km of high-voltage lines, an area of 635,000 m³ of pads and roads, and 42 km of winter roads
- ▶ The Company studied the construction services market of Kazakhstan extensively, created a pool of potential contractors, obtained consolidated prices for the cost of building various structures, reviewed the requirements of potential third-party customers, and addressed issues concerning taxation and the establishment of a branch in the Republic of Kazakhstan

OWNERSHIP STRUCTURE, %



Production performance

FILLING OF SITES AND ROADS, thousand m³

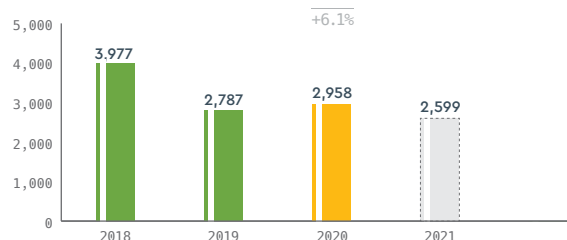


Filling operations increased in 2020 compared with the previous year due to work the Company carried out at the Lutseyakhskiye site – the construction of sites for the facilities of Cluster No. 1, a preliminary water discharge unit, oil filling point, rotational village, and helicopter pad.

Economic performance

In 2020, the main order portfolio of Zarubezhneftestroyontazh was geared towards customers within ZARUBEZHNEFT GROUP. Revenue increased due to additional work to fill sites and roads at the Lutseyakhskiye license area, repair and restoration work on the Andijan project, and work on the Cuba project.

REVENUE, RUB mln

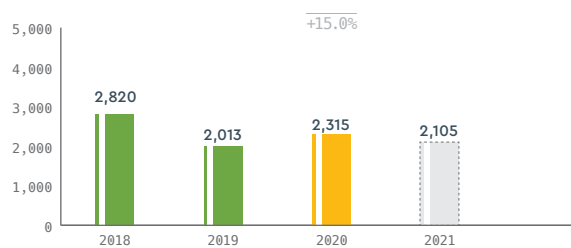




Operational results
for the reporting period

The growth in operating expenses is attributable to the additional work volume as well as measures to counter COVID-19 (expenses on observation, food and accommodation for shift workers, regular testing, and additional medical services to maintain medical rooms in the fields).

OPERATING EXPENSES, RUB mln



77
planned
facilities
built in 2020

Development prospects

In the medium term, the Company's main goal is to expand its expertise by performing field development work on its own as well as actively searching for customers outside ZARUBEZHNEFT GROUP.

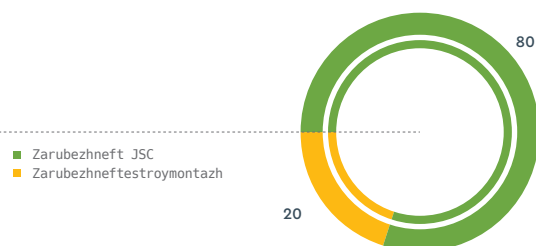
Zarnestservice

Zarnestservice sells oil produced by ZARUBEZHNEFT GROUP on the domestic and foreign markets, supplies equipment, materials, and petroleum products, and provides services for the needs of JV Vietsovpetro and other companies within ZARUBEZHNEFT GROUP as well as third-party contractors.

The Company's main activities include the supply of goods and equipment, oil sales, freight commission activities, and commodity risk management.



OWNERSHIP STRUCTURE, %



Operating results

Key performance results in 2020:

- ▶ The Company continued to increase the volume of naphtha supplies for export: 8.5 million barrels of naphtha (valued at RUB 21.7 billion) were delivered to Emirates National Oil Company
- ▶ The Company arranged the delivery of 94,000 tons of diesel fuel (valued at RUB 2.5 billion) for the needs of OPTIMA Grupa
- ▶ The Company signed contracts for the sale of oil to Yangpur Oil Company JSC and INTEK-Western Siberia LLC
- ▶ Compensation of RUB 179.3 million was received for the sale of oil in 2020
- ▶ A transport and towing vessel was leased for JV Vietsovpetro for 66 boat days
- ▶ The Company concluded seven calendar risk hedging transactions for a total of RUB 2.6 million

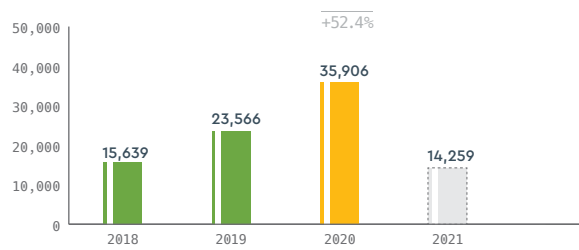
+52.4 %

growth in pipe product sales in 2020 due to the increasing volume of supplies to third-party customers

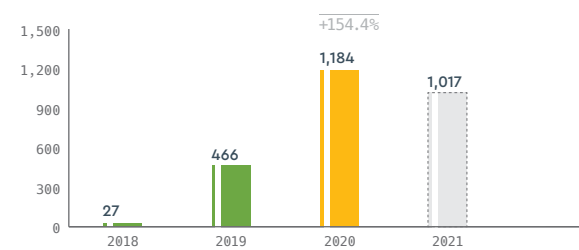


Production indicators

DELIVERY OF PIPE PRODUCTS



TRADING OF PETROLEUM PRODUCTS, thousand tons



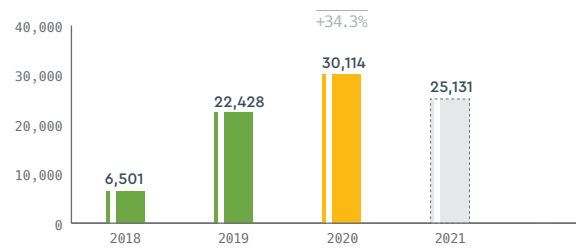
Sales of pipe products increased primarily because of a more than four-fold increase in deliveries to third-party customers (4,800 tons in 2019 and 19,400 tons in 2020).

Development prospects

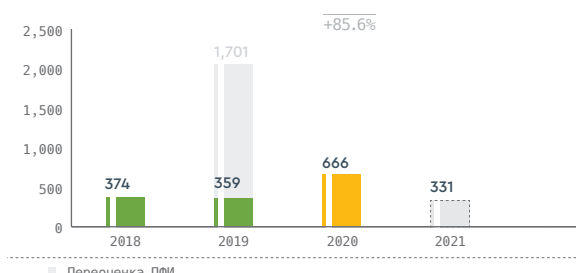
The Company's main goals in the medium term are to expand the range of products supplied to traditional customers within the Group, actively search for customers

Economic indicators

REVENUE, RUB mln



EBITDA, RUB mln



The changes in revenue in 2020 reflect the growth in pipe product supplies.

Operational results
for the reporting period

#4



**SUSTAINABLE
DEVELOPMENT REPORT**

**Building a
community
of young
specialists**

APPROACH TO SUSTAINABLE

102-9

Like other major Russian companies, Zarubezhneft takes a responsible approach to managing key aspects of sustainable development (ESG principles), including caring for society, staff development, compliance with legal requirements and ethical standards, ensuring occupational and industrial safety, communication with stakeholders, reducing the negative impact on the environment, the careful use of heat and electricity, and the development of innovative technologies, as a key to the success of the Company's economic development.

ESG model

Environmental

- ▶ Climate change, GHG emissions and assessment of physical and transient risks
- ▶ Circular thinking, energy, water, waste, and emissions
- ▶ Land pollution
- ▶ Closure of facilities and remediation
- ▶ Energy consumption and energy efficiency
- ▶ Biodiversity

It is safe to say that over the past year there has been a significant shift towards achieving the sustainable development goals. Not only are the methodological postulates recorded on paper, but we have begun to link them to actual action and have understood how this should work, but the main work on shaping a corporate strategy for sustainable development has to start in 2021:

The Company is fully aware of its responsibility to the state and society and is actively building a system of social and environmental management, while remaining focused on the best Russian and international practices.

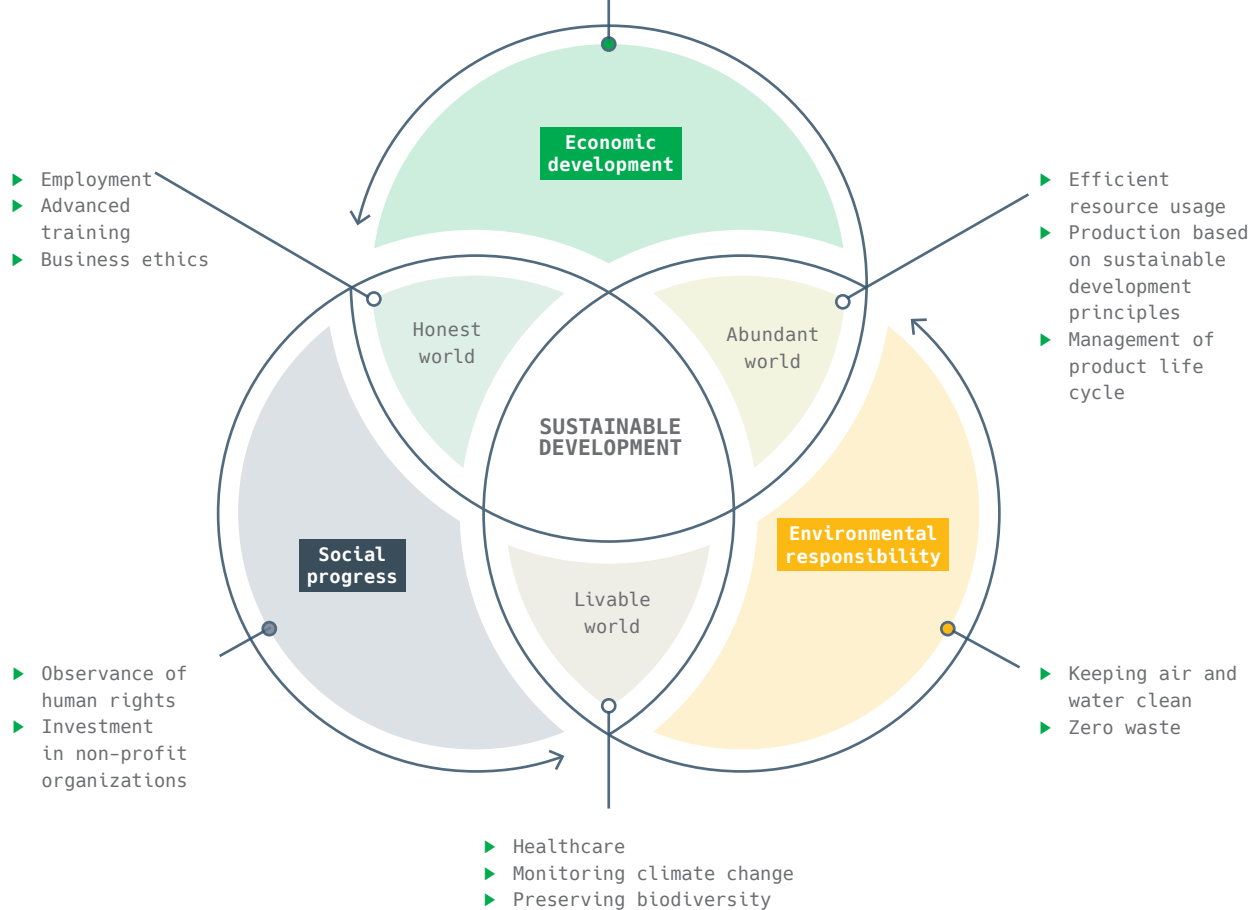
Social

- ▶ Health and safety
- ▶ Human capital assets
- ▶ Employee well-being
- ▶ Human rights
- ▶ Child and forced labor
- ▶ Inclusivity
- ▶ Contractors and the supply chain
- ▶ Impacting, benefiting, and interacting with local communities

Governance

- ▶ Risk assessment and strategy
- ▶ Interaction with stakeholders
- ▶ Compliance with the law
- ▶ Code of conduct
- ▶ Transparency
- ▶ Taxes
- ▶ Responsibility and obligations of senior management
- ▶ Cybersecurity









- ▶ Innovation
- ▶ Risk management
- ▶ Expansion



In its work, Zarubezhneft is guided by indicators that form the basis of the ESG-indices of the Russian Union of Industrialists and Entrepreneurs. All 17 UN Sustainable

Development Goals are reflected in the Company's strategic focuses: 'Expansion', 'Technological Leadership', 'Corporate Evolution', and 'Talent Management'.

Goal	Description	Examples of activities
	End poverty in all its forms everywhere	Ensuring competitive wages and social support for employees. The Company contributes to the improvement of the social environment in the regions where it operates by creating new jobs and partner programs.
	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	Conclusion of agreements with the administrations in the areas of operation and support for the indigenous minorities of the Far North. Achieving targeted social investment in the countries where the Company has a presence.
	Ensure healthy lives and promote well-being for all at all ages	The Company pays special attention to protecting health, creating comfortable working conditions, supporting and promoting a healthy lifestyle, improving the housing conditions and quality of life of its employees and their families, and providing material support to veterans and pensioners.
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Corporate educational programs, talent management, mentoring programs for young professionals, and internships for students.
	Achieve gender equality and empower all women and girls	Ensuring equal remuneration for men and women in positions with the same skill requirements.
	Ensure availability and sustainable management of water and sanitation for all	Ensuring the sustainable supply of high-quality water to industrial and other facilities as well as effective water disposal.
	Ensure access to affordable, reliable, sustainable, and modern energy for all	Implementation of renewable energy projects, a gas program, and energy efficiency improvement in all areas of the Company's activities.
	Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	Growth in the Company's economic efficiency indicators and their presence in the KPIs of senior management. Promoting the sustainable development of the national economy and its diversification.
	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	Innovative development program, R&D funding as well as support for and the development of research institutes within the Company.

Goal	Description	Examples of activities
	Reduce inequality within and among countries	There are no cases of discrimination at the Company, violations of rights, or conflicts with the local population.
	Make cities and human settlements inclusive, safe, resilient, and sustainable	Implementation of charitable projects. Payment of taxes. Agreements on cooperation with the administrations in the regions of operation.
	Ensure sustainable consumption and production patterns	Conducting an impact assessment before the start of operations and monitoring environmental parameters and recovery measures after the completion of the work. Participation in the WWF environmental openness rating.
	Take urgent action to combat climate change and its impacts	Gas Program for 2020–2024, development of renewable energy sources, and a program to upgrade infrastructure facilities.
	Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	Implementation of projects in Vietnam to preserve the marine ecosystem. Participation in the 'Clean Shores' volunteer project.
	Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation, and halt biodiversity loss	Implementation of projects to preserve biodiversity in the regions of operation. Environmental impact assessment and monitoring of environmental parameters and recovery measures after the completion of work.
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels	The Company participates in law-making, including the Scientific and Technical Council of the Ministry of Natural Resources and the working groups of the Ministry of Energy and the Ministry of Natural Resources.
	Strengthen the means of implementation and revitalize the global partnership for sustainable development	Activities as part of the Cooperation Agreement with the Ministry of Natural Resources and the Memorandum with the WWF.

ESG ratings will also be used to evaluate new assets starting from 2021. The ESG Principles Program was adopted in December 2020 as a result of the brainstorming session 'Selection of Change Projects for the Company's Strategic Focuses' as part

of the 'Expansion' focus. It is a comprehensive program that provides for a number of improvements in the environment, society, and corporate governance in all three areas of the ESG principles.

Risk management system for sustainable development

The timely identification, analysis, and assessment of risks, along with taking effective measures to manage them, play a crucial role in the implementation of the Company's strategic goals and objectives.

Zarubezhneft adheres to a comprehensive approach and pays attention not only to strategic and financial risks, but also to environmental, social, and economic risks. The Company is aware that the risks of sustainable development have a direct impact on the Group's long-term financial performance and sustainability.

Zarubezhneft's activities involve risks to sustainable development. The protection of the environment and staff, occupational and industrial safety, interaction with the local population, infrastructure, and social issues in the regions of operation all have a direct impact on the long-term financial result and the sustainability of the Company as a whole.

As part of risk management projects in sustainable development, the Company carries out the following activities:

- ▶ Evaluation of the socioeconomic and environmental impacts of its activities in the regions of operation
- ▶ Analysis of the effectiveness of the existing management system for environmental and socioeconomic aspects of the Company's activities, including management action plans
- ▶ Assessment of compliance with regulatory requirements and the requirements of applicable international standards in order to avoid inconsistencies and ensure continuous improvement

- ▶ Performs accounting and plans measures to regulate greenhouse gas emissions
- ▶ Implements programs to improve energy efficiency
- ▶ Takes into account environmental risks when making investment decisions on new projects
- ▶ Takes into account the risk of climate change when designing and building facilities in the most vulnerable areas of the Far North
- ▶ Implements renewable energy projects
- ▶ Develops social support and biodiversity conservation programs in the regions of operation

The Company has regularly participated in the openness rating of Russian oil and gas companies for environmental responsibility since its inception in 2014. In 2020, Zarubezhneft finished first in the ranking by providing sufficient evidence of its leadership positions in environmental expertise and openness.

In 2021, the Company plans to develop and introduce a procedure to manage risks and opportunities related to climate change taking into account the results in its business strategy. As part of this work, proposals will be prepared for indicators that describe the degree to which the Company protects the population as well as natural, natural-artificial, and manmade objects against the adverse impacts of climate change.

In 2020, the Company continued to have zero tolerance for any irresponsible attitude to natural resources, as stipulated in the corporate policy on health, labor, environment, safety, and social responsibility.

Significant sustainable development risks and response measures

The tightening of regulations due to climate change and its physical consequences can have a negative impact on operations in the form of increased costs and reduced efficiency.

As part of compliance with its principle of being an exemplary company with respect to the government, Zarubezhneft takes a responsible approach to its obligations and monitors the impact of climate on nature. In an effort to reduce risks associated with the global climate change processes, the Company takes the following measures:

SOCIAL POLICY IN THE REGIONS OF OPERATION,

CHARITY, AND SPONSORSHIP

413-1 069

ZARUBEZHNEFT GROUP contributes to the sustainable development of the regions where it operates as an employer, taxpayer, and major participant in economic activities.



Zarubezhneft's activities have a significant impact on the socioeconomic development of the regions where it operates. For this reason, the Company adheres to a policy of great social responsibility to local communities and society as a whole.

In cooperation with the regions, the Company focuses on the development of local initiatives and social activities. It engages in constructive cooperation with local government bodies and public organizations. Subsidiary companies annually sign agreements with the administrations of the regions of operation to regulate joint activities for the development of the regions.

The Group provides support to socially vulnerable segments of the population as well as indigenous and small-numbered peoples of the regions where it operates and implements social and charitable projects in healthcare, education, improving housing conditions, culture, sports, and the development of social infrastructure.

In order to ensure unified approaches in its charitable and sponsorship activities, Zarubezhneft:

- ▶ Adheres to the appropriate regulatory document: the Regulation on the Charitable and Sponsoring Activities of ZARUBEZHNEFT GROUP (the latest revision was approved by Minutes No. 188 of the Company's Board of Directors dated December 24, 2020)
- ▶ Holds regular meetings of a commission that considers appeals of a social nature that are received both by the corporate headquarters and subsidiaries

These tools aim to create the most effective, simple, and transparent mechanism for ZARUBEZHNEFT GROUP to provide assistance.

157

mln RUB

spent on charity and sponsorship in 2020

Main focuses of charitable and sponsorship activities:

- ▶ Support for culture, sports, and a healthy lifestyle
- ▶ Preservation of cultural and historical heritage and support for military and patriotic events and campaigns
- ▶ Assistance to creative teams and artists
- ▶ Support for the poor and low-income members of society, orphans, veterans, and disabled people
- ▶ Development of scientific, educational, and professional development programs
- ▶ Organization of events dedicated to significant events in the fuel and energy industry

In total, ZARUBEZHNEFT GROUP allocated RUB 157 million for charity and sponsorship in 2020 (taking into account socioeconomic agreements signed with the administrations of the regions where subsidiaries and joint companies operate).

As part of regional development efforts, JC RUSVIETPETRO and ZARUBEZHNEFT–Dobycha Kharyaga carried out a substantial amount of work in the Nenets Autonomous Area, where the companies operate.

Agreements with the administrations

JC RUSVIETPETRO and the Administration of the Nenets Autonomous Area (NAA) signed an agreement on the involvement of subsidiaries in the socioeconomic development of the NAA, and identified specific areas and amounts of the Company's investments in the region's social infrastructure. In 2020, JC RUSVIETPETRO provided RUB 87 million in **total funding** for socioeconomic events in the NAA.

The main projects in which JC RUSVIETPETRO was actively involved in terms of funding and implementation were:

- ▶ Co-funding for material, technical, informational, and methodological equipment for Secondary School No. 3 in the NAA
- ▶ Targeted donations to provide equipment to Usinsk Central Regional Hospital
- ▶ A targeted donation to Ukhta State Technical University for the purchase of educational materials



Support for indigenous and minority peoples

Another priority for the Company is support for indigenous and minority peoples as well as reindeer herding farms. In 2020, Zarubezhneft allocated over **RUB 2.9 million to compensate for the loss of reindeer farms** due to the seizure of land for needs unrelated to agricultural production.

Agreements with administrations

ZARUBEZHNEFT-Dobycha Kharyaga also renders considerable assistance for the implementation of social projects in the NAA. In 2020, the Company provided **RUB 9.6 million in total funding** for socioeconomic events in the NAA.

The main projects in which ZARUBEZHNEFT-Dobycha Kharyaga was actively involved in terms of funding and implementation were:

- ▶ Cooperation with the Union of Reindeer Herders of the Nenets Autonomous Area
- ▶ Support for the Secondary School of Nes Village
- ▶ Cooperation with Usinsk Central Regional Hospital
- ▶ Support for of the Children's Art School of the NAA
- ▶ Cooperation with the Nenets branch of the Russian Red Cross
- ▶ Support for the Nenets Regional Center for Education Development
- ▶ Cooperation with Batmanova Nenets District Hospital
- ▶ Social project "Cooperation with state-funded institution NAA 'Our Home Family Center'"

In addition, the Company annually makes contributions to the NAA Administration **to fund the socioeconomic needs** of the local population. In 2020, such contributions amounted to **USD 391,300**.

In Bosnia and Herzegovina and the Republic of Srpska, ZARUBEZHNEFT GROUP traditionally supports events related to culture, the environment, and the development of youth and professional sports, and also contributes to the development of society and the environment.

In 2020, the Group carried out 2 humanitarian campaigns for a total of EUR 2,600, and also provided EUR 3,100 in support to the MD KLINCI children's sports association.

- ▶ ZARUBEZHNEFT-Dobycha Samara contributes to the sustainable development of its region as part of an agreement on mutual cooperation with the Administration of the Severny District Municipality of the Orenburg Region, which aims to support the socioeconomic development of the municipality
- ▶ Charity is also one of the long-standing, favorable traditions of Giprovostokneft. The Company provides support to socially vulnerable segments of the population in its region. In 2020, funds were provided to the State Treasury Educational Institution for Orphans in the Chapayevsk Municipal District, congratulations were sent to veterans to mark the 75th anniversary of victory in World War II, and a donation was made to the Ivovka Center

Due to restrictions that were introduced in all regions where the Group operates in connection with COVID-2019, adjustments were made to the implementation of several social projects in 2020. The restrictive measures resulted in the cancelation of numerous social projects planned for 2020 related to sports, cultural, entertainment, public, and other mass events as well as the participation of socially disadvantaged segments of the population in similar events:

- ▶ 'Children of the North 2020' Summer Creative School — the recipient of the donation decided to postpone the project until 2021 due to the inability to hold it in a period other than summer holidays
- ▶ Regional race in the NAA — the NAA Administration decided to cancel the regional race in 2020 due to the current restrictions on mass events in the city
- ▶ Celebration of the 65th anniversary of the Children's School of Arts of the NAA — the event was postponed until 2021
- ▶ Summer thematic tour for gifted children — the recipient of the donation decided to postpone the project until 2021 due to the inability to hold it in a period other than summer holidays as well
- ▶ As other projects in Russia and abroad

Environmental projects

Participation in environmental projects is one of the most important areas of charitable and sponsorship activities. In order to implement the Agreement on Cooperation between the Russian Ministry of Natural Resources and the Environment and Zarubezhneft dated December 30, 2019 regarding activities as part of the federal project 'Conservation of Biodiversity and Development of Eco-Tourism' for the conservation and restoration of the Siberian crane (white crane), Zarubezhneft decided in 2020 to participate in the '**Flight of Hope**' project. For this project, an agreement was concluded with Oksky State Reserve, the entity in charge of measures to restore the Siberian Crane population, the amount of funding (charitable assistance) in 2020 amounted to **RUB 3.8 million**.

The 'Flight of Hope' project is planned for 2020–2024. Collaboration with the Oksky State Reserve will continue in 2021 with the provision of

17.6 mln RUB

in charitable assistance.

Volunteer movements

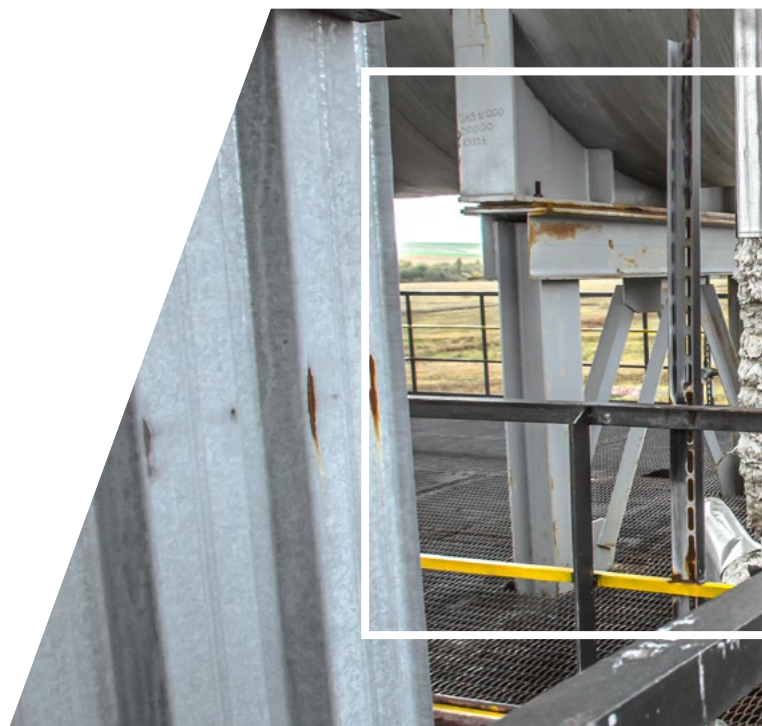
In 2020, the Group continued to develop the volunteer movement. During the pandemic, Zarubezhneft employees organized an **online fundraising campaign to provide assistance and support to people in need**. In April 2020, employees took part in the '**WE'RE NEARBY!**' campaign announced by the Old Age in Joy Charitable Foundation to raise funds among employees to buy essential items, disinfectants, medicines, and food for boarding schools and to provide support for the social needs of people with disabilities.

In August, employees organized fundraising to buy essential items for students at the Gagarin and Kavelshchansky nursing homes for the elderly and disabled in the Tver Region.

The Company also held its traditional New Year's charity event during which bactericidal re-circulators, dispensers, books, and new furniture were purchased for people in need.

Zarubezhneft employees regularly take part in a social program **to collect unnecessary items**. For this purpose, a special container was set up in the building of the corporate headquarters. As part of this project, employees contribute to the support of socially vulnerable segments of the population, the creation of an industry for the secondary consumption of waste in Russia, and the enhancement of cost-conscious culture.

Holding such volunteer and charitable events helps create a sense of personal responsibility among employees and a desire to participate in social events. This is a significant part of the corporate culture, which the Company always supports and encourages.



HUMAN RESOURCES

AND CORPORATE CULTURE

102-8

The main goal of the HR Policy is to maximize the return on investment in staff by building a system that motivates each employee to achieve goals in accordance with the Corporate Development Strategy, makes it possible to objectively assess the extent to which results are achieved, and fairly rewards and encourages them for their achievements.

12,311 people

*Employed
by the group in 2020*

All HR management processes within ZARUBEZHNEFT GROUP are implemented in accordance with the HR Policy approved for 2019–2023. The HR Policy is based on Zarubezhneft's Corporate Development Strategy and aims to support its implementation.



Staff size and structure

405-1

CHANGES IN STAFF NUMBERS BY COUNTRY OF OPERATION, *people*

Country of operation	2018	2019	2020	+/-	%
Russia	3,851	4,011	4,003	-8	-0.2
Vietnam	6,790	6,711	6,649	-62	-0.9
Republic of Srpska (Bosnia and Herzegovina)	2,029	1,839	1,569	-270	-14.7
Cuba	11	11	9	-2	-18.2
Uzbekistan	0	16	81	65	406.3
TOTAL	12,681	12,588	12,311	-277	-2.2

In 2020, the average number of employees at ZARUBEZHNEFT GROUP decreased compared with the previous year to 12,311 people.

Due to the measures taken to improve the efficiency of operations, the number of employees decreased by 0.9% in Vietnam and by 14.7% in the Republic of Srpska (Bosnia and Herzegovina). The number of employees in Uzbekistan increased due to the recruitment of staff at JV ANDIJANPETRO, which was established in August 2019.

In addition, the Business Service Center (BSC) launched activities in Samara in late 2020. Throughout 2021, the phased transfer of the functions of HR administration, settlements with employees, accounting, tax accounting, and treasury operations will continue from the Corporate Center and subsidiaries in the Russian Federation to the BSC. This process, which is expected to be completed by the end of 2021, will result in a reduction in labor intensity and costs for transactional (template)

operations and work flow, greater adherence to uniform standards, and improvements in the quality of service and decision-making.

The headcount in the 'Geological Exploration and Production' segment was 0.3% lower than in 2019 due to decrease in staff at JV Vietsovpetro. The headcount increased in the 'Services and Other Assets' segment as a result of the Group consolidating transport support functions at Explon LLC. The staff at the Management Company grew due to the development of a new business — energy projects related to renewable energy sources.

The staff structure by job category is formed so as to ensure a balance between managers, specialists, and working personnel. Women make up 17.4% of employees in managerial positions. Two-thirds of employees (59%) at ZARUBEZHNEFT GROUP have a higher education.

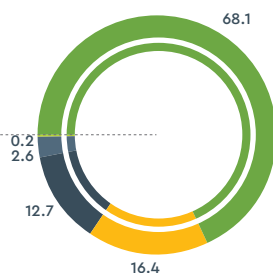
CHANGES IN STAFF NUMBERS BY BUSINESS, *people*

Business segment	2018	2019	2020	+/-	%
Management Company	317	315	321	6	1.9
Representative offices and branches of Zarubezhneft	24	24	23	-1	-4.2
Exploration and production	8,415	8,408	8,382	-26	-0.3
Refining and marketing	2,029	1,839	1,569	-270	-14.7
Service and other assets	1,896	2,002	2,016	14	0.7
TOTAL	12,681	12,588	12,311	-277	-2.2

STAFF STRUCTURE BY BUSINESS, %

12,311 people

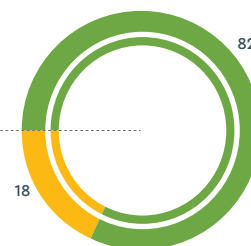
- Exploration
- Service
- Refining and marketing
- Management company
- Affiliates and representative offices



The 'Geological Exploration and Production' segment continues to be a priority area of development for ZARUBEZHNEFT GROUP and accounts for 68.1% of the entire headcount. Employees in the 'Refining and Sales' and 'Service and Other Assets' segments make up 29.1% of the headcount.

STAFF GENDER BALANCE AS OF DECEMBER 31, 2020, %

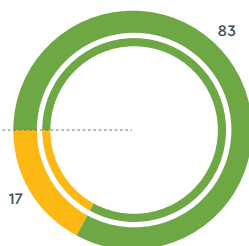
- Men
- Women



Men account for 82% of the Group's total headcount because the maintenance of technological facilities that produce, treat, and transport oil and gas, which account for the largest share of operations, involve heavy physical exertion, work in remote fields, and a rotational system of work.

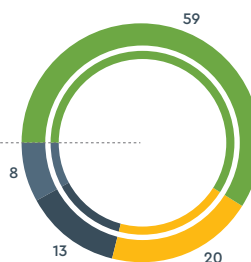
BALANCE OF LEADERSHIP POSITIONS BY GENDER, %

- Men
- Women

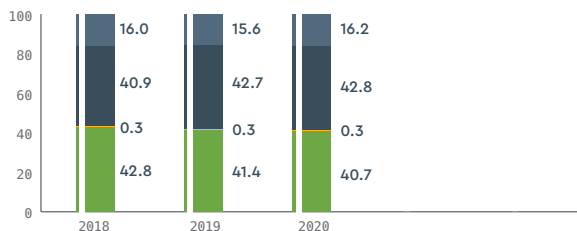


STAFF STRUCTURE BY EDUCATIONAL LEVELS OF DECEMBER 31, 2020, %

- Higher education
- Secondary vocational
- Incomplete higher education
- Average



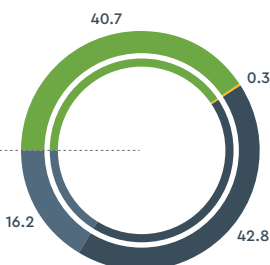
STAFF STRUCTURE BY POSITION CATEGORIES, %



- Worker
- Employee
- Specialists
- Heads

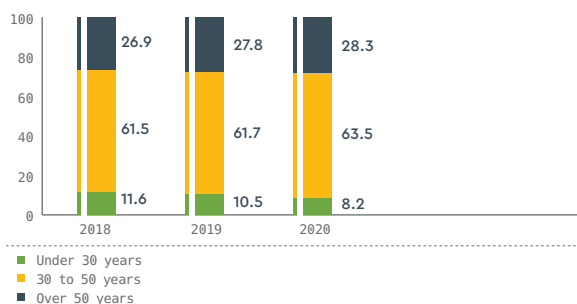
STAFF STRUCTURE BY POSITION CATEGORY AS OF DECEMBER 31, 2020, %

- Workers
- Employee
- Specialists
- Heads

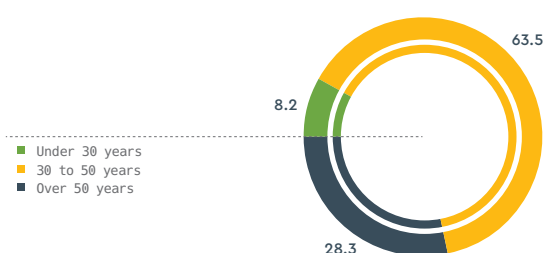


The staff structure by job category is formed so as to ensure a balance between managers, specialists, and working personnel.

CHANGES IN STAFF STRUCTURE BY AGE, %

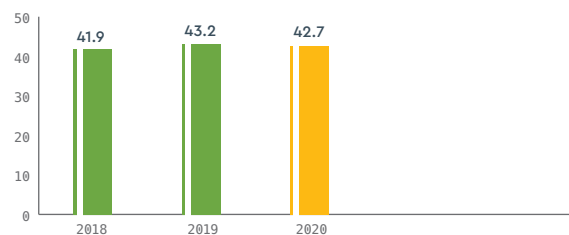


STAFF STRUCTURE BY AGE AS OF DECEMBER 31, 2020, %



In terms of age, the staff structure of ZARUBEZHNEFT GROUP ensures that two-thirds of employees are in the age category of 30 to 50 years, which provides the best balance of physical capabilities and work experience.

CHANGES IN THE AVERAGE AGE OF STAFF, %



Zarubezhneft, in compliance with International Labor Organization Convention No. 138 concerning Minimum Age for Admission to Employment and Russian labor legislation, has a tough stance on not hiring workers under the age of 18 to work at production facilities, regardless of the peculiarities of the legislation in the country where a project is being implemented.

In 2020, the average age of employees at ZARUBEZHNEFT GROUP was 42.7 years. The decrease compared with 2019 is due to the retirement of employees of JV Vietsovpetro and a decrease in the average age of employees from 44 to 43 years. Since 2016, the average age of staff has been between 42–43 years.

The Company's employees generally conclude employment contracts for an indefinite period. Fixed-term employment contracts are mainly concluded for the period when the main employees are on parental leave. All employees work full-time, as the Company does not hire workers on a part-time basis or for seasonal work.

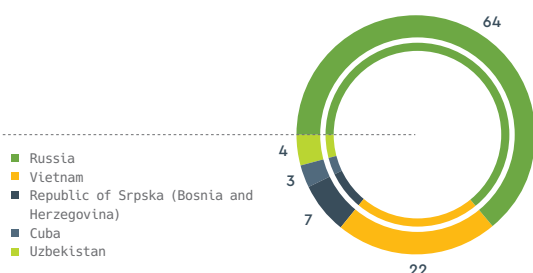


Staff selection

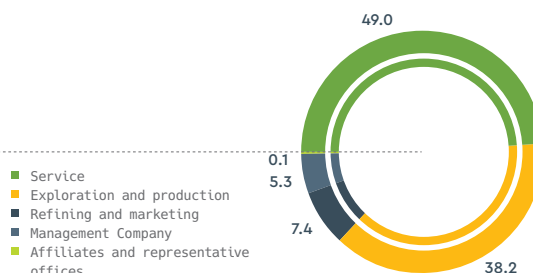
The Group's main task when selecting employees is to meet the business needs for highly qualified specialists. When filling vacancies, priority is given to internal candidates. Programs for the development of a talent pool and staff rotation have been developed and introduced for this purpose.

STRUCTURE OF EMPLOYEES HIRED IN 2020, %

By country of operation



By activities

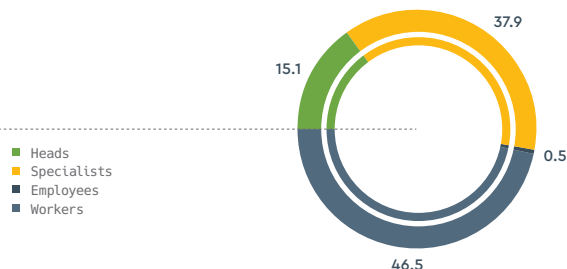


In 2020, the Group continued recruiting personnel in Uzbekistan for its new subsidiary JV ANDIJANPETRO, which was established in August 2019. In Russia, employees were recruited for the new production facilities of ZARUBEZHNEFT-Dobycha Kharyaga, JC RUSVIETPETRO, RMNTK Nefteotdacha, and Zarubezhneftestroyontazh, while the number of foreign assets (Vietnam) continues to decline.

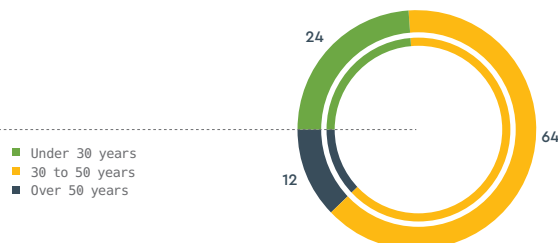
A matrix of assessment procedures was approved in 2020 to unify the evaluation procedures for candidates to join the Group. The matrix includes such tools as SHL tests of verbal and numerical abilities, English language proficiency test, test assessment, and professional tests for certain categories of positions.

STRUCTURE OF EMPLOYEES HIRED IN 2020, %

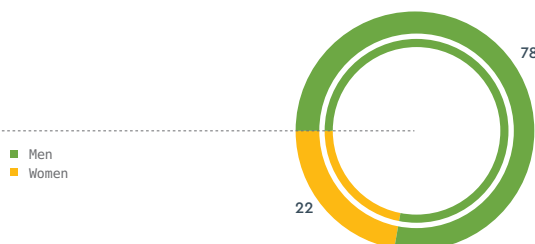
By position categories



By age



GENDER BALANCE OF EMPLOYEES HIRED IN 2020, %



The employee adaptation system was transferred to the online format in 2020.

The Company uses the WebTutor automated system: during their first day on the job, new employees of the Company create a personal account and receive an invitation to take an online adaptation seminar and mandatory introductory courses as well as review materials about the Company, including the New Employee Guide, Code of Corporate Ethics, and other documents.

The Company is implementing a project to automate the recruitment process and create a unified database of candidates and employees in order to reduce the decision-making time on candidates.

Staff turnover

The average turnover rate is quite low, which indicates the stability of the Company's staff. This is the result of ongoing measures to build a corporate culture, increase employee loyalty, and ensure a decent level of income and social package.

The high level of turnover in the 'Service' segment in Russia is a result of measures to increase labor productivity at Giprovostokneft and the

termination of fixed-term employment contracts with Zarubezhneftstroyromontazh and RMNTK Nefteotdacha, while the high turnover in the 'Refining and Sales' segment is associated with measures to increase the efficiency of activities at branches and representative offices due to a small number of employees.

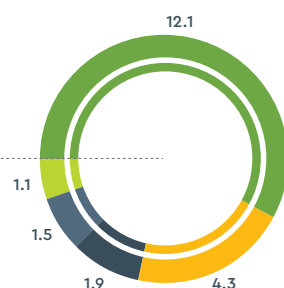
Overall, active staff turnover at the Group decreased in 2020 compared with 2019 and amounted to 3.5%.

STAFF TURNOVER BY BUSINESS IN 2020, %

Active

3.5%

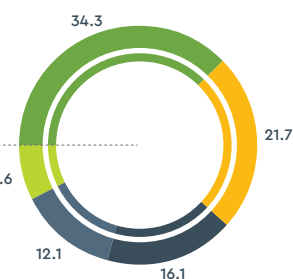
- Service
- Affiliates and representative offices
- Management Company
- Exploration and production
- Refining and marketing



Full

12.8%

- Service
- Affiliates and representative offices
- Management Company
- Exploration and production
- Refining and marketing



ACTIVE TURNOVER BY COUNTRY OF OPERATION, %

Country of operation	2018	2019	2020	+/-
Russia	9.3	8.9	8.0	-0.9
Vietnam	1.8	1.3	1.1	-0.2
Republic of Srpska (Bosnia and Herzegovina)	1.6	3.2	1.1	-2.1
Cuba	0.0	0.0	11.1	11.1
Uzbekistan	0.0	0.0	22.2	22.2
TOTAL FOR THE GROUP	4.0	4.0	3.5	-0.5

FULL STAFF TURNOVER BY COUNTRY OF OPERATION, %

Country of operation	2018	2019	2020	+/-
Russia	15.9	22.9	23.4	0.5
Vietnam	4.1	3.5	5.2	1.7
Republic of Srpska (Bosnia and Herzegovina)	6.7	21.8	16.1	-5.7
Cuba	54.5	36.4	44.4	8.0
Uzbekistan	0.0	0.0	29.6	29.6
TOTAL FOR THE GROUP	8.2	12.5	12.8	0.3

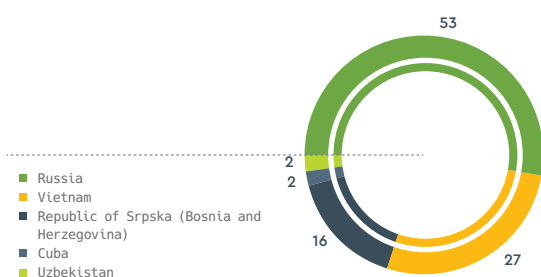
The level of full staff turnover increased slightly in 2020 and amounted to 12.8% (12.5% in 2019), which is mainly due to the retirement of JV Vietsovpetro employees (including early retirement) as part of measures to improve operational efficiency.

The high staff turnover rate in Cuba is due to the small number of employees in the region. The high level of both active and full turnover in Uzbekistan is associated with a small number of enterprises (less than 100 people)

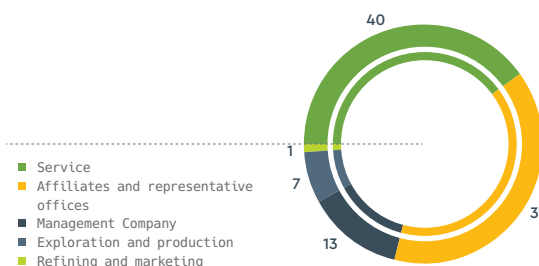
and the fact that most of the recruitment for the team of JV ANDIJANPETRO, which was established in August 2019, took place in 2020.

STRUCTURE OF EMPLOYEES DISMISSED IN 2020 (FOR ALL REASONS), %

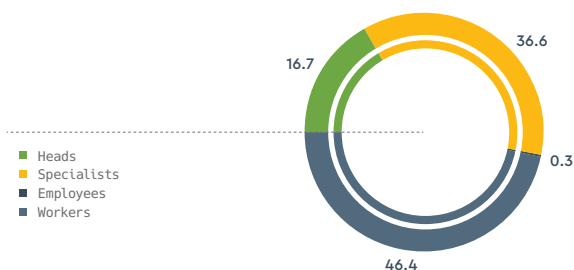
By country of operation



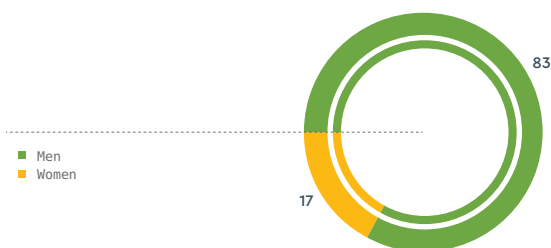
By segment



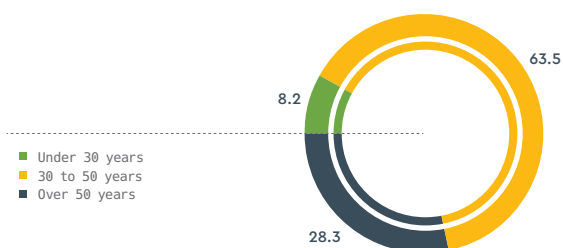
By position category



By gender



By age composition



Rotation program and talent pool

One of the strategic tasks of the Group's HR Policy is to retain and motivate key employees. To accomplish this, the Group has put together and annually updates its staff structure, while also actively using a program of internal staff rotation.

At present, the Group's talent pool includes 114 high-potential employees, each of whom has been assigned a mentor from among senior and middle management (deputy General Directors, department heads).

In 2020:

- ▶ 26 employees from the talent pool were appointed to managerial positions
- ▶ 47 internal rotations were carried out between Zarubezhneft enterprises
- ▶ 75% of key positions at the Group were filled by internal candidates

In an effort to continuously develop the talent pool, modular training is carried out annually at the Company's School of Leadership and Management Potential

Development. The school's training programs aim to develop managerial, business, and personal skills as well as improve leadership potential and teamwork. During the reporting year, the School of Leadership and Management Potential Development held courses for 122 people in the following programs: 'Fundamentals of digital transformation in the oil and gas industry', 'Building relationships and influence', 'Team and personal leadership', 'Openness to new things and innovativeness', 'Planning and organization of work', 'Decision-making', 'Results orientation', 'CPP: Working with a succession candidate', 'Effective feedback/meeting on performance and development', and 'Effective delegation'.

Programs for the development of managerial and corporate expertise in the workplace were prepared for the additional development of succession candidates and the fulfillment of individual development plans, and an e-library was set up with the ability to view and download books online in an effort to get employees to study and develop skills independently.

Motivation

102-41

One of the key focuses of Zarubezhneft's HR Policy is to attract, retain, and motivate employees with the skills and performance level that are needed to successfully implement the Group's strategic tasks with minimal costs. For this purpose, a differentiated approach is used when determining remuneration based on the extent of an employee's involvement in achieving overall results.

Zarubezhneft implements programs with both financial and non-financial incentives for employees.

Financial

Since 2013, the Group has employed the Unified Labor Remuneration System (ULRS). The ULRS is based on a single range of grades based on which official salaries are established, and also stipulates the extent to which an employee's annual remuneration depends on the position level and the achievement of KPIs. The requirements of the ULRS are set out in the Standard Regulation on the Remuneration and Motivation of Employees. New subsidiaries join this system and develop their own regulatory documents taking into account the standard requirements.

The amount of the fixed portion of an employee's remuneration depends on the level (grade) of the position as well as the level of the employee's professional skills and performance, which is determined with the establishment of a certain professional status for the employee. The amount of the variable portion of an employee's remuneration depends on work efficiency and the achievement of the goals set for a reporting period.

Total remuneration for employees of ZARUBEZHNEFT GROUP is maintained at a level no lower than the average for comparable positions on the labor market in the respective region. To this end, the Group is carrying out systematic work to improve the system of remuneration and employee motivation as well as to develop an integrated headcount planning system.

Since 2019, the Group has employed a Staff Relocation Policy, which was drawn up in response to the active expansion of operations and entry into new projects. The main components of the Staff Relocation Policy are: travel compensation, a relocation allowance, visa support, housing, payment for daycare and school, and voluntary health insurance for employees and their family members. The key guarantees of the Staff Relocation Policy are: the employment of the Group's employees upon completion of a project or the payment of monetary compensation if there are no employment opportunities available.

The next step to support the implementation of the Group's Corporate Development Strategy in terms of joining new assets in Russia and abroad was the approval in June 2020 of a new Regulation on the Motivation of Project Teams When Joining New Assets. The main goal of the Regulation is to increase efficiency when searching for and evaluating new assets as well as drafting and signing documents that stipulate the conditions under which Zarubezhneft joins a new asset. The Regulation aims to enhance the motivation of project team members to: search for upside; ensure the successful signing of documents to join a new asset; and achieve the indicators contained in the financial and economic model.

In order to attract and retain key managers, ZARUBEZHNEFT GROUP has built a comprehensive motivation system, which includes the following elements:

- ▶ Fixed remuneration (salary, allowances, and additional payments in accordance with the law)
- ▶ Monthly bonuses based on the results of fulfilling monthly bonus targets
- ▶ Annual bonuses based on the results of achieving KPIs

The Group regularly analyses the inflation rate and the consumer price index based on which it decides whether to revise (index) employees' wages. The minimum wage is set no lower than the subsistence level in the region of operation.

Average salaries in Cuba declined in 2020 due to managerial vacancies at the branch. In Uzbekistan, average wages decreased compared with 2019 as a result of employees being recruited for blue-collar occupations.

The employee social support program is an integral part of the Group's remuneration system. It is taken into account when assessing the overall attractiveness and competitiveness of the proposed remuneration and is implemented based on the approved Unified Concept of Lump-sum Payments and Social Policy, which primarily focus on:

- ▶ Providing a proper level of medical care
- ▶ Assisting employees in the event of various circumstances
- ▶ Partially reimbursing lost earnings upon retirement
- ▶ Supporting the Group's retired pensioners

CHANGES IN AVERAGE WAGES BY COUNTRY OF OPERATION

Country of operation	Measurement unit	2018	2019	2020	+/-	%
Russia	RUB/month	171,100	176,890	192,600	15,710	8.9
Vietnam	USD /month	1,177	1,605	1,674	69	4.3
Republic of Srpska (Bosnia and Herzegovina)	EUR/month	547	548	577	29	5.3
Uzbekistan	RUB/month	0	126,959	85,807	-41,152	-32.4

STRUCTURE OF STAFF EXPENSES (P/SB)¹ BY COUNTRY OF OPERATION, %

Country of operation	2018	2019	2020
Russia	89/11	89/11	90/10
Vietnam	88/12	87/13	86/14
Republic of Srpska (Bosnia and Herzegovina)	91/9	91/9	88/12
Uzbekistan	-	86/14	83/17
TOTAL FOR THE GROUP	88/12	88/12	88/12

¹ Staff costs include payroll (P) and social benefits (SB).

CHANGES IN SOCIAL BENEFITS BY COUNTRY OF OPERATION

Country of operation	Measurement unit	2018	2019	2020	+/-	%
Russia	RUB thousand	1,007,159	1,070,528	1,084,411	13,883	1.3
Vietnam	USD thousand	13,338	19,424	21,884	2,460	12.7
Republic of Srpska (Bosnia and Herzegovina)	EUR thousand	1,387	1,238	1,439	201	16.2
Uzbekistan	RUB thousand	0	3,816	17,005	13,189	345.6

The Standard Regulation on Social Guarantees for Employees of Subsidiaries prescribes common requirements for the social package of subsidiaries. Based on the needs of employees and financial capabilities, each subsidiary selects and approves an optimal set of benefits, guarantees, and compensation.

In an effort to support employee health, the Company is working to organize vacations at health resorts in Russia and Crimea. Zarubezhneft provides partial compensation for the cost of vouchers that employees purchase for themselves and their family members, while preference is given to large families and families with children under the age of 14.

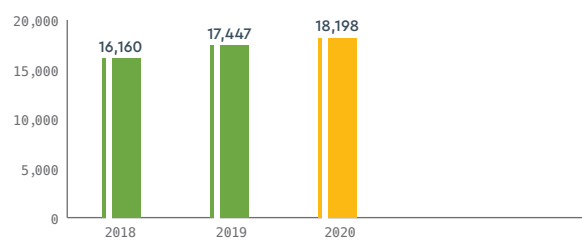
Non-financial

Non-financial incentives play an important role in the staff motivation system. In an effort to encourage employees and the workforce to make a significant contribution to Zarubezhneft's development, achieve high production, financial, and economic indicators, and improve the corporate culture, the Company has established the following awards and titles: Honorary Worker of Zarubezhneft, Veteran of Zarubezhneft, Certificate of Honor of Zarubezhneft, and Gratitude of Zarubezhneft.

In 2020, the Group held the Best Employee by Quarter competition, in which employees who had the greatest influence on the results of events taking place at the Company were determined in three focus areas: developing technological expertise, enhancing organizational efficiency, and meeting the requirements and expectations of the shareholder. In addition, the best workers with a pro-active attitude were selected based on the results for the year.

In 2020, due to the epidemiological situation and in order to protect the health of employees and prevent the spread of COVID-19 at the Group's production facilities, the Company decided to postpone the 'Best in Profession' and 'Best Production Facility' competitions until 2021.

CHANGES IN SOCIAL BENEFITS PER EMPLOYEE, RUB



In 2020, social payments increased

by **4.3%**
compared with 2019.

INFORMATION ABOUT AWARDS

Type of awards

Departmental
50
awarded

Corporate
163
awarded

Over the past year

213 employees

of ZARUBEZHNEFT GROUP were presented with departmental and corporate awards.

Staff training

404-2

ZARUBEZHNEFT GROUP has built an effective system of employee training and development, which not only ensures growth in the required level of professional and technical expertise among employees, but also the fulfilment of mandatory state requirements for the level of staff training in the oil and gas industry complex on such issues as industrial and occupational safety as well as combating corruption and fraud. The Company uses all modern types, forms, and methods of training, which are conducted based on the best practices of Russian and foreign organizations and corporate training centers that carry out educational activities in various advanced training and retraining programs. The learning process involves such types of training as long-term and short-term training as well as full-time and distance learning, including specialized courses based on the WebTutor automated system.

In Zarubezhneft's development strategy, the key focuses of staff training and development in 2020 were:

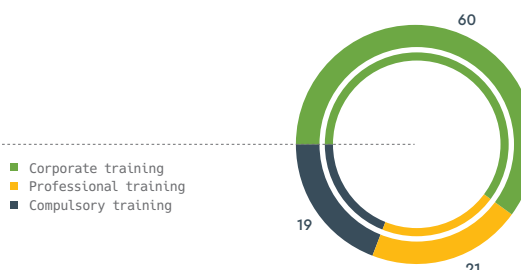
- ▶ Individual training programs that aim to improve the professional skills of employees in accordance with current and strategic objectives and changing legislative requirements
- ▶ A corporate training and development program for high-potential employees that aims to improve their knowledge in management potential development
- ▶ A corporate training program on the Lean Six Sigma production system and lean manufacturing
- ▶ Programs for international projects teams
- ▶ A corporate English language training program
- ▶ Corporate training and development programs for the Group's key technical specialists

The Company provides training in the following areas: corporate, vocational, and compulsory:

- ▶ Corporate training is designed in accordance with the Company's priority goals and objectives and aims to develop corporate, managerial, and professional skills among employees
- ▶ Vocational training aims to develop the knowledge, skills, and abilities required to properly perform job duties
- ▶ Compulsory training is provided in accordance with the requirements of state bodies and the legislation of the Russian Federation and is confirmed by the relevant documents

A single menu of corporate programs for senior managers, middle managers, and specialists, the talent pool, and young professionals, which include programs for strategic management, ancillary management, technical, distance learning, and English language training, has been compiled and is used for the planning and implementation of corporate training.

CORRELATION OF AREAS OF TRAINING AT THE GROUP, %



The epidemiological situation in 2020 considerably expanded the use of the distance learning system. In addition, the Company purchased 23 videos and 27 e-courses and obtained access to online conferences. As a result, online education at the Group made up 80% of training during the reporting year, while full-time education accounted for 20%.

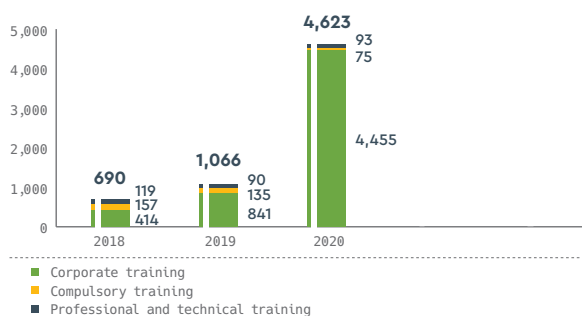
A priority area of the employee training system is the development of key professional and technical expertise in geology, development, drilling, oil and gas production, and project management.

Vocational training is conducted at the Company's School of Petroleum Engineering. ZARUBEZHNEFT GROUP's external and internal lecturers both teach at the School of Petroleum Engineering.

The School of Petroleum Engineering held 17 courses for 256 persons to be trained in 2020. Employees from the Corporate Center, subsidiaries, and JV Vietsovpetro took part in the training, and the corporate knowledge database is regularly filled with materials from past courses.

The winners of the Nestro Lead contest, the first open competition for employees of ZARUBEZHNEFT GROUP, which marked the start of a general corporate staff development program, continued their training under the comprehensive program Executive Master of Business Administration for Energy Business Management at the Gubkin International Business School and Skolkovo Moscow School of Management. The program aims to improve the professional, managerial, personal, and business skills that are needed to ensure a high level of performance in professional activities, develop flexible skills (soft skills, such as communication, self-management, effective thinking, time management, leadership qualities, personal growth, and creativity when solving tasks) and utilize professional experience (hard skills).

STUDENTS IN THE CORPORATE CENTER, people courses

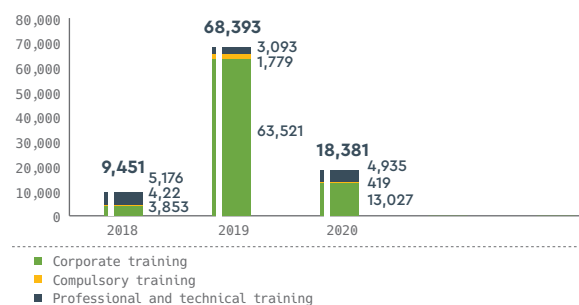


The Company devotes special attention to developing talented specialists with a high level of professional and managerial expertise as well as working on the Company's new and existing projects.

The program expands the horizon of skills that have already been acquired and shapes a global vision of leading trends in the world energy industry and how a company should function in a turbulent business environment. Such training will serve as a kind of bridge that connects the educational process as well as the career and further professional growth of trainees.

In the first module, project teams actively work with moderators. Groups present their graduation projects and receive EMBA professional retraining diplomas during the final module in 2021. The course instructors include leading Russian lecturers and honored teachers from Gubkin Russian State University as well as foreign speakers.

STRUCTURE OF EXPENSES ON TRAINING IN THE CORPORATE CENTER, thousand RUB¹



The goal of the training and development programs for the winners and finalists of Nestro Lead is to form an effective and cohesive team to work at foreign assets, taking into account the Company's strategic interests, to assess and develop the personal potential of each team member, and to improve communication skills in the international environment.

In addition, during the period of remote work, the competition winners were assigned online training on the Eduson platform with access to 1,000 e-courses and business cases to develop their professional and leadership skills.

The process of submitting applications for online training was introduced for the operational planning of employee training, which made it possible to reduce labor costs on preparing and analyzing proposals submitted by employees to organize training events. In 2021, the Company plans to further develop the WebTutor automated staff management system in order to introduce a new module called Talent Management and Career Development.

Staff assessment

The Group employs a flexible and transparent system of employee performance management that aims to promptly and thoroughly achieve strategic objectives.

The annual staff assessment:

- ▶ Systematically and objectively assesses the performance indicators of employees
- ▶ Identifies high-potential employees and motivates them to produce positive work results and display a high level of professionalism
- ▶ Determines focuses for both the professional and personal development of employees

The staff assessment is conducted based on the following indicators:

- ▶ An employee's achievement of individual goals/objectives for the preceding year
- ▶ The level of development of professional skills
- ▶ The level of development of corporate and managerial skills
- ▶ The fulfillment of the development map/individual development plan for the preceding year
- ▶ The level of an employee's potential for further career growth and development

Based on these indicators, the ultimate efficiency of an employee's activities for the reporting year is determined.

¹. In 2019, the training the winners of the Nestro Lead competition accounted for a substantial amount of spending on corporate training.

Based on the results of the annual assessment:

- ▶ Employees receive detailed and substantiated information about their performance and the level of development of their skills
- ▶ Proposals are drawn up and a decision is made on the feasibility of enhancing an employee's professional status or promoting the employee to a higher position, including an employee in the talent pool
- ▶ Priorities are determined for the development of an employee's key skills and individual goals for the next year

The Company is engaged in external assessment activities such as the Assessment Center, assessments using the 180/360 degree method, and various types of testing to identify the level of development of professional knowledge and skills, business and personal qualities as well as verbal and numerical abilities.

Appraisal activities are carried out throughout ZARUBEZHNEFT GROUP in order to implement a unified staff appraisal policy.

The Company strives to keep pace with the times and apply modern automated HR technologies. Assessment, training, and development tools are automated and integrated into a single system and logic using the WebTutor software product. Thanks to the introduction of the WebTutor system, there has been a significant reduction in labor costs, preparation time, assessment procedures, and the analysis of results, and the share of employees trained at the Company is increasing through distance courses. This system is integrated into almost all ZARUBEZHNEFT GROUP's subsidiaries and helps to ensure appraisal procedures are conducted online and to organize remote training.

Work with young professionals and collaboration with educational institutions

When implementing its innovative development and youth policy program, Zarubezhneft actively cooperates with leading higher educational institutions in Russia to attract and recruit high-potential students, provide students with practical training, and organize the retraining and advanced training of employees. The Company has concluded cooperation agreements with each partner university and organized scientific and technical cooperation, which makes it possible to quickly resolve issues associated with training employees and young professionals of ZARUBEZHNEFT GROUP. The Company engages in collaboration in various areas of activities — educational, scientific, technical, social, and cultural.

The highest demand is for graduates from the following universities:

- ▶ Gubkin Russian State University of Oil and Gas (fields: oil and gas business, development and operation of oil and gas fields, physical processes of oil and gas production, geology, economics, and management of oil and gas enterprises)
- ▶ Lomonosov Moscow State University (fields: geology, law, mathematics, physics, economics, and Vietnamese and English translators/interpreters)

- ▶ Moscow State University of International Relations (MGIMO) (field: international economic relations)
- ▶ Tomsk Polytechnic University (fields: development and operation of oil and gas fields and training at Heriot-Watt)
- ▶ Ukhta State Technical University (field: development and operation of oil and gas fields)
- ▶ Samara State Technical University (fields: development and operation of oil and gas fields, machinery and equipment for oil and gas fields, and economics and management at enterprises)
- ▶ Moscow Technological University (field: chemistry)
- ▶ Moscow Institute of Physics and Technology (fields: mathematics and physics)

The Group regularly works to attract students from leading universities for training and internships.

No students were accepted for internships in 2020 due to COVID-19. However, the Company plans to resume internships in 2021 taking into account the epidemiological situation.

At Zarubezhneft's expense, 46 students and children of Russian specialists from JV Vietsovetpetro were trained at Russian higher educational institutions in 2020.

Youth Council

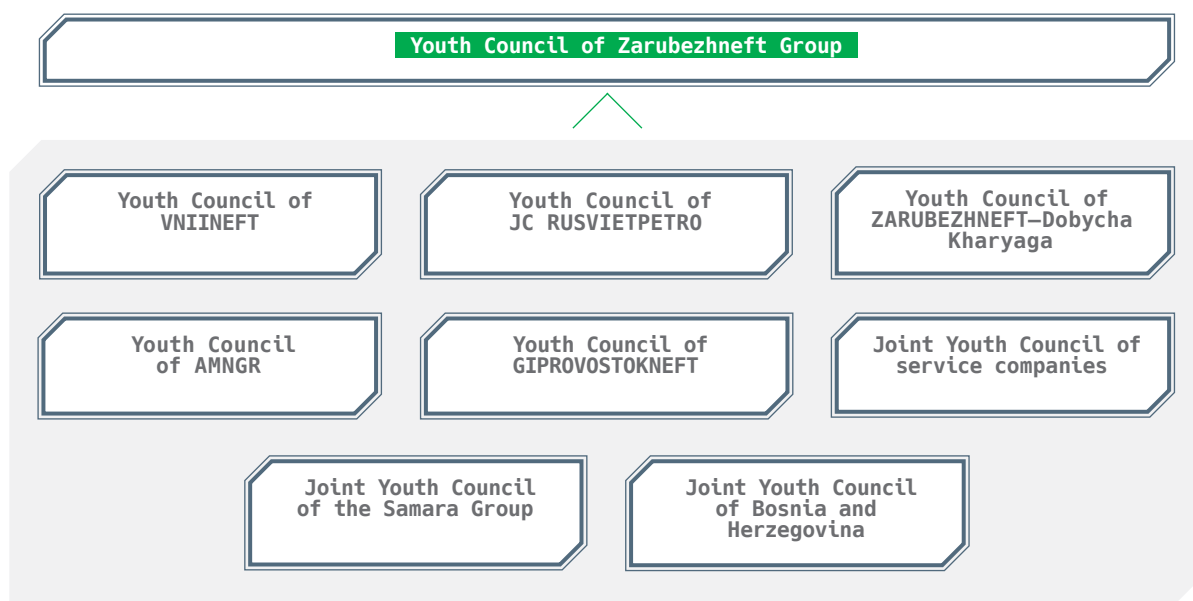
One of the Company's priorities is work with its young professionals, which helps to identify and ensure the professional development of promising young talent.

In 2020, the Company carried out work to transform the Zarubezhneft Council of Young Specialists into ZARUBEZHNEFT GROUP Youth Council (hereinafter, the Youth Council), approved a Regulation on the Youth Council, and updated its membership to include representatives of the youth councils of Zarubezhneft subsidiaries in the governing body of the Youth Council.

The Youth Council contributes to the implementation of the Group's HR Policy and performs the following tasks:

- ▶ Assistance in drafting the Group's Youth Policy
- ▶ Assistance in the adaptation of young professionals and the use and development of effective communications among the Group's young people
- ▶ Assistance in identifying and involving active young people in the Group's industrial, social, and cultural activities
- ▶ Assistance in developing the innovative potential of young professionals and young people
- ▶ Developing and supporting the corporate culture by organizing cultural and sports events
- ▶ Ensuring young people are pro-active and loyal to the Group and its development strategy

CURRENT STRUCTURE OF YOUTH COUNCILS



In addition to Zarubezhneft, youth councils unite young people from 17 of the Group's companies:

- ▶ Youth Council of VNIINEFT
- ▶ Youth Council of JC RUSVIETPETRO
- ▶ Youth Council of ZARUBEZHNEFT-Dobycha Kharyaga
- ▶ Youth Council of Giprovestokneft
- ▶ Youth Council of AMNGR
- ▶ Joint Youth Council of Service Companies (EXPLON, RMNTK-Nefteotdacha, ZNSM, and Zarnestservice)
- ▶ Joint Youth Council of the Samara Group (ZARUBEZHNEFT-Dobycha Samara, NGP Severo-Karasevskoye, Ulyanovskneftegaz, and Orenburgnefteotdacha)
- ▶ Joint Youth Council of Bosnia and Herzegovina (Brod Refinery, Modriča Motor Oil Plant, Nestro Petrol, and OPTIMA Grupa)

Given the restrictive measures that were imposed during the pandemic, the Youth Council initiated a number of online projects in 2020 to adapt to the restrictive conditions, work remotely, as well as organize the participation of young people and workers in significant external projects and events.



Corporate communications and organizational improvements

As part of this work, Youth Council members took part in brainstorming sessions, resolved business cases, and held meetings of the Youth Council of the Ministry of Energy.

An important event for the Youth Council in 2020 was its accession to the initiative of the Russian Public Chamber for the establishment, development, and support of cross-sectoral communities of young professionals: representatives of the Youth Council and the Company's management became members of the Coordinating Council under the Russian Public Chamber for the development of communities of young professionals.

Scientific and technical development

This work above all entailed the Scientific and Technical Work Contest, a tool for enhancing the efficiency of technical and process solutions by unlocking the young people's potential as they prepare their own projects that aim to solve key production problems. In 2020, due to restrictions caused by COVID-19, the Scientific and Technical Work Contest was held online for the first time, which became possible solely due to the automation of the process. This format did not affect the quality of the event, but actually expanded the geography of members, providing an opportunity to make a presentation from anywhere in the world, generating unprecedented interest in the contest, and ensuring interest in the event among a record number of the Company's employees — roughly 400 people.

In addition to the Scientific and Technical Work Contest, the Youth Council conducted additional work to involve young professionals and young people in innovative,

research, and project activities through participation in external events organized by the Company's partners and colleagues in the fuel and energy sector:

- ▶ The Nestro Team youth team joined the top five teams of the Central Federal District in the CASE-IN championship
- ▶ In 2020, members of the Youth Council took part in the first online conference of the Young Engineers of Russia community, which was organized under the auspices of the Russian Ministry of Energy and dedicated to the activities and work plans of the Community of Young Engineers
- ▶ A member of the Youth Council won the 6th 'New Idea 2019' National Competition for the Best Scientific and Technical Development among Young People in the 'Production and Preparation of Hydrocarbons' category.

Development of corporate sports

The Youth Council joined the online tournaments 'Energy of the Great Victory', which are dedicated to the 75th anniversary of victory in World War II and organized with the support of the Russian Ministry of Energy:

- ▶ The Zarubezhneft team won two gold, five silver, and three bronze medals in the online cyber football tournament, which was held in a 'Online Friendlies' format
- ▶ The Company's employees took part in three online chess tournaments, both in team and individual competitions

In addition, the Youth Council organized the participation of the Group's employees in the Vmarafone program, which is held under the auspices of the Ministry of Energy and aims to get all employees from the energy industry, regardless of their level of training, involved in mass physical education and sports. More than 30 employees from six of the Group's companies took part in the program.

Intellectual events

In 2020, the Zarubezhneft corporate team was invited for the first time to participate in the official championship of corporate teams in the game 'What? Where? When?', which was organized by the MAKO Association of Citizens and Organizations to Promote the Development of Corporate Education and the Igra-TV Producer Center. The corporate team was victorious in the championship's summer series and won the Corporate Crystal Owl.

In addition, the Youth Council held two charity events to raise funds for gifts for the Gagarin nursing home in the Smolensk Region and the Kavelshchansky nursing home for the elderly and disabled in the Tver Region. The Company's representatives visited institutions in limited numbers and delivered useful and necessary items, which were purchased with donations from the Company's employees.

Volunteering

Despite the difficulties due to the current epidemiological situation, the Youth Council took part in organizing the 'WE ARE NEARBY!' campaign of the Old Age in Joy Charitable Foundation to raise funds, which provided a significant contribution to supporting disabled and elderly people living alone by providing them with essential items, disinfectants, medicines, and food during the lockdown.

Corporate culture

102-16

Improving the Company's efficiency largely depends not only on positive production indicators, but also on well-coordinated teamwork, functional interaction, and positive communication between employees both within and between structural units in addition to well-coordinated partnership with the external environment.

ZARUBEZHNEFT GROUP pays considerable attention to corporate culture. To this end, it broadly uses and actively promotes the 12 principles of corporate interaction that it drafted and approved in 2016. These principles reflect the desired behavioral indicators that affect the positive dynamics of both teamwork and effective communication and enhance the Company's efficiency as a whole.

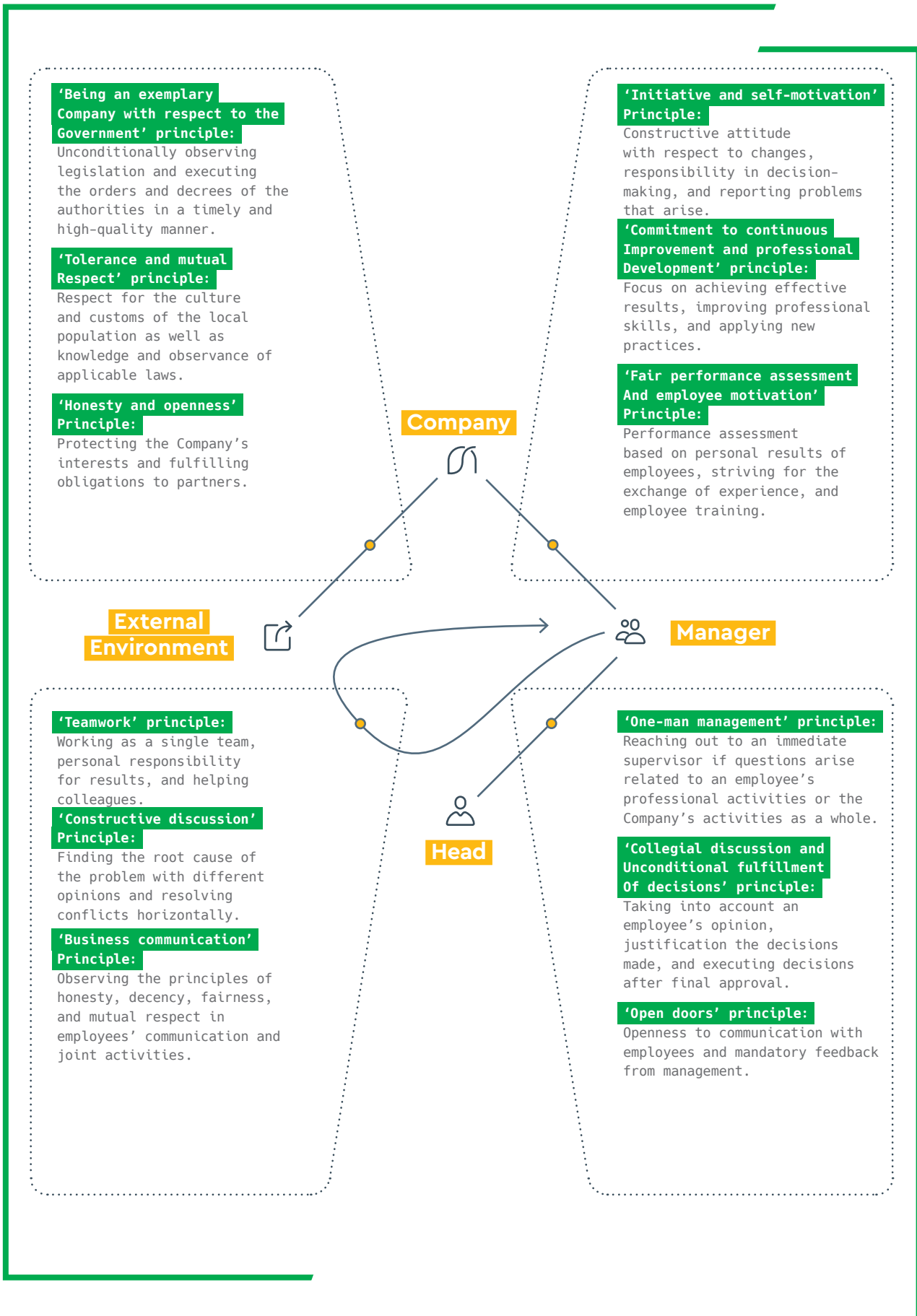
In an effort to develop and systematically introduce the principles of effective interaction in 2020, the Company continued implementing the Unified Program for the Promotion of the Principles of Corporate Interaction, which was approved in 2019. The main focus during the pandemic in 2020 was to involve employees in the corporate culture with the help of online training. Special online courses have been developed in four areas of interaction: Company–Employee, Employee–Employee, Company–External Environment, Manager–Employee. The training was designed to develop skills for interaction with colleagues, the external environment, and subordinate employees, and to develop feedback skills.

In order to seamlessly immerse themselves in the Group's corporate culture, an interactive adaptation course on the principles of corporate interaction has been developed for newly hired employees.

An online survey was conducted at the end of the year to monitor compliance with the principles of corporate interaction. The results showed that 80% of respondents share and adhere to the principles of corporate interaction. The social survey results for 2020 improved compared with those of 2019.

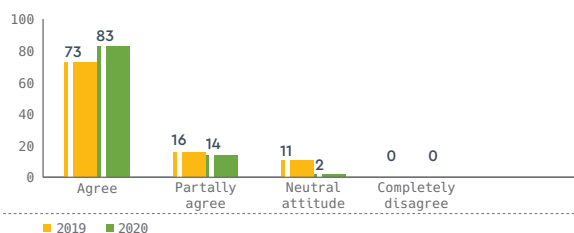
Zarubezhneft's goal for 2021 is to strengthen and develop a single team consisting of a team of employees with a high level of cohesion and adherence to the Company's common goals and values.

KEY PRINCIPLES OF CORPORATE INTERACTION

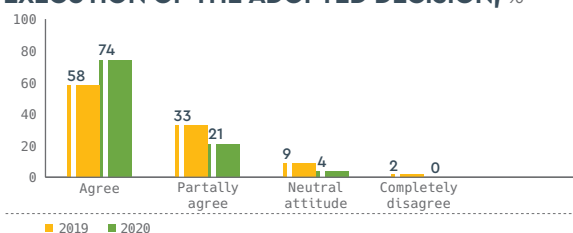


Company - employee

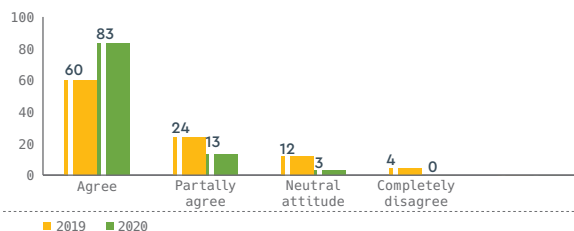
ONE-MAN MANAGEMENT, %



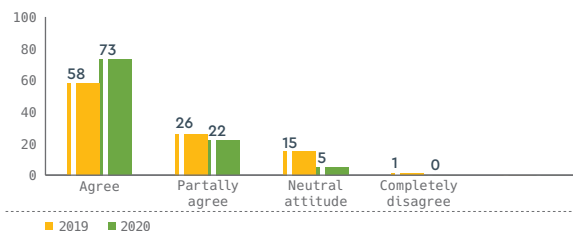
COLLEGIAL DISCUSSION AND UNCONDITIONAL EXECUTION OF THE ADOPTED DECISION, %



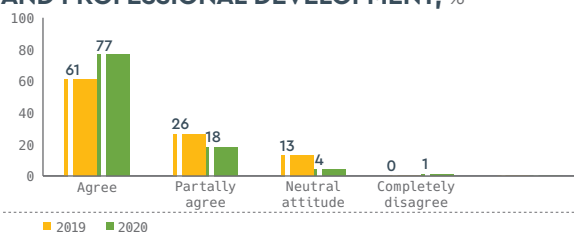
OPEN DOORS, %



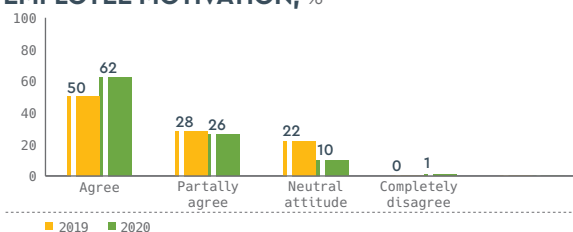
INITIATIVE AND ACTIVE LIFE POSITION, %



COMMITMENT TO CONTINUOUS IMPROVEMENT AND PROFESSIONAL DEVELOPMENT, %

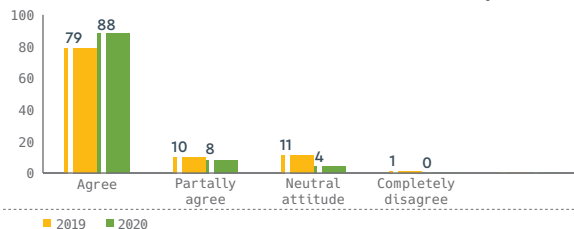


FAIR PERFORMANCE ASSESSMENT AND EMPLOYEE MOTIVATION, %

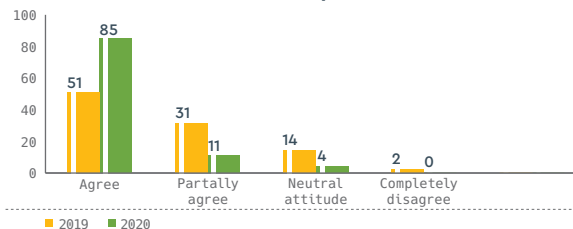


Employee - employee

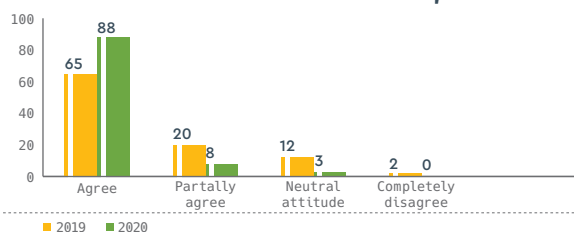
EXCELLENT STUDENT BEFORE THE STATE, %



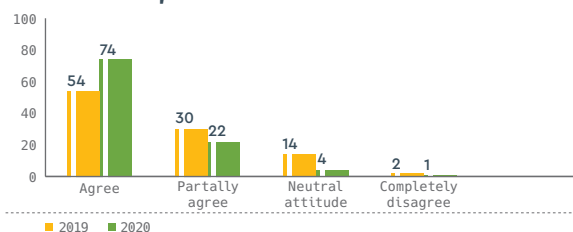
HONESTY AND OPENNESS, %



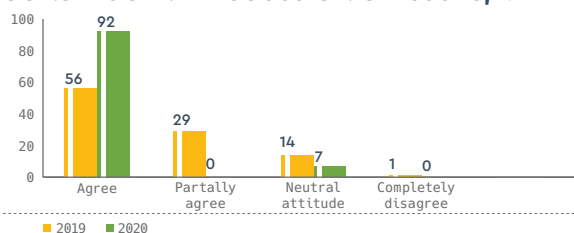
TOLERANCE AND MUTUAL RESPECT, %



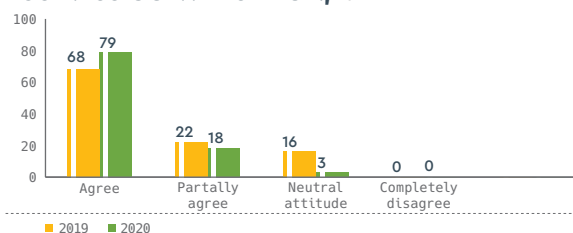
TEAM WORK, %



CONSTRUCTIVE DISCUSSION OF ISSUES, %



BUSINESS CONVERSATION, %



OCCUPATIONAL AND INDUSTRIAL SAFETY

403-1

Zarubezhneft's policy on health, labor, environment, safety, and social responsibility is key to strategic planning and the management of day-to-day activities, setting and implementing goals, effective monitoring and control, and continuous improvements.



In 2020, the Company implemented measures to ensure occupational and industrial safety and environmental protection (health, safety, and environmental protection) in accordance with the approved plan.

In 2020, the following companies underwent a successful certification audit for compliance with the international standard ISO 45001:2018. HSE Management Systems:

- ▶ Zarubezhneft
- ▶ JC RUSVIETPETRO
- ▶ ZARUBEZHNEFT-Dobycha Kharyaga
- ▶ RMNTK Nefteotdacha
- ▶ Modriča Motor Oil Plant
- ▶ Zarubezhneftstroyontazh
- ▶ ZARUBEZHNEFT-Dobycha Samara LLC
- ▶ Ulyanovskneftegaz
- ▶ Orenburgnefteotdacha
- ▶ Giprovestokneft

included in 2020

- ▶ VNIIneft

0 accidents
or incidents
fatal outcome in 2020

As regards achieving sustainable development goals and ESG principles, Zarubezhneft is aware of its responsibility for a favorable environment and preserving people's life, health, and well-being, and undertakes the following obligations:

- ▶ Strive for the 'Zero Goal' to prevent injuries, the deterioration of health, and environmental pollution
- ▶ Sustainable use of natural resources, materials, and energy
- ▶ Respect for the interests and rights of the population in the regions of operation
- ▶ Compliance with the norms of Russian and international legislation and fulfillment of obligations to local communities, government authorities, foreign and Russian business partners, and other stakeholders
- ▶ Continuous improvements to its health, safety, and environmental management system

Implementing the vision Zero Concept (Zero Injury Program)

102-12

In 2020, the Company continued implementing the Unified Program for the Implementation of the Vision Zero Concept at Zarubezhneft in 2018–2021, which was approved by Zarubezhneft General Director Sergey Kudryashov. In 2020, 56 contractors joined the Vision Zero Concept.

Key measures to implement the Vision Zero Concept:

- ▶ 12 strategic sessions were held to consider the current statuses of the implementation of the Vision Zero Concept at subsidiaries and contractors as well as the achievement of goals and objectives for 2020; the sessions resulted in 15 new contractors being added to the Vision Zero Concept
- ▶ With the support of the ORP International Fund, the pilot project '5Z Culture' was implemented at three production subsidiaries for the first time in Russia and offered an assessment of the implementation of the Vision Zero Concept in five areas — accidents, illnesses among staff, waste generation, staff equality, and poor awareness among employees

Following the pilot project, a working session was held in December of the reporting year to discuss the reports that were received with indications of strengths and recommendations for improvement in selected areas to develop a priority action plan.

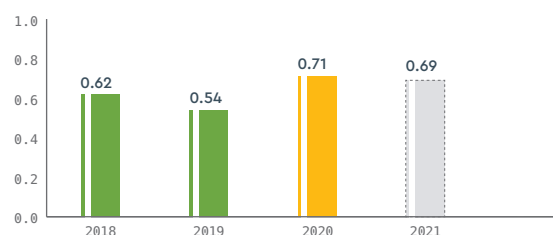
The Company took part in the meetings of the International Council for the Implementation of the Vision Zero Concept to discuss the methodology of the International Social Security Association in an effort to determine the criteria for assessing the adequacy of preventive measures and topics for interaction when implementing the Vision Zero Concept on international projects and when interacting with contractors.

In an effort to develop a culture of safe production, the Company implemented an improvement project called 'Occupational Safety Training System. School of Safety Culture':

- ▶ 26 internal coaches from the corporate headquarters and subsidiaries were trained
- ▶ 5 pilot corporate courses of the training package were developed
- ▶ The activities of the School of Safety Culture are specified by the Regulation on Organizing the Training and Development System for Employees of Zarubezhneft
- ▶ 6 pilot groups were trained by internal coaches together with third-party consultants
- ▶ Subsidiaries developed schedules and conducted training in 5 corporate courses
- ▶ A menu and a matrix of corporate training programs was prepared for ZARUBEZHNEFT GROUP for 2021

*In accordance with the Company's Health, Safety, Environment, and Social Responsibility Policy, the Company recognizes its responsibility to provide a favorable environment and to preserve the life, health, and well-being of people, who are its main resource.
People are the company's main resource.*

DYNAMICS OF THE INDICATOR LTIFR, %



The value of the ratio in 2020 was 0.71, which is 33.3% less than the 2016 value.

This indicator was higher compared with the previous year due to the introduction of contractors in the perimeter used to assess this indicator in 2020.

For this reason, the corporate KPI system contains indicators about injuries/accidents for senior management, namely the heads of subsidiaries and affiliates, specialized divisions, and the deputy General Director in matters concerning occupational health and safety and environmental protection.

Around the world, the main indicator of a company's efficiency in occupational health and safety is the accident frequency ratio (LTIFR). This ratio has been applied at Zarubezhneft since 2015.

Results 2020

0613

LTIFR:

- ▶ Fatal accidents and incidents — 0
- ▶ Worker injuries — 7
- ▶ Number of employees diagnosed with occupational diseases — 0
- ▶ Loss of working time due to diseases for all reasons — 0

Training

In occupational safety, the Company's subsidiaries regularly conducted training and knowledge tests on the following programs:

- ▶ Industrial safety
- ▶ Occupational safety and the provision of first aid
- ▶ Basics of fire safety
- ▶ Knowledge of the rules and regulations for electrical work
- ▶ Safe operation of electrical installations

State supervision

State supervisory and statistical bodies were promptly provided with relevant reports on the protection and improvement of working conditions.

Provision of employees with PPE

Throughout 2020, the Company's employees were provided with special footwear, personal respiratory protection equipment, and special clothing in accordance with ZARUBEZHNEFT GROUP's unified corporate style.

Accident prevention

Subsidiaries have developed and approved all the necessary plans for eliminating and mitigating accidents (oil spill contingency plans and emergency response plans).

Industrial safety expert examinations were carried out at hazardous production facilities. Industrial safety declarations for hazardous production facilities were drafted on time.

Production control

Production control is one of the most important components for the HSE Management System to function effectively. Employees of subsidiaries, when conducting industrial control in health and safety, are guided by the relevant legislative and regulatory documents of the Russian Federation and the regions of operation, as well as internal regulatory documents, including the Regulation on the Procedure for Industrial Control over the State of Health and Safety and Environmental Protection at ZARUBEZHNEFT GROUP and the procedure 'Risk Management in Occupational and Industrial Safety and

Environmental Protection', which is an integral part of the general corporate risk management system and governs the procedure for managing health and safety risks:

- ▶ Violation of the integrity of facilities (emergency situations)
- ▶ Injury to employees, contractors, or visitors
- ▶ Negative impact on the environment from work
- ▶ Negative impact on the environment as a result of technological processes

To remain prepared for contingencies and emergency situations, the Company employs an integrated approach:

- ▶ Protective structures are checked and persons responsible for civil defense and emergency situations are trained at training centers
- ▶ Plans for the elimination of emergency spills of oil and petroleum products at fields are promptly developed and approved with the state supervisory authorities
- ▶ Volunteer emergency response teams at fields are trained and certified
- ▶ Contracts are concluded with specialized professional emergency rescue teams of the gas rescue service and well blowout safety with exercises conducted twice a year
- ▶ Staff rehearses what actions to take in the event of possible contingencies

Examples of past training:

- ▶ Training on the actions to take in the event of COVID-19 is found in a Company employee during a shift change
- ▶ Training on the actions to take in the event of COVID-19 is found in a Company employee after a shift change
- ▶ Emergency actions: preventing the spread of a particularly dangerous infection (COVID-19) in the Moscow office
- ▶ Joint training of JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Kharyaga on the actions to take in the event COVID-19 is found in a Company employee
- ▶ Fall of an employee from height
- ▶ Gas, oil, and water inflow while drilling a well
- ▶ Combustion of an oil reservoir
- ▶ Depressurization of an oil pipeline during winter

No command post exercises involving outside observers were conducted due to the difficult epidemiological situation.

An integral part of work performed by the Company's employees as part of the Occupational Health and Safety Management System is constant and systematic interaction with contractors operating at the production facilities of Zarubezhneft in accordance with the legislation of the Russian Federation and the Company's approved internal requirements.

Production culture

The Company's management pays special attention to improving the production culture, leadership, and involvement of managers and increasing the level of internal interaction in matters concerning health, safety, and environmental protection, which is helped by the practical implementation of target programs in production:

- ▶ '12 vital rules'
- ▶ 'Leadership in health, safety, and environmental protection'
- ▶ Risk management in health, safety, and environmental protection
- ▶ 5C System within the Zarubezhneft Production System

Combating COVID-19 403-3

In 2020, the Group faced a global challenge in the novel coronavirus infection. However, proactive work has successfully minimized the risks associated with the spread of the infection. Today, we can confidently say that the Company is systematically implementing measures to prevent COVID-19 and the situation is under control.

Zarubezhneft began monitoring the situation with the spread of COVID-19 since its outbreak in China: the first meeting was held in January 2020 after receiving information about COVID-19 from abroad. In February, the responsible departments began to prepare a plan to prevent the spread of the infection and implement this plan at the Company's subsidiaries. As part of system of deterrent measures, three key goals were identified:

- ▶ Ensuring the health and efficiency of employees
- ▶ Ensuring the continuity of production processes
- ▶ Organizing continuous information flows

The system of measures developed by the Company to prevent the spread of COVID-19 includes the following set of measures:

- ▶ Efficient collection of information
- ▶ Measures to prevent the spread of the virus in the office
- ▶ Arrangements for organizing the work of employees
- ▶ Measures to prevent the spread of the virus at subsidiaries

- ▶ No access to the Company's building for visitors with one-time passes
- ▶ Additional sanitization of all surfaces in the office
- ▶ Distribution of food in disposable lunch boxes with disposable appliances
- ▶ Remote work was introduced for three calendar days following a vacation, business trip, or sick leave
- ▶ Rapid testing of employees

An extensive action program has also been developed to prevent the spread of COVID-19 at production facilities and to organize the work of shift personnel.

In the middle of the year, the Company succeeded in developing a good practice that turned out to be very popular in the industry and in organizing the safe work of office personnel in the Russian Federation and abroad.

In total, in 2020, the Company presented reports at more than 15 conferences, forums, seminars, and congresses on topics related to the experience of organizing work to prevent COVID-19 and rotating shift personnel with the support and participation of the Federation Council's Committee on Social Policy, the Russian Chamber of Commerce and Industry, the Russian Ministry of Labor and Social Protection, the ORP International Fund, the Russian Ministry of Energy, and the Russian Ministry of Natural Resources.

In these challenging times, it is crucial to support and motivate personnel. To this end, the Company has taken a number of measures to ensure its own social responsibility. Zarubezhneft management decided to pay wages for March two weeks ahead of schedule so that employees could plan their budgets. In addition, additional payments were introduced to shift personnel when they are on shift for more than 60 days.

Motivating employees to avoid contamination also plays an important role. For example, a bonus in the amount of a single monthly salary has been introduced for office workers and non-shift personnel who prevent the spread of COVID-19.

With this decision, the Company not only showed interest in ensuring the continuity of production processes and care for human resources as well as its desire to prevent infections, but also motivated employees to look after their health.

Development prospects

In 2021, the Company plans to continue implementing the Vision Zero Concept in accordance with the Unified Program for the Implementation of the Vision Zero Concept at Zarubezhneft in 2018–2021 and applying the

Golden Rules of the Concept to contractors. In an effort to improve corporate culture and prevent dangerous situations and incidents at work, the Company plans to continue training staff at the School of Safety Culture.

ENVIRONMENTAL PROTECTION

Zarubezhneft's policy in health, labor, environment, safety, and social responsibility defines ecological well-being as the basis for a production facility's economic stability, which contributes to achieving of the UN SDGs.



In 2020, the Company successfully underwent a **recertification audit** to confirm the its certification for compliance with the international standard **ISO 14001:2015**.

- ▶ Zarubezhneft
- ▶ JC RUSVIETPETRO
- ▶ ZARUBEZHNEFT-Dobycha Kharyaga
- ▶ RMNTK Nefteotdacha
- ▶ Modriča Motor Oil Plant
- ▶ Zarubezhneftstroyontazh
- ▶ ZARUBEZHNEFT-Dobycha Samara
- ▶ Ulyanovskneftegaz
- ▶ Orenburgnefteotdacha
- ▶ Giprovostokneft

included in 2020

- ▶ VNIIneft

1st among 20
companies
in the environmental
openness ranking

Biodiversity conservation programs

304-3

In 2020, ZARUBEZHNEFT GROUP's subsidiaries operating in Russia's Arctic zone (ZARUBEZHNEFT-Dobycha Kharyaga and JC RUSVIETPETRO) continued working on biodiversity conservation in accordance with the approved programs. ZARUBEZHNEFT-Dobycha Kharyaga completed work on adjusting the Biodiversity Conservation Program (BCP) of the Kharyaga license area based on a biota inventory and the identification of species that are indicators of the sustainable state of the Kharyaga field's ecosystems. The implementation of the BCP of ZARUBEZHNEFT-Dobycha Kharyaga was

postponed until 2021 due to the spread of COVID-19 and the ban on travel across Russia. Since 2019, the Company's employees have been taking part in the Clean Shores movement in the Nenets Autonomous Area. Its main task is to jointly improve and clear the banks of local reservoirs from garbage.

BCPs have been developed by ZARUBEZHNEFT-Dobycha Samara (Ulyanovskneftegaz and Orenburgnefteotdacha).

Biodiversity conservation issues have come to the forefront in political and environmental programs and currently represent one of the most pressing problems of the 21st century. Numerous international agreements on biodiversity conservation are being concluded, and government bodies around the world are developing and adopting national legislation to address biodiversity loss and the degradation of ecosystems.

As part of the federal project 'Conservation of Biological Diversity and Development of Eco-Tourism', as regards the implementation of measures for the conservation and reintroduction of the Siberian Crane (white crane), Zarubezhneft and the Russian Ministry of Natural Resources and the Environment concluded an agreement on cooperation on December 30, 2019 with total funding of RUB 42.785 million. The agreement envisages the Priority Action Plan for the Conservation and Restoration of the Siberian Crane on the Territory of the Russian Federation in 2020–2024. The following federal state budget-funded institutions have been appointed as the entities responsible for the work of the Ministry of Natural Resources: Oka State Reserve and OSRI Ecology.

3.8 RUB mln

*spent on the conservation
and reintroduction of
the Siberian crane*

In 2020, despite the restrictions caused by the spread of COVID-19, Oka State Reserve began implementing the action plan, for which Zarubezhneft donated RUB 3.829 million. The allocated funds created conditions for the breeding of Siberian Cranes with the purchase of the necessary drugs, feed, and vitamins. This work will continue in 2021 to fund activities to breed Siberian Cranes for release into the wild. The Company plans to allocate RUB 17.625 million.

Independent assessment

The Company pays great attention to an independent assessment of stakeholders. Since 2014, Zarubezhneft has been participating in the Environmental Openness rating based on the methodology of the World Wildlife Fund

(WWF). Zarubezhneft finished first among the 20 largest oil and gas companies in Russia in 2020, improving its position from the previous year.

Environmental policy

In accordance with its 'Search for and Assessment of New Projects' standard, the Company pays special attention to environmental issues and the assessment of green risks. All projects undergo an environmental audit in which the main criterion is the absence of specially protected natural areas within the contract area. During the implementation of a project, an environmental impact assessment is conducted, and measures are developed to reduce the fragmentation of landscapes and the area of disturbed territories.

Zarubezhneft has uniform HSE requirements for contractors. The regulations for interaction with the Company's contractors have the same requirements for compliance with the environmental standards as for Zarubezhneft's subsidiaries. There is a ban on picking mushrooms and berries as well as hunting and fishing in the area of the Company's projects.

ZARUBEZHNEFT GROUP's subsidiaries monitor the integrity of inter-field oil pipelines on a monthly basis, which is one of the priorities of the Company's Environmental Policy.

All pipelines function without exceeding the standard operating period established by a project or expert organizations. In order to determine the technical condition of infield pipelines and confirm the standard operating period of the pipeline system, the Company annually conducts a technical examination and an industrial safety examination in accordance with the schedules.

Environmental measures

In 2020, ongoing funding for environmental activities at subsidiaries in the Russian Federation amounted to approximately RUB 266.576 million, which is significantly higher than the level of 2019 (+22%).

One of the Company's priority environmental tasks is to minimize the impact of drilling waste through its neutralization and use, followed by the elimination of sludge pits. There are no oil-contaminated lands on ZARUBEZHNEFT GROUP's balance sheet.

Regular measurements of the air, soil, snow, surface water, and bottom sediments were carried out on the territory of all licensed areas of the Group's enterprises as part of local environmental monitoring and industrial environmental control.

Observational data is compared with the background values of natural indicators. During the reporting period, the maximum permissible concentration (MPC) standards on the territory of the Russian Federation were not exceeded.

GROSS AIR EMISSIONS BY ZARUBEZHNEFT GROUP, *thousand tons*

305-7

Air emissions	2018	2019	2020
Solids	0.437	0.280	0.215
Sulfur dioxide	6.909	6.841	4.928
Carbon monoxide	7.914	6.375	4.204
Nitrogen oxide	1.213	1.225	0.888
Hydrocarbons (no volatile organic compounds)	8.804	7.015	6.199
Volatile organic compounds	3.900	3.251	0.958
Other gaseous and liquid substances	–	–	–
GROSS AIR EMISSION OF HAZARDOUS SUBSTANCES	29.18	24.99	17.39

Reducing greenhouse gas emissions

305-1

In order to confirm its commitment to the overall low-carbon trend and climate agenda, the Company has continued implementing measures to reduce greenhouse gas emissions at existing operations in pursuit of carbon neutrality as an inescapable reality and right to further operate. Zarubezhneft is aware of the need to make radical changes in business models, asset portfolios, and accepted practices in order to deeply transform structurally. In this regard, 2021 should be a turning point.

In 2020, in an effort to reduce its own emissions, the Company carried out operational improvements, increased staff awareness, and continued the implementation of low-carbon technologies (energy efficient equipment, timely equipment maintenance, and the implementation of the gas program). The Company also invests in innovative green technologies and renewable energy sources.

In early November 2020, Russian President Vladimir Putin signed a decree to reduce greenhouse gas emissions in order for the Russian Federation to fulfill its obligations under the Paris Agreement. In this regard, ZARUBEZHNEFT GROUP pays close attention to the implementation of the Gas Program for the Sustainable Use of Associated Petroleum Gas in 2020–2024.

The use of APG for internal heat generation and electricity needs has increased thanks to the measures taken in the Gas Program of 2020. The volume of APG production and use is based on the readings of gas metering units. The APG beneficial utilization rate for 2020 in the Group's Russian segment (JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Samara as part of UNG and ONO) amounted to 95.2%, which is in line with the targets set in the Gas Program for 2020 (actual 2019 — 92.5%, plan for 2020 — 95.2%).

PRODUCTION AND USE OF ASSOCIATED PETROLEUM GAS BY ZARUBEZHNEFT GROUP IN 2020 (RUSSIAN SEGMENT), million m³

Enterprise	APG production	APG usage for internal needs	% APG usage
JC RUSVIETPETRO	110.25	104.90	95.1
Orenburgnefteotdacha	2.24	2.24	99.8
Ulyanovskneftegaz	0.52	0.48	92.9
TOTAL	113.01	107.62	95.2

The associated petroleum gas produced at the Kharyaga field is high-sulfur, which complicates its beneficial use. According to the Kharyaga field development project, ZARUBEZHNEFT-Dobycha Kharyaga plans to continue working on the launch of equipment for gas purification from hydrogen sulfide, a gas turbine unit and the necessary infrastructure for compressing purified gas. At the end of 2020, the level of APG utilization at ZARUBEZHNEFT-Dobycha Kharyaga amounted to 61.8%, while the target was 47.8%. The utilization level increased due to the supply of APG to the gas transmission network of LUKOIL-Komi. By 2027, the Company plans to achieve an APG useful utilization level of 95%.

In order to meet its commitment to the overall low-carbon trend and climate agenda, the Company continued to implement measures to reduce greenhouse gas emissions

from existing processes, while striving for carbon neutrality as an inevitable reality and the right to continue operating. Zarubezhneft is aware of the need to make radical changes to its business models, asset portfolios, and accepted practices in order to achieve a deep transformation structure, and in this regard, 2021 should be a turning point.

In 2020, in order to reduce its own emissions, the Company made improvements to production, increased staff awareness, and continued the introduction of low-carbon technologies and energy-efficient equipment, timely equipment maintenance, and the implementation of the Gas Program. The Company also invests in innovative green technologies and renewable energy sources.

Integrated environmental permits

In 2020, Zarubezhneft continued its involvement in the initiative of the Russian Federal Service for Supervision of Natural Resources is the Federal Environmental, Industrial, and Nuclear Supervision Service (Rosprirodnadzor) to issue integrated environmental permits as part of the implementation of the federal project 'Introduction of the Best Available Technologies' of the national Ecology project. As a result of participating in this project, Zarubezhneft subsidiary ZARUBEZHNEFT-Dobycha

Kharyaga, which became the first company in Russia to receive an integrated environmental permit (IEP), was granted a positive conclusion from the environmental impact assessment in 2019. In 2020, ZARUBEZHNEFT-Dobycha Samara sent an application for an IEP to the territorial bodies of Rosprirodnadzor, and JC RUSVIETPETRO signed an agreement to support the receipt of an IEP in the territorial body of Rosprirodnadzor in 2021.

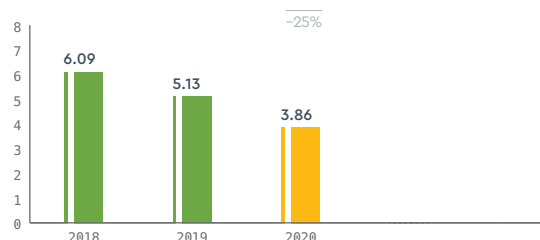
Environmental indicators in Russia

306-2

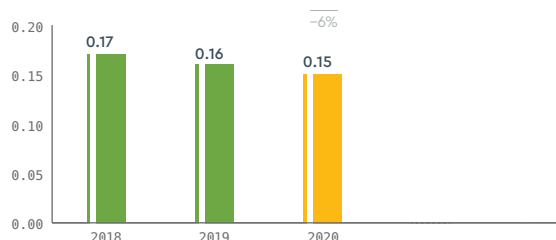
The implementation of the Gas Program in 2020 reduced specific pollutant emissions, which decreased from 5.13 to 3.86 tons per thousand tons of oil produced, as well as specific greenhouse gas emissions — from 160 tons of

CO₂ equivalent per thousand tons of oil produced to 150 tons of CO₂ equivalent per ton of oil produced compared with 2019.

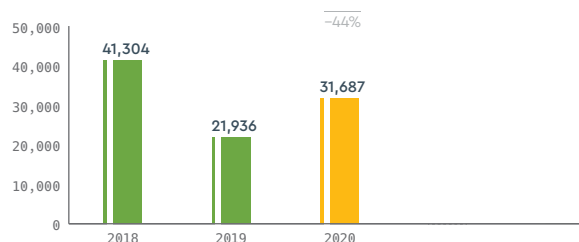
AIR EMISSIONS, tons/thousand tons of oil



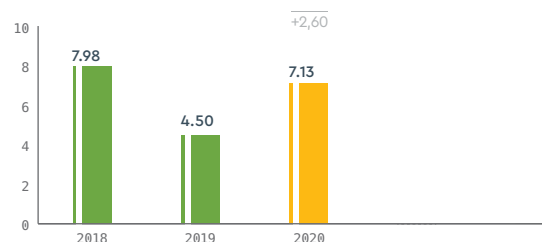
GREENHOUSE GAS EMISSIONS IN RUSSIA, thousand tons/thousand tons of oil



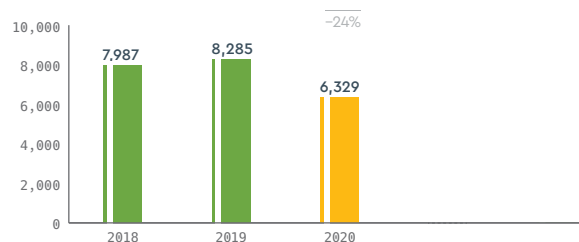
WASTE GENERATION PER YEAR, tons



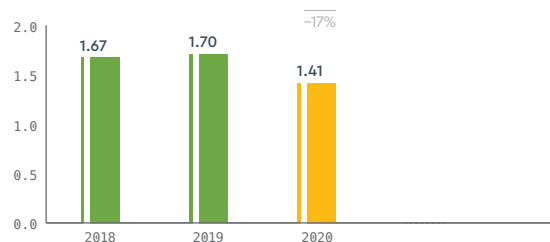
WASTE GENERATION, tons/thousand tons



WATER INTAKE, thousand m³



WATER INTAKE, thousand tons/thousand tons of oil



In 2020, the amount of mandatory payments for negative environmental impacts amounted to RUB 40,399,165 and as well as RUB 800,000 in of fines for violations of environmental legislation.

In August 2020, the Rosprirodnadzor regional offices issued a compliance notice for the lack of a geo-monitoring program for three fields of ZARUBEZHNEFT-Dobycha Samara.

The Company strictly follows the legislative requirements of the Russian Federation and the countries where it operates. Zarubezhneft did not discharge water or wastewater, including oil, or contaminate land in 2020.

There were no accidents involving environmental damage during the reporting year.

In 2020, drilling rates did not decrease. Specific waste generation indicators increased from 4.53 tons per 1,000 tons of oil produced in 2019 to 7.13 tons in 2020. Most of the waste generated is 4th hazard class waste, or construction waste.

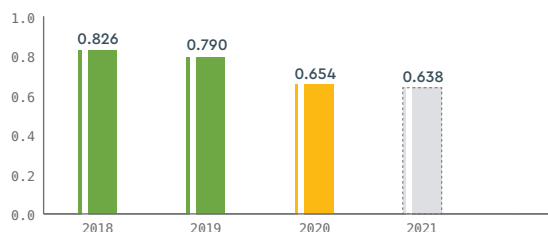
Reducing greenhouse gas emissions

Zarubezhneft believes the Russian Federation's accession to the Paris Climate Agreement is an important step towards expanding the effective use of associated gas. We have also worked on solutions to leverage the benefits of natural gas to meet the goals of the Paris Climate Agreement, which the Russian Federation adopted in September 2019.

In accordance with the 'Methodological Indicators and Guidelines for Quantifying the Volume of Greenhouse Gas Emissions by Organizations Engaged in Economic and Other Activities in the Russian Federation' (approved by Order No. 300 of the Russian Ministry of Natural Resources and the Environment dated June 30, 2015 and registered with the Russian Ministry of Justice on December 15, 2015, as Registration No. 40098), Zarubezhneft calculated the volume of greenhouse gas emissions into the atmosphere for 2020 as a result of the activities of production enterprises.

Fixed investment in environmental protection in 2020 is associated with the planned measures for the construction and equipment of a waste disposal site at JC RUSVIETPETRO. Pursuant to design solutions for the site 'Landfill for the Neutralization and Disposal of

CHANGES IN GREENHOUSE GAS EMISSIONS, MLN TONS CO₂ EQUIVALENT



Due to the implementation of the gas program, emissions in 2020 amounted to around 654,000 tons of CO₂ equivalent, which is 17.2% less than the previous year.

Waste from the Slivka Severo-Khosedayuskoye Field', the Company purchased a second UPNSH-05 unit for the disposal of oily waste. The costs of other environmental protection measures (required scheduled maintenance of water treatment systems and expenses on environmental monitoring in terms of implementing biodiversity conservation programs) are given in the table:

EXPENSES FOR ENVIRONMENTAL PROTECTION, RUB mln

Investments	2018	2019	2020	2021	+/-
Fixed investments for environmental protection	228.21	60.30	15.91	23.53	-44.39
Fee for negative environmental impact	20.38	17.30	40.40	37.53	23.10
Fines for environmental pollution	0.51	0.94	0.80	0.00	-0.14
Operating costs for environmental protection, including:	163.80	218.04	176.39	238.46	-41.65
• For the protection of water bodies	23.89	10.31	5.05	13.15	-5.26
• For the protection of atmospheric air	3.70	7.72	5.55		11.33
• For the protection of land resources from production and consumption waste	119.00	181.69	145.27	183.60	-36.42
• For land reclamation	17.37	18.31	9.02	11.35	
• Other areas in nature protection	0.00	0.00	11.50	19.03	11.50
TOTAL	412.90	296.58	233.50	299.51	-63.08

Interaction with stakeholders

102-40 102-42 102-43

Zarubezhneft is committed to interacting with all stakeholders in order to maintain and establish constructive relations when implementing projects. Corporate requirements for staff and contractors include rules for the respectful and considerate treatment of minority interests.

Since 2009, JC RUSVIETPETRO and the Administration of the Nenets Autonomous Area have been observing a cooperation agreement on engagement with the indigenous peoples of the North. Since 2017, ZARUBEZHNEFT-Dobycha Kharyaga has been implementing Methodological Recommendations for Conduct in Territories Where Indigenous Minorities of the North Traditionally Use Natural Resources.

In 2020, the Company held 17 tabletop exercises to respond to emergencies at fields with monitoring conducted via video conferencing by the Emergency Situations Commission. The increase in tabletop exercises was due to the high-profile environmental disasters that attracted close public attention in 2020 and the novel coronavirus infection. The Company assessed the risks in a timely manner and took a proactive approach. In addition, the Company's subsidiaries conducted their own training sessions together with contractors to work out training tasks for the most important work processes.

In an effort to ensure the Company's readiness to respond to emergency oil and petroleum product spills as well as other possible accidents, subsidiaries have concluded the following agreements:

- ▶ To clean up accidental oil and petroleum product spills at production facilities with specialized organizations. The agreement provides for constant (round-the-clock) readiness of skilled personnel and equipment for mobilization to clean up accidental spills.
- ▶ To prevent and eliminate oil, gas, and water inflows and open fountains (OGWI and OF). This Agreement provides for the constant operational readiness of forces and equipment to respond to emergencies caused by OGWI and OF at the Company's facilities. Preventive work is carried out on a quarterly basis together with the Company's employees to prevent OGWI and OF from occurring at the facilities.
- ▶ To provide fire safety (fire extinguishing) services.

Since the start of the year, ZARUBEZHNEFT GROUP has conducted 12 tabletop exercises associated with the following risks:

- ▶ Ingress of oil products into water bodies
- ▶ The spread of COVID-19
- ▶ Industrial incidents with subsequent fire

The tabletop exercises took place in real time, with the maximum number of staff involved, and practiced various scenarios, using video materials. Some of the videos filmed during the exercise in 2019-2020 were taken into account by the WWF when recapping the results of the Environmental Responsibility Rating of Russian oil and gas companies in 2019.

In 2020, changes were made to the corporate concept of tabletop exercises to involve internal contractors and public fire departments in joint training as external stakeholders to cope with real risks in a training environment.

Taking into account the lessons learned from environmental disasters in 2020, the Company conducted an audit to assess the adequacy of equipment and the volume of reserves of material resources and personal protective equipment for the elimination and localization of incidents, accidents, and emergencies.

Development plans

In 2021, the Company embarked on a course to expand the scope of work to improve indicators on ESG principles and the UN Sustainable Development Goals. Much of the efforts will be tied to the creation of a corporate program to minimize the Company's carbon footprint. Zarubezhneft will also continue biodiversity conservation work.

RES – the path to a low-carbon life support model

RENEWABLE ENERGY SOURCES

Renewable energy sources (RES) are types of energy that are continuously renewable in the Earth's biosphere: solar energy, water energy (tidal and river energy), wind, biomass, biogas, and geothermal energy.



The global energy market is undergoing an important transformation phase. The successful development of RES technologies and their growing competitiveness contribute to the active use of a low-carbon model to support the vital activities of humankind.

The changing structure of energy production is forcing the oil and gas business to change as well. When diversifying their businesses, oil and gas companies rely on their unique experience in onshore and offshore drilling, oil and gas processing, transportation and installation operations, and trading operations. Oil and gas companies are expanding the scope of renewable energy by developing their own expertise, purchasing core assets, and engaging in cooperation with leading suppliers of technological equipment and project developers. In keeping up with this trend, Zarubezhneft is also looking at participating in RES projects.

Over the long history of its successful projects, the Company has accumulated vast experience in communicating with the leadership of developing countries that are currently seeking to develop RES on their territories.

Knowing the potential of renewable energy sources in the future and its growing competitiveness in relation to fossil fuels, in March 2019, the Zarubezhneft Board of Directors considered the development of renewable energy projects (Minutes No. 165 dated March 27, 2019) and, already in June of the same year, established a new Renewable Energy Source Development Department (RESDD).

The main task of the Company's new structural unit is the phased development of its own expertise as a related business, which will be an additional factor in enhancing the stability of its own structures.

During the preparatory stage of developing RES, the Company conducted an assessment of more than 40 RES projects (SPP, WPP, and SHPP¹) in various countries, such as Vietnam, India, Turkey, Nicaragua, Russia, Bosnia and Herzegovina, Egypt, and Spain, among others, and identified the main focuses and provisions for the future development of RES in ZARUBEZHNEFT GROUP:

- ▶ During the first stage (2021–2024), the Company positions itself as a 'Financial Investor' and is ready, together with a financially reliable qualified investor, to enter the RES markets mainly in the regions where it currently operates. During the first stage, the Company plans to establish terms of reference and develop the appropriate expertise for the transition to the second stage of development.
- ▶ During the second stage (until 2030), the Company will be a 'Strategic Investor' and handle the operational management of the renewable energy projects portfolio that it creates.

The Company has conducted a lot of preparatory work on the detailed study and implementation of projects for the use of wind energy and solar energy for its own needs:

- ▶ Zarubezhneft carried out a full range of work in cooperation with Brod Refinery to select a contractor and support the design, construction, and commissioning of a rooftop solar power plant with capacity of 964 kW on the territory of the Brod Refinery; the SPP was put into operation in December 2020

¹ SPP – solar power plants, WPP – wind power plants, and SHPP – small hydroelectric power plants.

- ▶ The Company decided to build a solar power plant to supply power to the Pashkinsk field
- ▶ The Group is considering the possibility of building renewable energy facilities to supply power to the facilities of Orenburgnefteotdacha (Kirsanovskoye field), JC RUSVIETPETRO and ZARUBEZHNEFT–Dobycha Kharyaga
- ▶ Zarubezhneft continues to mull the possibility of using renewable energy sources for its own needs at production facilities in the Russian Federation, Vietnam, Bosnia and Herzegovina, and Uzbekistan

In 2020, the Company drafted and approved the Basic Provisions of the Functional Strategy of RES, which will serve as the foundation for updating the corporate development strategy of Zarubezhneft in 2021 as regards RES.

A base of renewable energy technologies and partners has been formed as part of the search for new renewable energy projects. The Company signed Memorandum of Understanding No. 54–435/20 with Gubkin Russian State University of Oil and Gas in September 2020 in order to organize joint work on the development of the Competence Center.

These projects will improve the Company's energy efficiency and mitigate its environmental impact by cutting CO₂ emissions by an estimated more than 10,000 tons each year.

An analysis of the effectiveness of existing processes developed the following main criteria for choosing partners for promising cooperation:

- ▶ Experience in working with RES
- ▶ Financial position
- ▶ Work experience in the country of the project's implementation
- ▶ Availability of unique expertise
- ▶ Experience working with ZN
- ▶ Form of incorporation

Development prospects

In order to further develop RES at ZARUBEZHNEFT GROUP, work will continue in 2021 to assess the feasibility of using wind and solar power for the internal needs of the Group's subsidiaries. Orenburgnefteotdacha plans to implement a SPP project for its Pashkinskoye and Kirsanovskoye fields and study options for the construction of a SPP with capacity of up to 1.5 MW as part of ongoing state support for renewable energy projects with priority siting at the Brod Refinery or other sections in Bosnia and Herzegovina.

Work will continue to further develop the Alternative Energy Center of Competence based at the Corporate Center, and the main provisions of the strategy for the use of electric transport at ZARUBEZHNEFT GROUP will also be drafted as part of the formation of the Group's corporate development strategy with:

- ▶ An analysis of existing and promising markets for the supply of electric vehicles for the internal needs of Zarubezhneft
- ▶ An assessment of technological and economic efficiency
- ▶ The drafting of the main provisions of the standard for the purchase and use of electric vehicles

The Company will also continue work to search for and assess the feasibility of participating in major network RES projects in the countries where it operates and in second priority countries, which include selected countries for the expansion of the core business — Algeria, Egypt, Iraq, Kazakhstan, and India.

ENERGY EFFICIENCY

*The goal of the Energy Efficiency Program is to reduce product costs in **удалить** ZARUBEZHNEFT GROUP's production business segments and enhance its competitiveness on the domestic and global markets.*



Zarubezhneft conducts its energy efficiency activities in accordance with the approved Energy Conservation and Energy Efficiency Improvement Program of ZARUBEZHNEFT GROUP for 2020 (Order No. 368 dated December 16, 2019).

62

Measures
implemented in 2020

Core principles of the program:

- ▶ Pursue a lean production policy based on the implementation of measures with a payback period of 3–5 years
- ▶ Develop measures that aim to reduce specific energy costs per unit of production, prepare oily liquid and pressure maintenance in the 'Exploration and Production' segment, process raw materials in the 'Refining and Marketing' segment, and reduce the annual consumption of energy resources in the 'Service and Other Assets' segment
- ▶ Involve all employees in the energy resource conservation process
- ▶ Incorporate secondary energy resources and production waste (APG, waste oil, etc.) in the production process

The program is an integral part of the Innovative Development Program¹ (IDP) for 2020–2024 with a view until 2030.

Scope of the program:

Geological exploration and production

Production assets

Russia:

JC RUSVIETPETRO
ZARUBEZHNEFT-Dobycha Kharyaga
ZARUBEZHNEFT-Dobycha Samara
Orenburgnefteotdacha
Ulyanovskneftegaz

Vietnam:

JV Vietsovpetro

Refining and sales

Refining

Bosnia and herzegovina:
Brod Refinery
Modriča Motoril Plant

Service assets

Service assets

Russia:

Arktikmorneftegazrazvedka
Giprovostokneft
VNIIneft

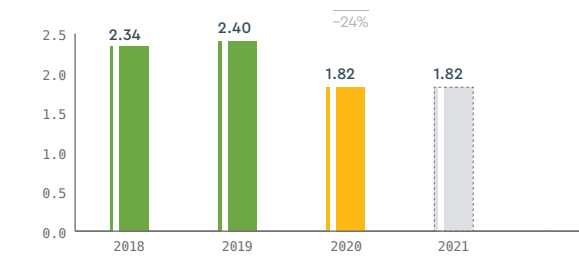
¹ The Innovative Development Program was approved by the Interdepartmental Working Group on Technological Development under the Government Commission for the Modernization of the Economy and Innovative Development of Russia (Minutes No. 10-D01 of the IWG dated July 2, 2020) and approved in December 2020 by the Company's Board of Directors (Minutes No. 188 dated December 24, 2020). Reports on the implementation of the IDP in terms of improving energy efficiency at ZARUBEZHNEFT GROUP are annually submitted before May 1 of the year following the reporting year to the federal executive authorities — the Russian Ministry of Energy, the Russian Ministry of Economic Development, and the Russian Ministry of Education and Science.

The program envisages a reduction of at least 5% in the unit costs of energy resources for the production of petroleum-containing fluid (PCF) at subsidiaries of the Russian segment compared with the 2019 level. The Energy Conservation Program for 2020 contains a target for the development and implementation of new measures (along with the measures introduced in 2017–2019), taking into account the specifics of the segmental division of activities, the organizational structure, and the specifics of the Group's operations.

Work to conserve energy resources and implement the program's measures at all the Group's subsidiaries in the reporting year helped to reduce the specific energy costs for the production of oil and gas liquids versus the 2019 level in the 'Exploration and Production' segment and, consequently, to increase the energy efficiency indicators of each separate company and of ZARUBEZHNEFT GROUP as a whole. A total of 62 measures were implemented with an overall economic effect of RUB 1.521 billion (42,885 tons of fuel oil equivalent).

Total fuel and energy resource consumption by the Group in 2020 amounted to 29 million tons of fuel oil equivalent, or RUB 5.363 billion in value terms. The distribution of energy consumption and energy costs for 2020 by production activity segment is shown in the table.

CHANGES IN SPECIFIC CONSUMPTION OF ENERGY RESOURCES FOR THE PRODUCTION OF PCF IN THE OIL PRODUCTION OF ZARUBEZHNEFT COMPANIES, tons of fuel oil equivalent/thousand m³ (Russian segment)



In the reporting year, unit costs of energy resources for the production of PCF at the oil producing enterprises of the Russian segment declined by 24% versus the 2019 level.

CONSUMPTION OF FUEL AND ENERGY RESOURCES

Segment	Electric power, thousand kWh/RUB mln	Thermal power, Gcal/RUB mln	Fuel, ton/RUB mln	Ton of fuel oil equivalent/RUB mln	Share of fuel and energy resources, %
Hydrocarbon production	471,023/2,866		68,751/2,267	122,343/5,182	96.6
Oil refining	11,683/31	-	3,511/95	4,814/126	2.4
Service assets	5,862/37	7,529/15.5	62/3	1830/55	1.0
TOTAL	488,568/2,934	7,529/15.5	72,324/2,365	28,987/5,363	100.0

Key energy efficiency measures in 2020:

JC RUSVIETPETRO

- ▶ Organization of external oil transportation facilities (Oil Pumping Station 49, Acceptance Point, Oil Pumping Station 32) of the Oil and Gas Enterprise Energy Efficiency Analytical Information System (OGEEE AIS)
- ▶ Optimization of ESP pressure indicators during well workover
- ▶ Implementation of a program to overhaul generating equipment (gas turbine unit, gas piston electric unit, diesel electric unit)
- ▶ Changing the well operation method and conducting pilot field tests of the installation of an electric screw pump on a highly productive stock
- ▶ Optimization of the electrical heating system for process pipelines and process equipment (operation of self-regulating heating cables)

JV Vietsovpetro

- ▶ Provision of power supply for ships (60 Hz, 440 W) from the coastal electric power system during long-term anchorages at port
- ▶ Provision of power supply for double banked ships from the coastal electric power system during long-term anchorages at the JV Vietsovpetro port.

Zarubezhneft strives to use heat and electric energy judiciously. In general, work carried out in 2020 contributed to the reduction of energy costs at enterprises and the further development of energy conservation and the increased energy efficiency of ZARUBEZHNEFT GROUP.

ZARUBEZHNEFT– Dobycha Kharyaga

- ▶ Transition of power supply for the EP-1 and EP-2 clusters from external networks to power supply from internal generation
- ▶ Use of energy efficient submersible electric motors
- ▶ Replacement of imported control stations for well pads EP-2 and NP-1 with domestic stations
- ▶ Optimization of the output voltage of the variable frequency drive at the well stock

Development plan for the energy conservation and improved energy efficiency program in 2021

In an effort to further develop energy efficiency, the Group has drafted and approved the Energy Conservation Program for 2021, which envisages 91 different measures, including six long-term measures. The cost of implementing these measures in 2021 is estimated at RUB 935.3 million, while the estimated economic effect for the calendar year of use will be about RUB 363.5 million, or 10,979 tons of fuel oil equivalent.

The program also envisages a reduction of at least 1% in the unit costs of energy resources for the production of PCF at subsidiary oil-producing enterprises of the Russian segment compared with the 2019 level.

IMPLEMENTATION OF THE GAS PROGRAM

The gas program for the sustainable use of associated petroleum gas for in 2020-2024 was approved by Order No. 367 dated December 16, 2019.



95.2%

APG utilization rate in 2020

The APG utilization rate in the Group's Russian segment (JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Kharyaga) was 95.2% in 2020, which is 3% higher than in 2019.

The measures planned for 2020 to increase APG utilization at subsidiaries have been fully implemented

The utilization rate increased due to a set of measures to increase the share of gas generation at JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Kharyaga as well as an increase in commercial sales of associated petroleum gas to the Usinsk Gas Refinery of LUKOIL-Komi.

The Group devotes special attention to the gas program of ZARUBEZHNEFT-Dobycha Kharyaga. Payment for the negative environmental impact in 2020 will amount to RUB 35.2 million, which is RUB 10.6 million less than the planned value.

The updated Gas Program was approved by Order No. 340 of December 30, 2020 "On the Implementation of the Gas Program for the Sustainable Use of Associated Petroleum Gas in 2021-2025 at ZARUBEZHNEFT GROUP".

APG UTILIZATION RATE BY ZARUBEZHNEFT GROUP FOR 2020

APG utilization ratio

Company	Plan 2020	Actual 2020	Deviation, %
Zarubezhneft Group	95.1	95.2	+0.1
JC RUSVIETPETRO	95.0	95.1	+0.1
ZNDS (Municipal)	98.2	99.9	+1.7
ZNDS (UNG)	91.4	92.7	+1.3
Foreign segment	93.7	96.6	+2.9
For reference: Kharyaga PSA	47.8	61.8	+14.0

#5



**CORPORATE
GOVERNANCE**

Improving
**the team's
leadership
potential**

CORPORATE GOVERNANCE SYSTEM

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The Company's system of management bodies was established by the Russian Federation, the sole shareholder of Zarubezhneft, and includes the following bodies:

General Meeting of Shareholders

Board of Directors

Sole Executive Body

- ▶ To ensure the Board of Directors functions efficiently, the Company's sole shareholder approved the Regulation on the Board of Directors (Directive No. 2253-r of the Federal Agency for State Property Management dated October 12, 2005), which describes the purview of the Chairman of the Board of Directors, the rights, duties, and responsibilities of members of the Board of Directors, and the procedure for preparing for and holding meetings.
- ▶ The Regulation on Remuneration for Members of the Zarubezhneft Board of Directors was approved by Order No. 243-r of the Federal Agency for State Property Management dated May 18, 2017. Per the Regulation, remuneration for members of Board of Directors depends on the Company achieving target key performance indicators that are determined taking into account the guidelines of the federal executive bodies and aim to achieve the strategic goals of Zarubezhneft.
- ▶ The Regulation on the Sole Executive Body (General Director) of Zarubezhneft was approved by Order No. 522-r of the Federal Agency for State Property Management dated June 30, 2016. The Regulation on the Annual Remuneration of the Company's General Director approved by the Board of Directors (Minutes No. 155 dated May 30, 2018) ensures there is a relationship between the achievement of target key performance indicators by Zarubezhneft and the remuneration of the sole executive body.

One specific feature of Zarubezhneft's corporate governance model is the presence of the Company's sole shareholder — the Russian Federation, as represented by the Federal Agency for State Property Management. This is reflected in a special procedure for holding general meetings of the Company's shareholders with the issuance of a directive by the Federal Agency for State Property Management on the decisions of the general meeting of Zarubezhneft shareholders.

In addition, the Company's Board of Directors is formed in accordance with the procedure established by Resolution No. 738 of the Russian Government dated December 3, 2004 "On the Management of Federally Owned Shares in Joint-Stock Companies and the Exercising of the Special Right for the Russian Federation's Participation in the Management of Joint-Stock Companies ('Golden Share')". Members of the Board of Directors who represent the interests of the Russian Federation on the Company's Board of Directors perform their activities in accordance with the requirements of this resolution.

Zarubezhneft adheres to the basic generally accepted principles of corporate governance, including the key recommendations of the Corporate Governance Code. The Company's management considers compliance with the basic principles and recommendations of the Corporate Governance Code to be a prerequisite for the Company's long-term development and enhancing its investment appeal.

On Zarubezhneft's observance of the recommendations of the Corporate Governance Code (Letter No. 06-52/2463 of the Bank of Russia dated April 10, 2014)

Board of Directors

The Board of Directors performs its activities in accordance with the approved plan, which is annually approved by the Board of Directors. The plan of the Zarubezhneft Board of Directors for 2020 was approved by Minutes No. 177 of the Board of Directors dated February 14, 2020.

The form of meetings of the Board of Directors is determined taking into account the importance of the agenda items. The most important issues (approval of the Company's business plan, preliminary approval of the annual report, approval of the report on the achievement of target KPI values, review of the report on the implementation of the corporate strategy and the report on the implementation of the LDP for the reporting year, and decision-making on remuneration for the General Director) are generally considered at in-person meetings. In 2020, given the restrictions on holding in-person events that were imposed to counter COVID-19, meetings of the Board of Directors on these items were held in absentia.

The minutes of the meetings of the Board of Directors are prepared in accordance with the requirements of the Regulation on the Board of Directors taking into account the recommendations of the Corporate Governance Code (the minutes indicate information about the voting of each member of the Board of Directors, while if a written opinion is submitted for participation in an in-person meeting of the Board of Directors, the written opinion is attached to the minutes, which is indicated separately in the minutes).

Taking into account the recommendations of the Corporate Governance Code, according to the Charter, the purview of the Zarubezhneft Board of Directors includes, inter alia, the following issues:

- ▶ Approval of the Company's development strategy and monitoring of its implementation
- ▶ Approval of the Company's business plans, investment programs, long-term development programs, and key performance indicators, and monitoring of their implementation
- ▶ Approval of the Company's dividend policy (Regulation on the Dividend Policy)
- ▶ Creation of committees of the Board of Directors, election of members of committees of the Board of Directors, and approval of the Regulation on the Committees of the Board of Directors

- ▶ Approval of the Company's internal regulatory documents concerning incentives and the amount and procedure for the payment of remuneration to the Company's management
- ▶ Approval of the Regulation on Procurement at the Company and consideration of the Report on the Company's Procurement Activities
- ▶ Adoption of decisions on the appointment and dismissal of the Head of the Internal Audit Service
- ▶ Recommendations to the Company's sole executive body on any issues related to the Company's activities

As part of the recommendations of the Corporate Governance Code in 2018, amendments were made to the Zarubezhneft Charter in accordance with Directive No. 499-r of the Federal Agency for State Property Management dated June 30, 2018 (included in the current version of the Charter), according to which the Board of Directors makes decisions on certain items by a qualified majority of votes (Clause 15.9 of the Charter):

- ▶ Approval of the Company's business plans, investment programs, long-term development programs, and key performance indicators, and monitoring their implementation
- ▶ Approval of the Company's Dividend Policy (Regulation on the Dividend Policy)
- ▶ Determination of the price (monetary value) of property, the placement price or the procedure for its determination, and the buyback price of equity securities in cases stipulated by the Federal Law "On Joint Stock Companies"
- ▶ Recommendations on the amount of share dividends and the procedure for their payment
- ▶ Adoption of decisions on the Company's participation and termination of participation in other organizations
- ▶ Determination of the Company's position (representatives) on agenda items of the General Meeting of Shareholders (participants) and meetings of the Board of Directors of subsidiaries as regards the liquidation or reorganization of subsidiaries
- ▶ Submission to the General Meeting of Shareholders of items on the Company's reorganization or liquidation, increasing or decreasing the Company's charter capital, and amendments to the Company's Charter.

Information about activities carried out by the Company when exercising its purview is reflected in the relevant sections of the Annual Report.

Corporate secretary

Zarubezhneft has approved a Regulation on the Company's Corporate Secretary (Order No. 126 dated March 25, 2015). The Regulation stipulates the procedure for appointing the Corporate Secretary, his/her status, powers, and purview, and the procedure for his/her activities. In accordance with the Regulation, the functions of the Corporate Secretary fall within the purview of the Corporate Relations Department.

Information about the Zarubezhneft Corporate Secretary is posted on the Company's website¹.

The Regulation describes the requirements for the candidacy of an employee of the Corporate Relations Department, the objectives of the Corporate Secretary's work, and the functions of the Corporate Secretary, which, among other things, include:

- ▶ Providing consultations to the shareholder, members of the Board of Directors, and the Company's management on corporate law and management issues
- ▶ Ensuring the efficient work of the Board of Directors
- ▶ Ensuring the efficient work of the Committees of the Board of Directors
- ▶ Organizing information exchanges between the Company and other users through the functionality of the Interdepartmental Portal of the Federal Agency for State Property Management
- ▶ Preparing for and organizing the General Meeting of Shareholders
- ▶ Ensuring the provision of documents within its purview at the request of state bodies
- ▶ Participating in the implementation of the Company's Information Disclosure Policy
- ▶ Supporting the Company's interaction with regulatory bodies, trade organizers, the registrar, and other professional securities market participants within their purview
- ▶ Ensuring the implementation of the procedures prescribed by legislation and the Company's internal regulatory documents to support the rights and legitimate interests of the shareholder, and monitoring their implementation
- ▶ Promptly informing the Board of Directors about all violations of the law that have been identified as well as the provisions of internal regulatory documents that must be observed as part of the Corporate Secretary's functions
- ▶ Participating in improvements to the Company's corporate governance system and practices

Duties of the Corporate Secretary in accordance with the Regulation:

- ▶ Strictly observe the norms and requirements of Russian law and the Company's Charter and internal documents in its activities
- ▶ Ensure the observance of the rights and property interests of the shareholder
- ▶ Execute the instructions of the Chairman of the Board of Directors;
- ▶ Inform the Board of Directors about situations that threaten to violate the norms of existing legislation or the rights of the shareholder as well as the emergence of corporate conflict
- ▶ Ensure the placement of all necessary information about the Company on the Interdepartmental Portal
- ▶ Maintain up-to-date information about the Company posted on the Interdepartmental Portal

When executing its functions, the Corporate Secretary may

- ▶ Request and receive information and documents needed to fulfill its tasks from the heads of the Company's structural units
- ▶ Involve the Company's structural units in the preparation of draft documents and implementation of corporate governance procedures within the limits of its purview
- ▶ Hire external specialists to perform its tasks based on an agreement with the General Director
- ▶ Monitor the execution of decisions made by the Board of Directors and the General Meeting of Shareholders
- ▶ Propose items to be included in the meeting agenda of the Board of Directors within the limits of its purview
- ▶ Monitor the observance of the Charter and internal regulatory documents related to its functions by the Company's officials and employees
- ▶ Interact with the Chairman of the Board of Directors and the Chairmen of the Committees of the Board of Directors
- ▶ Prepare and send answers and explanations to the shareholder and members of the Board of Directors
- ▶ Seek information from the Company's register to the extent permitted by the Board of Directors to monitor compliance with the law when administering the shareholder register.

¹ <https://www.nestro.ru/ru/raskrytie-informacii/>.

Measures to improve the corporate governance system and the results of an assessment of the corporate governance system

Zarubezhneft is implementing a set of measures to improve corporate governance and is committed to the best applicable international and Russian practices in this regard.

As it introduces best practices into the Corporate Governance Code, the Company has established and successfully operates the relevant Committees of the Board of Directors:

Strategic Planning Committee

Audit Committee

HR and Remuneration Committee

Items to be considered by the Board of Directors are preliminarily reviewed at meetings of the relevant committees.

Information about the activities of the Board of Directors and the Committees of the Board of Directors in 2020 is provided in the corresponding sections of the 2020 Annual Report.

- ▶ In 2020, as part of measures to improve corporate governance, the Company initiated amendments to the Zarubezhneft Charter on the possibility of the Company paying dividends with non-monetary assets. The new version of the Company's Charter was adopted by Directive No. 314-r of the Federal Agency for State Property Management dated August 17, 2020.
- ▶ In an effort to optimize the activities of the management bodies of the Group's business entities, principles used to classify transactions as normal business operations were drafted and introduced in the 'Corporate Governance of Subsidiaries' business process standard (Order No. 195 dated August 31, 2020).
- ▶ The Company has taken measures to maintain a high level of corporate governance by conducting an annual self-assessment of corporate governance as part of the Methodology for Corporate Governance Quality Self-Assessment at Publicly Owned Companies, which was adopted by Order No. 306 of the Federal Agency for State Property Management dated August 22, 2014, a subjective assessment of the activities of

members of the Board of Directors using the services of the Interdepartmental Porta, as well as an external assessment by members of the Board of Directors of the quality of preparations for meetings and the meetings themselves.

An external assessment of the organization of the work of the Board of Directors is conducted annually by interviewing members of the Board of Directors to obtain their views on the following indicators:

- ▶ Incorporation of comments made by members of the Board of Directors when preparing materials for meetings of the Board of Directors and Committees of the Board of Directors
- ▶ Timeliness of the provision of additional information at the request of members of the Board of Directors
- ▶ Transparency when providing information to members of the Board of Directors

The questionnaire methodology uses the following point system: 5 points – exceeds expectations; 4 points – meets expectations; 3 points – below expectations; 2 points – unsatisfactory.

Based on the assessment for 2020 (taking into account the questionnaires received from all members of the Board of Directors), the arithmetic mean of the indicators was 4.7 points, which demonstrates the Company's effective work in organizing the activities of the Board of Directors and the high quality of corporate governance at Zarubezhneft.

GENERAL MEETING OF SHAREHOLDERS

The sole shareholder of Zarubezhneft is the Russian Federation, as represented by the Federal Agency for State Property Management. According to Clause 3 of Article 47 of Federal Law No. 208-FZ dated December 26, 1995 "On Joint-Stock Companies", at a Company where all voting shares belong to a single shareholder, decisions on issues that fall within the purview of the General Meeting of Shareholders shall be taken solely by the shareholder and be documented in writing.

In 2020, the Federal Agency for State Property Management issued two directives on the decisions of the Company's General Meeting of Shareholders:

1. No. 314-r dated August 17, 2020 "On the Decisions of the Extraordinary General Meeting of Shareholders of Zarubezhneft", at which the new version of the Zarubezhneft Charter was adopted
2. No. 337-r dated August 27, 2020 "On the Decisions of the Annual General Meeting of Shareholders of Zarubezhneft Joint-Stock Company", at which the following decisions were adopted:
 - ▶ The 2019 Annual Report of Zarubezhneft was adopted
 - ▶ The 2019 Annual Accounting (Financial) Statements of Zarubezhneft were adopted per Russian Accounting Standards (RAS)
 - ▶ The allocation of Zarubezhneft's profit for 2019 in the amount of RUB 111,997,212,415 thousand was approved
 - RUB 6,655,000,000 were allocated for the payment of dividends
 - RUB 1,199,721,242 were allocated for the reserve fund of Zarubezhneft
 - RUB 27,008,743 were allocated for the payment of remuneration to members of the Board of Directors
 - RUB 200,000 were allocated for the payment of remuneration to members of the Revision Commission
 - RUB 4,115,282,431 were allocated to fund the Company's 2020 Investment Plan, which was endorsed by a resolution of the Board of Directors (Minutes No. 175 dated December 26, 2019)
 - ▶ Decisions were made to pay remuneration to members of the Board of Directors and the Revision Commission
 - ▶ The Board of Directors was elected with the following members: Pavel Kadochnikov, Karen Karapetyan, Alexey Kozlov, Sergey Kudryashov, Yevgeny Murov, Pavel Sorokin, Oksana Tarasenko, and Vladimir Furgalskiy
 - ▶ The Revision Commission was elected with the following members: Natalya Annikova, Tatyana Zobkova, and Anna Mozhayeva
 - ▶ Crowe Expertiza was approved as the auditor of Zarubezhneft for 2020

MEETINGS OF THE BOARD OF DIRECTORS

Board of Directors

The Board of Directors is the management body that determines the priority areas of the Company's activities. According to the Zarubezhneft Charter, which was adopted by Directive No. 499-r of the Federal Agency for State Property Management dated June 30, 2018, seven people were elected to the Board of Directors.

Members

In accordance with Directive No. 409-r of the Federal Agency for State Property Management dated June 30, 2019 "On Decisions of the Annual General Meeting of Shareholders of Zarubezhneft", the Board of Directors was elected as follows:

NAME	Info
Karen Karapetyan	Adviser to the Chairman of the Gazprombank Board of Directors Born: 1963 Does not own any shares in the Company
Pavel Kadochnikov	Vice Rector for Research at the All-Russian Academy of Foreign Trade of the Russian Ministry of Economic Development Born: 1978 Does not own any shares in the Company
Sergey Kudryashov	General Director of Zarubezhneft Born: 1967 Does not own any shares in the Company
Yevgeny Murov	Born: 1945 Does not own any shares in the Company
Maxim Sokolov	First Deputy General Director of LSR Group Born: 1968 Does not own any shares in the Company
Pavel Sorokin	Russian Deputy Minister of Energy Born: 1985 Does not own any shares in the Company
Anatoly Tikhonov	Russian Deputy Minister of Energy Born: 1969 Does not own any shares in the Company

According to a resolution of the Zarubezhneft Board of Directors dated August 12, 2019 (Minutes No. 171), Yevgeny Murov was elected as Chairman of the Board of Directors.

With the adoption of a new version of the Zarubezhneft Charter (Directive No. 314-r of the Federal Agency for State Property Management dated August 17, 2020), the number of members of the Board of Directors was increased to eight.

In accordance with Directive No. 337-r of the Federal Agency for State Property Management dated August 27, 2020 "On Decisions of the Annual General Meeting of Shareholders of Zarubezhneft", the Board of Directors was elected as follows:

Name	Info
Karen Karapetyan	Adviser to the Chairman of the Gazprombank Board of Directors Born: 1963 Does not own any shares in the Company
Pavel Kadochnikov	Russian Deputy Minister of Finance Born: 1978 Does not own any shares in the Company
Alexey Kozlov	Aide to the Russian Deputy Prime Minister Born: 1966 Does not own any shares in the Company
Sergey Kudryashov	General Director of Zarubezhneft Born: 1967 Does not own any shares in the Company
Yevgeny Murov	Born: 1945 Does not own any shares in the Company
Pavel Sorokin	Russian Deputy Minister of Energy Born: 1985 Does not own any shares in the Company
Oksana Tarasenko	Russian Deputy Minister of Economic Development Born: 1983 Does not own any shares in the Company
Vladimir Furgalskiy	Director of the Department for Corporate Policies and Property Relations in Fuel and Energy Industry Branches of the Russian Ministry of Energy Born: 1977 Does not own any shares in the Company

Information about the members of the Board of Directors is available on the Company's website¹. According to the decision of the Board of Directors dated September 30, 2020 (Minutes No. 186), Yevgeny Murov was elected as Chairman of the Zarubezhneft Board of Directors.

Based on instructions from the Federal Agency for State Property Management, the Company annually submits nominees for candidates to be selected to the Board of Directors. When preparing nominees for independent candidates of the Board of Directors, the Company proceeds from the requirements set out in Clause 8 (1) of the Regulation on the Management of Federally Owned Shares in Joint-Stock Companies and Exercising the Special Right to Participate in the Management of Joint-Stock Companies ('Golden Share'), which was adopted by Resolution No. 738 of the Russian Government dated December 3, 2004, as well as the requirements of the Bank of Russia specified in Appendix No. 4 of the Regulation on the Admission of Securities to Organized Trading, which was adopted by the Bank of Russia on February 24, 2016 as No. 534-P.

When preparing nominees for candidates to the Board of Directors, the Company takes into account their experience in strategic research and development, including in the oil and gas industry, experience in the financial sector (including financial analysis and audit), and long-term experience in senior management positions, including in the federal executive authorities.

Remuneration

In 2020, according to Directive No. 337-r of the Federal Agency for State Property Management dated August 27, 2020 "On the Decisions of the Annual General Meeting of Shareholders of Zarubezhneft Joint-Stock Company", total remuneration paid to four members of the Board of Directors based on the results of the 2019–2020 corporate year amounted to RUB 27,008,743, including RUB 10,000,000 to Yevgeny Murov, RUB 9,400,000 to Karen Karapetyan, RUB 4,273,224 to Maxim Sokolov, and RUB 3,335,519 to Pavel Kadochnikov.

¹. https://www.nestro.ru/ru/about_company/korporativnoe-upravlenie/.

Directives of the Russian Government received by the company in 2020

In 2020, the Board of Directors held 12 meetings and adopted resolutions on 65 items. The Board of Directors

paid particular attention in 2020 to the implementation of the Directives of the Russian Government.

No	Number and date of the Directives of the Russian Government	Minutes No. and date of the meeting of the Board of Directors	Item
1	No. 12153p-P13 dated December 25, 2019	177 dated February 14, 2020	Improvements to labor productivity
2	No. 12119p-P13 dated December 25, 2019	177 dated February 14, 2020	Assessment of the presence or absence of major investment projects being implemented or projected to be implemented
3	No. 2150p-P13 dated March 16, 2020	179 dated March 27, 2020	Adoption of a plan to counteract the negative impact of the coronavirus epidemic, including measures to protect the staff members of publicly owned organizations from the spread of coronavirus and to ensure the sustainability of their work
4	No. 2850p-P13kv dated April 2, 2020	180 dated April 4, 2020	Non-application of penalties as well as the possibility of contract extensions and price adjustments in 2020 in the event of violations of obligations by contractors caused by the impact of the novel coronavirus infection
5	No. 6739p-P13 dated July 30, 2020	182 dated May 29, 2020	Dividends of Zarubezhneft based on the results of 2019
6	No. 6739p-P13 dated July 30, 2020	184 dated August 18, 2020	Assessment of the implementation of the Company's long-term development programs and key performance indicators
7	No. 6781p-P13 dated July 31, 2020	184 dated August 18, 2020	Procurement activities
8	No. 8036p-P13 dated September 1, 2020	185 dated September 10, 2020	Level of net currency assets
9	No. 8591p-P13 dated September 17, 2020	186 dated September 30, 2020	Election of the Chairman of the Zarubezhneft Board of Directors

Detailed information about the Company's implementation of the directives and instructions of the Russian Government and the Russian President and also about the decisions made by the Board of Directors is provided in the section 'Report on the implementation of the instructions of the Russian President and the Russian Government'.

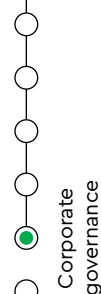
The Board of Directors adopted the following resolutions within its purview in 2020 to achieve the Company's strategic goals:

- ▶ Approved the updated Innovative Development Program of ZARUBEZHNEFT GROUP for 2020–2024 (with a View to 2030)
- ▶ Approved the 2021 Business Plan of ZARUBEZHNEFT GROUP and considered the business plan in the medium term until 2025
- ▶ Approved the Report on the Achievement of Target Corporate Key Performance Indicators (KPIs) of Zarubezhneft for 2019 and reviewed reports on the implementation of KPIs in 2020 on a quarterly basis
- ▶ Approved the Program on Cost Optimization and Reducing Operating Expenses of ZARUBEZHNEFT GROUP for 2020 and reviewed the report on the implementation of the program in 2019 and 2020 on a quarterly basis
- ▶ Approved a new version of the certificate of the corporate KPI 'Labor Productivity' and its target value
- ▶ Approved new versions of Appendix No. 6 'Improvements to Labor Productivity' and Appendix No. 10 'Policy Measures to Ensure the Achievement of the KPIs of the Long-Term Development Program of Zarubezhneft' to the Company's Long-Term Development Program
- ▶ Reviewed the Report on the Implementation of the Corporate Strategy of Zarubezhneft for 2020 and issued instructions to update the Company's Corporate Development Strategy in 2021
- ▶ Tentatively approved the 2019 Annual Report of Zarubezhneft
- ▶ Approved the Report on the Implementation of the Innovative Development Program of Zarubezhneft for 2019

Full list of issues addressed at the meetings of the Board of Directors of the company in 2020

No.	Minutes No. and date of the meeting	Meeting format	Meeting agenda	Members of the Board of Directors who participated in the meeting
1	No. 177 dated February 14, 2020	In absentia	<ol style="list-style-type: none"> 1. Approval of the Work Plan of the Zarubezhneft Board of Directors for 2020. 2. Approval of the terms of reference for the audit of the implementation of the Long-Term Development Program of Zarubezhneft. 3. Review of the Report on the Disposal of Zarubezhneft's Non-Core Assets for the fourth quarter of 2019. 4. Improvements to labor productivity. 5. Update to the labor productivity certificate and KPI target. 6. Approval of the new version of Appendix No. 6 to the Long-Term Development Program 'Labor Productivity Improvement Program of Zarubezhneft'. 7. Presence or absence of major investment projects being implemented or planned for implementation. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov
2	No. 178 dated March 25, 2020	In person	<ol style="list-style-type: none"> 1. The current status of Zarubezhneft's membership in new oil and gas projects in foreign countries and the Russian Federation. 2. Work with young people at Zarubezhneft. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov
3	No. 179 dated March 27, 2020	In absentia	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for 2019. 2. Approval of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for 2020. 3. Review of the Report on the Results of Zarubezhneft's Procurement Activities for the fourth quarter of 2019. 4. Review of the Audit Plan Implementation Report of ZARUBEZHNEFT GROUP and the performance of the Zarubezhneft Internal Audit Department for 2019. 5. Review of the Quality Management System Performance Report of Zarubezhneft for 2019. 6. Update to the Register of Zarubezhneft's Non-Core Assets of Zarubezhneft. 7. Approval of the Action Plan for the Disposal of Zarubezhneft's Non-Core Assets for 2020-2021. 8. Approval of the plan to combat the negative impact of the coronavirus epidemic, including measures to protect staff members of publicly owned organizations against the spread of coronavirus and to ensure the sustainability of their work. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov
4	No. 180 dated April 22, 2020	In absentia	<ol style="list-style-type: none"> 1. Approval of the Innovative Development Program Implementation Report of Zarubezhneft for 2019. 2. Review of reports on the meetings of the Committees of the Zarubezhneft Board of Directors for 2019. 3. Review of the Report on the Disposal of Zarubezhneft's Non-Core Assets for the first quarter of 2020. 4. Progress made by the auditors on the audit of Zarubezhneft's RAS accounting statements and consolidated IFRS financial statements for 2019. 5. Non-application of penalties as well as the possibility of contract extensions and price adjustments in 2020 in the event of violations of obligations by contractors caused by the impact of the novel coronavirus infection. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov
5	No. 181 dated May 26, 2020	In absentia	<ol style="list-style-type: none"> 1. Review of the Report on the Results of Zarubezhneft's Procurement Activities for the first quarter of 2020. 2. Determination of the fees of the winner of an open tender for the selection of an auditor for the mandatory annual audit of Zarubezhneft. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov

No.	Minutes No. and date of the meeting	Meeting format	Meeting agenda	Members of the Board of Directors who participated in the meeting
6	No. 182 dated May 29, 2020	In absentia	<ol style="list-style-type: none"> 1. Review of the annual accounting statements of Zarubezhneft, the IFRS consolidated financial statements, and the preliminary approval of Zarubezhneft's 2019 Annual Report. 2. Review of the Revision Commission's opinion on the audit of Zarubezhneft's financial and economic activities for 2019. 3. Review of the Report on the Implementation of the Long-Term Development Program of Zarubezhneft for 2019. 4. Approval of the Report on the Achievement of Target Corporate KPIs of Zarubezhneft for 2019. 5. Amount, form, and procedure for the payment of annual dividends on shares of Zarubezhneft. 6. Recommendations on profit allocation issued by the Zarubezhneft Board of Directors. 7. Payment of annual remuneration to the General Director. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov
7	No. 183 dated June 25, 2020	In absentia	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for the first quarter of 2020. 2. Review of the Report on the Achievement of Target Corporate KPIs of Zarubezhneft according to projections until the end of 2020, taking into account data for the first three months of the year. 3. Review of the Report on the Implementation of Professional Standards. 4. Update to the Procurement Regulation of Zarubezhneft. 5. Approval of the new version of the Code of Corporate Ethics. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov
8	No. 184 dated August 18, 2020	In absentia	<ol style="list-style-type: none"> 1. Assessment of the implementation of the Company's Long-Term Development Programs and the implementation of KPIs. 2. The Company's procurement activities. 	K. Karapetyan S. Kudryashov Y. Murov M. Sokolov P. Sorokin A. Tikhonov
9	No. 185 dated September 10, 2020	In absentia	<ol style="list-style-type: none"> 1. Level of net currency assets. 	P. Kadochnikov K. Karapetyan A. Kozlov S. Kudryashov Y. Murov P. Sorokin O. Tarasenko V. Furgalskiy



Corporate governance

No.	Minutes No. and date of the meeting	Meeting format	Meeting agenda	Members of the Board of Directors who participated in the meeting
10	No. 186 dated September 30, 2020	In absentia	<ol style="list-style-type: none"> 1. Election of the Chairman of the Zarubezhneft Board of Directors. 2. Election of Committees of the Zarubezhneft Board of Directors. 3. Review of the Report on the Results of the Implementation of the Zarubezhneft Business Plan for the first half of 2020. 4. Review of the Report on the Achievement of Target Corporate KPIs of Zarubezhneft according to projections until the end of 2020, taking into account data for the first half of the year. 5. Current status of RES projects. 6. Review of the Report on the Disposal of Zarubezhneft's Non-Core Assets for the second quarter of 2020. 7. Review of the Report on the Results of Zarubezhneft's Procurement Activities for the second quarter of 2020. 8. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for the first half of 2020. 9. Review of the Report on the Implementation of Zarubezhneft's Long-Term Development Program for the first half of 2020. 10. Review of the audit findings on the effectiveness of procedures of the risk management and internal control system to prevent and combat corruption. 11. Possibility of Zarubezhneft and its subsidiaries transitioning to tax control in the form of tax monitoring. 	P. Kadochnikov K. Karapetyan A. Kozlov S. Kudryashov Y. Murov P. Sorokin O. Tarasenko V. Furgalskiy
11	No. 187 dated November 10, 2020	In absentia	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for the first nine months of 2020. 2. Review of the Report on the Achievement of Target Corporate KPIs of Zarubezhneft according to projections until the end of 2020, taking into account data for the first three months of the year. 3. Review of the Report on the Implementation of Zarubezhneft's Long-Term Development Program for the first nine months of 2020. 4. Review of the Report on the Results of Zarubezhneft's Procurement Activities for the third quarter of 2020. 5. Review of the Report on the Disposal of Zarubezhneft's Non-Core Assets for the third quarter of 2020. 6. Changes to ZARUBEZHNEFT GROUP's Audit Plan in the fourth quarter of 2020. 	P. Kadochnikov K. Karapetyan A. Kozlov S. Kudryashov Y. Murov P. Sorokin O. Tarasenko V. Furgalskiy
12	No. 188 dated December 24, 2020	In absentia	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of Zarubezhneft's Corporate Strategy for 2020. 2. Approval of Zarubezhneft's Business Plan for 2021. 3. Approval of ZARUBEZHNEFT GROUP's Audit Plan and the budget of the Internal Audit Department for 2020. 4. Update to Zarubezhneft's Long-Term Development Program. 5. Review of the Report on the Implementation of Professional Standards. 6. Work with young people at Zarubezhneft. 7. Approval of the updated Innovative Development Program of Zarubezhneft. 8. Approval of the new version of the Regulation on Charitable and Sponsorship Activities. 9. Approval of the Regulation on the Long-Term Development Program and Assessment of the Fulfillment of KPIs of Zarubezhneft. 	P. Kadochnikov K. Karapetyan A. Kozlov S. Kudryashov Y. Murov P. Sorokin O. Tarasenko V. Furgalskiy

Committees of the board of directors

For a proper review of the resolutions adopted by the Board of Directors, the items submitted for consideration by the Board of Directors are preliminarily reviewed at meetings of the relevant Committees.

The Zarubezhneft Board of Directors has three Committees:

- ▶ Strategic Planning Committee
- ▶ Audit Committee
- ▶ HR and Remuneration Committee

Strategic Planning Committee

Members of the Strategic Planning Committee of the Zarubezhneft Board of Directors in 2020

Members of the Committee prior to the Annual General Meeting of Shareholders of Zarubezhneft (from January 1, 2020 to August 27, 2020):

Anatoly Tikhonov — Russian Deputy Minister of Energy (Committee Chairman)

Pavel Kadochnikov — Russian Deputy Minister of Finance

Karen Karapetyan — Adviser to the Chairman of the Gazprombank Board of Directors

Sergey Kudryashov — General Director of Zarubezhneft

Pavel Sorokin — Russian Deputy Minister of Energy

Members of the Committee after the Annual General Meeting of Shareholders of Zarubezhneft (from September 30, 2020 to December 31, 2020):

Pavel Sorokin — Russian Deputy Minister of Energy (Committee Chairman)

Karen Karapetyan — Adviser to the Chairman of the Gazprombank Board of Directors

Alexey Kozlov — Aide to the Russian Deputy Prime Minister

Sergey Kudryashov — General Director of Zarubezhneft

Oksana Tarasenko — Russian Deputy Minister of Economic Development

According to the Regulation on the Strategic Planning Committee, its purview, among other things, includes:

- ▶ Identifying priority areas, strategic objectives, and basic principles for the Company's strategic development
- ▶ Reviewing long-term development programs and reports on their implementation
- ▶ Reviewing reports on the implementation of the Company's strategy and the preparation of recommendations for its adjustment
- ▶ Preparing recommendations on the establishment of branches and opening of representative offices
- ▶ Preparing recommendations on the approval of the Company's KPIs and their target values
- ▶ Reviewing reports on the Company's achievement of the target KPIs
- ▶ Preparing recommendations on strategic documentation concerning innovative development

In 2020, the Strategic Planning Committee held 11 meetings.

Based on the meetings held in 2020, the Strategic Planning Committee made recommendations to the Company's Board of Directors on the following items:

- ▶ Approval of the updated Innovative Development Program of Zarubezhneft
- ▶ Review of the Report on the Implementation of Zarubezhneft's Corporate Strategy for 2020

- ▶ Approval of the Report on the Achievement of Target KPIs for 2019 and the review of quarterly reports on the achievement of KPIs in 2020
- ▶ Approval of the updated certificate of the corporate KPI 'Labor productivity' and its target value
- ▶ Approval of Appendix No. 6 'Improvements to Labor Productivity at Zarubezhneft' and Appendix No. 10 'Policy Measures to Ensure the Achievement of the KPIs of the Long-Term Development Program of Zarubezhneft' to the Company's Long-Term Development Program
- ▶ Implementation by the Company of the Long-Term Development Program based on the results of the review of the Report on the Implementation of the Long-Term Development Program and the external auditor's opinion on the audit findings of the implementation of the Long-Term Development Program in 2019
- ▶ Approval of Zarubezhneft's Business Plan for 2021
- ▶ Approval of the Efficiency Improvement and Cost Optimization Program for 2020 and the review of reports on its implementation for 2019 and quarterly reports in 2020
- ▶ Approval of the Registry of Regulatory Legal Acts (RLA) and the RLA Implementation Plan for 2020

The Committee also reviewed the Regulation on the Long-Term Development Program and Assessment of the Fulfillment of KPIs of Zarubezhneft and recommended it be approved by the Board of Directors.

LIST OF ITEMS REVIEWED AT MEETINGS OF THE STRATEGIC PLANNING COMMITTEE OF THE ZARUBEZHNEFT BOARD OF DIRECTORS IN 2020

No.	Meeting/ Meeting format	Date of the meeting	Meeting agenda	Members of the Strategic Planning Committee who participated in the meeting
1	Meeting of the Strategic Planning Committee/ in absentia	February 6, 2020	<ol style="list-style-type: none"> 1. Review of the terms of reference for the audit of the implementation of the Long-Term Development Program of Zarubezhneft. 2. Review of the Report on the Disposal of Zarubezhneft's Non-Core Assets for the fourth quarter of 2019. 	K. Karapetyan S. Kudryashov P. Sorokin A. Tikhonov
2	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	February 7, 2020	<ol style="list-style-type: none"> 1. Update to the labor productivity certificate and KPI target. 2. Review of the new version of Appendix No. 6 to the Long-Term Development Program 'Labor Productivity Improvement Program of Zarubezhneft'. 	K. Karapetyan S. Kudryashov P. Sorokin A. Tikhonov
3	Meeting of the Strategic Planning Committee/ in absentia	March 20, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for 2019. 2. Review of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for 2020. 3. Review of the Quality Management System Performance Report of Zarubezhneft for 2019. 4. Update to the Register of Non-Core Assets of Zarubezhneft. 5. Review of the Action Plan for the Disposal of Zarubezhneft's Non-Core Assets for 2020-2021. 6. Review of the Report of the Strategic Planning Committee of the Zarubezhneft Board of Directors for 2019. 	K. Karapetyan S. Kudryashov P. Sorokin A. Tikhonov
4	Meeting of the Strategic Planning Committee/ in absentia	April 27, 2020	<ol style="list-style-type: none"> 1. Review of information on the projected dividend proceeds of Zarubezhneft to the federal budget in 2020-2023. 	K. Karapetyan S. Kudryashov P. Sorokin A. Tikhonov
5	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	May 14, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Achievement of the Target Corporate KPIs of Zarubezhneft for 2019. 2. Review of the Report on the Implementation of Zarubezhneft's Long-Term Development Program for 2019. 	K. Karapetyan S. Kudryashov P. Sorokin A. Tikhonov
6	Meeting of the Strategic Planning Committee/ in absentia	May 22, 2020	<ol style="list-style-type: none"> 1. Review of the Action Plan for the implementation of proposals to improve the performance of ZARUBEZHNEFT GROUP prepared in accordance with the auditor's recommendations based on the audit findings of the Long-Term Development Program for 2019. 	K. Karapetyan S. Kudryashov P. Sorokin A. Tikhonov

No.	Meeting/ Meeting format	Date of the meeting	Meeting agenda	Members of the Strategic Planning Committee who participated in the meeting
7	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	June 10, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for the first quarter of 2020. 2. Review of the Report on the Achievement of the Target Corporate KPIs of Zarubezhneft according to projections until the end of 2020 taking into account the data for the first three months. 	K. Karapetyan S. Kudryashov P. Sorokin A. Tikhonov
8	Meeting of the Strategic Planning Committee/ in absentia	November 6, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Disposal of Zarubezhneft's Non-Core Assets for the third quarter of 2020. 2. Review of the Report on the Implementation of Zarubezhneft's Long-Term Development Program for the first nine months of 2020. 	K. Karapetyan A. Kozlov S. Kudryashov P. Sorokin O. Tarasenko
9	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	November 6, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for the first nine months of 2020. 2. Review of the Report on the Achievement of the Target Corporate KPIs of Zarubezhneft according to projections until the end of 2020, taking into account the data for the first nine months. 	K. Karapetyan A. Kozlov S. Kudryashov P. Sorokin O. Tarasenko
10	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	December 18, 2020	<ol style="list-style-type: none"> 1. Update to the Long-Term Development Program of Zarubezhneft. 2. Review of the Regulation for the Long-Term Development Program and Assessment of the Fulfillment of KPIs of Zarubezhneft. 	K. Karapetyan A. Kozlov S. Kudryashov P. Sorokin O. Tarasenko
11	Meeting of the Strategic Planning Committee/ in absentia	December 21, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of Zarubezhneft's Corporate Strategy for 2020. 2. Review of Zarubezhneft's Business Plan for 2021. 3. Review of the updated Innovative Development Program of Zarubezhneft. 	K. Karapetyan A. Kozlov S. Kudryashov P. Sorokin O. Tarasenko

Audit Committee

Members of the Audit Committee of the Board of Directors of Zarubezhneft in 2020

Members of the Committee prior to the Annual General Meeting of Shareholders of Zarubezhneft (from January 1, 2020 to August 27, 2020):

Pavel Kadochnikov — Russian Deputy Minister of Finance (Committee Chairman)

Karen Karapetyan — Adviser to the Chairman of the Gazprombank Board of Directors

Maxim Sokolov — First Deputy General Director of the LSR Group

Members of the Committee after the Annual General Meeting of Shareholders of Zarubezhneft (from September 30, 2020 to December 31, 2020):

Pavel Kadochnikov — Russian Deputy Minister of Finance (Committee Chairman)

Karen Karapetyan — Adviser to the Chairman of the Gazprombank Board of Directors

Alexey Kozlov — Aide to the Russian Deputy Prime Minister

According to the Regulation on the Audit Committee, its purview, among other things, includes:

- ▶ Reviewing the annual report and financial statements
- ▶ Reviewing the results of the achievement of target financial indicators and the reasons for deviations
- ▶ Reviewing the organization of the risk management system
- ▶ Reviewing the procedures used to select an auditor
- ▶ Reviewing the plans and performance of the Company's Internal Audit Service
- ▶ Reviewing the performance of the external auditor

In 2020, the Audit Committee held four meetings due to the restrictive measures in response to COVID-19.

Based on the meetings, the Audit Committee made recommendations on the following items:

- ▶ Approval of ZARUBEZHNEFT GROUP's Audit Plan and the budget of the Internal Audit Department of Zarubezhneft for 2021
- ▶ Amount of remuneration to members of the Board of Directors and the Revision Commission and payment of remuneration to the General Director
- ▶ Approval of a new version of the Regulation on Charitable and Sponsorship Activities

Moreover, the Audit Committee meetings reviewed the Audit Plans of the Company's RAS accounting (financial) statements and the consolidated IFRS financial statements, the results of an assessment of the quality of interaction between Zarubezhneft and external auditors as well as a report on the external independent assessment of the maturity level of ZARUBEZHNEFT GROUP's risk management system.

The Audit Committee also reviewed the results of the processing of the most significant messages received via the security hotline as part of the implementation of Methodological Recommendations on the Organization of the Work of the Boards of Directors of Publicly Owned Joint-Stock Companies (approved by Order No. 357 of the Federal Agency for State Property Management dated November 21, 2013) and the implementation of the best corporate governance practices at Zarubezhneft.

LIST OF ITEMS REVIEWED AT MEETINGS OF THE AUDIT COMMITTEE OF ZARUBEZHNEFT BOARD OF DIRECTORS IN 2020

Nº	Meeting/ Meeting format	Date of the meeting	Meeting agenda	Members of the Audit Committee who participated in the meeting
1	Meeting of the Audit Committee in absentia	March 16, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Audit Plan of ZARUBEZHNEFT GROUP and the results of the activities of the Zarubezhneft Internal Audit Department for 2019. 2. Review of the Report of the Audit Committee of the Board of Directors for 2019. 	K. Karapetyan M. Sokolov
2	Joint meeting of the HR and Remuneration Committee and the Audit Committee/ in absentia	May 20, 2020	<ol style="list-style-type: none"> 1. Review of proposals on the amount of remuneration paid to members of the Board of Directors. 2. Review of proposals on the amount of remuneration paid to members of the Revision Commission. 3. Payment of annual remuneration to the General Director. 	K. Karapetyan M. Sokolov
3	Meeting of the Audit Committee in absentia	October 26, 2020	<ol style="list-style-type: none"> 1. Changes to the Audit Plan of ZARUBEZHNEFT GROUP in the fourth quarter of 2020. 2. Review of the results of the processing of the most significant messages received via the security hotline. 	P. Kadochnikov K. Karapetyan A. Kozlov
4	Meeting of the Audit Committee in absentia	December 4, 2020	<ol style="list-style-type: none"> 1. Review of the Audit Plan of the RAS accounting (financial) statements of Zarubezhneft. 2. Review of the Audit Plan of the consolidated IFRS financial statements of ZARUBEZHNEFT GROUP. 3. Review of the Audit Plan of ZARUBEZHNEFT GROUP and the budget of the Internal Audit Department of Zarubezhneft for 2020. 4. Assessment of the quality of interaction of Zarubezhneft with external auditors. 5. Review of the report on the external independent assessment of the maturity level of the risk management system of ZARUBEZHNEFT GROUP. 6. Review of the new version of the Regulation on Charitable and Sponsorship Activities. 	P. Kadochnikov K. Karapetyan A. Kozlov

HR and Remuneration Committee

Members of the HR and Remuneration Committee of the Board of Directors of Zarubezhneft in 2020

Members of the Committee prior to the Annual General Meeting of Shareholders of Zarubezhneft (from January 1, 2020 to August 27, 2020):

Pavel Sorokin — Russian Deputy Minister of Energy (Committee Chairman)

Karen Karapetyan — Adviser to the Chairman of the Gazprombank Board of Directors

Maxim Sokolov — First Deputy General Director of LSR Group

Members of the Committee after the Annual General Meeting of Shareholders of Zarubezhneft (from September 30, 2020 to December 31, 2020):

Oksana Tarasenko — Russian Deputy Minister of Economic Development (Committee Chairman)

Karen Karapetyan — Adviser to the Chairman of the Gazprombank Board of Directors

Vladimir Furgalskiy — Director of the Department for Corporate Policy and Property Relations in the Fuel and Energy Industry Branches of the Russian Ministry of Energy

According to the Regulation on the HR and Remuneration Committee of the Board of Directors, its purview, among other things, includes:

- ▶ Preparing recommendations on staff policy issues and the motivation of the Company's employees
- ▶ Supervising the introduction and implementation of the Company's remuneration policy and various incentive programs
- ▶ Preparing recommendations on the amount of remuneration for members of the Board of Directors and the Company's senior executives
- ▶ Improving the Company's KPI system
- ▶ Reviewing reports on the Company's achievement of target KPIs

In 2020, the HR and Remuneration Committee held eight meetings, each of which was attended by all the elected HR and Remuneration Committee members.

Based on the Committee meetings, the Board of Directors was given recommendations on the following issues that determine the remuneration system for the Company's senior executives, the Board of Directors, and the Revision Commission:

- ▶ Approval of the Report on the Achievement of Target Corporate KPIs of Zarubezhneft for 2019
- ▶ Review of quarterly reports on the implementation of corporate KPIs for 2020
- ▶ Payment of remuneration to the General Director
- ▶ Amount of remuneration for members of the Board of Directors and the Revision Commission

The HR and Remuneration Committee has also recommended that the Board of Directors approved the updated certificate of the corporate KPI 'Labor Productivity' and the Regulation on the Long-Term Development Program and Assessment of the Fulfillment of the KPIs of Zarubezhneft.

LIST OF ITEMS REVIEWED AT MEETINGS OF THE HR AND REMUNERATION COMMITTEE OF ZARUBEZHNEFT BOARD OF DIRECTORS IN 2020

Nº	Meeting/ Meeting format	Date of the meeting	Meeting agenda	Members of the HR and Remuneration Committee who participated in the meeting
1	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	February 7, 2020	<ol style="list-style-type: none"> 1. Update to the certificate and the KPI target 'Labor Productivity'. 2. Review of the new version of Appendix No. 6 to the Long-Term Development Program 'Labor Productivity Improvement Program of Zarubezhneft'. 	K. Karapetyan M. Sokolov P. Sorokin
2	Meeting of the HR and Remuneration Committee in absentia	March 11, 2020	<ol style="list-style-type: none"> 1. Review of the Report of the HR and Remuneration Committee of the Zarubezhneft Board of Directors for 2019. 	K. Karapetyan M. Sokolov P. Sorokin
3	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	May 14, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Achievement of the Target Corporate KPIs of Zarubezhneft for 2019. 2. Review of the Report on the Implementation of Zarubezhneft's Long-Term Development Program for 2019. 	K. Karapetyan M. Sokolov P. Sorokin
4	Joint meeting of the HR and Remuneration Committee and the Audit Committee/ in absentia	May 20, 2020	<ol style="list-style-type: none"> 1. Review of proposals on the amount of remuneration for members of the Zarubezhneft Board of Directors. 2. Review of proposals on the amount of remuneration for members of the Zarubezhneft Revision Commission. 3. Payment of annual remuneration to the General Director. 	K. Karapetyan M. Sokolov P. Sorokin
5	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	June 10, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for the first quarter of 2020. 2. Review of the Report on the Achievement of the Target Corporate KPIs of Zarubezhneft according to projections until the end of 2020, taking into account the data for the first three months. 	K. Karapetyan M. Sokolov P. Sorokin
6	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	November 6, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of the Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP for the first nine months of 2020. 2. Review of the Report on the Achievement of the Target Corporate KPIs of Zarubezhneft according to projections until the end of 2020, taking into account the data for the first nine months. 	K. Karapetyan O. Tarasenko V. Furgalskiy
7	Meeting of the HR and Remuneration Committee in absentia	December 7, 2020	<ol style="list-style-type: none"> 1. Review of the Report on the Implementation of Professional Standards. 	K. Karapetyan O. Tarasenko V. Furgalskiy
8	Joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee/ in absentia	December 18, 2020	<ol style="list-style-type: none"> 1. Update to the Long-Term Development Program of Zarubezhneft. 2. Review of the Regulation for the Long-Term Development Program and the Assessment of the Fulfillment of KPIs of Zarubezhneft. 	K. Karapetyan O. Tarasenko V. Furgalskiy



SOLE EXECUTIVE BODY

The sole executive body of Zarubezhneft performs its activities in accordance with the Regulation on the Sole Executive Body (General Director) of Zarubezhneft (approved by Directive No. 522-r of the Federal Agency for State Property Management dated June 30, 2016).

All payments to the sole executive body are made under an employment contract and based on:

- ▶ Regulation on the KPI of Zarubezhneft
- ▶ Regulation on Remuneration and Incentives for Employees of Zarubezhneft
- ▶ Regulation on Annual Remuneration for Senior Executives of Zarubezhneft
- ▶ Regulation on Social Guarantees for Employees and Retirees of Zarubezhneft

MANAGEMENT BOARD



SERGEY KUDRYASHOV

General Director

Sergey Kudryashov, born: 1967. He has extensive experience working in senior positions in companies of the fuel and energy industry.

1991: Graduated from Kuibyshev Polytechnic Institute.

2006: Received a Master of Business Administration (Executive MBA) degree at the Stockholm School of Economics.

1991: Started his career at Nizhnevartovskneft, working his way up from Chief Engineer to Deputy General Director and Head of a large oil field.

2002–2003: Deputy Manager of Tomskneft VNK and Head of Strezhevoyneft Oil and Gas Production Directorate.

2003–2005: Managing Director of Yuganskneftegaz and Vice-President of YUKOS EP.

2005: First Vice President of Rosneft Oil Company, in charge of the company's production sector.

2008 – July 11, 2012: Russian Deputy Minister of Energy, in charge of issues related to the activities of the Russian oil and gas industry.

July 2012: First Deputy General Director of Zarubezhneft.

Since December 28, 2012: General Director of Zarubezhneft.

Sergey Kudryashov is also Head of the Working Group of the Commission on the Fuel and Energy Industry and Environmental Safety Development Strategy under the Russian President.

He does not own any shares in Zarubezhneft.





DENIS MAXIMOV

Deputy General Director
for Economics and
Finance

Denis Maximov, born: 1984.

2006: Obtained a higher education with a degree in Accounting, Analysis, and Audit.

2011: obtained a second higher education with a degree in Jurisprudence. Holds an ACCA (Association of Chartered Certified Accountants) Diploma in International Financial Reporting (DipIFR).

2004–2013: Held various positions in the finance and economic unit of Orenburgneft.

2013–2016: Deputy General Director for Economics and Finance at JC RUSVIETPETRO.

2016: Deputy General Director of Zarubezhneft for Economics and Finance.

Awarded an Honorary Certificate by the Vietnamese Ministry of Industry and Trade.

He does not own any shares in Zarubezhneft.



OLEG AKIMOV

Deputy General Director
for Production

Oleg Akimov, born: 1977.

1999: Graduated from Gubkin Russian State University of Oil and Gas with a degree in Development and Operation of Oil and Gas Fields.

1999: Started his career at Yuganskneftegaz as a well survey operator before working his way up to Chief Engineer.

2011: Obtained an MBA from Moscow State Institute of International Relations (University) of the Russian Ministry of Foreign Affairs (Development and Operation of Oil and Gas Wells).

2011: Earned the degree of Candidate of Technical Sciences.

2006–2015: Served as Head of the Regional Engineering and Process Department, then Chief Engineer of the Production Department, then Head of the Production Department, then First Deputy General Director for Production and Chief Engineer.

2015: Promoted to Adviser to the Zarubezhneft General Director.

2016: Chief Engineer of ZARUBEZHNEFT-Dobycha Kharyaga.

2017: General Director of ZARUBEZHNEFT-Dobycha Kharyaga.

Since May 2019: Deputy General Director for Production of Zarubezhneft.

During his more than 20 years of work in the oil and gas industry, he has frequently been awarded honorary distinctions, including a Certificate of Acknowledgement and Honorary Certificate from the Russian Ministry of Energy as well as an Honorary Certificate and Letter of Acknowledgement from the Governor of the Nenets Autonomous Area. In 2017, he was awarded the title of Honored Oil Worker by an order of the Russian Ministry of Energy.

He does not own any shares in Zarubezhneft.



IGOR AFANASIEV

Deputy General Director
for Geology and
Development

Igor Afanasiev, born: 1972.

1994: Graduated from Novosibirsk State University.

2002–2004: Worked at YuganskNIPineft (Ufa).

2005–2006: Head of the Department of the Reservoir Management Program at the Corporate Research Center of Rosneft Oil Company.

2006: Promoted to Deputy Director of the Corporate Research Center of Rosneft Oil Company.

Since 2007: Director of the Field Development Department of Rosneft Oil Company.

Since August 2014: Deputy General Director for Geology and Development of Zarubezhneft.

He does not own any shares in Zarubezhneft.



DENIS ULITIN

Deputy General Director
for Organizational
Development
and Corporate
Communications

Denis Ulitin, born: 1978.

2000: Graduated from Novosibirsk State Academy of Economics and Management with a degree in Finance and Credit. 2009: Completed the Executive Education Program for Russian Oil and Gas Industry Managers: 'Oil and Gas Industry: Major Project Management at the Moscow School of Management SKOLKOVO.

2001–2005: Held various positions at Yuganskneftegaz.

2005–2010: Aide to the First Vice President of Rosneft Oil Company.

2011–2012: Deputy Director of the Department of Oil and Gas Production and Transportation of the Russian Ministry of Energy.

January 2013: Appointed Head of the Administrative Office of the General Director of Zarubezhneft.

Since February 2015: Deputy General Director for Organizational Development and Corporate Communications of Zarubezhneft.

He has departmental awards from the Russian Ministry of Energy.

He does not own any shares in Zarubezhneft.



IGOR SCHELKUNOV

Deputy General Director
for Downstream

Igor Shchelkunov, born: 1967.

1992: Graduated from the Oil and Gas Industry Faculty of the Lenin Komsomol Tyumen Industrial Institute with a major in Technology and Complex Mechanization of Oil and Gas Field Development and the qualification of a Mining Engineer.

2007–2009: Completed a Joint Program with Kingston University (London) at the Academy of National Economy under the Government of the Russian Federation and obtained a Master of Business Administration (MBA).

1988–1997: Worked as an oil and gas production operator, 3rd category process engineer, 1st category geologist, deputy workshop head, then Head of the Department of Research and Production at the Yuganskneft Oil and Gas Production Directorate and Yuganskneftegaz.

1997–2005: Deputy Head, then Head of the HR Policy Department, and then Director of HR Policy at Yuganskneftegaz.

2005–2007: Head of the HR Policy Department at MCC EuroChem.

2007–2017: Administrative Director of MCC EuroChem and Member of the Board of Directors of MCC EuroChem.

2017–2018: Head of the Oil and Gas Division, Member of the Board of Directors of EuroChem Group AG (Zug, Switzerland), and Member of the Board of Directors of MCC EuroChem (Moscow).

2018–2020: Deputy General Director for Downstream and for General HR Management of Zarubezhneft.

Since 2020: Deputy General Director for Downstream of Zarubezhneft.

He has state awards from the USSR and the Russian Federation.

He does not own any shares in Zarubezhneft.



KIRILL KOCHETKOV

Deputy General Director
for Legal and Corporate
Affairs

Kirill Kochetkov, born: 1971.

1994: Graduated with honors from Sergo Ordzhonikidze Moscow Aviation Institute with a degree in Automated Information Processing and Management Systems. 2003: Graduated from Moscow State Law Academy with a degree in Jurisprudence. Fluent in English.

1994: Held senior positions, including in companies of the fuel and energy industry.

2010–2015: Head of the Legal Department of Stockman Development AG, a joint venture of Gazprom, Total (France) and Statoil (Norway), that was established to build and operate the development facilities of the Shtokman gas condensate field.

Since 2015: Started his career at Zarubezhneft Group.

2016–2018: Deputy General Director of ZARUBEZHNEFT-Dobycha Kharyaga, in charge of legal and corporate affairs.

Since July 2018: Appointed Deputy General Director for Legal and Corporate Affairs of Zarubezhneft.

He has a Certificate of Acknowledgement from the Russian Ministry of Energy and Zarubezhneft.

2017: Named to the list of top 100 lawyers according to the Legal 500.

He does not own any shares in Zarubezhneft.



ALEXANDER BELOV

Deputy General
Director for Business
Development

Alexander Belov, born: 1965.

1989: Graduated from Kuybyshev Polytechnic Institute (Petroleum Faculty) with a degree in Technology and Complex Mechanization of Oil and Gas Field Development. Has training certificates from the George Washington University School of Business and Public Management and ESI INTERNATIONAL. Completed a course at the Skolkovo Design Academy.

1989–1996: Worked at oil and gas production fields in the Kholmogorneft Oil and Gas Production Directorate (Noyabrskneftegaz).

1996–2005: Worked his way up from field head to Head of the Yuzhorenburneft Oil and Gas Production Department (Orenburgneft). Served as Head of the Orenburg South Production Unit at TNK-BP.

2005–2007: Deputy General Director for Production of ROSSGAZ.

2007–2009: President and General Director of the SNG GISSAR OPERATING IE of LUKOIL-Overseas in Tashkent.

2009–2013: Held senior positions at companies of Gazprom Neft: General Director of Gazpromneft-Angara, Head of the Upstream Unit of SIBERIA ENERGY, and General Director of Gazprom Neft Orenburg.

2014–2015: General Director of Preobrazhenskneft of RussNeft OC.

2015–2019: Deputy General Director for Production at Gazprom Dobycha Shelf Yuzhno-Sakhalinsk, in charge of the development of new assets in the Orenburg Region.

Since 2019: Deputy General Director for Business Development of Zarubezhneft.

He has corporate and departmental awards from the Russian Ministry of Energy as well as the title of Honored Oil Worker.

He does not own any shares in Zarubezhneft.

REVISION COMMISSION

The Revision Commission monitors the financial and economic activities of the Company as well as its units and services.

In 2019, based on Directive No. 409-r of the Federal Agency for State Property Management dated June 30, 2019 "On the Decisions of the Annual General Meeting of Shareholders of Zarubezhneft", the Revision Commission of Zarubezhneft was elected with the following members:

NAME	POSITION
Alexander Bogashov	Minister of Property of the Chelyabinsk Region
Natalya Annikova	Adviser to the Rector for Economics and Finance at Gnesin Russian Academy of Music
Anna Mozhayeva	Assistant in the Gas and Oil Industry Development Division of the Department for the State Regulation of Tariffs, Infrastructure Reforms, and Energy Efficiency of the Russian Ministry of Economic Development

The Revision Commission audited the Company's financial and economic activities for 2019 over the period from April 1 to April 24, 2020. Based on the audit findings, the Revision Commission confirmed the accuracy of the data contained in the accounting (financial) statements and the Annual Report of Zarubezhneft for 2019.

In addition, the Revision Commission audited the Company's compliance with the instructions given by the Russian President and Government on the following issues:

- ▶ Disposal of non-core assets
- ▶ Procurement
- ▶ Operating expenses
- ▶ Efficiency Improvement and Cost Optimization Program
- ▶ Long-Term Development Program
- ▶ Analysis of directives received in 2019.

Based on Directive No. 337-r of the Federal Agency for State Property Management dated August 27, 2020 "On the Decisions of the Annual General Meeting of Shareholders of Zarubezhneft", the Revision Commission of Zarubezhneft was elected with the following members:

NAME	POSITION
Tatyana Zobkova	Director of the Department of Corporate Governance, Pricing Environment, and Control and Auditing Work in the Fuel and Energy Sector of the Ministry of Energy of the Russian Federation
Natalya Annikova	Independent expert
Anna Mozhayeva	Independent expert

In accordance with Directive No. 337-r of the Federal Agency for State Property Management dated August 27, 2020 "On the Decisions of the Annual General Meeting of Shareholders of Zarubezhneft", members of the Revision Commission were paid remuneration of RUB 200,000 for their work in the 2019–2020 corporate year.

Remuneration to members of the Revision Commission who are not public sector employees is paid under the Regulation on Remuneration and Compensation for Members of the Zarubezhneft Revision Commission¹.

From January 1 to December 31, 2020, the Revision Commission held four meetings at which it addressed, among other things, the following issues:

- ▶ An additional request for information for the audit of financial and economic activities for 2019
- ▶ The approval of the Report and the Revision Commission's opinion on the audit findings of the Company's activities for 2019
- ▶ The election of the Chairman and Secretary of the Revision Commission for the 2020–2021 corporate year
- ▶ The approval of the Program and Work Plan of the Revision Commission for the 2020–2021 corporate year
- ▶ A request for information and materials to monitor selected areas of the Company's activities and monitor compliance with the requirements of external regulatory authorities

The Revision Commission did not issue any recommendations based on its 2019 audit findings.

¹. The Regulation on Remuneration and Compensation for Members of the Revision Commission of Zarubezhneft was approved by Directive No. 499-r of the Federal Agency for State Property Management dated June 30, 2018 "On the Decisions of the Annual General Meeting of Shareholders of Zarubezhneft".

INTERNAL AUDIT

AND INTERNAL CONTROL SYSTEM

Within the corporate governance system of Zarubezhneft, the Internal Audit Department performs the function of providing the Audit Committee and the General Director with independent and objective information on the reliability and effectiveness of the Company's governance system.

The Department's activities aim to ensure transparency and economic efficiency in all areas of the Company's operations.

The functional principles of the Internal Audit Department are enshrined in the Corporate Governance Code of Zarubezhneft (Clause 3.17). In its activities, the Department is guided by the Regulation on Internal Audit of Zarubezhneft, Internal Audit Planning and Methodology, and the Regulation on the Internal Audit Department.

The main objective of the internal audit of Zarubezhneft is to assess the effectiveness of the risk management system and express an opinion on the reliability and effectiveness of the internal control and corporate governance system throughout the Group.

In accordance with the Code of Corporate Governance of Zarubezhneft (Clause 3.4.4), the Internal Audit Department is accountable to the Board of Directors. The existing reporting sequence of the Internal Audit Department to the Company's Board of Directors and executive bodies ensures sufficient independence to perform the functions entrusted to the Internal Audit Department.

The Code of Corporate Governance of Zarubezhneft (Clause 3.8) stipulates that the main function of the Internal Audit Department is to conduct internal audits.

The annual internal audit plan and the report on the Department's activities are approved by the Audit Committee and reviewed by the Board of Directors.

Key focuses of the internal audit in 2020:

- ▶ Assessment of the compilation of corporate KPIs (on a quarterly basis)
- ▶ Process of the disposal of non-core assets of ZARUBEZHNEFT GROUP (on a quarterly basis)
- ▶ Risk management process at ZARUBEZHNEFT GROUP (on an annual basis)
- ▶ Effectiveness of the internal control system in implementing production well construction projects
- ▶ Effectiveness of the internal control system in developing wells after drilling, well servicing and workover (WSW), and the acceptance of completed works and services
- ▶ Effectiveness of the internal control system in information technology management procedures
- ▶ Contract management business process as regards the execution of contractual terms with contractors
- ▶ Process of archival storage of documentation at Zarubezhneft subsidiaries
- ▶ Process of forming, monitoring, and assessing the fulfillment of KPIs by Zarubezhneft subsidiaries

In addition, during the reporting period, the internal control and risk management system as regards anti-corruption was audited with the hiring of external consultants.

Besides the audits, the Internal Audit Department conducted a number of unscheduled audits on behalf of the General Director.

The Internal Audit Department is the owner of the business process 'Audits of Subsidiaries'. As part of the Regulation on the Audits of Subsidiaries, it coordinates audits and also prepares audit reports and opinions. The Department continuously monitors the implementation of recommendations based on the findings of internal auditing and audit activities that aim to improve internal control, risk management, and corporate governance systems.

In order to improve the regulatory framework for auditing, a new version of the Regulation on the Audits of Subsidiaries of Zarubezhneft was approved in 2020.

In 2020, the project 'Automation of the Audit Process of Subsidiaries' was initiated. The automated audit system will be put into operation in 2021.

As part of the development and improvement of the internal audit function as recommended by external consultants, the Department carried out the following activities:

- ▶ The annual audit plan was compiled using a risk-based approach based on the 'audit universe', with an analysis of the audit findings for previous periods, and an evaluation and ranking of audit items taking into account the opinion of the management team
- ▶ The 'Matrix of Increased Management Attention' and 'Matrix of Repeat Violations' were integrated into the process of monitoring the elimination of discrepancies identified during audits
- ▶ An algorithm for evaluating the internal control system of the processes being audited was introduced in the auditing practice process
- ▶ Work was carried out to develop the internal audit function for IT audits
- ▶ The effectiveness of the pricing system was assessed in order to reduce the risk of an unreasonable increase in the cost of works, services, materials, and resources when concluding works contracts

In accordance with the requirements of the International Standards for the Professional Practice of Internal Auditing, the Department employs:

- ▶ A procedure for confirming the independence and lack of conflict of interest among employees
- ▶ A unified system for recording violations revealed during audits and monitoring measures to eliminate them
- ▶ An internal audit quality management system (in accordance with the requirements of ISO 9001:2015)

Throughout the year, in order to develop professional expertise, employees of the Internal Audit Department took part in training events: training sessions, seminars, and strategy sessions.

Interaction between the Audit Committee and external auditor

The Company's internal audit unit (Internal Audit Department) and external auditors interacted based on the Policy of Interaction between the Audit Committee of the Zarubezhneft Board of Directors with External Auditors, which was approved by the Company as required by the methodological recommendations of the Federal Agency for State Property Management for organizing and conducting a mandatory audit of financial (accounting) statements.

As part of this interaction, the internal and external auditors primarily focused on the following issues in 2020:

- ▶ Assessment of non-current assets (impairment testing of assets)
- ▶ Assessment of the risks of the material misstatement of financial statements
- ▶ Assessment of the risk of fraud and bias in judgments and assessments
- ▶ Application of new standards in preparing consolidated financial statements
- ▶ Quality of interaction between the Company's responsible executives with the auditors of Nexia Pacioli and Deloitte & Touche CIS during the external audit

Based on the criteria recommended by the Federal Agency for State Property Management, the Internal Audit Department assessed the interaction between the Company and the external auditor, which led to the high quality of communications with the external auditors during the audit and preparation of the audit opinion. The assessment results were submitted to the Audit Committee in September 2020.



ANTI-CORRUPTION

Zarubezhneft operates in accordance with the principles of honesty, transparency, and integrity. All the Group's employees adhere to the principles of business ethics.

The results of the 2020 independent external audit of Zarubezhneft's compliance management system confirmed the effectiveness of the measures implemented by the Company to prevent and counter corporate fraud and corruption, compliance with the requirements of the law of the Russian Federation and the law of the countries where the Company operates, and a high level of compliance with the international standards ISO 19600:2014 'Compliance Management Systems' and ISO 37001:2016 'Anti-Bribery Management Systems'.

Zarubezhneft's compliance management system is a part of the corporate risk management and internal control system. The goal of the system is to ensure compliance with high standards of business ethics and prevent violations of the law and requirements of local regulatory documents.

In light of the expertise gained during the reporting year, the Unified System for Assessing the Risk of Corporate Fraud and Corruption for the Corporate Center and its subsidiaries was updated with a Scoring Model to assess the risk level and effectiveness of control procedures in business processes.

ZARUBEZHNEFT GROUP HAS ESTABLISHED AND OPERATES A SYSTEM OF CORPORATE STANDARDS THAT REGULATE ANTI-CORRUPTION ACTIVITIES:

#1

Code of Corporate Ethics

► Corporate Fraud Policy

#2

Anti-Corruption Policy

► Regulation on Conflict of Interest

During the reporting year, as part of the implementation of the 2018–2020 National Anti-Corruption Plan, the Company continued to improve the effectiveness of the established system for combating corporate fraud and corruption at all levels of corporate bodies.

2014–2016

Mechanism for managing Zarubezhneft's anti-corruption activities



Strategic level

management is carried out by the Company's executive bodies (General Director) and ZARUBEZHNEFT GROUP's Compliance Committee

- ▶ Current operational management of the system is carried out by the Company's responsible executives who are entrusted with the appropriate functions



Operational level

management is carried out by the heads of the Company's business units/functions and structural units

- ▶ Annual independent and objective assessment of the effectiveness of the risk management and internal control process on preventing and combating corruption is carried out by the Internal Audit Department with subsequent submission of the findings to the Board of Directors

Corporate governance

One of the key elements of Zarubezhneft's Compliance Management System is the training of its employees. Internal training programs encompass all categories of employees:

- ▶ For new employees of the Company, an interactive training course 'Anti-Corruption and Conflict Management' has been developed and included in the adaptation materials
- ▶ To maintain an appropriate level of awareness on anti-corruption issues among the workforce, corporate information resources post up-to-date reference materials on the specifics of business ethics in the countries where the Company operates and the anti-corruption requirements of Russian and foreign law
- ▶ The procedure of annually reviewing the Company's local regulatory documentation on combating corporate fraud and corruption is also being implemented

The Company's specialists responsible for organizing anti-corruption events received further training at one of Russia's leading universities in the advanced training program 'Practical Aspects of Combating Corruption'.

Zarubezhneft employees regularly take part in seminars, forums, and conferences organized by external providers on combating corporate fraud and corruption.

An anti-corruption seminar was held for the heads of business units/functions/structural units of Zarubezhneft and its subsidiaries with the participation of an international audit and consulting company.

In 2020, anti-corruption training was introduced for members of the Board of Directors. Information materials were developed on the current requirements of the laws of the Russian Federation and international law on preventing and combating corruption and measures taken by Zarubezhneft to develop the Compliance Management System, taking into account the specific aspects of the regulatory environment in the regions where the Company operates.

RISK MANAGEMENT SYSTEM

OF ZARUBEZHNEFT GROUP

The Risk Management System (RMS) of ZARUBEZHNEFT GROUP consists of a set of processes, policies, and procedures that are integrated into the Company's business processes, and provides a structured approach to assessing opportunities and risks for better management decision-making.

ZARUBEZHNEFT GROUP is committed to effectively managing risks and ensuring the Company's sustainable development, maximizing its shareholder value, and working to enhance competitiveness while preserving the government's interests.

Goals and objectives

Key risk management objectives:

- ▶ Improve the effectiveness of management decisions by analyzing their inherent risks
- ▶ Maximize the effectiveness of risk management measures when implementing the decisions that have been adopted

Key risk management tasks:

- ▶ Conducting a cross-functional review of risk information between the Group's structural units and the joint development of risk management measures
- ▶ Using a systematic approach to identify, analyze, and assess risks that are inherent in the Group's activities
- ▶ Establishing a risk management culture at the Group to reach a common understanding among management and employees on the basic principles and approaches to risk management
- ▶ Providing information to support decision-making at all governance levels of the Group

Responsibility for risk management and reporting is determined in conformity with the line and staff management system: an owner is assigned for each risk and is responsible for its management.

KEY INTERNAL REGULATORY DOCUMENTATION REGULATING THE ACTIVITIES OF THE RMS:

Risk Management Policy of ZARUBEZHNEFT GROUP dated June 27, 2016

approved by Minutes No. 124 of the Board of Directors

Standard for the Business Process Risk Management of ZARUBEZHNEFT GROUP dated May 24, 2019

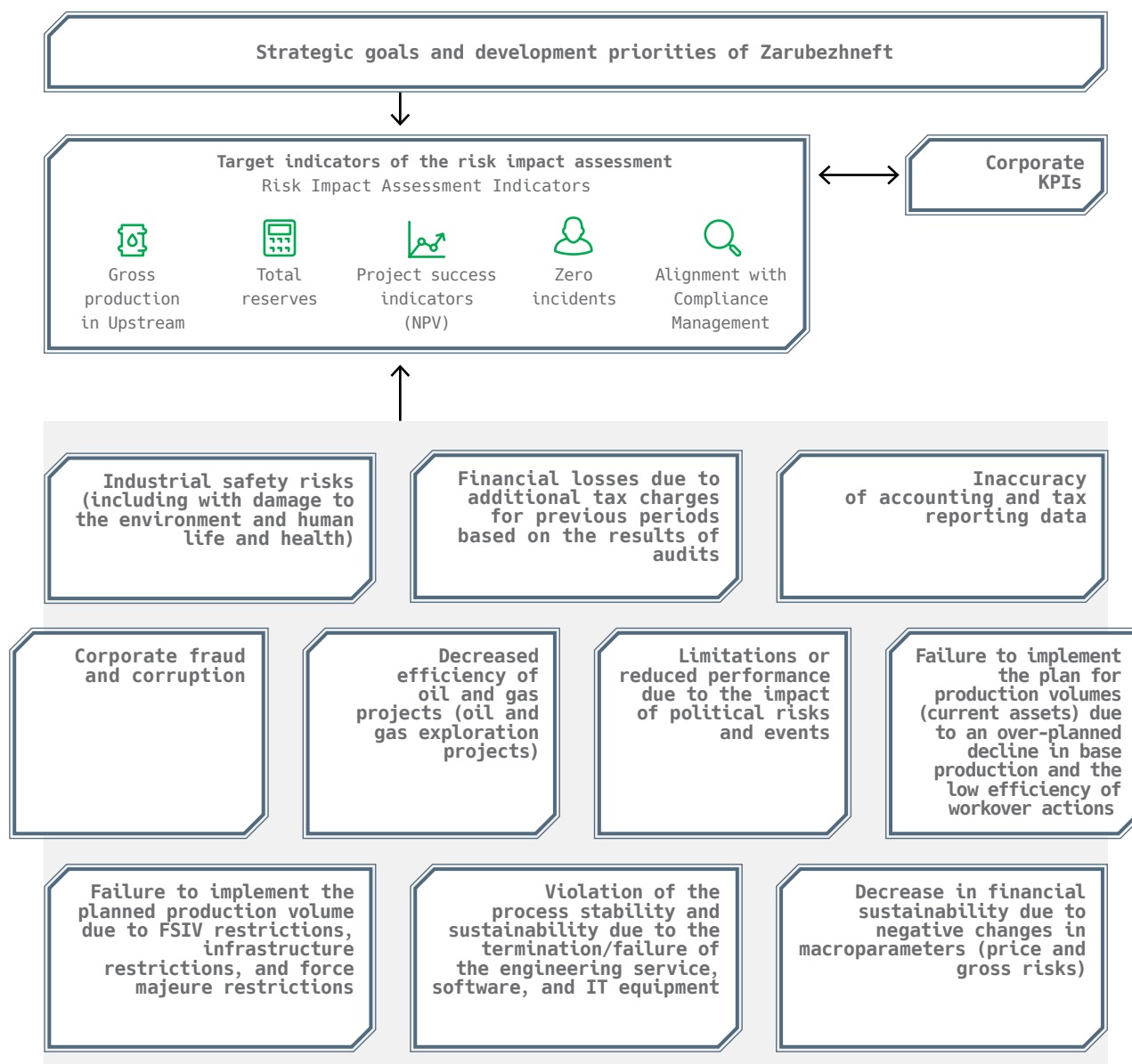
Order No. 147

Regulation on the Corporate Risk Management Committee of ZARUBEZHNEFT GROUP

Order No. 159 dated April 26, 2016

RMS = better management decision-making

STRATEGIC GOALS AND DEVELOPMENT PRIORITIES



In each Upstream, as well as in all key business processes, risk coordinators are identified among managers who disseminate and promote the introduction of corporate risk management principles. The timeframe and objectives of risk analysis take into account the

specifics and requirements of each business process in which risk management is carried out. The Department of Financial and Economic Controlling is responsible for methodological support and developing and maintaining the risk management system.

Risk Committee

	Risks at the Group level	Most significant upstream risks	Business development unit risks
Coordinators:	Deputy General Director for Economics and Finance, Deputy General Director for Organizational Development and Corporate Communications	Deputy General Director coordinating the Upstream (Upstream, Oil Refining and Sales, Services)	Deputy General Director for Business Development
Identification method	✓ top-down, the management strategy is determined by the Corporate Center	✓ bottom-up as part of business planning (risks are consolidated by assets) Risks of current assets	✓ top-down and bottom-up Risks of oil and gas exploration projects

The approach makes it possible to:

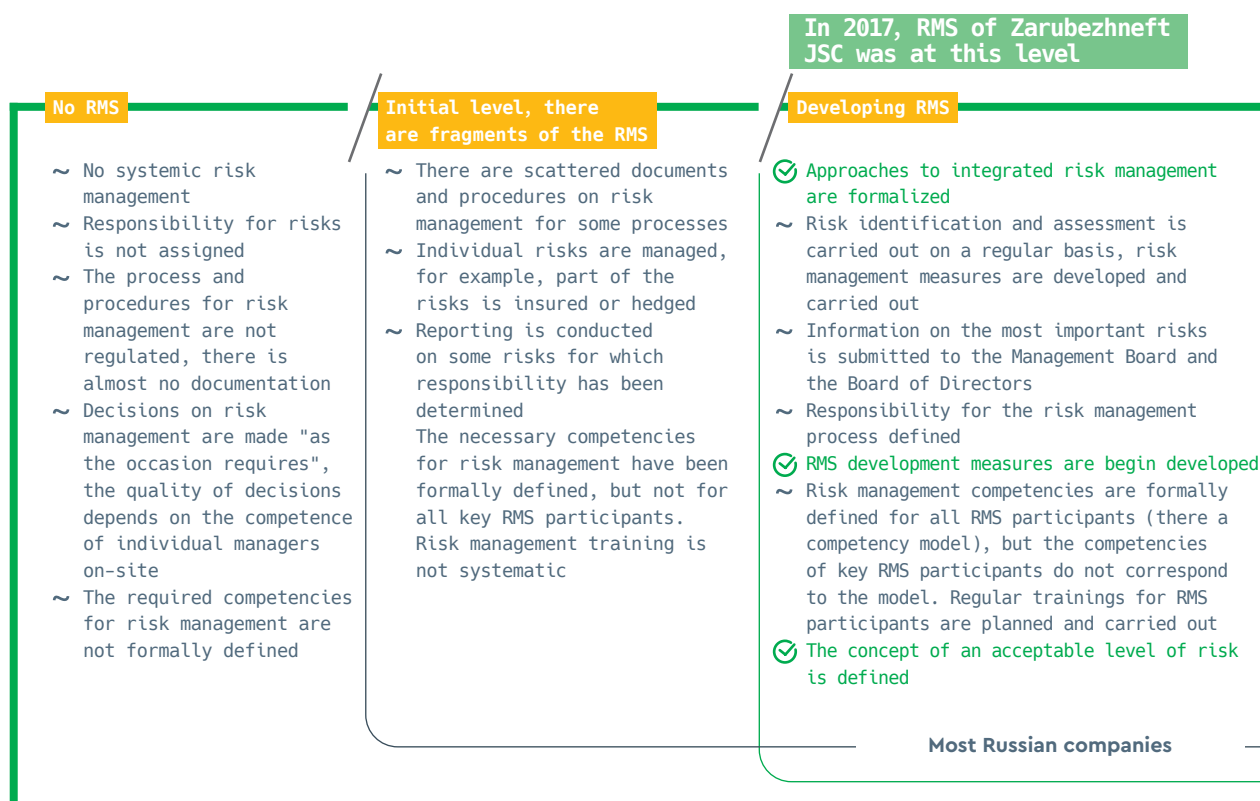
- ▶ Determine areas of responsibility for risk management
- ▶ Monitor risks at all governance levels of the Company
- ▶ Ensure the development of targeted plans in response to significant risks both at each subsidiary and within ZARUBEZHNEFT GROUP as a whole

Development of the risk management system

Improvements to risk management system at Zarubezhneft are made as required by law, international standards, and in line with the best practices for risk management:

- ▶ The Company's risk management system is continuously developing and improving
- ▶ The Group's key risks are processed on a systematic basis, relevant acceptable risk levels are determined, and a quantitative assessment is conducted of the impact on the Company's key performance indicators
- ▶ The indicators are monitored on a quarterly basis by the Risk Committee chaired by the Company's General Director

MATURITY MODEL OF THE RISK MANAGEMENT SYSTEM (RMS)



Risk management training

The Group attaches great importance to risk management training. In 2020, an online risk management course was developed in an effort to enhance employees' risk management skills. The course aims to develop risk-based thinking skills, which helps to identify, prioritize, and assess

the impact of risks on the Company's key goals or decisions and is recommended so that employees can study the basic theory and understand the importance of risk management in their professional activities

Assessment of the effectiveness of the risk management system

External assessment

Based on the directives of the Federal Agency for State Property Management and the Company's policy, independent consultants from RiskTeKonsult conducted a comprehensive assessment of the maturity level of the risk management system of Zarubezhneft in 2020. Assessment criteria used in 2017 were retained to compare the results of the external assessment of the risk management system in 2017 and in 2020.

Results:

Following the assessments by the consultants, Zarubezhneft significantly improved its results as compared with 2017 mainly due to the integration of risk management processes into key management processes, such as business planning and investment project management. Tools for the acceptable risk level were introduced into the management practice. The Company's managers recognize the value of the risk management process. Risk assessment skills at the Group has significantly increased, and the relevant training sessions and seminars are being held. The Company uses modern methods of quantitative risk assessment.

Now, RMS of JSC Zarubezhneft is at this level with partial compliance with a higher level – score 4.5

Measurable and manageable RMS

- ~ The leadership of the organization sets the pace and is responsible for risk management
- ✓ Risk management process is coordinated throughout the company
- ✓ Risk management reporting for all stakeholders is developed
- ~ Periodic assessment of RMS effectiveness is carried out
- ✓ There is a transparent target model of risk management competencies for each key RMS participant. The real competencies of the RMS participants basically correspond to the model. Training of RMS participants on the development of competencies is planned and conducted
- ✓ Acceptable risk levels are determined and cascaded

Integrated RMS implemented in the organization

- ✓ Risk management processes are integrated into the key management processes of the company (planning, budgeting, control, performance assessment, etc.)
- ✓ Timely correction of the company's plans is carried out taking into account information about risks
- ✓ Risk management processes are automated
- ~ There are business continuity management procedures and plans in the event of crisis scenarios
- ✓ Management and shareholders recognize the added value of risk management
- ✓ Risk management competencies are included in the list of mandatory competencies for employees of all key functions of the organization, which are regularly tested
- The real competencies of RMS participants and employees of key functions of the organization correspond to the target competency model
- Key management decisions are made given the acceptable risk level and risk management

Key achievements for 2017–2020:

- ✓ Full compliance with the criterion achieved
- ✓ Partial compliance with criterion achieved
- ~ Compliance with the criterion remained the same

Most mature global companies

RMS Maturity Model. The RMS Maturity of Zarubezhneft is assessed as a 'Measurable and manageable RMS'. Thus, the independent assessment conducted by RiskTeKonsult confirms the transition of the risk management system from level 3 'Developing RMS' to level 4 'Measurable and manageable RMS with partial compliance with a higher level'. The overall score was 4.5.

Internal assessment

In addition, the Zarubezhneft Internal Audit Department assessed the effectiveness of the Group's risk management process. As part of the audit, the risk management system was given a positive assessment regarding its maturity and operational efficiency (the audit was carried out in line with the criteria set out in Letter No. 06-52/2463 of the Bank of Russia "On the Corporate Governance Code" dated April 10, 2014).

Acceptable risk level

Zarubezhneft defines its level of preferred risk as acceptable — the maximum permissible risk level which the Company and its subsidiaries are committed to or ready to maintain (according to the Risk Management Policy of ZARUBEZHNEFT GROUP approved by a resolution of the Zarubezhneft Board of Directors, Minutes No. 125 dated May 27, 2016).

Zarubezhneft establishes and formalizes an acceptable risk level and its accounting requirements with regard to financial and operational performance indicators.

This approach is governed by the following internal regulations:

- ▶ Regulation on Key Performance Indicators of Zarubezhneft approved by the resolution of the Board of Directors (Minutes No. 189 dated January 29, 2021)
- ▶ Policy on the Protection of Health, Labor, Environment, Safety, and Social Responsibility (Minutes No. 133 dated December 27, 2016) within the Regulation on the Quality Management System of Zarubezhneft
- ▶ 'BR 0B-06 Risk Management' Standard for the Risk Management Business Process of ZARUBEZHNEFT GROUP (approved on May 24, 2019)

Description of key risks inherent in the company's activities and regulation measures

The key risks matrix of Zarubezhneft is compiled annually and reflects the results of risk assessment, including with a graphical display, a list of critical risks, and the disclosure of information about them. Key risks are ones that cause the threat of deviation from the Group's objectives and require priority management and control to meet the acceptable level of risk.



KEY RISKS INHERENT IN THE COMPANY'S ACTIVITIES

Risk	Risk group
Industrial safety risks (including damage to the environment and human life and health)	
1 Industrial safety risks (including damage to the environment and human life and health)	Industrial safety risks are the most significant group due to legal requirements and the presence of a large number of hazardous production facilities. They include: <ul style="list-style-type: none">▶ Threat to the life and health of workers due to the spread of COVID-19 in the countries of ongoing operations▶ Accidents with workers and third parties▶ Manmade accidents and catastrophes▶ Failure to comply with the requirements of industrial safety legislation▶ Failure to comply with the requirements of environmental safety legislation.
Geological uncertainties	
2 Failure to fulfill the production volume (current assets) plan due to an unplanned decrease in core production, the low efficiency of geological and technological measures, or the cancellation/deferment of geological and technological measures	Risks (uncertainties) associated with the insufficiency of information about the geological structure of deposits, the volume of reserves, etc.
3 Failure to fulfill the planned volume of an increase in reserves from the GEA (geological exploration activities) of current assets due to the failure to confirm reserves or the cancellation/deferment of the exploration of GEA	
Risks of implementation of investment projects	
4 Decrease in the efficiency of oil and gas projects (new projects and GEA projects)	All risks involving the Company's investment projects, including a lack of infrastructure that provides year-round activities, a lack of experience in implementing similar projects in similar conditions, the growing technological complexity of projects, a different vision of the project's development strategy among participants, and so on.
5 Cost overruns of building infrastructure in capital construction	
6 Failure to fulfill the planned volume of production and increase reserves from joining new projects due to a lag in joining new projects and/or a decrease in their efficiency during the evaluation stages	
Licensing risks	
7 Financial and reputational losses due to the failure to comply with the terms of license obligations	Risks of claims by the state regulatory authorities in connection with the violation of the terms of licensing agreements (hydrocarbons exploration and production licenses), up to the revocation of licenses.
Logistics limitations	
8 Failure to meet production targets due to constraints by the federal executive authorities, infrastructure constraints, and constraints due to force majeure	Interruptions/disruptions in oil transportation due to infrastructure constraints.
9 Decrease in the efficiency of oil sales due to the loss of markets, reduced margins, rising commercial costs, or a lack of sales opportunities in separate areas	
Change in macroeconomic parameters	
10 Negative change in macroeconomic parameters: oil price, RUB/USD exchange rate	The probability of changes in the cross exchange rates of major currencies and their negative impact on financial reporting and/or cash flow indicators.

Risk	Risk group
Corporate fraud and corruption	
11 Corporate fraud and corruption	The involvement of the Company or its employees in corrupt activities, as well as the failure to comply with the laws of the Russian Federation and the countries where it operates entails the imposition of legal sanctions and/or other measures of influence by the state oversight institution, which could lead to significant financial losses and damage to the Company's reputation.
Political risk	
12 Constraints or a reduction in performance due to the impact of political risks and events	Zarubezhneft operates in the Middle East, Asia-Pacific Region, Eastern Europe, and the Russian Federation.
IT risks	
13 Financial and reputational damage due to the loss of confidential data (leakage) during the operation of IT services	Risks associated with the operation of IT systems (primarily production and calculation IT systems), projects for their development as well as the risk of the inability to purchase or use foreign software.
14 The disruption of process stability and sustainability due to the shutdown/disruption of the information system, software, or IT equipment	
15 The shutdown/disruption of production processes due to disruption of critical control systems	
Risks associated with changes in tax legislation	
16 Financial losses due to tax surcharges for previous periods based on audit results	The tax system of the Russian Federation is constantly developing and improving. A possible increase in taxes paid by the Company in the course of its business activities may lead to an increase in expenses and a decrease in cash volume available to the Company to finance current activities, capital expenditures, and the fulfillment of obligations. Virtually any company in Russia has the potential to incur losses because of claims from the tax authorities that may arise regarding past periods and current activities.
17 Decrease in performance efficiency due to changes in tax regulation in the Russian Federation or the countries of operation	
18 Inaccuracy of accounting and tax reporting data	

Zarubezhneft's operations are subject to a large number of risks, so effective risk management is a fundamental element of the strategy and an integral part of the company

The Company's relevant units develop risk management activities according to their functional areas, the specifics of each individual risk, its assessment, and the potential to reduce the possibility or consequences of risk materialization.

The risk management measures are included in key management documents — the Group's Long-Term Development Strategy, risk management plans within the business plans of the Group's companies, work plans of profile commissions and workgroups, and project datasheets. In addition, the Company drafts measures when conducting a detailed analysis of the Company's key business processes and identifying all possible reasons (factors) for the materialization of risks and formalizes them in the form of control procedures that are integrated into the operational activities of units.

Risks that materialized in 2020

Risk	Commentary
<p>○ Production safety risk (life and health of people, ecology, and reputation)</p> <p>Starting in April 2020, a number of COVID-19 cases were found among employees of ZARUBEZHNEFT GROUP. The mass spread of the virus throughout the Company was avoided.</p> <p>There were no cases of the infection among oil field employees.</p>	<p>Given the threat of the spread of the COVID-19 pandemic as well as the need to protect the life and health of employees, the Company took the following measures in 2020:</p> <ul style="list-style-type: none"> ▶ An operational headquarters was set up to monitor the COVID-19 situation ▶ Measures were introduced to prevent infection (remote work, social distancing, provision of employees with PPE, and testing) ▶ A unified shift change concept was developed <p>At the Baikal Risk Forum in 2020, the measures taken by the Company were recognized as the best practice in the industry.</p>
<p>○ Negative change in macro parameters (oil prices and exchange rate).</p> <p>There was a strong negative change in macro parameters in 2020 due to the reduction and subsequent long-term recovery of global hydrocarbon consumption (by 15–30%) as a result of the spread of COVID-19.</p>	<p>Optimization measures, which ensured the payment of dividends and the implementation of the investment program, were developed and introduced in an effort to offset the negative impact of macro parameters on the decrease in oil prices.</p>

Risks associated with information security (cybersecurity)

Ensuring information security is becoming an increasingly important task for the oil and gas industry. Information security threats increase the risk of emergencies and the scale of their consequences.

In accordance with Federal Law No. 187-FZ dated July 26, 2017 "On the Security of the Critical Information Infrastructure of the Russian Federation", the critical information infrastructure was categorized at the organizations of Zarubezhneft: a qualitative assessment was conducted of potential damage from the loss of the integrity of critical information infrastructure, confidentiality, and availability.

The Company has approved the cybersecurity concept of ZARUBEZHNEFT GROUP, and an information security center is being set up. The companies have deployed a set of information security systems to ensure the protection of critical information systems, developed and implemented a roadmap of IT projects to introduce modern IT solutions in information security, and are planning further measures to reduce risks.

DIVIDEND POLICY AND INFORMATION ON THE DISTRIBUTION

OF PROFIT GENERATED DURING THE REPORTING YEAR

The Regulation on the Dividend Policy of Zarubezhneft was approved by a resolution of the Board of Directors on January 30, 2015, Minutes No. 96. The new version of the Dividend Policy was approved by a resolution of the Board of Directors on February 16, 2017, Minutes No. 134.

The main purpose of the Company's Dividend Policy is to ensure the greatest possible transparency for the Company's shareholder of the process of deciding on the payment of dividends, determining the amount of dividends, and the procedure for their payment in accordance with the requirements of the legislation of the Russian Federation.

Zarubezhneft strives to ensure that dividends paid to the Russian Federation grow each year in accordance with the Dividend Policy. The dividend growth rate is determined by the growth rate of the Company's net profit, its financial standing, and investment projects that have been implemented.

55.5%

Net profit paid to the state as dividends

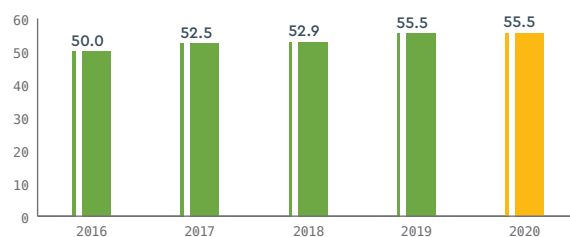
Basic principles of the Dividend Policy of Zarubezhneft:

- ▶ Observe the norms of the existing legislation of the Russian Federation, the Charter, and the Company's internal documents, including the compliance of the Company's practice of dividend accrual and payments with the legislation of the Russian Federation
- ▶ Observe the rights and interests of shareholders
- ▶ Strive to meet high standards of corporate governance
- ▶ Ensure that management and shareholders have an interest in increasing the Company's profit margins
- ▶ Enhance the Company's investment appeal
- ▶ Ensure positive dynamics in the amount of dividend payments based on growth in the Company's net profit
- ▶ Strive to ensure that shareholders can receive dividends in the most comfortable manner possible
- ▶ Strive to pay dividends in the shortest time possible
- ▶ Ensure the maximum transparency of the mechanism used to determine the amount of dividends

In order to ensure the transparency of the Dividend Policy, the Company places the Policy and any changes thereto on its official website:
<https://www.nestro.ru/en/>



PERCENTAGE PAYABLE AS DIVIDENDS VS NET PROFIT IN 2016–2020, %



RATIO OF NET PROFIT OF ZARUBEZHNEFT OF PREVIOUS YEAR AND ACCRUED DIVIDENDS IN 2016–2020, RUB bln



Zarubezhneft's dividend history for the last five years shows that the Company has had a stable position among the leading Russian companies in terms of the amount of dividends paid to the budget of the Russian Federation.

In accordance with Directive No. 337-r of the Federal Agency for State Property Management dated August 27, 2020 "On the Resolutions of the Annual General Meeting of Shareholders of Zarubezhneft Joint-Stock Company", net profit was distributed as follows:

- ▶ Payment of dividends — RUB 6,655,000,000, or 55.471% of net profit (executed by Payment Order No. 5421 dated October 20, 2020)
- ▶ Formation of the reserve fund — RUB 1,199,721,000, or 10% of net profit
- ▶ Payment of remuneration to members of the Board of Directors — RUB 27,009,000, or 0.225% of net profit
- ▶ Payment of remuneration to members of the Revision Commission — RUB 200,000 or 0.002% of net profit
- ▶ Funding of the investment plan of Zarubezhneft approved by a resolution of the Board of Directors (Minutes No. 175 dated December 26, 2019) — RUB 4,115,282,000, or 34.302% of net profit

11,997,212,000 RUB

Based on its performance in 2019, Zarubezhneft had net profit of

#6





APPENDIX



OFFICIAL INFORMATION ABOUT ZARUBEZHNEFT

Full name of the Company	Zarubezhneft Joint-Stock Company
Number and date of issuance of state registration certificate	Certificate series 77 No. 003280973 dated October 22 , 2004, OGRN 1047708046870
Constituent entity of the Russian Federation	Moscow
Location	101990, Moscow, 9/1/1 Armianskiy pereulok, bld. 1
Phone (fax)	+7 (495) 748-65-00
Email address	Email: nestro@nestro.ru
Information on inclusion in the list of strategic joint-stock companies	Yes
Full name and address of the registrar	ROST Independent Registrar Company, 107076, Moscow, 18 Stromynka St., bld. 5B, room IX
Size of registered charter capital as of December 31, 2020, RUB	50,729,067,000
Total number of issued shares	50,729,067
Number of ordinary shares	50,729,067
Nominal value of shares, RUB	1,000
State registration number of the issue of ordinary (preferred) shares and date of state registration	1-01-65072-D dated December 9, 2004
State registration number of additional issue of ordinary (preferred) shares and date of state registration (if the registration body has not canceled the individual number (code) of the additional issue of the Company's ordinary (preferred) shares as of the date of preliminary approval by the Board of Directors (Supervisory Board) of the Company's Annual Report)	1-01-65072-D dated April 19, 2005 1-01-65072-D dated July 10, 2007 1-01-65072-D dated September 25, 2007 1-01-65072-D-004D dated April 24, 2012
Number of preferred shares	None
Nominal value of preferred shares, RUB	None
Number of shares owned by the Russian Federation	50,729,067
Share of the Russian Federation in charter capital	100%
Company's shareholders with a more than 2% share of charter capital	Russian Federation as represented by the Federal Agency for State Property Management
Existence of a special right for the Russian Federation to participate in the management of an open joint-stock company ('golden share')	None
Full name and address of the Company's auditor	Crowe Expertiza 127055, Moscow, 7 Tikhvinsky pereulok, bld. 3

HISTORY OF THE COMPANY

1967	Establishment of the All-Union Association Zarubezhneft under the USSR Ministry of Oil Industry as the Main Directorate (Order No. 2310 of the USSR Council of Ministers dated September 30, 1967).
1981	Creation of JV Vietsovpetro.
1967–1990	Zarubezhneft is the main foreign policy agent of the USSR in the oil industry abroad. Main countries of presence: Iraq, Angola, Algeria, Vietnam, India, Iran, Yemen, Libya, Syria, and Cuba (presence in 33 countries).
2004	Zarubezhneft transformed into an open joint-stock company. The state transfers Nefteotdacha, VNIlneft, and Giprovostokneft to Zarubezhneft.
2006	The Russian Government issues a directive on the contribution of the Russian Federation's share in JV Vietsovpetro to the charter capital of Zarubezhneft.
2007	Zarubezhneft joins a project to refine oil and sell petroleum products in the Republic of Srpska (Bosnia and Herzegovina).
2008	Zarubezhneft joins a project to develop 13 fields in the Central Khoreyver Uplift in the Nenets Autonomous Area and creates JC RUSVIETPETRO.
2009	Zarubezhneft signs a production-sharing agreement with CubaPetroleo on four license blocks in Cuba.
2010	The Russian and Vietnamese Governments sign an agreement on further cooperation.
2011	Zarubezhneft signs an agreement with CubaPetroleo on the implementation of a project to increase oil recovery at the Boca de Jaruco high-viscosity heavy bituminous oil field.
2013	Zarubezhneft launches a joint project with the Saint-Petersburg International Mercantile Exchange for the exchange trading of crude oil produced by ZARUBEZHNEFT GROUP's enterprises on the domestic market.
2016	France's Total transfers 20% of the operator's share and functions in the Kharyaga field development project to Zarubezhneft.
2018	An Addendum to the Agreement on Oil Development and Production at the Kharyaga field was signed in July on the terms of production sharing, extending the Agreement until December 31, 2031.
2019	Zarubezhneft and Uzbekneftegaz establish the joint venture Andijanpetro to operate at the existing Janubiy Olamushuk, Khartoum, and Vostochny Khartoum oil fields in Uzbekistan. In December, the operator officially passed from Andijanpetro to JV ANDIJANPETRO.
2019	Zarubezhneft, the Egyptian Ministry of Oil and Mineral Resources, the Egyptian state holding company GANOPE, and Pacific Oil Limited sign a product sharing concession agreement in Cairo for the South East Ras El Ush and East Gebel El Zeit blocks.
2020	Zarubezhneft and DEME Concessions Wind NV sign an Agreement on Cooperation in Offshore Wind Generation in South Vietnam for the Vin Fong Offshore Wind Farm project with capacity of 1 GW. Zarubezhneft becomes the first Russian company to take a practical step towards participating in large-scale offshore wind generation projects.
2020	Zarubezhneft closes a deal to set up a joint venture to develop heavy oil fields in Khanty-Mansi Autonomous Area-Yugra.
2020	Zarubezhneft closes a deal to acquire a 56.17% stake in UNGP from Trust Bank. UNGP owns three licensed plots in the southern Orenburg Region. The deposits have been put into production, and current production is about 200,000 TOE per year.
2020	The Government of the Republic of Indonesia, as represented by the Ministry of Energy and SKK Migas State Company for Management of Oil and Gas Exploration and Production, approves a Share Assignment Agreement between ZN Asia Ltd. and Premier Oil Tuna. The Tuna unit is located in the Indonesian Maritime Economic Zone, 13 km from the border of Vietnam's maritime economic zone and includes two gas fields: Kuda Laut and Singa Laut.
2020	Zarubezhneft finishes first in the environmental responsibility ranking of Russian oil and gas companies.

INFORMATION ABOUT ZARUBEZHNEFT'S PARTICIPATION IN OTHER ORGANIZATIONS (AS OF DECEMBER 31, 2020)

No.	Company	Zarubezhneft's ownership percentage	Ownership percentage of Zarubezhneft's subsidiaries	Company's region of operation
1	JV Vietsovpetro	49%	–	Vietnam
2	VRJ Petroleum Co	100%	–	Vietnam
3	JC RUSVIETPETRO LLC	51%	–	Russia
4	AMNGR JSC	100% — 1 share	–	Russia
5	RMNTK Nefteotdacha JSC	100% — 1 share	–	Russia
6	Ulyanovskneftegaz LLC	99.9%	RMNTK Nefteotdacha JSC — 0.1%	Russia
7	Orenburgnefteotdacha JSC	100% — 1 share	RMNTK Nefteotdacha JSC — 1 share	Russia
8	NeftegazInCor JSC	95%	–	Russia
9	Giprovostokneft JSC	22.09%	RMNTK Nefteotdacha JSC — 38%	Russia
10	VNIIneft JSC	32.27%	RMNTK Nefteotdacha JSC — 38%	Russia
11	VNIIneft-Western Siberia CJSC	–	VNIIneft JSC — 51%	Russia
12	Neftyanoe Khozaystvo CJSC	–	RMNTK Nefteotdacha JSC — 15%	Russia
13	ZARUBEZHNEFT-Dobycha LLC	99.9%	NeftegazInKor JSC — 0.1%	Russia
14	Zarnestservice LLC	80%	ZNSM LLC — 20%	Russia
15	ZNSM LLC	80%	Zarnestservice LLC — 20%	Russia
16	Zarubezhneft Holding&Services AG	100 %	–	Switzerland
17	EXPLON LLC	80 %	ZNSM LLC — 20%	Russia
18	SPIMEX JSC	10 %	–	Russia
19	OPTIMA Grupa d.o.o.	–	NeftegazInCor JSC — 100%	Republic of Srpska
20	Brod Refinery A.D.	–	NeftegazInCor JSC — 79.99%	Republic of Srpska
21	Modriča Motor Oil Plant A.D.	–	NeftegazInCor JSC — 75.67%, Nestro Petrol A.D. — 13.05%	Republic of Srpska
22	Nestro Petrol A.D.	–	NeftegazInCor JSC — 80%	Republic of Srpska
23	OPTIMA- Modriča d.o.o.	–	Modriča Motor Oil Plant A.D. — 100%	Republic of Serbia
24	ZARUBEZHNEFT-Dobycha Samara LLC	–	ZN Dobycha LLC — 100%	Russia
25	ZARUBEZHNEFT-Dobycha Kharyaga LLC	99.9832%	ZN Dobycha LLC — 0.0168%	Russia
26	Severo-Karasevskoye OGC LLC	–	ZARUBEZHNEFT-Dobycha Samara LLC — 99.9% Ulyanovskneftegaz LLC — 0.1%	Russia
27	ZN LA LLC	–	ZN Razvitiye LLC — 100%	Russia
28	ZN BV LLC	–	ZN Razvitiye LLC — 100%	Russia

Company No.	Company	Zarubezhneft's ownership percentage	Ownership percentage of Zarubezhneft's subsidiaries	Company's region of operation
29	JV ANDIJANPETRO LLC	–	ZN LA LLC — 50%	Uzbekistan
30	Nestro LLC	–	ZN Dobycha LLC — 100%	Russia
31	ZN Energy Ltd.	–	ZN Development Ltd. — 100%	Russia
32	ZN Dobycha LLC	99,9 %	ZNSM LLC — 0.1%	Russia
33	SPK LLC	–	EKSPLON LLC — 100%	Russia
34	ZN Dobycha LLC	99,9 %	ZNSM LLC — 0.1%	Russia
35	ZN Asia Ltd.	–	ZN Razvitiye LLC — 100%	Russia
36	NOLTEK ENERGY TRADING DMCC	–	Zarnestservice LLC — 100%	United Arab Emirates
37	ZN ZS LLC	–	ZN Dobycha LLC — 100%	Russia
38	ZN Sever LLC	–	ZN Dobycha LLC — 100%	Russia
39	Gazpromneft-Salym LLC	–	ZN ZS LLC — 49%	Russia
40	ZN Snabzhenie LLC	–	Zarnestservice LLC — 49% Nestro LLC — 51%	Russia
41	NORASCO	–	ZN BV LLC — 25%	Egypt
42	Sky Property Assets Limited	–	Zarubezhneft Holding & Services AG — 100%	British Virgin Islands
43	UNGP JSC	–	ZARUBEZHNEFT-Dobycha Samara LLC — 56.1654%	Russia
44	Nestro Samara LLC	–	Giprovostokneft JSC — 100%	Russia

Changes in the corporate structure of ZARUBEZHNEFT GROUP in 2020:

- ▶ ZNZS was created to implement a joint project for the development of licensed areas Salym-3 and Salym-5 in the Khanty-Mansi Autonomous Area-Yugra
- ▶ To expand its activities, ZARUBEZHNEFT GROUP acquired from Trust Bank a 56.17% stake in UNGP, which owns three licensed plots in the southern Orenburg Region
- ▶ Zarubezhneft acquired a 25% stake in NORASCO as part of geological exploration projects in Egypt
- ▶ Zarubezhneft sold a 34% stake in the charter capital of Jadran-Naftagas as part the Program for the Disposal of Zarubezhneft's Non-Core Assets
- ▶ To optimize the structure of ZARUBEZHNEFT GROUP, the Company conducted an intragroup transfer of shares owned by ZARUBEZHNEFT-Dobycha in ZARUBEZHNEFT-Dobycha Kharyaga, ZARUBEZHNEFT-Dobycha Samara in ZN Dobycha and ZN BV and ZN LA, and ZN Energy in ZN Development
- ▶ To optimize the asset management of ZARUBEZHNEFT GROUP, ZN Snabzheniye, ZN Sever, Nestro Samara, Sky Property Assets Limited, and NOLTEK ENERGY TRADING DMCC were established

LIST OF ZARUBEZHNEFT GROUP'S LICENSES IN THE RUSSIAN FEDERATION

LICENSES OWNED IN 2020 LICENSES OWNED IN 2020:

- ▶ 12 development licenses for production of hydrocarbons
- ▶ 9 exploitation licenses for geological survey, exploration and production of hydrocarbons
- ▶ 2 licenses subject to the conditions of entrepreneurial risk for prospecting and evaluation of hydrocarbon deposits

No.	License No.	Project operator	Blocks, plots, deposits	License terms
1	ORB 00896 NE	Orenburgnefteotdacha JSC	Kirsanovskoye	09/23/2009–05/31/2033
2	ORB 00898 NE		Pashkinskoye	09/30/2009–05/31/2033
3	ORB 03072 NE		Chernovskoye	09/14/2017–05/31/2033
4	ULN 09132 NR	Ulyanovskneftegaz LLC	Radishchevskiy	04/30/200808/03/2030
5	ULN 09135 NE		Slavkinskoye	04/30/2008–07/01/2038
6	ULN 14582 NE		Kondakovskoye	10/01/2008–07/01/2038
7	ULN 09133 NE		Ruzhevskoye	04/30/2008–09/10/2026
8	ULN 09134 NE		Sulakskoye	04/30/2008–09/10/2026
9	ULN 09223 HP	ZARUBEZHNEFT-Dobycha Samara LLC	Yuzhno-Pcheliny	05/10/2017–05/10/2022
10	ORB 03336 HP		Turgayskiy	04/01/2020–03/27/2045
11	HPM 00688 NR	JC RUSVIETPETRO LLC	Central Khoreyver Uplift-1, Slivka Severo-Khosedayuskoye	09/08/2008–06/10/2033
12	NRM 00689 NR		Central Khoreyver Uplift-2, Visovoye	09/08/2008–06/10/2033
			Central Khoreyver Uplift-2, Verkhnekolvinskoye	
13	NRM 16167 HP		Central Khoreyver Uplift-2, Visovoye	10/13/2016–10/02/2023
			Central Khoreyver Uplift-2, Verkhnekolvinskoye	
14	NRM 00690 NR		Central Khoreyver Uplift-3, Zapadno-Khosedayuskoye named after D. I. Sadetsky	09/08/2008–06/10/2023
			Central Khoreyver Uplift-3, Sikhoreyskoye	
			Central Khoreyver Uplift-3, Vostochno-Sikhoreyskoye	
			Central Khoreyver Uplift-3, Severo-Sikhoreyskoye	
15	NRM 00691 NR		Central Khoreyver Uplift-4, Severo-Oshkotynskoye	09/08/2008–06/10/2033
			Central Khoreyver Uplift-4, Syurkharatinskoye	
			Central Khoreyver Uplift-4, Pyuseyskoye	
			Central Khoreyver Uplift-4, Yuzhno-Syurkharatinskoye	
			Central Khoreyver Uplift-4, Urernyrdskoye	
			Central Khoreyver Uplift-4, Vostochno-Yanemdeyskoye	
16	NRM 00841 HP		Zapadno-Yareyyaginskoye	07/19/2019–07/19/2044
17	NRM 16129 NE	ZARUBEZHNEFT-Dobycha Kharyaga LLC	Kharyaga	08/01/2016–12/31/2031
18	SLH 15508 NE	Severo-Karasevskoye OGC LLC	Lutseyakhskoye	03/01/2013–02/15/2033
19	HMN 03659 NR	ZN ZS LLC	Salymsky-3	12/18/2019–06/01/2030
20	HMN 03660 NR	ZN ZS LLC	Salymsky-5	12/19/2019–06/01/2030
21	ORB 03057 NE	UNGP JSC	Kopanskoye	07/21/2017–12/31/2063
22	ORB 03055 NE		Berdyanskoye	07/21/2017–12/31/2060
23	ORB 03056 NE		Chkalovskoye	07/21/2017–12/31/2077

REPORT ON THE FULFILLMENT OF THE INSTRUCTIONS OF THE RUSSIAN PRESIDENT AND DIRECTIVES OF THE RUSSIAN GOVERNMENT

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Approval of the Company's KPIs for 2021</p> <p>Pursuant to Directive of the Russian Government No. AH-P9-16765 dated 12/18/2020</p>	<ul style="list-style-type: none"> • Zarubezhneft, together with the Russian Ministry of Energy and Ministry of Economic Development, drafted materials to update the corporate KPIs of Zarubezhneft. The scope, certificates, and target values of Zarubezhneft's KPIs for 2021 were updated taking into account the new Methodological Recommendations for the compilation and application of KPIs of joint-stock companies, whose shares are owned by the Russian Federation and individual non-profit organizations to determine the amount of remuneration of their management approved by Directive No. 3579-p of the Russian Government dated 12/28/2020. • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 189 dated 01/29/2021). • In accordance with Directive of the Russian Government No. 304p-P13 dated 01/19/2021, the Company's Board of Directors adopted resolutions to approve the updated scope and weights of corporate KPIs as well as a new version of corporate KPI certificates and target values for Zarubezhneft in 2021 (Minutes dated 01/29/2021). • Reports on the implementation of the directive to update the KPIs were sent to the Russian Government (Letters No. SK-46-4103 dated 12/29/2020, No. DU-46-125 dated 01/19/2021, and No. SK-46-382 dated 02/08/2020).
<p>Election of the Chairman of the Board of Directors</p> <p>Pursuant to Directive of the Russian Government No. 8591p-P13 dated 09/17/2020</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 186 dated 09/30/2020): Yevgeny Murov was elected Chairman of the Board of Directors.
<p>Level of net foreign exchange assets</p> <p>Pursuant to Directive of the Russian Government No. 8036p-P13 dated 09/01/2020</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 185 dated 10/09/2020). • The report on the implementation of the directives was sent to the Federal Agency for State Property Management (Letter No. DM-24-2854 dated 09/18/2020). • The reports on net domestic assets, taking into account the requirements of the directives, were sent to the Bank of Russia by Letters No. DM-24-2765 dated 09/10/2020, No. DM-24-3127 dated 10/14/2020, No. DM-24-3479
<p>Procurement activities (procurement of automotive products)</p> <p>Pursuant to Directive of the Russian Government No. 6781p-P13 dated 07/31/2020</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 184 dated 08/18/2020). • A new type of document was drafted and added to the Album of Standard Forms — Procurement Documentation for the request for proposals in electronic form for the purchase of automotive products required for production activities (categories M1, M2, M3, N1, N2, N3, M1G, M2G, M3G, N1G, N2G, and N3G classified in accordance with Appendix No. 1 to the Technical Regulations of the Customs Union "On the Safety of Wheeled Vehicles" CU TR 018/2011) AF OB-01.01-06 A. The new edition of the Album of Standard Forms was approved by Order No. 217 of the Company dated 09/24/2020 and sent to subsidiaries (Letter No. PC-28-2970 dated 09/29/2020). • The report on the implementation of the directives was sent to the Federal Agency for State Property Management (Letter No. KK-46-2960 dated 09/25/2020). • Information on the lack of procurements of automotive products in August-September 2020 was sent to the Russian Ministry of Industry and Trade (Letter No. PC-28-3006 dated 09/30/2020). • Information on the implementation of the directives is posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management.

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<p>Evaluation of the implementation of the Company's long-term development programs and KPIs</p> <p>Pursuant to Directive of the Russian Government No. 6739p-P13 dated 07/30/2020</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 184 dated 08/18/2020). Pursuant to the directives, the Company drafted the Regulation for Assessing the Implementation of the Long-Term Development Program (LDP) and the Fulfillment of Key Performance Indicators of Zarubezhneft and it was approved by a resolution of the Board of Directors (Minutes No. 188 of 12/24/2020).
<p>Dividends of Zarubezhneft based on the results of 2019</p> <p>Pursuant to Directive of the Russian Government No. 4244p-P13 dated 05/21/2020</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 182 dated 05/29/2020). Dividends were paid on 10/20/2020 (Payment Order No. 5421 dated 10/20/2020).
<p>Provision of information on compliance with the requirements of Resolution of the Russian Government No. 439 dated 04/03/2020 "On the Establishment of Requirements for the Terms and Conditions of the Deferral of Rent Payment under Real Estate Lease Agreements"</p> <p>Pursuant to Letter No. IR-11/13407 of the Federal Agency for State Property Management dated 04/27/2020</p>	<ul style="list-style-type: none"> Information regarding the fulfillment of the requirements of Resolution of the Russian Government No. 439 dated 04/03/2020 was sent to the Federal Agency for State Property Management (Letter No. RS-28-1615 dated 05/22/2020)
<p>Non-application of penalties as well as the possibility of contract extensions and price adjustments in 2020 in the event of violations of obligations by contractors caused by the impact of the novel coronavirus infection</p> <p>Pursuant to Directive of the Russian Government No. 2850p-P13kv dated 04/03/2020</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 180 dated 04/22/2020). Pursuant to the directives, the Board of Directors adopted a resolution on the approval of Amendment No. 1 to the Regulation on the Procurements of Zarubezhneft (Minutes No. 183 dated 06/25/2020).
<p>Approval of the plan to combat the negative consequences of the coronavirus epidemic, including measures to protect employees of organizations with state participation against the spread of coronavirus and ensure the stability of their work</p> <p>Pursuant to Directive of the Russian Government No. 2150p-P13 dated 03/16/2020</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 179 dated 03/27/2020). The Board of Directors adopted a resolution on the approval of the Zarubezhneft's Plan for Combatting the Negative Consequences of the Coronavirus Epidemic (Minutes No. 179 dated 03/27/2020). The Plan was posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management on 03/27/2020. The letter was sent to the Federal Agency for State Property Management with a report on the implementation of Directive No. KK-46-1015 dated 03/27/2020.

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<p>Assessment of the presence or absence of major investment projects being implemented or planned for implementation</p> <p>Pursuant to Directive of the Russian Government No. 12119p-P13 dated 12/25/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 177 dated 02/14/2020). The Company conducted a detailed analysis of the methodology used to compile a list of major investment projects based on which it was established that ZARUBEZHNEFT GROUP does not currently have any projects being implemented or planned for implementation in the Russian Federation in which total initial capital investments in the investment phase exceeds RUB 10 billion. Taking into account the Group's participation in the Kharyaga project, which is being implemented as part of PSA in Russia together with major foreign oil companies as investors, and the increased focus on the project by the federal executive authorities, the Company adopted a resolution to send information to the Ministry of Economic Development regarding the Kharyaga project based on the forms provided by directives. The information on the Kharyaga PSA specified in the directives was sent to the Ministry of Economic Development and the Federal Agency for State Property Management by the dates set by the directives (Letters No. SK-25-1264 dated 04/24/2020 and No. SK-25-3228 dated 10/23/2020).
<p>Increase in labor productivity</p> <p>Pursuant to Directive of the Russian Government No. 12153p-P13 dated 12/25/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 177 dated 02/14/2020). The Board of Directors adopted a resolution to approve the updated certificate of the corporate KPI 'Labor Productivity', its target value, and the new version of Appendix No. 6 to the LDP of Zarubezhneft 'Labor Productivity Improvement Program' (Minutes No. 177 dated 02/14/2020).
<p>Possibility of the Company's transition to tax control in the form of tax monitoring</p> <p>Pursuant to Directive of the Russian Government No. 11528p-P13 dated 12/13/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 176 dated 12/30/2019). A meeting of the Board of Directors (Minutes No. 186 dated 09/30/2020) considered the item 'Possibility of the Transition of Zarubezhneft and Its Subsidiaries to Tax Control in the Form of Tax Monitoring' and made the following decisions: to designate JC RUSVIETPETRO as the only subsidiary of ZARUBEZHNEFT GROUP that fully meets the transition criteria, with a monitoring start date of 01/01/2022, as a pilot project to transition to tax control in the form of tax monitoring. Zarubezhneft's decision to join the tax monitoring shall be made based on the results of the pilot project on transition to tax control in the form of tax monitoring no later than 11/30/2022, provided that it meets the criteria established by the Tax Code of the Russian Federation.
<p>Changes to the procurement documentation of Zarubezhneft regulating competitive procedures</p> <p>Pursuant to Directive of the Russian Government No. 10464p-P13 dated 11/18/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 176 dated 12/30/2019). The Company amended the Instructions on the procedure for transferring information that constitutes a trade secret and other confidential information of Zarubezhneft to state authorities and third-party organizations (Order No. 41 dated 02/28/2020) and supplemented ZARUBEZHNEFT GROUP's standard form of procurement documentation as regards the procedure for counterparties providing collateral for the execution of contracts (Order No. 98 dated 05/15/2020). The current version of the Album of Standard Forms (approved by Order No. 217 dated 09/24/2020) also takes into account the requirements of the directives. A report on the implementation of the directives was sent to the Federal Agency for State Property Management (Letter No. DM-25-1563 dated 05/28/2020).
<p>Possibility of the Company's integration into the activities of the International Cooperation and Export national project (program)</p> <p>Pursuant to Directive of the Russian Government No. 10357p-P13 dated 11/14/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 176 dated 12/30/2019). An analysis was conducted of the measures included in the 'International Cooperation and Export' national project on the possibility of ZARUBEZHNEFT GROUP's integration into project activities, as well as an analysis of the Group's export activities under the EAEU FEA TN codes in the official statistical methodology used to calculate indicators of certificates of the 'International Cooperation and Export' national project. The results of the analysis were sent to the Federal Agency for State Property Management and the Russian Ministry of Energy (Ref. No. DM-25-323 and No. DM-25-324 dated 02/04/2020).

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<p>Procurement of Russian products used for the implementation of national projects and the comprehensive plan for the modernization and expansion of core infrastructure</p> <p>Pursuant to Directive of the Russian Government No. 9984p-P13 dated 11/01/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 174 dated 11/26/2019). The Board of Directors adopted a resolution on the approval of a new version of the Regulation on the Procurements of Zarubezhneft, taking into account the changes specified in the directives (Minutes No. 176 dated 12/30/2019). The new version of the Regulation on the Procurements of Zarubezhneft is posted in the Interdepartmental Portal with the document type 'Internal Documents Governing the Company's Corporate Activities'. The current version of the Regulation on the Procurements of Zarubezhneft (approved by a resolution of the Board of Directors at a meeting on 12/30/2019 (Minutes No. 176), taking into account Amendments No. 1 (approved by a resolution of the Board of Directors at a meeting on 06/25/2020 (Minutes No. 183)) also takes into account the requirements of the directives.
<p>Introduction of methodical instructions on the use of KPIs at state-owned companies and development (update) of internal documents regulating the compilation of KPIs for their performance and remuneration for the Company's management</p> <p>Pursuant to Directive of the Russian Government No. 1388-p dated 06/27/2019 and Directive of the Russian Government No. 9054p-P13 dated 10/02/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 174 dated 11/26/2019). Monitoring the achievement of KPIs, the Board of Directors reviewed and took note of the Reports on the Achievement of Corporate KPIs for the first 3 months, first half, and first 9 months of 2020 (Minutes No. 183 dated 06/25/2020, No. 186 dated 09/30/2020, and No. 187 dated 11/10/2020). A meeting of the Board of Directors on 12/26/2019 considered the issue of updating Zarubezhneft's KPI system and decided to approve new versions of certificates and weights of the corporate KPIs (Minutes No. 175 dated 12/26/2019). Pursuant to Directive of the Russian Government No. 304p-P13 dated 01/19/2021, a resolution of the Board of Directors approved the updated scope and weights of the corporate KPIs, new versions of corporate KPI certificates, and the target values of the corporate KPIs for 2021. A resolution of the Board of Directors also approved the updated Regulation on the KPIs of Zarubezhneft (Minutes No. 189 dated 01/29/2021).
<p>Expansion of the practice for using factoring to implement contracts for the delivery of the goods (performance of work or rendering of services)</p> <p>Pursuant to Directive of the Russian Government No. 4111p-P13 dated 05/08/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 169 dated 06/11/2019). The changes specified in the directives were made to the following documents regulating ZARUBEZHNEFT GROUP's procurement activities: <ul style="list-style-type: none"> - Regulation on the Procurements of Zarubezhneft (approved by a resolution of the Board of Directors, Minutes No. 169 dated 06/11/19) - Unified Regulation on Procurements for the Needs of Subsidiaries according to List 1 (approved by Order No. 178 dated 06/11/19) - Unified Regulation on Procurements for the Needs of Subsidiaries according to List 2 (approved by Order No. 207 dated 06/28/19) The current version of the Regulation on the Procurements of Zarubezhneft (approved by a resolution of the Board of Directors, Minutes No. 176 dated 12/30/2019, taking into account Amendments No. 1 (approved by a resolution of the Board of Directors, Minutes No. 183 dated 06/25/2020)) also takes into account the requirements of the directives.
<p>Allocation to the federal budget of a part of net profit in the form of dividends on shares belonging to the Russian Federation</p> <p>Pursuant to Directive No. AP-08/12626 of the Federal Agency for State Property Management dated 04/16/2019</p>	<ul style="list-style-type: none"> In 2020, Zarubezhneft received Directive No. 6739p-P13 of the Russian Government "On the Dividends of Zarubezhneft in 2019" dated 07/30/2020. The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 182 dated 05/29/2020). Dividends were paid on 10/20/2020 (Payment Order No. 5421 dated 10/20/2020). Information on the payment of dividends and a scanned copy of the payment order are available in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management.

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<p>Completion of corporate import substitution plans as regards protection against radiation, chemical, and biological factors</p> <p>Pursuant to Directive of the Russian Government No. 584p-P13 dated 01/26/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 166 dated 03/29/2019). The measures specified in the directives are included in the new version of Appendix No. 8 to the LDP, which was approved by a resolution of the Board of Directors (Minutes No. 169 dated 06/11/2019). The personal protective equipment standard for employees of companies that are part of ZARUBEZHNEFT GROUP has been updated (approved by Order No. 407 dated 12/30/2019). A report on the implementation of the activities specified in Appendix No. 8 to the LDP in 2019 is included in a report on the implementation of the LDP for 2019 (confirmed by the LDP auditor's report dated 04/21/2020) and was considered at a joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee of the Board of Directors (Minutes No. 72 dated 05/14/2020) and, taking into account the received recommendations, was taken under advisement in accordance with a resolution of the Board of Directors (Minutes No. 182 dated 05/29/2020).
<p>Development of programs to improve the quality of procurement management</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 164 dated 02/26/2019). The General Director of Zarubezhneft approved the Program for Improving the Quality of Procurement Management, which provides for extending the directives to the subsidiaries of Zarubezhneft.
<p>Pursuant to Directive of the Russian Government No. 1519p-P13 dated 02/20/2019</p>	<ul style="list-style-type: none"> Scanned copies of the approved Program for Improving the Quality of Procurement Management and extracts from Minutes No. 164 of the Board of Directors dated 02/26/2019 on decision-making in accordance with the directives are posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management. As part of the Program's implementation, in particular, standard forms of procurement documentation were approved (Order No. 185 dated 06/18/2019), indicators for the procurements of subsidiaries were developed (Letter No. DM-25-2507 dated 06/27/2019), test purchases were conducted for SberB2B ETP, TEK-Torg, and GPB. In 2020, as part of the Program's implementation, the Album of Standard Forms was updated (approved by Order No. 217 dated 09/24/2020).
<p>Updates to the Long-Term Development Program of Zarubezhneft (LDP) and submission of audit reports on the LDP to the Russian Ministry of Economic Development, the Federal Agency for State Property Management, and federal executive bodies that coordinate the Company's activities in accordance with Directive of the Russian Government No. 1870-p dated 08/30/2017</p> <p>Pursuant to Directive of the Russian Government No. 276p-P13 dated 01/17/2019</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 164 dated 02/26/2019). The Company developed and approved Appendix No. 14 "Measures of the Long-Term Development Program to Accelerate the Growth Rate in Fixed Investments in the Exploration and Production Segment" to the LDP (Minutes No. 169 dated 06/11/2019). The auditor's report on the results of the LDP audit for 2019 was posted in the Interdepartmental Portal of the Federal Agency for State Property Management on 05/20/2020 and sent to the Federal Agency for State Property Management, the Ministry of Energy, and the Ministry of Economic Development (Letters No. SK-46-1492, No. SK-46-1493, and No. SK-46-1494 dated 05/21/2020). In accordance with the auditor's recommendations, an updated version of Appendix No. 10 to the LDP was drafted. The updated version of Appendix No. 10 to the LDP was considered at a joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee of the Board of Directors (Minutes No. 77 dated 12/18/2020) taking into account the recommendations and approved by a resolution of the Board of Directors (Minutes No. 188 dated 12/24/2020).
<p>Transition to the predominant use of domestic software</p> <p>Pursuant to Directive of the Russian Government No. 10068p-P13 dated 12/06/2018</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 163 dated 01/28/2019). The action plan for the period of 2019–2021 for Zarubezhneft's transition to the predominant use of domestic software (hereinafter, the Action Plan) was coordinated with the Center for Competences for Import Substitution in Information and Communication Technologies Autonomous Non-Commercial Organization (Letter No. 03/130 dated 03/13/2019) and approved by the Board of Directors (Minutes No. 166 dated 03/29/2019). Measures for the transition to the predominant use of domestic software are included in Appendix No. 8 to the LDP, the new version of which was approved by a resolution of the Board of Directors (Minutes No. 169 dated 06/11/2019). Reports on the implementation of the Action Plan for each quarter of 2020 dated 04/10/2020, 07/10/2020, 10/09/2020, and 12/30/2020, respectively, are posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management and sent to the Russian Ministry of Communications.

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<p>Annual informing of key federal executive bodies and the Russian Government about the scope of contracts concluded with defense industry companies for the purchase of civil products for the fuel and energy industry (performance of work or rendering of services) not related to state defense orders (purchases from defense industry companies of civil products for the fuel and energy industry)</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 160 dated 11/20/2018). • The Company has approved the Action Plan for the implementation of directives and measures are being carried out as part of the approved Plan. • Information on the scope of ZARUBEZHNEFT GROUP's procurements of civil products from defense industry enterprises for the fuel and energy industry for 2019 was sent to the Ministry of Economic Development, the Ministry of Industry and Trade, the Ministry of Energy, and the Federal Agency for State Property Management (Letter No. SK-25-1219 dated 04/21/2020).
<p>Pursuant to Directive of the Russian Government No. 7923p-P13 dated 09/26/2018</p>	
<p>Inventory of the rights to the results of intellectual activities for the subsequent organization of measures to support the results to which the Company owns the rights, legal protection, and place the rights thereto on the balance sheet as intangible assets for subsequent introduction into economic turnover and, if necessary, to estimate the value of the rights thereto</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 159 dated 10/03/2018). • As part of the implementation of the directives in 2019, an inventory of rights to RIA was conducted (DZ No. 42/661 dated 02/28/2019) and the results of the inventory were reviewed at a meeting of the Commission on the Valuation, Accounting, Determination of Useful Application, Assessment of Impairment, and Determination of the Application Practicality of Intangible Assets (Minutes No. 1 dated 03/28/2019). • An inventory of previously undisclosed rights to RIA (Letter No. AD-42-586 dated 02/18/2019 to subsidiaries) was carried out. Potentially protectable RIA were reviewed by the Scientific and Technical Council of Zarubezhneft (No. 9/2019 dated 05/30/2019) and approved to be filed with Rospatent for registration (prior to 12/31/2019).
<p>Pursuant to Directive of the Russian Government No. 7050p-P13 dated 08/30/2018</p>	<ul style="list-style-type: none"> • A report on the functioning of the RIA rights management system at ZARUBEZHNEFT GROUP was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 174 dated 11/26/2019). • In the first quarter of 2020, an inventory of RIA was conducted at the production facilities of ZARUBEZHNEFT GROUP (Zarubezhneft, VNIIneft, Giprovostokneft, and JC RUSVIETPETRO).
<p>Comparison of the Company's level of technological development and current KPI values with that of leading peer companies according to Methodical Recommendations</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes of the Board of Directors No. 155 dated 05/30/2018). • Pursuant to the directives, a report on the results of a comparison of the Innovative Development Program (IDP) was sent to the Russian Ministry of Energy and Ministry of Economic Development (No. SK-42-5295 dated 10/30/2018). • The updated version of Zarubezhneft's IDP (coordinated with the Russian Ministry of Energy, Letter No. PS-4677/02 dated 04/23/2020, Russian Ministry of Economic Development, Letter No. D01i-38843 dated 11/11/2019, and Russian Ministry of Education and Science, Letter No. MN-2/352 dated 03/26/2020) approved by a resolution of the Board of Directors (Minutes No. 188 dated 12/24/2020), includes the section "Comparison of Current Values of the IDP KPI with the Values of Indicators of Leading Similar Companies."
<p>Pursuant to Directive of the Russian Government No. 3262p-P13 dated 04/27/2018</p>	
<p>Modification of the charter documents to ensure the ability to create an all-Russian branch of physical culture and sports societies and industry-wide physical culture and sports societies</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 150 dated 02/22/2018). • The Charter of Zarubezhneft, taking into account these changes, was approved by a resolution of the General Meeting of Shareholders of Zarubezhneft (Directive No. 499-r of the Federal Agency for State Property Management dated 06/30/2018). • The new version of the Charter, approved by a resolution of the General Meeting of Shareholders of Zarubezhneft (Directive No. 314-r of the Federal Agency for State Property Management dated 08/17/2020) also takes into account the requirements of the instructions.
<p>Pursuant to Instructions of the Russian Government No. ISh-P13-8690 dated 12/26/2017</p>	

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<p>Introduction of recommendations on the management of rights to the results of intellectual activity</p> <p>Pursuant to Directive of the Russian Government No. 9177p-P13 dated 12/12/2017</p> <p>Advisability of applying recommendations on the management of the rights to the results of intellectual activity</p> <p>Pursuant to Directive of the Russian Government No. ISh-P8-800 dated 02/04/2014</p>	<ul style="list-style-type: none"> – The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 149 dated 02/08/2018). – Zarubezhneft's Policy on the Management of Rights to the Results of Intellectual Activity (RIA) and the Action Plan for its implementation were approved by a resolution of the Board of Directors (Minutes No. 159 dated 10/03/2018) (posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management on 10/04/2018). Activities are being carried out according to the approved Plan, including the following: <ul style="list-style-type: none"> – On 06/10/2019, the Regulation on the Department of Innovative Development was approved, which describes the functions for managing the rights to the RIA. – Sets of KPIs have been developed for an assessment of the RIA Rights Management System at Zarubezhneft. – The Report on the Functioning of the RIA Rights Management System at Zarubezhneft was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 174 dated 11/26/2019). – In the first quarter of 2020, an inventory of RIA was conducted at companies of ZARUBEZHNEFT GROUP (Zarubezhneft, VNIIneft, Giprovostokneft, and JC RUSVIETPETRO).
<p>Amendments to the employment contract with the head of the Company and the advisability of amending the operating program and the register of the disposal of non-core assets</p> <p>Pursuant to Directive of the Russian Government No. 6604p-P13 dated 09/18/2017</p>	<ul style="list-style-type: none"> • The updated Register of Zarubezhneft's Non-Core Assets and the Action Plan for the Sale of Zarubezhneft's Non-Core Assets for the years 2020–2021 were approved in accordance with a resolution of the Board of Directors (Minutes No. 179 dated 03/27/2020). • A report on the sale of NCA for Q4 2019 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 177 dated 02/14/2020). • A report on the sale of NCA for Q1 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 180 dated 04/22/2020). • A report on the sale of NCA for Q2 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 186 dated 09/30/2020). • A report on the sale of NCA for Q3 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 187 dated 11/10/2020).
<p>Submission by Zarubezhneft of information to the Russian Ministry of Economic Development on the ownership of assets located in the Russian Federation through foreign legal entities</p> <p>Pursuant to Directive of the Russian Government No. 5945p-P13 dated 08/25/2017</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 144 dated 10/27/2017). • Information was sent to the Russian Ministry of Economic Development about ZARUBEZHNEFT GROUP not owning any assets in the Russian Federation through foreign legal entities in 2016 (Letter No. SK-46-4487 dated 09/07/2017), in 2017 (Letter No. SK-46-154 dated 01/17/2018), in 2018 (Letter No. SK-46-540 dated 02/12/2019), in 2019 (Letter No. SK-46-147 dated 01/21/2020), and in 2020 (Letter No. SK-46-406 dated 02/09/2021).
<p>Approval of the procedure for coordinating the investment programs and other plans to develop infrastructure implemented by joint-stock companies with state participation in the Far Eastern Federal District with the Ministry for the Development of the Far East</p> <p>Pursuant to Directive of the Russian Government No. 3538p-P13 dated 05/25/2017</p>	<ul style="list-style-type: none"> • The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 140 dated 10/23/2017). • The procedure for coordinating the investment programs (plans) to develop infrastructure implemented in the Far Eastern Federal District with the Ministry for the Development of the Far East was approved in accordance with a resolution of the Board of Directors dated 06/23/2017 (Minutes No. 140). The Procedure was posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management on 06/26/2017. • There are no funding problems for socioeconomic development in the Far East Federal District in Zarubezhneft's LDP. In 2017–2020, ZARUBEZHNEFT GROUP's activities did not include expenditures on an advanced priority development area in the Far Eastern Federal District.

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Acquisition or rent of aircraft, including aircraft with passenger cabins with enhanced comfort</p> <p>Pursuant to Directive of the Russian Government No. 2602p-P7 dated 04/17/2017</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 138 dated 05/23/2017). Procurements for the purchase of aircraft for the needs of Zarubezhneft and its subsidiaries are monitored on an annual basis. In 2020, no such procurements were conducted.
<p>Development and implementation of import substitution plans</p> <p>Pursuant to Directive of the Russian Government No. 830p-P13 dated 02/06/2017</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 135 dated 03/17/2017). The Company has an import substitution working group (approved by Order No. 144 dated 05/30/2017), and Order No. 125 dated 05/17/2017 appointed a person responsible for controlling the entry of information into the 'Import Substitution Technologies and Projects' AIS. The Company has drafted and approved the regulatory document "Methodological Instructions for Mandatory Analysis of the Feasibility of Replacing Foreign Products with Equivalent Domestic Products in Terms of Technical Features and Consumer Properties in the Russian segment of ZARUBEZHNEFT GROUP" (Order No. 426 dated 12/19/2018). A new version of Appendix No. 8 to the LDP of Zarubezhneft was approved by a resolution of the Board of Directors (Minutes No. 169 dated 06/11/2019). The document reflects measures to implement Directives of the Russian Government No. 10068p-P13 dated 12/06/2018 "Transition to the Predominant Use of Domestic Software" and No. 584p-P13 dated 01/26/2019 "On the Completion of Corporate Plans for Import Substitution in Terms of Protection Against Radiation, Chemical, and Biological Factors". The Report on the Implementation of the Import Substitution Plan (Appendix No. 8 to the LDP) for 2019 is included in the Report on the Implementation of the LDP for 2019 (confirmed by the LDP auditor's report dated 04/24/2020), was reviewed at a joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee of the Board of Directors (Minutes No. 72 dated 05/14/2020), and, taking into account the recommendations, was reviewed and taken under advisement in accordance with a resolution of the Board of Directors (Minutes No. 182 dated 05/29/2020).
<p>Expansion of the practice of using factoring in contracts for the delivery of goods (performance of work or rendering of services)</p> <p>Pursuant to Directive of the Russian Government No. 7704p-P13 dated 10/11/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 129 dated 11/11/2016). The financing method for the assignment of a monetary claim by a counterparty (factoring) was approved (Order No. 501 dated 11/29/2016) to introduce the practice of factoring. The version of the Regulation on the Procurements of Zarubezhneft, taking into account the requirements of the directives, was approved by a resolution of the Board of Directors dated 12/27/2016 (Minutes No. 133). In 2020, the factoring schemes for concluding contracts for the supply of goods (the current version of the Regulation on the Procurements of Zarubezhneft (approved by a resolution of the Board of Directors (Minutes No. 176 dated 12/30/2019), subject to Amendments No. 1 (approved by the Board of Directors (Minutes No. 183 dated 06/25/2020) also takes into account the requirements of the directives.
<p>Amendments to the Company's procurement policy as regards innovative construction materials</p> <p>Pursuant to Directive of the Russian Government No. 6558p-P13 dated 09/05/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 128 dated 10/14/2016). The version of the Regulation on the Procurements of Zarubezhneft, taking into account the requirements of the directives, was approved by a resolution of the Board of Directors (Minutes No. 133 dated 12/27/2016). The current version of the Regulation on the Procurements of Zarubezhneft (approved by a resolution of the Board of Directors (Minutes No. 176 dated 12/30/2019), taking into account Amendments No. 1 (approved by a resolution of the Board of Directors, Minutes No. 183 dated 06/25/2020) also takes into account the requirements of the directives. There were no procurements of innovative building materials in 2020.

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Conclusion of agreements on the priority use of ships built at Russian shipyards</p> <p>Pursuant to Directive of the Russian Government No. 5059p-P13 dated 07/13/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 126 dated 08/08/2016). In order to implement the directives: <ul style="list-style-type: none"> - A standard contractual condition on the priority use of vessels built at Russian shipyards for export deliveries of goods (cargo) via water transport has been drafted and approved (Order No. 354 dated 08/19/2016); - Monitoring is conducted of the conclusion of contracts for the supply of oil by Zarubezhneft and its subsidiaries, which contain a standard contractual condition on the priority use of vessels built at Russian shipyards for the export of goods (cargo) via water transport. 12 contracts were concluded in 2020 using the standard contractual condition on the priority use of ships built at Russian shipyards for the export of goods (cargo) via water transport.
<p>Introduction of professional standards in the Company's activities</p> <p>Pursuant to Directive of the Russian Government No. 5119p-P13 dated 07/14/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 126 dated 08/08/2016). Pursuant to the directives, reports on measures taken to implement professional standards at Zarubezhneft were reviewed and taken into account in accordance with a resolution of the Board of Directors of Zarubezhneft in 2020: <ul style="list-style-type: none"> - in the first half of 2020 (Minutes No. 183 dated 06/25/2020); - in the second half of 2020 (Minutes No. 188 dated 12/24/2020).
<p>Implementation of programs for the disposal of non-core assets</p> <p>Pursuant to Directive of the Russian Government No. 4863p-P13 dated 07/07/2016</p> <p>Amendments to the employment contract with the head of the Company and the advisability of amending the operating program and the register of the disposal of non-core assets</p> <p>Pursuant to Directive of the Russian Government No. 6604p-P13 dated 09/18/2017</p>	<p>See 'Information on the Non-Core Asset Disposal Program'.</p> <ul style="list-style-type: none"> The updated Register of Zarubezhneft's Non-Core Assets and the Action Plan for the Sale of Zarubezhneft's Non-Core Assets for the years 2020–2021 were approved in accordance with a resolution of the Board of Directors (Minutes No. 179 dated 03/27/2020). A report on the sale of NCA for Q4 2019 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 177 dated 02/14/2020). A report on the sale of NCA for Q1 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 180 dated 04/22/2020). A report on the sale of NCA for Q2 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 186 dated 09/30/2020). A report on the sale of NCA for Q3 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 187 dated 11/10/2020).
<p>Procurements of competitive domestic software required for joint-stock company's activities</p> <p>Pursuant to Directive of the Russian Government No. 4972p-P13 dated 07/11/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 126 dated 08/08/2016). The version of the Regulation on the Procurements of Zarubezhneft, taking into account the requirements of the directives, was approved by a resolution of the Board of Directors of Zarubezhneft (Minutes No. 128 dated 10/14/2016). The current version of the Regulation on the Procurements of Zarubezhneft (approved by a resolution of the Board of Directors, Minutes No. 176 dated 12/30/2019), taking into account Amendments No. 1 (approved by a resolution of the Board of Directors, Minutes No. 183 dated 06/25/2020) also takes into account the requirements of the directives. The foreign software, which has no analogues on the Russian market, was purchased in 2020, in the first and third quarters. The procurement was carried out for solar and wind generation projects for renewable energy sources (PV Syst and WindPRO), as well as to ensure the Group's continuous business process during the pandemic and remote work of employees (Kerio Control). At the same time, the Company is carrying out activities as part of the implementation of Directive No. 10068p-P13 dated 12/06/2018 "On the Transition of Zarubezhneft to the Predominant Use of Domestic Software".
<p>Regulatory acts of the Company on the standards for the procurements of individual types of goods, work, and services</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 124 dated 05/31/2016). Procurement standards have been applied at the Company since 2016. In 2019, the procurement standards for the mandatory list of separate types of goods, works, and services were updated (Order No. 175 dated 06/10/2019). The procurement standards are posted on the Company's official website.

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
Pursuant to Directive of the Russian Government No. 2793p-P13 dated 04/19/2016	<ul style="list-style-type: none"> In 2020, an analysis was conducted of procurement activities in terms of the application of procurement standards for 2019. Information on the results of the analysis was posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management, and the report was sent to the Federal Agency for State Property Management (Letter No. DM-25-2446 dated 08/14/2020).
<p>Approval of the procedure on the accounting of investment projects</p> <p>Pursuant to Directive of the Russian Government No. 1659p-P13 dated 03/15/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 120 dated 03/30/2016). The accounting procedure for ZARUBEZHNEFT GROUP's high-priority investment projects was approved by a resolution of the Board of Directors (Minutes No. 122 dated 05/13/2016).
<p>Innovative development</p> <p>Pursuant to Directive of the Russian Government No. 1471p-P13 dated 03/03/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 119 dated 03/15/2016). Zarubezhneft's IDP for 2016–2020 (with a view to 2030) was approved by a resolution of the Board of Directors (Minutes No. 127 dated 09/14/2016). In accordance with a resolution of the Government Commission for the Modernization of the Economy and Innovative Development of Russia chaired by Prime Minister Dmitry Medvedev (paragraph II.4 of Minutes of the Government Commission No. 2 dated 10/22/2018), state-owned companies implementing innovative development programs of Zarubezhneft carried out work to update the current IDP for the period of 2020–2024. The updated IDP (Minutes No. 188 dated 12.24/2020) was approved by a resolution of the Board of Directors taking into account the recommendations of the Strategic Planning Committee of the Board of Directors (Minutes No. 78 dated 12/21/2020). A report on the results of the implementation of the IDP for 2019 was approved by a resolution of the Board of Directors (Minutes No. 179 dated 04/22/2020).
<p>Innovative development</p> <p>Pursuant to Directive of the Russian Government No. 1472p-P13 dated 03/03/2016</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 119 dated 03/15/2016). A resolution of the Board of Directors approved updated Appendix No. 7 to the LDP, taking into account the inclusion of an integrated key indicator of innovation efficiency in the KPI of the LDP (Minutes No. 119 dated 03/15/2016). Pursuant to Directive of the Russian Government No. 304p-P13 dated 01/19/2021, the Board of Directors approved the updated composition and weights of corporate KPIs, new versions of corporate KPI certificates, and target values of corporate KPIs for 2021 (including the KPI "Investment in R&D") (Minutes No. 189 dated 01/29/2021). A resolution of the Board of Directors also approved the updated Appendix No. 7 and Appendix No. 7.1. to the LDP (Minutes No. 189 dated 01/29/2021). Information on the implementation of integrated KPI innovation activities is included in the Report on the Implementation of the IDP of Zarubezhneft for 2019 (approved by a resolution of the Board of Directors, Minutes No. 179 dated 04/22/2020).
<p>Optimizing and improving expenditures on charity and sponsorship</p> <p>Pursuant to Directive of the Russian Government No. 5024p-P13 dated 07/31/2015</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 109 dated 09/04/2015). The Regulation on Charitable and Sponsorship Activities of Zarubezhneft was approved by a resolution of the Board of Directors (Minutes No. 116 dated 01/14/2016). In 2020, taking into account recommendations based on the results of an audit of the Company's anti-corruption business processes (reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 186 dated 09/30/2020), the Board of Directors approved a new version of the Regulation on Charitable and Sponsorship Activities of Zarubezhneft (Minutes No. 188 dated 12/24/2020). The budget for sponsorship and charitable activities of ZARUBEZHNEFT GROUP for 2020 was approved by the Board of Directors on 12/26/2019 (Minutes No. 175) as part of the Business Plan for 2020. In 2020, information on charitable and sponsorship activities was posted quarterly in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management.

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Procedure for settlements on export contracts</p> <p>Pursuant to Directive of the Russian Government No. 4807p-P13 dated 07/23/2015</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 109 dated 09/04/2015). In order to implement the directives: - A standard contractual condition was drafted for export contracts on the feasibility of settlements in Russian rubles; - A minimum proportion of settlements was specified for exports in Russian rubles; - A new standard form of contract was approved for the supply of oil for export, which contains a standard contractual condition on the feasibility of settlements in Russian rubles (Order No. 497 dated 10/12/2015). In 2020, 12 oil supply contracts containing a standard contractual condition on the feasibility of settlements in Russian rubles were concluded.
<p>Introduction of an incentive system for management based on KPIs of their activities proceeding from the need to reduce operating expenses (costs) by 2–3% annually</p> <p>Pursuant to Directive of the Russian Government No. 2303p-P13 dated 04/16/2015</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 101 dated 04/30/2015). A resolution of the Board of Directors approved a new version of the Methodological Instructions for Calculating the Rate of Reduction in Operating Expenses (Minutes No. 163 dated 01/28/2019). At a meeting on 03/27/2020, the Board of Directors took note of the Report on the Implementation of the Program to Enhance the Efficiency and Cost Optimization of ZARUBEZHNEFT GROUP for 2019 (operating expenses declined by 3.1% in 2019), and approved the Program to Enhance the Efficiency and Cost Optimization of ZARUBEZHNEFT GROUP for 2020 (Minutes No. 179 dated 03/27/2020). The Report on the Implementation of the Program to Enhance the Efficiency and Cost Optimization for Q1 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 183 dated 06/25/2020). The Report on the Implementation of the Program to Enhance the Efficiency and Cost Optimization for H1 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 186 dated 09/30/2020). The Report on the Implementation of the Program to Enhance the Efficiency and Cost Optimization for 9M 2020 was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 187 dated 11/10/2020).
<p>Ensuring the creation of unified treasuries of parent, subsidiary, and affiliate organizations</p> <p>Pursuant to Directives of the Russian Government No. 5110p-P13 dated 08/08/2014 and No. 1796p-P13 dated 03/26/2015</p>	<ul style="list-style-type: none"> The Unified Treasury of ZARUBEZHNEFT GROUP has been operating since 07/01/2015. The following was approved for the purpose of creating the Unified Treasury: - Regulation on Payments within ZARUBEZHNEFT GROUP (Order No. 270 dated 09/18/2017); - Regulation on Attracting and Placing Funds at ZARUBEZHNEFT GROUP (Order No. 231 dated 05/20/2015); - A new version of the Unified Financial and Credit Policy of ZARUBEZHNEFT GROUP (Order No. 58 dated 03/31/2017); - A new version of the Regulation on Intragroup Financing within ZARUBEZHNEFT GROUP (Order No. 315 dated 10/31/2017). According to an analysis, the report "Economic Effect from the Creation of the Unified Treasury in ZARUBEZHNEFT GROUP" was sent to the Ministry of Finance via Letter No. SK-24–2658 dated 08/31/2020 and to the Russian Federal Financial Monitoring Service via Letter No. SK-24–2657 dated 08/31/2020.
<p>Changes to the structure of the Company's annual report</p> <p>Pursuant to Directive of the Russian Government No. 2007p-P13 dated 04/06/2015</p>	<ul style="list-style-type: none"> The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 100 dated 04/15/2015). The annual report prepared taking into account the requirements of the directives was approved by a resolution of the Annual General Meeting of Shareholders (Order No. 337-r of the Federal Agency for State Property Management dated 08/27/2020). A report on the implementation of the LDP and the achievement of the KPIs for 2019 was sent to the Federal Agency for State Property Management, the Ministry of Energy, and the Ministry of Economic Development (Letters No. SK-46–1492, No. SK-46–1493, and No. SK-46–1494 dated 05/21/2020).
<p>On the Company's approval of long-term development programs and audits of such programs</p>	<ul style="list-style-type: none"> The LDP was approved by a resolution of the Board of Directors (Minutes No. 91 dated 11/20/2014). In 2020, the following measures were taken to implement the directives: The terms of reference for the audit of the implementation of the LDP for 2019 were approved by a resolution of the Board of Directors (Minutes No. 177 dated 02/14/2020);

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
Pursuant to Directive of the Russian Government No. 4955p-P13 dated 07/17/2014	<ul style="list-style-type: none"> • The terms of reference for the audit of the implementation of the LDP for 2019 were approved by a resolution of the Board of Directors (Minutes No. 177 dated 02/14/2020); • An audit of the implementation of the LDP for 2019 was conducted and the report on the audit of the implementation of the LDP for 2019 was reviewed and taken into account in accordance a resolution of the Board of Directors (Minutes No. 182 dated 05/29/2020) and preliminarily considered at a joint meeting of the Strategic Planning Committees and the HR and Remuneration Committee of the Board of Directors on 05/14/2020 (Minutes No. 72); • Taking into account the auditor's recommendations based on the results of the audit for 2019, an Action Plan for the implementation of the auditor's recommendations was prepared (approved by the Strategic Planning Committee of the Board of Directors, Minutes No. 73 dated 05/22/2020); • Pursuant to Directive of the Russian Government No. 12153p-P13 dated 12/25/2019, a resolution of the Board of Directors approved a new version of Appendix No. 6 to the LDP "Labor Productivity Improvement Program" (Minutes No. 177 dated 02/14/2020); • In accordance with the auditor's recommendations, the updated version of Appendix No. 10 to the LDP was drafted. Taking into account the recommendations of the joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee of the Board of Directors (Minutes No. 77 dated 12/18/2020), the updated version of Appendix No. 10 to the LDP was approved by a resolution of the Board of Directors (Minutes No. 188 dated 12/24/2020); • Pursuant to Directive of the Russian Government No. 6739p-P13 dated 07/30/2020, the Board of Directors approved a new version of the Regulation on the Assessment of the Implementation of the LDP and the Company's Key Performance Indicators (Minutes No. 188 dated 12/24/2020).
<p>Level of net foreign exchange assets</p> <p>Pursuant to Directive of the Russian Government No. 8495p-P13 dated 12/17/2014</p>	<ul style="list-style-type: none"> • Order No. 280 dated 07/05/2016 approved the Methodological Recommendations for the Calculation and Monitoring of the Net Foreign Currency Assets of ZARUBEZHNEFT GROUP. • At a meeting of the Board of Directors on 08/08/2016 (Minutes No. 126), the decision was made to submit a monthly reporting form to the Bank of Russia. • In 2020, the Finance and Treasury Operations Department sent monthly information on the amount of Zarubezhneft's net foreign currency assets to the Bank of Russia.
<p>Increase in labor productivity and the creation and modernization of highly productive workplaces</p> <p>Pursuant to Directive of the Russian Government No. 7389p-P13 dated 10/31/2014</p>	<ul style="list-style-type: none"> • Directive No. 7389p-P13 dated 10/31/2014 was repealed in accordance with Directives of the Russian Government No. 12153pp-P13 dated 12/25/2019. • According to a resolution of the Board of Directors (Minutes No. 177 dated 02/14/2020), the order of the Board of Directors specified in Clause 2 of Minutes of the Board of Directors No. 91 dated 11/20/2014 was repealed due to the repeal of Directive of the Russian Government No. 7389p-P13 dated 10/31/2014.

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Ensuring the Company's adoption of KPIs</p> <p>Pursuant to Directive of the Russian Government No. 2579p-P13 dated 04/25/2014</p>	<ul style="list-style-type: none"> – Pursuant to the recommendations of the Revision Commission based on the results of an audit of the Company's financial and economic activities for 2015, an updated Regulation on the KPI System and Corporate KPI Certificates of Zarubezhneft was drafted and endorsed with the Federal Agency for State Property Management (Letter No. DR-05/44755 dated 10/28/2016). – • According to a resolution of the Board of Directors dated 11/25/2016 (Minutes No. 131), the updated version of the Regulation on the KPI System and Corporate KPI Certificates of Zarubezhneft approved by the Federal Agency for State Property Management (Letter No. DRP-05/44755 dated 10/28/2016) was endorsed. – In 2020: – The report on the implementation of corporate KPIs for 2019 was approved by a resolution of the Board of Directors (Minutes No. 182 dated 05/29/2020). Based on the achievement of the target values of corporate KPIs, the Board of Directors decided to pay remuneration to the Company's sole executive body (Minutes No. 182 dated 05/29/2020); – Reports on the implementation of KPI for Q1, H1, and 9M of 2020 were reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 183 dated 06/25/2020, No. 186 dated 09/30/2020, and No. 187 dated 11/10/2020); – Pursuant to Directive of the Russian Government No. 3579-p dated 12/28/2020, Zarubezhneft conducted an analysis of the current KPI system for compliance with the "Methodological Recommendations for the Compilation and Application of Key Performance Indicators of Joint-Stock Companies Owned by the Russian Federation and Individual Non-Profit Organizations in Order to Determine the Amount of Remuneration for Their Management". According to the analysis, in accordance with Directive of the Russian Government No. 304p-P13 dated 01/19/2021, the following were approved by a resolution of the Board of Directors at a meeting on 01/29/2021: <ul style="list-style-type: none"> – Updated scope and weights, KPI certificates, and corporate KPI targets for 2021; – A new version of the Regulation on the KPIs of Zarubezhneft (Minutes No. 189 dated 01/29/2021).
<p>Inclusion in the LDP of the basic parameters of the need for labor resources, including engineering and technical professions needed to implement the main measures of the program</p> <p>Pursuant to Directive of the Russian Government No. 7439p-P13 dated 11/05/2014</p>	<ul style="list-style-type: none"> • Pursuant to the directives, a resolution of the Board of Directors (Minutes No. 97 dated 02/27/2015) approved Appendix No. 5 to the LDP "Demand for Labor Resources as Part of the LDP of Zarubezhneft". • The updated version of Appendix No. 5 to the LDP of Zarubezhneft was approved by a resolution of the Board of Directors (Minutes No. 163 dated 01/28/2019).
<p>Process and price audits of investment projects</p> <p>Pursuant to Directive of the Russian Government No. 2988p-P13 dated 05/30/2013</p>	<ul style="list-style-type: none"> • The Standard for the Process and Price Audit of Investment Projects of ZARUBEZHNEFT GROUP was approved by a resolution of the Board of Directors of Zarubezhneft (Minutes No. 110 dated 09/30/2015). The Standard takes into account the recommendations of the Expert Council under the Russian Government as well as the updated regulatory framework as regards investment and project activities. • In 2020, no investment projects were found that fall under the criteria for inclusion in the process and price audit. The relevant information was sent to the Russian Ministry of Economic Development (Letter No. DM-25-806 dated 03/13/2020).
<p>Preparation of non-financial reporting</p> <p>Pursuant to Directive No. 1710p-P13 dated 03/30/2012</p>	<ul style="list-style-type: none"> • In 2020, Zarubezhneft's Sustainable Development Report for 2019 was prepared and posted on the Company's official website.
<p>Implementation of investment programs (Instructions of the Russian First Deputy Prime Minister No. ISh-P13-5361 dated 09/18/2009, Fax of the Federal Agency for State Property Management No. GN-13/8809 dated 04/01/2011)</p>	<ul style="list-style-type: none"> • Information on the implementation of Zarubezhneft's investment programs was updated quarterly in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management.

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Implementation of measures to ensure the information openness of procurement activity and transition to procurements in electronic form, including regulations governing the procedures for the procurement of goods, work, and services</p> <p>Pursuant to Directive of the Russian Government No. 6464p-P13 dated 12/16/2010, Instructions of the Russian Government No. ISh-P13-8685 dated 12/17/2010, and Letter of the Federal Agency for State Property Management No. GN-13/1416 dated 01/25/2011</p>	<p>➤ See the section on the Procurement Report of Zarubezhneft Group.</p> <ul style="list-style-type: none"> • Zarubezhneft's Partnership Program with Small and Medium-Sized Businesses was approved by Zarubezhneft Order No. 544 dated 12/01/2014. The Partnership Program was posted on the Company's website in the 'Information Disclosure' section, as well as the Register of Small and Medium-Sized Businesses that joined partnerships. • The current version of the Regulation on the Procurements of Zarubezhneft (approved by a resolution of the Board of Directors, Minutes No. 176 dated 12/30/2019), taking into account Amendment No. 1 (approved by a resolution of the Board of Directors, Minutes No. 183 dated 06/25/2020) also takes into account the requirements of the directives. • Quarterly reports on the results of procurement activities are reviewed and taken into account, in accordance with a resolution of the Board of Directors: Report for Q4 2019. (Minutes No. 179 dated 03/27/2020), Report for Q1 2020 (Minutes No. 181 dated 05/26/2020), Report for Q2 2020 (Minutes No. 186 dated 09/30/2020), and Report for Q3 2020 (Minutes No. 187 dated 11/10/2020).
<p>Proposals and recommendations that aim to stimulate the development of environmental responsibility mechanisms based on international standards, including non-financial reporting and voluntary certification and labeling systems subject to independent verification and certification (item "I", Clause 1 of the list of Instructions of the Russian President No. Pp-1640 dated 06/06/2010, and Letter of the Federal Agency for State Property Management No. GN-13/37524 dated 12/05/2011)</p>	<p>➤ See 'Environmental Protection' section.</p> <ul style="list-style-type: none"> • ZARUBEZHNEFT GROUP's Environmental Program was approved by a resolution of the Board of Directors (Minutes No. 59 dated 04/20/2012). To monitor the implementation of the Program, Zarubezhneft has established a specialized unit — the Department of Occupational and Industrial Safety and Environmental Protection. • In 2020, Zarubezhneft's Sustainable Development Report for 2019 was prepared and posted on the Company's official website.
<p>Resolution of the Government of the Russian Federation No. 1214 dated 12/31/2010 "On Improving the Procedure for Managing Open Joint-Stock Companies Whose Shares Are in Federal Ownership and Federal State-Owned Enterprises"</p>	<ul style="list-style-type: none"> • A resolution of the Board of Directors (Minutes No. 72 dated 06/10/2013) approved a new version of the 'Regulation of Zarubezhneft on the Organization of Information Interaction through the Interdepartmental Portal for State Property Management on the Internet'. In accordance with this Regulation, Zarubezhneft regularly posted relevant information in its personal account on the Interdepartmental Portal in 2020.
<p>Introduction of recommendations on the management of the rights to the results of intellectual activity</p> <p>Pursuant to Directive of the Russian Government No. 9177p-P13 dated 12/12/2017</p>	<ul style="list-style-type: none"> – The resolutions specified in the directives were adopted by the Board of Directors (Minutes No. 149 dated 02/08/2018). – A resolution of the Board of Directors (Minutes No. 159 dated 10/03/2018) approved the Policy on RIA Rights Management at Zarubezhneft and the Action Plan for its implementation (posted in Zarubezhneft's personal account on the Interdepartmental Portal of the Federal Agency for State Property Management on 10/04/2018). Measures are implemented according to the approved Plan, including: the Regulation on the Innovative Development Department, which performs the functions of managing RIA rights, was approved on 06/10/2019. – Sets of KPIs were developed for the assessment of the RIA Rights Management System at Zarubezhneft. – The Report on the Functioning of the RIA Rights Management System at Zarubezhneft was reviewed and taken into account in accordance with a resolution of the Board of Directors (Minutes No. 174 dated 11/26/2019). – In Q1 2020, an inventory of RIA was conducted at ZARUBEZHNEFT GROUP's companies (Zarubezhneft, VNIIneft, Giprovostokneft, and JC RUSVIETPETRO).

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Development and approval of a list of internal regulations governing the Company's activities as well as the submission of reports on the implementation of long-term development programs and the achievement of approved KPIs in accordance with Clauses 2 and 3 of Instructions of the Russian President No. Pp-3013 dated 12/27/2014</p>	<ol style="list-style-type: none"> 1. Zarubezhneft's Long-Term Development Program, after preliminary approval by the Strategic Planning Committee of the Board of Directors (Minutes No. 1 dated 09/19/2014), was endorsed by the Expert Council under the Russian Government (Letters No. ES-2909/02 dated 09/29/2014 and No. ES-1211/02 dated 11/12/2014) and approved by a resolution of the Board of Directors (Minutes No. 91 dated 11/20/2014). See the 'Long-Term Development Program' section. 2. The Regulation on KPIs and Certificates of Corporate KPIs were approved by a resolution of the Board of Directors (Minutes No. 94 dated 12/24/2014). 3. In 2016, following endorsement by the Federal Agency for State Property Management (Letter No. DR-05/44755 dated 10/28/2016), the Board of Directors approved updated versions of the Regulation on KPIs and Certificates of Corporate KPIs. In 2017, a new version of the Certificate of the Integrated Key Innovation Efficiency Indicator of Zarubezhneft was approved at a meeting of the Board of Directors on 08/21/2017 (Minutes No. 141). In 2020, in order to fulfill Instructions of the Russian Government No. MM-P13-15370 dated 11/26/2020 and Directive of the Russian Government No. 304p-P13 dated 01/19/2021, Zarubezhneft conducted an analysis of its Regulation on KPIs regarding compliance with the "Methodological Recommendations for the Compilation and Application of Key Performance Indicators of Joint-Stock Companies Owned by the Russian Federation and Individual Non-Profit Organizations in Order to Determine the Amount of Remuneration for Their Management", which were approved by Directive of the Russian Government No. 3579-p dated 12/28/2020. 4. The updated Regulation on KPIs was approved by a resolution of the Board of Directors on 01/29/2021 (Minutes No. 189 dated 01/29/2021). 5. 3. The Regulation on Improving Investment and Operational Efficiency and Reducing Costs was approved by a resolution of the Board of Directors (Minutes No. 117 dated 01/29/2016, previous version by Minutes No. 112 dated 11/11/2015). 6. 4. The Regulation on Internal Audit was approved by a resolution of the Board of Directors (Minutes No. 97 dated 02/27/2015). In accordance with the Methodological Instructions for the Preparation of the Regulation on Internal Audit, the Company has drafted a new version of the Regulation on Internal Audit at Zarubezhneft (approved by a resolution of the Board of Directors, Minutes No. 110 dated 09/30/2015). In 2016, the Regulation on Internal Audit at Zarubezhneft was updated taking into account the Methodological Recommendations on Risk Management and Internal Control to Prevent and Combat Corruption and approved by a resolution of the Board of Directors on 10/14/2016 (Minutes No. 128 dated 10/14/2016). In 2018, taking into account the recommendations of external auditors based on an external assessment of the quality of the internal audit function, a new version of the Regulation on Internal Audit was drafted and approved by the Board of Directors (Minutes No. 160 dated 11/20/2018). 7. 5. The Regulation on the Quality Management System of Zarubezhneft was approved by a resolution of the Board of Directors (Minutes No. 112 dated 11/11/2015). In 2016, the Board of Directors approved an updated version of the Regulation on the Quality Management System of Zarubezhneft (Minutes No. 133 dated 12/27/2016). 8. 6. The Risk Management Policy of Zarubezhneft was approved by a resolution of the Board of Directors (Minutes No. 112 dated 11/11/2015). In 2016, Zarubezhneft's Risk Management Policy was updated taking into account the Methodological Recommendations on Risk Management and Internal Control to Prevent and Combat Corruption and approved by a resolution of the Board of Directors (Minutes No. 125 dated 06/27/2016). 9. 7. The Regulation on the Procedure for Drafting and Implementing the Innovative Development Program of Zarubezhneft was approved by Zarubezhneft Order No. 262 dated 09/06/2017 (previous versions by Order No. 623 dated 12/30/2015 and Order No. 541 dated 11/16/2015).

Instructions of the Russian President and Directives of the Russian Government	Information on the Fulfillment by the Company of the Relevant Instructions and Directives
<p>Inclusion in the Company's LDP of a list of actions for the planned and gradual replacement of procurements of foreign products (work or services) with the procurement of Russian products (work or services) that are equivalent in terms of their technical characteristics and consumer properties according to Directive No. AD-P9-9176 dated 12/08/2014</p>	<p>➤ See the 'Procurement' section.</p> <ul style="list-style-type: none"> Pursuant to Directive of the Russian Government No. 1346P-P13 dated 03/05/2015, a resolution of the Board of Directors (Minutes No. 101 dated 04/30/2015) approved Appendix No. 8 to the Long-Term Development Program of Zarubezhneft 'Measures for the Planned and Gradual Replacement of the Procurement of Foreign Products, Work, and Services with Equivalent Russian Products, Work, and Services'. The resolutions specified in Directive No. 830p-P13 dated 02/06/2017 were adopted at a meeting of the Board of Directors on 03/17/2017 (Minutes No. 135). The Company has an import substitution working group (approved by Order No. 144 dated 05/30/2017), and Order No. 125 dated 05/17/2017 appointed a person responsible for controlling the entry of information into the 'Import Substitution Technologies and Projects' AIS A new version of Appendix No. 8 to the LDP was approved by a resolution of the Board of Directors (Minutes No. 169 dated 06/11/2019). The document reflects measures to implement Directives of the Russian Government No. 10068p-P13 dated 12/06/2018 "Transition to the Predominant Use of Domestic Software" and No. 584p-P13 dated 01/26/2019 "On the Completion of Corporate Plans for Import Substitution in Terms of Protection Against Radiation, Chemical, and Biological Factors". The Report on the Implementation of the Import Substitution Plan (Appendix No. 8 to the LDP) for 2019 is included in the Report on the Implementation of the LDP for 2019 (confirmed by the LDP auditor's report dated 04/24/2020), was reviewed at a joint meeting of the Strategic Planning Committee and the HR and Remuneration Committee of the Board of Directors (Minutes No. 72 dated 05/14/2020), taking into account the received recommendations, was reviewed and taken under advisement in accordance with a resolution of the Board of Directors (Minutes No. 182 dated 05/29/2020).
<p>Development and implementation of import substitution plans</p> <p>Pursuant to Directive of the Russian Government No. 830p-P13 dated 02/06/2017</p>	
<p>Implementation of partnership programs with SMEs</p> <p>Pursuant to Directive No. 7377p-P13 dated 12/07/2013</p>	<p>➤ See the section on the Procurement Report of ZARUBEZHNEFT GROUP.</p> <ul style="list-style-type: none"> Zarubezhneft's Partnership Program with Small and Medium-Sized Businesses was approved by Zarubezhneft Order No. 544 dated 12/01/2014. The Partnership Program was posted on the Company's website in the 'Information Disclosure' section, as well as the Register of Small and Medium-Sized Businesses that joined partnerships.
<p>Participation in the preparation of regulatory documents for professional skills championships according to WorldSkills standards</p> <p>Pursuant to Clause 1 of the list of Instructions of the Russian President No. Pp-1921 dated 09/21/2015</p>	<ul style="list-style-type: none"> At present, Zarubezhneft is not one of the associated members of the WorldSkills Russia Union, so it does not have the right to hold and participate in industry-based professional skills championships. Zarubezhneft supports the idea of holding championships according to WorldSkills standards and will take part in the competition in the event a championship is held in the fuel and energy sector on 'Oil and Gas Production'. In order to develop professional skills and enhance the motivation among the Group's employees, Zarubezhneft annually holds a corporate professional skills competition called 'Best in Profession' among employees of subsidiaries that work in the segments: hydrocarbon production, oil refining, and transportation. In 2020, due to the difficult epidemiological situation around the world and as part of measures taken to prevent the spread of COVID-19 and take care of workers' health, Zarubezhneft management decided to cancel the 'Best in Profession' corporate competition and postpone it until 2021. The relevant information was sent to the Federal Agency for State Property Management, the Russian Ministry of Economic Development, the Russian Ministry of Industry and Trade, and the Russian Ministry of Science and Higher Education (Letter No. DU-50-3019 dated 10/01/2020).



INFORMATION ABOUT THE PROGRAM FOR THE DISPOSAL OF ZARUBEZHNEFT'S NON-CORE ASSETS

Pursuant to the requirements of Decree No. 596 of the Russian President dated May 7, 2012 as well as Directive No. 894-p of the Russian Government dated May 11, 2017 "On the Identification and Sale of Non-Core Assets",

Zarubezhneft took measures in 2019 to dispose of the Company's non-core assets.

INFORMATION ABOUT THE SALE OF NON-CORE ASSETS IN 2020

No.	Asset	Inventory number (if applicable)	Balance sheet line containing the asset as of the reporting date preceding the sale of the asset	Book value of the asset (RUB thousand)
1	Toyota Corolla (Y 622 YP 199)	Y 622 YP 199	1150	0
2	Tractor T-170 28-12 YO	00000087	1150	0
3	Cargo truck tractor MAZ E369MO73	00000091	1150	1,500,499
4	Cargo truck tractor MAZ 018 MO	00000095	1150	1,174,277
5	Audi A-6 3.0TD Quadro	A24-O-375	143100	0
6	Share in Jadran Naftagas LLC (24%)	-	1150	14,215
7	Lexus LX470 E555OE 51	E555OE 51	1150	0
8	Tanker semi-trailer-22, AP8424 56	00000068	1150	0
9	Tanker semi-trailer NEFAZ AN 1053 73	00000073	1150	227,318
10	Tanker semi-trailer-22 AN 2176 73	00000085	1150	586,939
11	Peugeot Partner 1.6	0101008002	143100	0
12	Peugeot Partner	0101006002	143100	0
13	UZST 22 AN 2455 73	00000043	1150	663,608
14	Tanker semi-trailer-22 AC 0929 56	00000039	1150	256,361

Measures to sell non-core assets were carried out based on documents approved by the Zarubezhneft

Board of Directors:

- ▶ Program for the disposal of non-core assets (Minutes No. 145 of the Board of Directors dated November 27, 2017)
- ▶ Register of non-core assets (Minutes No. 179 of the Board of Directors dated March 27, 2020)
- ▶ Plan for the sale of non-core assets (Minutes No. 179 of the Board of Directors dated March 27, 2020)

In 2020, 30 non-core assets were sold for a total of RUB 6.56 million.

Actual sale price (RUB thousand)	Deviation of the actual sale price from the book value of the asset (RUB thousand)	Reason for the deviation of the actual sale price from the book value of the asset
539,265	+539,265	Sold at auction
124	+124	Sold at auction
680	-820,499	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
465	-709,277	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
355,515	+355,515	Sold at auction
29,859	+15,644	Sold to the Company's main participant
860	+860	Sold at auction
53,200	+53	Sold at auction
52,500	-174,818	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
45,500	-541,439	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
315,027	+315,027	Sold at auction
308,836	+308,836	Sold at auction
102,500	-561,108	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
67,666	-188,695	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)

No.	Asset	Inventory number (if applicable)	Balance sheet line containing the asset as of the reporting date preceding the sale of the asset	Book value of the asset (RUB thousand)
15	UZST 22 AN 2454 73	00000065	1150	663,608
16	UZST 22 AN 2456 73	00000054	1150	663,608
17	Tanker semi-trailer-22 AN 1223 73	00000018	1150	465,503
18	Tanker semi-trailer-24 AM 8428 73	00000028	1150	0
19	NEFAZ 22 AM 6490 73	00000079	1150	0
20	UAZ B 555 OT 163	00000084	1150	0
21	Volkswagen LT35 115T706	0100010083	143100	0
22	Volkswagen Caddy 878A589	0100010071	143100	0
23	Volkswagen Transporter 2.4D	0100010068	143100	70,686
24	Iveco Zastava	0100010053	143100	67,055
25	Ford Transit Combi	0100010087	143100	0
26	Volkswagen Crafter 2.5TDI	0100010035	143100	431,561
27	Volkswagen Golf2	0100010147	143100	0
28	Toyota Caravan	0100010251	143100	0
29	Volkswagen Passat	0100010853	143100	353,434
30	Ford Transit combi VAN 350	0200001316	143100	482,849

The Regulation on Organizing the Sale of ZARUBEZHNEFT GROUP's Non-Core Assets was approved (Order No. 127 dated May 17, 2017) to structure the process of the Company's selling non-core assets and provides a detailed and gradual procedure for the sale of non-core assets in competitive procedures taking into account the requirements of the legislation of the Russian Federation:

- ▶ Stage 1: auctions/bidding
- ▶ Stage 2: sale through a public offering
- ▶ Stage 3: sale without a price announcement

- ▶ Stage 4: preparation of further proposals for the sale of non-core assets (if a buyer was not found in the above three stages, various proposals will be prepared for the possible transfer of non-core assets for rent or collateral, gratuitous transfer, etc.).

Reports on the sale of non-core assets by ZARUBEZHNEFT GROUP were reviewed quarterly at meetings of the Board of Directors and posted on the Interdepartmental State Property Management Portal of the Federal Agency for State Property Management.

Actual sale price (RUB thousand)	Deviation of the actual sale price from the book value of the asset (RUB thousand)	Reason for the deviation of the actual sale price from the book value of the asset
57,666	-605,942	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
57,666	-605,942	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
51,666	-413,837	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
52,500	+52,500	Sold at auction
51,100	+51,100	Sold at auction
124,800	+124,800	Sold at auction
149,457	+149,457	Sold at auction
72,465	+72,465	Sold at auction
60,991	-9,695	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
117,755	+50,7	Sold at auction
241,999	+241,999	Sold at auction
412,116		Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)
18,976	+18,976	Sold at auction
393,956	393,956	Sold at auction
353,859	+425	Sold at auction
326,945	-155,904	Sold by open bidding (sale below the book value was approved by the Zarubezhneft Board of Directors, Minutes No. 179 dated 03/27/2020)

INFORMATION ON CLAIMS-RELATED WORK OF ZARUBEZHNEFT

In 2020, Zarubezhneft served as a defendant in one case concerning labor relations: courts considered an applicant's claim that the Company illegally refused to hire the applicant and sought the recovery of average wages and moral damages in the amount of RUB 2,214,965. Courts of the first, appellate, and cassation instances denied the claims in full. The judicial acts have taken effect.

In addition, arbitration courts of various instances are currently hearing four court cases based on applications filed by Zarubezhneft to challenge decisions made by of Federal Tax Service Inspectorate No. 1 for Moscow dated November 14, 2018 on the additional charging of property tax for quarters 1-4 of 2016 totaling RUB 17,401,016. The applications were filed due to changes in the cadastral value of the property. In three court cases, the court of first instance partially satisfied the claims for a total of RUB 2,343,325, but denied the rest of the claims. In one court case, the decision has taken effect, while one court case was suspended in the court of first instance. The court rulings are based on an examination of the market value of the property.

In 2020, Zarubezhneft also challenged the cadastral value of property in the Moscow City Court. An examination was conducted in the case. The Moscow City Court ruled on October 9, 2020 to satisfy the claims. The decision has not taken effect and is pending in the First Court of Appeal of general jurisdiction.

In one of the cases, the Arbitration Court of Moscow ruled on October 13, 2020 to deny claims against the Company by the Department of Municipal Property of Moscow, which sought to recognize a sixth floor as unauthorized structure. The decision took effect and was not challenged by the parties.

Subsidiaries of ZARUBEZHNEFT GROUP also took part in court cases in 2020 involving large sums of money. In particular, the resolutions of the Thirteenth Arbitration Court of Appeal dated July 29, 2020 and the Arbitration Court of the North-West District dated November 23, 2020 upheld the decision of the Arbitration Court of the Murmansk Region dated December 18, 2019 on partially satisfying the claims of AMNGR, which sought to declare as illegal a decision made on May 25, 2018 by Interdistrict Inspectorate for Large Taxpayers of the Murmansk Region No. 2 based on the results of an on-site tax audit for 2014-2015. AMNGR was disputing additional taxes and the imposition of fines and penalties in the amount of

RUB 35,366,594.41, and its claims were satisfied in the amount of RUB 24,865,656.23. The judicial acts have taken effect.

The Group's subsidiaries in Bosnia and Herzegovina have also been involved in litigation concerning corporate relations since 2013. In particular, in 2020, Bosnia and Herzegovina courts had pending lawsuits on eight claims by minority shareholders (legal entities and individuals) against Nestro Petrol and NeftegazInCor concerning the forced redemption of shares as well as the setting of a buyback price for shares in Modriča Motor Oil Plant. The claims are for a total of BAM 2,592,722.08.

As of the end of 2020, five lawsuits had been considered. In four of the cases, the court fully denied the claims of minority shareholders totaling BAM 1,925,371.46. In one case, the shareholder's claims were satisfied for a total of BAM 22,500.9. In another case, the minority shareholder concluded an amicable agreement for BAM 45,878. The remaining cases are pending and no decisions have been made.

The lawsuits were filed because Nestro Petrol and NeftegazInCor (as affiliates) jointly owned more than 90% of the shares of Modriča Motor Oil Plant at the time of their filing.

The legal units of the subsidiaries protect the interests of ZARUBEZHNEFT GROUP in and out of court. Court cases involving subsidiaries are mainly related to ordinary business activities and do not pose a significant risk to ZARUBEZHNEFT GROUP's financial and economic activities.

INFORMATION ABOUT MAJOR TRANSACTIONS CONCLUDED BY ZARUBEZHNEFT IN THE REPORTING YEAR

In accordance with the Charter of Zarubezhneft, taking into account the data in the Company's accounting (financial) statements, major transactions in 2020 include any transactions valued at more than RUB 45.06 billion.

Zarubezhneft did not conclude any major transactions in 2020

INFORMATION ABOUT RELATED-PARTY TRANSACTIONS CONCLUDED BY ZARUBEZHNEFT IN THE REPORTING YEAR

In 2020, the Company did not conclude any agreements to which the provisions on related-party transactions would apply.



LIST OF PROGRAMS IMPLEMENTED BY ZARUBEZHNEFT AS PART OF THE DEVELOPMENT STRATEGY AND LONG-TERM DEVELOPMENT PROGRAM

- ▶ The updated Innovative Development Program of Zarubezhneft for 2016–2020 (with a view to 2030) was approved by the Zarubezhneft Board of Directors
- ▶ Health, Labor, Environment, Safety, and Social Responsibility Policy of Zarubezhneft
- ▶ Efficiency Improvement and Cost Optimization Program of ZARUBEZHNEFT GROUP
- ▶ The Increasing Labor Productivity Program was prepared and included in the Long-Term Development Program of Zarubezhneft based on Directive No. 7389p-P13 dated October 31, 2014
- ▶ A set of measures for the planned and gradual replacement of the procurement of foreign products, work, and services with equivalent Russian products, work, and services was approved as part of Appendix No. 8 to the Long-Term Development Program
- ▶ A list of program measures to achieve the strategic goals of the Company's Corporate Strategy was approved as part of Appendix No. 10 to the Long-Term Development Program
- ▶ The measures of the Long-Term Development Program to accelerate the growth rates of investments in fixed assets of the 'Exploration and Production' segment were approved as part of Appendix No. 14 to the Long-Term Development Program

LIST OF INTERNAL REGULATORY DOCUMENTS GOVERNING ACTIVITIES TO PREPARE THE ANNUAL REPORT

- ▶ Regulation No. 316 on the Preparation and Publication of the Annual Report of Zarubezhneft dated October 28, 2019
- ▶ Regulation on Internal Audit at Zarubezhneft (approved by a resolution of the Board of Directors dated November 20, 2018, Minutes No. 160)
- ▶ Policy on Interaction between the Audit Committee of the Zarubezhneft Board of Directors and the External Auditor (approved by a resolution of the Board of Directors dated November 24, 2016, Minutes No. 131)
- ▶ Internal Control Policy at Zarubezhneft (approved by a resolution of the Board of Directors dated June 26, 2016, Minutes No. 125).
- ▶ Methodology for Planning and Conducting Internal Audits (approved by Order No. 14 dated January 21, 2019)
- ▶ Regulation for Conducting Audits at Subsidiaries (approved by Order No. 409 dated December 21, 2017)

INFORMATION ABOUT THE AUDITOR OF ZARUBEZHNEFT'S ACCOUNTING STATEMENTS FOR THE REPORTING YEAR

Zarubezhneft annually engages external auditors to audit its accounting (financial) statements prepared in accordance with Russian Accounting Standards.

The audit organization was selected for the mandatory audit of Zarubezhneft's RAS accounting (financial) statements for 2020–2021 through an open tender in accordance with the requirements of Federal Law No. 44-FZ dated April 5, 2013 "On the Contract System for the Procurement of Goods, Work, and Services to Meet State and Municipal Needs".

In 2020, Crowe Expertiza won the competition and was hired as the auditor of the RAS statements. The cost of Crowe Expertiza's services for auditing the accounting (financial) statements for 2020 amounted to RUB 844,800.

The Federal Treasury and the Self-Regulatory Organization of Auditors, in which the auditor is a member, regularly monitor the auditor's activities.



EXTRACT FROM ZARUBEZHNEFT GROUP'S CONSOLIDATED FINANCIAL STATEMENTS AND INFORMATION ABOUT THE AUDITOR FOR THE REPORTING YEAR

Zarubezhneft annually engages external auditors to audit its consolidated financial statements prepared in accordance with IFRS. The audit organization was selected to audit ZARUBEZHNEFT GROUP's consolidated financial statements for 2019–2020 by conducting an open request for proposals in accordance with the requirements of Federal Law No. 223-FZ dated July 18, 2011 "On the Procurement of Goods, Work, and Services by Separate Types of Legal Entities".

Deloitte & Touche CIS won the tender and was hired as the auditor of ZARUBEZHNEFT GROUP's consolidated financial statements for 2019–2020. Deloitte & Touche CIS

conducts quality control of audit assignments as of the date of issuance of the audit opinion and prior to this, and also verifies and monitors the quality of audit documentation on audits that have been completed. The cost of services of Deloitte & Touche CIS for the audit of the consolidated financial statements for 2020 amounted to RUB 11,159,000.

The Federal Treasury and the Self-Regulatory Organization of Auditors, in which the auditor is a member, regularly confirm the auditor's independence.

CONSOLIDATED PROFIT AND LOSS STATEMENT AND OTHER TOTAL INCOME FOR THE YEAR ENDED ON DECEMBER 31, 2020

EXTRACT FROM ZARUBEZHNEFT GROUP'S CONSOLIDATED IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2020, RUB MLN

RUB MLN	2020	2019
Sales revenue and income from joint operations		
Sales of oil, gas, and petroleum products	60,696	65,300
Ancillary services and other sales	12,495	9,521
Revenues from joint ventures	9,742	18,068
Total sales revenue and income from joint operations	82,933	92,889
Costs and expenses		
Cost of purchased oil, gas, and petroleum products	(41,560)	(40,637)
Production and operating costs	(16,621)	(16,302)
Commercial, general, and administrative expenses	(5,825)	(6,331)
Taxes, except income tax	(4,649)	(5,543)
Export, depletion, and depreciation	(6,599)	(4,606)
Transportation costs	(1,981)	(1,715)
Geological survey costs	(274)	(211)
Export duty	(306)	(342)
Other income/(expenses), net	908	2,395
Profit from operating activities	6,026	19,597
Expenses on devaluation of assets, net	(1,110)	(413)
Income (expenses) from revaluation of foreign currency derivative financial instruments at fair value	(896)	(186)
Financial income	1,549	999
Financial expenses	(721)	(806)
Exchange rate differences, net	5,025	(2,918)
Profit before income tax	9,873	16,273
Current income tax	(2,329)	(1,888)
Deferred income tax	1,689	(932)
NET PROFIT FOR THE YEAR	9,233	13,453
Net profit/(loss) for the year, belonging to:		
• The shareholder of the parent company	9,940	13,310
• Non-controlling interests	(707)	143
NET PROFIT FOR THE YEAR	9,233	13,453
OTHER TOTAL INCOME/(EXPENSE)		
Items to be reclassified as profit or loss		
The effect of conversion into the presentation currency	13,755	(7,257)
Other aggregate income/(expense) for the year excluding income tax	13,755	(7,257)
TOTAL AGGREGATE INCOME FOR THE YEAR	22,988	6,196
Total aggregate income/(expenditure) for the year belonging to:		
• The shareholder of the parent company	24,099	5,426
• Non-controlling interests	(1,111)	770
	22,988	6,196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2020

RUB MLN

ASSETS	December 31, 2020	December 31, 2019
Non-current assets		
Fixed assets	55,450	40,924
Investments in joint ventures	88,382	74,822
Debt securities	6,352	4,230
Deferred tax assets	3,004	835
Contributions to the liquidation fund	2,012	1,511
Other non-current assets	2,810	1,517
	158,010	123,839
Current assets		
Stocks	4,046	4,427
Trade and other receivables	8,052	5,396
Dividend debt	3,312	5,162
Refundable taxes and prepayment of taxes	1,374	1,510
Loans issued	5,175	4,160
Debt securities	9,720	6,861
Deposits, cash, and cash equivalents	29,843	35,387
Other current assets	1,321	1,146
	62,843	64,049
TOTAL ASSETS	220,853	187,888
OWN CAPITAL AND LIABILITIES		
Capital and reserves		
Charter capital	50,729	50,729
Other reserves	15,439	14,310
Reserve of conversion to the presentation currency	36,443	22,284
Retained earnings	59,840	57,684
Share capital of the parent company	162,451	145,007
Non-controlling shares	(8,339)	(8,207)
TOTAL CAPITAL AND RESERVES	154,112	136,800
Long-term liabilities		
Long-term loan liabilities	16,795	14,743
Long-term valuation liabilities	15,917	10,988
Deferred tax liabilities	6,119	5,447
	38,831	31,178
Short-term liabilities		
Short-term loan liabilities	11,845	6,441
Trade and other accounts payable	12,542	9,859
Short-term valuation liabilities	1,784	1,424
Tax liabilities	1,366	1,457
Other short-term liabilities	373	729
	27,910	19,910
TOTAL OBLIGATIONS	66,741	51,088
TOTAL CAPITAL AND LIABILITIES	220,853	187,888

GLOSSARY

ADCS – automated dispatch control system

ADP – asset development project

AEES – automated energy efficiency system

AIS – analytical information system

APG – associated petroleum gas

AWS – automated workstation

BCP – biodiversity conservation program

BPM – business process management

BSC – Business Service Center

CIS – Commonwealth of Independent States

CPC – Caspian Pipeline Consortium

CPF – Central Production Facility

CRC – corrosion-resistant coating

DV – drilling vessel

EAP – East Asia and the Pacific

EBITDA – earnings before interest, taxes, depreciation and amortization

ECA – Europe and Central Asia

ECP – electrical centrifugal pump

EFTG – Enhanced Full Tensor Gravity Gradiometry

EGZ – East Gabel El Zeit block

EMBA – Executive Master of Business Administration

EORM – enhanced oil recovery method

EROI – energy return on investment

ETP – electronic trading platform

E&P – exploration and production

FCF – free cash flow

FDP – field development plan

FEED – front end engineering design

FEM – financial economic model

FPM – formation pressure maintenance

GEA – geological exploration activities

GEW – geological exploration work

HF – hydraulic fracturing

HNP – huff and puff

HTRR – hard-to-recover reserves

IDP – innovative development program

IEAA – International Economic Association Agreement

IEP – integrated environmental permit

IFRS – International Financial Reporting Standards

JSC – joint-stock company

KFU – Kazan Federal University

KMS – Knowledge Management System

KPI – key performance indicator

KSI – kickoff surface infrastructure

LAC – Latin America and the Caribbean

LDP – long-term development program

LTIFR – Lost Time Injury Frequency Rate

MGIMO – Moscow State University of International Relations

MOAL – motor oil and lubricant	RLA – regulatory legal acts
MNA – Middle East and North Africa	RMS – risk management system
MPC – maximum permissible concentration	RMS IS – Real-time Monitoring Center Information System
MRT – mineral replacement tax	RUIE – Russian Union of Industrialists and Entrepreneurs
MSHF – multistage hydraulic fracturing	R&D – research and development
NAA – Nenets Autonomous Area	SAGD – steam-assisted gravity drainage
NRPI – natural reservoir pressure increase	SEREU – South East Ras El Ush block
OEIM IS – Oilfield Equipment Integrity Management Information System	SHPP – small hydroelectric power plant
OGEEE AIS – Oil and Gas Enterprise Energy Efficiency Analytical Information System	SPP – solar power plant
OGWI – oil, gas, and water inflows	TOE – ton of oil equivalent
OF – open fountains	ULRS – Unified Labor Remuneration System
ORI – oil recovery index	VAT – value-added tax
ORS – oil refining and sales	VSP – vertical seismic profiling
OTS – operational and technical section	WBS – work breakdown structure
PCDW – pilot commercial development work	WHP – well-head platform
PCF – petroleum-containing fluid	WIP – well intervention program
PDCA – plan-do-check-act	WLS – well log survey
PSA – production sharing agreement	WPP – wind power plant
PSDM – pre-stack depth migration	WSW – well servicing and workover
PSTM – pre-stack time migration	WWF – World Wildlife Fund
RAS – Russian Accounting Standards	YNAO – Yamalo-Nenets Autonomous Area
RES – renewable energy source	
RESDD – Renewable Energy Source Development Department	

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GRI INDICATOR

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.

Indicator	Presence in content
GRI 102 General disclosures 2016	
102-1 Name of the organization	1
102-2 Activities, brands, products, and services	9
102-3 Location of headquarters	276
102-4 Location of operations	12
102-5 Ownership and legal form	200
102-6 Markets served	90
102-7 Scale of the organization	6
102-8 Information on employees and other workers	162
102-9 Supply chain	155
102-10 Significant changes to the organization and its supply chain	22
102-11 Precautionary principle or approach	232
102-12 External initiatives	182
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102-18 Governance structure	200
102-40 List of stakeholder groups	189
102-41 Collective bargaining agreements	170
102-42 Identifying and selecting stakeholders	190
102-43 Approach to stakeholder engagement	190
102-44 Key topics and concerns	189
102-45 Entities included in the consolidated financial statements	269
102-46 Defining report content and topic Boundaries	21
102-47 List of material topics	21
102-48 Restatements of information (The effect of any restatements of information given in previous reports, and the reasons for such restatements)	1
102-49 Changes in reporting (Significant changes from previous reporting periods in the list of material topics and topic Boundaries)	Not recorded
102-50 Reporting period	31/12/2019–31/12/2020
102-51 Date of most recent report	June 2020
102-52 Reporting cycle	annual
102-53 Contact point for questions regarding the report	276
102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards, Core option
102-55 GRI content index	278
102-56 External assurance	Not assured
GRI 103: Management Approach 2016	

Indicator	Presence in content
Economic performance	
GRI 103 Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	8
103-2 The management approach and its components	8
103-3 Evaluation of the management approach	8
GRI 201 Economic performance 2016	
201-1 Direct economic value generated and distributed	6
Indirect economic impacts	
GRI 103 Management Approach 2016	
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GRI 203 Indirect economic impacts 2016	
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Anti-corruption	
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103-2 The management approach and its components	229
103-3 Evaluation of the management approach	229
GRI 205 Anti-corruption 2016	
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205-2 Communication and training about anti-corruption policies and procedures	229
Energy	
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GRI 302 Energy 2016	
302-1 Energy consumption within the organization	194
Biodiversity	
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GRI 304 Biodiversity 2016	
304-3 Habitats protected or restored	185
Emissions	
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GRI 305 Emissions 2016	
305-1 Direct (Scope 1) GHG emissions	187
305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	187

Indicator	Presence in content
Effluents and waste	
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103-2 The management approach and its components	189
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GRI 306 Effluents and waste 2016	
306-2 Waste by type and disposal method	189
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Occupational health and safety	
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GRI 403 Occupational health and safety 2018	
403-1 Occupational health and safety management system	180
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Training and education	
GRI 103 Management Approach 2016	
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Diversity and equal opportunity	
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Industry topics and indicators	
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CERTIFICATE OF PUBLIC ACKNOWLEDGMENT OF CORPORATE NON-FINANCIAL REPORT



Russian Union of Industrialists and Entrepreneurs

CERTIFICATE

of Public Endorsement
of a Corporate Non-Financial Report

**Integrated report of JSC Zarubezhneft
for 2020**

**has received public endorsement
by the RSPP Council on Non-Financial Reporting**

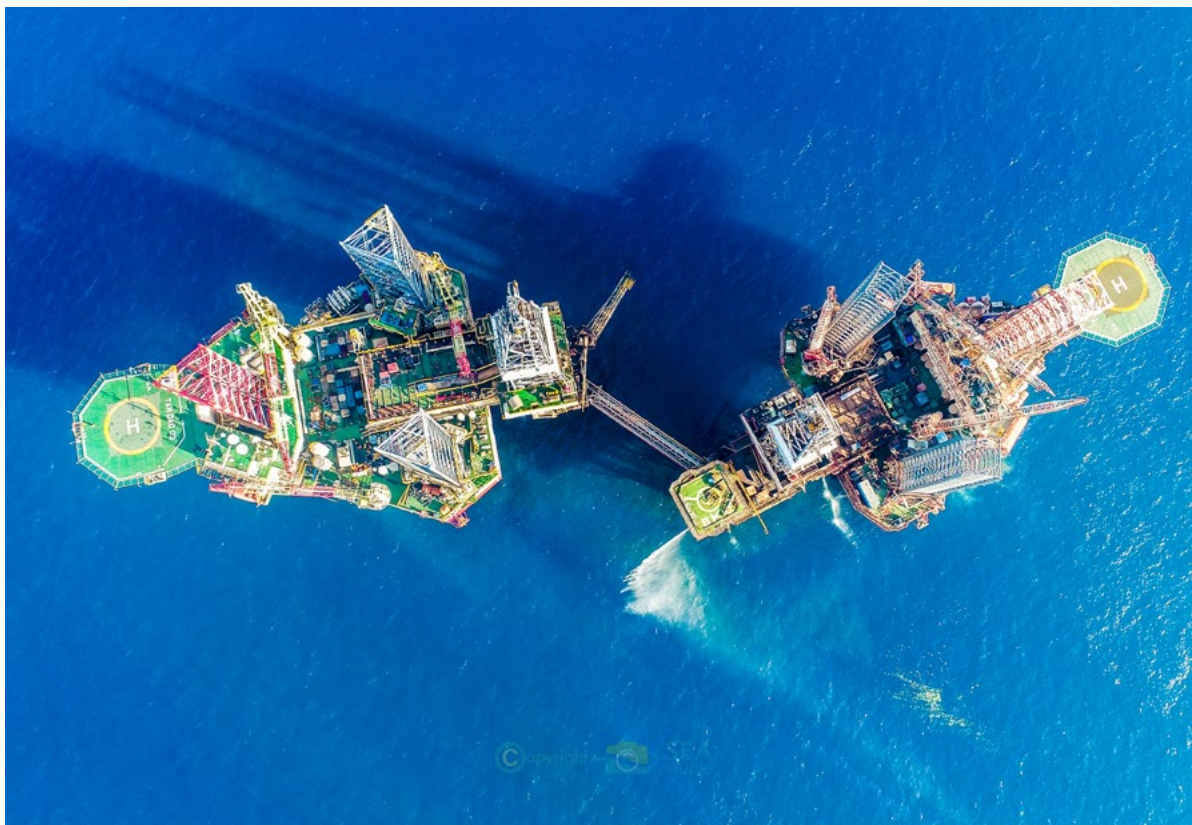
A detailed opinion of the RSPP Council regarding public endorsement of the Integrated report of JSC Zarubezhneft for 2020 has been sent to the Company, which may publish it without amendment and use it both for corporate purposes and for the purposes of stakeholder engagement.

Registration number 184.01.048.01.20

RSPP President



A. Shokhin



THANK YOU FOR ATTENTION!

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