

REMUNERATION AND SOCIAL SUPPORT FOR STAFF

THE STAFF REMUNERATION SYSTEM IS LINKED TO THE COMPANY'S OVERALL STRATEGY AND AIMS TO ENSURE COMPETITIVE REMUNERATION, RETAIN AND DEVELOP TALENTED STAFF, AND SUPPORT THE CAREER AND PROFESSIONAL GROWTH OF EMPLOYEES.

RUB **112,942**

AVERAGE SALARY AT THE COMPANY IN 2017

RUB **89.8** BN

STAFF COSTS IN 2017

Gazprom Neft employs an Employee Remuneration Policy that identifies the goals, main objectives, and principles of the remuneration system as well as benefits and non-financial incentives for employees.

GAZPROM NEFT REMUNERATION SYSTEM

Financial component

- Basic remuneration
- Bonuses
- Benefits (voluntary medical insurance, vacation payments, housing programme, private pensions, etc.)

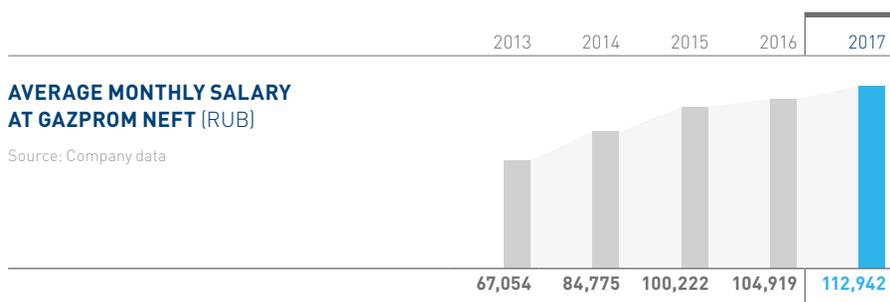
Professional component

- Training and development system
- Professional and career development system

Social component

- Non-financial incentive programmes
- Social support programmes for employees and their families

FINANCIAL INCENTIVE



AVERAGE MONTHLY SALARY AT GAZPROM NEFT (RUB)

Source: Company data

Gazprom Neft conducts regular monitoring of the labour market in the regions where it operates, including special overviews of the HR market for certain highly skilled professions in key areas of the Company's business. Gazprom Neft strives to make sure that all the components of its remuneration system remain competitive. The Company regularly revises salaries in accordance with labour market dynamics in the oil and gas sector.

In 2017, updates were made to the standard that is used to determine basic remuneration for salaried employees.

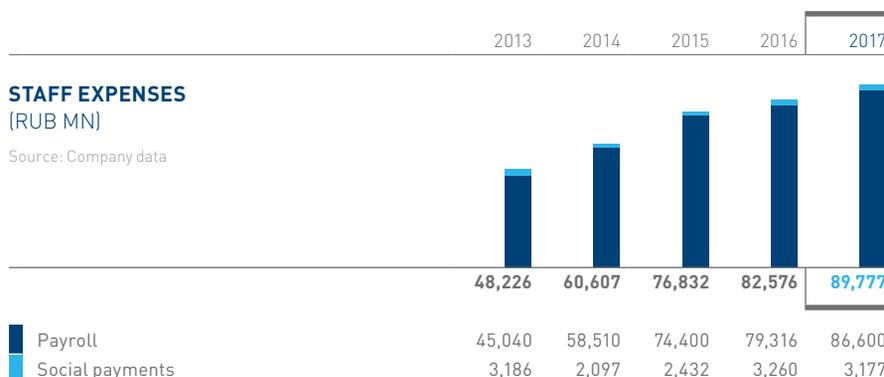
In an effort to enhance the effectiveness of the variable compensation system, a number of large-scale projects were launched:

- the annual bonus model within the management system was partially updated based on targets

- initiatives were launched to unify quarterly and monthly bonuses for Gazprom Neft employees
- the Upstream Division introduced an incentive program that aims to create a culture of efficiency and lean production
- the Downstream Division established a unified structure of base remuneration and developed a uniform wage scale that takes into account the complexity of work and the individual qualification levels of workers. The unified bonus system for production staff linked variable payments with the achievement of the targets of the units. The new incentive model reduced the number of compensation formulas and made them more transparent for employees

SOCIAL SUPPORT FOR STAFF

All the Company’s subsidiaries employ a unified system of social benefits. Gazprom Neft maintains a balanced and competitive social package regardless of external economic conditions.



STRUCTURE OF EXPENSES ON THE SOCIAL PACKAGE AND BENEFITS, 2017 (%)

Source: Company data



- 32 Free and subsidised meals
- 44 Voluntary medical insurance
- 9 Payment of travel vouchers
- 5 Housing programme
- 10 Sport and cultural events for employees

SYSTEM OF SOCIAL BENEFITS AT GAZPROM NEFT

BASIC BENEFITS

- voluntary health insurance (including consultations and treatment at leading Russian clinics, if necessary)
- accident insurance
- supplemental payments exceeding the maximum disability benefits prescribed by the legislation of the Russian Federation, including based on hospitalization records for pregnancy and childbirth
- compensatory payments to employees on childcare leave
- compensation of travel expenses to vacation destinations for employees working in the regions of the Far North
- the provision of social leave related to family circumstances and other benefits

ADDITIONAL BENEFITS

- payment of health resort treatment for workers, subscriptions to health groups, and corporate discounts for subscriptions to sports clubs
- various types of financial assistance for family events
- housing programmes
- a private pension, among other benefits



The Company maintains a balanced and competitive social package regardless of external economic conditions.

Innovations for health

An innovative gym opened for employees at the Gazprom Neft Scientific and Technical Centre.

There are several analogues around the world for a gym of this sort, but none of them have ever been built for corporate use. The gym is managed by Pavygym PRAMA smart interactive fitness system, which offers serious functional training in a game-based format. A single 45-minute session at the PRAMA gym lets employees develop their cardiovascular and respiratory systems, exercise all their body muscles, and develop mobility, coordination, strength, and balance. A built-in system allows for testing and evaluating the individual progress of each visitor. The programme is designed for different levels of complexity.

“The whole Gazprom Neft team has committed itself to maintaining a culture of work safety while striving to achieve the ‘Goal – Zero’ programme. But we are well aware that a safe working culture not only consists of work in production. Everyone must be responsible for their health and the health of others. A healthy lifestyle and sport are an integral part of a culture of safety”.

Vadim Yakovlev

First Deputy CEO of Gazprom Neft

NON-FINANCIAL INCENTIVE

The non-financial incentive programme aims to increase the loyalty of staff and recognize the merits of the best employees.

The key programmes of the Gazprom Neft non-financial incentive programme are:

- Individual and team-based professional skills competitions: ‘Best in the Profession’ for production staff, ‘League of Professionals’, and ‘Battle of Merchants’ for managers, specialists, and employees, etc.
- Targeted programmes that celebrate the strong production results of Gazprom Neft units: ‘Achievement of the Year’ competitions among oil refinery teams in such areas as modernization, improved energy efficiency, and industrial safety the ‘Acknowledgement of the Best’ award, which is granted for achievements by enterprises, employees, and teams, including contractors, the Upstream Division, the Offshore Projects Development Division, and others
- mass sporting events: Summer and Winter Games
- leisure activities: intra-corporate humour clubs, etc.

‘BEST RESULT’

The Downstream Division’s fourth ‘Best Result’ awards ceremony was televised and broadcast on radio for the first time on the лучшийрезультат.рф website, and an open studio was set up live on Nefteradio and on Aero FM through which Company employees could phone in and congratulate the winners. **Awards were presented to 79 winners from the Division in seven categories in 2017.**