

# REMUNERATION AND SOCIAL SUPPORT FOR PERSONNEL

GAZPROM NEFT'S COMPREHENSIVE REMUNERATION SYSTEM IS LINKED TO ITS STRATEGIC GOALS AND AIMS TO ENSURE THAT REMUNERATION IS COMPETITIVE COMPARED WITH OTHER COMPANIES, RETAIN TALENT AT GAZPROM NEFT, PROVIDE OPPORTUNITIES FOR CAREER GROWTH AND ROTATION WITHIN THE COMPANY AND CREATE INCENTIVE FOR EMPLOYEES TO MEET THE OBJECTIVES THAT HAVE BEEN SET FOR THEM.

The Company employs a remuneration policy that identifies the goals, main objectives, principles and components of the remuneration system, benefits and elements of non-financial incentive for employees.

Gazprom Neft's remuneration and incentive system is comprised of:

- > base remuneration;
- > short-term and long-term bonuses;
- > benefits and compensation;
- > elements of non-financial incentive: corporate and government awards, corporate events and professional skills competitions, among other things.

Gazprom Neft conducts regular monitoring of the external market and makes 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.

The average monthly salary of the Company's employees was RUB 104,919 in 2016 (RUB 100,222 in 2015 and RUB 84,775 in 2014).

The Company continued work in 2016 to introduce unified approaches to remuneration. The Downstream Division developed a targeted structure of base remuneration for its subsidiaries which specifies the principles for incorporating elements of base remuneration into the variable part of remuneration and unifies all supplemental payments and allowances. A list of the Downstream Division's working professions was systematised based on levels of complexity along with the formation of a unified catalogue of workers' professions. The catalogue will serve as the basis for the development of the Division's unified salary scale.

Gazprom Neft devotes significant attention to improving the variable remuneration system since the bonus system is precisely what provides a link to results and ensures a focus on the Company's key goals.

The Company updated its bonus system for long-term and major projects in 2016.

Gazpromneft – Bitumen Materials and the Moscow Oil Refinery implemented pilot projects to improve the effectiveness of variable remuneration. The companies introduced a unified bonus system for production personnel that links each employee's remuneration to the performance results achieved by the production units of the Division's subsidiaries using key performance indicators.

The subsidiaries of the Regional Sales Directorate underwent an assessment to determine whether their incentive system conforms with the Directorate's new business models and approved strategies. Current bonus levels for the Directorate's operating and business unit personnel were also updated.

The Downstream Division will continue implementing projects in 2017 to systematise remuneration: the development of a unified salary scale, the replication of the bonus system for production personnel used at the Division's other subsidiaries, a transition to a targeted structure of base remuneration and the development of a unified approach to bonuses for innovation, rationalisation proposals and operational improvements.

The Company has a unified social benefits system comprised of basic and additional payments that it employs at all its subsidiaries. The unified principles for providing social benefits to all employees and compiling a list of benefits for all the Company's subsidiaries are governed by the corresponding Gazprom Neft policy.

Basic benefits offered by Gazprom Neft:

- > 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 for leave for maternity and birth;
- > compensatory payments to employees on childcare leave;
- > 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 focuses on offering a balanced social package and a competitive level of social benefits for its employees regardless of external economic conditions.

A key component of the remuneration system is the non-financial incentive programme, which aims to increase the loyalty of personnel and recognise the merits of the best employees. The programme is implemented at the level of subsidiaries as well as functions and divisions in accordance with the objectives of the enterprise or division based on general corporate values. Gazprom Neft's non-financial incentive programmes include individual and team-based professional skills competitions, mass recreation and leisure activities, corporate communications sessions and forums. The Company devotes special attention to corporate sport competitions and traditionally holds Summer and Winter Games.

A key component of the programme is to recognise merits and achievements as an element of the performance assessment. The Company annually presents corporate awards, including 'Honoured Worker of Gazprom Neft' and 'Veteran of Gazprom Neft'.

The Downstream Division employs a recognition programme called 'Best Result', which recognises the Division's employees for excellent performance indicators, creative activity and the successful implementation of projects and major strategic initiatives. The Downstream Division also holds competitions among teams from its oil refineries in nominations that reflect their strategic priorities.

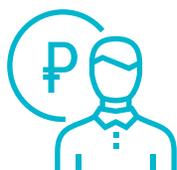
#### PERSONNEL EXPENSES (RUB mn)

	2012	2013	2014	2015	2016
Payroll	39,364	45,040	58,510	74,400	79,316
Social payments	2,896	3,186	2,097	2,432	3,260
<b>Total</b>	<b>42,260</b>	<b>48,226</b>	<b>60,607</b>	<b>76,832</b>	<b>82,576</b>

#### EXPENDITURES ON SOCIAL PACKAGE AND BENEFITS (RUB 1,000)

	2012	2013	2014	2015	2016
Free and subsidised meals	493,052	522,774	526,988	711,380	764,480
Voluntary health insurance	529,623	650,709	719,561	698,542	847,477
Payment of travel vouchers	109,761	115,705	166,522	121,041	183,817
Housing programme	124,132	121,329	181,038	215,405	142,069
Sport and cultural events for employees	290,222	317,599	125,537	129,136	197,154

# COOPERATION WITH TRADE UNIONS



↑ 4.7%

**RUB 104,919**

average monthly salary  
at the Company in 2016

The Upstream Division and Shelf Project Development Division hand out a 'Recognition of the Best' prize each year. Awards are presented for impressive achievements to enterprises, projects, employees, production teams, contractors and the best in the profession. The prize includes nominations for occupational safety, lean manufacturing and innovations.

## 'GOAL – ZERO'

In an effort to promote a culture of occupational safety, the Downstream Division added a special nomination 'Goal – Zero' to the 'Best Result' recognition programme in 2016. The first winner was the Omsk Refinery's Mechanical Repair Plant.

The corporate slogan 'Strive for more' reflects the essence of the 'Recognition of the Best' ceremony. A well-deserved award is given to people who are involved, interested in a particular issue and have desire to 'go the extra mile' as well as create and apply something new in any project. We will choose the best based on this criteria.

**Vadim Yakovlev**

Gazprom Neft First Deputy CEO and Head of the  
Upstream Division

THE COMPANY ACTIVELY DEVELOPS ITS PARTNERSHIP WITH TRADE UNION ORGANISATIONS. GAZPROM NEFT IS COMMITTED TO ENSURING GREATER INVOLVEMENT BY TRADE UNIONS IN THE COMPANY'S ACTIVITIES AND EXPANDING THE SCOPE OF DUTIES OF TRADE UNION LEADERS, WHICH ENABLES THEM TO PROTECT THE LONG-TERM INTERESTS OF EMPLOYEES TAKING INTO ACCOUNT THE BALANCED INTERESTS OF ALL STAKEHOLDERS.

Gazprom Neft's social obligations are enshrined in local regulatory acts (LRA) and collective bargaining agreements that govern social and labour relations between the employer and employees. These LRA and agreements reflect both health and safety issues and the obligations that the Company undertakes in this regard with respect to its employees.

Trade union representatives are actively involved in work to develop a culture of occupational safety in the Company's production activities, discussions concerning changes to the Company's social benefits system, meetings of HR service executives and activities to create safe work conditions. The Company has a Youth Commission that protects the interests of young workers and new young specialists taking part in adaptation programmes.

Gazprom Neft takes part in forming industry-based agreements for each area of the Company's business jointly with industry-based trade unions and the Russian Union of Industrialists and Entrepreneurs.