

Remuneration of members of governance bodies

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Remuneration of members of the Board of Directors

Remuneration of members of the Board of Directors is governed by the Regulation on Remuneration and Compensation of Expenses of Members of the Board of Directors of Gazprom Neft PJSC, which provides transparent mechanisms for determining the amount of remuneration to be paid to members

of the Board of Directors and regulates the term and procedure for such payment, as well as compensation for expenses incurred by members of the Board of Directors.

Members of the Board of Directors are not subject to any form of additional financial incentives, including long-term

incentives and forms of share incentives (share options).

That Regulation does not apply to members of the Board of Directors who are members of the company's Management Board.

Procedure for determining the amount of remuneration of members of the Board of Directors

The base part of the remuneration is payment for performing the duties of a member of the company's Board of Directors.

The amount of the base part of remuneration of a member of the Board of Directors is determined in accordance with the formula $V = E \times t / 365$, where:

V: amount of the base part of remuneration to be paid to a member of the Board of Directors;

E: amount equal to 0.005% of Gazprom Neft PJSC's EBITDA under IFRS

according to the consolidated accounting (financial) statements for the reporting year;

t – time of performance by the Board of Directors members of their duties in the period for which remuneration is paid, in days.

The size of the base part of remuneration of a Director who participates in fewer than half of the meetings of the Board of Directors shall be reduced by 50%.

In addition to the base portion of remuneration, members of the Board

of Directors are paid additional remuneration for performing the functions of Chairman of the Board of Directors, member of a board committee and Chairman of a board committee.

The total amount of remuneration paid to members of the Board of Directors in 2020 was ₴520.9 million (the amount of remuneration includes personal income tax). No expense reimbursement relating to participation in the Board of Directors was made to any member of the Board of Directors during 2020.

Remuneration of members of the Management Board

The company has in place a well-defined and fair remuneration scheme for senior and top management which provides a link between short-term goals and the size of bonus payments. In addition to bonuses linked to short-term outcomes, the company has an incentive system based on the dynamics of the company's market capitalisation over a three-year period.

The remuneration of members of the Management Board consists of several parts:

- base remuneration;
- annual bonus;
- long-term incentive programme (LTIP).

In order to improve the efficiency of the financial incentive system in achieving annual targets and, consequently, the company's strategic goals, the Board of Directors has approved the Annual Bonus Policy, which is the main document in the area of interrelating the established KPIs and the level of annual incentive remuneration for employees of the company and its subsidiaries.

Provisions of the Annual Bonus Policy apply to members of the company's Management Board, with the exception of the CEO.

The annual bonus comprises three parts:

- annual bonus for business results;
- annual bonus for employee's personal contribution;
- bonus for outstanding contribution based on year-end results.

The bonus for business results is approved based on the outcomes of fulfilment of 'the performance

contract': a list of financial and operational indicators and business initiatives at Gazprom Neft, in general, and its subsidiaries and business units individually. The list of financial and operational indicators is formed out of strategic targets approved by the Board of Directors.

The bonus for personal contribution to a unit's or the company's performance is determined in accordance with assessment approved at a meeting of a recently established collegial body, the Contribution Assessment

Committee. In evaluating an employee's contribution, the committee takes into account the fulfilment of business initiatives, absence of malpractice and participation in the development of transformational initiatives in the area of industrial safety, the Operations Management System (OMS) and the Corporate University. The committee may also take decision to recognise merit of an employee who has made a significant contribution to a unit's or the company's performance by paying a merit bonus equal to one, two or three months' salary.

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The long-term incentive programme, based on shareholder value growth, is an integral part of the Gazprom Neft Group's long-term Growth Strategy and is a factor in management's remuneration for increasing the Group's shareholder value over a certain period.

The Programme's key objectives:

- ensuring growth of the company's efficiency in the long term;
- aligning interests of the company's shareholders and senior management;
- ensuring a balance between short-term results and the company's long-term sustainable development;
- efficient recruitment and retention of top managers

in the company, based on the best international and Russian industry practices;

The Programme is implemented subject to the positive dynamics in the company's market capitalisation over the Programme's three-year cycle. The Programme is available to Gazprom Neft Group's key management personnel subject to their fulfilment of certain responsibilities. The amount of remuneration is measured at fair value as at the end of each reporting period, and is payable at the end of a three-year term of the Programme. Remuneration is subject to certain market conditions and obligations, which are taken into account in determining the amount that may

be paid to eligible employees. Expenses are recognised throughout the entire life of the plan.

Income accrued to members of the Management Board in 2020 was ₹1,321 million. Payments include remuneration for the reporting period, bonuses, supplements and allowances, as well as annual paid leave during the reporting period.

No additional remuneration was paid to members of the Management Board for their work in Gazprom Neft's management bodies or its subsidiaries, in 2020.

The company did not extend loans (credits) to any member of the Board of Directors or Management Board.



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Index	2020 (adjusted plan)	2020 (actual value)
Normalised consolidated earnings before interest, taxes, depreciation, and amortisation (EBITDA, ₺ billion)	463.2	485.2
Economic value added (EVA, ₺ billion)	(182.7)	(164.0)
Return on average capital employed ¹ (ROACE, %)	5.7%	6.2%
Debt/EBITDA	1.8	1.3
Total proved and probable reserves, including shares in affiliates ² (mtoe)	3,724	3,908
Reserve-replacement ratio (RRR, %)	102%	151%
Production volume (mtoe)	95.9	96.1
Oil ³ and gas-condensate production (million tonnes)	60.3	60.5
Gas production (bcm)	43.1	43.1
Refining throughput (million tonnes)	40.2	40.4
Sales of premium oil products (million tonnes)	23.1	23.1
Conversion rate (%)	86.2%	85.9%
Labour productivity (₺ million per employee)	28.55	29.92
Net investment, including divestment (₺ billion)	(381.3)	(399.6)
Normalised free cash flow (FCF) under IFRS (₺ billion)	(22.2)	156.4

1 – Calculated under IFRS using adjusted EBIT and income tax rate, and including joint ventures.

2 – Under PRMS classification.

3 – Including condensate and natural gas liquids (NGL) production.

Remuneration paid to Gazprom Neft PJSC's management bodies¹ (P thousand)

Management body	2020
The Board of Directors	520,951
Management Board, including CEO's remuneration	1,321,264

Directors' and officers' liability insurance (D&O)

Gazprom Neft has maintained D&O (directors and officers liability insurance) indemnity for directors and officers throughout the Gazprom Neft Group since 2011. This insurance provides indemnity for the company's directors and executives against potential claims from third parties

that may arise from unintentional and/or erroneous actions by officers. The D&O policy covers litigation costs for directors and financial expenses from any claims filed against directors in connection with performance of their duties.

The total aggregate limit for all insurance coverage and extensions is €47.6 million. The coverage is worldwide.

The company selects the insurer on the basis of the company's competitive procedures. The insurer under the corporate insurance policy in 2020 was SOGAZ.

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¹ – To ensure comparability of indicators, data for calculating payments to members of management bodies is given for those years in which remuneration was paid.