

ORGANISATIONAL TRANSFORMATION

To achieve its strategic goals, the company needs to significantly accelerate its decision-making and execution. This requires a fundamentally new perspective on business processes and management models.

The company is implementing and mastering modern, cutting-edge development and management approaches that are based on a network structure. These include flexible teams that

are quickly formed to bring together specialists in various disciplines to address a specific task and that are able to look for solutions independently, and coordinate with other teams. An important

feature of the new model is that the corporate centre now focuses on tasks in the Change category, whereas tasks in the Run category (day-to-day operations) are more often delegated to subsidiaries.

Operating model

In its Strategy 2030, the company mapped out a journey towards being a global benchmark in efficiency and technological advancement that requires a flexible and adaptive product-based operating model focused on the object of management: the product. The product in this context is a comprehensive business solution created by a cross-functional product team. To be able to assemble such teams, the company needs to revise its existing business processes, and create an environment where experts can be mobilised from different divisions.

The company has selected a number of pilot projects to test the product-based model, including:

- The Asset of the Future project (Upstream Division);
- Organisational transformation (Downstream Division);
- Establishing its Science and Education Centre (SEC);
- Transformation of the company's IT function.

For the latter two projects, concepts and key approaches to transformation are currently under development and will be presented for internal discussion in 2020.

Asset of the Future

The target operating model for subsidiaries in the Upstream Division is based on a value-chain principle: from identifying new development options, developing business cases and value-creation levers, to launching respective projects and implementing these safely and efficiently. At the same time, this model is focused on the principal object of management: the asset.

As part of the Asset of the Future project, the company has identified key end-to-end business processes ensuring the integrity of managing the asset potential and increasing its efficiency. The development of methods to assess the technological potential of assets, as well as concepts of upstream control centres and standard approaches to the organisational design of the Asset of the Future is ongoing. Furthermore, work is underway to establish a new business management ecosystem, and to help employees acquire those skills required for implementing the company's ambitious strategy.

Transformation of the Downstream Division

The organisational scale of the Downstream Division has already changed significantly, thanks to the extensive business development that has been underway since 2010. In 2018, the company began to manage the Division as a single asset. This involved changes in processes, a shift in the balance of powers and responsibilities and changes to resource allocation, KPIs, and the way that managers of individual businesses viewed the consolidated result.

To support this transformation, the company conducted an assessment of its organisational health; this is a tool for improving efficiency and productivity within the Division. It also identified those elements and key characteristics of the operating model directed at improving organisational efficiency. Further, the company has developed a model of the product-based approach to be adopted by the division which involved identifying key structural elements and preparing a conceptual design of the organisational structure.



2019 achievements

To date, the company has formed more than 300 flexible teams. These teams have developed and tested new practices and mechanisms that help to remove barriers and streamline activities. Candidates are selected through the Professionals 4.0 platform and by the company's HR function. The company has developed staff relocation mechanisms and algorithms for training cross-functional project managers. It also introduced non-financial incentives for flexible-team members (such as additional training and priority career planning).

Furthermore, in 2019, the company completed the transformation of its operating model for offshore project management. The divisional transformation was designed to improve flexibility of management and introduce new formats of work (e.g. operator agreements, partnerships, investments) with mitigation of business risks in offshore operations. A management company was established within Gazprom Neft Shelf which now acts as the centre of expertise, responsibility and decision-making for Gazprom Neft's offshore projects.

The management company has consolidated the management of the following assets:

- Gazpromneft-Prirazlomnoye (operator of the Prirazlomnaya platform);
- Gazpromneft-Sakhalin (offshore exploration);
- Morneftegazproekt (an engineering company responsible for the full range of FEED and design work as part of offshore projects).