

4.7. RAISING THE OPERATIONAL EFFICIENCY

Transneft Group constantly puts in effort to raise its operational efficiency. In pursuance of Executive Orders of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015, regulatory documents that helped form the long-term Programme for Operational Efficiency Improvement and Cost Cutting (the OEICC Programme) have been developed.

The targets set by the OEICC Programme were included in the KPI system of Transneft. According to the OEICC Programme, the increase in operational efficiency is being simultaneously implemented along two lines: improving the quality of oil (petroleum products) transportation services and raising the efficiency of resource use.

The first line comes down to ensure the reliability and fullness of the supply of oil and petroleum products to the domestic market and export routes due to:

- introducing innovative technologies and equipment;
- upgrading fixed assets;
- ensuring import substitution and setting up local manufacture to replace imported products in the Russian Federation;
- ensuring anti-terror security of Transneft's facilities.

The main indicator of the KPI system characterising the Company's activity in the given area in 2020 is the Integrated Indicator of Trunk Pipeline System Reliability, Environmental and Industrial Safety, which includes the following components:

- Specific accidents on trunk pipelines;
- Reduction of specific air pollutant emissions during oil and petroleum products transportation via trunk pipelines
- The second line comes down to a more efficient use of resources, due to:
 - more efficient fixed assets management;
 - higher efficiency in managing the maintenance and repair of equipment, buildings and facilities;
 - more efficient energy consumption;
 - improvement of the organisational and functional structure;
 - optimisation of the remuneration and personnel motivation system;
 - higher efficiency in managing the working capital;
 - cutting operating expenses;
 - use of modern technologies and innovations;

The main indicator of the KPI system that characterises the Company's activity in this area in 2020 is the Integrated Operational Activity Effectiveness Indicator, which includes the following components:

- Amount of dividends;
- Operating expenses reduction percentage;
- Annual volume of direct purchases from SMEs;
- Reduction of specific electricity consumption during oil transportation over trunk pipelines under comparable conditions;
- Raising labour productivity in oil and petroleum products transportation;

At the end of 2020, Transneft ensured 100% achievement of the established KPIs under the OEICC Programme.

On 27 November 2019, Transneft's Board of Directors approved the Programme for Operational Efficiency Improvement and Cost Cutting up to 2024 (Minutes No. 20).

Key Targets of the OEICC Programme until 2024

Indicator	Target
Keeping within the acceptable accident rate per 1,000 km of the line	0.065
Preventing (precluding) security incidents at protected facilities	0.992
In-kind productivity of labour	17.4 million tkm/person

Key Target Indicators of the OEICC Programme with a Target Annual Standard

Indicator	Target
Reduction of specific electricity consumption for the main type of business activity under comparable conditions	0.5% annually
Operating expenses reduction percentage	At least 2% annually
Personnel turnover rate	No more than 5% at the end of each year overall