

DIGITALIZATION PROGRAM

Technologies are developing much faster than they were 10 years ago. That is why the issue of employee skills and expertise corresponding to the level of production technologies and tools used is much more acute than before. As part of the digitalization program (the Digital

Personnel area), we plan to include employee training in the use of modern digital technologies and devices, and create a database of key competences and technologies. Within this program we expect the following results:

- Reduced risks of incidents and improved labor conditions
- Enhanced employee productivity
- An improvement in employee qualifications and the quality of work performed

QUALIFICATION OF PERSONNEL

As of December 31, 2018, LUKOIL Group entities employed over 105,000 people, including around 88,000 in Russia, around 11,000 in Europe, around 1,000 in Asia, 5,000 in Post-Soviet countries, and about 150 in other foreign countries. The vast majority of employees of the Russian entities of LUKOIL Group worked under permanent contracts and full-time.

The structure of personnel has been stable for the past three years (in terms of age, employee categories,

and the ratio of men to women). In terms of categories of employees, managers make up 12%, specialists 27%, and workers and other employees 61%. The proportion of female and male employees is 41% and 59%, respectively. Among personnel there are many young employees under 35 (39%); the second-largest employee group is employees aged 41-50.

Over half of employees (about 60%) are employed in the Refining, Trade, and Sales business segment, and over

a third (about 35%) are employed by oil and gas producers. Around 14% of employees work on a rotational basis.

We continuously monitor the employee turnover rate and analyze the reasons for dismissals at each LUKOIL Group entity. We try to respond in a timely manner and to make adjustments to events over which the Company can exert influence.

Average number of employees, people

	2016	2017	2018
Total for LUKOIL Group, including:	105,539	103,647	102,508
Russian entities	85,391	85,790	85,105
Foreign entities	20,148	17,857	17,403

Number of employees as of December 31 of each year, people

	2016	2017	2018
Total for LUKOIL Group, including:	110,101	107,405	105,991
Russian entities	90,112	89,323	88,019
Foreign entities	19,989	18,082	17,972

Staff turnover, %

	2016	2017	2018
Total for LUKOIL Group, including:	7.2	6.7	7.8
Russian entities	5.9	5.6	7.0
Foreign entities	12.8	11.6	11.5

Notes. 1) The personnel turnover rate is calculated as the ratio of the number of employees dismissed to the average staff number as of the reporting period. Dismissed employees include employees fired for absenteeism and for other workplace discipline violations, and employees resigning of their own accord and without good cause (due to a change of residence, retirement, to care for a child aged under 14, etc.) or by mutual agreement between the parties (with the exception of employees that were rehired within a year).

2) The main reason for the increase in the personnel turnover rate in 2018 was a restructuring of the Oil Product Supply in the Russia business sector (four entities were combined with four other entities, with associated redundancies eliminated).