

Digitalization Program

In 2018, the Digital Development Program (LUKOIL Group Information Strategy) was approved. Its execution will to a great extent facilitate the attainment of all four strategic sustainable development goals, including the following:

- Boosting the efficiency of field development
- Optimizing technological processes
- Reducing losses and operating costs, reducing energy consumption
- Improving labor efficiency, expanding the automation of personnel management processes
- Enhancing the quality of work management and performance based on accurate and pertinent information
- Improving labor safety and preventing accidents through the professional development of personnel and tightening controls over compliance with occupational and industrial safety rules

Digital initiatives are being developed in four areas: "Digital Twin," "Digital Staff," "Robotization of Routine Processes," and "Digital Ecosystem."

As part of the Digital Twin initiative, there are plans to develop "intelligent field"¹ (in the Upstream segment) and "digital plant"² (in the Downstream segment) technologies.

In the oil processing industry, digitalization is used to solve tasks related to flexible responses to changes in demand, efficient capacity utilization, production and process safety, and greater workforce productivity.

In the electrical power segment, digital initiatives will contribute to the greater efficiency and reliability of generating equipment, more accurate monitoring of losses, and preventing non-routine events.

Oil product supply companies will gain additional possibilities to improve their customer-oriented approach and to maintain the quality of their products.

The robotization initiative has a pass-through nature and entails the automation of simple operations using robots and transitioning from human to digital labor.

As part of the Digital Personnel initiative it is planned to train employees to use modern digital devices, with a view to increasing their labor productivity. The program also comprises plans for the digitalization of HSE processes. For example, intelligent monitoring systems (computer vision) will automatically detect workers who are not wearing safety helmets or dressed in work clothes at facilities.

Digital technologies are intended to be used to optimize the supply chain and to increase the speed, quality, and flexibility of production processes.

CORPORATE GOVERNANCE

2018 RESULTS

In 2018, a number of decisions were taken and processes were launched to promote changes in approaches to managing aspects of sustainability, including the following:



- The function of the Board of Directors in terms of managing aspects of sustainability was enhanced



- **A new Code of Business Conduct and Ethics** was prepared, in order to provide a more comprehensive description of the Company's principles and commitments in human rights and corruption prevention



- A process to develop **the Renewable Energy Sources (RES) Development Program** and the Gas Strategy was initiated



- **An Information Strategy** covering the extensive digitalization of the Company was adopted

¹ Intelligent Field is an automated management system for oil and gas production operations that facilitates the continuous optimization of the field's integral and production management models.

² Digital Plant is a unified integrated digital system that unites a chain of employees, systems, and equipment and enables up-to-date information at all production stages to be received.