

CORPORATE EVOLUTION PROGRAM. CREATION OF ADAPTIVE BUSINESS SYSTEM

A performance management system has been implemented in Zarubezhneft JSC since 2014; in the past six years, key performance improvement instruments have been gradually integrated into it.

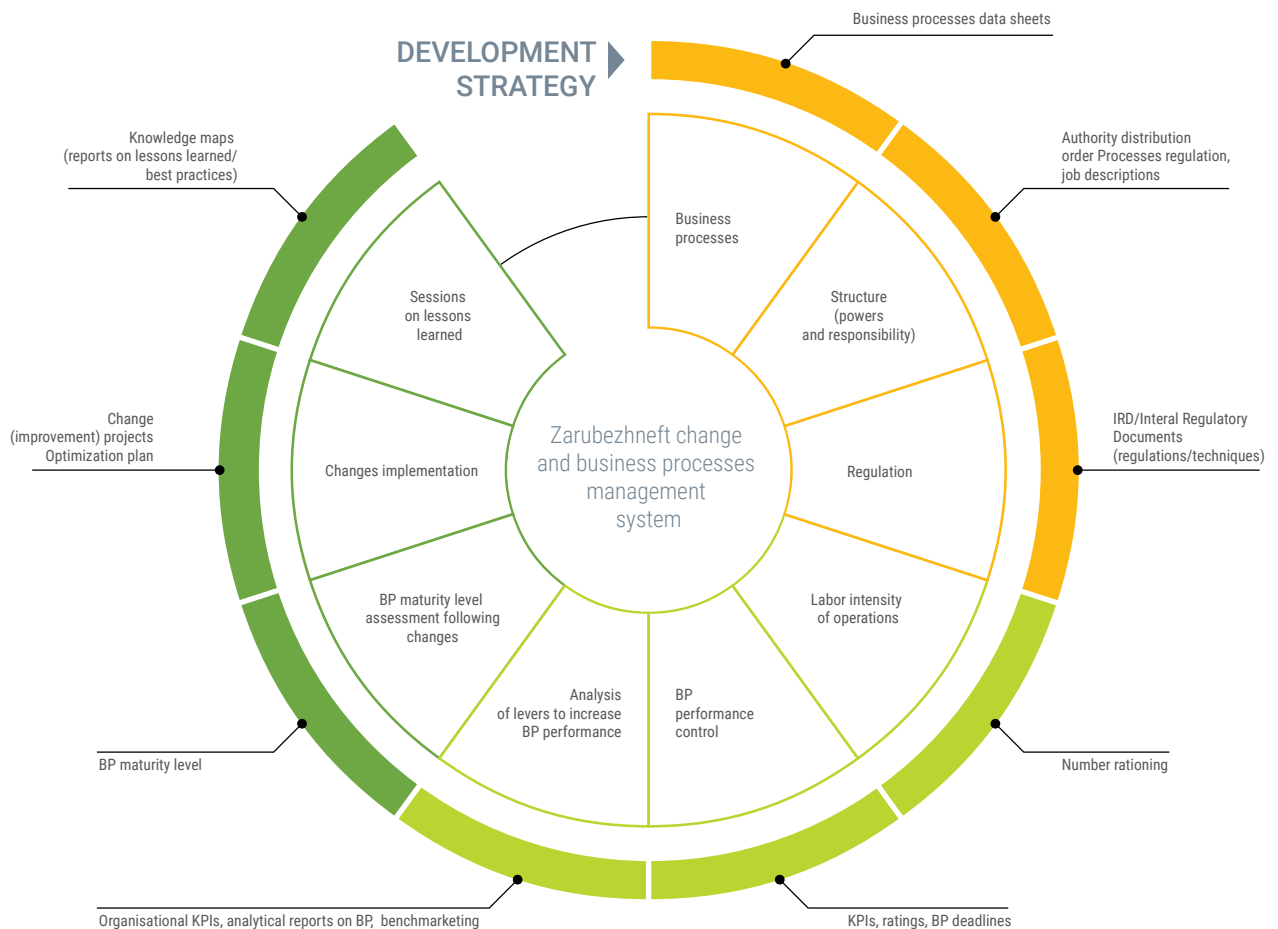
Today, all implemented performance enhancement tools are integrated into a single comprehensive system of continuous improvements and provide a closed loop for continuous improvement of business processes (PDCA cycle).

In 2019, a comprehensive quality and performance management system was patented with the Federal Service for Intellectual Property (Rospatent) of the Russian Federation.

Implementation Stages of Performance Enhancement Tools at Zarubezhneft JSC

2014	Improvement project implementation
2015	Goal setting system implementation
2016	Business processes system implementation
2017	Regulation system re-engineering
2018	Implementation of businesses processes maturity assessment, focus on benchmarking
2019	Re-engineering and automation of processes: BPM, FAST TRACK

Zarubezhneft Quality and Performance Management System





Based on the strategic goals of the Company to increase current assets performance and to implement international expansion, further development of processes and systems is seen in building an adaptive business system that is characterized by decision-making time, change rate, and uniform operating standards.

In 2019, the Corporate Evolution Program was elaborated and implemented to pursue this objective.

Zarubezhneft's JSC Corporate Evolution Program is implemented according to the following key activity areas:

- creation of adaptive business processes;
- creation and development of digital organizational decisions;
- creation of efficient communication system, tools, and uniform management standards.

In 2019, the Company elaborated and approved the Digital Transformation Strategy. The Digital Transformation Strategy takes into account and comprehensively supplements the goals and objectives

of Zarubezhneft's JSC adopted strategic planning documents, including the corporate development strategy and long-term development program, and is closely linked to the Company's innovative development program and the IT strategy.

During Stage 1 implementation of the Strategy, the Company already implemented many projects to automate production and management processes; overcame fragmentation of source information flows in all segments, which increased convenience and ease of data use; ensured the fastest possible reception, processing, and analysis of data; and outlined efficient management mechanisms data.

Starting from 2020, Zarubezhneft JSC has begun implementing Stage 2 of the Digital Transformation Strategy. Its key objectives will be:

- corporate data management automation;
- ensuring data quality and its compliance with corporate requirements;
- automated formation of corporate reporting based on source data;

- implementation of complex digital projects and pilot testing of digital technologies and solutions available on the market;
- building of a training system for the Group of Companies employees and their involvement in implementing the Digital Transformation Strategy;
- targeted search and use of digital technologies for quick search, identification, and evaluation of new assets;
- transition from predictive to prescriptive analytics.

The priority focuses of Zarubezhneft's JSC strategic development determined the digital project portfolio included in the Digital Transformation Program. These are mainly the key projects that have had the greatest impact on Zarubezhneft JSC business due to the introduction of digital solutions and projects in the Company's priority areas for technological and innovative development.