

## Incidents

In 2017 two major incidents were recorded at LUKOIL subsidiaries: a fire at a well at the A. Alabushin field, and an incident which occurred during the installation of a fire extinguisher system on a tank at LUKOIL-Nishnegorodnefteorgsintez.

On 10 April 2017, during geophysical work to determine the location of a bottom hole (during a well workover) at the LUKOIL-Komi A. Alabushin field, there was a discharge of petroleum products and a subsequent fire at the well. An investigation determined that an uncontrollable blowout had occurred as a result of using non-standard equipment during well-logging survey work. This was compounded by the unprofessional actions on the part of a contractor's staff when the first indications of gas, oil, and water inflows arose.

As a result of the incident, mandatory requirements were developed for contractors (at the tender stage), and procedures were introduced requiring:

- attestation (knowledge audit) of the management, chief engineer, and the heads of the production units of the contractor on industrial safety issues at an attestation commission of the client entity
- audits of the compliance of engineering and technical facilities of bidders with tender documentation requirements
- audits of the existence of operational HR management systems and quality controls of services being provided

The liability of LUKOIL Group subsidiary employees was increased, up to and including dismissal under the Russian Labor Code in the event that violations were identified of occupational and fire safety rules and process engineering norms which resulted in grave consequences (accident, occupational accident), or demonstrably created a real risk of such consequences.

Regular staff training courses on the following topics is planned:

- clean-ups of uncontrollable blowouts by the representatives of blowout prevention units and the structural subdivisions of a subsidiary, in order to develop the skills necessary to ascertain solutions and to develop an operational clean-up plan for an uncontrollable blowout
- working through issues involved in registering incoming resources (chronology of events)
- communications and transferring information on progress regarding the clean-up of an accident
- resource management during the clean-up of an uncontrollable blowout

The state of readiness of blowout prevention units (based on concluded contracts) was audited, together with their technical equipment, staffing levels, and the extent of the preparation of emergency response personnel. This included response arrival times at the scenes of accidents and incidents, or if there is the appearance of any signs of possible oil, gas, and water inflows and uncontrollable well blowouts.

Expenditures on fountain and radiation safety were increased from 106 RUB million in 2016 to 110 RUB million in 2017.

Work was organized with the federal executive authorities to improve the

regulatory and legal frameworks governing the activity of professional accident rescue groups charged with the prevention and clean-up of gas, oil, and water inflows and uncontrollable blowouts at oil and gas wells.

In connection with the above incident, the Company increased its interaction with the local authorities and residents of the population centers nearest to the A. Alabushin field (Shchelyabozh village and Kusshor village), as well as environmental organizations. At a working meeting, LUKOIL CEO Vagit Alekperov and Head of the Komi Republic Sergey Gaplikov discussed the results of efforts undertaken to eliminate the consequences of the incident. LUKOIL voluntarily arranged comprehensive and free medical examinations for affected residents and organized a summer holiday for children from the affected areas. Representatives from Russian and international environmental organizations also visited the scene of the incident to assess the results of the clean-up work, and they also met with affected residents.

On 5 October 2017 there was another incident at LUKOIL-Nizhegorodnefteorgsintez. An accident occurred during the installation of the fire extinguisher system for tank R-1549 in the marketable product and crude storage unit, which led to a fire. At the time this Report is issued, an investigation into the reasons for the incident is still ongoing.



***“It goes without saying that the mistake of the contractors leading to the fire had serious consequences. However, we managed, together with the accident rescue groups, the fire teams of the EMERCOM of Russia and the rapid response teams of LUKOIL-Komi, to extinguish the fire as quickly as possible.”***

**VAGIT ALEKPEROV,**  
PJSC LUKOIL President and CEO