

**Appendix No.6 to Minutes No.24
of the Board of Directors of PJSC “LUKOIL”,
22 November 2016**

***Director Compensation and Expense Reimbursement Policy
of PJSC “LUKOIL”***

Preamble

The *Director Compensation and Expense Reimbursement Policy of PJSC “LUKOIL”* (the Policy) has been developed in accordance with applicable Russian law and the Corporate Governance Code, approved by the Board of Directors of the Bank of Russia on March 21, 2014.

The Policy is an important part of the corporate governance structures at PJSC “LUKOIL” (the Company) based on best national and international practices. By determining the approaches to reasonable and *bona fide* performance of duties by Board members, including through remuneration, the Policy is designed to reward Board members for value delivered to the Company as well as to attract appropriately skilled and competent candidates to the Board and compensate for time and effort spent by the individual Member to enable him or her to be properly prepared for the performance of the role.

Members of the Board of Directors of PJSC “LUKOIL” are chosen, through an objective process, to ensure that the Board of Directors as a whole has the range of skills and competencies necessary to guide the Company successfully and to monitor its performance on behalf of all of its shareholders and stakeholders in the environments in which it operates.

Regular evaluation of the Board is designed to monitor the performance and compensation of the Board as a whole and of its individual members to ensure continued effectiveness.

1. Goals and Objectives

The Policy is designed to pursue the following goals:

- build an efficient and transparent practice of remuneration of members of the Company’s Board of Directors (Board members);
- involve in cooperation highly qualified professionals with expertise in governance and skills required to improve the Board of Director’s performance and provide sufficient incentives for them to serve on the Board of Directors;
- ensure that the interests of the Board members are aligned with those of the Company’s shareholders;
- disclose information to stakeholders for them to be able to assess whether the level of remuneration of members of the Board of Directors corresponds to their duties and the Company’s performance indicators;
- fully report to stakeholders all the components of the Board’s remuneration system, including basic principles and types of payments due to the Board members;
- assist the Company’s long-term and sustainable development.

The Company is seeking to create a remuneration system for the Board members that would promote the following:

- support independence in decision making, as expected from each member of the Board of Directors;
- be aligned to the scope of the Company's activities and complexity of managing its business;
- take into account the responsibility of members of the Board of Directors, their authority and time required to make optimal and efficient business decisions;
- correspond to the contribution of each member of the Board of Directors to his/her performance.

Subject to the resolution of the Company's General Shareholders Meeting, members of the Board of Directors shall be remunerated and the expenses connected with their performance of the Board of Directors functions shall be reimbursed.

The amount of remuneration payable to members of the Company's Board of Directors shall be determined by the Annual General Shareholders Meeting.

2. Principles of Remuneration and Reimbursement of Expenses to Members of the Board of Directors

The amount of remuneration and reimbursements payable by the Company to its Board members shall be sufficient to provide good incentives for their efficient work enabling the Company to attract and retain competent and qualified professionals. The Company shall pursue the following principles of remuneration and reimbursement of expenses to members of its Board of Directors:

Equality principle

The amounts of remuneration and reimbursements to the Board members established by the Company shall be applicable to all the Board members irrespective of whether the member is an executive, non-executive or independent director.

Accessibility principle

The Company shall seek to ensure that the structure of remuneration, including additional remuneration and reimbursable expenses, should be understandable to members of the Board of Directors, shareholders and other stakeholders.

Transparency principle

The Company shall disclose information on the system of remuneration to the Board members, and the amounts of remuneration and reimbursements paid to them, for each year.

3. Structure of Remuneration Due to Members of the Board of Directors

The Company proceeds from the fact that a fixed annual Board fee is a preferred form of monetary remuneration of members of the Board of Directors, and shall seek to pay out remuneration to the Board members on an annual basis for

performance of their duties, and also to set the amount of their remuneration with due regard to principles presented in the Policy.

The Company's General Shareholders Meeting makes decisions on the remuneration of members of the Company's Board of Directors, given the proposals submitted by the Company's Board of Directors are prepared on the basis of recommendations issued by the Human Resources and Compensation Committee of the Company's Board of Directors.

Subject to a decision by an extraordinary General Shareholders Meeting, members of the Company's Board of Directors may be paid a part of the remuneration for their performance of duties as members of the Board of Directors.

All the Board members shall receive equal remuneration for their performance of duties as members of the Board of Directors.

In addition, the Company shall pay out additional remuneration for the performance of functions as Chairman of the Board of Directors and as Chairmen of the Board of Directors Committees proceeding from the fact that the degree of responsibility and the work hours required for the performance of their functions are different from those of other Board members.

Also, in addition to the remuneration payable for the performance of the duties as member of the Board of Directors, the following types of remuneration shall be payable for other functions performed by Board of Directors members:

- for attendance at a meeting of a Board of Directors Committee to a member of the Board of Directors who is also a member of the Committee;
- for participation in conferences and other events on written instructions of the Chairman of the Board of Directors.

Given the work hours connected with attendance by members of the Board of Directors at a meeting of the Board of Directors, or at a Committee of the Board of Directors, where attendance requires a transcontinental flight (from one continent to another, more than 8 hours in the air) additional remuneration shall be payable. If a member of the Board of Directors takes a transcontinental flight to attend the meetings of both a committee (committees) of the Board of Directors and of the Board of Directors itself, only a single amount of remuneration for the transcontinental flight will be paid.

The specific amount due shall be determined as at the date of the Annual General Shareholders Meeting of the Company in accordance with the actual participation of members of the Board of Directors in meetings and conferences (other events).

The Company's General Shareholders Meeting may establish other types of additional compensation to members of the Board of Directors.

The Board fee structure shall not use any components of the remuneration system in place for members of the Company's executive bodies or other top officials:

- short-term bonuses based on the Company's operational performance (fulfillment of corporate and individual performance indicators);
- long-term bonuses under the long-term incentive plans;

- additional benefits, including all and any forms of insurance except for the insurance of the liability of members of the Board of Directors;
- severance pay;
- pension schemes and plans, and other social payments.

PJSC “LUKOIL” does not have a program of long-term incentives for members of the Board of Directors.

4. Reimbursement of Expenses to Members of the Board of Directors

In addition to the remuneration, members of the Board of Directors shall, during the period of their performance of related duties, be entitled to reimbursement of their expenses connected with the performance of the Board of Directors functions. The types of expenses reimbursable to the Board members during the period of their performance of the duties shall be established by the resolution of the Company’s Annual General Shareholders Meeting. The expenses of the Board members reimbursable by the Company shall meet the criteria that require such expenses to be reasonable, *bona fide* and directly connected with performance by the Board of Directors’ member of his/her functions.

Expenses associated with performance by the Board members of their functions between the meetings, except for attendance at meetings of Board of Directors Committees, shall be reimbursed upon a written instruction from the Chairman of the Board of Directors to attend the related event.

The Company shall reimburse the following types of expenses to Board members during the performance by them of their duties¹:

- expenses associated with travel to the venue for a Board of Directors meeting, from the venue to a destination point, and also the expenses of being at the venue;
- expenses associated with attendance of Board of Directors meeting by phone, by video-conference, or by filing a written opinion, and also with absentee voting;
- expenses associated with the performance by Board members of their functions between meetings;
- expenses associated with engagement of consultants and experts, and obtaining related opinions concerning Board of Directors’ activities, whose amount, all told, shall not exceed that budgeted by the Company for such purposes;
- expenses of the persons (translator, consultant, administrative assistant) accompanying a member of the Board of Directors who is performing his/her functions or representatives of the Board of Directors member on matters associated with the Board of Directors activities, in the amount actually incurred and supported by documentary evidence by one person (accompanying person or representative) for each travel connected with the activities of this member of the Board of Directors.

¹ Should the Company decide to establish any other reimbursable expenses for members of the Company’s Board of Directors, it shall follow the resolution of the Annual General Shareholders Meeting.

Reimbursement of expenses to members of the Board of Directors means reimbursement of what was actually incurred and supported by documentary evidence.

5. Liability Insurance of Members of the Board of Directors

To attract competent specialists to serve on the Company's Board of Directors, and following the generally accepted international practice, the Company shall, at its own expense, obtain a liability insurance for each member of the Board of Directors in connection with the performance of his/her duties.

The list of insured events, the liability limit (the insured amount) and other essential conditions shall be set out in the *Policy (contract) on insuring the liability of directors, officers and corporations* entered into, by and between the Company and the insurer, whose terms and conditions shall be subject to approval by the Company's General Shareholders Meeting.

6. Payment of Remuneration and Reimbursement of Expenses to Members of the Board of Directors

Remuneration and reimbursements to Board members shall only be payable subject to a decision of the Company's General Shareholders Meeting and according to the *Procedure for the remuneration and reimbursement of expenses of members of the Board of Directors and Audit Commission of PJSC "LUKOIL"* as approved by the Company's Board of Directors;²

A member of the Board of Directors may opt to waive the remuneration he/she is entitled to by giving a written notice to that effect to the Board of Directors.

7. Disclosure of Remuneration and Reimbursements to Members of the Board of Directors

The Policy shall be published at the Company's websites at www.lukoil.ru, and www.lukoil.com.

The Policy's basic provisions, as well as the information on remuneration of members of the Company's Board of Directors and the amounts of their expenses in connection with performance of their duties as members of the Board of Directors, reimbursed during the reporting period, shall be included in the Company's Annual Report.

The Annual Report of PJSC "LUKOIL" discloses information on the total amount of remuneration paid to members of the Company's Board of Directors in the reporting period.

² As of the date of approval hereof, the *Procedure for the remuneration and reimbursement of expenses of members of the Board of Directors and Audit Commission of PJSC "LUKOIL"* is in effect as approved by the Company's Board of Directors on 27 October 2015 (Minutes No. 20).

8. Final Provisions

The Human Resources and Compensation Committee of the Company' Board of Directors may monitor the remuneration of members of the boards of directors, as it is practiced at public joint-stock companies in the Russian Federation, and come up with proposals on amending or revising the Policy in line with the Policy's announced goals and objectives.

This Policy and all amendments and addenda hereto shall become effective upon approval by the Company' Board of Directors.