We have defined LUKOIL’s next mission in the context of a global energy transformation as a “responsible hydrocarbon producer”. We believe that considering LUKOIL’s competitive advantages, the best we can do is to continue to supply the world economy with the most efficient fossil energy resources, while at the same time focusing on reducing the carbon footprint of their production.

Vagit Alekperov
President, Chairman of the Management Committee of PJSC LUKOIL
MESSAGE FROM THE PRESIDENT OF PJSC LUKOIL

Dear Readers,

We are pleased to present you with the LUKOIL Group Sustainability Report for 2020. The year 2020 proved to be uniquely challenging for the entire world, on account of the COVID-19 pandemic and all the socioeconomic consequences that entailed. Epidemiological restrictions for the energy market as a whole, and for LUKOIL in particular, translated into an unprecedented drop in the consumption of our products; significant difficulties in organizing the production process; and uncertainty surrounding planning our work.

Looking back on the year-end results, we see that LUKOIL was able to successfully navigate these challenges. Our Company’s corporate governance system once again proved its effectiveness; we provided a flexible – one might say online – response to the volatile dynamics of global markets by optimizing our production structure and reorganizing our product supply chains.

The year 2020 witnessed a dislocation in the oil and gas industry as a result of the consumption slowdown and the need to comply with the OPEC+ agreement, with many companies within the industry leaving the market. At the same time LUKOIL, thanks to its robust financial position and low debt load, confidently fulfilled all its obligations to the states and regions where we operate; employees, shareholders, partners, and customers.

We also optimized our investment program and cut down on our production volumes; however, this did not affect the implementation of our principal growth projects across all business segments or our environmental initiatives. LUKOIL’s capital investments in 2020 surpassed the figure for 2019. We believe that retaining investment in growth projects was the right decision, since the situation vis-à-vis the global economy is gradually returning to normal and energy demand is recovering – and we are ready to satisfy this demand as restrictions on production are eased.

That said, we understand that many other challenges the world is facing will continue to be relevant in 2021 and beyond, which is why we stick to our traditional conservative assessment of macroeconomic parameters and remain cautious in our investment decisions.

Last year we increased the amount of financial support for the regions where we operate. We spent over RUB 2 billion alone on preventing the spread of the pandemic and on supporting medical institutions, both in Russia and abroad. In addition, all our sales and distribution entities worked as usual and ensured a consistent fuel supply to customers in all regions where our gas stations and oil depots are located. We also provided fuel to ambulance and other medical service vehicles free of charge.

LUKOIL also did its utmost to protect its personnel. We promptly arranged for remote working options to be available, and around a quarter of our employees switched to telecommuting, which enabled sick colleagues to be diagnosed early, and this thereby protected other staff members. Enhanced safety measures and special working conditions were introduced at our non-stop production facilities. We were able to prevent mass infection, and our personnel continued to work throughout the pandemic.

Despite all the external challenges faced, LUKOIL fully met its wage indexation plan, and we preserved all previously approved employee guarantees and compensations. In addition, a new agreement between the employer and the trade union association for 2021–2023 stipulates an increase in the scope of a number of guarantees.

In 2020 LUKOIL continued to roll out its environmental and industrial safety programs to the fullest extent and stepped up efforts to adapt the Company’s strategy to tackling climate change.

We thoroughly revised the factors affecting greenhouse gas emissions from our operations and analyzed the risks associated with climate change. These steps allowed us to make a fair assessment of our potential and to proceed with developing our climate strategy.

Our climate change adaptation and decarbonization plans will form an essential part of LUKOIL Group’s Strategic Development Program, which we will be updated in 2021. As part of this work we have analyzed various scenarios regarding the long-term development of the global energy industry, including the possibility of the most stringent climate-related regulations being enforced.

LUKOIL is approaching its 30th anniversary as a leader in the global energy market. We continue to evolve in line with UN Sustainable Development Goals and the highest environmental standards.

We place great value on the assessment of our efforts by our stakeholders. It is gratifying to observe that LUKOIL is ranked higher in leading international and Russian ratings and is receiving awards for the quality of our non-financial reporting. We see this as proof of our commitment to the principle of responsible business conduct.

President of PJSC LUKOIL
Vagit Alekperov
LUKOIL’s single share gained blue-chip status, and LUKOIL bonds were listed on the London Stock Exchange.

The Department of Industrial and Environmental Safety and Labor Protection was created.

The first Environmental Safety Program was put into effect.

LUKOIL’s first Energy Saving Program was adopted.

A zero-discharge principle was introduced for offshore projects.

The first APG utilization projects were implemented.

An inventory of GHG emissions was conducted, implementation of Kyoto projects in progress.

Russia’s first Social Project Competition was held.

The Company’s HR Policy was adopted.

The HSE Policy of LUKOIL Group in the 21st Century was adopted.

The first collective agreements were signed.

The Social Code was adopted.

The first Sustainability Report was published.

LUKOIL became a member of the UN Global Compact and the Social Charter of Russian Business (the Russian Union of Industrialists and Entrepreneurs — RSPP).

The HSE Committee was established.

Committees of the Board of Directors were established.

The first Sustainability Report was published.

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LUKOIL is among leaders by proved liquid hydrocarbon reserves and by proved reserves to production ratio. The majority of LUKOIL reserves are of conventional type.

Climate zones: from subarctic to equatorial

**EXPLORATION AND PRODUCTION**

LUKOIL is a global vertically integrated company accounting for around 1.4% of global oil production and around 0.5% of proved hydrocarbon reserves.

- **Development of Reserves and Hydrocarbon Production**
  - Leadership in development of hard-to-recover reserves in Russia
  - Share of international projects hydrocarbon production in total hydrocarbon production — around 10%.

**Offshore**

(0.3 to 3,000 m) and onshore projects

**Power Generation**

The power generation sector is represented by a complete chain from generation to transmission and sale of thermal and electric energy to external consumers.

- Thermal power plants and boiler houses in the southern part of Russia
- 4 hydroelectric power plants
- 3 solar power plants
- 1 wind power plant

**Refining**

Our refineries product mix is used as a fuel for a variety of means of transport, as well as a raw material in other industries.

- **Oil Refining**
  - 4 oil refineries in Russia and 4 — in Europe
  - Products: motor fuel, lubricants and bitumen, bunker and jet fuel
- **Gas Processing**
  - 6 gas processing plants and 2 processing facilities at other plants in Russia
  - Liquid hydrocarbon and marketable gas
- **Petrochemicals**
  - 2 petrochemical plants in Russia
  - Pyrolysis and organic synthesis products, fuel fractions and polymeric materials

**Marketing and Distribution**

LUKOIL is a major crude oil and marketable gas trader and a supplier of premium quality fuels and lubricants.

- International trading: wholesale of our crude oil and petroleum products, trading third-party hydrocarbons
- Lubricants production and marketing: >800 types of lubricants
- Retail sales: fuel stations network
  - >100 countries worldwide
- Marine and river bunkering
- Aircraft refueling
- >100 countries worldwide

**Renewable Energy Sources**

- 6% RES share in total commercial power generation
- 61% share in sales of EKTO branded fuel
- >100 countries worldwide

**Sustainability**

LUKOIL is a global vertically integrated company accounting for around 1.4% of global oil production and around 0.5% of proved hydrocarbon reserves.
GEORGY

OFFSHORE PROJECTS

• “Zero discharge” principle
• Satellite monitoring of marine and coastal ecosystems

REGULATION ON CLIMATE

• GHG emissions reduction projects

RENEWABLE ENERGY

Wind monitoring project
Construction of small hydro-power stations

ARID REGIONS

• Modernization of water supply infrastructure
• Water-loss reduction measures
• Supply of potable water to schools, orphanages and healthcare centers

INDIGENOUS PEOPLE

• The khanty, mansi, nenets, salkiya, dolgan, nganasan people
• Economic agreements with indigenous people
• Historical and cultural area surveys

THE ARCTIC

• Pit-free drilling
• Construction of pile-supported pipelines over permafrost terrain

IN RUSSIA, WE OPERATE IN OVER 60 CONSTITUENT ENTITIES

WE OPERATE

>30 COUNTRIES WORLDWIDE
4 CONTINENTS

11% IN EUROPE
84% IN RUSSIA

1. Of the average headcount as at December 31, 2020.
STRATEGIC GOALS OF LUKOIL GROUP REGARDING SUSTAINABLE DEVELOPMENT

INDUSTRIAL AND ENVIRONMENTAL SAFETY, RELIABILITY, AND EFFICIENCY OF PROCESSES

We are committed to improving industrial safety, reducing on-the-job injury rates, ensuring accident-free operations at our production facilities, and continuously reducing our environmental impacts.

KPIs

- lost time injury frequency rate (LTIFR)
- reduction in flaring GHG emissions

SDGs

- efficiency of APG usage throughout LUKOIL Group
- lost time injury frequency rate (LTIFR)

SOCIAL RESPONSIBILITY, A WORTHY CONTRIBUTION TO SOCIAL DEVELOPMENT

We are very responsive to the requirements of our many stakeholders and always take their needs into account. We pursue a responsible social policy towards our employees and make a significant contribution to improving living standards in the regions where we operate.

KPIs

- efficiency of APG usage throughout LUKOIL Group
- lost time injury frequency rate (LTIFR)
- electricity intensity of refining one tonne of basic raw material at entities of the “Petrochemicals” business sector

SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM INDICATORS

- 55% reduction in flaring GHG emissions across LUKOIL Group compared to 2016
- 0% average share of electric power generated from renewable sources

PLANS

- Further increase in the APG use
- Development of the Decarbonization Program

REPORTING GUIDELINES

- GRI / IPIECA / UNCTAD / SASB / RSPP

CONTRIBUTION TO NATIONAL PROJECTS OF THE RUSSIAN FEDERATION

- Ecology
- Digital Economy of the Russian Federation

SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM INDICATORS

- 0.15 lost time injury frequency rate (LTIFR)
- 7% cut of air pollutant emissions in Russian entities

PLANS

- Further implementation of industrial and environmental safety programs
- Improvement and expansion of our working relationship with Contractors in the area of occupational health and safety

SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM INDICATORS

- 55% reduction in flaring GHG emissions across LUKOIL Group compared to 2016
- 0% average share of electric power generated from renewable sources

PLANS

- Creation of a pool of key management personnel
- Implementation of programs to improve operational efficiency, digitalization, and investment programs: Improvement of corporate governance

REPORTING GUIDELINES

- GRI / IPIECA / UNCTAD / SASB / RSPP
- GRI / IPIECA / UNCTAD / SASB / RSPP
- GRI / IPIECA / UNCTAD / SASB / RSPP
- GRI / UNCTAD

In 2017, the Board of Directors of PJSC LUKOIL determined four strategic goals of LUKOIL Group in the field of sustainable development, which can be related to 11 UN Sustainable Development Goals and 15 targets.

RETURN ON EQUITY, RETURN ON INVESTMENT, AND CONTINUOUS CREATION OF SHAREHOLDER VALUE

We follow a flexible reinvestment policy, work constantly to improve our performance, and foster technological development. Thanks to the successful implementation of our strategy, we maintain our competitive advantages, create shareholder value, and boost the Company’s investment appeal.

PLANS

- Creation of a pool of key management personnel
- Further implementation of the energy conservation program and of renewable energy projects
- Further improvement of the efficiency of processing raw materials and the modernization of the product mix
- Implementation of programs related to boosting operational efficiency, digitalization, and investments

REPORTING GUIDELINES

- GRI / IPIECA / UNCTAD / SASB / RSPP
- GRI / IPIECA / UNCTAD / SASB / RSPP
- GRI / UNCTAD
Based on the result of a comprehensive analysis six topics were identified as material for public reporting.

1. SUSTAINABLE DEVELOPMENT MANAGEMENT
   - Ethics, corruption
   - Human rights
   - Stakeholder engagement

2. CLIMATE CHANGE
   - Climate strategy and reporting
   - GHG emissions, reduction of emissions

3. SAFETY
   - Workplace safety
   - Digitalization, cybersecurity
   - Industrial safety and oil spills

4. MAIN GROUPS OF STAKEHOLDERS
   - Employees and trade unions
   - Shareholders and investors
   - Clients, Suppliers and contractors
   - State authorities
   - Society (residents of regions, media and public organizations)

5. ENVIRONMENT
   - Environmental safety
     - Water
     - Biodiversity and ecosystems
     - Emissions and waste

6. EMPLOYEES
   - Working environment, collective agreements
   - Remuneration and bonuses
   - Training
   - Leadership philosophy

7. SOCIETY
   - Programs for regions, Social and Cultural Projects Competition
   - Quality of products and services
   - Product impact on the environment

Long term trends:
- “Green (carbon-free) economy”
- Technological revolution
- Natural ecosystems degradation
- Freshwater availability
- Engagement and collaboration
- Waste and plastic recycling

Information on the procedure for material topics identification is provided in Appendix 2 on page 158.
OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS IN 2020

RUB 224 billion
Total investment in achieving the UN Sustainable Development Goals in 2020.

Taking into account the strategic guidelines of LUKOIL Group, the Company’s experience in implementing environmental and industrial safety programs, social programs for employees of its entities and for the regions where we operate, as well as the expectations of stakeholders, we have chosen 11 priority UN Sustainable Development Goals and 15 Targets. Considering the events of 2020 (the COVID-19 pandemic), the estimated contribution of LUKOIL Group to the achievement of the Sustainable Development Goals includes costs associated with the protection of health of LUKOIL Group employees and residents of the regions of operation (SDG 3 “Good health and well-being”).

These goals and targets are harmoniously combined with operational programs implemented by LUKOIL Group entities, and are part of corporate planning and budgeting. Therefore, we believe that their implementation, alongside the other steps taken by the Company, largely determines the contribution LUKOIL Group makes to achieve the UN Sustainable Development Goals.

\[ \text{TARGETS} \quad 14.1, 14.5 \] \[ \text{OUR PROGRAMS} \]

- A comprehensive program of interaction between LUKOIL Group entities and higher education institutions with oil and gas, chemical or energy profiles
- Support programs for students and professors of higher and secondary education institutions in Russia
- Charitable support of schools and educational institutions
- Employee education programs
- Charitable support of the “Sirius” center

\[ \text{TARGETS} \quad 8.3, 8.8 \] \[ \text{OUR PROGRAMS} \]

- Industrial environmental control
- Emergency prevention and response
- Biodiversity Conservation Program for the Company’s facilities operating in the Arctic zone of the Russian Federation
- Environmental Safety Program, “Biodiversity” subprogram
- Environmental Safety Program, “Remediation” subprogram

\[ \text{TARGET} \quad 17.17 \] \[ \text{Expenses} \quad \text{RUB} \quad 829 \text{ million} \]

- Participation in the Project of the World Bank and the UN
- Membership in the UN Global Compact Initiative

\[ \text{TARGET} \quad 15a \] \[ \text{Expenses} \quad \text{RUB} \quad 27,024 \text{ million} \]

- Program for scientific and technical works
- Digitalization Programs as part of the Information Strategy of LUKOIL Group

\[ \text{TARGET} \quad 9.4 \] \[ \text{Expenses} \quad \text{RUB} \quad 7,389 \text{ million} \]

- Environmental Safety Program of LUKOIL Group entities, “Waste” subprogram

\[ \text{TARGET} \quad 12.5 \] \[ \text{Expenses} \quad \text{RUB} \quad 3,751 \text{ million} \]

- Participation in the Project of the World Bank and the UN
- Membership in the UN Global Compact Initiative

\[ \text{TARGETS} \quad 6.3, 6.4 \] \[ \text{OUR PROGRAMS} \]

- Charitable projects in regions
- Social programs for employees
- Social programs and remuneration costs
- Environmental Safety Program of LUKOIL Group entities, “Clean Water” subprogram
- Social and Cultural Projects Competition (“Ecology” nomination)
- Voluntary cleanup campaigns to remove waste from riverbanks

\[ \text{TARGET} \quad 5.5 \] \[ \text{Expenses} \quad \text{RUB} \quad 3,005 \text{ million} \]

- Charity projects and programs in Iraq and Uzbekistan
- Social and Cultural Projects Competition (“Ecology” nomination)
- Voluntary cleanup campaigns to remove waste from riverbanks

\[ \text{TARGETS} \quad 7.2, 7.3 \] \[ \text{OUR PROGRAMS} \]

- Program for the rational use of APG of LUKOIL Group entities
- RES development projects
- Energy Conservation Programs of LUKOIL Group entities

\[ \text{TARGET} \quad 14a, 15 \] \[ \text{Expenses} \quad \text{RUB} \quad 18,131 \text{ million} \]

- Charitable projects and programs in Iraq and Uzbekistan
- Social and Cultural Projects Competition (“Ecology” nomination)
- Voluntary cleanup campaigns to remove waste from riverbanks

\[ \text{TARGET} \quad 9a \] \[ \text{Expenses} \quad \text{RUB} \quad 7,389 \text{ million} \]

- Participation in the Project of the World Bank and the UN
- Membership in the UN Global Compact Initiative

\[ \text{TARGETS} \quad 6.3, 6.4 \] \[ \text{OUR PROGRAMS} \]

- Charitable projects and programs in Iraq and Uzbekistan
- Social and Cultural Projects Competition (“Ecology” nomination)
- Voluntary cleanup campaigns to remove waste from riverbanks

\[ \text{TARGET} \quad 5.5 \] \[ \text{Expenses} \quad \text{RUB} \quad 3,005 \text{ million} \]

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- Social and Cultural Projects Competition (“Ecology” nomination)
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ABOUT THE REPORT

PSCC LUKOIL is pleased to present the 11th Sustainability Report of the LUKOIL Group (the “Report”), summarizing performance for the period from January 1, 2020 to December 31, 2020. The previous report was published in June 2020 (for the reporting period from January 1, 2019 to December 31, 2019).

We have been publishing sustainability reports since 2005. They are addressed to a wide range of stakeholders and seek to provide balanced information relevant to the interests of each stakeholder group. The Company pays significant attention to the corporate governance of sustainability issues and continuously strives to improve the quality of reported information. We believe that independent audits of disclosed information and external assurance of the Report contribute to these objectives. The audit firm’s opinion is published on page 203. The conclusion of the RSPP Council on Non-Financial Reporting concerning the external assurance of the Report is published on page 208. The Report was reviewed at the meeting of the Strategy, Investment, Sustainability and Climate Adaptation Committee and was recommended for disclosure.

The words “LUKOIL Group,” LUKOIL, “the Company,” “the Group,” the pronoun “we” and its various related forms refer to PJSC LUKOIL. The world “LUKOIL Group entities,” unless specified otherwise. Some indicators in the Report are abbreviated; the list of abbreviations, formulas for calculating indicators, and definitions of terms can be found in Appendix 6.

Previous reports are available on the PSCC LUKOIL website at: http://www.lukoil.ru/investorinfo/sharesholdercenter/reports presentations/SustainabilityReport.

In preparing this Report, we used the following non-financial reporting standards and guidelines:

- Business Reporting on the Sustainable Development Goals (SDGs)
- Global Reporting Initiative (GRI) Sustainability Reporting Standards (“Core” option)
- The table of standard general and specific GRI disclosures is provided in Appendix 4.
- The United Nations Global Compact
- The Basic Performance Indicators and the Responsibility and Transparency and the Sustainable Development Vector indices of the Russian Union of Industrialists and Entrepreneurs (RSPP)

We also used the following reporting platforms:

- Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals, UNCTAD, 2019
- SASB (Sustainability Accounting Standards Board) reporting standards – material topics and individual indicators
- IPIECA (International Petroleum Industry Environmental Conservation Association) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, 2019

The UN annual report for 2020 states that after considerable progress towards the 2030 deadline (having passed one third of 2016-2030 period) for achieving the UN Sustainable Development Goals (SDGs), there was a drastic slowdown in sustainable development efforts in many countries due to the COVID-19 pandemic and “the worst peacetime recession”. Visible progress had been made in many countries on some SDGs before the COVID-19 pandemic outbreak, such as education (SDG 4) and healthcare (SDG 3); providing clean drinking water (SDG 6); access to energy (SDG 7); and reducing unemployment (SDG 8). Improvements at a global level, however, have been uneven, and stronger and more extensive efforts will need to be made in all countries.

The authors of the Report estimate that the crisis has affected every social stratum, economic sector, and geographic location of the world. As a result, the pandemic undid decades of work regarding several SDGs, with profound economic and social implications1. What needs to focus the world’s attention now is how this situation can be overcome by creating economic and social systems with greater flexibility and resilience to various challenges. If this was to happen, 2021 could mark the beginning of a decade of bold action to achieve the Sustainable Development Goals, based on the “Make it better than before” principle. The European Council, for example, has approved a new mechanism, the “Taxonomy of Sustainable Development”, which will allow both companies and investors to identify economic activities that contribute to sustainable development and to channel investments accordingly. The United Nations, in turn, intends to mobilize efforts across the board in support of cooperative actions.

In 2020, the United Nations published the First Voluntary National Review of the Implementation of the 2030 Agenda for Sustainable Development in the Russian Federation2. The Review noted that several SDGs had already been achieved in Russia and that significant progress had been made on the remaining goals through existing government programs and national projects. Areas of greatest accomplishment include SDG 1 “No Poverty,” SDG 4 “Quality Education,” and SDG 8 “Decent Work and Economic Growth.” At the same time, there are still issues that require increased joint efforts by the state, business, and society, most prominently in such areas as, for example, improving the efficiency of water resources management, developing models for responsible production and consumption of goods and services, creating a modern waste management system, developing a national system for regulating greenhouse gas emissions, improved waste management, etc. Concurrently, the Ministry of Economic Development of the Russian Federation has identified promising areas for sustainable development in the next decade, such as health care, recycling and waste management, and required changes in the industrial and energy sectors.

When the Report was drafted, LUKOIL representatives were included in 17 thematic working groups under the Analytical Center for the Government of the Russian Federation, provided materials, and took part in expert discussions throughout the year. The Report features LUKOIL’s projects that best demonstrate the Company’s contribution to attaining certain SDGs in Russia, specifically SDG 8.5 (“Provide full and productive employment and decent work for all”), SDG 13.2 (“Integrate climate change measures into national policies, plans, and frameworks”), and SDG 14 (“Prevent and significantly reduce marine pollution of all kinds”).

ABOUT THE COMPANY: HIGHLIGHTS OF THE YEAR

Public Joint-Stock Company "Oil Company LUKOIL" is one of the world’s largest publicly traded, vertically integrated oil and gas companies in terms of total proved reserves and production. PJSC LUKOIL is the corporate center of LUKOIL Group. LUKOIL Group entities employ over 50 thousand people across the globe – in Russia, Europe, Asia, Africa, and the Americas (more than 30 countries worldwide). LUKOIL stays true to its mission of making the energy of natural resources serve the interests of and provide benefits to humankind. We do this through technological leadership that is based on an ecological balance so that all of us can share in a prosperous future.

LUKOIL’s operations and financial activities are coordinated from its head office located in Moscow in the Russian Federation. We divide our operations into three business segments:

- **EXPLORATION AND PRODUCTION**
- **REFINING, MARKETING AND DISTRIBUTION**
- **CORPORATE AND OTHER**

Exploitation and production

The Company has a high-quality portfolio of assets, diversified both geographically and by type of reserves. Our proved reserves of oil and gas are mostly conventional. In 2020, they amounted to 15.4 billion BOE, 24 percent of which was gas. The Company’s proved reserve life is 28 years.

Refining, marketing and distribution

This business segment includes operations whose operations relate to the refining of hydrocarbons, transportation, wholesale and retail trade and, and generation of electricity and heat. In 2020, refinery throughput at LUKOIL’s refineries decreased by 15 percent compared to 2019, following the optimization of some refinery utilization rates amid lower demand for oil products and refining margins caused by the COVID-19 pandemic, as well as to scheduled maintenance at four refineries. Despite the challenging situation, we continued to build a delayed coking facility and aomerization unit at the Nizhny Novgorod refinery and moved forward with projects to boost energy efficiency at European refineries.

The output of fuel oil decreases, while the share of light products and low-sulfur marine fuel with enhanced environmental properties continues to grow. LUKOIL continues to develop new formulas for oils and lubricants. In 2020, petrochemical output was up by 8 percent compared to 2019, mainly due to increased utilization at the Stavrolen complex after repairs. In 2020, the Company continued designing polypropylene production complexes at the Nizhny Novgorod Refinery and the refinery in Bulgaria.

The Power Generation business sector is represented by a complete vertically integrated chain, from generation to transmission and distribution of heat and power to external consumers (commercial power generation) and for operational needs (supporting power generation). The aggregate installed capacity of our power generating facilities in 2020 was 6.2 GW, including a combined capacity of renewable power generating facilities of 395 MW. The construction of a 20 MW second solar power plant at the Volgograd Refinery and digital substations continued in 2020.

The Corporate and Other business segment consists of PJSC LUKOIL and other entities. One of the main functions of the Corporate center is to coordinate and manage organizational, investment, and financial processes at the Company’s subsidiaries. A full list of LUKOIL Group entities in accordance with IFRS can be found in Appendix 1.

Key financial and operational indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, RUB billion</td>
<td>8,036</td>
<td>7,841</td>
<td>5,639</td>
</tr>
<tr>
<td>EBITDA, RUB billion</td>
<td>1,115</td>
<td>1,236</td>
<td>687</td>
</tr>
<tr>
<td>Total debt to EBITDA, %</td>
<td>41.8</td>
<td>45.4</td>
<td>96.1</td>
</tr>
<tr>
<td>Capital expenditures, RUB billion</td>
<td>452</td>
<td>450</td>
<td>495</td>
</tr>
<tr>
<td>Free cash flow, RUB billion</td>
<td>555</td>
<td>792</td>
<td>281</td>
</tr>
<tr>
<td>Research and development costs, RUB billion</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Number of patients received</td>
<td>37</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Labor productivity, RUB million / person</td>
<td>78</td>
<td>77</td>
<td>56</td>
</tr>
</tbody>
</table>

More information is available:

1. In the Company’s financial reports
3. The Analyst Databook for 2020

1. The total electric capacity of the Group’s entities taken into account includes owned by the Company but leased out to other legal entities.
2. The data do not include the West Qurna-2 project.
3. At own, affiliated, and third-party refineries (according to the Group’s share).

* Abbreviations: BOE = barrels of oil equivalent, RUB = Russian rubles.
We are committed to integrating the goals of the UN 2030 Agenda for Sustainable Development into our activity. The Company has implemented a system of interaction on sustainability matters at the strategic and operational management levels.
LUKOIL is one of the leaders in the global oil and gas market, and is committed to the responsible production of affordable energy in order to meet the needs of people and the economy in Russia and around the world, while striving to develop resources in a cleaner and more environmentally friendly manner. The Company’s management and its employees share this view of corporate goals and strategy in the context of a speeding up in global developments. The positions that we take largely determine how our customers and partners, investors and shareholders, government agencies, and all other stakeholders perceive LUKOIL.

We recognize our social responsibility and remain committed to integrating the goals of the 2030 Agenda for Sustainable Development and the Paris Agreement into our activities with regard to reducing greenhouse gas (GHG) emissions, advancing new technologies and improving energy efficiency, preserving natural ecosystems, and ensuring workplace safety. LUKOIL actively participates in international initiatives and discussions on a wide range of sustainability-related issues and supports actions that are required to mitigate the consequences of climate change.

All of LUKOIL’s activities support the Company’s mission — to use the energy of natural resources for the benefit of progress and humanity. Our operations are based on corporate values that allow us to conduct our business while adhering to the highest ethical standards.

LUKOIL’s positions in ratings

In 2020, LUKOIL substantially enhanced its positions in leading international and domestic sustainability ratings. The ratings in particular underscored the improvement of carbon management and the development of anti-corruption practices within the Company.

SUSTAINABLE DEVELOPMENT MANAGEMENT

KEY DOCUMENTS

• The LUKOIL Code of Business Conduct and Ethics
• The Anti-Corruption Policy of PJSC LUKOIL
• The Risk Management and Internal Control Policy of PJSC LUKOIL
• The LUKOIL Group Antimonopoly Policy
• The Health, Safety, and Environment Policy of LUKOIL Group in the 21st century
• Human Capital Management Policy of PJSC LUKOIL
• The Social Code of PJSC LUKOIL
• LUKOIL Group’s Technical Policy on Energy Efficiency
• The Information policy

LUKOIL’s improved standing is also reflected in the following ratings and rankings:

- The FTSE Russell ESG International Rating: 3.7 scores (out of 5)
- The Corporate Human Rights Benchmark: 7.5 (Russian average: 7.3)
- The ESG Corporate Rating RAEX Rating Review: 2nd place
- World Wildlife Fund (WWF) and CREON analytical group rating of environmental transparency of Eurasian oil and gas companies: top three

Note. In terms of Sustainalytics’ Risk Rating, the assessment corresponds to the level of risk. The lower, the better. For SAM S&P, the higher the score, the better.

As at the end of 2020.
The LUKOIL Group Sustainability Report for 2019 won top positions at both Russian and international report contests: • LUKOIL won first place in the Russian Ministry of Energy Contest for the best socially-oriented energy company in the Best Non-Financial Report by an Oil and Gas Company Category among Companies with 20 to 110 Thousand Employees. • LACP (League of American Communications Professionals) awarded LUKOIL a Gold Winner rank among sustainability reports presented by oil and gas companies. • The LUKOIL Group Sustainability Report won Silver at the world’s biggest corporate annual reports contest ARC Awards, in the Sustainability Report: Americas & Europe category. • The interactive e-version of the Report won a LACP Silver and an ARC Awards Bronze. • LUKOIL was the winner at the RSPP All-Russian competition “Leaders of Russian Business: Dynamics, Responsibility, Sustainability-2020” in the nomination “For High Quality of Sustainability Reporting.”

LUKOIL’s SUSTAINABILITY MANAGEMENT SYSTEM

The spectrum of matters that fall under the responsibility of our Committee rose significantly in the reporting year. This change was reflected in the Committee’s new name and expanded functionality. In 2020, it was renamed the Strategy, Investment, Sustainability, and Climate Adaptation Committee, demonstrating the importance the Company’s management places on climate change. The Committee’s new responsibility includes elaborating recommendations to the Board of Directors on strategic climate adaptation goals and setting out a roadmap for achieving them while taking into account both the risks and opportunities associated with global decarbonization. The focus of the Committee in 2020, as instructed by the Board of Directors, was to improve the accounting system for greenhouse gas emissions. This involved completing several projects that facilitated setting the next corporate goals aimed at reducing greenhouse gas emissions. (For more information, see the Climate Change section of the Report).

We consider the work we have accomplished in the past year to be a milestone in the development of the Company’s climate agenda and a validation of the effectiveness of the consistent approach we have pursued in our activities. Our efforts have yielded positive results: both on the ground and as reflected in the improvement of the Company’s positions in the CDP and other sustainability ratings.

Adaptation to climate change is not the only topic covered by the Committee. Last year, we addressed issues related to occupational health and safety and the work of the Sustainability Task Force.

I would also like to acknowledge the Company’s substantial contribution to the joint efforts to fight the COVID-19 coronavirus at LUKOIL entities, in the regions where we operate and at Company locations abroad.

In the coming year we plan to continue to develop our climate adaptation strategy and to implement it throughout the Company. We will also continue to enhance the quality of our corporate sustainability management.
LUKOIL’s long-term development model is focused on satisfying society’s energy needs in an economically, environmentally, and socially acceptable manner. Environmental, industrial, social, and personal safety are among the Company’s absolute priorities. LUKOIL Group’s Strategic Development Program defines sustainable development as one of its strategic goals.

**Organizational structure**

The Board of Directors, the Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors; the President and the Management Committee of PJSC LUKOIL determine the course of action to be taken at a strategic level. In addition, the Sustainability Task Force and Corporate Secretary actively engage with the Board of Directors and its committees on these matters.

At the operational level LUKOIL’s Health, Safety and Environmental Committee (the HSE Committee), the Sustainability Task Force, the Decarbonization and Climate Change Adaptation Task Force, heads of LUKOIL’s structural business units, and heads of Group entities analyze sustainable development activities and elaborate necessary proposals.

The communication structure on aspects of sustainability (see the Climate Change section for more details) Sustainable development indicators are incorporated within the personnel incentive program, and cover all PJSC LUKOIL employees as well as the heads and managers of the Group’s entities.

During the process of improving our sustainability management system we adhere to the UN Sustainable Development Goals and the guidelines of the World Business Council for Sustainable Development (WBCSD).

In 2020, LUKOIL was invited by the Russian Ministry of Economic Development to join the Expert Council for Sustainable Development, chaired by Russian Minister of Economic Development Maksim Reshetnikov. The Council addresses the social and environmental aspects of corporate activities as well as the private sector’s contribution to attaining the UN SDGs.

A detailed description of communication functions and issues related to sustainability at each management level can be found on the website.

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**The Reporting Year’s Changes and Results**

- **Greater Involvement on the Part of the Board of Directors in Matters of Sustainability, Social and Environmental Responsibility, and Climate Change**
- **Approval of the Anti-Corruption and Human Capital Management Policies**
- **Continuous Improvement of the Carbon Management System**
- **Changes to Procurement Management Business Process, the Introduction of a Counterparty Integrity Monitoring System**

**Contribution to SDGs**

The total financial contribution to achieving SDGs stood at RUB 224 billion.

**Plans for 2021 and the Midterm**

- Finalize LUKOIL Group’s Strategic Development Program for 2022–2031 and Climate Strategy
- Improve the cooperation in the supply chain in order to implement responsible business practices

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1. Before 2020, the Committee was called the Strategy, Investment and Sustainability Committee.
Risk Management

PJSC LUKOIL has established a risk management system that regularly identifies, describes, evaluates, and monitors possible events that could adversely affect the Company’s activities, and elaborates measures to prevent their occurrence or to minimize their negative impact should they occur. The Company is constantly working to identify and assess new risks and to update information in the corporate information system, including as it applies to sustainability risks.

PJSC LUKOIL’s Risk Management and Internal Control Policy sets forth unified and mandatory basic principles and approaches to organizing the Company’s risk management system, outlining its key objectives, and defining the tasks of risk management system participants.

The Company has identified the following key sustainability risks:
- Risks to public health and those associated with the spread of epidemics
- Climate change risk
- Health, safety and environmental risks
- Risk of shortage of qualified personnel
- Reputational risk

Risk data are included in reports submitted to the Company’s management when deciding on whether to take part in investment projects and when creating budgets, investment programs related to the Group’s entities, and strategic development programs. Information on the most pertinent sustainability risks, including climate change and HSE risks, can be put forward for discussion by the Audit Committee as well as the Board of Directors, if necessary.

In 2020, the Board of Directors addressed 13 issues, including:
- LUKOIL Group’s development in the context of energy transformation
- Enhancement of the risk management and internal control system
- Assessment of the occupational health and safety status and measures to improve the level of work safety
- Assessment of the results of remediation efforts following environmental incidents
- Relations with investors and shareholders
- Approval of the Anti-Corruption and Human Capital Management policies of PJSC LUKOIL
- Review of the LUKOIL Group’s Sustainability Report for 2019

In 2020, the Board of Directors, compliance of the Company’s corporate governance practices with the Corporate Governance Code of the Central Bank of Russia, and other information can be found in annual reports of PJSC LUKOIL and in the Corporate Governance section of LUKOIL’s website.
Issues addressed at Board Committees

**COMMITTEE**

**SUSTAINABILITY-RELATED ISSUES ADDRESSED**

Strategy, Investment, Sustainability and Climate Adaptation Committee

Seven meetings were held in 2020 to review various issues, including:

- The Roadmap for the Climate Adaptation Strategy
- The Program for the development of renewable energy sources (RES)
- The petrochemical and gas industry development program
- HSE status and measures to improve work safety

Audit Committee

Key issues covered included further improving the risk management and internal control system, as well as recommendations to the Board of Directors for approval of the Anticorruption Policy of PJSC LUKOIL. The matters discussed included:

- Improvement of the payroll system for senior executives of PJSC LUKOIL
- KPI performance in the reporting period
- The effectiveness of proactive and preventive measures to ensure compliance with workers’ labor rights
- Measures to incorporate ethical standards and the analysis of employee feedback on these issues

Human Resources and Compensation Committee

The committee reviewed the issue of recommendations to the Board of Directors on the approval of the Human Capital Management Policy of PJSC LUKOIL. The matters discussed included:

- Improvement of the payroll system for senior executives of PJSC LUKOIL
- KPI performance in the reporting period
- The effectiveness of proactive and preventive measures to ensure compliance with workers’ labor rights
- Measures to incorporate ethical standards and the analysis of employee feedback on these issues

Health, Safety and Environment Committee of PJSC LUKOIL

The HSE Committee is an effective mechanism for facilitating interactions between the Company’s management and functional and linear divisions of PJSC LUKOIL and LUKOIL Group entities on health, safety, and environmental issues.

The Committee holds meetings once a year. The first meeting considers material risk registers for LUKOIL Group HSE issues, as well as regulatory developments in the countries of operation. These factors are subsequently taken into account during the development and implementation of target programs. The second meeting summarizes the results of the health and safety programs for the reporting year, schedules activities for the next period, and considers measures to enhance the culture of safety. In 2020, the Committee also discussed the results of the GHG emissions inventory and potential paths towards decarbonization.

See the Climate Change section for more information.

Task Force

**Sustainability Task Force**

The Sustainability Task Force focuses on establishing a uniform corporate position and preparing recommendations for LUKOIL’s management bodies on various aspects of sustainable development. The Task Force also serves as a liaison between the Company’s structural units and augments the system used to gather, prepare, and disclose reporting information.

Despite the necessity to work remotely during the pandemic, the Task Force held seven meetings in 2020 (four in 2019), addressing 20 issues related to sustainability reporting, climate change, human rights, and responsible supply chain. To expand the expertise of Sustainability Task Force members, independent consultants and experts spoke at the meetings on the following topics:

- The Climate Action 100+ Net-Zero Emissions Company Benchmark Reporting requirements in the COP and recommendations of TCFD
- An assessment of physical risks due to climate change
- An analysis of legislation regulating GHG emissions in the countries where LUKOIL Group operates
- Human rights and responsible supply chain management

The Sustainability Task Force focuses specifically on organizing the preparation of the LUKOIL Group Sustainability Report, as well as analyzing stakeholder feedback. Sustainability Task Force meetings regularly included information on the preparations progress and results of the independent audit of the Report, on the concept of the 2020 Report and material topics to be included in it, and on the Company’s priority SDGs.

In future periods the Sustainability Task Force objectives include further improving sustainability practices and their integration into the Company’s business processes, with special emphasis on developing responsible supply chain and strengthening human rights observance practices.

**The Decarbonization and Climate Change Adaptation Task Force**

This task force was set up in 2020 to elaborate future steps to be taken to implement the Company’s climate strategy. The Climate Action 100+ Net-Zero Emissions Company Benchmark Reporting requirements in the COP and recommendations of TCFD

See the Climate Change section for more information.

**Corporate Secretary**

The Corporate Secretary, Natalia Podolskaya, is actively involved in improving LUKOIL’s sustainable development activities, focusing on supporting corporate initiatives and the practical application of the expertise and exceptional competencies of Board of Director members in this area.

Natalia Podolskaya pays special attention to developing the annual action plan for the Sustainability Task Force, preparing meetings, and organizing presentations by external experts and other stakeholders. In 2020, she initiated training sessions and courses for members of the Sustainability Task Force, as well as for employees of PJSC LUKOIL and Group entities.

The Corporate Secretary is involved in promoting LUKOIL’s best practices in sustainable development to the expert and scientific community, and speaks at professional forums dedicated to shaping the corporate management system for sustainable development. Natalia Podolskaya has been appointed Head of the Sustainability / ESG Task Force of the National Association of Corporate Secretaries. In 2020, the Sustainability Task Force had its first video meeting, featuring Toby T. Gati, a Board member, as a speaker on a panel dealing with corporate governance trends as they relate to Environmental, Social and Governance (ESG) factors.
LUKOIL’s corporate culture was shaped by the views and values of its founders, who were well ahead of their time. In the early 1990s, when the first private companies started to appear in Russia, V. Alekperov, now the President of PJSC LUKOIL, was convinced that business could be built with the environmental and social well-being of society in mind. Bringing this idea to life, in the early years of the Company’s operations, basic mechanisms were established, facilitating the step-by-step transformation of diverse and persistent activities into a coordinated sustainability management system.

The very first staff schedule of PJSC LUKOIL introduced the position of a Health, Safety and Environment Specialist. It was not until almost 15 years later that a federal law was approved in Russia requiring all entities that have an impact on the environment to appoint specialists responsible for this aspect of their business. By that time, LUKOIL had already completed its first environmental safety program, The Health, Safety and Environmental Policy of LUKOIL. In the 21st Century, it had been elaborated, and the Zero-discharge principle for offshore projects had been put in effect.

Despite the challenging social and economic situation in Russia in the 1990s, the LUKOIL Charity Fund was established to support people and businesses across Russia. Indeed, this was one of the first-priority decisions made by Company managers. The development of corporate philanthropy in Russia only began in the 2000s. By that time the LUKOIL Charity Fund, together with the Group’s entities, had been holding a Social Projects Competition in several regions of the country.

A crucial decision relating to the social sector was preserving the trade unions. These were later merged into one structure: the Association of Trade Union Organizations. Trade unions joined together with employees and helped develop the Company’s social policy as full partners.

In 2020, 20 years after the Company was established, LUKOIL Group has clear strategic goals defined and a sustainable development management system in place that is committed to achieving new goals related to climate change, the environment, labor protection, and social welfare.

Downloadable Report
Sustainability Report for 2020  LUKOIL Group

ETHICS AND HUMAN RIGHTS

Our corporate values are at the heart of our business approach. These values enable us to observe high ethical standards, including unconditional statutory compliance, strict observance of human rights, zero-tolerance towards corruption of any kind, and adherence to the rules of fair trade.

Business Ethics

The ethical principles set forth in the PJSC LUKOIL Code of Business Conduct and Ethics are a fundamental part of our corporate culture and cover all aspects of doing business. We also promote ethical behavior among our business partners, suppliers and contractors, informing them about our rules, and requiring them to familiarize themselves with the Code of Business Conduct and Ethics of PJSC LUKOIL.

Group entities are instructed to ensure that all personnel are made familiar with the Code of Business Conduct and Ethics as well as with local regulatory acts (LRAs). This recommendation is communicated to the employees’ directors as well as to HR managers during annual meetings. All new hires at LUKOIL Group entities are required to sign a document affirming that they are familiar with the Code of Business Conduct and Ethics and key LRAs.

The deficiencies identified were mainly associated with the unsatisfactory execution of corporate procedures. At the same time, no violations of the Code of Business Conduct and Ethics of PJSC LUKOIL and LRAs were recorded that would have had a significant effect on the Company’s achievement of its strategic goals.

Preventative guidelines have since been prepared for LUKOIL Group entities. Details of the most significant and systematic deviations/deficiencies were reported to the heads of group entities and the functional and line managers of PJSC LUKOIL.

The Company’s internal control and internal audit systems are intended, among other things, to enhance the efficiency of risk management and to provide LUKOIL’s management bodies and external stakeholders with reliable and up-to-date information on Company activities.

The Company’s Code of Business Conduct and Ethics can be found on the corporate website at: www.luкоil.com

Detailed information on the performance of the business ethics monitoring system is available at: www.luкоil.com/annual-report

Appendix 6

for the definition of a significant deviation/deficiency related to non-compliance with LRA requirements.

See Appendix 6

1 Federal Law No. 7-F of January 10, 2002 “On Environmental Protection.”
Anticorruption Policy
LUKOIL Group adopts a zero-tolerance approach towards corruption of any kind or manifestation, regardless of jurisdiction and local laws, even if the local laws permit certain types of behavior (for example, facilitation payments).

We do not engage in or in any way encourage corrupt practices, including by our business partners, and we do our utmost to prevent them. The Company does not tolerate any payments or other forms of incentives provided to representatives of state authorities.

LUKOIL’s stance on the above issues is outlined in the LUKOIL Anticorruption Policy, which was elaborated and approved in 2020 according to the instructions of the Board of Directors.

The Policy sets common principles, goals, and objectives for combatting corruption, and defines key activities that reduce the chance of corruption risks in the following contexts: gifts and hospitality, conflicts of interest, charitable donations and sponsorships, interaction with counterparties, participation in politics, relations with competitors and public authorities, etc.

The Company conducts due diligence screenings of the Group’s counterparties (see details in the “Supply chain” section).

New employees are required to sign the Policy upon joining the Company. Any stakeholder can report suspected or known violations of anti-corruption laws or Company Policy via an established hotline and can also agree to assist in such investigations.

The Hotline can be reached via anticorruptionline@lukoil.com. The confidentiality of messages received is guaranteed.

LUKOIL’s Anti-Corruption Policy is available at

Tax Policy
LUKOIL is one of the largest taxpayers in Russia, paying taxes in more than 60 constituent entities of the Russian Federation. Thus, the Company has a significant impact on the income of Russian regions.

Foreign entities of LUKOIL Group operate in over 45 jurisdictions, of which the largest taxpayers are companies located in Romania, Bulgaria, Italy, and Belgium.

We strictly abide by the applicable tax laws of the Russian Federation, international treaties, the legislation of foreign jurisdictions where Group entities operate, and the provisions of international statutes and directives. Group companies do not enter into transactions intended to reduce tax remittances and do not engage in aggressive tax planning practices.

The management and control system for tax relations in LUKOIL Group is integrated with the general mechanism for strategic and corporate management, planning, and control and is designed to prevent tax risks and ensure timely and complete fulfillment of tax liabilities.

There is a consolidated system in place for managing tax relations, ensuring a systematic and uniform approach to applying tax legislation across LUKOIL Group. All of the main processes for monitoring and fulfilling tax liabilities are automatic, and their effectiveness is assessed regularly.

LUKOIL’s Tax Department is a unified competence center for tax matters.

Detailed description of the system of management and control over the implementation of legal regulations regarding taxes can be found on the website:

A global trend in tax administration is the tightening of tax controls over the activities of international holdings through a set of measures elaborated by the OECD (BEPS Plan). These are intended to strengthen controls over the distribution of the tax base of multi-national holdings, including more stringent tax controls in the area of transfer pricing.

LUKOIL Group has created the necessary environment to comply with transfer pricing legislation. We have controls in place that allow us to perform a comprehensive assessment of applicable market pricing principles in principal supply chains and intra-group financing. We effectively employ the method of signing transfer pricing agreements with the tax authorities to eliminate transfer pricing risks. Such agreements have been concluded in Russia, the Netherlands, Austria, Cyprus, Switzerland, Italy, Romania, and the United States of America.

To ensure the transparency and completeness of the tax base in the context of the jurisdictions where Group entities operate, LUKOIL annually prepares the BEPS 13 Country Report, Master File, and National Documentation.

In 2020, a total of RUB 1,096 billion was remitted to governments according to IFRS.

Statutory compliance
LUKOIL respects the laws of the countries in which its facilities and offices operate, constantly strives to prevent legal violations, and upholds the principles of tax business conduct. LUKOIL Group does not tolerate any manifestations of bad faith, or abuse of a dominant or monopolistic position.

There were no penalties imposed on the Company in 2020 by state authorities in cases related to breaches of anti-corruption regulations, or involving product quality and labor relations, which resulted in personal injuries or loss of life of personnel and product consumers, or in amounts exceeding RUB 1 million. No material claims relating to any violations of antitrust laws were initiated against the Company. Five significant fines totaling RUB 105 million related to the Company’s environmental impact were paid in Russia. In 2019, there was one major fine of RUB 68.9 million.

Details of fines paid can be found in Appendix 3.

1. FEC. LUKOIL Management Committee approved LUKOIL’s Policy on Cooperation with its Subsidiaries in Managing the Tax Planning and Administration Business Process through Resolution No. 9 dated September 16, 2016.
2. LUKOIL Group Policy on Strategic Management, Planning, and Control in LUKOIL Group was approved by Resolution No. 12 of the Management Committee dated June 18, 2016.
3. Data include the amount of taxes (except income tax), excise and export duties, income tax (current + deferred).
4. See Appendix 3 for the definition of a “Claim.”
5. See Appendix 3 for the definition of a “Material claim relating to a breach of antitrust law.”
6. See Appendix 3 for the definition of a “Material claim relating to a breach of environmental law.” Information about the amount of the significant fine is included in the description of this item.
Human Rights

We recognize, respect, and uphold human rights, including freedom of speech, and operate under the fundamental principles outlined in the UN Universal Declaration of Human Rights. Our commitments apply to all the Company’s regions of operation and areas of activity. Risk assessments related to human rights form part of the general risk management system.

LUKOIL Group prohibits all forms of violence and abuse of human dignity, aggression of any kind, and the use of child, forced, or slave labor. We believe that it is unacceptable to hinder the work of human rights organizations and show respect for their activities carried out within the existing legal framework.

In terms of labor rights, the Group’s entities comply with the (e.g., ethics and anti-corruption hotlines) and through the HR units or trade unions. If a violation of human rights is committed as a result of the activities of the Company or its representatives, LUKOIL takes the necessary measures to eliminate the consequences of such violations.

We endeavor to build long-term constructive relations that are based on the principles of partnership. Company participation in implementing long-term development goals, and transparency of operations and information. These principles are set forth in the Social Code, the Code of Business Conduct and Ethics, and the LUKOIL Group’s Health, Safety, and Environment Policy in the 21st Century. The corporate website, Annual Report, and Sustainability Report are the main channels used to update our stakeholders on our activities.

In 2020, in response to the COVID-19 pandemic, many traditional contacts and work processes were successfully switched to a remote format using modern digital solutions. We made every effort to stay as open and transparent as ever in response to the emergence of fundamentally novel issues related to the pandemic. LUKOIL’s efforts to provide assistance in the fight against the pandemic, to improve the situation through deliveries of medical equipment, ventilators, medicines, protective clothing for doctors, and disinfectants.

We distinguish the following groups of stakeholders:

- **Clients**
- **Employees and Trade Unions**
- **Suppliers and Contractors**
- **Shareholders and Investors**
- **National and Local Legislative and Executive Authorities**
- **Society**

LUKOIL recognizes its responsibility to stakeholders and maintains a constructive dialogue with them. We endeavor to build long-term constructive relations that are based on the principles of partnership. Company participation in implementing long-term development goals, and transparency of operations and information. These principles are set forth in the Social Code, the Code of Business Conduct and Ethics, and the LUKOIL Group’s Health, Safety, and Environment Policy in the 21st Century. The corporate website, Annual Report, and Sustainability Report are the main channels used to update our stakeholders on our activities.

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See the relevant sections of the Report for details.
Main events in 2020

- Surveys and studies
- Loyalty programs
- Mobile apps
- Unusual hotline and grading system in a mobile application
- Registration of Company addresses in social networks

Issues of importance in 2020

- Compliance with sanitary regulations
- Providing information on gas station operations and product ranges, the benefits of the "Fill Up with Profit" loyalty program, and publicizing features of the LUKOIL gas stations mobile app

Results

- The Company is perceived as being a supplier of quality goods and services
- Leader in consumer trust and brand awareness: ratings among the largest Russian fuel suppliers, consistent growth in the quality of fuels and services at gas stations

Main events in 2020

- Meetings of the President of PJSC LUKOIL with employers
- Collective agreements and contracts with trade unions
- Corporate events and media, sports competitions

Issues of importance in 2020

- Agreements with strategic suppliers
- Technology field days in the suppliers zone
- Compliance with sanitary regulations
- Protecting the employees of contractors and public organizations, preservation of local communities

Results

- The 10th agreement between the Employer and Trade Union Association of PJSC LUKOIL and the Trade Union Association between the Employer and Trade Unions is in place
- A system of social partnerships is in place
- Commitments under the Agreement between the Employer and Trade Unions are fulfilled

Main events in 2020

- Participation in industry associations, expert councils, and working groups as part of public discussion mechanisms for the drafting of regulatory legal acts
- Company experts and representatives were involved in developing the system of government oversight

Issues of importance in 2020

- Participation in industry associations, expert councils, and working groups as part of public discussion mechanisms for the drafting of regulatory legal acts
- Leaders in consumer trust and brand awareness: ratings among the largest Russian fuel suppliers
- Consistent growth in the quality of fuels and services at gas stations

Results

- The Company submitted proposals as part of its anti-crisis response to the pandemic, including the following issues:
  - Tax and environmental regulation
  - Investment and export incentives
  - Control and supervision activities
  - Labor relations and other matters
- Some of the Company’s initiatives were included in the National Action Plan to restore employment and personal income, ensure economic growth, and provide long-term structural changes. The Company contributed to the discussion of the Energy Strategy of the Russian Federation

Main events in 2020

- Meetings of the President of PJSC LUKOIL with the heads of the constituent entities of the Russian Federation

Issues of importance in 2020

- Cooperation agreements (or supplementary agreements) signed with nine constituent entities of the Russian Federation

Results

- The Company is perceived as being a responsible social investor

Main events in 2020

- The Company submitted proposals as part of its anti-crisis response to the pandemic, including the following issues:
  - Tax and environmental regulation
  - Investment and export incentives
  - Control and supervision activities
  - Labor relations and other matters
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Issues of importance in 2020

- Participation in industry associations, expert councils, and working groups as part of public discussion mechanisms for the drafting of regulatory legal acts
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Results

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  - Tax and environmental regulation
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Issues of importance in 2020

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Results

- The Company is perceived as being a responsible social investor

Main events in 2020

- Meetings of the President of PJSC LUKOIL with the heads of the constituent entities of the Russian Federation

Issues of importance in 2020

- Cooperation agreements (or supplementary agreements) signed with nine constituent entities of the Russian Federation

Results

- The Company is perceived as being a responsible social investor

Main events in 2020

- Meetings of the President of PJSC LUKOIL with the heads of the constituent entities of the Russian Federation

Issues of importance in 2020

- Cooperation agreements (or supplementary agreements) signed with nine constituent entities of the Russian Federation

Results

- The Company is perceived as being a responsible social investor
PRINCIPLES OF SUSTAINABLE DEVELOPMENT IN PRODUCTION PROJECTS OUTSIDE RUSSIA

The Group’s entities operating abroad adhere to the common corporate standards and sustainability principles outlined in the Integrated Project Management System. The general approach is tailored to each country’s environment and LUKOIL’s license liabilities, and coordinated with the management systems of partners (project operators) and with the requirements of local legislation and other norms, such as the Directives of the European Parliament and the EU Council.

LUKOIL has international hydrocarbon production projects in Uzbekistan, Iraq, and Egypt, where it acts as the operator, and also in Azerbaijan, Kazakhstan, the UAE, and the Republic of the Congo, where LUKOIL is a project participant. Exploration and development of hydrocarbon reserves are underway in Kazakhstan, Norway, Romania, and West Africa (Ghana, Nigeria, and Cameroon). In the Gulf of Mexico, LUKOIL is an operator of one of four hydrocarbon production and exploration projects.

Sustainability principles

Respect for human rights and strict compliance with the norms of the Code of Business Conduct and Ethics and the Anti-Corruption Policy are fundamental preconditions for LUKOIL Group entities’ participation in projects outside Russia. Our priorities across all countries include ensuring worker and facility safety and choosing the best technologies to reduce GHG emissions as well as any impacts on the environment and the way of life of local communities.

LUKOIL Group entities comply with these principles and ethical standards at all stages (design, implementation, and project closure or exit). Project managers are responsible for their implementation. Regardless of its share in each project, LUKOIL informs its partners of its corporate standards during preliminary negotiations and when signing agreements, and takes part in decision-making during project implementation.

Application of Corporate Standards

Social and environmental impact assessments are carried out during project feasibility studies in all countries, and the results of these assessments are agreed upon by all project participants and state authorities. Local communities are also involved in discussions. Assessments are generally based on international standards (for example, the World Bank). Project feasibility studies always specify measures related to energy efficiency, APG utilization, and GHG emission reduction, as well as support for residents and small businesses, if the project affects their interests.

If there is a difference between standards of project participants and local legislation, the general approach is to adhere to the most stringent rules (of the country of operation, LUKOIL, or the project operator).

The main technical solutions for designing each project and the results of social and environmental assessments are reviewed for compliance with the requirements of the corporate standards by LUKOIL’s Technical Support Center. For major capital projects, or when a project moves from one phase to the next, the Company’s functional units conduct a comprehensive review of the documentation package to decide on further participation in project execution.

When a project is in progress, LUKOIL maintains regular contact with state authorities, partners, as well as local residents (if LUKOIL is the operator). Committees, workgroups, and other joint managing bodies are created to boost the transparency and efficiency of communications and to discuss environmental, safety, and sustainability issues.

Project operator

Projects in which LUKOIL acts as the operator are implemented in full compliance with corporate requirements and standards. Since the employees on such projects are usually local hires, they undergo mandatory orientation training on LUKOIL’s Code of Business Conduct and Ethics. Specific employees or functional units of the Group’s entities are responsible for ensuring this procedure is fulfilled. The document is available to all employees (via the intranet, or on information boards at facilities). Compliance with ethical standards is monitored during internal inspections and audits.
**SUPPLY CHAIN**

Each year, LUKOIL Group entities procure a significant amount of goods, work, and services and interact with a large number of suppliers and contractors from different economic sectors. At the same time, LUKOIL supplies products to a wide range of wholesale and retail customers worldwide.

Events surrounding the COVID-19 pandemic did not have a significant impact on the operation of our supply chains, although, in some cases, delivery times for goods and equipment or the provision of work/services were extended. Each issue was discussed individually with suppliers and contractors. A joint decision was reached in each case, and a supplementary agreement was signed to extend existing contracts or postpone the timeline for delivering work/services. No cases were recorded of contractors refusing to fulfill their contractual obligations.

**Tenders**

Most goods, work, and services are procured through public tenders, with mandatory open public bidding on the contract tendered. The selection of suppliers is performed in accordance with the Regulations on Tendering to Select Suppliers and Contractors of LUKOIL Group Entities (in Russia) and based on similar documents approved by the foreign entities. Interested candidates with the right experience, resources, and technology can participate in tenders by completing a qualification questionnaire and submitting a package of documents.

When dealing with bidders in Russia and abroad, great attention is paid to safety, quality of goods, work and services, responsible business practices, and technological innovations.

In 2020, 94% of bidders in Russia and 100 percent abroad who were subject to HSE assessment successfully passed the due diligence procedure. The share of local suppliers of material and technical resources that are used is significant in terms of quantity (in 2020, as well as in 2019, it stood at 93 percent) and rose insignificantly in financial terms (from 95% in 2019 up to 96 percent in 2020).

We have introduced a procedure for assessing the level of HSE management based on completion of a qualifications questionnaire, which includes information related to injury and accident rates, availability of certificates and licenses, staff qualifications, safety compliance control procedures, and other factors. New bidders undergo field audits to confirm the information they have provided in the qualifications questionnaire. (Similar procedures are in place at foreign production entities, based on the International Standards on Internal Auditing for detecting fraud risks).

The following procedures are prescribed when interacting with suppliers of material and technical resources that are used, for example, to produce chemical reagents: incoming inspection of material and technical resources; technical audits of suppliers; committee investigations into failure cases involving supplier representatives; multilevel control of supplied raw materials; and the storage rules for raw materials and finished goods. Incoming inspections involve collecting retained samples, inspecting raw materials before their transfer to production, and inspecting finished goods based on retained samples. Candidates can contest actions taken or omissions on the part of tender organizers that may have violated their rights or tendering procedures, and can appeal the decision of the Tender Committee of a LUKOIL Group entity to the PJSC LUKOIL Internal Audit Service (in Russia) for review, as outlined in the Instructions to the Candidate.

**Counterparty due diligence**

In accordance with the principle of due diligence, an integrated management system “Counterparty Due Diligence Monitoring System” was introduced in 2021, allowing to assess the level of risk of Russian counterparties when signing contracts for acquisition of goods and services, as well as when executing the contract. The system allows to automate the process of contractors’ due diligence and decrease the human factor impact on the assessment of tax, commercial, and reputational risks. The system facilitates screening applicants and monitoring the integrity of the Group’s counterparties. LUKOIL has developed a counterparty due diligence index calculation model, which comprises 62 risk indicators and has been tested on more than two thousand active contracts. There is also a Counterparty’s Personal Account subsystem for the centralized registration of information on LUKOIL Group’s counterparties.

Corporate security, tax, and legal services are chiefly responsible for conducting these inspections. The Internal Audit Service performs an additional (selective) due diligence of bidders who are the proposed winners of tenders. In addition to this improvement, internal regulatory documents on procurement activities approved in 2021 were updated.

**Information on potential tender participants that submitted tender bids for the procurement of goods, work, and services for the benefit of LUKOIL Group entities**

<table>
<thead>
<tr>
<th>Reporting period consolidation perimeter</th>
<th>Total number of potential tender bidders</th>
<th>Including for tenders requiring HSE assessment</th>
<th>Number of potential tender participants admitted to tenders based on the assessment results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number Percentage of the total number of potential tender participants submitting bids</td>
<td>Number Percentage of the total number of potential tender participants checked</td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>4,241 1,720 41% 1,579 92%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>3,130 1,465 44% 1,352 92%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>3,181 1,588 50% 1,492 94%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities of the Exploration and Production Business Segment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>268 93 35% 93 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>305 94 31% 94 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>41 16 39% 16 100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Detailed information on the organization of the “Procurement Management” business process, on corporate documents, the system for evaluating tenders, and also on interaction with applicants and counterparties at the stages of participation in the tender and performance of contractual obligations can be found on the website.
In 2018, we launched a program¹ to further enhance the Company’s automation processes. The main purpose of the program is to boost the efficiency of decision making at all levels from website operations to integrated planning at the PSC LUKOIL level. By applying information technology, we can ascertain and prevent a wide range of risks early on, including investment mistakes and the ineffective execution of investment projects, the loss and corruption of data, big data analysis, and poor integration of management processes.

Investment projects have been developed that are currently at different stages of implementation. Most of them are at the pilot stage in Russian entities, and a decision will be made on whether to roll them out in other areas. The Company works on developing end-to-end technologies across all business segments, including in the following areas: • Digital information management and cybersecurity • Operational data analytics • The robotic automation of routine operations • Predictive equipment maintenance and repairs • Health controls and the automation of mobile personnel functions • Intelligent video analysis systems • Digital social interaction and a knowledge-sharing support platform • Mobile services

In 2020, we continued to implement and roll out projects across key business segments.

Sample projects in the Exploration and Production business segment

- Integrated simulation (implementation). The models created determine the optimal risk-adjusted production potential. During 2020, we built 61 field models.
- Drilling emergency forecast (pilot stage). These projects optimize drilling times, reduce the number of complications from operations, and mitigate the severity of consequences from unavoidable complications.
- Management of mature field development using neural networks (pilot stage). The project is designed to optimize the operation of reservoir pressure-maintenance systems, which positively affects the energy output ratio.
- Compilation of the pilot project of the power equipment maintenance system, based on a predictive condition analysis in LUKOIL-West Siberia. In 2021, we plan to roll out the project for all regional subdivisions of LUKOIL-West Siberia, LUKOIL-Komi, and LUKOIL-Perm.

Sample projects in the Refining, Marketing and Distribution business segment

The following projects have been put into commercial operation:

- Predictive analytics of the technological and dynamic equipment state (duplication stage). The project will boost the availability of process equipment by cutting down on unscheduled repairs and detecting early signs of equipment wear. Predictive analytics systems have been implemented at the Perm Oil Refinery (70 equipment items are being monitored) and at the Volgograd Oil Refinery (10 items of equipment). A task force made up of predictive analytics engineers has been set up to consolidate their experience for the subsequent roll out of solutions. In 2021, the Volgograd Oil Refinery plans to continue this project, involving the monitoring of an additional 50 units of equipment.
- The APC+ enhanced management systems make it possible to optimize the operation of process units using artificial intelligence methods and the analogs of virtual analyzers and to use artificial intelligence to predict the future conditions of units. The project is at the final stage of implementation at the Nizhny Novgorod Oil Refinery and the Oil Refinery in Bulgaria.
- An intelligent video surveillance and video analysis system has been installed at the Volgograd Oil Refinery to enhance operational safety. 25 cameras are able to detect fire and smoke and record violations of personal protective equipment rules.

The following projects are at the final stage of implementation: Unified Digital Platform and Mobile Personnel (Perm Oil Refinery), and implementation of enhanced management systems.

Sample projects in the Corporate and Other business segment

- A working prototype of the new Intranet Portal has been developed to display information and provide services, depending on the user profile and employee category. The system will go into pilot operation in 2021.
- As part of the Data-Driven and Visual Analytics Employee Performance Management project prototype services for goal-based management, employee performance analysis, and decision support were developed.

Improving cybersecurity

- Design of the information security system for significant facilities of critical information infrastructure has been completed.
- Solutions to protect resources and services of the Shared Information System against modern cyberthreats have been implemented, and the quality of access controls improved.
- Transition to a new secure Internet access solution is in progress, to bolster anti-malware and cyber-fraud protection.
- A Zero-Day Exploit defense solution has been implemented, which provides additional scanning of corporate email messages for threats.

¹ In 2019, the Board of Directors decided at this program the LUKOIL Group’s Functional Development Program for Information and Technology Support.
Responsible producer of ENERGY

We take a responsible approach to climate change and strive to make the most possible contribution to the achievement of the global climate goal.
The COVID-19 pandemic took center stage for much of the year, reducing the attention to climate change issues for many months. However, this was a temporary phenomenon and the attention of both countries and companies is now intensely focused on next steps. At the Global Economic Forum in Davos in 2021, for the first time all discussions of “risks” were related to climate change and the human impact on the global ecosystem.

In 2020, the downturn in economic activity and transportation, complete or partial shutdowns in a number of industries, and the general decline in consumption led to reduced anthropogenic GHG emissions, clearly illustrating the scale of human impact on the climate. According to the forecasts, however, the effect of this reduction will be short-lived, and emissions are forecast to increase in 2021 as national economies recover. Experts estimated that the lockdown period only slightly affected global warming, reducing the temperature increase expected by 2030 by only 0.001 °C. Reductions of a much greater magnitude are required every year for the next decade just to avoid the worst effects of climate change.

On the other hand, some countries have not only kept their commitments to reduce GHG emissions, but have announced more ambitious emission goals, committing themselves to pursue long-term breakthrough solutions. The EU has presented plans to accelerate the transition to a net-zero development path under the Green Deal, aiming to reduce GHG emissions by 55 percent by 2030 as compared to 1990 levels. The European Union Emissions Trading System (EU ETS) is one of the instruments to stimulate change; cutting down the emission allowances for major industrial enterprises will increase the cost of purchasing them. It is also planned to add maritime and road transport to the EU ETS.

In March 2021, the European Parliament adopted a resolution supporting the implementation of another instrument -- a carbon border adjustment mechanism for imported carbon products from countries that do not have national GHG emissions regulation systems in place. Later in the year, the European Commission will consider four possible options for a mechanism compatible with WTO principles. Expanded economic mechanisms, tied to EU direction, will require specific actions from oil and gas companies, among others, to ensure sustainability in the long term.

The EU and other countries, including Japan, India, and the UK have committed to ambitious goals concerning carbon neutrality first by 2055, China -- by 2060. US policy has already changed dramatically. One of the first steps of the Biden Administration was to rejoin the Paris Agreement and a series of far-reaching domestic and international initiatives have been proposed. International cooperation on the climate agenda will intensify, and if the steps outlined are implemented, more than half of the world’s GHG emissions will be controlled through decarbonization projects by mid-century.

Russia has set a national goal to reduce emissions to 70 percent of the 1990 level by 20307, and a Strategy for Socio-Economic Development as a Low-Carbon Country up to 2050 is being developed. Governments and experts are discussing the prospects of creating a national trading system for GHG emission quotas or “low-carbon” certificates. A pilot project with special regulation of GHG emissions is already being implemented in the Sakhalin Region. This pilot may result in establishing a national GHG emissions trading system and its integration with international systems.

Russia’s two-year chairmanship of the Arctic Council in 2021–2022 will also bring renewed attention to issues of climate change in the North – the area of the planet that is warming most rapidly and is most likely to be affected by the melting of permafrost.

Among the significant external factors for oil and gas companies, in 20208 was the COVID-19 pandemic, which significantly influenced the structure of supply and demand in 2020, exacerbating operational and financial efficiency issues. This is considered as the beginning of a long-term trend, which will inevitably lead oil and gas companies to change their strategies and business models. Guided by the accumulated experience of structural transformation and innovation, companies will need to find solutions in line with their objectives to reduce GHG emissions.

LUKOIL contributes to SDG 13 (Climate action), consistently reducing GHG emissions and developing projects with low carbon footprints.
CARBON MANAGEMENT SYSTEM

With more than 15 years of successful experience in implementing measures to reduce GHG emissions, LUKOIL’s goal is to narrow the gap between what can be done to contain global warming based on economically sound calculations and technologically feasible solutions and what needs to be done to achieve global climate goals. The first corporate target set for the Group’s Russian entities was to reduce direct GHG emissions by 1.2 percent by 2020 from the 2016 level. This goal was achieved ahead of schedule. In 2020, another major step forward was made in GHG emission management by setting 2030 as the target date for achieving even larger cuts in GHG emissions.

Leonid Fedun, Vice President and a member of the Board of Directors of PJSC LUKOIL, is responsible for the Company’s climate change activities.

PJSC LUKOIL established a Decarbonization and Climate Change Adaptation Task Force.

The target to reduce GHG emissions by 2030 was announced based on presentations of several climate scenarios to contain global warming at 1.5 and 2 ° centigrade.

The main risks associated with climate change are enumerated in the Company’s risk management system.

Requirements for assessing the climate change impact on production facilities and infrastructure are documented in the corporate standard.

An extended inventory of GHG emissions.

Data on GHG emissions is published in the draft CDP, Sustainability Report, Annual Report, Analyst’s Handbook.

Management

Leonid Fedun, Vice President and a member of the Board of Directors of PJSC LUKOIL, is responsible for the Company’s climate change activities.

PJSC LUKOIL established a Decarbonization and Climate Change Adaptation Task Force.

Strategy

The target to reduce GHG emissions by 2030 was announced based on presentations of several climate scenarios to contain global warming at 1.5 and 2 ° centigrade.

Risks

The main risks associated with climate change are enumerated in the Company’s risk management system.

Requirements for assessing the climate change impact on production facilities and infrastructure are documented in the corporate standard.

Reporting

An extended inventory of GHG emissions.

Data on GHG emissions is published in the draft CDP, Sustainability Report, Annual Report, Analyst’s Handbook.

Our actions

Climate change issues are prioritized and decisions taken in the Strategy, Investment, Sustainability and Climate Adaptation Committee. Proposals developed at the Committee meetings are then considered by the Board of Directors. In 2020, new management bodies were established at the operational level and were involved in the formation of a climate strategy and in activities aimed at achieving the stated goals of reducing GHG emissions.

As part of implementing the decision of the Board of Directors of PJSC LUKOIL, amendments were made to the LUKOIL Group’s Health, Safety and Environment Policy for the 21st Century. We supplemented the Policy with objectives aimed at minimizing the impact of the Company’s operations on the climate and a commitment to continuous improvement of the GHG emission management system.

Corporate requirements for mandatory assessment of the impact of climate change on planned production facilities and critical infrastructure that will be located in vulnerable areas (primarily in the Arctic) have been put into effect.

To develop competencies on climate-related topics, a lecture course for employees, specialists, and managers of LUKOIL Group entities was conducted in 2020 on Global Climate Change and GHG Emissions Management at the Company level. More than 500 people were trained; at the end of the course, they were tested and certificates were issued. It is planned to continue such training activities within the framework of the corporate Distance Learning System.

The main changes in the functions of management bodies and new management bodies are presented in the table below.

Climate risk analysis is performed within the Framework of the Company’s risk management system. Detailed description of the risks is given in the Annual Report for 2020, page 71.

Detailed Safety measures are described in the Safety of Facilities in the Arctic Zone case study.
Leonid Fedun, Vice President for Strategic Development, Member of the Board of Directors of PJSC LUKOIL, has been given responsibility as a member of the Board of Directors for the Company’s climate change activities. Further steps to adapt the Company to climate change will be planned and implemented under his supervision and with his direct participation. His functions include:

- preparing recommendations for the Board of Directors on defining strategic goals and related measures;
- assessing the impact of decarbonization projects on the Company’s asset portfolio;
- building a unified corporate position on various climate change issues.

In June 2020, the Board of Directors of PJSC LUKOIL approved the "Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors". The Board’s new responsibility is to develop recommendations for the Board of Directors on strategic climate adaptation goals and provide a roadmap to move the Company toward achieving these goals, as well as to manage risks associated with changes in global supply chains.

The Task Force was created under the leadership of Vadim Vorobyov, First Executive Vice-President of PJSC LUKOIL. It includes Vice Presidents of PJSC LUKOIL in charge of all areas of the Company’s operations: finance, strategy, economics and planning, and sustainability, as well as heads of key specialized departments. The main functions of the Task Force include:

- regular assessment of climate risks and opportunities;
- drafting the LUKOIL Group’s decarbonization program and monitoring its implementation;
- establishing criteria for assessing the effectiveness of investment projects aimed at reducing GHG emissions;
- improving the Decarbonization and Climate Change Adaptation business process.

The first meeting of the Task Force was held in December 2020, when the standard STO LUKOIL “Regulations for the Inventory of Greenhouse Gas Emissions” was approved, and instructions were given to develop a new version of the Committee Regulations. The Committee’s new functions of the Committee include:

- preparing recommendations for the Board of Directors on defining strategic goals and related measures;
- assessing the impact of decarbonization projects on the Company’s asset portfolio;
- building a unified corporate position on various climate change issues.

The Department for Environmental Safety and Decarbonization is the center for expertise and coordination of activities of PJSC LUKOIL and Group entities in operational management of GHG emissions, including regulation, monitoring, implementation of the decarbonization program, and reporting.
GHG emissions of LUKOIL Group

Indicators | 2016 | 2017 | 2018 | 2019 | 2020
---|---|---|---|---|---
Scope 1. Direct gross GHG emissions, million tonnes of CO\(_2\)E | 40.150 | 40.448 | 39.599 | 39.706 | 36.705
Including by GHG composition:
CO\(_2\), million tonnes of CO\(_2\)E | 38.574 | 39.024 | 38.615 | 38.090 | 35.764
Methane (CH\(_4\)), million tonnes of CO\(_2\)E | 1.545 | 1.596 | 0.939 | 0.772 | 0.936
Share of methane, % | 3.9 | 3.5 | 2.4 | 1.9 | 2.5
Nitrogen monoxide (NO\(_x\)), million tonnes of CO\(_2\)E | 0.031 | 0.028 | 0.025 | 0.025 | 0.024
Other GHGs | 0 | 0 | 0 | 0 | 0
Scope 2. Indirect (energy) GHG emissions (CO\(_2\)E), million tonnes of CO\(_2\)E | 10.435 | 10.450 | 8.947 | 8.636 | 6.947
Scope 1 + Scope 2, million tonnes of CO\(_2\)E | 50.585 | 50.897 | 48.546 | 48.433 | 43.651
Total energy consumption (purchased and internally generated) within the calculation of GHG emissions (Scope 1 + Scope 2), excluding mobile sources, million GJ | NA | NA | 502 | 502 | 465

Notes:
1. Detailed data, including the reporting boundaries, are given in Appendix 7.
2. In the LUKOIL Group Sustainability Report 2019 data on GHG emissions (Scope 1) were presented based on calculations in accordance with the previously used methodology: “Methodology and Guidelines for Quantifying Greenhouse Gas Emissions by Entities Engaged in Economic and Other Activities in the Russian Federation” approved by Order of the Ministry of Natural Resources and Environment of the Russian Federation of 30 June 2015 No. 300. The 2019 Report contains the following information: 2016 — 38.02 million tonnes CO\(_2\)E; 2017 — 37.85 million tonnes CO\(_2\)E; 2018 — 36.44 million tonnes CO\(_2\)E; 2019 — 37.22 million tonnes CO\(_2\)E.
3. In 2020, the reduction in GHG emissions was mainly driven by a decrease in demand and production of major types of products due to the pandemic.
4. The increase in CO\(_2\) emissions in 2017 was caused by a rise in exploration and production drilling in the Exploration and Production business segment.
5. The 2020 results are not indicative because they are mainly driven by changes resulting from the pandemic.
6. In the LUKOIL Group Sustainability Report 2020, the indicators of greenhouse gas emissions were adjusted compared to those presented in the Annual Report of PJSC LUKOIL 2020.

Specific GHG emissions, by types of activity (Scope 1 + Scope 2)

---|---|---|---|---|---
| tonnes CO\(_2\)E / thousand BOE | 4.334 | 4.038 | 3.602 | 3.505 | 3.650 |
Oil Refining and Petrochemicals across LUKOIL Group (excluding LLC LUKOIL-KGPZ and LLC LLK International) | 0.281 | 0.293 | 0.282 | 0.291 | 0.305 |
| tonnes CO\(_2\)E / tonne of processed raw materials | 0.341 | 0.340 | 0.323 | 0.328 | 0.350 |

Note. The increase in specific GHG emissions in all business sectors in 2020 was related to a decline in production due to the pandemic and the need to maintain the working capacity of production units and technological processes, as well as to rising complexity of production processes and an increase in the refinery yield at oil refining and petrochemicals entities.
CLIMATE STRATEGY

Scenario analysis

In 2020, new targets for reducing GHG emissions were calculated in accordance with the Recommendations of the Intergovernmental Panel on Climate Change (IPCC) and with the Paris Agreement goals based on scenarios of keeping global temperature increases between 1.5°C and 2°C. In addition to the “Evolution”, “Transformation”, and “Two Degrees Celsius” scenarios, we have developed the “Equilibrium”, “Optimistic”, and “Conservative” scenarios. All these scenarios assume a significant increase in the share of renewable energy sources, recycled plastic, and accelerated electrification of vehicles.

Each of these scenarios presents complex challenges for the global community, which cannot be overcome quickly. In addition, it is very important that progress towards energy transformation does not conflict with the achievement of other SDGs. To ensure that all sustainability goals are taken into account, alternative energy must be affordable and sufficient to not only gradually replace fossil fuels, but also to provide additional power to a growing global economy. For these reasons, none of the scenarios we have developed involves a complete rejection of fossil fuels. Oil will retain a significant role in the global energy balance and as a raw material for the production of consumer goods for a long time to come. Oil and gas companies, suppliers of energy resources, are to ensure energy supplies for the global economy, adjusting their operations to SDGs and global efforts in reducing GHG emissions.

Climate Strategy

Given LUKOIL’s competitive edge and our commitment to reduce emissions, we will continue to supply the world economy with the most efficient fossil fuels while focusing on reducing the carbon footprint associated with production. To support this mission, we have identified three tasks for LUKOIL’s climate strategy and the goals and reasons, none of the scenarios we have developed involves a complete rejection of fossil fuels. Oil will retain a significant role in the global energy balance and as a raw material for the production of consumer goods for a long time to come. Oil and gas companies, suppliers of energy resources, are to ensure energy supplies for the global economy, adjusting their operations to SDGs and global efforts in reducing GHG emissions.

MISSION: RESPONSIBLE HYDROCARBON PRODUCER

<table>
<thead>
<tr>
<th>Task 1</th>
<th>Task 2</th>
<th>Task 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue development of core business.</td>
<td>Reduce controlled GHG emissions (Scope 1 + Scope 2).</td>
<td>Participate in climate initiatives and develop climate opportunities.</td>
</tr>
<tr>
<td>Focus on efficiency of using conservative oil pricing and domestic carbon price scenarios in investment decisions.</td>
<td>Improve energy efficiency.</td>
<td>Implement GHG emission reduction technologies.</td>
</tr>
<tr>
<td>Enhance RES energy consumption.</td>
<td>Develop carbon capture and storage projects.</td>
<td>Develop the regulatory environment in Russia.</td>
</tr>
<tr>
<td>Optimize the asset portfolio.</td>
<td>Study low-carbon energy resources (sibed and hydrogen).</td>
<td>Expand commercial generation from renewable energy sources.</td>
</tr>
<tr>
<td>Implement reforestation projects.</td>
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</tbody>
</table>

Based on an assessment of technologically achievable and potentially effective measures, we have identified about 60 measures to help reduce emissions. The economic efficiency of these projects can be increased with government support. The introduction of national regulation and support for decarbonization measures and adaptation projects which take into account the specifics of the Russian oil industry will significantly expand the Company’s capabilities to reduce GHG emissions in Russia.

Interaction on climate policy

We constantly monitor climate regulation and actively participate in discussions of the climate agenda and policy-making initiatives in the Russian Federation and abroad. In Russia, we are in direct dialogue with the Government Executive Office of the Russian Federation, the Ministry of Energy, the Ministry of Economic Development, the Ministry of Natural Resources and Environment, and other institutions. LUKOIL representatives take part in the work of industry associations, for example, in the work of the Committee on Climate Policy and Carbon Regulation created by the Russian Union of Industrialists and Entrepreneurs: The Committee is a platform for discussing the policy-making initiatives of the Government of the Russian Federation and determining the position of business regarding various options for regulating GHG emissions in the context of the national goals set by the Russian Federation. LUKOIL presents its position and experience in implementing greenhouse gas emissions reduction projects.

The legislative program of PSC LUKOIL in Russia for 2021 contains initiatives — in particular amendments to the Forestry Code of the Russian Federation — which would allow including reforestation as a measure to reduce GHG emissions, as well as participation in the discussion of draft laws related to the regulation of GHG emissions and the introduction of a low-carbon certification system, as well as national support for emissions reduction. PSC LUKOIL also actively participates in the discussion of key legislative initiatives in the European Union, including such topics as the EU ETS emissions trading system, emission standards in the transport sector, and renewable energy. Much attention is paid to discussions on the impact of introducing the EU carbon border adjustment mechanism, which is expected to be implemented in 2023.


We have set a new goal for the reduction of GHG emissions by 2030. We plan to reduce controlled emissions (Scope 1 + Scope 2) per unit of energy equivalent by 20 percent compared to 2017. We have chosen this year as a baseline in accordance with the approach of the Intergovernmental Panel on Climate Change. This target is the equivalent of reducing gross GHG emissions by 10 million tonnes, given comparable conditions.
LUKOIL was one of the first Russian companies to start implementing projects to reduce APG flaring and to utilize this energy resource in gas turbine power plants to generate electricity. In 2012, a corporate program for the sustainable use of APG was launched, to which more than half of the Company’s environmental budget was allocated annually.

Even earlier, in 2007, the first projects were developed based on the provisions of the Kyoto Protocol. At that time, a corporate system for managing and accounting for GHG emissions was established. The implementation of these Kyoto projects produced major results: 32.8 million emission reduction units.

During the intervening year, LUKOIL has continued implementing projects to reduce GHG emissions, and by 2021 formalized them in its climate strategy.

APG utilization at the fields of Western Siberia (where the Company was founded) in the mid-1990s was about 70 percent.

Carbon dioxide was not considered a pollutant in Russia, and data on CO₂ emissions was not subject to statistical reporting.

A carbon management system has been created and is constantly being improved taking into account modern requirements: a comprehensive climate strategy is being developed.

APG utilization in LLC LUKOIL-West Siberia amounted to 98.3 percent.

According to the inventory results, in 2018–2020 the share of methane in the total GHG emissions (Scope 1) is less than 3 percent. The volume of emissions is mainly due to methane emissions from APG flares during production.

The amount of permissible dispersion of methane, including as part of APG, is regulated by legal requirements and corporate standards. For all entities of oil and gas production in Russia, standards for losses during APG production at fields are developed annually.

Considering the high level of APG utilization at LUKOIL’s fields, the share of methane dispersion is much lower than the established standards.

The Group’s entities regularly take measures to reduce gas leaks into the atmosphere caused by scheduled repairs and equipment failures. The technical condition of main and interfield gas pipelines is monitored once a year during a helicopter inspection using lasers to locate gas leaks. Gas pipelines are inspected and examined on a monthly basis to ensure maintenance of equipment and prevent depressurization. As part of the inspection, the corrosion rate and residual life, service life, specific failure rate and other parameters are assessed. In 2020, gas pipelines in the Perm Territory and the Volgograd Region of a total length of 45 km, were diagnosed.

REDUCING METHANE EMISSIONS

The possibility of gas migration during well construction is one of the problems in the development and operation of gas fields. Gas in a formation under pressure can penetrate through cracks and clearances in the equipment into the annular space. As a result, a buildup of pressure building at the wellhead can threaten its safe operation.

LUKOIL-Engineering has developed a solution to ensure the airtightness of the annular space using special grouting mixtures prepared on the basis of “self-healing” cements with the addition of gas blockers. Additional airtightness is provided by filling the annular space with gel-polymer compounds. The use of these substances allows for a quick restoration of an annular space and prevention of gas migration. This approach has already been applied at the Pyakyakhinskoye field and has proven its effectiveness, since the occurrences of annular pressures have been significantly reduced. LUKOIL-Engineering is carrying out further research and development work, as a result of which it will be possible to completely eliminate the likelihood of behind-the-casing gas migration.

A comprehensive climate strategy is being developed.

Engineering solutions to prevent methane leaks

Calculations are carried out by specialized institutes and approved by the Russian Ministry of Energy.

1 Calculations are carried out by specialized institutes and approved by the Russian Ministry of Energy.
**APG UTILIZATION AND FLARING REDUCTION**

Since 2003, Russian entities have been implementing an investment program for the sustainable use of APG, including measures for the construction of new facilities and reconstruction of facilities for APG preparation, transportation and processing that have been in operation for a long time. In 2020, 12 projects of the program were completed in the Perm Territory, the Komi Republic, and in the Khanty–Mansi Autonomous Area — Yugra. In 2020, the level of efficient APG use across LUKOIL Group increased to 97.8 percent. Since 2016, this indicator has grown by 5.7 percentage points.

The indicator boundaries include the following Russian and foreign entities (based on the PJSC LUKOIL shares in the projects):

- Russian entities
- Foreign entities

APG utilization rate, %

<table>
<thead>
<tr>
<th>2016</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.6</td>
<td>97.6</td>
<td>97.8</td>
</tr>
</tbody>
</table>

- The APG utilization increased from 93.6% to 97.8%.
- The volume of CO₂ emissions decreased by 44 thousand tonnes of CO₂ per year (from 62.3 thousand to 18.5 thousand tonnes of CO₂).
- The APG preparation, transportation and processing that have been in operation for a long time were completed.
- The expected date of completion of the project is 2022.

The KPI regulations were approved by the Management Committee of PJSC LUKOIL on September 16, 2019.

**ENERGY CONSERVATION**

**ELEMENTS OF THE MANAGEMENT SYSTEM**

- The strategic goals and key activities to improve the energy efficiency in each business segment were determined.
- LUKOIL Group’s Technical Policy on Energy Efficiency was approved by the Management Committee OJSC LUKOIL on March 26, 2012.
- The composition of process-related indicators, fuel consumption rates and other indicators were formalized.
- Seven corporate ISO 14001 standards.
- The KPI regulations were approved by the Management Committee of PJSC LUKOIL on September 16, 2019.

**ENERGY AUDITS**

- Energy conservation program of LUKOIL Group entities for 2020–2022 in Russia
- Energy Conservation and Energy Audits of LUKOIL Group Entities, Methodology (introduced by order of PJSC LUKOIL No. 229 of December 11, 2019)

**ENERGY AUDITS**

- Energy conservation program of LUKOIL Group entities for 2020–2022 in Russia
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**FURTHER INFORMATION**

The examination of investment projects covers the evaluation of energy efficiency of business plans and related activities. The findings are an important part of the considerations that go into the general assessment of the project’s economic performance.
Our goals

We view energy efficiency improvement as one of the key ways to adapt to global climate change. The company’s policy is focused on reducing GHG emissions and improving overall production efficiency.

Long-term energy efficiency goals are an integral part of the LUKOIL Group’s Strategic Development Program and Climate Strategy. Within the framework of the energy management system, medium- and short-term planning is carried out by setting quantitative goals in relation to the amount of energy savings for one year and for three years. Activities aimed at achieving the goal are monitored during the year. The achievement of the goal is assessed annually at the end of the year and the planned indicators for three years are adjusted. The KPI “Implementation of the Energy Conservation Program” was introduced and is used to motivate the Group’s entities to achieve the goals set.

Our energy efficiency goals include:

- Ensuring the efficiency of operating procedures and the functioning of process equipment
- Securing the effective use of fuel and energy resources
- Effective development and upgrade of energy assets
- Reduction of indirect GHG emissions

Management system changes

The Russian entities of LUKOIL Group have an energy management system based on the requirements of ISO 50001:2011 and ISO 50001:2018 “Energy Management System” standards. Key management tools include energy audits and internal audits, energy efficiency programs and activities. Energy efficiency requirements are monitored in all business segments of the Group.

In accordance with the approved schedule for certification of LUKOIL Group entities under ISO 50001:2018 standard, 19 entities passed the certification of management systems for compliance with the requirements of the new version of the standard. A draft checklist has been developed that will allow for a comparative analysis of the efficiency of energy management systems throughout the Group’s entities.

Price-dependent reduction in consumption

With the adoption of the Decree of the Government of the Russian Federation No. 287 dated March 20, 2019, a mechanism for managing the electricity demand from retail consumers, i.e. price-dependent reduction in consumption (Demand Response), began to operate in a pilot mode in Russia. This mechanism is considered one of the promising areas to facilitate the “energy transition”.

By changing levels of electricity consumption during peak hours on the electricity market, the participants in price-dependent reduction in consumption contribute to lower prices for consumers in the electricity market as well as to increased efficiency of the entire energy system by leveling the load schedule and optimizing the composition of equipment at generating capacities.

Managed energy consumption can obviate the need for the construction of new generation facilities, facilitate decarbonization of the energy system and contribute to the reduction of GHG emissions within the unified energy system of the Russian Federation — and also create economic benefits for each participant in plans based on price-dependent reduction in consumption.

Based on the selection made in 2020, two of the LUKOIL Group entities, LUKOIL–West Siberia and LUKOIL–Perm, were among the largest participants in the demand response market. Their total reduction in load volume for the year amounted to 6.6 MW, and the economic effect for PJSC LUKOIL was RUB 96.5 million.

In terms of sustainable development goals, this project represents one of the models for the future, corresponding not only to SDG 13 “Climate action”, but also SDG 12 “Responsible Consumption and Production”.

Targeted program

The power saving program of Russian LUKOIL Group entities is aimed at increasing the efficiency of power consumption and reducing its losses as a result of planned annual activities in the main business segments. For 2018–2020, power savings as a result of the implementation of the power saving program in Russian entities amounted to 11.9 million GJ.

In 2020, program performance results were achieved primarily by the following activities:

- For production entities: introduction of power-efficient equipment (replacement of asynchronous motors with magnet motors (PMSM) and upgrading of fluid lifting and formation pressure maintenance system pumps)
- In processing entities: technical upgrading, optimization of production processes, schemes for the distribution of power flows and heat transfer among technological facilities
- In power entities: replacement and modernization of technical equipment, shifting heat loads from inefficient boiler stations which can then be subsequently closed
- In oil product supply and transportation entities: lighting systems upgrades

In the Exploration and Production segment, we are developing a partnership with Suizle to localize production of spare parts for formation pressure maintenance system pumps in Kogalym. In addition, the possibility of joint research with international oil service companies for the production of asynchronous motors with magnet motors (PMSMs) of various types for pump drives is being considered.

Dynamics of Solomon EII as compared to 2016, %

Between 2014 and 2020, as part of the continuous improvement system, the Energy Intensity Index was improved by 5 percentage points (the reduction relative to 2010 was 12 percentage points).

<table>
<thead>
<tr>
<th>Year</th>
<th>EII</th>
<th>Earn</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>95.1</td>
<td>96.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>95.1</td>
<td>96.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>98.8</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Hereinafter in the sections, data on power consumption is within the reporting boundaries for GHG emissions, details in the “Climate Change” sector.
2. At four refineries in Russia, Slovenia and Indonesia (Dolna Odra): refineries in Bulgaria and Romania.
3. The EII Solomon Energy Intensity Index is calculated pursuant to the ISO Solomon Associated LLC methodology with the use of its own factors.
4. 2010 data are given in the comparable boundaries with 2020 boundaries.
Energy consumption for production purposes across LUKOIL Group entities within the GHG emissions reporting boundaries (Scope 1 + Scope 2), mln GJ

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption for production purposes</td>
<td>502</td>
<td>502</td>
</tr>
<tr>
<td>1.1. Purchased energy consumption for production purposes, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>electricity</td>
<td>79</td>
<td>74</td>
</tr>
<tr>
<td>thermal power</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>cold</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>steam</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1.2 Supporting power generation from non-renewable energy sources and fuel consumption by stationary production units, including:</td>
<td>513</td>
<td>545</td>
</tr>
<tr>
<td>1.3. Supporting generation from renewable energy sources</td>
<td>0.00252</td>
<td>0.03726</td>
</tr>
<tr>
<td>1.4. Power sales and supply, including:</td>
<td>130</td>
<td>117</td>
</tr>
<tr>
<td>electricity</td>
<td>74</td>
<td>66</td>
</tr>
<tr>
<td>thermal power</td>
<td>56</td>
<td>51</td>
</tr>
<tr>
<td>cold</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>steam</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Notes:
1. Consumption for production purposes does not take into account utility electricity/heat consumption, or power consumption by mobile sources.
2. All converted data, the following factors under GOST R 51750-2001 were used: 1,000 kWh = 3.6 GJ, 1 Gcal = 4.19 GJ, 1 tonne of oil equivalent = 29.3 GJ.
3. Indicators of energy consumption for production purposes for 2018-2019 were specified:
   a) EAS fuel consumption data were recalculated using unified conventional units corresponding to the coal equivalent (7000 kcal/kg) used in the Russian Federation;
   b) data on fuel consumption at LLC LUKOIL-Nizhnevolzhskneft were calculated taking into account the fuel used by the energy complex to generate electric and heat energy, as well as the fuel used in gas turbines of mechanical drive of high-pressure compressors.
4. In the LUKOIL Group Sustainability Report 2020 the indicator “Energy consumption for production purposes” was adjusted compared to the data presented in the Annual Report of PJSC LUKOIL 2020.

Power consumption by types of activity, mln GJ

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL Group</td>
<td>502</td>
<td>502</td>
</tr>
<tr>
<td>Exploration and Production business segment</td>
<td>179</td>
<td>162</td>
</tr>
<tr>
<td>Russian entities</td>
<td>176</td>
<td>178</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>2.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Refining, Marketing and Distribution business segment</td>
<td>323</td>
<td>320</td>
</tr>
<tr>
<td>Russian entities</td>
<td>244</td>
<td>238</td>
</tr>
<tr>
<td>- including Power Generation</td>
<td>72</td>
<td>69</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>79</td>
<td>82</td>
</tr>
</tbody>
</table>

Specific power consumption in producing entities, GJ/boe

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL Group</td>
<td>0.297</td>
<td>0.302</td>
</tr>
</tbody>
</table>

Note:
The data are given for producing entities of Exploration and Production in Russia business segment and project in Uzbekistan.

Specific power consumption in refining entities, GJ/tonne of manufactured products

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total for the business segment, including:</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Russian entities</td>
<td>3.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>4.3</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Note:
1. The data are given for “Refining in Russia” and “Refining abroad.”
2. The increase in specific power consumption in 2020 was due to a decrease in refinery utilization during the pandemic.

Parma Energy

In 2020, the 16 MW Chashkinskaya CTEPS, operating on APG from the Zhilinskoye, Belskoye and Rostovitskoye fields, as well as Chashkino 110/35/6 kV, the first digital substation across LUKOIL Group and in the Perm Territory, of 2x16 MVA installed transformer capacity were commissioned. Both stations provide electricity to the oil production facilities of LUKOIL-Perm and to the residents of the territories of the Bereznikovsky- Solikamsky power center.

These facilities are key components of the LUKOIL Group’s large-scale investment project in the energy sector covering the entire production cycle, including APG collection, transportation, preparation, compression, power generation, distribution, and consumption. Within the framework of this project, a second digital substation is being built, Shustovo of 8 MVA installed transformer capacity. The construction is planned to be completed in 2021.
The Company is focused on green power generation development in those regions of operation with suitable climatic conditions and existing renewable energy support programs.

Our goals
Our goal in the field of renewable energy is to increase LUKOIL Group’s competitiveness and contribute to the SDGs by implementing renewable energy projects for generating green energy.

The key tasks include:
• Implementation of commercial RES projects, including with the involvement of government support mechanisms1,
• Reduction in GHG emissions,
• Synergies2 from the construction of RES facilities at existing oil and gas production entities and refineries.

In 2020, LUKOIL’s renewable energy capacity amounted to 395 MW and included four HPPs in Russia with a total capacity of 231 MW, four solar power plants at its own refineries in Russia, Romania, and Bulgaria with a total capacity of 20 MW, and an 84 MW wind power plant in Romania. Energy that is produced by the SPFs in Russia and the WPP in Romania is supplied to the power system and sold on electricity markets. Electricity generated by solar power plants at

2020 projects
In 2020, the construction of the second line of the solar power plant on the territory of the Volgograd Refinery continued. The first phase (with a capacity of 10 MW) was commissioned in 2018. The new phase will have a capacity of 20 MW, which will bring the total plant capacity to 30 MW. The phase is to be commissioned in 2021.

The project will be implemented using a long-term capacity supply agreement for generating facilities based on renewable energy sources on the wholesale electricity and capacity market. All capacity will be supplied to the wholesale electricity and capacity market at a special price under the agreement effective for 15 years. The commissioning of the second phase of the station will additionally generate more than 24 million kWh of green electricity per year, which is equivalent to preventing emissions of up to 12 thousand tonnes per year (Scope 3).

The development of a construction project for a 50 MW WPP in the area of the Tsimlyanskaya HPP (Rostov region) continued during 2020. Winds were monitored for a year, and based on the results of the data obtained, the wind energy potential was clarified. A final decision on the project may be made in 2021.

Another area of “green” energy investment includes upgrading and improving efficiency of hydropower assets. After analyzing the options for advancing the hydroelectric power station in the vicinity of Krasnopolyanskaya HPP, it was decided to erect a new HPP on the Besheika river. In 2020, the following main works were completed: the operation of the hydroelectric unit was restored, equipment for the automation of technological processes was installed, and communication channels were supplied from the regional center (without the physical presence of personnel) for automating the operation of HPPs. The project will serve as a platform for the introduction of advanced technologies for automating the operation of HPPs with remote control from the dispatch center (without the physical presence of personnel).

03
CLIMATE CHANGE

RENEWABLE ENERGY SOURCES

Sustainability Report for 2020 LUKOIL Group

Plans
Our plans for the mid-term include further expansion of solar generation at the sites of LUKOIL entities located in the south of Russia (20 MW SPF in Volgograd and 2.35 MW SPF in Krasnodar).

The project for the construction of a SPF in Krasnodar was one of the winners of an open competition held by the Administration of the Krasnodar Territory and will become a participant in the government RES support program for the retail electricity market; it is also included in the Scheme and Program for the Development of the Electric Power Industry in the Krasnodar Territory. All generated electricity will be supplied to the local power grid company at special rates under a long-term electricity purchase and sale agreement (for 15 years) in order to compensate for electric power grid losses.

The SPF will be located on land plots of the Krasnodar HPP of LLC LUKOIL- Kubaenergo which are not involved in production. The commissioning of the power plant will make it possible to generate about 3 million kWh per year of “clean” electricity for consumers, which is equivalent to preventing emissions of up to 1.5 thousand tonnes of CO2 per year (Scope 3). The SPF is to be commissioned in 2022.

Indicators
Over the past three years, the HPP electricity generation has been declining, which is mainly explained by lower water levels in rivers and reservoirs, and, as a consequence, a decrease in water consumption by HPPs. This is especially true at the Tsimlyanskaya HPP and the Krasnopolyanskaya HPP. Given that the volume of electric power generated from renewable sources depends on weather conditions and other natural phenomena, LUKOIL analyzes risks and pays due consideration to the forward-looking conclusions of scientists and experts. In particular, as part of the GHG emission inventory, climate change risks were assessed for the southern regions of Russia where generating capacities are located, including those powered by RES.

Total volume and share of electric power generated from renewable sources across LUKOIL Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial electric power from renewable sources, million kWh</th>
<th>Share of commercial electric power generation from renewable sources in total electric power produced by commercial generating facilities of LUKOIL Group, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.365</td>
<td>6.9</td>
</tr>
<tr>
<td>2019</td>
<td>1.100</td>
<td>6.0</td>
</tr>
<tr>
<td>2020</td>
<td>822</td>
<td>4.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial electric power from renewable sources, million kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,580</td>
</tr>
<tr>
<td>2019</td>
<td>2,426</td>
</tr>
<tr>
<td>2020</td>
<td>2,050</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments in RES advancement, million RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>502</td>
</tr>
<tr>
<td>2019</td>
<td>735</td>
</tr>
<tr>
<td>2020</td>
<td>1,058</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of investments in renewable sources in CAPEX in the Power Generation business segment, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>47</td>
</tr>
<tr>
<td>2019</td>
<td>12</td>
</tr>
<tr>
<td>2020</td>
<td>36</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of income from sales of electric power produced from renewable sources, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>12.1</td>
</tr>
<tr>
<td>2019</td>
<td>1.17</td>
</tr>
<tr>
<td>2020</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Note
The indicator “Share of income from sales of electric power produced from renewable sources” is calculated as the ratio of income received from the sale of electricity produced from renewable sources to the total amount of income received from the sale of electricity generated by commercial generation facilities of LUKOIL Group.

1 Capacity supply agreement for qualified generating facilities based on renewable energy sources.

2 The synergies (economic effects) allow reducing the cost and time for the development and implementation of RES projects due to the availability of free sites at production facilities not involved in the production cycle, as well as the infrastructure and resources of the Groups entities.
Our main priorities are to improve accident-free performance, to ensure safe working conditions, to preserve the life and health of our employees and employees of contractors employed at our facilities.
THE REPORTING YEAR’S CHANGES AND RESULTS

- A SUSTAINED LONG-TERM TREND TOWARDS REDUCTION IN ON-THE-JOB INJURY RATES BOTH AT LUKOIL GROUP ENTITIES AND CONTRACTOR ORGANIZATIONS

- INTRODUCTION OF DRONES AND INNOVATIVE OIL LEAK DETECTION SYSTEMS

- INCREASED SHARE OF CORROSION-RESISTANT PIPELINES IMPROVED THE SITUATION IN SIBERIA, AND THE PERM TERRITORY

- ON THE AVERAGE, AN 11 PERCENT INCREASE PER YEAR DURING THE PAST FIVE YEARS OF PIPELINES WITH INTERNAL ANTI-CORROSION COATING

- AN INCREASE IN THE SHARE OF THE COMPANY'S CORROSION-RESISTANT PIPELINES — NOW OVER ONE-THIRD OF THE TOTAL (32.2 PERCENT) (23.6 PERCENT IN 2016)

CONTRIBUTION TO IMPLEMENTATION OF SDG

- 82 percent was the coverage of employees of LUKOIL Group entities, which have occupational health and safety and environmental management systems certified of compliance with the requirements of ISO 14001 and ISO 45001 standards.
- Outbreaks of COVID-19 were treated and contained.

PLANS FOR 2021 AND THE MIDTERM


To continue integration of digital technology and new safety culture tools.

To implement and replicate best practices for safe operation and actions in both routine situations and emergencies.

To review Company oil and oil product spill prevention and response plans at the hazardous facilities of the Group entities.

CONTEXT

Occupational safety and health, a key element of well-regulated workplaces, have become increasingly important during the COVID-19 pandemic. Changes in the organization of work and production processes (for example, limiting the number of people on the premises) may create new hazards that need to be identified early. There is also a growing need for measures to reduce the level of work-related stress. The demands of workers and the requirements for safe working conditions are certain to change in the post-coronavirus world.

Companies must prepare for this by implementing appropriate health and safety measures and creating a comfortable work environment to ensure the safety of all personnel. The effectiveness of business continuity plans tailored to specific situations will largely determine how quickly companies are able to act.

Furthermore, experts note that the quality of management of information technology related to swift spread of data analysis instruments, machine learning and neural networks needs to be enhanced. This pervasive reliance on complex algorithms can pose risks to both business processes and employees, since the internal structure and functioning of the systems are usually hidden from end users, making it difficult to assess the correctness of their work.

LUKOIL contributes to SDG 8 (“Decent work and Economic Growth”) keeping high coverage of Group’s entities with occupational health and safety management system, and expanding measures to reduce injuries and emergencies considering external environment changes and internal objectives.
**INTEGRATED HSE MANAGEMENT SYSTEM**

According to its corporate HSE policy, LUKOIL Group's top priorities are to create a safe work environment, protect the health of its employees and people living in the areas where we operate, and ensure sustainable use of natural resources. Drawing on the best available technologies to preserve a healthy environment. We apply the precautionary principle and prioritize preventive measures over reactive ones as part of the existing risk management system.

**Elements of the Integrated HSE Management System**

The Integrated HSE Management System provides for the identification and management of risks and environmental issues. The risk-oriented approach is applied to system planning, implementing targeted functional programs, and monitoring and measuring results by assessing KPIs and reporting to the Management Committee and the Board of Directors of PJSC LUKOIL.

The targeted functional programs are aligned with the corporate mid-term planning procedures; they are developed for three years, reviewed annually and approved by the management of PJSC LUKOIL. Measures implemented as part of the targeted programs are funded and form an integral part of the LUKOIL Budget and the Investment Program. In addition, research and engineering projects are undertaken as part of the R&D program.

The incentives system for managers and employees based on the "Ensuring the Required HSE Levels" KPI is a critical element of the Integrated HSE Management System shaping our corporate culture. The Management Committee of PJSC LUKOIL annually sets KPIs for each Group entity, for PJSC LUKOIL, and LUKOIL Group. Heads of the Group entities receive quarterly bonuses based on their safety record. The requirements include a record of zero fatal on-the-job accidents among their full-time employees, and the absence of accidents and incidents resulting in significant property damage or facility downtime of more than thirty days. If any of the above occur, the Group's entity receives the maximum number of penalty points.

Annual HSE training programs ensure that we maintain employee awareness and skills as appropriate under legal regulations and corporate standards.

The data on the amount of HSE training and training costs are given in Appendix 7. Information on the Integrated HSE Management System can be found on the website.

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**Leadership and Safety Culture**

We enhance the Integrated Management System by using leadership and safety culture tools that focus primarily on minimizing human error, which is most often the principal cause of accidents. Implementation of safety culture tools at our entities is intended to stimulate safe employee behavior.

PJSC LUKOIL holds annual Safety Days. Heads of PJSC LUKOIL subdivisions and LUKOIL Group entities take part in Safety Leadership Visits. We work continuously on raising awareness and competence of the Group’s specialists and executives. For example, the Safety Days program always includes discussions of best practices and challenging cases, as well as training sessions.

Projects are underway to introduce leadership tools and to involve personnel at all levels in conscious...
Changes in the Integrated HSE Management System during 2020

During the reporting year, the HSE Policy, risk assessment system and target program structure were modified. We updated the KPI evaluation criteria and introduced new leadership and safety culture tools.

The HSE Policy reflects changes related to PSC LUKOIL’s transition to the new ISO 45001 Occupational Health and Safety Management Systems standard (instead of OHSAS 18001). It adds an accident risk reduction goal and obligations to consult with employees on HSE requirements and effective management of GHG emissions (see the “Climate change” section for details). We successfully passed an external audit, confirming our compliance with the requirements of ISO 45001.

The risk management system introduced criteria for a more comprehensive analysis of the causes of risk events and responsibility for their occurrence. When compiling the registers of significant risks, a new risk typical for all Group entities associated with the COVID-19 pandemic and potential similar events in the future was identified.

Financialing of HSE targeted and investment programs at LUKOIL Group, RUB million

<table>
<thead>
<tr>
<th>Program</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Safety Program</td>
<td>35,520</td>
<td>35,903</td>
<td>22,440</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>costs</td>
<td>28,408</td>
<td>30,046</td>
<td>17,857</td>
</tr>
<tr>
<td>Industrial Safety Programs, Better Working Environment, Emergency Prevention and Response Program</td>
<td>10,093</td>
<td>12,008</td>
<td>31,161</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>costs to improve labor conditions and protect health, reduce occupational injury and occupational disease rates</td>
<td>4,046</td>
<td>5,289</td>
<td>6,532</td>
</tr>
<tr>
<td>costs to reduce accident, incident, fire, and emergency risks</td>
<td>5,147</td>
<td>6,727</td>
<td>24,629</td>
</tr>
<tr>
<td>R&amp;D, experimental engineering, and scientific technical works in Russia</td>
<td>80</td>
<td>57</td>
<td>20</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>environmental protection</td>
<td>58</td>
<td>34</td>
<td>10</td>
</tr>
<tr>
<td>industrial safety</td>
<td>22</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>Total, RUB million</td>
<td>45,702</td>
<td>47,068</td>
<td>53,630</td>
</tr>
</tbody>
</table>

Note. Following the decision of the HSE Committee in 2020, expenses for several activities related to emergency prevention and response (including activities to improve the reliability of pipeline transportation) were reallocated from ESP to ISP. Cost changes for R&D projects depend on funding schedules for approved projects.

Liability insurance

The Integrated HSE Management System includes voluntary third-party civil liability insurance of the Group entities and compensation for personal injury and environmental damage. The insurance principles, including those concerning catastrophe coverage, are defined by the Insurance Policy of PSC LUKOIL and LUKOIL Group entities.

In the event of an accident or incident at a hazardous production facility, the Company is committed to taking responsibility and providing compensation for the damage caused. All the Group entities that operate hazardous production facilities are insured and compensated for damage using insurance coverage or profits, if the insurance coverage is insufficient.

Efficiency assessment of the Integrated HSE Management System

The integrated HSE Management System is constantly updated following the results of internal and external audits for compliance with legal requirements and corporate standards, the result is the development of systemic actions to eliminate violations both at the audited facilities and at similar LUKOIL Group sites. Internal audits are intended to assess the system’s performance and provide the Company’s management with unbiased and relevant information on the HSE status. In 2020, due to the COVID-19 pandemic we adjusted the number of routine internal audits to focus on unscheduled, targeted audits of facilities operating in the most vulnerable areas — the Arctic and the Baltic Sea.

<table>
<thead>
<tr>
<th>Number of entities where audits of management systems were performed</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>External audits (for compliance with ISO 14001 and ISO 45000 standards)</td>
<td>19</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Internal audits (for compliance with corporate requirements)</td>
<td>27</td>
<td>23</td>
<td>17</td>
</tr>
</tbody>
</table>

Notes. External audits are conducted in a three-year cycle in accordance with ISO committee recommendations. During this period, all 42 LUKOIL Group entities that had applied for certification, and where certification or supervisory audits take place, are examined.

LUKOIL Group
Sustainability Report for 2020 LUKOIL Group

Measures to prevent spills and emergencies

The Company has a system of measures to prevent spills and emergencies. A mandatory assessment is made of the risks of potential spills using scenario simulation at the stage of designing production activities, as well as during the operation of production facilities. All of our Russian entities operating hazardous production facilities have Emergency Spill Prevention and Response Plans (SPR Plans) in place. Each document contains step-by-step instructions for emergency prevention, detection, and response activities to ensure a rapid response and efficient cooperation between emergency response and recovery personnel.

The arrival of ERT on the scene of an incident is regulated by the SPR Plans. If an incident takes place in a remote area, the first to respond is the ERT closest to the site of the emergency. The containment period for the oil spill may not exceed four hours (in case of a spill on water) and six hours (in case of a land spill) from the moment the spill is detected or the notification about the spill is received.

ERT headcount, people

Employees from our corporate ERTs are also involved in liquidating emergencies that occur in LUKOIL’s regions of operation but are not associated with the Company’s activities. This way, LUKOIL assists regional administrations and local communities. For instance, our response workers helped with putting out forest fires in Western Siberia in 2019. Detailed description of the prevention system for oil spills, including spill risk assessment, description of spill prevention and response plans, Emergency Response Teams activities can be found on the website.

LUKOIL Group entities have set up emergency response teams from among the Company’s employees to address accidents. The total number of responders exceeds 2 thousand people, some of whom are stationed directly at production facilities. In addition, we have signed agreements with third-party professional response teams. All response teams have been certified to perform emergency response and recovery operations.

In Russia, an emergency is defined as a situation resulting from, among other things, an accidental oil or petroleum product spill that may cause or has caused human casualties, damage to human health or the environment, significant material losses, and disruption of living conditions of people. Emergencies can be split into categories: The minimum category refers to spills of less than 100 tonnes [oil, with 10 tonne = 2.54 tonnes]. Transportation safety issues are not significant for LUKOIL’s operations as they apply to a small volume of traffic (which includes the personnel transfers and transportation of oil products, vehicles for shipping and are taken into account in the corporate occupational safety system. The transport of products is supported by the Ministry of Transport of Russia and Russian Railways, as well as by major and local transport fleets of third-party carriers. LUKOIL does not have its own rolling stock oil cars and tanker fleet.

Our goals

• Improving HSE conditions, reducing the risk of accidents at hazardous production facilities, including by improving the reliability of process equipment, including the integrity of pipelines
• Ensuring the preparedness of the management bodies of the LUKOIL Group entities, personnel, and Emergency Response Teams (ERT) to liquidate potential accidents, fires, and emergencies
• Improving procedures for the preparation and implementation of programs addressing the most pressing issues of industrial, fire, environmental safety, occupational health and safety, and prevention of emergencies and accidents

To achieve these goals, LUKOIL Group has committed to take all available steps to effectively implement them in order to mitigate the risk of injuries and occupational diseases, accidents, and emergencies. This commitment is part of the LUKOIL Group HSE Policy. Reliable functioning of the Integrated HSE Management System is key to achieving the goals. We strive to comply with global best practices and have consistently maintained low rates of accidents, work-related injuries, and occupational diseases for a long time.

Industrial Safety Program

Thanks to the measures taken as part of the ISP programs over the long term, there has been a steady improvement in pipeline system reliability and a reduction in injuries among full-time employees and contractor personnel. Most of the ISP activities scheduled for 2020 were completed, despite the challenges presented by the COVID-19 pandemic.

The year 2020, however, saw several indicators decline as a result of oil spills and an increase in the number of accidents (for detailed information, see the sections “Reliability of Pipeline Transportation in Russia” and “Occupational Health and Safety”). The meetings of the HSE Committee and the Board of Directors addressed the issues of occupational injuries and accidents and approved action plans to reduce the likelihood of any recurrence.

The President of PSC LUKOIL met with the heads of the Group’s entities to discuss the need to enhance industrial and environmental safety measures. Following the meeting, the President gave instructions to carry out additional audits of production facilities. As part of implementing this order, we arranged for an inspection of equipment and preparedness of all our Russian organizations to prevent and respond to oil spills.

• The technical condition of facilities and machinery was inspected and evaluated with due regard to the environmental impact. Emphasis was placed on reservoirs and tail farms located in the vicinity of water bodies.

• All mothballed sites were inspected, and proposals were prepared to terminate or continue operating the equipment.

• The technical condition and the availability of trained personnel of the Emergency Response Teams were carefully reviewed.

A new procedure for continuous monitoring of the ERT efficiency was introduced during the pandemic. Plans for emergency operation drills were adjusted in regions with a complicated epidemiological situation. Full-scale drills were replaced by office- and site-based training to minimize contact among participants.

1 In Russia, an emergency is defined as a situation resulting from, among other things, an accidental oil or petroleum product spill that may cause or has caused human casualties, damage to human health or the environment, significant material losses, and disruption of living conditions of people. Emergencies can be split into categories: The minimum category refers to spills of less than 100 tonnes [oil, with 10 tonne = 2.54 tonnes]. Transportation safety issues are not significant for LUKOIL’s operations as they apply to a small volume of traffic (which includes the personnel transfers and transportation of oil products, vehicles for shipping and are taken into account in the corporate occupational safety system. The transport of products is supported by the Ministry of Transport of Russia and Russian Railways, as well as by major and local transport fleets of third-party carriers. LUKOIL does not have its own rolling stock oil cars and tanker fleet.

2 Establishing in-house emergency response teams and contracting professional response teams is regulated by the legislation of the Russian Federation.
Measures for contractors' performance quality enhancement

PJSC LUKOIL uses a comprehensive approach which combines control and interaction methods with contractors to enhance the quality of work performed by service organizations of exploration and production.

- In-house and outsourced supervisors, who act as authorized representatives of the customer, continuously monitor service companies' compliance with design documentation, work plans, industrial safety requirements. Checklists were elaborated to cover the entire scope of issues, from record-keeping to the quality and safety of work performance. Carrying out hydraulic fracturing works is accompanied by enhanced control of supervisors and hydraulic fracturing specialists.

- Joint discussions of field engineering reports with service companies and the chief designer (LUKOIL-Engineering) for design solutions implementation and cooperation on ways to improve the quality of service.

- Regular control field audits are conducted to inspect work performance of engineering and technical personnel of drilling units and occupational and industrial safety departments.

- West Siberian sites employ a method designed and tested to rate well construction and reconstruction service companies.

- Constant interaction is maintained with service companies, for discussion of pressing issues and a joint search for improving the quality and safety of operations. Contractor representatives’ participation in Safety Days, where there is an opportunity to learn best practices and present their own experiences.

- The existing contracts with all contracting entities provide for penalties for any violations of health, safety, and environmental requirements. In 2020, more than a thousand inspections of contractors were conducted at the Russian entities of LUKOIL Group as part of corporate governance and production control.

- Employees of counterparties were held liable for any violations and penalties were imposed. Counterparties were required to initiate measures to eliminate and prevent violations in a timely manner.

- In 2020, LUKOIL launched pilot projects to compile contractor ratings at LUKOIL-West Siberia and the Perm refinery to encourage contractors to improve their safety culture. The experience was deemed positive, and there are plans to replicate it at other entities.

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- Full details of the total scope of the inspections are provided in the Annual Report for 2020, page 70.
Our goals

In Russia, LUKOIL operates a well-developed field pipeline system that is longer than the Earth circumference at the equator and the most extensive offshore pipeline system among Russian oil and gas companies (over 550 km, in length). We consistently carry out work to mitigate pipeline failure risks and have a well-run reliability management system for offshore and onshore pipelines in place.1

Our goal is the consistent maintenance and stabilization of the system and the reduction of pipeline accidents as per the best global practices.

Continuous and targeted work to improve pipeline reliability indicators is crucial for minimizing the risk of accidents. At the same time, other underlying causes, such as "human error" during construction, maintenance, and repair activities performed by service organizations, the integrity of other process equipment, etc., also influence the overall accident results. For this reason, we combine measures to improve the reliability of the pipeline system with steps to ensure the safety of production facilities and contractor responsibility.

Prevention of land splits

To improve pipeline reliability, we continuously monitor the condition of pipelines using various methods, designed to prevent corrosion, as well as unintentional or intentional damage that may be caused by third parties.

The main activities under the "Reconstruction and technical re-equipment of pipeline transport facilities" program resulted in the following:

- Increase of the share of pipelines with anti-corrosion coating: when replacing corroded sections of pipelines, we used such pipes 101 percent of the time.
- Additional laying of internally coated pipes, which has increased on average 11 percent per year over the last five years.
- The share of pipes with a service life, as well as pipes made of non-corrosive materials, is being increased.
- The share of pipeline replacement in 2020 was 2.3 percent. The replacement volume and "rate" are determined based on the results of diagnostics, examinations, and inspections of their technical condition and subject to the following criteria: any potentially hazardous sections and preconditions for incidents; scheduled increase in product transfer volumes; and elimination of regulations by regulatory authorities.

Reliability indicators of the Russian pipeline system, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of corrosion-resistant pipelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>26.8</td>
</tr>
<tr>
<td>2019</td>
<td>30.4</td>
</tr>
<tr>
<td>2020</td>
<td>32.2</td>
</tr>
</tbody>
</table>

The share of operating pipelines, including corrosion-resistant pipes older than 20 years has been reduced. This indicator was 18 percent of the total length of the pipeline system in 2020 and decreased significantly over the past five years (it was 23 percent in 2016). The inspection and monitoring of these pipes is more frequent, with the concurrent use of several methods of control during one visit (for example, magnetic inspection, automated diagnostic complexes, and other modern methods).

Thanks to the comprehensive measures taken, reliability indicators improved in 2020 in the main oil production areas — Siberia and the Perm Territory. The specific coefficient of pipeline failures1 in all Russian entities continued to decline in 2020 and stood at 0.062 cases per 1 km of pipeline per year (0.081 in 2019).

Pipes made of alternative materials.

We use the use of pipes made of alternative (polymeric) materials as the primary way to improve the corrosion-prone sections of pipelines. Non-metallic pipes are already in use at RTIK facilities in the Volgograd region, and field trials are ongoing at LUKOIL-West Siberia and LUKOIL–Perm’s facilities.

The Ministry of Energy of the Russian Federation appointed an interdepartmental task force to develop national standards for the use of polymer pipe products. LUKOIL’s experts participate in the work of the task force. In 2020, a national standard was developed for the design and operation of field pipelines made of fiberglass pipes, and this standard is expected to be approved in 2021, while two other standards for using polymer-reinforced pipes are to be developed and approved. We believe that with the new national standards in place and, given positive test results, the use of non-metallic pipes in the oil and gas industry will increase significantly.

Interaction with suppliers. Improving quality control of pipe products, delivered and cooperation with pipe manufacturers to improve the performance characteristics of pipes are vital aspects of our efforts to increase the reliability of pipelines.

The proposal by LUKOIL experts to use the manufacturer’s pipe labeling will help in tracking products, including their reliability, and quality indicators, and contribute to better reliability of pipelines in the Russian oil and gas industry overall.

In 2020, LUKOIL, together with a pipe manufacturer and with the participation of St. Petersburg Polytechnic University, conducted tests of various labeling methods, which resulted in determining the most promising types. Labeling durability and traceability of the pipe life cycle will be demonstrated by pilot trial runs scheduled for 2021–2022.

New methods for monitoring pipeline integrity

During the last two years, new methods to improve pipeline safety have been tested and implemented. These include:

- Oil leak detection systems and technical devices that prevent hydraulic shocks;
- unmanned aerial vehicles (UAVs);
- Leak and tamper detection systems, pressure stabilizers.

Leak detection systems are being installed along vulnerable sections of pipelines to allow for early detection of even minor oil leaks and enable a response within 2 hours. The equipment has already been delivered to the Komi Republic and to RTIK facilities. Four of these systems have already been installed in the Komi Republic. We plan to continue expanding their use by installing seven more systems in the Komi Republic, the Perm Territory, RITEK facilities, and the multiphase pipeline at the new D-33V field in the Kaliningrad region2.

To ensure the safe operation of high-pressure water pipelines, self-pressure stabilizers that prevent fractures resulting from internal hydraulic shock are installed at potentially hazardous sections. This solution increases the reliability of high-pressure water pipeline operation.

Unmanned aerial vehicles. We started using UAVs (including those with internal combustion engines) that can operate in Arctic conditions) for aerial surveillance of production facilities and monitoring of changes in conditions during emergencies. The main advantage of UAVs is the early detection of depressurized pipelines with oil spills. The frequency of flights depends on local conditions and the nature of the facilities; in particular, in-field and inter-field pipelines are circled at least once every three days.

LUKOIL’s specialists have been working closely with contractors who perform aerial patrols using UAVs to fine-tune the software of the drones when operating in different weather conditions, as well as to improve methods of surveying and processing the data obtained.

1 The information in this section pertains only to the Russian entities of LUKOIL Group.

2 The rate of replacing rejected pipes is determined not only by the Company’s investment plans but also by the need to comply with statutory procedures and standards in place and, given positive test results, the use of non-metallic pipes in the oil and gas industry will increase significantly.

The main advantage of UAVs is that they can operate in Arctic conditions for aerial surveillance of production facilities and monitoring of changes in conditions during emergencies. The frequency of flights depends on local conditions and the nature of the facilities; in particular, in-field and inter-field pipelines are circled at least once every three days.

LUKOIL’s specialists have been working closely with contractors who perform aerial patrols using UAVs to fine-tune the software of the drones when operating in different weather conditions, as well as to improve methods of surveying and processing the data obtained.
The specific coefficient of spills is calculated based on the volume of oil and gas condensate production in Russia (excluding the share in affiliates).

**Indicators**

Since 2016, the indicators for the pipeline system reliability of Russian entities improved as a result of annual FSP activities. Yet, four significant oil spills occurred in 2020 with oil released into water bodies (in the Komi Republic, the Nenets Autonomous Area, and in Western Siberia), which affected the data dynamics.

The detailed description of incidents can be found in Appendix 3, including preliminary data on the accident in the Komi Republic in 2021.

LUKOIL’s personnel acted strictly in accordance with the Spill Prevention and Response Plans with operational headquarters set up in all cases. For localization and clean-up, the Company mobilized:

- 47 emergency response workers from the ERT, more than 19 pieces of equipment, and 4.5 tonnes of sorbent (on the Laia River in the Komi Republic);

- over 500 emergency response workers, more than 100 pieces of machinery and equipment, and over 27 tonnes of sorbent (on the Kolva River in the Nenets Autonomous Area);

- more than 20 emergency response workers from ERT, 12 pieces of equipment, and 1.5 tonnes of sorbent (on the Mong-Egan River in Western Siberia).

The root causes of accidents and lessons learned were analyzed by each of the Group entities and during the LUKOIL Safety Day. The root causes identified were:

- violation of labor regulations and work discipline by employees;

- use of unsafe work practices by contractors;

- improper handling of pipelines and their safe operation;

- failure of the production equipment.

Steps that were taken to efficiently respond to these emergencies were highlighted as “lessons learned.”

- The use of UVMs made it possible to significantly cut the leak detection time and to accurately determine the contamination area and working conditions.

- The methodology for removing a spill in a fast-flowing river was finalized to include the following:

  - the technology for installing oil booms was improved,

  - the most suitable transportation (small vessels with outward motors) and equipment (portable sprayers) were prioritized.

- The availability of trained personnel (excluding those with skills to operate non-standard equipment) facilitated the prompt cleanup of the spilled oil.

- Local residents were consistently kept informed, and the environmental community was engaged.

LUKOIL’s system of in-house regulations and internal standards and procedures accords with the Safety Rules for Offshore Oil and Gas Facilities of the Federal Service for Environmental, Technological and Nuclear Supervision (Rostechnadzor) and the Rules of the Register for classification and construction of offshore fixed platforms and Pipelines of the Russian Maritime Register of Shipping. Construction and operation of offshore facilities is permitted upon availability of statements of compliance with these requirements and based on permits issued by state authorities.

PSC LUKOIL has developed Methodological Guidelines for ensuring reliability of offshore pipelines and corporate standards which contain even more stringent safety requirements as compared to the Russian legislation. There is also a standard operating procedure in effect, which provides for the classification of well defects and the rules for their repair. Starting from 2018, all work has been performed in accordance with these documents.

**PREVENTION OF SPILLS AT SEA**

Oil field development offshore is technologically more complicated than onshore, and, therefore, requires special attention and efforts to ensure the reliability of equipment and the safety of operations.

**Our actions**

LUKOIL’s system of in-house regulations and internal standards and procedures accords with the Safety Rules for Offshore Oil and Gas Facilities of the Federal Service for Environmental, Technological and Nuclear Supervision (Rostechnadzor) and the Rules of the Register for classification and construction of offshore fixed platforms and Pipelines of the Russian Maritime Register of Shipping. Construction and operation of offshore facilities is permitted upon availability of statements of compliance with these requirements and based on permits issued by state authorities.

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**Design and construction**

Design, construction, maintenance, diver inspection, and repair of offshore facilities are carried out by specialized service organizations that are selected through tender procedures and technical audits. At the design and construction stage, LUKOIL assesses compliance of design and working documentation with reliability and safety requirements by engaging independent expert organizations. All well construction work at the fields is performed by contractors under the supervision of LUKOIL Group entities through drilling supervisors (working directly on drilling platforms) and production engineers (working from the office).

**Well condition monitoring**

Wells are assessed and monitored during downhole operations, using instruments that assess the condition of downhole equipment and the string operation (pressure and temperature sensors and devices for measuring other parameters). The operation and condition of the equipment are monitored 24 hours a day; the measurement results are sent to the remote-control system, which is constantly monitored in the presence of service personnel.

**Sustainability Report for 2020 LUKOIL Group**
Environmental and Satellite Monitoring of Offshore Zones and Shorelines
In Russia, LUKOIL-Nizhnevолжский entered into contracts with specialized organizations for continuous environmental monitoring of the waters of the Baltic and Caspian seas within the boundaries of the licensed subsea areas.

For more details, please refer to the “Environmental Protection” section.
Implementing a safety culture at oil refineries and petrochemical entities

LUKOIL refineries are state-of-the-art production facilities with a large amount of complex equipment and potentially hazardous technological processes. Therefore, we are constantly focused on fostering safety culture. At the entities of the PSIC LUKOIL oil refining units, Industrial Safety Committees have been established, and an extensive campaign work has been carried out using visual materials, including:

- stands with statements of the Company’s President, Vice President and Chief Executive Officers;
- leadership visits by the plant management and Unit managers;
- accident-free counters;
- broadcasting of materials on safe behavior on monitors in places where employees will see them “five steps” safety rules;
- “Stoppage of unsafe work and self-monitoring of risks” cards.

Liability and compensation

In all the countries where LUKOIL Group entities operate, the employer’s responsibility for preserving life and health of its employees at the workplace is enshrined in law1. Employees who have suffered from accidents at work, from an illness or disability have suffered from accidents at work, from an illness or disablement, are entitled to material compensation, from an illness or disablement, are entitled to material compensation. The required to take out individual or collective insurance covered by the employer and provided with monetary payments, the amount of which is determined in the agreements. The terms and amount of benefits are determined during negotiations with trade unions and representatives of labor collectives.

Case studies of LUKOIL Group foreign operations

On an annual basis, the oil refinery in Bulgaria takes out “Health” group joint policy (supplementary health insurance) and “Life” risk insurance. The “Health” policy enables the employee to be reimbursed (up to a certain limit) for inpatient and outpatient treatment, medicines, and dental care. The “Life” policy covers: the death of the insured; as well as their loss of labor capacity by more than 50% as a result of an accident or illness.

In Iraq, local workers are insured against accidents at work, terrorism or war risks, and occupational diseases. If the amount of damage to health is not covered by insurance, an additional lump sum benefit is paid, the entire period of sick leave is paid, and the cost of medical services is compensated within the limit. Seconded Russian workers are also provided with insurance policies and VM policies.

Contracts that are not mandatory in the country of operation (for example, third-party liability insurance contracts, insurance contracts in Iraq or Uzbekistan) to mandatory insurance benefits, employees may be paid lump sum benefits in accordance with collective bargaining agreements. The terms and amount of benefits are determined during negotiations with trade unions and representatives of labor collectives.

Occupational injuries

Ensuring safe working conditions is a priority task for all LUKOIL Group entities. Every year measures are taken to prevent workplace injuries among full-time employees and contractor personnel. According to our internal analysis, LUKOIL’s injury rates are lower than those of companies with comparable production volumes and headcount.

In 2020, we note an increase in the number of accidents at LUKOIL entities and the number of injuries (mostly in foreign entities). Due to continuous efforts to improve the safety culture, the rate of fatalities as a result of work-related injury remains at the same level. The change is mainly due to an increase in the number of minor injuries (for example, as a result of employees falling on a flat surface). At the same time, LUKOIL Group was able to prevent group injuries. Moreover, the number of accidents resulting from traffic accidents decreased (one case in 2020, nine cases in 2019). Based on the results of our investigations, the main causes of occupational injuries were the violation of labor regulations and labor discipline by employees and personal negligence by the injured, i.e. the so-called “human factor”.

We regret to say that we were unable to avoid fatalities in 2020: two of our employees at LUKOIL-PERM and the Nizhny Nevrsgor Oil Refinery and four employees of contracting organizations died. The cause of both fatal injuries involving our employees at LUKOIL’s entities was a fall from height. In contracting organizations, the accidents occurred as a result of one employee falling from height and the others were a result of extreme temperatures. All accidents involving employees of LUKOIL Group entities were investigated.

Measures taken

In order to prevent cases like those which occurred in 2020, the following measures were taken based on the results of the investigations:

- LUKOIL-PERM. The circumstances and causes of accidents were communicated to employees, and unscheduled briefing and extraordinary checks of knowledge of labor safety requirements for the operation of wells equipped with sucker-rod pumps were carried out.
- Nizhny Nevrsgor Oil Refinery. The assignment of personnel between technological facilities of the entity according to process characteristics was organized. Additional control over the work of operators using video surveillance systems is now exercised; new various means of communication are used and checklists on the actual employment of technological personnel during the shift are maintained, while unauthorized access to the premises of ventilation chambers is excluded.

Further quantitative information on injury rates is given in Appendix 3. Information on the injury case on one employee that was investigated in 2020 is provided in Appendix 3.

At the end of the year, two LUKOIL entities with fatal injuries were found to have failed to meet the KPI “Ensuring the required level of HSE”. As a result, the annual remuneration of the CEOs of those entities was reduced.

In order to strengthen occupational safety measures, the circumstances and causes of injuries are communicated to the LUKOIL Group entities on a quarterly basis via information letters, which provide an overview of injuries and a description of measures to be taken (including communication with contractors). When identifying risks and hazards in the area of industrial safety and occupational health and safety, the Group entities should apply the results of these analyses in their work.

For example, based on the analysis of the frequency of injuries to employees (including contractor personnel), in 2020 we increased our assessment of the probability of exposure to the risk of falling from height during high-risk work. To mitigate the risk, it is planned to equip the Corporate Training Center with a training complex where personnel working at heights and emergency rescue teams will be trained. Also, stationary safety systems for safe passage at height are being installed at production facilities. A project to equip oil tank farms with bottom loading systems

1 In Russia the Group entities are insured for civil liability by the Federal Law No. 215-FZ “On Compulsory Insurance of Civil Liability of the Owner of a Hazardous Industrial Facility” (September 8, 2001). In case of suffering damages as a result of an accident at the hazardous facility, employees are provided with compensation within the limits established by law.

2 In Russia a accordance with the Federal Law No. 215-FZ of July 21, 1993 “On industrial Safety in the production of fuel”.

3 The legislation of the United States does not establish the requirement for mandatory payment of insurance coverage in case of occupational injuries. However, legislative acts provide for mandatory monetary compensation for those injured as a result of accidents at work and for employees with occupational diseases.
is being implemented in Oil Product Supply entities.
In addition, it is planned to check the knowledge of those responsible for organization and safe performance of work at height in contractor organizations before allowing them access to LUKOIL facilities. If the assessment is unsatisfactory, the contractor’s personnel will be sent for training to the centers equipped with simulator complexes, and will not be allowed to work at height until positive results on the knowledge check are obtained.

To ensure compliance with the requirements of safe work at height, disciplinary measures are applied in the event violations are detected or personal protective equipment is not used.

Indicators related to occupational injuries at LUKOIL Group

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost time accident frequency rate (LTAFR)</td>
<td>0.10</td>
<td>0.12</td>
<td>0.14</td>
</tr>
<tr>
<td>Lost time injury frequency rate (LIFR)</td>
<td>0.12</td>
<td>0.13</td>
<td>0.15</td>
</tr>
<tr>
<td>Rate of fatalities as a result of work-related injury</td>
<td>0.03</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>Rate of high-consequence work-related injuries (net of fatalities)</td>
<td>0.05</td>
<td>0.03</td>
<td>0.04</td>
</tr>
<tr>
<td>Rate of registered occupational injuries or damage to health</td>
<td>0.15</td>
<td>0.16</td>
<td>0.16</td>
</tr>
</tbody>
</table>

Notes.
1. The lower all indicators the better.
2. The formulae used to calculate the indicators are provided in Appendix 6.

Number of occupational accidents and employees injured in workplace accidents at LUKOIL Group entities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of occupational accidents</td>
<td>21</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fatal</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>• High-consequence work-related injuries</td>
<td>5</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Number of victims of accidents</td>
<td>25</td>
<td>25</td>
<td>26</td>
</tr>
</tbody>
</table>

Note.
If during the reporting period an employee suffered more than one injury, each case is counted as a separate injury.

Measures to prevent injuries in contractor organizations

Injury rates in contractor organizations have improved (of particular note is that the number of injured has decreased significantly), in part due to increased cooperation in this area. Pre-tender assessments of contractors for compliance with the HSE requirements are performed on a regular basis, and compliance checks are performed in the course of work. In addition, representatives of contractor organizations are invited to attend Safety Days and quarterly meetings held by the Group entities to analyze injuries and discuss measures to prevent accidents in the future.

Detailed information can be found in the "Supply Chain" section on the website.
The safety of production operations of nature resource producing companies in the Arctic Zone became particularly important in 2020 due to a number of major accidents and accelerated climate changes in the region. LUKOIL pays special attention to environmental and industrial safety, in the Arctic, applying cutting-edge technical solutions and methods of engineering protection of facilities and territories.

Observations of the Arctic climate

According to estimates of climatic changes in the Arctic, average surface air temperatures are predicted to rise across a large part of the Arctic over the next decade, and, according to the WMO1, the ice cover may almost completely disappear by the end of the 21st century. These trends indicate physical risks primarily associated with the degradation of permafrost. The expansion of the area and depth of seasonal soil thawing can lead to critical disruption of the reliability of production processes, equipment and safety systems at engineering facilities, especially those built decades ago.

At the same time, there is a growing global interest in the Arctic macro-region, since more than a quarter of the world’s hydrocarbon reserves are located in the Arctic. For example, five oil storage tanks with a volume of 10,000 cubic meters each are located at the site of an existing production facility in the Yamal-Nenets Autonomous Area and the Komi Republic; all facilities are insured against the risks of property loss or damage.

Our actions

There are 30 fields in the Arctic Zone of the Russian Federation (onshore) developed by LUKOIL Group organizations (the Yamal-Nenets Autonomous Area, the Nenets Autonomous Area and the Komi Republic1), the largest of which are the Pyakyakhinskoye and Nakhotkinskoye fields. The length of the pipelines is about 2 percent of the total length of the existing field pipelines. The largest production facility in the Arctic Zone is the Varandey Terminal.

The Company has built an effective management system that enables timely control of the condition of facilities located in the permafrost area. The climatic specifics of the northern territories are taken into account in the design, construction and operation stages of all production facilities located in the Arctic Zone; all facilities are insured against the risks of property loss or damage.

Design and construction stages

At the design stage of production facilities possible thawing of permafrost is taken into account. Facilities are designed with a large safety margin based on engineering calculations and geological surveys. Engineering solutions are used, which make it possible to prevent permafrost thawing, maintain equipment integrity and reduce product losses.

• Pipelines, buildings, structures and tank farms are built on pile foundations.
• Aerial crossings are constructed when water bodies are crossed.
• Boreholes are drilled using the slant-hole directional drilling method (‘pipe-in-pipe’), which prevents intense warming of soils.

Construction on piles.

During construction of facilities, piles made of cold-resistant steel are submerged in boreholes. Cavities within the seasonal freezing and thawing layer are filled with frost-resistant concrete. The lower ends of the piles are at least 0.5 m lower than the ice foot. The piles are marked with geodetic markers that indicate pile deflection due to settling or movement of the ground. For timely identification of equipment sludge, the pile substructure and foundation markers are leveled (once every two years).

For example, five oil storage tanks with a volume of 10,000 cubic meters each are located at the site of an existing production facility in the Yamal-Nenets Autonomous Area and the Komi Republic. The climatic specifics of the northern territories are taken into account at the design, construction and operation stages of all production facilities located in the permafrost area. The climatic specifics of the northern territories are taken into account at the design, construction and operation stages of all production facilities located in the permafrost area.

Construction of facilities.

At the operation phase, systematic maintenance and control of the buildings and equipment condition are carried out, including:
• monitoring of the foundations of buildings and structures;
• control of the depth of seasonal thawing and the groundwater level.

Equipment is monitored at least once a year by qualified specialists engaged on a contractual basis and by LUKOIL employees (surveys inspections, geotechnical monitoring). In the event any violations of the thermal regime of soils exceeding the permissible values are identified, additional measures are taken to restore the original temperature.

Thermal stabilization systems.

Temperature stabilization systems; plastic-frozen soil stabilizers, thermal insulation screens at the base of underground tanks and external thermal insulation of facilities are used to maintain the temperature regime of permafrost soils and eliminate unforeseen heat releases. This approach is also used at the Pyakyakhinskoye field. Temperature stabilization systems “GET” and “VET”, which are hermetically sealed structures made of piles filled with refrigerant, are installed in the base of oil storage tanks. A similar system was used in the construction of the tank farm of the Yuchgoye Hychchuy Central Gathering Facility (the Nenets Autonomous Area). Temperature of foundation soils is stabilized using the “GET” temperature stabilization systems and plastic-frozen soil stabilizers.

Operation stage

At the operation phase, systematic maintenance and control of the buildings and equipment condition are carried out, including:
• monitoring of the foundations of buildings and structures;
• control of the depth of seasonal thawing and the groundwater level.

During the entire period of operation of the equipment, buildings, structures and tanks, no significant changes related to thawing of permafrost soils have been identified. In the future, we will continue to pay more attention to the risks associated with activities in the permafrost zone as part of our climate strategy and to developing measures to deal with identified risks and prevent damage to the environment.


3 Source: Sustainability Report for 2020 LUKOIL Group.


5 Source: Rosstat, the strategic objectives of Russia are outlined in the 2018 Comprehensive Plan for the modernization and expansion of trunk infrastructure for the period up to 2030. The development of the Northern Sea Route is indicated as one of the key projects in it.

6 Source: Global Elevation Dataset (https://earthexplorer.usgs.gov/geodetic/).
THE KOMI REPUBLIC

“LUKOIL-Komi” is one of the largest subsoil users in the Tinnan-Pechora oil and gas province in the north-western Russia and operates in the Komi Republic and the Nenets Autonomous Area. The entity includes territorial production enterprises (TPE) LUKOIL-Ustinskneftegaz, LUKOIL-Ukhantneftegaz, LUKOIL-Savvino-Komesneftegaz, the Yareganeft oil and mining division, as well as the Uthua gas processing plant. High-viscosity oil is produced in the region, including by means of shafts. Production volume in 2020 was 14 million tonnes, 12 percent less than in 2019 (16 million tonnes). The Group also includes the Uthua oil refinery located in the region.

Our actions

When planning and performing the production activities, we take into account the complexity of issues that need to be resolved in the Komi Republic. LUKOIL is committed to reducing environmental risks for LUKOIL-Komi producing companies and the population. In 2020 the implementation of the program Comprehensive Organizational and Technical Measures to Reduce Social and Environmental Risks in the Komi Republic (2020–2022) started. It is a part of the LUKOIL Group’s investment program and includes measures, that are aimed at significantly reducing the negative environmental impact of LUKOIL-Komi’s operations in the following key areas:

- Liquidation of the sediment ponds of oil mines 1, 2 and 3
- Pilot testing of polymer pipes made of polyethylene with high-temperature resistance produced by the Stavrolen factory
- Treatment of wastewater from the combined-cycle plants. The work will be carried out in stages and is planned to be completed in 2022.
- Elimination of old settling tanks of the treatment facilities of oil mines. It is planned to pump out the oil containing liquid, as well as to remove and disperse of bottom sediments. The pits will then be backfilled with the mined-out rock of the oil mines and reclaimed. The completion of the project is expected in 2023.

Maly Voyvoyzh

One of the environmental problems in Yarega is pollution of the Maly Voyvoyzh stream (part of the ecosystem of the Yarega and Ukhta river) which accumulated both in the pre-privatization period and during LUKOIL-Komi’s operations. LUKOIL set its goal to carry out a complete cleaning of the stream and return the water body to its original state if possible. In 2019, a stationary hydraulic seal was commissioned to prevent the spread of pollution downstream.

In 2020, LUKOIL-Komi and the Biological Institute of Tomsk State University entered into a contract to clean the water and bottom sediments of the stream of oil and oil products. Our partner has its own technology for bottom sediments treatment, which has already been tested on Shchuchyi Lake (the Komi Republic). The project underwent a public hearing procedure and then, during the first stage, the stream was examined and samples of water, bottom sediment and oil were taken. In 2021, it is planned to implement the second stage — the treatment of water, bottom sediments and the shoreline. The completion of the project is expected in 2023.

Land remediation

In 2020, 40 hectares of contaminated land were remediated, including in the Uhta District (near the Malaya Voyvoyzh stream) and the Uzhemy District (in a forest area).

The implementation of all those projects will significantly improve the environmental safety of oil production at the Yaregskoye field.

Prevention of oil spills

LUKOIL continues to act diligently to improve reliable operation of our pipelines. Key areas to improve reliability and safety of the LUKOIL-Komi pipeline system include pipeline corrosion protection, timely current repair and overhaul, pipeline reconstruction, continuous corrosion monitoring, in-line diagnostics and cleaning, as well as expert examination of industrial safety and technical diagnostics of pipelines.

The most stable result is achieved by replacing pipeline sections with corrosion-resistant pipelines. The following results were obtained thanks to the measures taken by LUKOIL: the length of corrosion-resistant pipelines has increased by 16 percent since 2016 while during the same period, the specific failure rate of pipelines has decreased by 30 percent. A promising area is the use of corrosion-resistant pipelines (about 200 km of non-metallic pipelines are in operation as part of a pilot project).

- In accordance with the roadmap, the reconstruction of the interfield oil pipeline of the central gathering facility Lekkerka, booster pump station V. Masterel, was performed on time. In 2021, the remediation of contaminated lands at the pipeline location will be completed.
- Pilot testing of polymer pipes made of polyethylene with higher temperature resistance produced by the Stavrolan complex will begin in 2021. Facilities at Yareganeft’s fields have been selected for testing.

We made an important decision to use UAVs to assess the condition of the pipelines and detect the existence of flaws in addition to the traditional types of monitoring (walk-round checks and snowmobile patrols in winter). UAV flights help to identify even minor oil transportation equipment malfunctions more quickly and with greater area coverage. Flights have been carried out since July 2020 according to an approved schedule, and, based on the results, a database is being formed for further monitoring purposes.

THE KOMI REPUBLIC

Production in 2020 amounted to 14 million tonnes, 12 percent less than in 2019 (16 million tonnes). The old facilities did not provide treatment facilities at all oil mines of the Yareganeft oil mine located in the region.

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Interaction with residents of the Ust-Usa village and

In 2020, 14 applications on environmental issues were received via the hotline (26 applications in 2019). Based on the review of the applications, all the applicants were provided with clarifications on LUKOIL-Komi’s production activity plans.

We regularly hold meetings with local residents and heads of settlements, cooperate with many public organizations, such as Komi Voityr (Komi People), Izvatas (Izhemtsy), Rus Pechorskaya and others:
- Interaction with residents of the Ust-Usa village and the Novobezh village (Uzinsky District)

Both settlements are located at a distance of about 15 km from the Ušinskoye field, so the Company is constantly in contact with the local residents. In 2019, the Company’s plans to construct a production facility (prospecting well) were discussed at the public control meetings. Based on the discussion results, LUKOIL decided to move the construction site farther away from the villages. In 2020, as a continuation of the dialogue, a working group was created that included representatives of LUKOIL-Komi management, administration of the Uzinsky urban district and the initiative group of the residents. Repeated hearings on the project were organized and the dialogue continues.

Another topic for discussion was the performance of seismic exploration works in the floodplain of the Pechora River in 2018, which caused concern among residents in connection with forest devastation. After completion of the seismic work, LUKOIL-Komi organized flights over the territories where the work was performed, during which time photos and video recordings of the disturbed land condition were made. In October 2019 and in August 2020, repeated flights around the territories were made together with representatives of supervisory authorities and representatives of the villages. As a result, formal notes were drawn up on the absence of comments on the quality of clearing of wood residues in the cuttings. Seedlings of spruces were then planted.
- Interaction with the residents of Shellyayar and Dyliv villages (Izhemsy District)

LUKOIL’s plans to build a solid and liquid oil sludge landfill that would enable LUKOIL-Komi to neutralize oil sludge, without risks to the environment initially led to protests by the environmental community and residents of two villages of the Izhemsky district. Following the public hearings, it was decided to move the construction of the facility to the territory of the Makarielskoye field of the TPE LUKOIL-Ughtaneftegaz. The territory where the landfill was supposed to be built is being reclaimed.

Treatment facilities at the Ukhta oil refinery

One of the tasks to be solved is related to the condition of treatment facilities at the Ukhta oil refinery. The facility was designed and built in the late 1960s; it receives both wastewater from the plant’s production processes and municipal wastewater, which accounts for more than 80% of the total wastewater volumes to be treated. After mechanical and biological treatment and disinfection, wastewater is discharged into the Ukhta River.

As part of the investment project to upgrade the oil refinery treatment facilities, this important facility is being re-equipped to significantly improve the quality of wastewater treatment. Total investments will exceed RUB 1 billion.

In the first stage, new equipment of settling basins, aeration systems and biological treatment was installed, which led to a significant reduction in the pollutant concentrations. The second stage was completed in 2020 with the re-equipping of the mechanical clearing system. As a result, wastewater treatment quality significantly improved in terms of phosphorus compounds, nitrates, and organic substances.

By the end of 2023, it is planned to complete the last stage (i.e., to complete mechanical and biological treatment facilities and to equip the facility with an automated system of industrial environmental control) and to bring the quality of wastewater to regulatory requirements.

\[1 \text{ Excluding the costs of the agreement between PJSC LUKOIL and municipal administrations.}\]
Our strategic goal is to consistently reduce technogenic impact on the environment by introducing the best available technologies and equipment, as well as by increasing the automation level of controls of technological processes.
KEY CHANGES AND RESULTS IN THE REPORTING YEAR

- Air pollutant emissions across Lukoil Group were reduced by 8 percent.
- Russian Lukoil entities cut water consumption for their own needs by 8.1 percent.

CONTRIBUTION TO IMPLEMENTATION OF SDG

The waste management KPIs were all complied with in Russian entities; the volume of waste disposal matched that of waste generation.

PRE-PRIVATIZATION DAMAGE AT THE VOLGOGRAD REFINERY WAS FULLY ELIMINATED

CONTEXT

Tackling the ecological issues associated with human impact on the environment continues to require considerable public attention, as the future of humanity depends directly on the sustainable use of limited territory and the remaining natural resources. By 2020, Lukoil planned to fulfill eight objectives related to biodiversity conservation (SDG 15) and marine ecosystems (SDG 14).1 Thanks to a real team effort by all SDG supporters, target 14.5 was met.2 We see more sustainable use of forests, while more land, freshwater, and mountain areas are now under protection. There has also been an increase in public environmental awareness, which is crucial for catalyzing change. Nonetheless, progress on most of the other objectives is still rated as moderate or weak.


The decision3 to include ocean and coastal ecosystems in the scope of the UN Framework Convention on Climate Change as factors contributing to climate change adaptation and reducing human impacts on climate should be viewed positively. As a result, projects to conserve the ocean and coastal ecosystems qualify as activities under the Paris agreement, which serves to boost investment in this area.

Among the most pressing issues are the importance of increased efforts to conserve fresh water and significantly lower pollution levels, transitioning to integrated water resource management, and improving water supply quality.7 The World Resources Institute has revised its forecasts of water supply/demand shortages by 2030, and the World Bank has analyzed the economic, health, and environmental damage caused by contaminated water.9 The environmental crisis we face can serve as an opportunity to take bold measures, such as incorporating the valuation of natural capital into financial decision-making and making more significant investments in preservation, so as to move from transforming nature to refashioning humanity’s relationship with nature.10

LUKOIL contributes to SDG 14 (Life Below Water) by conducting constant monitoring of environmental impact of production sites on shoreline and offshore areas.

PLANS FOR 2021 AND THE MIDTERM


Environmental and satellite monitoring covers the shoreline within the licensed areas, the Varandey marine terminal territory, and offshore area.

2. Target 14.5 by 2020, conserve at least 10% of coastal and marine areas, consistent with national and international law and based on the best available scientific evidence.
3. Source: ibid. According to the report, 17% or 24 million square kilometers of coastal marine areas (up to 200 nautical miles from shore) received protected area status at the national level in various countries.
4. Source: ibid.
7. Source: http://iwrmdataportal.unepdhi.org/
10. Source: Making Peace with Nature: A scientific blueprint to tackle the climate, biodiversity and pollution emergencies. UN Environmental Program, 2021.
Our goals
Our production activities in all business segments have an impact on the environment. LUKOIL recognizes its responsibility to society and future generations and works continuously to preserve a healthy environment, and to use natural resources sustainably in the regions where the Company operates.

In compliance with statutory requirements and voluntary principles, LUKOIL assesses and monitors the impact of its operations at all stages, from design to completion. Through thorough and continuous identification of risk, we strive to prevent negative scenarios from occurring whenever possible.

We continue to improve the awareness and competence of specialists and managers of the Group’s entities regarding environmental protection activities. For this purpose, we hold annual competitions across the Group’s entities and at the corporate level of PJSC LUKOIL. The authors of the best eco-programs receive rewards. The „Safety“ bushes, and plants.

LUKOIL’s entities organize annual environmental campaigns to clean up natural areas and plant trees, bushes, and plants.

Detailed description of ESIA procedure and industrial environmental control system can be found on the website.

Environmental safety program
The Environmental Safety Program for 2020–2022 consists of nine subprograms and includes more than 900 events: 45 Russian and foreign entities of LUKOIL Group participate in the program. The program is planned for three years, and targets are set annually. The structure of activities is determined by the nature of the primary production’s impact on the environment and also deals with other challenging issues.

The Environmental Management System is a part of the Integrated Health, Safety and Environmental Protection Management System detailed in the “Safety” section of this report.

Assessment and monitoring
As part of the current risk management system, LUKOIL employs a precautionary approach in the performance of Environmental and Social Impact Assessment procedures and in planning Environmental Safety Program activities. The ESIA operations are performed at the design stage per as the legislation

of the countries of operation, the requirements of international financial corporations, and LUKOIL’s corporate standards. The results of this assessment form an integral part of the project documentation and are later used in environmental monitoring. Overseas exploration and mining activities also require social and environmental impact assessments before project launch. (See the relevant case study in the “Principles of Sustainable Development in Production Projects outside Russia” section).

Interaction with local communities
Interaction with local residents, public and environmental organizations, administrations, and government agencies to exchange information on our scheduled activities and find the best solutions to problems is an essential part of our business. We use the ISO 14001:2015 standard, which requires a mandatory response to inquiries regarding the environmental management system of our company. We hold public hearings on new projects and current operations (as part of the ESIA) in our operating regions; many Group entities provide local residents with an opportunity to submit their concerns and suggestions via our hotline. All LUKOIL’s entities organize annual environmental campaigns to clean up natural areas and plant trees, bushes, and plants.

Indicator boundaries
The reporting boundaries for environmental indicators include all Russian entities having a significant environmental impact as well as the following foreign entities: refineries in Italy (ISAB S.r.l.), Romania (PETROTEL-LUKOIL, SA) and Bulgaria (LUKOIL, Naftohim Burgas), production project operator in Uzbekistan (LUKOIL Uzbekistan Operating Company) of oil product supply companies abroad (ODDO LUKOIL Belorususia in Belarus and LUKOIL-BULGARIA EOOD in Bulgaria).

Indicators of LUKOIL Group’s Environmental Safety Program

<table>
<thead>
<tr>
<th>Year</th>
<th>Indicator</th>
<th>Reference</th>
<th>Value</th>
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<tbody>
<tr>
<td>2019</td>
<td>APG utilization rate</td>
<td>LUKOIL Group</td>
<td>97.6%</td>
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<tr>
<td>2020</td>
<td>APG utilization rate</td>
<td>LUKOIL Group</td>
<td>97.8%</td>
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<tr>
<td></td>
<td>Pollutant emissions into the atmosphere, thousand tonnes</td>
<td>LUKOIL Group</td>
<td>429</td>
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<tr>
<td></td>
<td>Water discharge into surface water objects, million cubic meters</td>
<td>Russian entities</td>
<td>10.7</td>
</tr>
<tr>
<td></td>
<td>Waste water discharged into surface water objects, million cubic meters</td>
<td>Russian entities</td>
<td>358</td>
</tr>
<tr>
<td></td>
<td>Waste water consumption for our own needs, million cubic meters</td>
<td>Russian entities</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>Disposal of waste accumulated during the pre-pratitution period, thousand tonnes</td>
<td>LUKOIL Group</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation of contaminated land, hectares</td>
<td>Russian entities</td>
<td>56.6</td>
</tr>
</tbody>
</table>

The Environmental Safety Program for 2020–2022 consists of nine subprograms and includes more than 900 events: 45 Russian and foreign entities of LUKOIL Group participate in the program. The program is planned for three years, and targets are set annually. The structure of activities is determined by the nature of the primary production’s impact on the environment taking into account continuous improvements in management. Under the program, we build environmental protection facilities and upgrade and expand the extensive fleet of machinery and equipment used for environmental purposes.

As a result of dedicated work to ensure compliance with legal requirements, the share of excess payments for adverse environmental impacts has been steadily decreasing over the past five years. At the same time, the share of excess payments in the total amount of payment for such impacts in 2020 was 13.6 percent (4 percent in 2019). Higher indicator values were maintained for inclusion in the Biodiversity Conservation Program.

Below is a summary of the Group’s ecological indicators. These are disclosed in detailed according to the requirements of the non-financial reporting systems in Appendix 7.

Confimation based on in-production environmental controls and monitoring of environmental components to check that Company activities have no adverse impact on biodiversity; improvement of management mechanisms
Water is used at all production cycle stages — from exploration and production of hydrocarbons to the delivery of finished products to the consumer. In oil and gas production operations water is mainly used to maintain reservoir pressure and desalinate produced oil. Refineries and petrochemical plants use water in cooling and condensation units for distillation products, in heat-power stations for steam generation, in preparation of make-up water for boilers, cooling towers, and steam generators, as raw material and reagent for chemical production, and in other processes. Power generation companies need water to produce steam and cool the equipment of thermal power plants. At the same time, water is essential for human life and vital for healthy ecosystems.

Thus, we are fully committed to the rational use of natural resources, reducing the use of fresh water, and eliminating the discharge of contaminated wastewater on land and in water.
Our actions

Our principal approach to solving the issue of sustainable water use is the application of water recycling and reuse systems, increasing wastewater treatment, and reducing water losses during production.

Power generating facilities, refineries, and petrochemical plants in Russia and abroad are equipped with circulating and recycled water supply systems. At production entities, reservoir water is reused for the needs of reservoir pressure maintenance. New production facilities are required to be equipped with circulating and recycled water supply systems and treatment facilities.

We analyze water consumption issues, including in arid regions, while updating the register of environmental factors and incorporate the related risks into the general risk management system.

Activities on sustainable water management under the Environmental Safety Program have been integrated into the Clean Water subprogram. To improve the system of water consumption, measures are undertaken every year to build, renovate and re-equip water treatment and wastewater treatment systems.

Arid regions

Most of our Russian entities operate in regions with ample freshwater resources, except for densely populated areas with a high concentration of economic activity in the Southern part of the country. These territories have average values of the Baseline Water Stress Indicator. However, we consider five regions to be arid in the national context, as confirmed by Russian sources. The share of water withdrawn in these regions is about 60 percent of the total water withdrawal by the Group’s Russian entities, with more than half the volume of water withdrawn being compensated with volume of clean standard-quality wastewater discharged into water bodies.

- Arid regions in Russia are the Krasnodar and Stavropol Territories, Astrakhan, Volgograd, and Rostov Regions.

The Baseline Water Stress Indicator in five countries outside of Russia has high and very high levels, and the availability of freshwater supply in those countries may worsen due to climate change.

- Arid regions abroad are located in Italy, Romania (Prahovo), Uzbekistan, Iraq, and Egypt.

Regular operations of LUKOIL Group entities have no significant impact on the water content in natural sources or on water quality, nor do they impact the availability of water resources to other consumers in low-water regions. We do not restrict access of the local population to water sources. In addition, our charitable work includes projects to improve water supplies and municipal infrastructure and to provide drinking water to local communities in Iraq and Uzbekistan.

Freshwater

Freshwater accounts for 58 percent of the total water withdrawal by LUKOIL entities in Russia, the amount of freshwater withdrawal was 8 percent (2020). Almost all of the water is supplied by LUKOIL’s own water intake from surface and underground water reservoirs. Water is mainly withdrawn from the Ob, Pechora, Volga, Don, and Kuban river basins under respective permits and within established quotas. The main focus of environmental activities is the reduction of production water losses.

The share of freshwater withdrawals by foreign entities was 10 percent (in 2020) of the total water withdrawal, and comes mainly from surface water sources.

Sea water

Some of the Group’s oil and gas production, transportation, and refining entities use seawater in their production processes.

LUKOIL-Nizhe Novgorodskoi uses water from the Caspian Sea to cool equipment and returns it back to the sea to almost natural temperature without being used in other production processes and free from contamination. The Varandey terminal withdraws water from the Barents Sea to cool equipment.

The Italian refinery brings desalinated seawater from the Mediterranean Sea to cool its refinery process units. To reduce water consumption at the plant, part of the steam condensate circuit and the recovery system has been optimized, and measures have been taken to reuse seawater after treatment.

Total water withdrawal by LUKOIL Group entities, by water withdrawal sources, million cubic meters

<table>
<thead>
<tr>
<th>Year</th>
<th>LUKOIL Group</th>
<th>Russian entities</th>
<th>Foreign entities</th>
<th>Including from surface sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>450</td>
<td>420</td>
<td>287</td>
<td>268</td>
</tr>
<tr>
<td>2019</td>
<td>694</td>
<td>441</td>
<td>270</td>
<td>271</td>
</tr>
<tr>
<td>2020</td>
<td>611</td>
<td>395</td>
<td>228</td>
<td>216</td>
</tr>
</tbody>
</table>

Notes:
1. Water data included in water withdrawal as by-product with hydrocarbons and subsequently used for maintaining formation pressure.
2. Detailed information on water withdrawal from different sources, including changes in reporting boundaries year-on-year, is provided in Appendix 7.

Wastewater removal and wastewater quality

The Company constantly monitors wastewater quality, paying particular attention to its chemical and physical properties. Improving the quality of wastewater is one of the objectives of the Environmental Safety Program. Compliance with established standards is monitored by LUKOIL laboratories as part of in-production environmental controls, as well as by independent certified organizations.

Wastewater generated from the production process is transferred to treatment facilities that use mechanical, biological, and physical-chemical treatment methods. Measures are taken to identify and prevent any potential negative impact associated with wastewater disposal. In 2020, the Company finalized some projects or continued with other investment projects to improve wastewater quality.

In 2020, the share of clean and treated water was per the current standards for the total amount of discharges into surface water bodies remained high at 97.5 percent (97 percent in 2019).

Commissioning of treatment facilities at “Yarangneft” oil mines (LUKOIL-Komi) resulted in a significant reduction of wastewater and polluting discharges to surface water bodies of the Ukhta municipal district of the Komi Republic.
Water discharges by LUKOIL Group entities, million cubic meters

<table>
<thead>
<tr>
<th>Entity</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL Group</td>
<td>353</td>
<td>568</td>
<td>485</td>
</tr>
<tr>
<td>Russian entities</td>
<td>338</td>
<td>344</td>
<td>298</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>15</td>
<td>224</td>
<td>188</td>
</tr>
<tr>
<td>Including: by destination at LUKOIL Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>water discharge into surface water bodies</td>
<td>218</td>
<td>217</td>
<td>162</td>
</tr>
<tr>
<td>water discharge into the sea</td>
<td>11</td>
<td>221</td>
<td>188</td>
</tr>
<tr>
<td>water discharge into underground formations</td>
<td>104</td>
<td>107</td>
<td>110</td>
</tr>
<tr>
<td>water transferred after use to a third party</td>
<td>16</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>other</td>
<td>0.5</td>
<td>0.1</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Notes:
1. Data excludes water produced as a by-product with hydrocarbons and subsequently used for maintaining formation pressure.
2. Detailed information on water discharges by destination, including changes in reporting boundaries year-on-year, is provided in Appendix 7.
3. The total indicators may differ from the sum of components due to rounding.

Water discharges into surface water bodies, by wastewater quality across LUKOIL Group, million cubic meters

<table>
<thead>
<tr>
<th>Year</th>
<th>Clean standard-quality wastewater and wastewater treated to standard quality</th>
<th>Polluted wastewater</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>341</td>
<td>8.8</td>
</tr>
<tr>
<td>2019</td>
<td>426</td>
<td>11.6</td>
</tr>
<tr>
<td>2018</td>
<td>274</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Note:
Detailed information, including changes in reporting boundaries year-on-year, is provided in Appendix 7.

Ensuring environmental safety during hydraulic fracture treatment (HFT)

The Company has been performing hydraulic fracture treatment for over ten years, with more than a thousand fracture jobs per year. This technology helps to get a more intensive oil influx at wells, increasing production volumes. However, hydraulic fracture treatment is one of the stimulation techniques that require close attention to technology and safety. Fluids used during fracturing include toxic substances (such as hydrochloric acid). In the event of a spill or accident during hydraulic fracture treatment, groundwater is negatively impacted (although only within a small area, unlike incidents involving well integrity failure). For safety reasons, we use special equipment and control methods and hire personnel with appropriate qualifications to minimize the possibility of incidents, reducing them to the level of traditional extraction methods.

When preparing wells for hydraulic fracturing, the workover crew, Geographic Information Systems, and oilfield service contractors work together. All operations are carried out in full by contractors whose activities are monitored at each stage by the Oil and Gas Production Equipment supervisory service, including in the form of field audits. Control is exercised as per the approved project which has passed governmental expert review and received all necessary permits.

Before work commences, contractors provide up-to-date certificates of compliance for the process fluids used with legal requirements and voluntary certification systems (if available), and safety data sheets as an integral part of the technical documentation.

Regardless of the fracturing method and location of the well, technological fluids containing reagents and all the operational waste are transported by the service company to its production base for further disposal upon completion of the work. Residual water unused during hydraulic fracturing is utilized for other technological operations.

Ground and surface water quality is monitored on a contractual basis by specialized contractors who oversee compliance of the work performed with industry standards and requirements. Each licensed area is assigned a local environmental monitoring project, as agreed with the state authorities. The projects define sampling points and sampling frequency. Water is withdrawn from designated water intake points, and instrumental measurements are taken. The results of environmental monitoring are submitted to the government authorities on an annual basis.
EMISSIONS

Oil and gas production companies in Russia account for the biggest share of air pollutant emissions across LUKOIL Group (about 77% in 2020), mainly due to APC-flaring along with power generating entities burning fuel for power and heat generation.

In 2020, emissions generated by LUKOIL Group entities decreased by 8%, while emissions from Russian oil and gas producers were down 7%. Carbon monoxide accounts for the biggest share of emissions (36%).

The reduction of pollutant emissions into the atmosphere is a priority area of the Environmental Safety Program integrated into the Clean Air Subprogram. Significant funding (an average of at least 50 percent of the ESP budget) is allocated annually for its implementation. The key initiatives of the Environmental Safety Program aimed at reducing pollutant emissions include:
- equipment replacement or upgrade, application of the best available technologies at production sites;
- application of emission capture and treatment systems;
- upgrade and construction of new generation capacities in power generating entities with improved automated systems for regulating combustion processes; heat losses, and minimization of pollutant emissions.

In 2020, oil and gas production entities continued the Program for the sustainable use of APC (including the Russian fields in the Caspian Sea and Yamal, and also the Imilorskoye field) and activities to upgrade flaring systems, including the availability of smokeless flaring.

Gas stations are being equipped with breathing valves and oil product vapor recirculation and recovery systems, significantly reducing atmospheric emissions. The program for transferring petroleum storage depots to a bottom loading system was set into motion. The share of production sites with implemented bottom loading system is expected to increase from 36 percent to 95 percent by 2024.

Grass emissions of pollutants into the atmosphere (net of CO₂) by LUKOIL Group entities, thousand tonnes

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL Group</td>
<td>451</td>
<td>429</td>
<td>395</td>
</tr>
<tr>
<td>Russian entities</td>
<td>433</td>
<td>402</td>
<td>376</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>18</td>
<td>27</td>
<td>19</td>
</tr>
</tbody>
</table>

including by pollutant type:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO₂ emissions</td>
<td>49</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>SO₂ emissions</td>
<td>37</td>
<td>41</td>
<td>31</td>
</tr>
<tr>
<td>solid particle discharges</td>
<td>15</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>CO emissions</td>
<td>156</td>
<td>155</td>
<td>143</td>
</tr>
<tr>
<td>hydrocarbon emissions</td>
<td>74</td>
<td>61</td>
<td>49</td>
</tr>
<tr>
<td>volatile organic compounds (VOC)</td>
<td>116</td>
<td>106</td>
<td>111</td>
</tr>
<tr>
<td>emissions of other pollutants</td>
<td>4.2</td>
<td>1.3</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Note: Detailed information, including changes in reporting boundaries year-on-year, is provided in Appendix 7.

WASTE

Our main approach to industrial waste management lies in applying the most advanced technologies, preventing excessive build-ups at waste facilities of LUKOIL Group entities, and placing waste at specialized facilities that meet modern requirements.

Waste management

Most production waste in Russia and abroad falls under non-hazardous or low-hazard categories (classes). In Russia, more than 60 percent of non-hazardous and low-hazard waste (classes IV and V under the Russian classification) consists of drilling waste and used drilling mud generated during drilling and well operation. These are mostly recycled. Their volumes depend primarily on the extent of drilling and repair work, and they are mainly disposed of by contractors.

We employ a pitless drilling technology on environmentally exposed areas in Russia, according to which generated drilling waste is not stored or landfill at drilling sites, but sent away for use in neutralization.

The share of hazardous waste (Hazard Classes I–III) was about 2 percent as at the beginning and end of 2020. Classes I and II wastes containing substances that are dangerous to human life and health and cause permanent changes in eco-systems are subject to mandatory disposal by specialized organizations. Hazard Class III (moderate) waste includes a portion of oil-containing waste (with an oil content product above 15 percent) that is also subject to mandatory disposal.

In 2020, waste generation increased because of a higher share of construction waste at the Nizhny Novgorod and Volgograd refineries, dismantling operations to build process facilities, and a 1.5-fold increase in the volume of production drilling at LUKOIL-Komi LLC.

Most of the long-term storage waste (150 thousand tonnes) still consists of waste-activated sludge generated during wastewater treatment of the Saratovogozernoye plant and is stored at the deposition site. The site is included in the State Register of Waste Disposal Facilities.

We monitor the quality of waste management operations performed by contractors by examining how they handle waste, the state of the production control system, and availability of adequate resources to fulfill their contractual obligations.

Waste by hazard class at LUKOIL Group, thousand tonnes

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste at the beginning of the reporting year</td>
<td>Waste generated per year</td>
<td>Waste at the end of the reporting year</td>
<td>Waste at the beginning of the reporting year</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian entities</td>
<td>23</td>
<td>31</td>
<td>15</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>NA</td>
<td>NA</td>
<td>25</td>
</tr>
<tr>
<td>Non-hazardous and low-hazard waste</td>
<td>863</td>
<td>1,418</td>
<td>899</td>
</tr>
<tr>
<td>Russian entities</td>
<td>863</td>
<td>1,418</td>
<td>899</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: Detailed information, including changes in reporting boundaries year-on-year, is provided in Appendix 7.

1 Hereinafter, the term “disposal” is used to mean “use, neutralization, landfilling, or handing over to a specialized organization for these purposes”.

Sustainability Report for 2020 LUKOIL Group
Waste movement at LUKOIL Group, thousand tonnes

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste at the beginning of the reporting year</td>
<td>956</td>
<td>910</td>
<td>947</td>
</tr>
<tr>
<td>Russian entities</td>
<td>933</td>
<td>886</td>
<td>920</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>23</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td>Waste generated during the reporting year</td>
<td>1,556</td>
<td>1,783</td>
<td>2,178</td>
</tr>
<tr>
<td>Russian entities</td>
<td>1,520</td>
<td>1,671</td>
<td>1,960</td>
</tr>
<tr>
<td>Including oil-containing waste</td>
<td>264</td>
<td>294</td>
<td>401</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>27</td>
<td>112</td>
<td>218</td>
</tr>
<tr>
<td>Received from third parties</td>
<td>6</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Russian entities</td>
<td>6</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Amount of waste used, neutralized, and handed over to specialized entities, as well as landfill waste</td>
<td>1,609</td>
<td>1,751</td>
<td>2,217</td>
</tr>
<tr>
<td>Russian entities</td>
<td>1,582</td>
<td>1,642</td>
<td>2,000</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>27</td>
<td>109</td>
<td>217</td>
</tr>
<tr>
<td>Waste at the end of the reporting year</td>
<td>905</td>
<td>947</td>
<td>912</td>
</tr>
<tr>
<td>Russian entities</td>
<td>886</td>
<td>920</td>
<td>884</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>24</td>
<td>27</td>
<td>28</td>
</tr>
</tbody>
</table>

Notes:
1. Detailed information, including changes in reporting boundaries year-on-year, is provided in Appendix 7.
2. Thermal treatment is mainly used for waste neutralization.

Pre-privatization damage management

The Group entities continue their efforts to dispose of pre-privatization waste. In 2020, the amount across LUKOIL Group decreased by 52 thousand tonnes (in 2019, by 69 thousand tonnes).

Before some of the oil producing and refining assets in Russia and Eastern Europe were privatized, significant volumes of oil-contaminating waste (oil sludge in special sludge collectors and evaporation ponds) had accumulated at production facilities. The Company refers to these as “pre-privatization environmental damages”. LUKOIL, disposers of this waste at its own expense at most of its facilities. As of 2020, such waste was fully processed at the refinery in Romania and LUKOIL-West Siberia, RITEK, and the Volgograd refinery in Russia. The refinery in Bulgaria continues to operate on schedule and in compliance with government funding. According to Bulgarian national legislation, the state is the owner of this waste.

The KPI calculation does not take into account the volume of rock generated during shaft works at LUKOIL-Komi sites and placed at specialized waste dumps.

Waste disposal at the Volgograd refinery

The best environmental project of LUKOIL Group in the Eco-Project 2020 competition was the project for the complete disposal of pre-privatization waste at the Volgograd refinery.

The Volgograd refinery was one of the first refining facilities to join the LUKOIL Group in the early 1990s. The refinery began operations in 1957. The plant’s wastewater treatment system was designed to meet the then-existing standards: buffer ponds were dug out on an area of about 20 hectares, an emergency pit and sludge collectors were built to receive all the refinery’s wastes. Open structures holding liquid waste were sources of air pollutant emissions.

In 2004, the refinery began processing oil-containing sludge. These operations were completed in 2020. A total of more than 927 thousand cubic meters of old oil-containing sludge were processed over 17 years. The environmental effect from this multi-year project was to reduce air pollutant emissions by 1.5 thousand tonnes per year and to remediate and restore large areas previously occupied by treatment facilities (evaporation ponds).

In 2015–2019, more than 80 thousand drought- and salinity-resistant shrubs were planted on the grounds of the former sewage treatment plants. Even though all the shrubs were planted in untreated soil, thanks to modern planting and care techniques, they took root and quickly began to grow. In the meantime, steppe vegetation started overgrowing the area. As a result, it was possible to restore the soil fertility on lands previously unsuitable. Today, the verdant shrubs are home to hares and foxes, birds, and insects.

Pre-privatization waste, thousand tonnes

<table>
<thead>
<tr>
<th></th>
<th>Waste at the beginning of the reporting year</th>
<th>Waste eliminated in the reporting year</th>
<th>Waste at the end of the reporting year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>773</td>
<td>107</td>
<td>666</td>
</tr>
<tr>
<td>Russian entities</td>
<td>319</td>
<td>50</td>
<td>269</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>454</td>
<td>57</td>
<td>307</td>
</tr>
<tr>
<td>2019</td>
<td>666</td>
<td>69</td>
<td>601</td>
</tr>
<tr>
<td>Russian entities</td>
<td>269</td>
<td>51</td>
<td>223</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>397</td>
<td>18</td>
<td>378</td>
</tr>
<tr>
<td>2020</td>
<td>601</td>
<td>52</td>
<td>549</td>
</tr>
<tr>
<td>Russian entities</td>
<td>223</td>
<td>39</td>
<td>184</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>378</td>
<td>13</td>
<td>365</td>
</tr>
</tbody>
</table>

Note:
In implementing the scheduled measures to eliminate pre-privatization damage at LUKOIL-Volgogradneftepererabotka LLC for 2020, the scope of pre-privatization damage was revised as part of a geodetic survey at the end of 2019. The total pre-privatization damage was changed from 218 thousand tonnes to 223 thousand tonnes.
Land remediation

Remediation of oil-contaminated land is carried out by Russian oil and gas production entities at all fields. In 2020, 44 hectares of land were reclaimed.

Following an oil spill and after the cleanup of the leaks and site containment, the contaminated land remediation stage begins. Specialized organizations carry out the entire scope of reclamation activities on a contractual basis following the remediation projects. These projects are developed and approved under established procedures.

The remediation comprises the following stages:
- technical (collecting as many pollutants as possible and replacing contaminated surface soil, applying oil-oxidizing biopreparations, loosening soil for better aeration);
- biological (sowing seeds or seedlings, fertilizing).

Remediation may involve complete removal of the contaminated layer, which is moved to specialized bioremediation sites, while clean soil is brought to the reclaimed area for biological remediation. When the contaminated area is significant, the most effective method is the microbiological decomposition of oil at the spill site. Once the content of hydrocarbons in the soil is reduced to low levels, the restored areas are replanted for phytoremediation of the land. If the contamination degree is average, plant cover of the site takes two years, bringing the entire remediation process to two-three years.

After the remediation, the respective state authorities inspect the reclaimed areas for compliance with the established criteria.

Dynamics of generation and remediation of contaminated land, hectares

<table>
<thead>
<tr>
<th>Indicator boundaries</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land area at the beginning of the year</td>
<td>Land remediated during the year</td>
<td>Land contaminated during the year</td>
</tr>
<tr>
<td>Total across LUKOIL Group</td>
<td>61.3</td>
<td>50.3</td>
<td>52.1</td>
</tr>
<tr>
<td>Russian entities</td>
<td>57.5</td>
<td>50.3</td>
<td>52.1</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>3.8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>63.1</td>
<td>56.6</td>
<td>40.0</td>
</tr>
<tr>
<td>Russian entities</td>
<td>59.3</td>
<td>56.6</td>
<td>40.0</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>3.8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>46.4</td>
<td>44.4</td>
<td>136.6</td>
</tr>
<tr>
<td>Russian entities</td>
<td>42.6</td>
<td>44.4</td>
<td>136.6</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>3.8</td>
<td>0.03</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Notes.
1. Data for foreign entities for 2019 pertain to LUKOIL Neftohim Burgas, PETROTEL-LUKOIL SA, LUKOIL Uzbekistan Operating Company, for 2019–2020 — to the above entities and to ISAB, IODO LUKOIL Belarusia, and LUKOIL-BULGARIA EOOD.
2. The increase in contaminated land in 2020 was due to the land contaminated after the 2019 water spill in the Komi Republic was factored in.
Biodiversity Conservation

Management of biodiversity issues

ELEMENTS OF THE MANAGEMENT SYSTEM

CORPORATE DOCUMENTS AND EXTERNAL REQUIREMENTS

COMMITMENTS AND PRINCIPLES

LUKOIL Group’s HSE Policy in the 21st Century approved by the resolution of PJSC LUKOIL Management Committee dated May 25, 2020

Impact Assessment Mechanisms

LUKOIL’s HSE Management System. Pre-project and Project Documentation. Business Case Preparation. General Requirements. Local laws in countries of operation

The results of environmental monitoring have been published on the corporate website since 2003

Further Information

Target 14.5 (SDG 14) calls for covering at least 10 percent of coastal and marine areas with environmental actions by 2020. LUKOIL has met this target: environmental and satellite monitoring covers the shoreline within the licensed areas, the Varandey marine terminal territory, and offshore area.

Our actions

Our goal is to preserve the natural biosystem diversity in the regions where we operate and to ensure sustainable use that does not threaten their ability to regenerate. The main activities to preserve marine ecosystems include:

- optimization of water withdrawal, wastewater recycling, and reuse of drilling mud;
- constant monitoring of the oil film formation on water;
- use of systems to protect fish;
- maintaining no-take zones in ecologically significant areas;
- introduction of biotechnologies to accelerate the self-cleaning processes of the marine environment and ensuring protection from oil contamination (artificial reefs).

In these activities we are guided by the Arctic Council’s document, the Guidelines for Oil and Gas Companies on the Arctic Shelf, and Performance Standard 6: Biodiversity Conservation and Sustainable Management of Natural Resources of the International Finance Corporation (IFC).

In view of the importance of the Earth’s biodiversity conservation, especially in the ecosystems of high value, the Company has committed not to conduct operations in any of the World Heritage sites and the IUCN (International Union for Conservation of Nature) Protected Areas of categories I–IV. At each stage of a project, we strive to balance any impacts that our operations might have and implement a variety of projects and activities to preserve ecosystems. We seek to avoid conducting work in habitats of valuable and highly protected plant and animal species or to minimize such impact where it cannot be avoided.

Impact assessment

The state of affected ecosystems and biodiversity in the territories and water areas is assessed or monitored at every stage of operations. Our partners and contractors include more than 50 research and environmental organizations, ensuring a scientific approach to ecosystem studies and the ability to use the data for scientific and remedial purposes.

Based on the results, measures are designed, among other things, to preserve rare and endangered animal species and their habitats. Activities implemented in most Group entities are part of the ESP. Preserving ecosystems in the Arctic (the Barents Sea, part of the onshore territory in the Komi Republic, the Nenets Autonomous Area, and the Yamal-Nenets Autonomous Area) is of particular concern.

The components of ecological monitoring include studies of atmospheric air, meteorological

The detailed information on meeting the target is available on the website.
conditions, sea waters, bottom sediments, and marine biota. Vessel surveys, time-lapse shoreline and coastal monitoring, stationary observations, and bottom station studies are parts of the monitoring process. LUKOIL was the first to use bottom station monitoring.

Satellite monitoring
Satellite monitoring helps detect contamination from oil spills and predict shift directions of oil patches (including the time it takes for an oil patch to reach natural objects), and measure water temperature, salinity, and Chlorophyll content. Such surveys take place every month, and from 10 to 70 images are taken depending on the time of the year.

Other types of monitoring (e.g. geodynamic, engineering and environmental monitoring) are also used to identify anomalies, toxic pollution, and significant deviations in the characteristics of ecosystems based on the specifics of local conditions.

Data analysis
We use mathematical, statistical, and analytical methods to assess the anthropogenic impact on the marine environment, including comparison with the historical background (prior to the construction of LUKOIL facilities) and the parameters of offshore areas furthest from the Company assets and other production sites. Sample analysis and measurement techniques are performed as required by state standards. At the suggestion of our partners and contractors, we introduce new research, data processing, and analysis methods.

The comprehensive approach applied makes it possible to identify contamination sources, receive information on chronic pollution in a timely manner, and respond accordingly. Monitoring results are published on the website as reviews. No significant impact of our industrial facilities on the state of the marine environment which would require a response has been detected during the observation period. The ecosystems’ self-restoring capacity can naturally compensate for one-time and short-term damage resulting in loss of phyto- and ichthyoplankton, fish, and algae during construction of wells and seawater withdrawal. There were no production impacts that significantly changed the habitats of birds and animals and affected their populations. The natural environment components are in a satisfactory condition and although there were local instances of increased content of pollutants in bottom sediments and seawater near LUKOIL production sites, no long-term contamination was detected.

Since 2003, we have been carrying out comprehensive environmental vessel surveys in the Baltic Sea from the Professor Shitokman and Shelif research vessels. Fish fauna is monitored from the AtlantNIRO vessels. The results of field observations are submitted to LUKOIL-KMN’s Ecology Department, which is the center for data collection and monitoring management. The information is stored in a database that serves as a foundation for developing the specialized geoinformation system “ECOMORNEFT.”

Western Siberia Biodiversity Program
In 2020, LLC LUKOIL-West Siberia launched a joint project with the Tomsk State University to monitor the ecological diversity and improve the action program to preserve the wildlife of the Arctic zone of the Russian Federation which is within LUKOIL’s operation areas. Because of the COVID-19 pandemic, the project was postponed until 2021. Earlier in 2019, the university specialists counted bird species, since birds are the most numerous wildlife component, and developed a program for monitoring the bird population in the licensed areas. The entity keeps records of indicator flora and fauna species. Furthermore, over the past six years, LUKOIL-West Siberia completed restoration of cedar and pine forests on over 750 hectares by hand-planting two-year-old greenhouse-grown seedlings.

Endangered species protection
Vagit Alekperov, President of PJSC LUKOIL, supported the initiative of WWF Russia to include measures for the conservation of saiga antelope biodiversity into the LUKOIL Group Environmental Safety Program. In 2020, the Ministry of Natural Resources and Environment of the Russian Federation and PJSC LUKOIL signed a cooperation agreement to implement measures under the federal project “Preservation of Biodiversity and Development of Ecological Tourism” of the national project “Ecology.” The agreement adds implementation of measures for saiga conservation to the current corporate program for biodiversity conservation.

**Indicators of marine ecosystems in licensed areas**

- **Caspian Sea**
  - 1 species: Caspian seal (Phoca caspica)*

- **Barents Sea (The Arctic)**
  - 13 species, including:
    - Carnivores (Sea Cove, Greenland Seal, Ringed Seal, Bearded Seal, White Polar Bear)
    - Birds
      - 89 species, including:
        - Dalmatian Pelican*;
        - Spoonbill*;
        - Black Stork*;
        - Pink Flamingo*;
        - Red-breaded Goose;
        - Lesser White-Fronted Goose*;
        - Mallard Teal*;
        - White-headed Duck*;
        - Osprey*
  - 5 species:
    - Barnacle Goose;
    - King Eider;
    - Eider;
    - Black-legged Kittiwake;
    - Glaucous Gull

- **Baltic Sea**
  - 1 species: Long Rough Bib

**Note.**
*Species is subject to protection.
The largest EMPLOYER

Our goal is to develop an effective management system that meets international standards to ensure high labor productivity and employee motivation.
KEY CHANGES AND RESULTS IN THE REPORTING YEAR

A NEW EDITION OF THE HUMAN CAPITAL MANAGEMENT POLICY WAS APPROVED

A REMOTE WORK MODE WAS INTRODUCED FOR EMPLOYEES OF LUKOIL GROUP ENTITIES

CONTRIBUTION TO IMPLEMENTATION OF SDG

A favorable epidemiological situation at entities is maintained, workers are provided with protection by all available means.

PLANS FOR 2021 AND THE MIDTERM

Maximum coverage of employees with vaccination against the coronavirus, continuing disease control measures, ensuring sanitary and hygienic practices.

CONTEXT

Early estimates¹ suggest that the COVID-19 pandemic had a significant and disproportionate impact on the labor sector, resulting in extensive losses of work hours, higher unemployment rates, and income losses for workers and their families. At the same time, the spread of the coronavirus accelerated (when compared to pre-crisis forecasts) trends² which will affect the employment structure across all industries. That may include growing automation and the introduction of new information technologies into work processes, a shift to remote or hybrid work modes, and an increase in the share of the digital economy. These innovations can give a distinct boost to productivity and result in the creation of new jobs.

In the face of rising transformational factors and risks³, companies will have to rethink their strategies for employment, hiring and retaining employees, as well as find new ways to train and redeploy staff with a focus on highly sought after tasks. The year 2020 has reaffirmed the need to change personnel management processes and plan them out thoughtfully. The main focus areas of such changes are: health protection, a responsible approach to labor remuneration, forecasting of highly desirable labor skills, attracting talents, and forming an integrated employee pool based on hybrid employment terms, while ensuring personnel diversity, equality, and involvement.

In 2020 LUKOIL’s main contribution to SDG 3 (Good Health and Well-being) was due to the complex actions of the Company to mitigate deterioration of the current epidemiological situation at the Group’s enterprises and offices.

⁵ Source: ibid.
Priorities in employment relations

Management system in employment relations

Priorities / Corporate Standards

The main priorities in the area of employment relations are:
- Compliance with statutory requirements;
- Respect for human rights;
- Equal rights and opportunities for employees;
- Respect for the culture and customs of countries where we operate;
- Cooperation with trade unions and employees

The main areas of social policy:
- The remuneration and incentive system;
- Social support;
- Training;
- Working with young professionals and employees

KPIs / Corporate Standards

The main KPIs in the area of employment relations are:
- Labor productivity
- Programs in all the areas have been approved
- Held at least once every 2 years

The main KPIs in the area of employee satisfaction survey are:
- The Social Code of PJSC LUKOIL
- More details are available on our corporate website

Additional Information

- The new edition of the Code of Business Conduct and Ethics. The document approved in 2010 was in effect earlier.

Targeted Programs, Projects, and Initiatives

The main areas of social policy:
- The remuneration and incentive system;
- Social support;
- Training;
- Working with young professionals and employees

The Code of Business Conduct and Ethics No. 17 approved by the Board of Directors of PJSC LUKOIL on December 15, 2020

The Social Code of PJSC LUKOIL No. 16 approved by Minutes of the Board of Directors of PJSC LUKOIL on October 24, 2017

Our Goals

LUKOIL's Human Capital Management Policy, approved by the Board of Directors in 2020, is based on our robust corporate culture and a solid system of corporate values. Driven by many factors, the Company's success is primarily due to our staff at all levels, joined together as a close-knit team of professionals.

In our employment relations, we are guided by the laws of the countries where we operate, the conventions of the International Labor Organization, the principles of the UN Global Compact and the Universal Declaration of Human Rights, as well as the experience of international cooperation under the Industrial Global Union.

Our goals are as follows:
- Maximum flexibility of the Company in response to changes in the external environment, encouraging innovation and labor mobility among employees;
- Development of an effective talent management system compliant with international standards and providing equal opportunities to unlock the maximum potential of each team member to ensure high performance and productivity.

LUKOIL's Human Capital Management Policy is the fundamental document mandatory for all LUKOIL Group entities. It defines the HR strategy and guidelines to ensure the Company's consistent leading position as an 'employer of choice' on the international labor market.

The Policy is based on transparent principles aimed at creation of a stimulating work environment, involvement of all personnel in achieving the Company's strategic goals; fair assessment of each employee's contribution to overall success; fair compensation for performance and internal continuity by attracting, nurturing, and retaining talent.

Our goals are as follows:
- Maximum flexibility of the Company in response to changes in the external environment, encouraging innovation and labor mobility among employees;
- Development of an effective talent management system compliant with international standards and providing equal opportunities to unlock the maximum potential of each team member to ensure high performance and productivity.

The Policy sets out ground rules, mandates respect for human rights, equal rights and opportunities for all employees, zero tolerance for violation of human dignity or discrimination in any form or on any grounds.

The document reflects the rapid development of the digital environment and technology, leadership philosophy, and current trends in the labor market. Changes have been introduced in the main sections of the Policy. For example, there have been adjustments to the advanced development of employee competencies, the use of a flexible system of incentives and the establishment of key personnel, and steps to manage the effectiveness of workforce planning.

All employees are required to familiarize themselves with Company Policy at informational events held by LUKOIL Group entities and contribute to its implementation.

Improvement of the HR management system and its structure is ongoing and in line with our strategic goals and objectives and is intended to ensure the economic efficiency of LUKOIL Group's operations. In 2020, as part of developing the service management model, it was decided to establish LUKOIL-Multifunctional Business Support Center LLC to consolidate most services, including accounting, financial, HR administration, etc.

Before undertaking this change, employees met with their immediate supervisors and heads of LUKOIL-Multifunctional Business Support Center LLC, where the terms of the transition were explained and all questions answered.
PROTECTING WORKERS DURING THE CORONAVIRUS PANDEMIC

Our top priority in 2020 was protection of employees from the coronavirus pandemic and quickly restructuring production processes to adapt to the new conditions. All Group entities (in Russia and abroad) made great efforts to prevent mass infection and ensure continuous operation of production facilities, transport terminals, and gas stations.

We established a system of COVID-19 emergency response centers to make timely decisions and coordinate actions. PJSC LUKOIL supervised the centers’ operation. Every week the centers reviewed the infection rates and determined relief measures, including treatment arrangements in severe cases. All high-volume corporate events such as major meetings, drills, and other, as well as business trips, such as major meetings, drills, and other, as well as business trips, except for shift personnel, were canceled or moved to a later date. Oil product supply entities, where employees were at the highest risk of contracting the virus because of direct contact with customers, were provided continuous outreach and updates, including prevention brochures, and daily safety announcements. Customers were invited to fill up using the mobile app to minimize contact with gas station personnel.

The principal change in production processes was associated with transitioning a considerable part of our office staff to work from home — a new experience both for the Company and many of our employees. The Russian labor legislation has been amended concerning remote work, and the Company is now considering the possibility of introducing new approaches to organizing labor activities, including hiring employees to work from home on a full-time basis or alternating periods of remote work and work at an office location (combined employment).

From the very beginning of the pandemic, all personnel were provided with personal protective equipment (PPE) and disinfectants and were subject to mandatory health screenings at the entrance to the facilities and in the workplace. The process and form of food catering on the production and office premises were modified as well.

We also revised our primary health care system. Welfare services of the Group’s entities, together with health care contractors, successfully adjusted the operation of corporate health care centers to the new environment. Additional medical procedures were introduced, such as examination and testing of workers before starting their shifts; transportation methods for personnel to all production facilities and work terms in quarantine areas were modified; and ongoing monitoring of workers by trained medical professionals in these areas introduced. Additional medical personnel were engaged to monitor sick employees around the clock.

Unfortunately, we also had employees come down with severe cases of the virus, and it was imperative to provide medical assistance to them. The Company’s specialists promptly developed evacuation plans for very sick patients and established relations with the leading regional and federal medical institutions.

LUKOIL combined measures to protect its employees with assistance to medical institutions in the regions where the Group operates in order to keep families of our employees healthy and decrease the overall infection rate. We delivered large quantities of personal protective equipment, new devices, and expensive medications to treat patients. The Company funded the construction of a new laboratory in Kogalym, which now provides testing for coronavirus antibodies.

More information about LUKOIL’s assistance to the regions of operation can be found in the “Society” section of this Report.

The COVID-19 pandemic became the first serious test of the effectiveness of our medical departments. The results of 2020 proved the effectiveness of measures previously taken: we managed to prevent massive infection and contained isolated local outbreaks. All entities and gas stations continued to operate during the lockdown. In some cities, our gas stations remained practically the only open public places.

In addition to enhanced safety measures for LUKOIL employees, we also supplemented our contractual agreements by requiring mandatory compliance with sanitary regulations to contain the infection. In particular, workers were allowed to enter the oilfields only if they tested negative for coronavirus and after completing a pre-quarantine.

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In addition to enhanced safety measures for LUKOIL employees, we also supplemented our contractual agreements by requiring mandatory compliance with sanitary regulations to contain the infection. In particular, workers were allowed to enter the oilfields only if they tested negative for coronavirus and after completing a pre-quarantine.
EMPLOYMENT RELATIONS

LUKOIL is a large employer in Russia and abroad. We endeavor to apply uniform principles and approaches to working with our employees in all countries and regions of operation, taking into account local cultural specifics and legislative features. The principles and standards set forth in our Human Capital Management Policy and other local regulations are mandatory for all LUKOIL Group entities.

Human Capital Management Policy dictates that we conduct our activities under the principle of equal rights and opportunities and consider any form of violation of human dignity and discrimination on any grounds unacceptable.

The Company does not tolerate discrimination based on gender, race, age, or other grounds. The hiring process applies an equal opportunity approach to local applicants abroad, to men and women, to applicants with limited health abilities, to members of the indigenous minorities of the North, and to other social groups.

Recruitment in foreign countries

Our basic approach in all countries where we operate is to comply with legal requirements and employ the best professionals. In the Republic of Iraq, for example, foreign companies are required to hire at least 50 percent of the average headcount from local candidates. In the Republic of Uzbekistan, this number is at least 80 percent. (This requirement applies to both full-time employees and contractors.) We offer opportunities for locals to fill vacant positions and provide training if needed. In Bulgaria, Italy, Romania, and Belarus the share of local hires was 99 percent, in Uzbekistan — 93 percent, and 60 percent in Iraq.1

For applicants from special groups, jobs are provided based on statutory regulations and job openings that meet labor requirements. For example, the quota for hiring people with intellectual disabilities in the Company is 2–3% of the average number of full-time employees and is set separately for each region of LUKOIL’s operation.

Employees with appropriate qualifications are hired for management positions in our foreign entities. If personnel with the necessary qualifications and capabilities are not available on local markets, Russian employees are appointed to managerial positions in order to promote the same corporate culture throughout LUKOIL Group and to expand their capabilities by gaining professional experience in international projects. For this purpose, the Company has a pool of employees who can be rotated. Thus, the risk of a loss to efficiency is mitigated and the need for highly qualified and managerial personnel is promptly satisfied, regardless of the situation in local labor markets. At the same time, the opportunity to work in different business and cultural environments is a motivation for employees who value diversity.

Local employment in LUKOIL MID-EAST LIMITED (Basra, Republic of Iraq)

We provide mandatory and continuous safety and HSE training for all local personnel (new hires and existing employees). On-the-job training for employees is organized to improve qualifications and get promoted. In addition, annual professional training is offered to specialists at training centers in Iraq, the UAE, Turkey, and Egypt, along with internships at the Group’s Russian entities.

LUKOIL provides employees with career development opportunities. In 2020, more than seventy employees successfully completed a workplace internship program (Shadowing) and were appointed to supervisory (junior management) and engineering positions; three people interned to fill superintendent level positions (mid-level operations manager).

Information about local managers in foreign LUKOIL Group entities in significant regions of operation

<table>
<thead>
<tr>
<th>Region</th>
<th>Senior managers, people</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>including locals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belarus</td>
<td></td>
<td>28</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>Romania</td>
<td></td>
<td>80</td>
<td>89</td>
<td>88</td>
</tr>
<tr>
<td>Bulgaria</td>
<td></td>
<td>20</td>
<td>33</td>
<td>35</td>
</tr>
</tbody>
</table>

Notes.
1. The indicators of the “Our employees” section are calculated based on the headcount of employees in accordance with the GRI approaches, unless otherwise stated. At the same time, similar indicators may be presented in the Annual Report based on the average headcount.
2. Senior managers include the CEO (Managing Director / General Director) and their deputies for functional areas.
3. Local senior managers mean employees who are permanently registered or are citizens of foreign countries.

1 For applicants from special groups, jobs are provided based on statutory regulations and job openings that meet labor requirements. For example, the quota for hiring people with intellectual disabilities in the Company is 2–3% of the average number of full-time employees and is set separately for each region of LUKOIL’s operation.

Given our broad geographic presence, some indicators such as the share of local hires and the average salary are disclosed for each significant region. See the definitions of a significant region. In 2020, six foreign countries included in this paragraph of the Report are considered significant regions. Local employees are all employees of Group’s organizations, excluding seconded employees (defined in Appendix 1).
Gender equality
Despite the specifics of the oil and gas industry and the traditional prevalence of male employees, LUKOIL has maintained a balanced gender structure for many years.

We provide equal career development opportunities to all our employees. Gender monitoring of personnel job categories is carried out regularly. In doing so, we respect the desire of employees to achieve a balance between family and work. Parental leave, for example, is available to both women and men. We also encourage employee initiatives to develop groups based on specific interest. For example, a women’s club has been functioning at the refinery in Nizhny Novgorod since 2013.

Note.
The “Managers” category includes: CEO of a LUKOIL Group entity, Deputy Heads, Chief Engineer, Chief Accountant, Head of a branch, TPU, or another standalone business unit, other managers.

PERSONNEL CHARACTERISTICS
In 2020, the LUKOIL Group entities employed more than 100,000 people, most of whom worked under permanent employment contracts (93 percent) and full-time (99.7 percent)1. The personnel structure has remained stable for the last three years in terms of employee categories and age. The average headcount decreased by 1.7 percent over the three years, mainly due to normal retirement and, to a lesser extent, due to optimization of the organizational structure of business segments.

About half of the employees work in the Refining, Marketing and Distribution business segment, more than a third work in exploration and production entities, and about 14 percent are employed on a rotational basis. The employee turnover rate decreased in 2019 and continued dropping in 2020 (by 0.8 percentage points relative to 2019).

Details on personnel breakdown by different criteria (type of employment, type of contract, category) and other information according to GRI Standards are given in Appendix 7.

Note.
The headcount decrease in 2020 was due to the reorganization measures and the withdrawal of LUKOIL-INFORM LLC from the Group.

LUKOIL Group’s headcount and average headcount, people

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount</td>
<td>105,991</td>
<td>105,624</td>
<td>104,264</td>
</tr>
<tr>
<td>Average headcount</td>
<td>102,508</td>
<td>101,374</td>
<td>100,768</td>
</tr>
<tr>
<td>Turnover rate [%]</td>
<td>7.8</td>
<td>7.5</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Breakdown of LUKOIL Group employees by region, %

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>84.3</td>
<td>84.3</td>
<td>84.3</td>
</tr>
<tr>
<td>Europe</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Asia</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>2.8</td>
<td>2.4</td>
<td>0.1</td>
</tr>
<tr>
<td>North America</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Breakdown of LUKOIL Group employees by type of activity, %

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas production</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Oil product supply, Transportation</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Power generation</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Oil refining and petrochemicals</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

Note.
1. Hereinafter in the section, the estimates are based on the employee headcount as of December 31 of the reporting year (unless otherwise stated).
Choosing the best

Since 2011, LLK-International has been implementing the Prospects project targeting graduates of technical and economic higher education institutions. The main objective of the project is to recruit professionals in lubricant development and technology, and in commercial, economic, and financial sectors, on a competitive basis.

The Prospects partners include 19 universities in 10 cities (Moscow, St. Petersburg, Perm, Rostov-on-Don, Ufa, Yekaterinburg, Torroek, Moossdskr, Polotsk, Volgograd). The project has grown significantly thanks to the high involvement of the project team, which consists of more than 50 employees of LLK International, including the CEO, top managers, and even young interns. The competition is very popular, and the rivalry among contenders is quite intense: out of more than 5 thousand candidates, about 150 graduates have joined LLK-International over the past ten years. The competition consists of three qualifying rounds:

- **I round:** testing and interviews with candidates in chemistry, economics, and finance;
- **II round:** completion of individual assignments;
- **III round:** in-person interviews with the CEO, managers, and employees of structural subdivisions in the LLK International office in Moscow.

Winners receive a recommendation for a one-year internship as a management trainee at LLK-International, with an individual mentor assigned. Each project participant receives modular training to develop their soft skills and works with a mentor to expand their professional knowledge. This approach enables young specialists to develop the necessary competencies in lubricant development and technology, and in commercial, economic, and financial sectors, on a competitive basis.

Over the ten years of the Prospects project, two of its participants became managers in the Group’s foreign entities, two are department heads, and six are heads of Moscow office divisions. 13 people have been promoted to senior management positions. Thus, LLK-International has created a talent pool which is gaining unique knowledge through mentorship. Also, the Prospects alumni participate in scientific and commercial projects and contribute to LUKOIL Group’s overall business results, which was recognized during their performance evaluation: 15 employees won the corporate competition and were awarded the title “Best Young Specialist.”

### Indicators related to working with young employees and professionals, people

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of young employees</td>
<td>41174</td>
<td>39179</td>
<td>36955</td>
</tr>
<tr>
<td>Number of young professionals</td>
<td>1639</td>
<td>1423</td>
<td>1317</td>
</tr>
<tr>
<td>Young employees recruited, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• young professionals</td>
<td>16624</td>
<td>9427</td>
<td>7603</td>
</tr>
<tr>
<td>Number of students studying under agreements with LUKOIL Group entities</td>
<td>580</td>
<td>631</td>
<td>523</td>
</tr>
</tbody>
</table>

### Note

The decline in the total number of young employees aged under 35 and in the share of young employees in total headcount is due to employees exceeding the age threshold for the young employee category and the start of the pension reform in Russia in 2018, which mandated a gradual increase in the retirement age, as well as the general demographic situation.

For more information on the adaptation activities for new young workers and professionals and on the mentorship, please visit the website.

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1. The mentorship procedure is described in the Regulations on Induction of New Employees at LUKOIL Group Entities approved by a Resolution of the Management Committee of OJSC LUKOIL on December 15, 2008 (Minutes No. 32). The Regulations establish the procedure for organizing and holding induction events for new employees at LUKOIL Group entities.

2. Data as at 2020.
**SOCIAL POLICY**

We strive to maintain an effective employee remuneration system to facilitate social stability and to enhance the quality of life of our employees and their families. Company obligations which supplement those of the laws of the Russian Federation and international standards are set out in the Social Code of PJSC LUKOIL and the agreement between the employer and the trade union. Services under employee social programs are provided in both Russian and foreign entities and employees can participate in these programs irrespective of their employment terms (whether they are employed full or part-time).

**LUKOIL Group staff costs, RUB million**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>including</td>
<td>143,706</td>
<td>147,284</td>
<td>151,528</td>
</tr>
<tr>
<td>• payrolls</td>
<td>136,475</td>
<td>138,180</td>
<td>142,900</td>
</tr>
<tr>
<td>• social benefits and payments, social support for employees</td>
<td>8,403</td>
<td>8,125</td>
<td>7,971</td>
</tr>
<tr>
<td>• training</td>
<td>8,836</td>
<td>9,970</td>
<td>10,542</td>
</tr>
<tr>
<td>including in Russian entities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• payrolls</td>
<td>97,386</td>
<td>98,883</td>
<td>101,446</td>
</tr>
<tr>
<td>• social benefits and payments, social support for employees</td>
<td>5,876</td>
<td>5,670</td>
<td>5,403</td>
</tr>
<tr>
<td>• training</td>
<td>6,411</td>
<td>7,140</td>
<td>7,683</td>
</tr>
</tbody>
</table>

Notes:
1. Details of the scope of social services for employees are provided in Appendix 2.
2. Expenses on social benefits and payments and social support of employees include payments under collective bargaining agreements and do not include social payments from the wage fund.

**Cooperation with trade unions and employees**

LUKOIL enters into voluntary collective agreements and agreements between the administration and trade unions in Russia and abroad governing mainly additional norms to the requirements of labor legislation such as employment, observance of working and rest hours, occupational safety and health measures, the level of wages and the provision of agreed social benefits and guarantees. The Company does not prevent the activities of trade union organizations and maintains an ongoing constructive dialogue with trade union representatives.

Each new agreement on the level of compensations is a next step to improving the social benefits package and the level of social protection for employees increases as compared to the mandatory legislation.

**Motivation and wages**

In Russia, the minimum subsistence level is regulated by law, as is the minimum wage and how often it is paid. In 2020 the minimum rate of pay at LUKOIL entities in significant regions of operation in Russia was in line with or exceeded the regional minimum wage. The minimum rate of pay is the same for men and women and is determined based on duties performed, the complexity of work tasks and level of responsibility, and is established for each employee considering their education and practical experience. The initial salary at LUKOIL Group foreign entities is also at least equal to the minimum wage rate established by the labor laws of the country where LUKOIL Group operates, collective agreements, and/or local regulations.

The compensation strategy is constantly being improved in accordance with best practices. The Company is introducing a grade-based incentive system, which will make it possible to ensure the unity of payroll systems in different Group entities. In 2020, special attention was paid to building an incentive system for project staff: the possibility of awarding bonuses to employees at each stage of project implementation and based on project results was introduced. Measures were also taken to improve the incentive system for oil product supply employees.

At the end of 2020, average wages in significant operating regions in Russia, where large production, refining and energy entities operate, doubled the average wages in almost all these regions. In addition, the growth rate of wages in LUKOIL exceeded the growth rate of average wages in the regions.

Information about the ratio of average wages to average salaries in significant regions of operation is provided in Appendix 2.

### Awards of 2020

- The winners of the contest “Best Collective Agreement in the Oil and Gas Complex” of the Russian Oil, Gas and Construction Workers Union were collective agreements of the oil refinery in Nizhny Novgorod, “LUKOIL-West Siberia” and “LUKOIL-Integrated Oil Terminal”.
- The winners and awardees of the Contest of the Ministry of Energy of Russia for the best socially-oriented company in the oil and gas industry in 2020 were the oil refineries in Volgograd and Perm, the Stavrolen plant, as well as LUKOIL-AERO, LUKOIL-Tsentrnefteprodukt and the LUKOIL Sport Club.

The Agreements form the basis for concluding collective bargaining agreements in the Group’s organizations. All rights and guarantees set forth in the collective bargaining agreements shall apply equally to all employees of LUKOIL Group entities in the course of their trade union membership.

For detailed information on the trade unions social partnership system see the website.
Social support

The employee incentive system includes benefits and compensation established by the agreement and collective bargaining agreements between the employer and the trade union. Collective bargaining agreements and other local regulatory acts: A significant part of benefits and compensations is geared towards enhancing the quality of life of our employees, through maintaining their health, providing support to them and their families, offering them housing assistance, etc. Social benefits are also provided to retired employees.

Voluntary health insurance

According to the Unified Rules for Voluntary Health Insurance (VHI) for Employees of LUKOIL Group entities, all the employees working in LUKOIL Group’s entities (as a primary job) are entitled to VHI insurance. In 2020, amendments were made to the document, according to which newly hired employees (new hires) are subject to VHI from the end of the trial period stipulated by the employment contract, i.e. within one calendar month from the date of hiring. Employees can at their own expense widen the coverage of health insurance programs to meet their specific needs.

Pension benefits

Russian entities finance a corporate-defined pension plan that covers most employees. One type of plan is based on the number of years of service to the Company, the salary level as of the end of 2003, and any awards received during the entire period of employment in LUKOIL. The other type of the pension plan is calculated in proportion to the salary level. These plans are financed solely by LUKOIL Group entities. Also, employees have an opportunity to contribute to pension savings with the Company’s participation (up to 4 percent of employees’ annual salary).

411 thousand employees from the Group’s entities participate in the joint pension program (2019: 436 thousand). Employees of foreign entities are provided pension benefits in line with the laws of the country of operation as well as the local regulations of entities. Some pension plans are financed solely by employers, while others are based on contributions from both employees and employers.

Non-state pension coverage

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension liabilities, LUKOIL Group, RUB million</th>
<th>Number of former employees receiving a corporate pension, in Russia, people</th>
<th>Average non-state pension level, in Russia, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>8,916</td>
<td>49,441</td>
<td>2,272</td>
</tr>
<tr>
<td>2019</td>
<td>12,544</td>
<td>52,854</td>
<td>2,334</td>
</tr>
<tr>
<td>2020</td>
<td>13,794</td>
<td>53,519</td>
<td>2,261</td>
</tr>
</tbody>
</table>

Voluntary health insurance

The document establishes the requirements for the implementation of VHI for the employees in Russian entities of the Group. In foreign entities of the Group the Unified Rules are not binding, the employees are subject to VHI in accordance with the local regulations and employees’ labor contracts.

Housing program

As part of the corporate Basic Housing Policy of LUKOIL Group, invited and young professionals may receive assistance from the Company in acquiring housing in the form of partial payment of interest on bank loans. In 2020, 853 employees participated in the program (2019: 1,1 thousand people participated).

30 YEARS

Sustainability Report for 2020 LUKOIL Group

Thirty years ago, LUKOIL united three Siberian fields in Langepas, Urai and Kogalym (Western Siberia), which were joined by two oil refineries in Volgograd and Perm. It was then that the slogan “LUKOIL Is One Family” appeared, which in many ways defines the Company’s social policy towards its employees.

In a fundamentally changed economic environment, it was important not only to ensure the stability of the entities’ operation, but also to preserve the unique nature of our Company’s communities while learning to work together in a new way. Thanks to a forward-looking business strategy and constant interaction between the Company’s management and employees during collective bargaining negotiations, jobs at key production facilities were retained, as were many social forms of support. The corporate principles on wages and social benefits ensured a decent standard of living for the employees’ families even in times of crisis.

The collective bargaining agreements of many LUKOIL Group entities have been repeatedly recognized as the best in the industry at the regional and federal level in Russia. This confirms LUKOIL’s responsible position in implementing the human resources management policy.

1990

In 1994, a corporate non-state pension coverage program was launched

1993

Corporate social programs help employees to solve the most important issues for any family (difficult life situations, housing, health care, children’s education, etc.)

2020

A unified approach to social policy implementation was used, which was set forth in collective bargaining agreements, the Social Code, and the Human Capital Management Policy

Over 180 companies* within LUKOIL Group

Over 100 thousand people

More than 30 countries and 65 regions of Russia

As per IFRS, the list is provided in Appendix 1.
TRAINING AND DEVELOPMENT

Corporate training is a long-term priority area of our HR management policy. Our investments in employee training and development not only secure the Company’s strategic needs but also address the needs of our people. The Human Capital Management Policy sets out the principle of advanced development of employees’ competencies and their continuous improvement. Job descriptions, employee performance evaluations, and individual training plans determine the need for professional development. A supervisor may recommend or assign an employee to complete a specific training program depending on the need for skills that need to be improved to fulfill the tasks at hand. Employees are encouraged to be proactive and submit a training request to their supervisor. After approval, training is conducted under established procedures, the request is incorporated into the Personnel Training Plan. The effectiveness of every completed training is evaluated during the year-end employee performance assessment.

Our actions

Training programs

In Russia, employee training sessions are held at least once every three years for all target groups and personnel categories, considering their specialization, work experience, and role in the Company’s development. The following types of training are used:

- **Mandatory training** (additional professional education) is provided for the purpose of vocational training or advanced training. It is the employee’s responsibility to organize this type of training. Employees are sent for training to various educational organizations. Mandatory programs also include training and certification of employees in occupational health and safety and are conducted both remotely and in person.

- **Corporate training** is conducted as necessary in specialized educational organizations of higher education or in the Corporate Training Center (Astrakhan). The main purposes of this type of training are to improve employees’ qualifications or professional retraining, and to expand specialization in related areas. Training is conducted in different formats: seminars, practical courses, lectures, round tables, business games and others.

- **Trades.** The vocational education of workers is provided on a permanent basis throughout an employee’s entire working life. Employees may be seconded to educational institutions, undergo training directly at the workplace, as well as through self-education. The purpose of professional training of employees at the workplace is to constantly keep their skill level up to date with changing industrial and social conditions.

- **Program for project teams** Basic and specialized courses are held for project teams as part of the Integrated Project Management System. In 2020, 400 employees received an opportunity to complete this type of training.

- **Internal trainers and mentors.** The Institute of Corporate Trainers and the Institute of Mentoring are also elements of the overall training system. Internal business trainers actively work with filling station line personnel (operators and managers of filling stations) in Russia, based on the programs of the Corporate Competency Center.

Training is available for all target groups and personnel categories in Russia: managers, specialists, office clerks, workers, corporate employee pool, Group entities’ employee pool, “Mobile personnel”, young employees.

The largest part of training, including courses and programs on mastering new areas of knowledge and types of activity, as well as on acquiring modern competencies, is held in the Distance Learning System (DLS).

Training is evaluated during the year-end employee performance assessment.

Distance learning

The main goal of the DLS is to ensure that employees have the level of knowledge required by the Company. This goal is achieved through training and communication, assessment, and testing. The DLS helps to effectively achieve large-scale training objectives, to test employee knowledge for compliance with corporate and statutory requirements, and to develop professional and managerial competencies, as well as to enhance the personal effectiveness skills of employees.

In 2020, the total number of training hours using distance learning programs was about 7 million hours (in 2019: 2 million hours).

Employee training at LUKOIL Group entities in distance learning

<table>
<thead>
<tr>
<th>Scope of training, hours</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian entities</td>
<td>6,963,587</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>76,651</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,040,238</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope of training, person-courses</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian entities</td>
<td>461,644</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>8,731</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>470,375</td>
</tr>
</tbody>
</table>

By employee category

- **managers**                   | 53,242 |
- **specialists**                | 60,231 |
- **workers and other employees** | 156,082 |

The company also has a talent pool program and qualification centers. Detailed information is available on the website.
Our external social policy is formed in accordance with the principles of constructive cooperation and responsible partnership. We recognize the importance of regular interaction with residents of Russian regions and foreign countries where LUKOIL organizations operate.
KEY CHANGES AND RESULTS IN THE REPORTING YEAR

LARGER SALES OF PRODUCTS WITH IMPROVED ENVIRONMENTAL CHARACTERISTICS

LUKOIL GAS STATIONS’ MOBILE APPLICATION INTEGRATED WITH CUSTOMER INTERACTION LOYALTY PROGRAM HAS BEEN SUCCESSFULLY IMPLEMENTED. THE NUMBER OF APPLICATION USERS EXCEEDED 4.2 MILLION PEOPLE BY THE END OF 2020 (YOY GROWTH OF MORE THAN 1.4 MILLION PEOPLE)

A SHARED SERVICES CENTER FOR MONITORING THE QUALITY AND QUANTITY OF PETROLEUM PRODUCTS AT ALL GAS STATIONS IN RUSSIA WAS OPENED, ALLOWING AN ANALYSIS OF THE OPERATIONS OF THE GAS STATION NETWORK DOWN TO EVERY FUEL TANK TRUCK, STORAGE TANK, AND OPERATOR

TOTAL EXTERNAL SOCIAL SUPPORT EXPENSES WERE RUB 8.4 BILLION

CONTRIBUTION TO IMPLEMENTATION OF SDG

Total COVID Relief support (external social support) amounted to about RUB 1 billion

PLANS FOR 2021 AND THE MIDTERM

Development of an ecosystem for gas station customers as part of the partnership program service; continued digitalization.

Technology research for the further development of energy efficient hydraulic oils.

Continued implementation of social projects in the regions and countries of operation.

CONTEXT

The World Economic Forum (WEF) predicts that a drop in household income is one of the most probable and significant long-term risks for local communities in the post-crisis period, particularly in less developed countries. This will be driven by a spike in unemployment during the pandemic, when not even those able to work will regain a stable income, should the economy begin to recover.

The crisis has had a particularly detrimental global effect on the demographics most exposed to the adverse dynamics of the labor market, such as young workers. Therefore, supporting jobs for young people, small and family-owned businesses; and social entrepreneurs is critical to rebuilding communities.

Another equally pressing social issue is the long-term implications of the pandemic for public health, the effects of which remain as yet largely unknown. Such factors as COVID-19 side effects and delayed treatment will maintain pressure on local health care systems and affect the ability of the population to resume regular work schedules.

The crisis has also revealed gaps in the public education system, such as the lack of developed distance learning methods. This needs to be addressed by improving the infrastructure and the education of the teaching staff.

Productive and ongoing social dialogue and coordination among all parties involved will be crucial in developing effective countermeasures at the regional level. LUKOIL is ready to play an active role in effecting these changes.

Sustainability Report for 2020 LUKOIL Group

PRODUCTION QUALITY AND CUSTOMER RELATIONS

LUKOIL Group entities produce a wide range of products for various industries and vehicle owners in Russia, Europe, Asia, and the Americas. Our priorities are focused on meeting customer expectations, developing and launching new products with enhanced operational and environmental properties, and continuously improving quality management approaches. We make great efforts to get feedback from our clients on the quality of our products and related services. LUKOIL filling stations have a loyalty program for customers, which has grown in popularity each year.

Manufacturing and selling products with enhanced properties

LUKOIL branded products have enhanced properties that enable lower fuel consumption and reduce the content of hazardous substances in exhaust gases. The use of new and innovative products fosters improvements in safety and reduces negative environmental impacts.

LUKOIL's strategic focus is on continuously seeking opportunities to enhance the quality of its motor fuels and lubricants and adopting an approach of anticipatory compliance with the requirements of the markets where our products are sold.

The composition of our motor fuels was 100 percent compliant with environmental standard Euro-5 (environmental class 5) as early as 2012.

The combustion products of these new types of fuel contain less sulfur, soot, carcinogens, and other hazardous substances. The Company also produces innovative products for marine shipping, aviation, and industrial companies.

Share of products with enhanced properties, %

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of ECTO branded fuels (motor gasoline and diesel) in total retail sales of petroleum products in Russia and abroad</td>
<td>63</td>
<td>64</td>
</tr>
<tr>
<td>Share of environmentally safe marine fuel in total sales of bunker fuel</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Share of energy efficient lubricants in total production of lubricants (PVL + CVL)</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

LUKOIL is one of the largest suppliers of bunker fuel in Russia and for ports in Bulgaria and Romania. Environmentally safe marine fuel (IMDD-340/157 TSE) with 0.1 percent sulfur content meets MARPOL requirements related to the content of air pollutants in exhaust gas in SECAs and aquatic areas of the European Union. This product has been sold in the Baltic Sea aquatic area since 2011.

A monitoring system for lubricants, vehicles, and permanent facilities was implemented in 2020. The monitoring system represents a software and hardware complex powered by industrial internet technologies, which makes it possible to remotely monitor the condition of lubricants, as well as mobile and fixed facilities to preserve the quality of products.

Production of energy efficient and environmentally friendly oils and lubricants

Our priority in developing products of oils and lubricants is to create innovative products for meeting new types of equipment and machinery, as well as highly effective specialized products for various industries.

- LUK-International develops and supplies low-viscosity Genesis FE (Fuel Economy) oils to consumers in various countries. These oils help reduce fuel consumption by internal combustion engines and boost energy efficiency. In 2020, we successfully developed a low-viscosity engine oil for hybrid vehicles, approved under the new Daimler specification[4] and a low-viscosity engine oil for MAN trucks.

- We also produce environmentally friendly oils. Biodegradable products under the B10 bio (BIOUB, BIOCHAB, and BIODLUX) are supplied to the European market.

- Over time these oils degrade into components that, unlike synthetic oils, do not harm the environment.

- We continue to develop fully biodegradable hydraulic fluids and coolants.

- Special hydraulic oils that can be degraded in Arctic conditions are being developed.

ootnote{1. Add the data on production volume.}

Average satisfaction level of consumers

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>90</td>
</tr>
</tbody>
</table>

LUKOIL is a member of the Waste Recycling (LLK) International Association since 2018 until 2020.

Sociology

LUKOIL continued to develop collaboration with several leading world manufacturers of equipment and machinery. For example, we expanded our relations with Volkswagen, a major car manufacturer in Russia and Europe. LUKOIL became the principal supplier of lubricants for MAN engine plant in Nuremberg, Germany.

LUKOIL-International had been a member of the Waste Recycling Association since 2018 until 2020.

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</tr>
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</table>

Three liquefied petroleum gas (LPG) sales facilities with a total sales volume of about 3 tonnes per year were commissioned in 2020. The fuel product line provides for more environmentally friendly fuels. In 2021, we plan to open additional LPG facilities with a total sales volume of over 28 thousand tonnes per year and to launch a pilot project for the installation of a compressed natural gas module (with a capacity of over 9 thousand tonnes per year) at a filling station in Nizhny Novgorod.

Transition to the Guaranteed Oil Product Delivery system from tank farms to end-user customers on track. For instance, the LUKOIL-Tuareg and LUKOIL-Gas product filling stations have completely switched to this system; so have the LUKOIL- Transparent and LUKOIL-Expert product filling stations in six regions, and LUKOIL-Uralnefteprodukt in four regions of operation — a total of about 67 percent of filling stations have been enrolled in the system to date. The guaranteed delivery system ensures the quality and quantity of transportation fuel and reduces the number of technological operations that expose filling station personnel to hazards.

1. The IMO 2020 Convention for the Prevention of Pollution from Ships, as revised in 2017, MARPOL, 73/78.
2. Russian Ministry of Transport.
3. Biofuel blends are blends of motor gasolines and ethanol (up to 10%) or diesel fuel and fatty acid methyl esters (allowing for a motor gasoline density of 0.755 kg/L).
4. The approach for calculating the indicators was changed in October 2020. The survey is conducted among retail and wholesale clients — oil and lubricant consumers. Percentage of responses attributed to clients satisfied with product quality is indicated. Corporate customer satisfaction in 2020 reached 95%.

Improving the quality of services at filling stations

The four-year program for the reconstruction of filling stations along the federal highways of Russia and in regional centers was completed in 2020. 236 filling stations underwent renovations during this period. This program made it possible to improve the quality of service and expand the range of services provided.
Following extensive upgrades, LUKOIL’s oil refineries began to produce world-class motor fuels, including high-octane automobile gasoline, low-sulfur diesel fuel, and universal motor oils as early as the mid-1990s. The social result of these changes was evident as people in the areas of operations gained access to affordable and safer fuel, and the air in the cities became cleaner. Apa...
EXTERNAL SOCIAL POLICY PRIORSITIES

External social program management system

ELEMENTS OF THE MANAGEMENT SYSTEM

PRINCIPLES

The Company’s social responsibility principles are defined as follows: continuity of business; economic feasibility; control over the performance of obligations and public reporting; The Company’s charity and sponsorship priorities and the mechanisms for their implementation and assessment have also been established.

PRIORITIES

Environmental protection, the development of science and education, the preservation of national and cultural identities, and sponsoring culture and sports and supporting socially vulnerable groups.

INTERACTION WITH THE REGIONS WHERE WE OPERATE AND WITH LOCAL COMMUNITIES

PJSC LUKOIL’s external social policy is executed using the following mechanisms:

- social and economic cooperation agreements with constituent entities of the Russian Federation
- Social and Cultural Projects Competition
- charity projects and programs
- support for the indigenous minorities of the North
- corporate volunteering
- sponsorship

ASSESSMENT OF PROJECTS

The main criterion for selecting projects we will support is their potential contribution to resolving local issues.

Our methods of assessing the efficacy of implemented projects include:

- meetings with stakeholders to discuss the effective implementation of cooperation agreements;
- regular monitoring of the social and economic situation in Russian regions;
- meetings with residents of Russian regions (roundtables, dialogue sessions, conferences).

Our actions

We recognize the importance of regularly interacting with the residents of the Russian regions where LUKOIL entities operate. Our external social policy focuses on the interests of territories and local communities, and is based on the principles of constructive cooperation and responsible partnership.

Thanks to its state-of-the-art production facilities and stable employment, the Company is a big employer and taxpayer and contributes to maintaining a stable social and economic situation in most Russian regions where the Group’s entities operate.

The Company’s tax payments to budgets of all levels in 2020 amounted to RUB 782.7 billion, including about RUB 71 billion to the consolidated budgets of the constituent entities of the Russian Federation.

Even amid challenging conditions caused by the pandemic and economic downturn, the Company succeeded in implementing its production plans and investment programs, ensured steady operation of its industrial facilities, the output of petroleum products, and timely payment of taxes and other payments to all levels of the budget. There were no staff layoffs despite volume drop-offs under the OPEC+ agreement and severe restrictions as part of the anti-COVID-19 measures.

The Social Code of PJSC LUKOIL:

The Social and Cultural Projects Competition:

Our partner in the “More than Just a Purchase” program is the “Our Future” foundation of regional social programs:

Natalia Komarova

Governor of the Khanty-Mansi Autonomous Area — Yugra

“¨There is an oriental wisdom friendship doubles joy and halves grief. Fortunately, Yugra has a friend who operates according to this rule, — and this is LUKOIL Company. Our collaboration is not a game, predictable mechanisms are in place. We highly value this kind of collaboration.”

Our charity programs are focused on improving the social climate and quality of life of the population, our employees and their family members and embody the Company’s response to pressing social issues. Our social priorities have remained unchanged for over a quarter of a century, and are the same for all the regions and countries where LUKOIL Group entities operate. Many programs and regional projects are long-term and are financed by the LUKOIL Charity Fund (the LUKOIL CF or the Fund) and directly by LUKOIL Group entities.

LUKOIL’s base towns in Western Siberia — Langepas, Urai, and Kogalym — celebrated anniversaries in 2020. They are now among the most well-equipped and comfortable places on the map of Russia.

According to the Governor of the Khanty-Mansi Autonomous Area — Yugra, Natalia Komarova, “LUKOIL has contributed a lot to the social and economic development of the regions and countries where our company operates. Lessons from these years will be invaluable for us in the future. We highly value this kind of collaboration.”

The Social of PJSC LUKOIL:

The LUKOIL Charity Fund Non-Profit Organization:

The Social and Cultural Projects Competition:

The Social of PJSC LUKOIL:

The Social and Cultural Projects Competition:

The Social and Cultural Projects Competition:

The Social and Cultural Projects Competition:

The Social and Cultural Projects Competition:

The Social and Cultural Projects Competition:
Dmitry Makhonin

Governor of the Perm Territory

Together we have conducted numerous projects: we have built new schools and kindergartens, build and repaired health centers, improved gardens and parks. Having signed the agreement, we are confident our collaboration will continue. This is important for us; we have 300th anniversary of Perm ahead with many large events planned, and we will continue conducting projects in territories, for instance, on the development of rural culture centers.

In 2020, LUKOIL Group continued to support high-profile, socially significant events. Our projects promote children’s personal development, improve their health, and help them prepare for adult life. By supporting disabled people, we not only provide them with financial assistance, but also help them master new life skills.

Regional support in the fight against COVID-19

Since the outbreak of the coronavirus pandemic, LUKOIL has been providing support both in Russian regions and abroad to treat patients and fight the spread of the disease. The Company donated about RUB 8.4 billion, including charity social projects and events under 29 cooperation agreements with constituent entities of the Russian Federation. Concurrently, significant funds were allocated to protect people from the COVID-19 pandemic.

In 2020, LUKOIL Group continued to support high-profile, socially significant events.

**Social projects make it possible to build and renovate kindergartens, schools, sports facilities, medical centers, hospitals, cultural institutions, and other socially significant facilities. In 2020, due to the COVID-19 pandemic, we had to cancel mass events that were supposed to take place as part of several projects and adjust other plans, some events were rescheduled and some were held using other formats.**

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**Sustainability Report for 2020 LUKOIL Group**

**Regular areas of support**

**SUPPORT FOR ORPHANED CHILDREN, DISABLED PERSONS**

**Areas of external social policy**

We support public institutions that look after orphaned and abandoned children, as well as the children themselves. Our programs promote children’s personal development, improve their health, and help them prepare for adult life. By supporting disabled people, we not only provide them with financial assistance, but also help them master new life skills.

**Selected social policy initiatives**

- We partner with public agencies and foundations that provide support to children, including those with disabilities. For example, the Children with Central Nervous System Support Foundation received custom-made wheelchair for children in Kogalym, Langepas, Ura, Pokachi, Nogay, Pokvis, Budennovsk, in the Komsomol republic, and in the republic of Udmurtria. The Yarmie Charity Foundation (the Khanty-Mansi Autonomous Area – Yugra), with the Company’s support, organized diagnostics, and medical treatment for 140 children with disabilities as well as rehabilitation and correctional therapy in specialized centers nationwide.
- The “Museum without Borders” project (Pokachi, Khanty-Mansi Autonomous Area – Yugra) helped to create a barrier-free environment for children and adults with disabilities: a ramp with a call button and a sensory information booth with development and educational games were built. Information on the Yugra wildlife and culture of indigenous people and the art of Yugra artists have been included in special education programs.
- Cognitive aids were purchased, and sensory maps were prepared to facilitate the museum experience for visitors with disabilities.
- In Uzbekistan, families with disabled children from the Dekhkanabad district of Kogalym, Langepas, and people with disabilities received charitable assistance during the lockdown following the request from the Khokimiyat of Alat district of Bukhara province. We also provided support to charitable foundations that addressed the spread of the coronavirus infection (Mehr va Shoqat, Kogalym and Tyndarya branches of the Region Avid Uchun charitable foundation).

**Areas of external social policy**

We believe that our programs for the younger generation and young oil industry specialists will make a valuable contribution to the future well-being of society. The Company is working with oil industry higher and secondary educational institutions to ensure that the educational process is organized in accordance with the highest standards. The institutions use financial support from the Company to create research centers, laboratories, and academic departments; purchase equipment, and publish new textbooks and collections of articles about the oil and gas industry.

**Selected social policy initiatives**

- In 2020, we also continued to support traditional education programs. Since 2010 we have been sponsoring high-potential students, young teachers, and job training instructors by providing individual scholarships and grants.
- In 2020, the scholarship program covered 14 higher education institutions and three colleges, and the grant program covered one high school, eight higher education institutions, and four colleges. LUKOIL Group entities also support educational initiatives in regions where they operate and implement programs that have wide coverage.

**Irina Chelysheva**

Director of “Aliy Parou” social shelter (Nizhny Novgorod Region)

“We are grateful to LUKOIL Company and LUKOIL Charity Foundation for sensitive and careful attitude towards our establishment and the children. Annually, they provide substantial support, and never refuse to help solve our problems. For example, this year the Company assisted us in carrying out full repair of girls’ bedroom. Many thanks for your contribution!”

**EDUCATIONAL PROGRAMS**

**Areas of external social policy**

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In 2020, LUKOIL became the key partner of the “I am a Rescuer” educational event for schoolchildren to mark the 30th anniversary of the EMERCOM of Russia. According to the preliminary reports on the competition, 12 children spent a day with an emergency
Sustainability Report for 2020 LUKOIL Group

Areas of external social policy

Social and Cultural Projects Competition

More information about social projects LUKOIL supports can be found on the Facebook page.

Social and Cultural Projects Competition Results

Number of projects participating in the Competition, units

Number of winning projects, units

Financial support for winning projects, RUB million

Supporting Healthcare Institutions

Areas of external social policy

Selected social policy initiatives

Selected projects that were financed in 2020

Areas of external social policy

Environmental Policy

Society

LUKOIL Group

SOCIETY

07

Operating Company. Two pilot robotics classes were opened at secondary schools and fitted with the latest equipment. Children will learn programming, mathematics, physics, and algorithmic fundamentals, which will later help them decide on their future education and career.

More details can be found on our corporate website:

SUPPORTING HEALTHCARE INSTITUTIONS

Areas of external social policy

Selected social policy initiatives

Selected projects that were financed in 2020

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Environmental Policy

Society

LUKOIL Group

SOCIETY

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Selected projects that were financed in 2020

Areas of external social policy

Environmental Policy

Society

LUKOIL Group

SOCIETY

07

Operating Company. Two pilot robotics classes were opened at secondary schools and fitted with the latest equipment. Children will learn programming, mathematics, physics, and algorithmic fundamentals, which will later help them decide on their future education and career.

More details can be found on our corporate website:

SUPPORTING HEALTHCARE INSTITUTIONS

Areas of external social policy

Selected social policy initiatives

Selected projects that were financed in 2020

Areas of external social policy

Sustainability Report for 2020 LUKOIL Group

ENVIROMENTAL PROJECTS

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07
Elmira Zaripova  
Minister of Labor, Employment and Social Policy of the Republic of Tatarstan

"Company’s support covers many issues relevant to families raising many children, and also the ones with disabled children. For instance, the projects context facilitates the restoration of historic and cultural heritage, strengthening volunteer movements. 100 social welfare institutions have become grant holders. There have been 493 projects implemented in this area. A number of project practices have been rolled-out across the whole republic.”

Areas of external social policy

The Company is committed to fostering conditions that preserve national and cultural traditions and crafts in regions of operation, and supports various types of art, especially classical, as well as the territories where cultural monuments are located, including those representing valuable or particularly vulnerable cultural heritage sites. Numerous projects to preserve cultural heritage have been implemented. This program is aimed at developing Russian culture, promoting spirituality, and preserving national values. For many years we have supported museums, theaters, performance groups, and festivals. We take part in organizing exhibitions and concert tours, restoring cultural heritage sites, and repairing cultural and art centers in Russian regions.

Selected social policy initiatives

The Company has traditionally supported various cultural events in the Moscow Kremlin Museums — the exhibitions “Cari Fabergé and Fedor Rukavishnikov. Masterpieces of Russian enamel,” Alexander Benois. On the 150th Anniversary of the Artist’s Birth; “Collection of V. Kukovsky”, at the State Historical Museum — “Fyodor Rokotov. Collection of the Historical Museum” exhibitions at the Tretyakov Gallery — “Magic Bolshoi” exhibition; at the P.M. Dogadin Astrakhan State Art Gallery — “Russian enamel,” “Alexander Benois. On the 150th Anniversary of the Artist’s Birth; “Collection of V. Kukovsky”. There have been 493 projects implemented in this area. A number of project practices have been rolled-out across the whole republic.”

SUSTAINABILITY REPORT FOR 2020 LUKOIL GROUP

SOCIETY 152

CULTURAL HERITAGE PRESERVATION PROGRAMS

The cultural and exhibition center of the Russian Museum was opened with the Company’s support. Its first expedition was a collection of paintings by Vasily Kukovsky, a prominent patron and businessman of the 19th century, which included about 50 works by Karl Bryullov, Alexey Venetsianov, Vasily Troppman, and others. There are plans to open a Museum and Exhibition Center in Kogalym — a branch of the Russian Museum, similar to the previously opened branch of the Malay Theater. Kogalym is becoming the true cultural center of Ugra.

The Tchaikovsky Symphony Orchestra, The Moscow State Tchaikovsky Conservatory, and other companies also received support. A project was also organized with the Novaya Opera soloists V. Ladyuk and A. Tatarintsev to give “Our Favorite Melodies” benefit concerts in Volgograd and Kotovo. In addition to the above-mentioned projects, the Company also supported cultural centers and performance groups in various towns and villages across Russia.

Since 2000, LITASCO has been proud to partner with the Geneva Chamber Orchestra, renowned for its unique sound, based on a historical interpretation of works in classical and baroque styles. Together with the Geneva Chamber Orchestra and the LITASCO, Kogalym is participating in extraordinary musical events such as the new traditional Geneva Christmas Concerts.

Areas of external social policy

LUKOIL’s sports program is geared towards promoting healthy lifestyles and sports. We help both professional and amateur athletes, support the Olympic movement, and organize corporate wellness programs. Special emphasis is placed on the development of children’s sports. All sports projects are operated by the LUKOIL Sports Club. We continuously support the following sports: soccer, racing, basketball, competitive skiing, water polo, handball. The Company also assists in organizing various competitions and city sports festivals.

Sustainability Report for 2020 LUKOIL Group

SOCIETY 153

Selected social policy initiatives

Thanks to the Company’s support, Russian car racers (LUKOIL Racing Team), FC Spartak, the national skiing team, United Basketball League athletics, and numerous regional teams have recorded impressive victories in various sports. All professional clubs supported by LUKOIL develop children’s sports.

In addition, the Company supports the development of youth soccer at the international level (Children’s Champions Cup, Lukol Cup; Children’s Soccer League). Attention is also paid to sports veterans — LUKOIL is a founder of the Russian Olympians Foundation. The initiatives of the LUKOIL Sport Club are intended for young athletes, amateur and professional athletes, and disabled people. Children’s tournaments were held with LUKOIL’s support in 2020, including handball tournament among schoolchildren (Astrakhan Region), traditional ballroom dancing tournament in adaptive equestrian sports for athletes with disabilities (Nizhny Novgorod Region), and disabled people (Kogalym, the Kogalym Municipal Paralympic Sports Federation). The project of the Kogalym Municipal Paralympic Sports Federation encouraged children and adults with disabilities to take regular table tennis lessons.

Growth of the Olympic heroes. Every year from 10 to 15 winners are selected. Since 2018, the Company has been building a running community. The corporate LUKOIL TRIATHLON TEAM, as well as the LUKOIL RUNNING CLUB, established in 2020. Bring together running enthusiasts among the Company’s employees in Russia and abroad.

In 2020, the Uni Arena sports complex was opened in the Khanty-Mansi Autonomous Area — a field with an area of about 2 thousand square meters, built entirely with the Company’s charitable donations. The complex was designed in accordance with international standards and features a hockey field, a gym, and other facilities. The sports complex “OLYMP” was reconstructed in Kogalym; it will accommodate students of the mathematics and sports school. The Key to Start project (Ura. Khanty-Mansi Autonomous Area—Yugra) equipped a training facility for rocket and aeromodelling classes, which helped encourage more children to participate in technical sports. Ten club trainees have won first and second places in the open city and regional competitions.

In Perm, a tourist trail around the Yugovskoye Pond was equipped for running enthusiasts among the Company’s employees in Russia and abroad. The sports complex “OLYMP” was reconstructed in Kogalym; it will accommodate students of the mathematics and sports school. The Key to Start project (Ura. Khanty-Mansi Autonomous Area—Yugra) equipped a training facility for rocket and aeromodelling classes, which helped encourage more children to participate in technical sports. Ten club trainees have won first and second places in the open city and regional competitions.

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LUKOIL Group

Society

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Corporate volunteering

The practice of volunteering in campaigns and events for the benefit of the residents of cities and villages has long been part of LUKOIL’s corporate culture. Our young employees organize their own volunteer projects and participate in local initiatives. Despite the large variety of campaigns, our volunteers from all regions wherein LUKOIL operates have shared priorities. These include the following types of support and social participation:

- Support for war and oil industry veterans, visiting the elderly, helping them around the house, and giving them gifts.
- Care for children — visits to orphanages and patronage of child welfare institutions, organizing related events and campaigns.
- Environmental campaigns — cleaning up nature reserves, planting trees in cities.
- Sporting events — bicycle rides, races, relays, rafting, hiking, etc.
- Charity fairs and city festivals to encourage residents of cities and villages to provide charitable aid to their neighbors.

Social entrepreneurship

The “More Than Just a Purchase” project is a unique joint initiative between LUKOIL Group Russian entities supplying oil products and the “Our Future” Foundation of Regional Social Programs. Its purpose is to support social entrepreneurs who get the opportunity to sell their products at the Company’s filling stations. Buying project-branded goods help provide jobs for people with disabilities, retirees, and other socially vulnerable groups. The project remained active during the pandemic. In 2020, 15 new social entrepreneurs started offering their products at LUKOIL’s filling stations. As of December 31, 2020, 122 suppliers were participating in the project (107 in 2019). This is the largest network of operating social entrepreneurs in Russia who are also represented online.

In light of the challenging economic situation faced by many businesses, including social entrepreneurs, due to the spread of the coronavirus infection, the Our Future Foundation allocated RUB 11.6 million to support social entrepreneurs during the pandemic. More details about the project can be found on the website: [link]

Supporting indigenous minorities of the North

The first three organisations that joined LUKOIL in 1991 operated in the Khanty-Mansi Autonomous Area — Yugra, home to the indigenous peoples of Siberia — the Khany and Mansi. That is why relations with the Indigenous Minorities of the North (IMN) have been a focus of development since the Company started its operations. In the 2000s, LUKOIL’s areas of operation were expanded to include new northern regions (the Nenets Autonomous Area and the Yamal-Nenets Autonomous Area).

We share the principles enshrined in the UN Declaration on the Rights of Indigenous Peoples, the UN Global Compact, and the Resolution of the World Conference on Indigenous Peoples, and are committed to ensuring a harmonious balance between the economic activities of LUKOIL Group entities in the territories of indigenous minorities of the North and the latter’s interests in preserving their traditional lifestyle and economic activity.

The Company has a history of signing economic agreements with the heads of traditional resource-use areas in the Khanty–Mansi Autonomous Area — Yugra and agreements on the social and economic development of deer farms in the Yamal–Nenets Autonomous Area. Compensation includes cash payments, goods, transportation, and services.

For almost 20 years, we have been implementing the Red Chum project to preserve the health of nomadic indigenous people of the Arctic in the Nenets Autonomous Area. In 2020, due to the pandemic, health check-ups for reindeer herders and their families by mobile medical teams had to be cancelled. However, LUKOIL still donated funds to purchase an EEG unit for use in the future once the quarantine is over.

The Company has established and successfully operates mechanisms that allow indigenous minorities of the North and their organizations to contact the Company and request assistance or protection of their rights. In 2020, the Group’s entities operating in Khanty–Mansi Autonomous Area — Yugra and NAO received no requests from the IMNs regarding COVID-19 or assistance to prevent the spread of infection. At the same time, personal protective gear and medical equipment were sent to the administrations of both areas to provide on-site treatment.

Dmitry Artyukhov

Governor of the Yamal–Nenets Autonomous Area

“We see Company’s careful and professional attitude towards our region. The document we have signed today — the agreement on collaboration — continues good traditions that have been established between LUKOIL Company and Yamal, founded on mutual benefit and positive social impact. We consider it key issues of Yamal people. Special thanks for assistance in the development of children’s sports and children’s medicine: by providing financial support for many social projects we are capable of solving the hardest challenges.”

Supporting indigenous minorities of the North in Russia as part of licensing obligations, RUB million

<table>
<thead>
<tr>
<th>Year</th>
<th>Khanty-Mansi Autonomous Area — Yugra</th>
<th>Nenets Autonomous Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>384</td>
<td>31</td>
</tr>
<tr>
<td>2018</td>
<td>396</td>
<td>31</td>
</tr>
<tr>
<td>2017</td>
<td>386</td>
<td>31</td>
</tr>
</tbody>
</table>

There were no cases of involuntary resettlement of indigenous people during the LUKOIL Group’s operations in the traditional settlement areas, and/or areas of economic activities of the indigenous minorities of the North in the reporting year. Also, no inquiries were received regarding violation of the rights of indigenous peoples of the North.

Further details on the system of relations with the IMNs can be found on our website.

LUKOIL cooperates with the “Our Future” Foundation only as part of the “More Than Just a Purchase” project. PJSC LUKOIL has no involvement in the design and implementation of the Foundation’s programs.

“Our Future” Foundation was created on the initiative and using private funds of the President of PJSC LUKOIL, V. Kamyshov (https://ourfuture.org/ru/).

Social entrepreneurship refers to a special type of activity aimed at resolving or mitigating social issues using income from economic activities. Both small businesses and non-profit organizations can be social entrepreneurs.
CONCLUSION

In this Report we have covered how LUKOIL tackled new challenges that our Company and the whole world faced in 2020. Every Sustainability Report demonstrates changes made by LUKOIL, innovations in our work and our investments, all of which support our commitment to sustainable development principles and acknowledge our responsibility to reduce the climate impact of our Company.

We continue to develop our priority projects, thus helping to reduce GHG emissions and improve the sustainability of the Company over the long run. We also invest in energy conservation and renewable energy programs. We have demonstrated our commitment by using a responsible approach to activities in the Arctic zone, including ongoing efforts to enhance pipeline reliability.

For many years LUKOIL has been a pioneer in supporting the sustainable development goals and responding to climate change risks facing the Company, Russia and the whole world. We will keep upholding these views and we will be presenting our contribution in future reports.

The responsibility we have demonstrated for the past 30 years gives us every confidence as we look towards the future!

APPENDICES

Appendix 1. LUKOIL Group’s structure as per IFRS (PJSC LUKOIL share of more than 50%)

Russia

Exploration and production

Oil and Gas Production in Russia business sector

LLC LUKOIL-AIK
SP Neftestroy
LLC LUKOIL-West Siberia
LLC ChumpassNeftDoibytsya
LLC LUKOIL EP Service
LLC LUKOIL-Kaliningradmorneft
LLC UTTiST
LLC LUKOIL-Komi
LLC LUKOIL-Nizhnevolzhskneft
LLC LUKOIL-Nizhnevolzhskneft-Kalmykiya
LLC LUKOIL-Perm
LLC LUKOIL-UralOil
LLC Perm-Invest
LLC RITEK
LLC NK Yugranefteprom
LLC TURISJNT
LLC LUKOIL-Engineering
JSC Lychakgeologiya
JSC Nizhnechirskgeologiya
JSC Sports and Cultural Complex
JSC Talinskoye

Refining, Marketing and Distribution

Oil Refining in Russia business sector

LLC LUKOIL-Volgogradneftepererabotka
LLC LUKOIL-Nizhnegorodnefteorgsintez
LLC LUKOIL-Perminnefteorgsintez
LLC LUKOIL-Ukhtaneftepererabotka
Petrochemicals business sector

Other entities related to Refining, Marketing and Distribution business segment

LLC INTESMD
LLC LUKOIL-KGPZ
LLC LUKOIL MarinBunker
JSC Morskoye Agentstvo Novotorik
LLC Dombunker
LLC LUKOIL-NAVIA
LLC LUKOIL-International
LLC LLK Marin Rus
LLC LUKOIL-AERO
LLC LUKOIL-AERO-Domodedovo
LLC LUKOIL-AERO-Zapad
LLC LUKOIL-AERO-Vostok
LLC TZK-Arkhangelsk
LLC LUKOIL-Nizhegorodnnefteprodukt
LLC LUKOIL-Rezervinefteprodukt
LLC LUKOIL-RNTP-Trading
LLC LUKOIL-Aero
LLC AERO-NEFTO

Transportation business sector

LLC LUKOIL-Trans
LLC Varniiskaya Terminal
LLC LUKOIL-Varnoe -AVA
LLC RPK-Vysotski LUKOIL-IV
LLC LUKOIL-JNT
JSC LUKOIL-Chernomorney

Oil Product Supply in Russia business sector

LLC LUKOIL-Rostovnefteprodukt
LLC LUKOIL-Severo -Zapadnefteprodukt
LLC LUKOIL-Uralnefteprodukt
LLC LUKOIL-Tsentrnefteprodukt
LLC LUKOIL-Yugnefteprodukt
LLC LUKOIL-Inter-Card

Other entities related to Refining, Marketing and Distribution business segment

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LLC LUKOIL MarinBunker
JSC Morskoye Agentstvo Novotorik
LLC Dombunker
LLC LUKOIL-NAVIA
LLC LUKOIL-International
LLC LLK Marin Rus
LLC LUKOIL-AERO
LLC LUKOIL-AERO-Domodedovo
LLC LUKOIL-AERO-Zapad
LLC LUKOIL-AERO-Vostok
LLC TZK-Arkhangelsk
LLC LUKOIL-Nizhegorodnnefteprodukt
LLC LUKOIL-Rezervinefteprodukt
LLC LUKOIL-RNTP-Trading
LLC LUKOIL-Aero
LLC AERO-NEFTO
Appendix 2. Identification of material topics of the Report

The procedure for determining the material topics of the Report is performed in accordance with the Global Reporting Initiative (GRI) standards, with a focus on SASB standards and SDGs.

Methodology

For the reporting purposes, a material topic is a topic that reflects the Company’s significant long-term economic, environmental and social impact (positive or negative) on the countries/regions of operations and local communities, and/or affects the interests of stakeholders that may affect stakeholders. Each material topic includes a number of issues that may be rather specific to a particular territory or a time period, and, accordingly, those may vary from report to report.

Our goal is to continuously improve the quality of corporate sustainability reporting and its informative value to stakeholders. To attain this goal, we use the following procedures and tools:

- stakeholder engagement during a reporting year in various formats (roundtables, responses to inquiries, surveys of customers and employees, working groups, participation in external initiatives, etc.) analysis of the results of an audit and external assurance of the report for the previous reporting period participation in ratings (ESG and sustainability);
- analysis of sustainability reports of oil and gas companies, analysis of media publications, analysis of legislative requirements for non-financial information disclosures, requirements of financial platforms, monitoring of non-financial reporting systems and major initiatives in this area surveys of PSC LUKOIL unit heads, heads of LUKOIL Group entities, members of the Board of Directors and the Management Committee (once every two years), ranking of material issues and issues based on the results (scoring is applied).

The findings of the analyses are presented as a list of relevant issues. Based on qualitative analysis (repeatability, scale, rating/issued by managers of PSC LUKOIL, etc.), material issues are identified and grouped into material topics. The Sustainability Task Force approves the list of material topics. The Non-Financial Reporting Regulations are being developed by LUKOIL Group. Material topics and issues identified for 2020 can be found in the opening section of the Report.

Stakeholder survey

A stakeholder survey was conducted in 2020 in six regions of operation of LUKOIL Group entities in Russia (the Komi Republic, the Nenets Autonomous Area, the Kaliningrad Region, the Khanty-Mansi Autonomous Area — Yaguz, the Volgograd Region, the Stavropol Territory).

Purpose and content of the survey.

The purpose of the survey was to analyse opinions on topics that are relevant to the regions and which should/can be reflected in the 2020 Sustainability Report. A sociological study of regional residents’ opinions on current socio-economic and environmental territorial problems, as well as on the Company’s activities in those regions, was not the objective of the survey. The general request was worded as follows: “Please select and mark the topics that you consider important in connection with LUKOIL’s activities for you/your region/country to be reflected in the report.”

Survey participants.

A total of 154 completed questionnaires were returned by respondents (see the chart). The largest number of responses was received from public and non-profit organizations and representatives of local authorities (the “Society” stakeholder group).

Methodology of results processing

The questionnaire included material topics and issues reflected in the LUKOIL Group Sustainability Report 2019. The participants were given an opportunity to evaluate the degree of importance of each issue in terms of how it should be reflected in the LUKOIL Group Sustainability Report 2020. “Most important topics (mandatory reflection)”, “Medium importance (desirable reflection)”, and “Low importance (brief reflection)”. Each answer was given a score (3 being the highest and 1 — the lowest in terms of importance). Respondents were also given the opportunity to add important topics missing from the list and to indicate their materiality. When summarizing the results, the generic topic “Charity” was not estimated in scores. Instead, respondents were asked to indicate projects that were relevant to the region.

According to the response analysis, the most important issues for the residents of the regions were issues of the quality of life or those that help to gain confidence in the future (the availability of jobs, environmental well-being, and prospects for the younger generation). The highest score was awarded to eight topics (see table below, line “Most important topics”). The fact that environmental issues are among the most important reflects certain changes in the mood of the residents of the regions. Five years ago, environmental issues were not even included in the first half of the material issues list in similar studies.

Of the questions in the second group (see table below, line “Medium importance”), it is noteworthy that topics “Reusing of plastic waste” as well as “Biodiversity conservation” and “Forest restoration” are highly rated. Previously (including in the surveys conducted by the Company for Sustainability Report) these topics received single-digit votes.

Survey results in six regions of Russia

<table>
<thead>
<tr>
<th>Level of Importance</th>
<th>Regional expansion (422 points)</th>
<th>Statutory compliance</th>
<th>Water bodies, Emissions, GHG emissions</th>
<th>Spills Accidents</th>
<th>Products and customers Opportunities for young professionals</th>
<th>Medium importance (desirable reflection)</th>
<th>Plastic waste recycling</th>
<th>Occupational safety</th>
<th>Work with contractors</th>
<th>Employment</th>
<th>Forest restoration</th>
<th>Low importance (brief reflection)</th>
<th>Safety in the Arctic</th>
<th>Produced water spills</th>
<th>RES development CO2-19</th>
<th>Support of religious Minorities of the North</th>
<th>Climate change</th>
<th>Biodiversity</th>
<th>Economy</th>
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<td>Produced water spills</td>
<td>RES development CO2-19</td>
<td>Support of religious Minorities of the North</td>
<td>Climate change</td>
<td>Biodiversity</td>
<td>Economy</td>
<td>Ecology</td>
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The Report reflects wherever possible the recommendations received after the public assurance of the Sustainability Report for 2019. It is recommended that the results obtained be linked to the implementation of LUKOIL’s strategic goals, including measurable targets on the key areas of sustainable development and priority SDGs in the reports. It is recommended that the Company’s contribution to the national projects be included, as well as how the contents and objectives of these programs correspond to the corporate programs and the specific results obtained by them. Partially done in accordance with the Company’s practice of setting measurable targets.
Oil spills

During the preparation of the Report, in May 2021, there was a significant spill of oil (oil-containing liquid) in the Komi Republic.

Oshskoe field (Nenets Autonomous Area)

On the May 11, 2021 during the overflight of the territory by employees of Lukoil-Komi, a leak of oil-containing liquid was identified. The leak was caused by the depressurization of the pipeline from the multiphase pump station of the Oshskoe field to booster pump station No. 5 of the Kharyaginskoye field on the territory of the Nenets Autonomous Area. The spill occurred at a distance of about 300 meters from the coastline of the Kolva River and part of the liquid ran into the river. Information about the oil leakage was promptly communicated to the regional bodies of the Federal Service for Environmental, Technological and Nuclear Supervision (Rospotrebnadzor) and the Federal Service for Supervision of Natural Resources (Rosrybolovstvo) and the territorial production enterprise UralOil was completed in 2020.

The following reports include evidence of feedback from program participants, provide examples of their assessment in relation to the development and implementation of social programs (Done — quotations of diverse stakeholders, groups representatives of the regions of presence are included).

On October 17, 2020, employees of Lukoil-Komi discovered a spill at a section of an inactive oil pipeline 25 meters from the Kolva River's bank. Within three hours, the task force flew over the territory, identified hazardous zones, established factors complicating operations to mitigate the consequences (high speed of the river flow, difficult terrain, adverse weather conditions).

Appendix 3. Incidents and financial sanctions

According to the classification system of Rospotrebnadzor, this situation is an emergency. Thus an emergency regime at the municipal level was introduced in the region. Lukoil delivered all necessary equipment to eliminate the consequences of the leakage to the emergency site. At the time of preparation of the Report, work was being performed to localize the spill and collect oil-containing liquid from the cradzled territory and the water surface of the Kolva river.

On September 25, 2020, while conducting a routine flight over the pipeline route using a UAV, an incident oil film was detected near the bank of the Laya River. The route passed through a swampy and hard-to-reach area, so prompt detection of the incident without a UAV would have been impossible. The Lukoil-Komi employees immediately communicated the news to PJSC Lukoil and government authorities.

The positive practice of pipeline reliability disclosure should continue (Done).

The analysis results showed that the maximum permissible concentration of oil products in the water was not exceeded at any of the collection points. The reason for the depressurization of the oil collection separator was due to violations made during its construction. Depressurization resulted from high internal stress.

The overflight of the territory, identified hazardous zones, established factors complicating operations to mitigate the consequences (high speed of the river flow, difficult terrain, adverse weather conditions).

On October 18, 2020, a municipal state of emergency was introduced in the municipalities of Unskoye (the Komi Republic), and Zapolyarnyi District (the Nenets Autonomous Area). The emergency state was lifted after completion of all work on October 23.

Representatives of Lukoil-Komi, the investigative committee and the Federal Service for Supervision of Natural Resources took water samples from the Kolva River at 10 locations on a daily basis. By the time the work was completed, the maximum permissible concentration of oil products in water was no longer exceeded. The results of mitigating the consequences of the incident were reviewed by the State Commission and environmental organizations. The head of the Federal Service for Supervision of Natural Resources noted the prompt response to the situation by Lukoil-Komi.

The main reason for the pipeline depressurization was recognized to be an emergency spill that occurred on 3 December 2019 at UralOil was completed in 2020. The following measures were taken based on the results of the investigation:

• The information was communicated to the regional bodies of federal service
-Jurisdictional, Technological and Nuclear Supervision (Rospotrebnadzor)
— and the territorial production enterprise UralOil was completed in 2020.

On October 18, 2020, employees of Lukoil-Komi discovered a spill at a section of an inactive oil pipeline 25 meters from the Kolva River’s bank. Within three hours, the task force flew over the territory, identified hazardous zones, established factors complicating operations to mitigate the consequences (high speed of the river flow, difficult terrain, adverse weather conditions).

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1 Description of the accident is presented in the Sustainability Report 2019.
**Significant environmental fines in 2020**

In 2020, LUKOIL-Komi was subject to five decisions imposing significant administrative fines totalling RUB 105 million. All the fines were related to damaged soil rehabilitation in forest areas in order to eliminate the consequences of accidental oil (oil-containing liquid) and formation water spills. The speed of work by LUKOIL-Komi was significantly limited by weather conditions and the territorial remoteness of the sites. These circumstances hindered completion of all the work within the established timeframe, which resulted in the imposition of administrative sanctions. The sanctions imposed for these violations were the maximum amount due to their repeated nature.

After the court ruling entered into force, LUKOIL-Komi transferred funds to the budget of the Usinsk urban district municipality. LUKOIL-Komi developed and implemented a land reclamation plan to accelerate forest area rehabilitation. At the time of preparation of this report, measures to restore forest plots had been completed, and it is planned that this plot of land will be accepted by the Republican Commission for Acceptance of Oil-Contaminated and Recultivated Lands in autumn 2021.

**Appendix 4. GRI content index**

This report has been prepared and published in accordance with the GRI Standards (Core option). The GRI indicators are presented in the GRI content index. The report is prepared in accordance with the GRI Standards (Core option). The report is not verified by an independent third party. The information on employment agreements is consolidated by the Company without a breakdown by employees and other workers. The information on employment agreements is consolidated by the Company without a breakdown by permanent and temporary employees. Workers who are legally recognized as being self-employed, or individuals other than permanent and temporary employees of LUKOIL Group entities, are not significantly engaged in operations.

**GRI 101. Reporting Principles**

- **GRI 101.1 Name of the organization**
  - About the Company: highlights of the year
- **GRI 101.2 Activities, brands, products, and services**
  - About the Company: highlights of the year, p. 10
- **GRI 101.3 Location of headquarters**
  - About the Company: highlights of the year, p. 7
- **GRI 101.4 Geography of operations**
  - Two-page opening: Business Model, Geography
- **GRI 101.5 Ownership and legal form**
  - Annual Report
- **GRI 101.6 Markets served**
  - Two-page opening: Geography

**GRI 102. General information (General Disclosures 2016)**

- **GRI 102.1 Name of the organization**
  - About the Company: highlights of the year
- **GRI 102.2 Activities, brands, products, and services**
  - About the Company: highlights of the year, p. 10
- **GRI 102.3 Location of headquarters**
  - About the Company: highlights of the year, p. 7
- **GRI 102.4 Geography of operations**
  - Two-page opening: Business Model, Geography
- **GRI 102.5 Ownership and legal form**
  - Annual Report
- **GRI 102.6 Markets served**
  - Two-page opening: Geography

**GRI 102.7 Scale of the organization**

- Message from the President of PJSC LUKOIL

**GRI 102.8 Information on employees and other workers**

- About the Company: highlights of the year, p. 10
- Our employees

**GRI 102.9 Supply chain**

- Stakeholder Engagement, p. 37
- Supply chain, p. 12

**GRI 102.10 Significant changes to the organization and its supply chain**

- Data on the supply chain are not consolidated

**GRI 307.2 Membership of associations**

- About the Company: highlights of the year, p. 10
- Appendix 5. Individual GRI Standards and Indicators

**GRI 102-1 Indicators**

- Appendix 5. Individual GRI Standards and Indicators

**2. Strategy**

- Statement from senior decision-maker, p. 2
- Key impacts, risks and opportunities, p. 29

**3. Ethics and integrity**

- Values, principles, standards and norms of behavior, p. 33
- Ethics and human rights, p. 33

**4. Governance**

- The corporate governance system is detailed in the Annual Report for 2020, page 27, as well as on the corporate website
- Executive level responsibility for economic, environmental, and social topics, p. 37
- Consulting stakeholders on economic, environmental, and social topics, p. 37
- Identifying and managing economic, environmental, and social impacts, p. 37
- Highest governance body’s role in sustainability reporting, p. 37
6. Reporting practice

5. Stakeholder engagement

4. Reporting practice

3. Reporting practice

2. Reporting practice

1. Reporting practice

GRI 103. Management Approach 2016

102-33 Communicating critical concerns

GRI Standards and Indicators Table

Restatements of information

The indicator is disclosed partially, as concerns compensation of the Board of Directors and Management Committee members.

The boundaries of material topics are specified in the respective Report sections. The indicator boundaries are specified in the relevant sections of the Report as well as in Appendix 7 and Appendix B (published in the web-version of the Report).

Management approaches are evaluated within the framework of certification and supervisory audits of relevant management systems, and as part of corporate inspections. Information on those activities is contained in the Report.

The management approach is disclosed in the Report before each material topic or issue.

The management approach and its components.

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Russian entities of

LUKOIL Group

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Department responsible – Department of Energy Efficiency and Energy Supply of PJSC LUKOIL

Energy consumption within the organization

Energy conservation, p. 61

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Energy consumption within the organization

Energy conservation, p. 61

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Energy intensity

Energy conservation, p. 61

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302-4

Reduction of energy consumption

Energy conservation, p. 61

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GRI 303. Water and Effluents 2018

303-1, 303-2

Interactions with water as a shared resource.

Management of water discharge-related impacts.

Water resources, p. 103

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Department responsible – Environmental Safety and Decarbonization Department of PJSC LUKOIL

303-3

Water withdrawal

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303-4

Water discharge

Water resources, p. 103

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GRI 304. Biodiversity 2016

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Protected or rehabilitated areas

Biodiversity conservation, p. 114

GRI 305. Emissions 2016

103-1, 103-2, 103-3

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Department responsible – Environmental Safety and Decarbonization Department of PJSC LUKOIL

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Direct GHG emissions (Scope 1)

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305-4

GHG emissions intensity (Scope 1)

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Reduction of GHG emissions

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305-6

Emissions of ozone-depleting substances (ODS)

The Company does not use ozone-depleting substances (ODS) on an industrial scale.

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305-7

Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

Emissions, p. 109

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103-1, 103-2, 103-3

Management approaches

Water resources, p. 103

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Department responsible – Environmental Safety and Decarbonization Department of PJSC LUKOIL

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Waste by type and disposal method

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Significant spills

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306-4

Transport of hazardous waste

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does not transport hazardous waste. See details on waste disposal in the Waste section.


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Non-compliance with environmental laws and regulations

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New suppliers that were screened using environmental criteria

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401-1

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401-2

Benefits provided to full-time employees that are not provided to temporary or part-time employees

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Social benefits are granted to all employees, regardless of the type of employment.

GRI 402. Labor/Management Relations 2016

402-1

Minimum notice periods regarding operational changes

Appendix 5

Individual GRI Indicators

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GRI 403. Occupational Health and Safety 2018

403-1

Occupational health and safety management system

Integrated management system, p. 73

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Department responsible – Environmental Safety and Decarbonization Department of PJSC LUKOIL

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Hazard identification, risk assessment, and incident investigation

Industrial safety, p. 76

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Additional information published on the website xxx

403-3

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Occupational health and safety, p. 85

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Additional information published on the website xxx

403-4

Worker participation, consultation, and communication on occupational health and safety

Information published on Website https://www.lukoil.com/Sustainability/Safety

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403-5

Worker training on occupational health and safety

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<th>Section and page of the Report</th>
<th>Boundaries of topics and indicators</th>
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<td>103-2</td>
<td>Department responsible – Department of Personnel Assessment and Development of PJSC LUKOIL</td>
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**Political contributions**

GRI 415. Public Policy 2016

| GRI 415-1 | Political contributions | Anti-corruption policy, p. 34 | LUKOIL Group |

According to the Anti-corruption policy of PJSC LUKOIL, the Group is not involved in any political activity either in Russia or abroad, does not exert, either directly or indirectly, any influence on any decisions of public officials or any other persons that affect the preservation or expansion of the Group’s operations or may be treated as such. The Group provides no financing for political parties and movements or any other activity benefiting political parties and their representatives (either in Russia or abroad).

In 2020, political contributions — none; incentive payments to representatives of state authorities — none.
### Appendix 5. Individual GRI indicators

**GRI 302-13 Membership of associations**

**302.13 Membership of associations**

<table>
<thead>
<tr>
<th>Region</th>
<th>Minimum notice period</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>3 months</td>
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<tr>
<td>Russia, Azerbaijan, Bulgaria, Moldova, Serbia, and Uzbekistan</td>
<td>2 months</td>
</tr>
<tr>
<td>Austria</td>
<td>6 weeks</td>
</tr>
<tr>
<td>Germany, Switzerland, Italy, Macedonia, Norway</td>
<td>1 month</td>
</tr>
<tr>
<td>Romania</td>
<td>For specialists 20 days; for executives 45 days.</td>
</tr>
<tr>
<td>Finland, Turkey</td>
<td>10 days</td>
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<tr>
<td>Kazakhstan</td>
<td>15 business days or 1 month</td>
</tr>
<tr>
<td>Belarus</td>
<td>7 days (2 months in the event of staff reductions or the liquidation of the enterprise)</td>
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<tr>
<td>Egypt</td>
<td>1 week</td>
</tr>
<tr>
<td>Georgia</td>
<td>3 days</td>
</tr>
<tr>
<td>Iraq, Montenegro, Mexico</td>
<td>No notice period is established for employees</td>
</tr>
<tr>
<td>The USA</td>
<td>No universal period has been established for substantial changes to working conditions. Under certain circumstances, state or Federal law may prescribe certain recommendations or procedures.</td>
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#### ADO 402-1 Minimum notice periods regarding operational changes

**402-1 Minimum notice periods regarding operational changes**

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</table>
Programs for upgrading employee skills and transition assistance programs

Programs for upgrading employee skills

Type of training
Training programs and courses

In-house training courses

External training or education
Professional retraining, education in MBA, EMBA, DBA programs. The Company pays 50 percent of the cost of employee education. If the employee receives an additional professional education, including a postgraduate degree, where the employer is not the initiator, then educational leave is granted, and the respective employee receives a guarantee that they will not lose their positions while studying.

Appendix 6.
References: acronyms and abbreviations, definitions and calculation formulas

Names of LUKOIL Group entities

Nizhny Novgorod oil refinery — LLC LUKOIL-Nizhegorodnefteorgsintez
Ploesti oil refinery, oil refinery in Romania — PETROTEL-LUKOIL S.A.
Ukhta oil refinery — LLC Ukhtaneftepererabotka

Abbreviations

AMS — automated management systems
APG — associated petroleum gas
BEPS — base erosion and profit shifting
CF — charity fund
CHPP — combined heat and power plant
DLS — distance learning system
EBITDA — earnings before interest, taxation, depreciation & amortization
EE — emergency event
GHG — greenhouse gases
GIS — geographic information system
HF — hydraulic fracturing
HSE — health, safety, and environment
IFRS — International Financial Reporting Standards
IMM — indigenous minorities of the North
IMS — The Integrated System of Management of Industrial, Fire, Radiation Safety, Emergency Prevention and Liquidation, the Protection of Civilians, Occupational Safety and Environmental Protection
IPEC — in-production environmental control
ISP — Industrial Safety Program
KPI — key performance indicator
LLC — limited liability company
Media — all types of mass media
MNP — minimum national wage
MTR — material and technical resources
OR — oil refinery
ORC — oil refining complex
PPE — personal protection equipment
RES — renewable energy sources
SPP — solar power plant
SPRP — Spill Prevention and Response Plans
SR — LUKOIL Group Sustainability Report
STF — Sustainability Task Force
STD — standard of an entity
UAU — unmanned aerial vehicle
VMI — voluntary medical insurance
WECM — wholesale electricity and capacity market

Names of entities and initiatives, geographical names

CDP — Carbon Disclosure Project
Climate Action 100+ — Global Initiative Climate Action 100+ (http://www.climateaction100.org)
EU — European Union
EU ETS — European Union Emissions Trading System
GRI — Global Reporting Initiative
IATUO — International Association of Trade-Union Organizations of PJSC LUKOIL
ILO — International Labour Organization
IMADO-Yugra — Khanty-Mansi Autonomous District — Yugra
MARPOL — International Convention for the Prevention of Pollution from Ships
MES — Ministry of Emergency Situations
NAD — Nenets Autonomous District of the Russian Federation
OECO — Organization of Economic Cooperation and Development
OPEC — Organization of the Petroleum Exporting Countries
PSC LUKOIL — Public Joint-Stock Company “Oil Company ‘LUKOIL’”
RISMP — Russian Union of Industrialists and Entrepreneurs
SDGs — UN Sustainable Development Goals (the UN 2030 Agenda for Sustainable Development)
TFCF — Task Force on Climate Related Financial Disclosures (https://www.fsb-tcfd.org)
UN — United Nations
UNCTAD — United Nations Conference on Trade and Development
WWF — World Wildlife Fund

Sustainability Report for 2020 LUKOIL Group

CDP — Carbon Disclosure Project
Climate Action 100+ — Global Initiative Climate Action 100+ (http://www.climateaction100.org)
EU — European Union
EU ETS — European Union Emissions Trading System
GRI — Global Reporting Initiative
IATUO — International Association of Trade-Union Organizations of PJSC LUKOIL
ILO — International Labour Organization
IMADO-Yugra — Khanty-Mansi Autonomous District — Yugra
MARPOL — International Convention for the Prevention of Pollution from Ships
MES — Ministry of Emergency Situations
NAD — Nenets Autonomous District of the Russian Federation

References: acronyms and abbreviations, definitions and calculation formulas

Names of LUKOIL Group entities

Nizhny Novgorod oil refinery — LLC LUKOIL-Nizhegorodnefteorgsintez
Ploesti oil refinery, oil refinery in Romania — PETROTEL-LUKOIL S.A.
Ukhta oil refinery — LLC Ukhtaneftepererabotka

Abbreviations

AMS — automated management systems
APG — associated petroleum gas
BEPS — base erosion and profit shifting
CF — charity fund
CHPP — combined heat and power plant
DLS — distance learning system
EBITDA — earnings before interest, taxation, depreciation & amortization
EE — emergency event
GHG — greenhouse gases
GIS — geographic information system
HF — hydraulic fracturing
HSE — health, safety, and environment
IFRS — International Financial Reporting Standards
IMM — indigenous minorities of the North
IMS — The Integrated System of Management of Industrial, Fire, Radiation Safety, Emergency Prevention and Liquidation, the Protection of Civilians, Occupational Safety and Environmental Protection
IPEC — in-production environmental control
ISP — Industrial Safety Program
KPI — key performance indicator
LLC — limited liability company
Media — all types of mass media
MNP — minimum national wage
MTR — material and technical resources
OR — oil refinery
ORC — oil refining complex
PPE — personal protection equipment
RES — renewable energy sources
SPP — solar power plant
SPRP — Spill Prevention and Response Plans
SR — LUKOIL Group Sustainability Report
STF — Sustainability Task Force
STD — standard of an entity
UAU — unmanned aerial vehicle
VMI — voluntary medical insurance
WECM — wholesale electricity and capacity market

Names of entities and initiatives, geographical names

CDP — Carbon Disclosure Project
Climate Action 100+ — Global Initiative Climate Action 100+ (http://www.climateaction100.org)
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NAD — Nenets Autonomous District of the Russian Federation

References: acronyms and abbreviations, definitions and calculation formulas
types of feed processed in secondary refining processes (in Units and Atmospheric Distillation Units), excluding other distillation units (Atmospheric and Vacuum Distillation the feedstock (oil, gas condensate) processed in crude When calculating the aggregated “Oil refinery yield” dehydration plants.

Refinery yield is calculated by the following formula:

\[ \text{Refinery yield} = (Q - \text{FFO} - \text{L}) \times \frac{100}{Q} \]

where:

- \( Q \) is the actual volume of oil feed processed in crude distillation units (Atmospheric and Vacuum Distillation Units and Atmospheric Distillation Units), as well as received feed from the secondary refining processes (catalytic cracking, delayed coking, etc.);
- \( \text{FFO} \) is the gross amount of furnace fuel oil (fuel oil for sale + liquid fuel for technological (own) needs);
- \( \text{L} \) is the amount of irretrievable losses of oil refining, excluding the losses at crude oil electric desalting and dehydration plants.

When calculating the aggregated “Oil refinery yield” indicator, the actual volume of oil feed (\( Q \)) comprises the feedstock (oil, gas condensate) processed in crude distillation units (Atmospheric and Vacuum Distillation Units and Atmospheric Distillation Units), excluding other types of feed processed in secondary refining processes (in the framework of the intragroup supplied).

too, kg of oil equivalent — tonne (kilogram) of oil equivalent

\( \text{CO}_2 \) — \( \text{CO}_2 \) equivalent

Lost Time Accident Frequency Rate, LTAFR = number of accidents / employee headcount for a reporting period / 1,000 employees.

Lost Time Injury Frequency Rate, LTIFR = number of lost time injuries / number of man-hours worked / 1,000,000 man-hours.

Rate of Fatalities as a Result of Work-Related Injury = number of fatalities / number of man-hours worked / 1,000,000 man-hours.

Rate of High-Consequence Work-Related Injuries = number of high-consequence work-related injuries (excluding fatalities) / number of man-hours worked / 1,000,000 man-hours.

The turnover rate is defined as the ratio of the number of employees dismissed due to turnover to the average headcount for a reporting period. The number of employees dismissed due to turnover includes employees dismissed for absenteeism and other violations of labor discipline, as well as due to the employee’s unsuitability for their position (because of lack of skills), those who left on their own without serious cause (due to relocation, retirement, care for a child under 14 years of age, etc.) by agreement between the parties (except for employees who were re-employed on the next day).

Material claim relating to the breach of environmental law means a claim meeting one of the following criteria:
1. a resolution has become effective within a calendar year calling PJSC LUKOIL, LUKOIL Group entities and/or their officials for administrative responsibility for the offense provided for in Chapter 8 of the Code of Administrative Offenses of the Russian Federation, with the imposition of the maximum possible fine provided for in the relevant article and/or a sanction in the form of administrative suspension of operations for up to 90 days;
2. a court decision has become effective to collect from PJSC LUKOIL, LUKOIL Group entities damages caused to the environment in accordance with the requirements of the Russian Federal Law “On Environmental Protection”, in the amount not less than the one determined in accordance with the Regulations on Collecting and Processing Data on Material Contingent Liabilities and Uncertainties with Respect to Income Taxes for the purposes of the consolidated financial statements of PJSC LUKOIL for a respective year.

Material digression/weakness means a violation of mandatory requirements, as well as shortcomings in the activities of LUKOIL Group entities that have resulted or could have resulted in incurred financial losses and risks that are assessed at least as significant in accordance with the provisions of the Group’s internal documents.

Payroll means the indicator calculated in accordance with the instructions for filling out forms of federal statistical monitoring, approved by Order of Rosstat of October 12, 2006 No. 278 with amendments and additions approved by Order of Rosstat of November 3, 2009 No. 240. Payroll includes labor pay to employees in monetary and non-monetary forms accrued by an entity (including personal income tax and other withholdings) for worked and non-worked time, compensation payments related to the work schedule and working conditions, additional payments and increments, bonuses, one-time incentive payments, as well as regular allowances for food and accommodation in accordance with the methodology for filling the payroll field in form No. P-7 “Information on Headcount and Labor Pay”.

Reused water supply is the use of water that has retained its quality indicators after being used in a technological process and is supplied without treatment for reuse or returned to natural bodies. The water produced along with oil that is sent to the needs of formation pressure maintenance (FPM) is considered reused.

Seconded employees — employees with the necessary allowance and meeting the job requirements of the accepting entity, temporarily assigned to an accepting entity from the region of permanent residence to perform certain job functions with the following return to the seconding entity or termination of the labor relations with the seconding entity.

Significant incident with environmental impact means an emergency with environmental impact. An environmental impact can include destruction of facilities and/or technical devices used at the facilities of LUKOIL Group entities, or any other event resulting in one or a combination of the following environmental impacts:
1. pollution of surface and underground water bodies, which resulted in exceeding the established standards for permissible impact.

2. uncontrolled release of hazardous substances, i.e. a release of a hazardous substance into the environment not provided for by technical regulations and/or project documentation without restricting or containing it by emergency protection systems and/or other systems and means of accident prevention and/or other systems and means of accident prevention and means of accident containment capability in such systems and means in the amount exceeding the threshold values for accidents presented in Tables 1 and 2 of Annex 4 to the Safety Classification of Man-made Facilities of the Oil and Gas Sector of 2018 No. 29. Approved by Order of Rostehnadzor of January 24, 2018 No. 29.

All spills into water bodies are significant, regardless of the volume of the spilled oil. The minimum size of a significant spill on land with environmental consequences is 10 tonnes.

Significant regions of LUKOIL Group’s operation include countries or constituent entities of the Russian Federation where LUKOIL Group entities operate, including affiliates and territorial departments compliant with the following criteria:

1. In Russia — constituent entities where headcount of one LUKOIL Group entity is 500 or more;
2. Outside Russia — countries where at least one organization with a headcount of 500 employees or more operates; respective indicators are calculated including all other organizations (with the headcount less than 500 employees) operating in the country or significant region.


Young employees — employees of PJSC LUKOIL and LUKOIL Group entities aged under 35, including young specialists.

Young specialists — employees under 10 years old, who have obtained higher or professional education, that started their job duty in the Company corresponding to their degree, including working occupations, within six months after graduation from higher education institution or within three months after service in the Military Forces of the Russian Federation.

Rounding values

The total values of the indicators given in the Report may differ from the sum of the indicators as a result of rounding.

### Appendix 7. Main ESG indicators

#### Corporate governance

| GRI 102-18; 102-20; 102-22; 102-23; 102-27; 102-32; 102-35. GRI 405-1 |
| --- | --- |
| Corporate governance: Independence of Board members, Gender equality, Competence |

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence of Board members and Board treatment in sustainability matters</td>
<td></td>
</tr>
<tr>
<td>Chairman of the Board of Directors</td>
<td>1</td>
</tr>
<tr>
<td>Independence of the Chairman of the Board of Directors at appointment</td>
<td>NO</td>
</tr>
<tr>
<td>Independent directors</td>
<td>8</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td>2</td>
</tr>
<tr>
<td>Executive directors</td>
<td>3</td>
</tr>
<tr>
<td>Total number of Board members</td>
<td>11</td>
</tr>
<tr>
<td>Share of independent directors</td>
<td>10%</td>
</tr>
<tr>
<td>Number of sustainability and climate-related issues addressed at Board of Directors meetings</td>
<td>20</td>
</tr>
<tr>
<td>Attendance at in-person meetings</td>
<td>03%</td>
</tr>
<tr>
<td>Share of independent members of the Board of Directors committees</td>
<td></td>
</tr>
<tr>
<td>Strategy, Investment, Sustainability and Climate Adaptation Committee</td>
<td>100%</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>100%</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>100%</td>
</tr>
<tr>
<td>Health, Safety and Environmental Committee of PJSC LUKOIL</td>
<td>100%</td>
</tr>
<tr>
<td>Number of members</td>
<td>15</td>
</tr>
<tr>
<td>Number of meetings</td>
<td>2</td>
</tr>
<tr>
<td>Number of addressed sustainability and climate-related issues</td>
<td>7</td>
</tr>
<tr>
<td>Share of women</td>
<td>0%</td>
</tr>
<tr>
<td>Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors of PJSC LUKOIL</td>
<td></td>
</tr>
<tr>
<td>Number of members</td>
<td>4</td>
</tr>
<tr>
<td>Number of meetings</td>
<td>7</td>
</tr>
<tr>
<td>Number of addressed sustainability and climate-related issues</td>
<td>20</td>
</tr>
<tr>
<td>Share of women</td>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender composition of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>9</td>
</tr>
<tr>
<td>Women</td>
<td>2</td>
</tr>
<tr>
<td>Share of women</td>
<td>18%</td>
</tr>
<tr>
<td>Average age of Board members</td>
<td>55</td>
</tr>
<tr>
<td>Gender composition of the Management Committee</td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>4</td>
</tr>
<tr>
<td>Women</td>
<td>5</td>
</tr>
<tr>
<td>Share of women</td>
<td>25%</td>
</tr>
<tr>
<td>Membership in the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Up to 5 years</td>
<td>4</td>
</tr>
<tr>
<td>Up to 10 years</td>
<td>2</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>3</td>
</tr>
<tr>
<td>Qualification balance of the Board of Directors members</td>
<td></td>
</tr>
<tr>
<td>Share of members of the Board of Directors of PJSC LUKOIL, competent in sustainability and climate-related matters</td>
<td>79%</td>
</tr>
<tr>
<td>Persons responsible</td>
<td></td>
</tr>
<tr>
<td>Number of vice-presidents responsible for the Company’s climate change-related activities</td>
<td>0</td>
</tr>
<tr>
<td>Number of vice-presidents responsible for sustainability matters</td>
<td>1</td>
</tr>
<tr>
<td>Task Forces</td>
<td></td>
</tr>
<tr>
<td>Decarbonization and Climate Change Adaptation Task Force</td>
<td></td>
</tr>
<tr>
<td>Number of members</td>
<td>15</td>
</tr>
<tr>
<td>Number of meetings</td>
<td>1</td>
</tr>
<tr>
<td>Number of issues addressed</td>
<td>9</td>
</tr>
<tr>
<td>Sustainability Task Force</td>
<td></td>
</tr>
<tr>
<td>Number of members</td>
<td>13</td>
</tr>
<tr>
<td>Number of meetings</td>
<td>4</td>
</tr>
<tr>
<td>Number of addressed sustainability and climate-related issues</td>
<td>7</td>
</tr>
</tbody>
</table>

* According to the recommendations of the Corporate Governance Code, executive directors are defined not only as members of the Management Committee of PJSC LUKOIL but also as persons employed by the Company.
Climate

Based on the results of the inventory, the boundaries of climate reporting were clarified taking into account the following materiality threshold criterion developed for GHG emissions that amount to at least 99% of the total emissions for each scope in accordance with the full inventory of emission sources shall be accounted for, while an entity can be excluded from reporting for the respective scope provided that its GHG emissions are less than 0.1% of total LUKOIL Group emissions for the given scope.

The materiality criterion was approved by the Decarbonization and Climate Change Adaptation Task Force.

Based on this criterion, direct GHG emissions from oil product supply entities in Russia and abroad, LLC LUKOIL-KNT (the Transportation business sector), as well as from entities of the Other Entities of the Refining, Marketing and Distribution Business Segment (except for the Karabolyevsky Gas Processing Plant (KGP) and LLK International) were excluded from the reporting for Scope 1.

Organizational reporting boundaries (Scope 1 + Scope 2) for Russian entities include all production assets, oil refining, petrochemical and electric power entities, oil product supply entities, as well as KGP and LLK International. For foreign entities, the reporting boundaries include a hydrocarbon production project in Uzbekistan and three refineries in Europe (in Romania, Bulgaria and Italy), as well as 18 oil product supply entities.

Thus, the data presented in this Report cover more than 99% of GHG emissions (Scope 1) and 100% of GHG emissions (Scope 2) of LUKOIL Group.

GRI 302-4 Energy savings from implementation of the Energy Conservation Program of LUKOIL Group entities in Russia, million GJ

For 2017-2019 For 2018-2020

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>17.4</td>
<td>14.3</td>
<td>12.2</td>
</tr>
<tr>
<td>Heat</td>
<td>7.6</td>
<td>5.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Boiler and furnace fuels</td>
<td>12.7</td>
<td>9.5</td>
<td>9.1</td>
</tr>
<tr>
<td>Total</td>
<td>37.7</td>
<td>38.8</td>
<td>35.5</td>
</tr>
</tbody>
</table>

Note: The following coefficients under GOST R 51750-2001 were used when converting the data to Joules: 1 thousand kWh = 3.6 GJ, 1 Gcal = 4.19 GJ, 1 tonne of oil equivalent = 29.3 GJ.

For reporting purposes, the following coefficients under GOST R 51750-2001 were used when converting the data to Joules:

- 1 thousand kWh = 3.6 GJ
- 1 Gcal = 4.19 GJ
- 1 tonne of oil equivalent = 29.3 GJ

GRI 305-1, 305-2 GHG emissions

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions (Scope 1), million tonnes of CO2</td>
<td>3.479</td>
<td>2.123</td>
<td>1.825</td>
<td>1.409</td>
<td>1.191</td>
</tr>
<tr>
<td>Emissions avoided by using self-generated energy from renewable energy sources (emissions reduction), million tonnes of CO2</td>
<td>5.513</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. GHG emissions by Russian and foreign entities, million tonnes of CO2

<table>
<thead>
<tr>
<th>Scope</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>3.479</td>
<td>2.123</td>
<td>1.825</td>
<td>1.409</td>
<td>1.191</td>
</tr>
<tr>
<td>Scope 2</td>
<td>0.927</td>
<td>0.927</td>
<td>1.005</td>
<td>0.920</td>
<td>0.920</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4.406</td>
<td>3.040</td>
<td>2.820</td>
<td>2.329</td>
<td>2.111</td>
</tr>
</tbody>
</table>

2. Emissions by Russian entities by types of activity, million tonnes of CO2

<table>
<thead>
<tr>
<th>Scope</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>11.707</td>
<td>10.999</td>
<td>10.824</td>
<td>11.124</td>
<td>10.933</td>
</tr>
<tr>
<td>Scope 2</td>
<td>0.726</td>
<td>0.513</td>
<td>0.573</td>
<td>0.509</td>
<td>0.573</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12.433</td>
<td>11.512</td>
<td>11.400</td>
<td>11.633</td>
<td>11.506</td>
</tr>
</tbody>
</table>

3. Emissions by foreign entities by types of activity, million tonnes of CO2

<table>
<thead>
<tr>
<th>Scope</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>10.278</td>
<td>11.491</td>
<td>11.291</td>
<td>11.237</td>
<td>10.812</td>
</tr>
<tr>
<td>Scope 2</td>
<td>0.344</td>
<td>1.296</td>
<td>1.391</td>
<td>1.279</td>
<td>1.391</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10.622</td>
<td>12.787</td>
<td>12.682</td>
<td>12.516</td>
<td>12.203</td>
</tr>
</tbody>
</table>

4. Climate change adaptation

Based on the results of the inventory, the boundaries of climate reporting were clarified taking into account the following materiality threshold criterion developed for GHG emissions that amount to at least 99% of the total emissions for each scope in accordance with the full inventory of emission sources shall be accounted for, while an entity can be excluded from reporting for the respective scope provided that its GHG emissions are less than 0.1% of total LUKOIL Group emissions for the given scope.
Water

The 2018 foreign entity reporting boundaries include: LUKOIL Neftohim Burgas, PETROTEL–LUKOIL SA, LUKOIL Uzbekistan Operating Company. The 2019 boundaries include: the above entities plus ISAB, IODO LUKOIL Belorussia, and LUKOIL–BULGARIA EOOD.

GRI 303-1 Water withdrawal and use, million cubic meters

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Water withdrawal across LUKOIL Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>449.3</td>
<td>464.0</td>
<td>466.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>322.2</td>
<td>311.1</td>
<td>426.5</td>
<td>441.0</td>
<td>398.8</td>
</tr>
<tr>
<td>Including electric power entities</td>
<td>94.1</td>
<td>92.9</td>
<td>297.7</td>
<td>306.8</td>
<td>239.7</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>21.1</td>
<td>23.0</td>
<td>21.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Water consumption for own needs (household, industrial, other) across LUKOIL Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>374.4</td>
<td>370.9</td>
<td>387.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>374.4</td>
<td>370.9</td>
<td>387.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Other transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LUKOIL Group, including</td>
<td>34.5</td>
<td>28.3</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>24.2</td>
<td>24.2</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>10.3</td>
<td>10.3</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Unused water transferred to third-party consumers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LUKOIL Group, including</td>
<td>40.9</td>
<td>55.7</td>
<td>63.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>40.9</td>
<td>55.7</td>
<td>63.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Water withdrawn by LUKOIL Group entities by water withdrawal sources, million cubic meters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>403.5</td>
<td>501.7</td>
<td>561.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>391.1</td>
<td>454.9</td>
<td>620.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>12.4</td>
<td>12.1</td>
<td>11.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Data excludes water produced as a by-product with hydrocarbons and subsequently used for formation pressure maintenance (FPM).
2. The approach to accounting for “Other operations” was revised: before 2020, this category included volumes of water pumped into subsurface formations and residential waste water received from third parties and used in the Group’s production processes. Since 2020, these water volumes are accounted for in the “Water for own needs” and “Unused water transferred to third-party consumers” categories.
3. The difference between water withdrawal and water use (water for own needs + unused water of LUKOIL Group transferred to third-party consumers) is due to the specifics of water usage in power generation entities: at energy generating units water is used for equipment cooling, this results in water wastage due to evaporation.
4. In 2018, the water use accounting methodology in the Russian entities was refined - it excluded the duplicate accounting for water used in intra-group transfers (between the LUKOIL Group entities).

GRI 303-3 Water withdrawal by LUKOIL Group entities by water withdrawal sources, million cubic meters

<table>
<thead>
<tr>
<th>Year</th>
<th>Total across LUKOIL Group (1 + 1.1 + 1.2 + 1.3)</th>
<th>Within the boundaries for 2018</th>
<th>Within the boundaries for 2019</th>
<th>Water withdrawn by water withdrawal sources, including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>444.8</td>
<td>444.8</td>
<td>444.8</td>
<td>444.8</td>
</tr>
<tr>
<td>2017</td>
<td>464.0</td>
<td>464.0</td>
<td>464.0</td>
<td>464.0</td>
</tr>
</tbody>
</table>

Notes:
1. Data excludes water produced as a by-product with hydrocarbons and subsequently used for FPM purposes.
2. Data on the volume of water withdrawn from underground sources includes water produced as a by-product with hydrocarbons and subsequently pumped into underground formations.
3. Water withdrawal from other sources includes withdrawals from centralized water supply sources, and also residual waste water received and transferred to treatment facilities without being used by the Group’s entities.
4. The increase in the volume of water withdrawal from underground sources in 2020 by the Group’s Russian entities was due to industrial needs (facilitation of the technological processes and well drilling).
### Specific water consumption for own needs by the LUKOIL Group’s Russian entities by type of activity

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas production, cubic meters/tonne of oil equivalent in hydrocarbon resources</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Oil refining, cubic meters/tonne of processed oil</td>
<td>6.2</td>
<td>7.3</td>
<td>6.4</td>
<td>6.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Petrochemicals, cubic meters/tonne of processed raw materials</td>
<td>0.06</td>
<td>0.07</td>
<td>0.1</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td>Oil Product Supply, cubic meters/tonne of oil products sold</td>
<td>0.04</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Transportation, cubic meters/tonne of oil, oil products transported</td>
<td>40.1</td>
<td>34.4</td>
<td>34</td>
<td>35.3</td>
<td>32.9</td>
</tr>
</tbody>
</table>

**Notes.**
1. Specific indicators are calculated based on the volumes of water consumed by LUKOIL Group entities for their own needs.
2. Changes in the indicator in the Power Generation business sector are attributable to the fact that in 2019, together with a decrease in production due to the warm winter, LLC LUKOIL-Kubanenergo and LLC LUKOIL-Astrakhanenergo conducted several technological maintenance activities.
3. Indicators for specific water consumption in the Power Generation business sector are calculated using the formula: volume of withdrawn water /fuel consumed for production (electricity).
4. The increase in the volume of water discharged into underground formations (1.3) in 2020 was due to geological specifics of licensed blocks.
5. The increase in the volume of water transferred to a third party (1.4) in 2020 was due to the increased water consumption of third parties.

### Water discharges by LUKOIL Group entities, million cubic meters

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total water discharges across LUKOIL Group (1 = 1.1 + 1.2 + 1.3 + 1.4 + 1.5)</td>
<td>352.5</td>
<td>568.0</td>
<td>485.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>352.5</td>
<td>357.6</td>
<td>381.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>249.6</td>
<td>337.6</td>
<td>293.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>14.9</td>
<td>22.1</td>
<td>18.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Water discharge by destination</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.1. Water discharge into surface water bodies for LUKOIL Group (excl. water discharge into the sea)</td>
<td>216.1</td>
<td>216.6</td>
<td>161.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>216.1</td>
<td>216.6</td>
<td>161.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>203.4</td>
<td>203.4</td>
<td>151.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>12.7</td>
<td>13.2</td>
<td>10.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.2. Water discharge into the sea</td>
<td>11.3</td>
<td>221.2</td>
<td>188.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>11.3</td>
<td>221.2</td>
<td>188.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>11.3</td>
<td>10.5</td>
<td>12.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>210.7</td>
<td>175.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.3. Water discharge into underground formations</td>
<td>104.2</td>
<td>106.7</td>
<td>109.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>104.2</td>
<td>106.7</td>
<td>109.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>104.0</td>
<td>106.5</td>
<td>109.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.4. Water transferred after use to a third party (excluding intra-group exchanges)</td>
<td>18.4</td>
<td>23.4</td>
<td>25.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019, including</td>
<td>18.4</td>
<td>23.4</td>
<td>25.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>18.4</td>
<td>23.4</td>
<td>25.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.5. Other water discharge</td>
<td>0.5</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LUKOIL Group, including</td>
<td>0.5</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>0.5</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes.**
1. Data excludes water produced as a by-product with hydrocarbons and subsequently used for FPM.
2. Water discharges into underground formations include water produced as a by-product with hydrocarbons and subsequently pumped into underground formations.
3. In 2018, the water use accounting methodology in the Russian entities was refined — it excluded the possibility of duplicate accounting for water used in intra-group transfers (between the LUKOIL Group entities).
4. The increase in the volume of water discharged into underground formations (1.3) in 2020 was due to geological specifics of licensed blocks.
5. The increase in the volume of water transferred to a third party (1.4) in 2020 was due to the increased water consumption of third parties.
GRI 306–1  
Water discharge into surface water bodies by wastewater quality across LUKOIL Group, million cubic meters

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Total water discharged into surface water bodies across LUKOIL Group (1.1 + 1.2 + 1.3)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>216.6</td>
<td>161.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. Water discharges into the sea across LUKOIL Group (2.1 + 2.2 + 2.3)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>221.2</td>
<td>188.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes.**
1. Data excludes water produced as a by-product with hydrocarbons and subsequently used for FPM.
2. The difference in water withdrawal and discharge volumes is explained by the fact that some of the water is transferred to third parties without being used by LUKOIL Group entities and some is used in circulating water supply systems or reused-sequentially used (to be deleted).
3. The increase in discharges of clean standard-quality wastewater into surface sea water bodies in Russian entities in 2020 was due to the increase of the volume of water withdrawal for the purposes of well drilling at LLC LUKOIL-Nizhnevolskneftegaz and further discharge of the water into the sea.
4. Polluted wastewater includes insufficiently treated wastewater and wastewater that is not treated.

Specific discharges of insufficiently treated wastewater into water bodies by Russian entities of LUKOIL Group

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oil and gas production, cubic meters/tonne of oil equivalent in hydrocarbon resource</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>0.008</td>
<td>0.004</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Foreign entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Oil refining, cubic meters/tonne of refined oil</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>0.004</td>
<td>0.003</td>
<td>0.002</td>
<td>0.002</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes.
1. No insufficiently treated water is discharged into water bodies by the petrochemical and power generating entities (excluded from the table).
2. The specific discharges of insufficiently treated wastewater by the oil refining entities are calculated based on the volume of production wastewater from LUKOIL-Ukhtaneftepererabotka, excluding any utility wastewater received from MUE Ukhtaevodokanal.

Volumes of circulating water supply and reused water across LUKOIL Group entities, million cubic meters

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Russian entities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of circulating water supply</td>
<td>2,371.9</td>
<td>2,251.1</td>
<td>2,204.5</td>
<td>2,240.1</td>
</tr>
<tr>
<td>Volume of reused-sequentially used water</td>
<td>920.6</td>
<td>875.5</td>
<td>835.1</td>
<td>806.7</td>
</tr>
<tr>
<td><strong>Foreign entities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of circulating water supply</td>
<td>186.9</td>
<td>234.5</td>
<td>207.8</td>
<td></td>
</tr>
<tr>
<td>Volume of reused-sequentially used water</td>
<td>11</td>
<td>2.2</td>
<td>2.8</td>
<td></td>
</tr>
</tbody>
</table>

Water produced as a by-product with hydrocarbons and subsequently used for FPM

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume of water for LUKOIL Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>310,057</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.079</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Emissions

The 2018 foreign entity reporting boundaries include: LUKOIL Neftochim Burgas, PETROTEL-LUKOIL SA, LUKOIL Uzbekistan Operating Company. The 2019 boundaries include: the abovementioned entities and ISAB, JOOO LUKOIL Belarusia, and LUKOIL-BULGARIA EOOD.

Specific emissions of pollutants into the atmosphere by Russian entities of LUKOIL Group by types of activity

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas extraction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>kg/tonne of oil equivalent in extracted hydrocarbon resources</td>
<td>0.1</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Oil refining</td>
<td>0.9</td>
<td>0.8</td>
<td>0.9</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Petrochemicals, kg/tonne of gross raw materials</td>
<td>1.3</td>
<td>1.1</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Oil product supply, kg/tonne of oil products sold</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Transportation, kg/tonne of oil, oil products transported</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Power generation, kg/tonne of oil equivalent in consumed fuel</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Notes.
1. The increase in the indicator in the Power Generation business sector was due to the combustion of reserve fuel (fuel oil) at several CHPPs. Change in the indicator in the Petrochemicals business sector was caused by an increase in production output.
2. Specific emissions of pollutants in The Power Generation business sector are calculated using the formula: mass air pollutant emissions /consumed fuel for the production of products (electricity). LK LUKOIL-Ekoenergo (due to the fact that the organization does not carry out electricity production activity) are excluded from the calculation. Data on organizations that transfer heat is included in data on generating consumption.

APPENDICES

GRI 305–7

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total pollutant emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2018</td>
<td>425.2</td>
<td>431.9</td>
<td>432.5</td>
<td>432.5</td>
<td>432.5</td>
</tr>
<tr>
<td>Within the boundaries for 2019, including:</td>
<td>428.5</td>
<td>395.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>427.5</td>
<td>502.5</td>
<td>633.8</td>
<td>432.5</td>
<td>375.1</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>18.7</td>
<td>26.7</td>
<td>18.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Including by pollutant type:

- NOx emissions | 419.4 | 419.5 | 419.7 |       |       |
- SO2 emissions | 375 | 40.8 | 31.3 |       |       |
- CO2 emissions | 25.4 | 25.4 | 25.4 |       |       |

Solid particle emissions

- Within the boundaries for 2018 | 16.9 | 15.1 | 15.8 |       |       |
- Within the boundaries for 2019, including: | 15.1 | 15.9 |       |       |       |

Notes.
1. Hydrocarbon emissions for 2016–2017 include VOCs.
2. Emissions of other pollutants include specific substances, except for those listed in the table, according to the statistical forms, and the share of which is less than 1% of total emissions.
3. In 2020, the methodology for accounting other pollutants category for foreign organizations was refined: substances belonging to emissions pollutants indicated in the table were identified and taken into account in the corresponding categories (lines of the table). Data for 2019 has been recalculated.
Waste

The 2018 foreign entity reporting boundaries include: LUKOIL Neftohim Burgas, PETROTEL-LUKOIL SA, LUKOIL Uzbekistan Operating Company. The 2019 boundaries include: the abovementioned entities and ISAB, 100% LUKOIL Belorusia, and LUKOIL-BULGARIA EOOD.

GRI 306-2 Waste movement at LUKOIL Group, thousand tonnes

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste at the beginning of the reporting year</td>
<td>956.0</td>
<td>912.0</td>
<td>948.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2018</td>
<td>956.0</td>
<td>904.0</td>
<td>945.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019</td>
<td>930.0</td>
<td>930.0</td>
<td>940.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>912.0</td>
<td>761.0</td>
<td>913.0</td>
<td>805.4</td>
<td>900.1</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>23.0</td>
<td>44.0</td>
<td>24.4</td>
<td>3.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Waste generated during the reporting year</td>
<td>1,755.8</td>
<td>1,783.7</td>
<td>2,173.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2018</td>
<td>1,755.8</td>
<td>1,474.2</td>
<td>2,100.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019</td>
<td>1,783.7</td>
<td>1,765.3</td>
<td>2,176.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>1,013.0</td>
<td>1,440.4</td>
<td>1,528.0</td>
<td>1,617.0</td>
<td>1,560.4</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>13.0</td>
<td>113.0</td>
<td>23.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Received from third parties</td>
<td>8.0</td>
<td>4.0</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>8.0</td>
<td>4.0</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of waste used, neutralized, and transferred to specialized entities, as well as unlisted waste</td>
<td>1,604.0</td>
<td>1,750.0</td>
<td>2,271.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2018</td>
<td>1,604.0</td>
<td>1,735.0</td>
<td>2,277.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019</td>
<td>1,750.0</td>
<td>2,271.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>1,176.0</td>
<td>1,265.0</td>
<td>1,542.0</td>
<td>2,089.0</td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>12.0</td>
<td>122.0</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste at the end of the reporting year</td>
<td>905.0</td>
<td>948.0</td>
<td>912.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2018</td>
<td>905.0</td>
<td>948.0</td>
<td>912.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2019</td>
<td>948.0</td>
<td>912.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>765.0</td>
<td>913.0</td>
<td>886.0</td>
<td>890.0</td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>13.0</td>
<td>27.0</td>
<td>28.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes.
1. The amount of waste at the beginning and end of the reporting year (waste remaining in accumulation) depends on the organization of the production process and the schedules for recycling/neutralizing the generated waste. Drilling waste comprises the main share of waste remaining in the accumulation. Drilling waste generated as a result of construction of cluster sites, the drilling of which began at the end of the year, is disposed of during the following reporting year, after finalization of drilling at the entire site. Thus, the volume of transition waste depends on the scope of drilling operations.
2. The rise in waste generation in 2020 across Russian entities is caused by an increased amount of sewage sludge and construction waste, that was generated during the dismantling of buildings and structures for the construction of technological facilities at the Matnye Kogorsk and Volgograd refineries. In addition, the amount of oil-contaminated soil at LLC LUKOIL-Komi increased due to the significant formation of oil-contaminated soil as a result of pipeline depressurization.
3. The dynamics of the amount of waste used, neutralized and transferred to specialized organizations depends on the dynamics of the amount of waste generated. Generated waste is fully disposed of, neutralized, transferred to specialized organizations.
4. Data on waste across Russian entities are given without taking into account rock formed as a result of mine oil production at LLC LUKOIL-Komi.

APPENDICES
### Safety

#### GRI 403-9  Number of occupational accidents and employees injured in workplace accidents at LUKOIL Group entities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of occupational accidents, including:</td>
<td>19</td>
<td>20</td>
<td>21</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>fatal</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>high-consequence work-related injuries</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>number of minor injuries</td>
<td>15</td>
<td>9</td>
<td>15</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>number of microtraumas</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Number of employees injured in workplace accidents (total number of injuries), including:</td>
<td>28</td>
<td>22</td>
<td>23</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>number of fatalities (FA)</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>number of lost-time injuries (LTI)</td>
<td>24</td>
<td>18</td>
<td>22</td>
<td>23</td>
<td>28</td>
</tr>
</tbody>
</table>

Note: If during the reporting period an employee suffered more than one injury, each case is counted as a separate injury. The term “microtrauma” is used according to the GRI definition.

#### GRI 403-9  Indicators related to occupational injuries at contractor organizations in Russia and abroad

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of occupational accidents, including:</td>
<td>19</td>
<td>20</td>
<td>21</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>fatal</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>high-consequence work-related injuries</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Number of employees injured in workplace accidents (total number of injuries), including:</td>
<td>32</td>
<td>25</td>
<td>9</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>number of fatalities (FA)</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>number of lost-time injuries (LTI)</td>
<td>24</td>
<td>15</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

#### LUKOIL Group HSE training indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope of training, person-courses</td>
<td>47,560</td>
<td>56,481</td>
<td>60,106</td>
<td>59,314</td>
<td>65,220</td>
</tr>
<tr>
<td>Russian entities</td>
<td>33,898</td>
<td>42,114</td>
<td>46,485</td>
<td>1,894</td>
<td>52,685</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>13,662</td>
<td>14,367</td>
<td>13,621</td>
<td>2,330</td>
<td>12,535</td>
</tr>
<tr>
<td>By employee category (Russian and foreign entities)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>14,138</td>
<td>16,134</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialists</td>
<td>11,194</td>
<td>12,257</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers and other personnel</td>
<td>11,194</td>
<td>12,257</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training costs (‘Employee training and advanced vocational training’ category), RUB million</td>
<td>321.6</td>
<td>321.9</td>
<td>321.2</td>
<td>263.8</td>
<td>359.8</td>
</tr>
</tbody>
</table>

Note: Data on the amount of training refers to mandatory HSE employee training and certification programs and include both in-person and remote employee training.
### Employees

**GRI 102 – B Personnel characteristics by type of employment, employment contract, and gender, people (headcount)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Headcount</th>
<th>%</th>
<th>2019</th>
<th>%</th>
<th>2020</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>105,991</td>
<td></td>
<td>105,624</td>
<td></td>
<td>104,264</td>
<td></td>
</tr>
</tbody>
</table>

**Employee breakdown by gender**

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>%</th>
<th>Women</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>62,205</td>
<td>59%</td>
<td>43,786</td>
<td>41%</td>
</tr>
<tr>
<td>2019</td>
<td>62,007</td>
<td>59%</td>
<td>43,617</td>
<td>41%</td>
</tr>
<tr>
<td>2020</td>
<td>61,183</td>
<td>59%</td>
<td>43,081</td>
<td>41%</td>
</tr>
</tbody>
</table>

**Employee breakdown by type of employment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Full-time</th>
<th>%</th>
<th>Part-time</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>86,319</td>
<td>99.5%</td>
<td>406</td>
<td>0.5%</td>
</tr>
<tr>
<td>2019</td>
<td>105,168</td>
<td>99.6%</td>
<td>456</td>
<td>0.4%</td>
</tr>
<tr>
<td>2020</td>
<td>103,972</td>
<td>99.7%</td>
<td>292</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**Employee breakdown by type of employment contract**

<table>
<thead>
<tr>
<th>Year</th>
<th>Permanent</th>
<th>Men</th>
<th>% of total men headcount</th>
<th>Women</th>
<th>% of total women headcount</th>
<th>Temporary</th>
<th>Men</th>
<th>% of total men headcount</th>
<th>Women</th>
<th>% of total women headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>79,542</td>
<td>58,808</td>
<td>94.8%</td>
<td>39,212</td>
<td>89.9%</td>
<td>7,167</td>
<td>3,202</td>
<td>5.2%</td>
<td>4,402</td>
<td>10.1%</td>
</tr>
<tr>
<td>2019</td>
<td>98,020</td>
<td>57,854</td>
<td>95%</td>
<td>38,805</td>
<td>90%</td>
<td>7,604</td>
<td>3,329</td>
<td>5.4%</td>
<td>4,272</td>
<td>9.9%</td>
</tr>
<tr>
<td>2020</td>
<td>96,659</td>
<td>58,805</td>
<td>95%</td>
<td>38,805</td>
<td>90%</td>
<td>7,605</td>
<td>3,329</td>
<td>5.4%</td>
<td>4,271</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

**Note:** Breakdown by type of employment and by type of employment contract for 2018 is accounted for a limited number of Group entities in Russia.

### Employees

**GRI 102 – B Personnel characteristics by category and age as at December 31 of each reporting year**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total for LUKOIL Group</th>
<th>%</th>
<th>Russian entities of LUKOIL Group</th>
<th>%</th>
<th>Foreign entities of LUKOIL Group</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>110,101</td>
<td>90,112</td>
<td>19,989</td>
<td>13,322</td>
<td>11,535</td>
<td>1,786</td>
</tr>
<tr>
<td>2017</td>
<td>107,405</td>
<td>90,323</td>
<td>17,082</td>
<td>11,365</td>
<td>11,335</td>
<td>1,958</td>
</tr>
<tr>
<td>2018</td>
<td>105,991</td>
<td>88,019</td>
<td>17,972</td>
<td>10,873</td>
<td>10,853</td>
<td>1,967</td>
</tr>
<tr>
<td>2019</td>
<td>105,624</td>
<td>88,434</td>
<td>17,190</td>
<td>10,853</td>
<td>10,845</td>
<td>1,953</td>
</tr>
<tr>
<td>2020</td>
<td>104,264</td>
<td>87,858</td>
<td>16,406</td>
<td>10,845</td>
<td>10,845</td>
<td>1,849</td>
</tr>
</tbody>
</table>

**Breakdown by gender**

<table>
<thead>
<tr>
<th>Year</th>
<th>Under 35</th>
<th>36 to 40 years</th>
<th>41 to 50 years</th>
<th>51 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>43,787</td>
<td>17,253</td>
<td>23,729</td>
<td>18,956</td>
</tr>
<tr>
<td>2017</td>
<td>42,772</td>
<td>14,007</td>
<td>23,274</td>
<td>16,111</td>
</tr>
<tr>
<td>2018</td>
<td>41,174</td>
<td>14,142</td>
<td>23,729</td>
<td>15,452</td>
</tr>
<tr>
<td>2019</td>
<td>39,179</td>
<td>14,624</td>
<td>24,545</td>
<td>15,955</td>
</tr>
<tr>
<td>2020</td>
<td>36,955</td>
<td>15,085</td>
<td>25,136</td>
<td>16,022</td>
</tr>
</tbody>
</table>
Percentage of female managers of total number of managers of the respective level at LUKOIL Group entities (headcount), %

<table>
<thead>
<tr>
<th>Employee category</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO of a LUKOIL Group entity</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Deputy Heads, Chief Engineer, Chief Accountant</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Head of a branch, TPU, or another standalone business unit</td>
<td>4</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Heads of departments</td>
<td>21</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
</tbody>
</table>

Scope of services provided under social programs at LUKOIL Group

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL Group, total</td>
<td>4,088,750</td>
<td>4,103,123</td>
<td>4,086,495</td>
<td>4,095,750</td>
<td>4,095,750</td>
</tr>
<tr>
<td>including</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health protection, services</td>
<td>325,711</td>
<td>326,759</td>
<td>322,750</td>
<td>327,270</td>
<td>327,270</td>
</tr>
<tr>
<td>Social support for families with children, services</td>
<td>65,311</td>
<td>62,246</td>
<td>58,440</td>
<td>60,289</td>
<td>60,289</td>
</tr>
<tr>
<td>Non-state pension coverage, people</td>
<td>12,453</td>
<td>12,265</td>
<td>12,115</td>
<td>13,361</td>
<td>13,361</td>
</tr>
<tr>
<td>Support for pensioners, people</td>
<td>43,281</td>
<td>44,930</td>
<td>42,825</td>
<td>43,058</td>
<td>43,058</td>
</tr>
<tr>
<td>Other, services</td>
<td>21,394</td>
<td>24,083</td>
<td>19,203</td>
<td>18,439</td>
<td>18,439</td>
</tr>
<tr>
<td>Specifically for Russian entities, total</td>
<td>4,022,709</td>
<td>4,017,277</td>
<td>3,991,594</td>
<td>3,984,541</td>
<td>3,984,541</td>
</tr>
<tr>
<td>including</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health protection, services</td>
<td>270,051</td>
<td>229,751</td>
<td>227,025</td>
<td>265,964</td>
<td>265,964</td>
</tr>
<tr>
<td>Social support for families with children, services</td>
<td>51,461</td>
<td>58,586</td>
<td>55,305</td>
<td>56,075</td>
<td>56,075</td>
</tr>
<tr>
<td>Non-state pension coverage, people</td>
<td>8,795</td>
<td>8,183</td>
<td>8,340</td>
<td>7,003</td>
<td>7,003</td>
</tr>
<tr>
<td>Support for pensioners, people</td>
<td>45,116</td>
<td>44,854</td>
<td>42,869</td>
<td>43,255</td>
<td>43,255</td>
</tr>
<tr>
<td>Other, services</td>
<td>16,273</td>
<td>17,875</td>
<td>14,882</td>
<td>13,014</td>
<td>13,014</td>
</tr>
</tbody>
</table>

Note:

A service provided to an employee under social programs constitutes the provision of various types of social assistance and support at the employee's request in kind (e.g. vaccinations) or in cash, to pay for the service or to compensate for its cost.

Percentage of employees receiving regular performance and career development reviews at PISCE LUKOIL

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>PISCE LUKOIL, headcount, people</td>
<td>2,331</td>
<td>2,351</td>
<td>2,406</td>
<td>2,429</td>
<td>2,429</td>
</tr>
<tr>
<td>Total PISCE LUKOIL, employees who received an official performance review, people</td>
<td>2,099</td>
<td>2,091</td>
<td>2,150</td>
<td>2,157</td>
<td>2,157</td>
</tr>
<tr>
<td>Percentage of the total number of PISCE LUKOIL employees</td>
<td>50%</td>
<td>50%</td>
<td>52%</td>
<td>57%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Financial indicators

201–1 (2016) Direct economic value generated and distributed, RUB mln

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,227,240</td>
<td>5,936,705</td>
<td>8,015,889</td>
<td>7,941,248</td>
</tr>
<tr>
<td>Income from financial investments</td>
<td>14,756</td>
<td>15,170</td>
<td>19,530</td>
<td>25,234</td>
</tr>
<tr>
<td>Income from disposal of tangible assets</td>
<td>94,447</td>
<td>106,274</td>
<td>2,576</td>
<td>26,408</td>
</tr>
</tbody>
</table>

Distributed economic value:

- -6,745,967 |
-3,394,491 |
-7,287,232 |
-6,905,273 |
-5,472,090 |

Operating expenses:

-5,413,216 |
-3,908,704 |
-5,297,986 |
-5,076,153 |
-3,755,945 |

Wages and salary:

-158,075 |
-127,097 |
-115,671 |
-143,602 |
-754,293 |

Other employee payments and benefits:

-23,377 |
-131,775 |
-131,775 |
-31,366 |
-31,366 |

Payments to capital providers, including:

-190,423 |
-180,371 |
-202,296 |
-226,516 |
-449,888 |

Dividends paid:

-130,729 |
-94,491 |
-160,395 |
-184,787 |
-410,898 |

Interest paid to creditors:

-43,609 |
-38,812 |
-56,671 |
-41,589 |
-31,195 |

Budget contributions:

-369,281 |
-1,080,073 |
-1,931,272 |
-1,698,928 |
-3,074,790 |

Societal investment:

-12,050 |
-9,695 |
-8,795 |
-9,288 |
-8,424 |

Undistributed economic value:

5,209,281 |
675,506 |
191,716 |
403,603 |
182,980 |

Notes:

The calculation of the following indicators has been clarified:

- Income from disposal of tangible assets (2019): other types of income are excluded, except for income from the disposal or retirement of assets.
- Interest paid to creditors (2016–2018): interest expenses are recalculated on a cash basis.
- Budget contributions (2018–2019): deferred taxes are excluded. The data is presented on the accruals basis, except for the «Payments to capital providers» indicator, for which the cash basis approach was used.
- Income from financial investments = Income from interest on deposits + Income from interest on loans issued + Other financial income.
- Income from disposal of tangible assets = Income from sale and disposal of assets.
- Operating expenses = Operating expenses + Cost of purchased oil, gas and refined products + Transportation expenses + Selling, general and administrative expenses – Wages and salaries – Other employee payments and benefits + Exploration expenses.
- Wages and salaries = Labor pay (including labor pay, estimated liabilities, compensation and incentive payments, pension insurance, voluntary health insurance, voluntary accident insurance).
- Other employee payments and benefits = Employee reward program payments.
- Dividends paid = Dividends paid on Company shares + Dividends paid to non-controlling interest holders.
- Interest paid to creditors = Interest expense.
- Budget contributions = Taxes (other than income tax) + Excise taxes and export duties + Current income tax.
- Societal investment = Charity expenses.
### Average salaries at Russian LUKOIL Group entities

<table>
<thead>
<tr>
<th>Regions where production facilities are located</th>
<th>Average salary (LUKOIL) (January–December 2018)</th>
<th>Average salary (LUKOIL) (January–December 2019)</th>
<th>Average salary (LUKOIL) (January–December 2020)</th>
<th>Average salary in the region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Astrakhan Region</td>
<td>88,276</td>
<td>33,748</td>
<td>92,620</td>
<td>35,792</td>
</tr>
<tr>
<td>Volgograd Region</td>
<td>62,445</td>
<td>30,292</td>
<td>65,277</td>
<td>32,737</td>
</tr>
<tr>
<td>Kaliningrad Region</td>
<td>89,637</td>
<td>32,634</td>
<td>92,815</td>
<td>34,157</td>
</tr>
<tr>
<td>Nenets Autonomous Area</td>
<td>121,451</td>
<td>72,969</td>
<td>122,722</td>
<td>77,815</td>
</tr>
<tr>
<td>Perm Territory</td>
<td>71,081</td>
<td>11,162</td>
<td>73,824</td>
<td>13,945</td>
</tr>
<tr>
<td>Irkut Republic</td>
<td>97,993</td>
<td>50,186</td>
<td>103,113</td>
<td>56,780</td>
</tr>
<tr>
<td>Samara Region</td>
<td>56,792</td>
<td>33,825</td>
<td>59,586</td>
<td>38,747</td>
</tr>
<tr>
<td>Saratov Region</td>
<td>51,945</td>
<td>29,251</td>
<td>54,911</td>
<td>31,391</td>
</tr>
<tr>
<td>Stavropol Territory</td>
<td>50,071</td>
<td>49,486</td>
<td>54,571</td>
<td>34,118</td>
</tr>
<tr>
<td>Khanty-Mansi Autonomous Area — Yugra</td>
<td>104,709</td>
<td>71,000</td>
<td>109,058</td>
<td>75,051</td>
</tr>
<tr>
<td>Yamal-Nenets Autonomous Area</td>
<td>121,257</td>
<td>95,849</td>
<td>131,225</td>
<td>110,793</td>
</tr>
<tr>
<td>Moscow (excluding PJSC LUKOIL)</td>
<td>104,845</td>
<td>83,678</td>
<td>137,778</td>
<td>100,505</td>
</tr>
<tr>
<td>Republic of Bashkortostan</td>
<td>67,986</td>
<td>33,017</td>
<td>73,090</td>
<td>36,495</td>
</tr>
<tr>
<td>Volgograd Region</td>
<td>Less than 500 people</td>
<td>35,545</td>
<td>45,944</td>
<td>45,549</td>
</tr>
<tr>
<td>Kamchatka Territory</td>
<td>105,317</td>
<td>52,419</td>
<td>106,515</td>
<td>57,665</td>
</tr>
<tr>
<td>Moscow Region</td>
<td>100,779</td>
<td>58,846</td>
<td>109,513</td>
<td>57,087</td>
</tr>
<tr>
<td>Novosibirsk Region</td>
<td>50,572</td>
<td>53,942</td>
<td>53,942</td>
<td>53,942</td>
</tr>
<tr>
<td>Saint-Petersburg</td>
<td>71,035</td>
<td>53,942</td>
<td>73,410</td>
<td>53,942</td>
</tr>
<tr>
<td>Sverdlovsk Region</td>
<td>Less than 500 people</td>
<td>47,567</td>
<td>50,000</td>
<td>43,574</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>104,012</td>
<td>68,677</td>
<td>109,396</td>
<td>77,745</td>
</tr>
<tr>
<td>Chelyabinsk Region</td>
<td>40,204</td>
<td>44,937</td>
<td>44,937</td>
<td>38,693</td>
</tr>
</tbody>
</table>

### Note
Given the large number of countries in which LUKOIL Group entities operate, certain indicators (such as ‘Share of local employees’ or ‘Average salary’) are disclosed for significant regions. The definition of significant regions is given in Appendix 6. Average salary in the regions where one Group entity operates = Average salary in this particular organization. In the regions where several Group entities operate, the average salary (weighted average) for these organizations is indicated. Changes in the list of regions are due to fluctuations in the headcount of the Group’s entities.
**Greenhouse gases**

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP 110a1)</td>
<td>Total gross GHG emissions, including the share of methane, the share of emissions by countries with legal regulation of GHG emissions.</td>
<td>P. 54-55, 101</td>
<td>Annual Report</td>
</tr>
</tbody>
</table>

**Emissions**

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP 120 a1)</td>
<td>Volume of NO\textsubscript{X}, SO\textsubscript{X}, and other pollutant emissions to the atmosphere, VOCs, and PM10 dust.</td>
<td>P. 189</td>
<td></td>
</tr>
</tbody>
</table>

**Water**

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP 140 a1 EM-RM 140 a1</td>
<td>Amount of freshwater withdrawn, share of total consumption, share in regions with severe water scarcity</td>
<td>P. 104, 183</td>
<td></td>
</tr>
</tbody>
</table>

**Occupational safety**

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP 320 a2)</td>
<td>Description of the management system to improve safety culture</td>
<td>P. 73-75</td>
<td></td>
</tr>
</tbody>
</table>

**Extraction**

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-ER-160a2)</td>
<td>Total number and volume of hydrocarbon spills, including a) in the Arctic, b) impacting coastlines in categories B-10 of the Environmental Sensitivity Index (ESI) (mangroves, marshes, rocky shores, and others); percentage of recovered sites.</td>
<td>E, Partially, p. 82</td>
<td></td>
</tr>
<tr>
<td>Code</td>
<td>Definition</td>
<td>Segment: E — Extraction, R — Refining, Marketing, and Distribution, S — Services (drilling, others), T — Transportation</td>
<td>Response / reference to indicators in Sustainability Report for 2020</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>EM-EP-510a1</td>
<td>Percentage of proved and prospective reserves in countries that rank in the bottom 20 of Transparency International’s Corruption Index</td>
<td>E</td>
<td>The share of reserves located in Iraq and the Republic of Congo (according to PJSC LUKOIL share) of LUKOIL Group’s proved reserves that was 9.6% in 2018, and 15.4% in 2019. The share of reserves located in Iraq and the Republic of Congo (according to PJSC «LUKOIL» share) of total reserves of LUKOIL Group was 1% in 2018, and 1.5% in 2019</td>
</tr>
<tr>
<td>EM-EP-510a2</td>
<td>Management system for the prevention of corruption in the company and supply chain</td>
<td>E</td>
<td>Anti-Corruption Policy of PJSC LUKOIL</td>
</tr>
<tr>
<td>EM-ER-540a2</td>
<td>Describe the risk management system for catastrophic events and accidents</td>
<td>E, S</td>
<td>P. 76, 77</td>
</tr>
<tr>
<td>Refining and distribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-RM-110a2</td>
<td>Long- and mid-term strategy to reduce GHG emissions (Scope 1), established targets and analysis of the achieved results</td>
<td>T, R</td>
<td>P. 56, 57</td>
</tr>
<tr>
<td>EM-RM-120a2</td>
<td>Number of plants located in or in the vicinity of heavily populated cities</td>
<td>R</td>
<td>LUKOIL’s refineries are located in cities with a population of 10,000 or more. The largest population is in Volgograd (about 1 million people), Perm (about 1 million people), Nizhny Novgorod (1.3 million people) and Saratov (842 thousand people). All cities are located in Russia.</td>
</tr>
<tr>
<td>EM-RM-150a1</td>
<td>Amount of hazardous waste generated, share of recycled waste</td>
<td>R</td>
<td>P. 109, 191</td>
</tr>
<tr>
<td>EM-RM-520a2</td>
<td>Number of court-ordered penalties for price-gouging and price-fixing</td>
<td>R</td>
<td>P. 35</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-MD-520a1</td>
<td>Total losses from lawsuits related to pipelines and storage facilities</td>
<td>T</td>
<td>P. 35</td>
</tr>
<tr>
<td>EM-MD-540a1</td>
<td>Number of pipeline-related incidents reported, share of significant incidents</td>
<td>T</td>
<td>P. 12</td>
</tr>
<tr>
<td>EM-MD-540a2</td>
<td>Share of inspected gas pipelines (natural gas) and pipelines for transportation of hazardous materials</td>
<td>T</td>
<td>P. 59</td>
</tr>
<tr>
<td>EM-MD-540a3</td>
<td>Number of emergency and non-emergency spills during railway transportation</td>
<td>T</td>
<td>All railway transportation operations are performed by contractors. Contractors are liable for transportation safety</td>
</tr>
<tr>
<td>Services (contractors)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-SV-510a1</td>
<td>Share of income in countries that rank in the bottom 20 of Transparency International’s Corruption Index</td>
<td>S</td>
<td>The Company does not generate significant revenues in these countries.</td>
</tr>
<tr>
<td>EM-SV-150a2</td>
<td>Strategy and plans to mitigate risks associated with the use of chemicals</td>
<td>S</td>
<td>Partially p. 103, 109</td>
</tr>
<tr>
<td>EM-SV-160a1</td>
<td>Strategy and plans to mitigate risks associated with environmental impacts in services</td>
<td>S</td>
<td>Partially, p. 103, 109</td>
</tr>
</tbody>
</table>

Appendix B. Indicator boundaries

Appendix B is published in the interactive version of the Sustainability report on the website.
Appendix 9. Independent assurance statement

INDEPENDENT ASSURANCE STATEMENT

JSC “KPMG”
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru


To the Shareholders of JSC LUKOIL

Introduction

We were engaged by the Management of PJSC LUKOIL (“the Management”) to report on Sustainability Report of LUKOIL Group (“the Group”) for 2020 (“the Report”) in the form of a limited assurance conclusion that, based on our work performed, nothing has come to our attention that causes us to believe that Management’s Statement that the Report is prepared based on the “core” version of the Global Reporting Initiative Sustainability Reporting Standards (the GRI Standards) and is free from material misstatement, is not, in all material respects, fairly stated.

Management’s Responsibilities

Management is responsible for the preparation and presentation of the Report that is free from material misstatement in accordance with the GRI Standards, and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control system relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. It also includes: determining the Group’s objectives in respect of sustainable development performance and reporting, including the identification of key stakeholders groups and their material issues; selecting applicable requirements of the GRI Standards; preventing and detecting fraud; identifying and ensuring that the Group complies with the laws and regulations applicable to its activities; selecting and applying appropriate policies, making judgments and estimates that are reasonable in the circumstances; maintaining adequate records in relation to the information included in the Report; ensuring that staff involved in the preparation of the Report are properly trained, information systems are properly updated and that any changes in the reporting system encompass all key business units.

Our Responsibilities

Our responsibility is to perform procedures to obtain evidence in respect of the Report prepared by Management and to report thereon in the form of a limited assurance conclusion regarding Management’s Statement in respect of the Report based on the evidence obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform our procedures to obtain a meaningful level of assurance in respect of the Management’s Statement that the Report is prepared based on the “core” version of the GRI Standards and is free from material misstatement.

Our Independence and Quality Control

We have complied with the independence and ethical requirements established by the Rules on Independence of Auditors and Audit Firms and the Code of Professional Ethics for Auditors approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply the International Standard on Quality Control 1, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures Performed

The procedures selected, and our determination of the nature, timing and extent of these procedures, depend on our judgment, including the assessment of risk of material misstatement during the preparation of the Report, whether due to fraud or error, our understanding of the Group’s activities, as well as other engagement circumstances.

In making these risk assessments, we considered internal control system relevant to the Group’s preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Group’s internal control.

Our engagement also included assessing the appropriateness of the information included in the Report, the suitability of the GRI Standards used by Management in preparation of the Report in the circumstances of the engagement, evaluating the appropriateness of the methods, policies and procedures, used in the preparation of the Report and the reasonableness of estimates made by Management.

The procedures we developed based on the performed risk assessment are a combination of inspections, confirmations, recalculations, analytical procedures and inquiries.
Our procedures included, but were not limited to, the following:

- inspection of the processes used by PJSC LUKOIL to identify topics and issues material to the Group’s key stakeholder groups, with the purpose of understanding such processes in the Group, as well as analysis of information from open sources on topics and issues material to key stakeholder groups of other organizations in the industry, with the purpose of determining the level of completeness of disclosure of such topics and issues in the Report;
- interviews with Management representatives and officers at the corporate center and subsidiaries regarding the sustainable development strategy and policies regulating material issues in areas of importance for the Group, stage of implementation of such policies, and procedures for collecting information on sustainable development;
- interviews with employees of the corporate center and subsidiaries responsible for providing the information for the Report;
- conducting procedures at the level of the following subsidiaries:
  - LLC LUKOIL-West Siberia, Kogalym;
  - LLC LUKOIL-Komi, Usinsk;
  - LLC LUKOIL-Kubanenergo, Krasnodar;
  - LLC LUKOIL-BULGARIA, Sofia,

which were selected based on risk analysis using qualitative and quantitative criteria,

- comparing the information presented in the Report with data from other sources to determine its completeness, accuracy and consistency;
- assessing the completeness of qualitative and quantitative information on sustainable development against the GRI Standards;
- reading and analyzing information on sustainable development included in the Report to determine whether it is in line with our understanding and knowledge of the Group’s sustainable development activity;
- recalculation of quantitative data and inspection of underlying documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**Criteria Used**

To evaluate the Report, GRI Standards were used which are available at the link: https://www.globalreporting.org/standards/

**Management’s Statement**

Management states that the Report is prepared based on the “core” version of the GRI Standards and is free from material misstatement.
At the initiative of PJSC “LUKOIL”, the Board of Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs (RSPP) (hereinafter, the Board) formed in accordance with the decision of the Administrative Office (Resolution of 28 June 2007) have reviewed the Sustainability Report for 2020 (hereinafter, the Report) of LUKOIL Group (hereinafter, the Company, the Group, LUKOIL).

The Company requested RSPP that the Board arranges a public assurance review of the Report. The Board has formed an opinion on the relevance and completeness of the information disclosed in the Report in relation to the Company’s performance in accordance with the principles of responsible business practice which are set out in the Social Charter of Russian Business and comply with the provisions of the UN Global Compact and Russian and international social responsibility standards.

The Report was assessed based on the following criteria on the completeness and relevance of the information contained therein:

Information is considered relevant to the extent it presents the Company’s activities in implementing the principles of responsible business practices disclosed in the Social Charter of Russian Business (www.rsp.ru).

The completeness implies that the Company has comprehensively presented its activities in the Report – its underlying values and strategic benchmarks, governance system and structure, achievements, and key performance indicators, as well as its system of interacting with stakeholders.

The application by the Company of the international reporting system is considered during the public assurance review of the Report. However, confirming the Report’s level of compliance with international reporting systems is outside the scope of this Conclusion.

The Company is responsible for the information and statements contained in the Report. The reliability of the data contained in the Report is not the subject matter of this public assurance review.

This Conclusion has been prepared for the Company which may use it for internal corporate purposes and for communications with stakeholders, publishing it without any changes.

CONCLUSIONS

On the basis of the analysis of the Report, as well as public information on the official corporate website of the Company, and a collective discussion of the results of the independent assessment of the Board of Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs (RSPP), the Board formed an opinion on the relevance and completeness of the information disclosed in the Report in relation to the Company’s performance in accordance with the principles of responsible business practice which are set out in the Social Charter of Russian Business and comply with the provisions of the UN Global Compact and Russian and international social responsibility standards.

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The Company is responsible for the information and statements contained in the Report. The reliability of the data contained in the Report is not the subject matter of this public assurance review.

This Conclusion has been prepared for the Company which may use it for internal corporate purposes and for communications with stakeholders, publishing it without any changes.
Company’s control system is shown. The report informs about the preparation of ratings of contractors to involve them in improving the safety culture. The mechanisms of interaction with clients are described, feedback channels and results of monitoring of their satisfaction are presented. The Company’s membership in international and Russian industry and professional associations and unions is highlighted. The Report highlights the cooperation with the International Labor Organization.

Human Rights: The report declares the Company’s commitment to respect for human rights in accordance with the principles reflected in UN documents and the legislation of the countries in which it operates. The Company states that it does not allow discrimination against employees on any grounds. Corporate documents setting forth the principles of observing human rights are described. Information is provided on social partnership, respect for labor rights, including measures for training and development, improving working conditions and protection of labor, and ensuring the rights of indigenous minorities of the North. Human rights monitoring mechanisms, including feedback channels, and activities to manage human rights risks in the supply chain are reported. Information on the participation of representatives of the indigenous minorities of the North in decision-making on projects that affect their rights, on the implementation of projects in their support, and expenses for these purposes is included.

Environmental preservation: The Report informs about the strategic goal of reducing the human impact on the environment through the implementation of the best available technologies. The implementation of the Environmental Safety Program for 2028–2022, its results and goals for 2031 are shown. The establishment of the Working Group on Decarbonization and Adaptation to Climate Change, the performance of an expanded inventory of emission sources, and the publication of climate reporting in the international Carbon Disclosure Project (CDP) are reported. Information on emergency situations is disclosed, measures to improve the reliability of the pipeline system and to prevent oil spills are reflected.

The main results in energy consumption and energy efficiency, including the implementation of the Energy-Saving Program of the Group’s entities for 2019–2021, are highlighted, and information on the management system in this area is presented. Approaches to solving the problem of sustainable water use, including in low-water regions, are described. Data on reducing the use of water for own needs, on measures to optimize water consumption is given. The Report shows the Company’s biodiversity conservation activities, including in the Arctic zone. Environmental monitoring is reported to improve the safety of marine ecosystems. The main goals and areas of implementation of the Company’s renewable energy projects are presented. Projects aimed at reducing the negative impact on the environment and reducing waste are highlighted. Gross and specific environmental impact indicators are disclosed. Data on costs on environmental protection measures for Russia and foreign assets are given. The implementation of projects under the World Bank initiative Zero Routine Flaring by 2030 is reported. Environmental and social partnership, respect for labor rights, including measures for training and development, improving working conditions and protection of labor, and ensuring the rights of indigenous minorities of the North. Human rights monitoring mechanisms, including feedback channels, and activities to manage human rights risks in the supply chain are reported. Information on the participation of representatives of the indigenous minorities of the North in decision-making on projects that affect their rights, on the implementation of projects in their support, and expenses for these purposes is included.

In preparing the Report, Global Reporting Initiative sustainability reporting standards (GRI Standards), SASB, UNCTAD were used, as well as other Russian and international documents, including the UN Global Compact, the Social Charter of Russian Business and the Basic Performance Indicators of the Russian Union of Industrialists and Entrepreneurs, the Sustainability Reporting Guidance for the Oil and Gas Industry (IPIECA), which ensures continuity of information in various reporting cycles, as well as comparability with the reports of other companies.

The report for 2020 is the Company’s eleventh non-financial report, which attests to the consistent development of the non-financial reporting process. The Company uses various forms of independent evaluation and confirmation of reporting information (professional audit and public assurance), thereby confirming a responsible attitude to the quality of information disclosed.

RECOMMENDATIONS

While noting the merits of the Report, the Board draws the Company’s attention to several aspects that are important for stakeholders and relate to the relevance and completeness of the information disclosed and recommends taking them into account in future reporting.

The Board notes that the recommendations based on the analysis of the Company’s previous reports will prove useful in the future reporting practices of the Group.

The Report contains the analysis of the implemented strategic goals and the assessment of the Company’s contribution to the achievement of the priority UN Sustainable Development Goals – 2030. It is advisable to report on developments in these directions from the climate agenda. It also outlines plans for further implementation of these goals. The Board recommends developing this practice in subsequent reporting cycles and highlighting measurable targets for priority SDGs, specifying estimated deadlines to achieve them.

Taking into account that LUKOIL is an operator of or participant to a number of foreign projects of prospecting and producing of hydrocarbons in various countries worldwide, it seems advisable to provide more information in subsequent reporting cycles on the activities conducted under these projects for the purposes of sustainable development.

Furthermore, it is advisable to consider presenting not only consolidated figures of foreign companies in the subsequent reporting cycles but also figures with a breakdown by segment (production, refining, sales) or by entities.

Noting the disclosure in the Report of changes in figures over three years as its positive feature, it should be emphasized that clarifications on the changes in the indicators need to be provided. It is advisable to provide comments on the reported accounting indicators, especially when significant changes have occurred.
The Report comprises information on implementing operational excellence programs and digitalization of the Group’s operations. The Board recommends paying more attention in future to sustainable development opportunities and risks of the Group, which arise out of the developing digital technologies and implementation thereof in the Company’s business processes.

The Report contains information on the Company's external social policy aspects, specific programs and activities in the regions of its presence. For a less biased assessment of the Group’s social impact in future, it is advisable to disclose the cost structure of key aspects of the external social policy and present the efficiency of specific projects.

The Report covers the interaction with stakeholders on a wide range of issues. It seems reasonable to develop in future the practice of stakeholder engagement in the preparation of reports, e.g. by arranging events such as dialogues, hearings of reports, obtaining of feedback from representatives of basic stakeholder groups on the social, economic, and environmental impact of the Company’s enterprises, and giving coverage to the outcomes of these events.

It appears from the Report that the climate agenda has been integrated in the strategies and activities of the Company. In view of the relevance of this topic, it deserves continued focus and coverage in reports including the information on the Company’s response to challenges in this area, financial appraisal of climate risks, and description of approaches to their mitigation.

We recommend that in future the information on the interaction of PJSC “LUKOIL” with subsidiaries on the Company’s strategic sustainable development goals and the system of control of applying of corporate policies and internal regulatory documents should be included in reports.

Having issued a positive assessment of the Report, having supported the Company’s commitment to the principles of responsible business practices, and having noted the consistency in the development of its reporting, the RSPP Board of Non-Financial Reporting does hereby confirm that the LUKOIL Group Sustainability Report for 2020 has passed the public assurance procedure.

The Board of Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs
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The data on future production and investment plans contained in the Report are based on forward-looking information. Such words as “believe”, “anticipate”, “expect”, “estimate”, “intend”, “plan” and similar expressions indicate the forward-looking nature of the statement. Actual results may differ from expected results, estimates and intentions contained in forward-looking statements. PJSC LUKOIL does not guarantee that the anticipated operating results contained in the forward-looking statements will in fact be achieved. In each case, such statements represent only one of many possible outcomes, and thus they should not be considered as the most likely outcome.