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
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 economic 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 disinvestment 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.

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.

LUKOIL is also the first company in the global energy market. We continue to evolve in line with UN Sustainable Development Goals and the highest environmental standards.

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. The first APG utilization projects were implemented. A zero-discharge principle was introduced for offshore projects.

The HSE Policy of LUKOIL Group in the 21st Century was adopted. The Company Sea and River Terminals Safe Operation Concept was approved. Committees of the Board of Directors were established. First cooperation agreements were signed across Russian regions.

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

A quality-management system was created. Russia’s first Social Project Competition was held. The Company’s HR Policy was adopted. Committees of the Board of Directors were established. First collective agreements were signed across Russian regions. The Institute of Trade Unions for Occupational Safety and Health was established.

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.

LUKOIL’s first Energy Saving Program was adopted. The first APG utilization projects were implemented. A zero-discharge principle was introduced for offshore projects.

The LANGEPASURAIGALYMNEFT oil company was founded (“LUKOIL”) and incorporated as LUKOIL Oil Company OJSC. Start of organized trading of the Company’s shares on the secondary market (Russian Commodity Exchange).

The HSE Policy of LUKOIL Group in the 21st Century was adopted. The Social Code was adopted. The first collective agreements were signed. The HSE Policy of LUKOIL Group in the 21st Century was adopted.

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 LUKOIL Code of Business Conduct and Ethics was adopted. The first collective agreements were signed across Russian regions. The Institute of Trade Unions for Occupational Safety and Health was established. The Social Code was adopted. The first collective agreements were signed.

An agreement was signed between the employer and the trade union associations across Russian entities. The HSE Policy of LUKOIL Group in the 21st Century was adopted. The Social Code was adopted. The first collective agreements were signed. The HSE Policy of LUKOIL Group in the 21st Century was adopted.

An agreement was signed between the employer and the trade union associations across Russian entities. The Institute of Trade Unions for Occupational Safety and Health was established. LUOKIL’s single share gained blue-chip status, and LUKOIL bonds were listed on the London Stock Exchange.

An agreement was signed between the employer and the trade union associations across Russian entities. The Institute of Trade Unions for Occupational Safety and Health was established. LUOKIL’s single share gained blue-chip status, and LUKOIL bonds were listed on the London Stock Exchange.
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.

We develop reserves located, inter alia, in major oil and gas provinces in Russia, Uzbekistan and Iraq, producing liquid hydrocarbons (oil and gas condensate), natural and associated petroleum gas.

- Leadership in development of hard-to-recover reserves in Russia
- Share of international projects proportionate to total hydrocarbon production — around 10%.

Offshore (0.3 to 3,000 m) and onshore projects

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
- 6 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 and 2 production facilities at European oil refineries
- 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
  - 23 countries worldwide
- Marina and river bunkering
- Aircraft refueling

Sustainability Report for 2020 LUKOIL Group

1. Commercial and supporting
2. LUKOIL owns a 45% share in the Dutch refinery.
GEOGRAPHY

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, selkup, 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

STAFF IS EMPLOYED
11% IN EUROPE
84% IN RUSSIA

RUSSIA
1. Azerbaijan
2. Belarus
3. Belgium
4. Bulgaria
5. Cameroon
6. Congo
7. Croatia
8. Egypt
9. Finland
10. Georgia
11. Ghana
12. Iraq
13. Italy
14. Kazakhstan
15. Latvia
16. Luxembourg
17. Macedonia
18. Mexico
19. Moldova
20. Montenegro
21. Netherlands
22. Nigeria
23. Norway
24. Romania
25. Serbia
26. Spain
27. Turkey
28. UAE
29. USA
30. Uzbekistan

OFFSHORE PROJECTS
- Exploration
- Production of oil & gas
- Oil refining, gas processing and petrochemicals
- Marketing and transportation
- Power generation

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.

COMPETITIVENESS

We are focused on boosting our overall operational performance and achieving more rational use of resources (natural, human, production, and financial).

CONTRIBUTION TO NATIONAL PROJECTS OF THE RUSSIAN FEDERATION

Ecology

Digital Economy of the Russian Federation

SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM INDICATORS

0.15

0% 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
• 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

REPORTING GUIDELINES

GRI / IPIECA / UNCTAD / SASB / RSPP

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.

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.

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.

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.

ECOLOGY

97.8% efficiency of APG usage throughout LUKOIL Group

0.28

0.15

7% cut of air pollutant emissions in Russian entities

0.15

0% reduction in flaring GHG emissions across LUKOIL Group compared to 2016

0% average share of electric power generated from renewable sources

PLANS

• Development of the Decarbonization Program
• 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

SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM INDICATORS

0.15

0% 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
• Further implement social and economic development programs in the Russian regions
• Implementation of programs to improve operational efficiency, digitalization, and investment programs: Improvement of corporate governance

REPORTING GUIDELINES

GRI / IPIECA / UNCTAD / SASB / RSPP
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. ENVIRONMENT
   - Environmental safety
   - Water
   - Biodiversity and ecosystems
   - Emissions and waste

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

6. 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

Information on the procedure for material topics identification is provided in Appendix 2 (details 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 our 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 19 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.

TARGET 4.4
Expenses RUB 939 million

- Charity projects in regions
- Social programs for employees

TARGET 5.5
Expenses RUB 721 million

- Support for families

TARGET 6.3, 6.4
Expenses RUB 3,005 million

- Environmental Safety Program of LUKOIL Group entities, “Clean Water” subprogram
- Charity projects and programs in Iraq and Uzbekistan
- Social and Cultural Projects Competition (“Ecology” nomination)
- Voluntary cleanup campaigns to remove waste from riverbanks

TARGETS 7.2, 7.3
Expenses RUB 3,426 million

- Energy Conservation Programs of LUKOIL Group entities

TARGETS 8.3, 8.8
Expenses RUB 156,597 million

- Industrial safety, workplace safety and occupational health improvement, emergency prevention and response Program of LUKOIL Group entities (Occupational safety subprogram)

TARGET 9.4
Expenses RUB 7,389 million

- Program for scientific and technical works
- Environmental Safety Program of LUKOIL Group, “Clean Air” subprogram

TARGET 12.5
Expenses RUB 3,751 million

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

TARGET 13.1
Expenses RUB 18,131 million

- Membership in the UN Global Compact Initiative

TARGET 14
Expenses RUB 27,024 million

- The Environmental Safety Program of LUKOIL Group, “Clean Air” subprogram
- Program for the rational use of APG of LUKOIL Group entities

TARGET 15a
Expenses RUB 829 million

- RES development projects
- Energy Conservation Programs of LUKOIL Group entities

TARGET 16, 17
Expenses RUB 27,024 million

- 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

TARGET 16a
Expenses RUB 18,131 million

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

TARGET 17.17
Expenses RUB 829 million

- Participation in the Project of the World Bank and the UN
The UN annual report for 2020\(^1\) 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\(^2\).” 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 implications\(^3\). 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 Federation\(^4\). 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 risk 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 13.1 (“Integrate climate change measures into national policies, plans and programming”), and SDG 14.1 (“Prevent and significantly reduce marine pollution of all kinds”).


\(^3\) Sources: IDN, June 26, 2020.


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 hydrocarbon production. PJSC LUKOIL is the corporate center of LUKOIL Group. LUKOIL Group entities employ over 100 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 for technological leadership that is based on an ecological balance so that all of us can share in a prosperous future.

LUKOIL Group'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**

### Exploration 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 BOE1, 24 percent of which was gas. The Company’s proved reserve life is 20 years.

LUKOIL Group’s oil and gas condensate production in 2020, excluding the West Qurna-2 project, was 77.2 million tonnes; 10.1 percent lower than in 2019. This decrease is attributable to the OPEC+ agreement and the impact of the COVID-19 pandemic on global demand for hydrocarbons. Despite a sharp decline in oil prices and external restrictions on production output, we continued with our forward-looking strategy based on the development of priority projects in Western Siberia, the Caspian Sea, and the Komi Republic. During the year the Company launched oil production at nine new fields in Western Siberia, the Volga Region, the Urals, and Timan-Pechora.

### Refining, marketing and distribution

This business segment includes organizations’ whose operations relate to the refining of hydrocarbons, transportation, wholesale and retail trade, and trading, 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 refineries’ 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 nomenclature 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 Buglia.

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 solar power plant at the Volgodon 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>48</td>
<td>45</td>
<td>96</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>
<tr>
<td>Production of oil and gas condensate (including the share in associates), million barrels of oil equivalent</td>
<td>644</td>
<td>646</td>
<td>590</td>
</tr>
<tr>
<td>Gas production, million cubic meters</td>
<td>33,543</td>
<td>35,046</td>
<td>29,015</td>
</tr>
<tr>
<td>Lubricants production (full cycle), thousand tonnes</td>
<td>961</td>
<td>963</td>
<td>923</td>
</tr>
<tr>
<td>Output of marketable petrochemicals, thousand tonnes</td>
<td>1,294</td>
<td>1,311</td>
<td>1,229</td>
</tr>
</tbody>
</table>

### More information is available:

2. This business segment includes several business centers, such as Oil refining in Russia; Oil refining abroad; Petrochemicals, Oil product supply in Russia; Oil product supply abroad; Transportations; and other entities from the Refining, Marketing and Distribution business segment.
3. The total electric capacity of the Group’s entities takes into account facilities owned by the Company but leased out to other legal entities.
4. The data do not include the West Qurna-2 project.
5. At own, affiliated, and third-party refineries (according to the Group’s share).
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.

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.

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

- The MOEX – RSPP Responsibility and Transparency Index and MOEX – RSPP Sustainable Development Vector Index in the top 10
- 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: 2nd place
- World Wildlife Fund (WWF) and CREON analytical group rating of environmental transparency of Eurasian oil and gas companies: top three

As at the end of 2020.
MESSAGE FROM THE CHAIRMAN OF THE STRATEGY, INVESTMENT, SUSTAINABILITY AND CLIMATE ADAPTATION COMMITTEE

Chairman of the Strategy, Investment, Sustainability and Climate Adaptation Committee

Sergei Shatalov

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.
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

Plains 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

Management system

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 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 chart) illustrates the changes that were introduced in 2020 following the creation of the climate strategy (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.

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

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 access 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.

Board of Directors

The Board of Directors of PJSC LUKOIL plays a critical role in defining the Company’s strategy and initiatives concerning sustainability and the climate change agenda. The growing involvement of Board members is evidenced by the increased number and frequency of issues addressed during 2020, reports on specific issues were included on the agenda of almost every meeting. The appointment in 2020 of Leonid Fedun, Vice President for Strategic Development, and member of the Strategy, Investment, Sustainability and Climate Adaptation Committee, as the member of the Board of Directors who is directly responsible for Company activities related to climate change was a significant event for the Company.

An independent Board member, Toby T. Gati, contributes significantly to advancing the Board’s efforts to address climate change and the SDGs. She is actively involved in the discussion of these topics and brings international experience and in-depth expertise to the table.

Information updates for members of the Board of Directors and the Management Board were held thanks to extensive assistance from the Corporate Secretary, Natalia Podolskaya.

Information on the independence of the Board members, its committees, gender composition, number of meetings, and other performance indicators for 2020 can be found in Appendix 7.

Information on the structure of the PJSC LUKOIL 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.
SUSTAINABILITY MANAGEMENT SYSTEM

Full information on Board committees activities is available in the Company’s Annual Report for 2020, page 88.

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 company management topics at corporate governance forums.

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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 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.

See the Climate Change section for more information.

Corporate Secretary

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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 law1 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. Group in the 21st Century 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, 30 years after the Company was established, LUKOIL Group has been put in effect.

LUKOIL’s 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 PISC 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 PISC LUKOIL.

Group entities are instructed to ensure that all personnel are made familiar with the Code of Business Conduct and Ethics as well as main local regulatory acts (LRAs). This recommendation is communicated to the entities’ 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 Company has grievance mechanisms (a Hotline, Business Ethics Commission) that any staff member can use to report violations. In 2020, nine inquiries were filed with the Business Ethics Commission (seven in 2019), the inquiries mainly related to labor relations during the COVID-19 pandemic, including the specifics of working remotely. Each case was investigated, and the Commission provided clarifications or feedback.

Among the most effective methods of monitoring compliance with LRA requirements and corporate ethics standards are internal audits and consultations. Audits conducted in 2020 uncovered 88 significant deviations/deficiencies related to non-compliance with LRAs (53 in 2019). This growth was the result of changes made to the audit process, including an increase in the scope and number of audited areas, as well as in the provision of consultations by the internal audit unit for LUKOIL Group entities during the year.

LUKOIL Group’s Code of Business Conduct and Ethics can be found on the corporate website at:

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 PISC 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 PISC LUKOIL.

LUKOIL’s Code of Business Conduct and Ethics can be found on the corporate website at:

Detailed information on the performance of the business ethics monitoring system is available at:

1 Federal Law No. 7 of January 10, 2002 “On Environmental Protection.”

See Appendix 6 for the definition of a significant deviation/deficiency related to non-compliance with LRA requirements.
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 combating corruption, and defines key activities and tools to be applied in the context of the 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 competent center for tax matters.

Detailed description of the system of management and control over the implementation of legal requirements regarding taxes can be found on the website: anticorruptionline@lukoil.com.

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.

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.

The Company’s reputation as a good-faith taxpayer has been confirmed by the recent transitioning of the Group’s Russian entities to a new form of tax administration. This new system of tax monitoring gives the tax authorities real-time access to data from the Group’s accounting systems and documents.

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 related 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. Data include the amount of taxes (except income tax), excise and export duties, income tax (current + deferred).
2. See Appendix 1 for the definition of a “Case”.
3. See Appendix 1 for the definition of a “Material claim relating to a breach of environmental law”.
4. The amount of the significant fine is included in the description of this tax.
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 established norms related to working hours, create a favorable environment for professional training and career development, and ensure equal pay for employees in the same job positions. The Company regularly organizes meetings to discuss human rights issues, such as the right to fair and favorable working conditions and social security rights; arranges sessions with trade union representatives, and maintains a high level of collective agreement coverage for employees.

Twice a year, Professional Training Days for managers of LUKOIL Group entities are organized, where the most current issues are discussed. For example, in 2020, this event included training on “Social engineering” devoted, among other things, to security issues in modern conditions of information systems development. The Company continuously monitors the observance of human rights. In 2020, there were no reports of human rights violations (including child, forced, or slave labor, and involuntary resettlements of indigenous people) by the Group’s entities. HR audits were conducted in six Group entities: no material violations of human and labor rights were identified.

Stakeholders can raise concerns about the Company’s non-compliance with human rights via various communication channels (e.g., ethics and anti-corruption hotline) 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.

Detailed information on human rights activities and on observing the rights of the indigenous minorities of the North and interaction with them can be found on the website and in the Society section of this Report.

We distinguish the following groups of stakeholders:

- CLIENTS
- SHAREHOLDERS AND INVESTORS
- EMPLOYEES AND TRADE UNIONS
- NATIONAL AND LOCAL LEGISLATIVE AND EXECUTIVE AUTHORITIES
- SUPPLIERS AND CONTRACTORS
- SOCIETY

LUKOIL recognizes its responsibility to stakeholders and maintains a continuous 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.

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. LLK-International, for example, provided excellent online customer support and quality training in new digital logistics skills for employees and dealers. Leading media outlets, both in Russia and abroad, extensively covered 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.

See the relevant sections of the Report for details.
### Stakeholder engagement

#### Principal regular channels for interaction

<table>
<thead>
<tr>
<th>Main events in 2020</th>
<th>Issues of importance in 2020</th>
<th>Results</th>
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</thead>
<tbody>
<tr>
<td><strong>CLIENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surveys and studies, loyalty programs, Mobile apps, Universal hotline and grading system in a mobile application, Registration of Company addresses in social networks</td>
<td>D ongoing information campaigns for gas station operators and product ranges, the benefits of the &quot;Fill Up with Profit&quot; loyalty program, and publicizing features of the LUKOIL gas stations mobile app</td>
<td>The Company is perceived as being a supplier of quality goods and services</td>
</tr>
<tr>
<td><strong>EMPLOYEES AND TRADE UNIONS</strong></td>
<td></td>
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<tr>
<td>Meetings of the President of PJSC LUKOIL with employees, Collective agreements and contracts with trade unions, Social and safety culture programs, Corporate events and media, sports competitions</td>
<td>Most questions are related to remote working arrangements and changes to working hours, processes due to restrictions</td>
<td>The Company is perceived as being a responsible employer</td>
</tr>
<tr>
<td><strong>SUPPLIERS AND CONTRACTORS</strong></td>
<td></td>
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<tr>
<td>Tenders, Hotline, Agreements with strategic suppliers, Technology field days in the Russian regions, Workshop (Perm, the Russian Federation)</td>
<td>A road map for the development of cooperation with enterprises in the Perm Territory was signed. The primary issues in the supply chain - Digital logistics, changes in contract terms due to the pandemic; Protecting the employees of contractors and service entities against infection</td>
<td>The Company is perceived as being a reliable partner</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS AND INVESTORS</strong></td>
<td></td>
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</tr>
<tr>
<td>Lines of communication - Investor conferences - regularly, meetings with analysts - regularly, Annual and other reports - annually, Corporate website - regularly</td>
<td>As of December 31, 2020, 100 percent of analysts of investment banks and finance companies recommended buying the Company’s shares</td>
<td>The Company is perceived as being a socially responsible business participant</td>
</tr>
</tbody>
</table>

### Results

- **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.
  - 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.

- **Selecting the best youth ideas for subsequent support**
  - Selection of the best youth ideas for subsequent support

- **Social and Cultural Projects**
  - The Accelerator for Active Youth Projects (Kogalym, Russia)
  - The 90th anniversary of Yugra, production of the Samotlor oil field, the 55th anniversary of the Samotlor oil field, the 50th anniversary of the Samotlor oil field discovery, Oil and gas industry development trends.

- **Youth support and new opportunities**
  - Ongoing involvement jointly with our regional partners in projects designed to improve the quality of life.
SUSTAINABILITY MANAGEMENT SYSTEM

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 prerequisites 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.

In line with the Integrated HSE (Health, Safety, Environment) Management System (IMS — see the Safety section for details), an HSE Management Policy or project Plan is elaborated; in Iraq, there is an HSE Observation Management System in place.

In host countries, LUKOIL is often the originator of new technology and engineering solutions, the application of which noticeably reduces the negative impacts on local communities of operations, and on ecosystems and the social environment. For example, a custom tail gas recovery unit was designed to treat gas with high hydrogen sulfide content as part of the Yamama project in Iraq.

Approaches to sustainability management and an assessment of results achieved are standard for LUKOIL Group entities.
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 bidding, 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 supplied, responsible business practices, and technological innovations.

### Supply Chain

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 to confirm compliance with statutory parameters; technical audits of suppliers; committee investigations into failures 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 PSC LUKOIL Internal Audit Service (in Russia) for review, as outlined in the Instructions to the Candidate.

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 (MTR) in Russia remained the same 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).

### 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.

#### 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.
TECHNOLOGIES

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 wellsite operations to integrated planning at the PJSC 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:

- 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.
- Completion 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.
- 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.
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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 (10 equipment items) 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 cyber threats 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 2018, the Board of Directors decided to launch this program the LUKOIL Group’s Functional Development Program for Information and Technology Support.
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 is 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 estimate1 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 pursuing 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 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 directives, 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 2050, 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 2030, 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 2020 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.

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Detailed information is provided in the LUKOIL Group Sustainability Report 2019.

The new target was announced by LUKOIL President V. Alekperov in March 2021 at Investor Day.

Information is published in the issuer’s quarterly reports. https://lukoil.ru/InvestorAndShareholderCenter/RegulatoryDisclosure/EmitentReports

The requirements are in the form of amendments to LUKOIL STO 1.6.9.2 “Pre-project and Project Documentation. Requirements to the Composition and Content of Supporting Materials.”

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.

Our actions

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.

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Key changes in the functions of governing bodies and of new governing bodies

**MANAGEMENT LEVEL**

**FUNCTIONS AND TASKS**

The Board of Directors of PJSC LUKOIL

Leonid Fedun, Vice President for Strategic Development, Member of the Strategy, Investment, Sustainability and Climate Adaptation Committee of PJSC LUKOIL, has been given responsibilities 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.

Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors

To ensure the effective performance of strategic goals, the name and functions of the Committee were changed and documented in the new version of the Committee Regulations. The Committee’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.

Decarbonization and Climate Change Adaptation Task Force

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 business process “Decarbonization and Adaptation to Climate Change.”

The Department for Industrial Safety, the Environment and Scientific and Technical Development

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.

In 2020, in preparation for the development of the climate strategy and the setting of a new GHG reduction goal, we performed a full inventory of emission sources and calculated emissions of the three types of GHG emissions (methane, carbon monoxide, nitrous oxide) in accordance with the new methodological approaches (GHG Protocol) and the recommendations of Russian regulatory documents. The data is consolidated based on the “operational control” criteria. Based on the results of the adjusted methodological approach to the consolidation of GHG emissions data, indicators for 2016–2020 are presented in the approved reporting boundaries.

The inventory data reflects a consistent decrease in GHG emissions (Scope 1 + 2) for LUKOIL Group between 2017 and 2019. The reduction in direct emissions is mainly due to an increase in the share of APG utilization.

The reduction of indirect (energy) emissions was achieved as a result of the implementation of APG utilization and energy efficiency programs at production and processing entities.

Details are in the “APG utilization and flaring reduction” and “Energy conservation” subsections of this section of the Report.

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GHG emissions of LUKOIL Group

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1: Direct gross GHG emissions, million tonnes of CO₂</td>
<td>40.150</td>
<td>40.448</td>
<td>39.599</td>
<td>39.706</td>
<td>36.705</td>
</tr>
<tr>
<td>Including by GHG composition:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO₂, million tonnes of CO₂</td>
<td>38.574</td>
<td>39.024</td>
<td>38.615</td>
<td>38.909</td>
<td>35.704</td>
</tr>
<tr>
<td>Methane (CH₄), million tonnes of CO₂</td>
<td>1.545</td>
<td>1.596</td>
<td>0.959</td>
<td>0.772</td>
<td>0.916</td>
</tr>
<tr>
<td>Share of methane, %</td>
<td>3.8</td>
<td>3.5</td>
<td>2.4</td>
<td>1.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Nitrogen monoxide (NOₓ), million tonnes of CO₂</td>
<td>0.028</td>
<td>0.025</td>
<td>0.025</td>
<td>0.025</td>
<td>0.024</td>
</tr>
<tr>
<td>Other GHGs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Scope 2: Indirect (energy) GHG emissions (CO₂), million tonnes of CO₂ | 10.435 | 10.450 | 8.947 | 8.636 | 6.947 |
| Scope 2: Indirect (energy) GHG emissions (CO₂), million tonnes of CO₂ | | | | | |
| Total energy consumption (purchased and internally generated) | | | | | |

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 CO₂; 2017 — 37.85 million tonnes CO₂; 2018 — 36.44 million tonnes CO₂; 2019 — 33.765 million tonnes CO₂.
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 CO₂ 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.

Greenhouse gas emissions (Scope 1) of LUKOIL Group, by type of activity and geography, million tonnes of CO₂

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Exploration and Production</td>
<td>33.765</td>
<td>34.043</td>
<td>33.403</td>
<td>32.851</td>
<td>30.780</td>
</tr>
<tr>
<td>Transportation</td>
<td>0.486</td>
<td>0.078</td>
<td>0.087</td>
<td>0.001</td>
<td>0.11</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>6.385</td>
<td>6.405</td>
<td>6.196</td>
<td>6.945</td>
<td>5.924</td>
</tr>
<tr>
<td>Oil Refining and Petrochemicals (EU countries)</td>
<td>6.342</td>
<td>6.181</td>
<td>5.803</td>
<td>6.585</td>
<td>5.628</td>
</tr>
</tbody>
</table>

Note:
1. The growth in GHG emissions of the Exploration and Production business segment was due to the growth of exploration and production drilling and the increase in production mainly in the Caspian Region and the Komi Republic, as well as the commissioning of additional power capacity at oilfields, which led to an increase in diesel fuel consumption. The increased GHG emissions at oil refining and petrochemicals entities in 2017 were caused by production of the largest volume of high-value-added products between 2016 and 2019.

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

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Oil Refining and Petrochemicals across LUKOIL Group (excluding LLC LUKOIL-KGPZ and LLC LLK International)</td>
<td>4.334</td>
<td>4.308</td>
<td>3.602</td>
<td>3.505</td>
<td>3.650</td>
</tr>
<tr>
<td>Power Generation (Russian entities)</td>
<td>0.281</td>
<td>0.293</td>
<td>0.282</td>
<td>0.291</td>
<td>0.305</td>
</tr>
</tbody>
</table>

Note:
1. 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. 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 means associated with each.

1. Reduce controlled GHG emissions (Scope 1 + Scope 2).
2. Participate in climate initiatives and develop climate opportunities.
3. Improve energy efficiency: Enhance RES energy consumption, develop carbon capture and storage projects, optimize the asset portfolio.

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.

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.

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>
</tbody>
</table>

Focus on efficiency of using conservative oil pricing and domestic carbon price scenarios in investment decisions.

Improve energy efficiency.

Enhance RES energy consumption: Develop carbon capture and storage projects, optimize the asset portfolio.

Implement GHG emission reduction technologies: Develop the regulatory environment in Russia, expand commercial generation from renewable energy sources, study low-carbon energy resources (sodium and hydrogen), implement reforestation projects.

LUKOIL National Committee on Climate Policy and Carbon Regulation

LUKOIL has been a member of the National Committee on Climate Policy and Carbon Regulation since 2009. The Committee was established in 2008 as 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.

LUKOIL, in particular, has presented its position on Russian draft laws and regulations on limiting greenhouse gas emissions, on Amendments to the Guidance for the Development of a National Carbon Accounting System and on 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.

In 2021, PJSC 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.
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. A carbon management system has been created and is constantly being improved, taking into account modern requirements: a comprehensive climate strategy is being developed.

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.

LUKOIL-Engineering has developed a solution to ensure the airtightness of the annular space using special grouting slurries 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.
APG UTILIZATION AND FLARING REDUCTION

Since 2017, we have been a member of the World Bank’s “Zero Routine Flaring by 2030” initiative and committed to reducing APG flaring through further technologically achievable APG utilization. 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 Khanty-Manist Autonomous Area — Yugra in Russia. In 2020, the project to construct a system for collecting and transporting APG from the Zhilinskoye, Belskoye, and Rostovskoye fields (Perm Territory) was fully completed. The project began in 2018, and the targets were set during the planning phase. Upon completion of the project in 2020, all the targets were achieved:

- The volume of APG flaring decreased over three times (from 17.8 million to 5.3 million cubic meters).
- The APG utilization increased from 87.8% to 97.8%.
- The volume of CO₂ emissions decreased by 44 thousand tonnes of CO₂ per year (from 62.5 thousand to 18.5 thousand tonnes of CO₂).

Design and survey work has been completed under the second project, “Reconstruction of the Povkhovskaya Compressor Station”. Compressor equipment will be supplied and the elements of the APG collection system will be installed in 2021. The expected date of completion of the project is 2022.

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.

Total volume of APG flaring and APG utilization rate across LUKOIL Group

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of APG flaring, million cubic meters</td>
<td>992.5</td>
<td>309.53a</td>
<td>275.55b</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>937.6</td>
<td>298.933</td>
<td>269.271</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>14.9</td>
<td>10.601</td>
<td>6.285</td>
</tr>
<tr>
<td>APG utilization rate, %</td>
<td>92.1</td>
<td>97.6</td>
<td>97.8</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>91.7</td>
<td>97.5</td>
<td>97.7</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>98.1</td>
<td>98.9</td>
<td>99.4</td>
</tr>
</tbody>
</table>

Note:

The indicator boundaries include the following Russian and foreign entities (based on the PSC LUKOIL shares in the projects): LUKOARDE B.V. (Tengiz project in Kazakhstan), LUKOL, Overseas Kumilo B.V. (Kumilo project in Kazakhstan), and LUKOL, Upstream Congo SASU (Marine XI project in Republic of the Congo). In Egypt and Iraq, in accordance with the concluded agreements, APG is not subject to production sharing, and the entire volume of APG produced is contractually owned by the host countries.

1. The program runs on a 3-year period and is revised and approved by management of PSC LUKOIL on an annual basis. The program for 2020-2022 was approved in 2019. During the previous reporting period, the program for 2019-2021 was in effect.
2. PSC LUKOIL withdrew from the project in December 2020. The data is shown until the end of the license period, i.e., until 16 December 2020 inclusive. Marine XI project in the Republic of the Congo was included in reporting in 2019.
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 the sustainable and efficient use of energy resources, which helps to reduce GHG emissions and improve 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 levelling 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 decommissioning of inefficient and expensive facilities—which ultimately contributes 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 6.5 MW, and the economic effect for PJSC LUKOIL was RUB 16.5 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 Suzlon 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.

In 2020, within the framework of the continuous improvement system, the Energosprav strategic project was launched at refineries and petrochemical plants, with the goal of increasing energy efficiency. At the first stage, a portfolio of measures is planned which are aimed at reducing CO₂ emissions, eliminating the consumption of liquid fuel, increasing the efficiency of heat transfer, and reducing the Energy Intensity Index EII Solomon. The expected target effect for 2020–2030 includes:
• the Energy Intensity Index (EII) Solomon at refineries will be reduced by an average of 13 percent (compared to 2018 level) of the CO₂ emissions will be reduced by an average of 10 percent (∼ 1.5 million tonnes of CO₂e per year)

Dynamics of Solomon EII as compared to 2014, %

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).

1 Hereinafter in the sector data on power consumption in within the reporting boundaries for GHG emissions, details in the “Climate Change” sector.
2 At four refineries in Russia, Belaruskimavtostroiprojekt, refineries in Bulgaria and Romania.
3 The EII Solomon Energy Intensity Index is calculated pursuant to the ISO 50001:2018 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>Year</th>
<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>
<td>465</td>
</tr>
<tr>
<td>(1.1 + 1.2 + 1.3 - 1.4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1. Purchased energy consumption for production purposes, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• electricity</td>
<td>59</td>
<td>57</td>
<td>54</td>
</tr>
<tr>
<td>• thermal power</td>
<td>20</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>• cold</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>• steam</td>
<td>0</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></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>533</td>
<td>546</td>
<td>515</td>
</tr>
<tr>
<td>1.3. Supporting generation from renewable energy sources</td>
<td>0.00525</td>
<td>0.03726</td>
<td>0.04005</td>
</tr>
<tr>
<td>1.4. Power sales and supply, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• electricity</td>
<td>130</td>
<td>117</td>
<td>119</td>
</tr>
<tr>
<td>• thermal power</td>
<td>74</td>
<td>66</td>
<td>68</td>
</tr>
<tr>
<td>• cold</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>• steam</td>
<td>0</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. When converting 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) SAP 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-Nizhnevotskneft 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>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL Group</td>
<td>502</td>
<td>502</td>
<td>465</td>
</tr>
<tr>
<td>Exploration and Production business segment</td>
<td>179</td>
<td>182</td>
<td>172</td>
</tr>
<tr>
<td>• Russian entities</td>
<td>176</td>
<td>178</td>
<td>169</td>
</tr>
<tr>
<td>• Foreign entities</td>
<td>2.9</td>
<td>4.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Refining, Marketing and Distribution business segment</td>
<td>323</td>
<td>320</td>
<td>293</td>
</tr>
<tr>
<td>• Russian entities</td>
<td>244</td>
<td>238</td>
<td>225</td>
</tr>
<tr>
<td></td>
<td>72</td>
<td>69</td>
<td>64</td>
</tr>
<tr>
<td>• Foreign entities</td>
<td>79</td>
<td>82</td>
<td>68</td>
</tr>
</tbody>
</table>
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 mechanisms
• Reduction in GHG emissions
• Synergy 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 251 MW, four solar power plants at its own refineries in 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 SPPs in Russia and the WPP in Romania is sold on electricity markets. Electricity generated by solar power plants at the refineries and filling stations in Romania and refineries in Bulgaria is used for the entities’ own production needs. When electricity generated from renewable energy sources is supplied to the power system, it serves to prevent GHG emissions at thermal power plants using fossil fuels, as well as the supply chain at the stages of fuel extraction and transportation.

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 CO2 emissions of up to 12 thousand tonnes per year (Scope 3).

The development of a construction project for a 30 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 hydropower cluster in the vicinity of Krasnodar, LUKOIL continued to construct a small 1.5 MW HPP on the Beshenka 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 for remote control from the Tsimlyanskaya HPP were rearranged. The station will supply power to the retail electricity market of the Krasnodar Territory, providing electricity to consumers in the Krasnaya Polyana mountain climate resort and the Big Sochi. 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).

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 WPP in Volgograd and 2.35 MW WPP in Krasnodar).

The project for the construction of a WPP 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 SPP will be located on land plots of the Krasnodar ChPP of LLC LUKOIL- Kubanenergo 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 15 thousand tonnes of CO2 per year (Scope 3). The SPP 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 Krasnodar Krasnuhenergo, where 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></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial electric power from renewable sources, million kWh</td>
<td>1,365</td>
<td>1,100</td>
<td>822</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>wind power</td>
<td>192</td>
<td>218</td>
<td>211</td>
</tr>
<tr>
<td>solar power</td>
<td>17</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>hydroelectric power</td>
<td>1,566</td>
<td>968</td>
<td>509</td>
</tr>
<tr>
<td>Total electric power produced by commercial generating facilities of LUKOIL Group, million kWh</td>
<td>19,019</td>
<td>18,367</td>
<td>17,139</td>
</tr>
<tr>
<td>Share of commercial electric power generation from renewable sources in total electric power produced by commercial generating facilities of LUKOIL Group, %</td>
<td>6.9</td>
<td>6.0</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Economic indicators

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in RES advancement, million RUB</td>
<td>2,580</td>
<td>5,265</td>
<td>1,655</td>
</tr>
<tr>
<td>Share of investments in renewable sources in CAPEX in the Power Generation business segment, %</td>
<td>47</td>
<td>12</td>
<td>36</td>
</tr>
<tr>
<td>Share of income from sales of electric power produced from renewable sources, %</td>
<td>10.5</td>
<td>11.7</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 generating facilities of LUKOIL Group.
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

CONTRIBUTION TO IMPLEMENTATION OF SDG

- 82 percent was the coverage of employees of LUKOIL Group entities, which have occupational health and safety 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.

The Environmental Safety Program for 2020–2022

ISO 45001–2018 compliance with the international standards ISO 14001-2015 and management) is established annually

The composite indicator “Ensuring the Required HSE Levels at LUKOIL Group Entities” comprising those related occupational injuries and accident rates, and also the key environmental impacts (pollutant emissions and discharges, waste management) is established annually

The Integrated HSE Management System was introduced on the Company’s own will; it is compliant with Russian legislation and best international practices and covers all Group entities as part of the operational control of PJSC LUKOIL.

The Program of Industrial Safety, Improvement of Labor Conditions and Occupational Safety, and Emergency Prevention and Liquidation of LUKOIL Group entities for 2020–2022

The Program was approved by Order of PJSC LUKOIL No. 28 dated February 18, 2020

The Program 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 and zero losses among their full-time employees, 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.

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.

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 the 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 and zero losses among their full-time employees, 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
SAFETY

04

and active efforts to improve safety and develop strong beliefs and behavioral patterns in employees. In our daily operations, we already use electronic work permits and on-the-job training for more than twenty occupations1; digital video surveillance and intelligent video analysis systems, instructional videos on the safe operation of certain types of activities, and the Mobile Inspector application, among other safety tools. Every year, we hold competitions2 where we award the participants developing the best projects, and the success of safety culture measures is taken into account when drawing up the results.

The information about the implementation of safety culture tools can be found on the website.

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 PJSC LUKOIL and LUKOIL Group entities.

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.

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.

Number of entities where audits of management systems were performed

<table>
<thead>
<tr>
<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>
</tr>
<tr>
<td>Internal audits (for compliance with corporate requirements)</td>
<td>27</td>
<td>23</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 supplementary audits take place, are examined.

Financing 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>35,529</td>
<td>35,903</td>
<td>22,440</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>R&amp;D, experimental engineering, and scientific technical works in Russia</td>
<td>80</td>
<td>57</td>
<td>29</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.

1. This project was completed within the LUKOIL Group entities in 2021.
2. In Group’s entities and PSC LUKOIL.

Full name of the document: Regulation on Best HSE Practices of LUKOIL Group to fulfill the objective of improving industrial safety, reducing injuries and ensuring accident-free operations of production and other facilities, as well as continuous reduction of environmental impact and systematization of the experience accumulated in LUKOIL Group entities.
INDUSTRIAL SAFETY

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.

Measures to prevent spills and emergencies

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.

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 waters) 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

LUKOIL Group entities are 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, collection of spill prevention and response plans, Emergency Response Teams activities can be found on the website.

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, collection of spill prevention and response plans, Emergency Response Teams activities can be found on the website.
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.

1. Full details of the total scope of the inspections are provided in the Annual Report for 2020, page 70.
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 RTEx’s facilities in the Volgograd Region, and field trials are ongoing at Lukoil-West Siberia and Lukoil-Penn’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 partake in the work of the task force. In 2020, a national standard was developed for the design and operation of field pipelines made of fiber-glass 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 is a vital aspect of our efforts to increase the reliability of pipelines. The proposal by Lukoil experts to use the manufacturer’s pipe labeling will help in tracing 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 RTEx 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 Penn Territory, RTEx facilities, and the multiphase pipeline at the new D-33V field in the Kaliningrad region.

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.
### Indicators

Since 2016, the indicators for the pipeline system reliability of Russian entities improved as a result of annual ISP 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:
- over 500 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 UAS 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 outboard motors) and equipment (portable sprayers) were prioritized.
- The availability of trained personnel (including 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.

### Indicators of all spills in Russian LUKOIL Group entities

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume of oil spilled in accidents, tonnes</th>
<th>Including significant spills, tonnes</th>
<th>Number of significant spills, incidents</th>
<th>Specific coefficient of spills, kg of spilled oil and oil products per 1,000 tonnes of extracted oil and gas condensate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>32</td>
<td>0</td>
<td>0</td>
<td>0.4 0.2 0.6</td>
</tr>
<tr>
<td>2019</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>0.4 0.2 0.6</td>
</tr>
<tr>
<td>2020</td>
<td>43</td>
<td>6</td>
<td>4</td>
<td>0.4 0.2 0.6</td>
</tr>
</tbody>
</table>

Notes:
1. Data are provided for all the Russian oil and gas production entities under operational control (the list of LUKOIL Group entities can be found in Appendix 1).
2. The specific coefficient of spills is calculated based on the volume of oil and gas condensate production in Russia (excluding the share in affiliates).

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**PREVENTION OF SPILLS AT SEA**

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.

**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 (Rostekhnadzor) 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.

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 outboard motors) and equipment (portable sprayers) were prioritized.

**Well condition monitoring**

Wells are assessed and monitored during downtime operations, using instruments that assess the condition of downstream 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.

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1 This organization is a full member of the International Association of Classification Societies and ensures compliance with the maritime law and the requirements of international conventions for offshore facilities.
**Sustainability Report for 2020 LUKOIL Group**

**SAFETY**

**1. Offshore pipeline monitoring**

Every year, diver inspections of subsea pipeline routes and work to maintain their proper technical condition are carried out. In-line and visual diagnostic methods are used: pipeline wall thickness is measured, metal loss/stratification and equipment spatial positioning are assessed, and corrosion monitoring systems are installed. The results of inspections are entered into databases for GIS applications. The frequency of inspections is strictly regulated by industry legislation and corporate standards.

There was no need to replace pipelines during the entire life of the projects at the Northern Caspian and Baltic fields. LUKOIL adopted the new Russian technology “Beluga”, which can be used to perform repairs without stopping the pumping of the product. In order to avoid environmental risks, a safety system is in place to ensure a high degree of protection of the marine environment from the possible negative impact of production operations.

**Zero Discharge**

The main principle of offshore work is Zero Discharge, which prohibits disposal of any type of waste generated as a result of production activities into the marine environment. All waste is collected in hermetically sealed containers, which are then transported to the shore for decontamination and disposal.

**Environmental and Satellite Monitoring of Offshore Zones and Shorelines**

In Russia, LUKOIL, Kaliningradmorneft and LUKOIL-Nizhnevолжнефт have 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.

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**Platforms in the Caspian Sea**

The duty rescue vessels Lungap and Kogpalm are on duty around the LUKOIL platforms in the Caspian Sea. In 2020, new equipment to localize and eliminate emergency oil spills was purchased for them. The Speed Sweep allows clearing the oil film from the water surface at a higher speed. This technology goes down from the vessel and does not require the use of a loader crane and auxiliary equipment, all of which all of which increase the response speed.

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**VOCATIONAL HEALTH AND SAFETY**

The company’s key priorities are to ensure safe working conditions, to preserve life and health of its employees, as well as employees of contractor organizations working at LUKOIL facilities. The policy includes the company’s obligations to require all employees of LUKOIL Group entities and personnel of contracting organizations to comply with the established safety rules, to offer training and continuously improve the qualifications of employees, and to provide incentives.

**Our actions**

In order to prevent injuries, we regularly identify risks (including critical risks) in accordance with the corporate standard and take measures to manage them, take occupational safety measures, and regularly inform our staff and contractors about the state of injuries.

In the event of accidents, all LUKOIL Group entities carry out investigations and the results are communicated to the heads of LUKOIL entities and structural subdivisions of PSC LUKOIL, considered at the meetings of the HSE Committee of the PSC LUKOIL Board of Directors and included in the annual report to the PSC LUKOIL Management Committee and on the agenda of the Board of Directors’ meetings.

As part of the Industrial Safety Program, measures are taken annually to ensure safe working conditions and preserve the health of employees. The timeframe for implementation is one year, while some of them are of an ongoing nature. The main areas for the reduction of injuries and occupational diseases include the following measures:

- **Key safety rules and liability mechanisms for non-compliance by LUKOIL employees and contractor personnel have been introduced.**
- **Best practices in the work of LUKOIL entities and contractors are disseminated and replicated.**
- **Digital solutions and equipment are introduced.**
- **The Institute of Technical Labor inspectors1 is introduced in key contracting organizations with the participation of the IATU association of trade unions.**

The COVID-19 pandemic accelerated the introduction of digital technologies based on remote operations.

- **An automated system for generating and approving work permits is used, which made it possible to minimize interaction between employees when issuing hazardous work permits.**
- **Automated systems for briefing projects are being implemented and full implementation is planned for 2021.**

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Liability and compensation

In all countries where LUKOIL Group entities operate, the employer’s responsibility for preserving life and health of its employees at the workplace is enshrined in law. Employees who have suffered from accidents at work, or from an illness or disability as a result of an accident, shall be provided with monetary payments, as a result of an accident, shall be provided with monetary payments.

Since 2013, a contest has been held annually to create the best video on industrial and occupational safety. In 2020, a new tool was tested — the International Intellectual game “Occupational Safety Online”. The game aroused great interest not only among the employees, but also among the “fans”. 17 teams from nine entities took part in the first game. It is planned to hold the second game at the Volgograd Oil Refinery in 2021 to coincide with the World Day for Safety and Health at Work.

In most countries, employers are required to take out individual or joint policies (supplementary health insurance) and “Life” risk insurance. The “Health” policy covers the risks of 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.

Open Days on safety for employees’ families and competitions among employees for best projects are held. Accident-free work is rewarded both financially and non-financially.

Since 1978, a contest has been held annually to create the best video on industrial and occupational safety. In 2020, a new tool was tested — the International Intellectual game “Occupational Safety Online”. The game aroused great interest not only among the employees, but also among the “fans”. 17 teams from nine entities took part in the first game. It is planned to hold the second game at the Volgograd Oil Refinery in 2021 to coincide with the World Day for Safety and Health at Work.

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Contracts that are not mandatory in the country of operation (for example, third-party liability insurance contracts, insurance contracts in Iraq or Uzbekistan) 1.

In addition 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.

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 risk of 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.

Sustainability Report for 2020 LUKOIL Group

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 injured (mostly in foreign entities). Due to continuous efforts to improve the safety culture, the rate of fatalities as a result of work-related injuries 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 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 Novgorod Oil Refinery) and four employees of contractor 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 Novgorod 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.

Information on the injury case on 2019 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 due to 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 by civil liability under the Federal Law No. 215-FZ “On Compulsory Insurance of Civil Liability of the Owner of a Hazardous Operation”. In Ukraine the liability insurance in accordance with the Labour Code and the rules of safety is provided for all employees of production facilities. In LUKOIL, civil liability insurance is organized for group operations in all countries, as well as for all employees of production facilities.

2 The operation of contractors does not necessitate the requirement for mandatory payment of insurance premiums. However, legislative acts provide for mandatory monetary compensation for those injured as a result of accidents at work and for employees with occupational diseases.

3 Further quantitative information on injury rates is given in Appendix 1.
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></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost time accident frequency rate (LTAFR)</td>
<td>0.20</td>
<td>0.19</td>
<td>0.28</td>
</tr>
<tr>
<td>Lost time injury frequency rate (LTIFR)</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>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Rate of high-consequence work-related injuries (net of fatalities)</td>
<td>0.03</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>Rate of registered occupational injuries or damage to health</td>
<td>0.15</td>
<td>0.18</td>
<td>0.19</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></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>28</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>23</td>
<td>25</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.

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.

Indicators related to occupational injuries at contractor organizations in Russia and abroad

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of victims of accidents</td>
<td>9</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Fatals</td>
<td>9</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Number of victims of fatal accidents</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Number of victims of high-consequence work-related injuries</td>
<td>5</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

Note.
The detailed calculation can be found in Appendix 7.

Health in the workplace

In 2020, significant efforts of the Company’s medical services were focused on protecting employees from COVID-19 (for details, see the section “Our Employees”). The corporate health control system for employees is based on managing the risks of occupational and work-related diseases. The risk management system identifies typical hazards, such as increased noise, vibration, chemical exposure, labor intensity and others. If the risks identified at the LUKOIL Group entity level are assessed as significant, measures are developed to control and reduce their impact.

The Company has appointed a Health Protection Officer to hold regular consultations with employees on health-related issues; a Health Protection Officer is assigned to each entity where difficult conditions are typical hazards, such as increased noise, vibration, chemical exposure, labor intensity and others. If the risks identified at the LUKOIL Group entity level are assessed as significant, measures are developed to control and reduce their impact.

In 2020, a priority project was launched to reconstruct the oil mines at the Yaregskoye field and the related infrastructure.

Occupational illnesses are extremely rare among the LUKOIL Group employees; LUKOIL-Komi is the only entity where difficult conditions remain (i.e., in the shaft oil production).

LUKOIL-Komi implements projects to improve working conditions in oil mines, such as introduction of new ventilation systems; purchase of equipment that excludes contact with vibration sources; introduction of automation equipment; and the use of specialized personal protective equipment. Priority is given to the early identification of workers predisposed to occupational diseases, and their treatment, and transfer to work that excludes contact with sources of harmful production factors.

In 2020, a priority project was launched to reconstruct the oil mines at the Yaregskoye field and the related infrastructure.

Number of LUKOIL-KOMI workers with newly diagnosed occupational illnesses, people

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>COVID-19</td>
<td>5</td>
<td>7</td>
<td>11</td>
</tr>
</tbody>
</table>
SAFETY IN THE ARCTIC ZONE

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 WWF\(^1\), 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 here, and the development of these territories is intensifying rapidly. New economic opportunities are also associated with the use of ice-free waters of the Arctic Ocean for transportation.

In 2020, the municipality of Usinsk was added to the land territories of the Arctic Zone in the Komi Republic. \(^2\)

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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 at 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 acceptance and delivery point of Pyakyakhinskoye field (the Nenets Autonomous Area); temperature of foundation is monitored once a year by helicopter inspection using a laser gas leakage locator, as well as on a monthly basis by visual inspection driving along line pipes.

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.

Operation stage

At the operation phase, systematic maintenance and control of the buildings and equipment condition are carried out, including:

- Monitoring of the depth of seasonal thawing and the groundwater level.
- Monitoring of the foundations of buildings and structures.
- Control of the buildings and equipment condition.

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 the violations of the thermal regime of soils exceeding the permissible values are identified, additional measures are taken to restore the original temperature.

The technical condition of the main gas pipeline of the gas transportation system of the Bolshekhetskaya Depression is monitored once a year by helicopter inspection using a laser gas leakage locator, as well as on a monthly basis by visual inspection driving along line pipes.


THE KOMI REPUBLIC

“LUKOIL-Komi” is one of the largest subsoil users in the Timan-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-Ukhtamneftegaz, LUKOIL-Uhwashneftegaz, LUKOIL-Savenkhneftegaz, the Yareganeft oil and mines division, as well as the Uhti oil 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 Uhti 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;
• construction of water pipelines for the injection of wastewater from the combined-cyclic plants (Usinskoye field);
• implementation of the roadmap to restore water bodies from Historically accumulated pollution (the Mal’y Voyvozh stream);
• disposal of accumulated oil-saturated sandstone from the mine workings of oil mines (with the involvement of a qualified contractor), as well as testing of mobile technology for washing this waste at the oil production site;
• rehabilitation of contaminated land.

Measures to improve reliability and safety of the pipeline system and improve the environmental situation in the Komi Republic are determined during the annual planning process and are also identified as part of the ISP and the ESP. In 2020, RUB 8.9 billion was allocated to implementation of these.

Treatment facilities at Yarega

In 2020, a hallmark event of long-term importance for the region was the completion and commissioning of new treatment facilities at all oil mines of the Yareganeft oil mine production enterprise. The old facilities did not provide the necessary treatment level of wastewater discharged into surface water bodies, which led to chronic pollution of the Mal’y Voyvozh stream. The new facilities were commissioned at three sites in the villages of Yarega (near oil mine No. 1), Peromovskoye (near oil mine No. 2) and Matnyy Domansk (near oil mine No. 3).

After the commissioning of the new facilities, the volume of insufficiently treated water discharges was reduced to a minimum already in 2020 (from over 400 thousand to 43 thousand cubic meters), and the mass of pollutants contained in the wastewater decreased by 94 percent (as compared to 2019). At the same time, fresh water intake from local surface water bodies was reduced (by three times) due to the fact that wastewater from the oil mines after deep treatment is sent to a closed cycle for the production of steam required for high-viscosity oil production. The operation of the treatment facilities is under constant control of the control center. The project cost amounted to RUB 1.9 billion.

We took a comprehensive approach to the task of improving the environmental situation in the area of the oil mines in Yarega. In addition to the commissioning of new treatment facilities, two other projects were undertaken to eliminate liquid waste and pollution accumulated in the pre-privatization period.

• Treatment (disposal) 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 dispose of bottoms 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.

Mal’y Voyvozh

One of the environmental problems in Yarega is pollution of the Mal’y Voyvozh stream (part of the ecosystem of the Yarega and Ukhta rivers) 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 1999, 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 Shchuchy 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 Ukhta District (near the Mal’y Voyvozh stream) and the Izimsky 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 18 percent since 2018 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 Lekkierka, booster pump station N. Mastelev, 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 Stavrolen complex will begin in 2021. Facilities at Yareganetskoye’s fields have been selected for testing.

We made an important decision to use UAVs to assess the condition of the pipelines and the oil infrastructure 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.
SAFETY

requirements.

automated system of industrial environmental control)

stage (i.e., to complete mechanical and biological

treatment quality significantly improved in terms

mechanical cleaning system. As a result, wastewater

pollutant concentrations. The second stage was

installed, which led to a significant reduction in the

aeration systems and biological treatment was

In the first stage, new equipment of settling basins,

refinery treatment facilities, this important facility is

one of the tasks to be solved is related to the condition

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,

evacuation 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.

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 KomiVoIt (Komi People), Izhvats

(izhentsy), Rus Pechorskaya and others.

• Interaction with residents of the Ust-Uса village and

the Novlobzh village (Urisinsky District)

Both settlements are located at a distance of about 15

km from the Usinskoye 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 Usonka 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 Shelyayur and Dzyl

villages (Izhensky 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 Izhensky district. Following the

public hearings, it was decided to move the construction

of the facility to the territory of the Makaryel’skoye field

of the TPE LUKOIL-Ughtaneftegaz. The territory where

the landfill was supposed to be built is being reclaimed.

Social interaction

We also take actions to improve the social situation

in the republic. On an annual basis, LUKOIL supports

projects of local administrations, municipal and public

organizations. In 2020, the funding for social projects in

the Komi Republic amounted to about RUB 229 million1.

Examples include purchase of medicines for disabled

children, numerous projects to repair schools, hospitals,

cultural institutions and other socially important

facilities.

Applications from local organizations are considered as

part of external social programs. When an application

is received, the request is evaluated based on the

following criteria: the cost of implementing the project;

territory of implementation; audience coverage;

reputation of the organization. LUKOIL-Komi assesses

the effectiveness of the projects by monitoring social

networks and mass media for positive feedback.

Interaction with residents and public

organizations

At key stages of projects, LUKOIL holds consultations

with residents whose interests may be impacted by

corporate plans. Various communication channels are

used for this purpose, including public hearings on

projects, personal meetings between LUKOIL Group

management and specialists and residents, and a

permanent hotline to interact with the public. The

opinion of local residents is taken into account when

deciding on project implementation parameters.

1 Excluding the costs of the agreement between PAVE LUKOIL and municipal
administrations.

THE KOMI REPUBLIC

Environmental performance of LLC LUKOIL-Komi

<table>
<thead>
<tr>
<th>Parameter</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pollutant emissions, thousand tonnes</td>
<td>72</td>
<td>64</td>
<td>57</td>
</tr>
<tr>
<td>Intake of water from surface sources, thousand cubic meters</td>
<td>380</td>
<td>340</td>
<td>122</td>
</tr>
<tr>
<td>Discharge of insufficiently treated water, thousand cubic meters</td>
<td>452</td>
<td>496</td>
<td>43</td>
</tr>
<tr>
<td>Discharge of polluted water, million cubic meters</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total weight of pollutants contained in wastewater discharged to surface waters, thousand tonnes,</td>
<td>571</td>
<td>701</td>
<td>42</td>
</tr>
<tr>
<td>• including hazard classes 1 and 2, tonnes</td>
<td>0.33</td>
<td>0.5</td>
<td>0.03</td>
</tr>
<tr>
<td>Waste generated, thousand tonnes</td>
<td>42.2</td>
<td>206.9</td>
<td>421.1</td>
</tr>
<tr>
<td>Waste disposed of, thousand tonnes</td>
<td>42.7</td>
<td>206.9</td>
<td>421.1</td>
</tr>
<tr>
<td>Volume of oil spilled in accidents, tonnes</td>
<td>19.6</td>
<td>13.8</td>
<td>31.2</td>
</tr>
<tr>
<td>Remediated lands, ha</td>
<td>41.2</td>
<td>45.6</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Interaction with residents of the Ust-Uса village and the Novlobzh village (Urisinsky District)
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.**
- **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.**

**CONTRIBUTION TO IMPLEMENTATION OF SDG**

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

**PLANS FOR 2021 AND THE MIDTERM**


**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). Thanks to a real team efforts by all SDG supporters, target 14.5 was met. 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 decision 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.

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, as to move from transforming nature to reorienting humanity’s relationship with nature.

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

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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 information.
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/
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 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 PSOU LUKOIL. The authors of the best eco-projects receive rewards. The Safety Days program always covers best environmental protection practices and also deals with other challenging issues.

The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL. The Environmental Management System is a part of the Integrated Management System (IMS) of LUKOIL.

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 ESIIs and ESIA operations are performed at the design stage as per 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.

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

Environmental safety program

LUKOIL’s 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 payments for such impacts in 2020 was 13.6 percent (4 percent in 2019). Higher indicator values were due to the delay in obtaining permits caused by the new requirements of Russia’s Ministry of Natural Resources and Environment coming into force, which, according to the methodology on the regulator’s list may be used to calculate the impact indicators.

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

Indicators of LUKOIL Group’s Environmental Safety Program

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>APG UTILIZATION RATE</td>
<td>97.6%</td>
<td>97.8%</td>
</tr>
<tr>
<td>POLLUTANT EMISSIONS INTO THE ATMOSPHERE, THOUSAND TONES</td>
<td>429</td>
<td>395</td>
</tr>
<tr>
<td>WASTEWATER DISCHARGED INTO SURFACE WATER OBJECTS, MILLION CUBIC METERS</td>
<td>10.7</td>
<td>8.8</td>
</tr>
<tr>
<td>WATER CONSUMPTION FOR OUR OWN NEEDS, MILLION CUBIC METERS</td>
<td>358</td>
<td>329</td>
</tr>
<tr>
<td>DISPOSAL OF WASTE ACCUMULATED DURING THE PRE-PRIVATIZATION PERIOD, THOUSAND TONES</td>
<td>69</td>
<td>52</td>
</tr>
<tr>
<td>REHABILITATION OF CONTAMINATED LAND, HECTARES</td>
<td>56.6</td>
<td>44.4</td>
</tr>
</tbody>
</table>

Our strategic goal is to gradually reduce the environmental footprint resulting from human activity by introducing the best available technologies and equipment and by increasing the level of automation in all technical processes. The Environmental Safety Program is a part of the Integrated Development in Production Projects outside Russia section.

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.

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

Environmental safety program

LUKOIL’s 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 payments for such impacts in 2020 was 13.6 percent (4 percent in 2019). Higher indicator values were due to the delay in obtaining permits caused by the new requirements of Russia’s Ministry of Natural Resources and Environment coming into force, which, according to the methodology on the regulator’s list may be used to calculate the impact indicators.

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Indicators of LUKOIL Group’s Environmental Safety Program

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>APG UTILIZATION RATE</td>
<td>97.6%</td>
<td>97.8%</td>
</tr>
<tr>
<td>POLLUTANT EMISSIONS INTO THE ATMOSPHERE, THOUSAND TONES</td>
<td>429</td>
<td>395</td>
</tr>
<tr>
<td>WASTEWATER DISCHARGED INTO SURFACE WATER OBJECTS, MILLION CUBIC METERS</td>
<td>10.7</td>
<td>8.8</td>
</tr>
<tr>
<td>WATER CONSUMPTION FOR OUR OWN NEEDS, MILLION CUBIC METERS</td>
<td>358</td>
<td>329</td>
</tr>
<tr>
<td>DISPOSAL OF WASTE ACCUMULATED DURING THE PRE-PRIVATIZATION PERIOD, THOUSAND TONES</td>
<td>69</td>
<td>52</td>
</tr>
<tr>
<td>REHABILITATION OF CONTAMINATED LAND, HECTARES</td>
<td>56.6</td>
<td>44.4</td>
</tr>
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<td>52</td>
</tr>
<tr>
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<td>44.4</td>
</tr>
</tbody>
</table>
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.

Water withdrawal by LUKOIL Group entities, million cubic meters

<table>
<thead>
<tr>
<th>Year</th>
<th>Russian entities</th>
<th>Foreign entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>429</td>
<td>21</td>
</tr>
<tr>
<td>2019</td>
<td>441</td>
<td>253</td>
</tr>
<tr>
<td>2020</td>
<td>395</td>
<td>216</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>LUKOIL Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>450</td>
</tr>
<tr>
<td>2019</td>
<td>694</td>
</tr>
<tr>
<td>2020</td>
<td>611</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water usage for our own needs by types of activity across LUKOIL Group, million cubic meters</td>
<td>1990s</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Exploration and Production business segment</td>
<td>105</td>
<td>188</td>
<td>250</td>
</tr>
<tr>
<td>Refining, Marketing and Distribution business segment (excluding the Power Generation business segment)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Generation business segment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes.
1. Data exclude water produced as a by-product with hydrocarbons and subsequently used for maintaining formation pressure.
2. Detailed information, including changes in reporting boundaries year-on-year, is provided in Appendix 3.

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 (Prahov), 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 84 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-Nizhnevartovsknefteft 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 Ilmens 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>Source</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian entities</td>
<td>450</td>
<td>494</td>
<td>611</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>21</td>
<td>253</td>
<td>216</td>
</tr>
<tr>
<td>Including from surface sources</td>
<td>287</td>
<td>341</td>
<td>286</td>
</tr>
<tr>
<td>- Russian entities</td>
<td>266</td>
<td>270</td>
<td>228</td>
</tr>
<tr>
<td>- Foreign entities</td>
<td>10</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Including sea water</td>
<td>11</td>
<td>11</td>
<td>17</td>
</tr>
</tbody>
</table>

Notes.
1. Data exclude water produced as a 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.

Commissioning of treatment facilities at “Yaraganskii oil mines” (LUKOIL-Komi) resulted in a significant reduction of wastewater and pollutant discharges to surface water bodies of the Ukhta municipal district of the Komi Republic.
The project to renovate treatment facilities at the Ukhta refinery is underway. Commissioning of the second stage of the production site allowed to decrease the volume of polluted wastewater discharges. (More details on these projects can be found in the Komi Republic case study.)

- Starting in 2019, Saratovorgsintez plant began to renovate its biological treatment facilities, including the replacement of four old aeration tanks. In addition, bioreactors will be installed to increase the degree of purification of the plant wastewater from suspended solids. In 2019, the old equipment was dismantled. In 2020, the installation of bioreactors began.
- Gas stations continue to undergo improvements.

Water discharges by LUKOIL Group entities, million cubic meters

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL Group</td>
<td>353</td>
<td>568</td>
</tr>
<tr>
<td>Russian entities</td>
<td>338</td>
<td>344</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>15</td>
<td>224</td>
</tr>
<tr>
<td>Including: by destination at LUKOIL Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>water discharge into surface water bodies</td>
<td>218</td>
<td>217</td>
</tr>
<tr>
<td>water discharge into the sea</td>
<td>11</td>
<td>221</td>
</tr>
<tr>
<td>water discharge into underground formations</td>
<td>104</td>
<td>107</td>
</tr>
<tr>
<td>water transferred after use to a third party</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>other</td>
<td>0.5</td>
<td>0.1</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>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean standard-quality wastewater and wastewater treated to standard quality</td>
<td>341</td>
<td>426</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 Imilatrovo field) and activities to upgrade flaring systems, including the availability of scentless 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.

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) is generated under the Russian classification consists of drilling waste and used drilling mud generated during drilling and well operations. 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 landfilled at drilling sites, but sent away for use or 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 (566 thousand tonnes) still consists of waste-activated sludge generated during wastewater treatment of the Saratovorgsintez 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.

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>NOx 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>163</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 by hazard class at LUKOIL Group, thousand tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>Hazardous waste</th>
<th>Russian entities (Hazard Classes I–III)</th>
<th>Foreign entities</th>
<th>Non-hazardous and low-hazard waste</th>
<th>Russian entities (Hazard Classes IV–V)</th>
<th>Foreign entities</th>
<th>Waste at the beginning of the reporting year</th>
<th>Waste generated per year</th>
<th>Waste at the end of the reporting year</th>
<th>Waste at the beginning of the reporting year</th>
<th>Waste generated per year</th>
<th>Waste at the end of the reporting year</th>
<th>Waste at the beginning of the reporting year</th>
<th>Waste generated per year</th>
<th>Waste at the end of the reporting year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>-</td>
<td>23</td>
<td>NA</td>
<td>863</td>
<td>1,418</td>
<td>NA</td>
<td>46</td>
<td>447</td>
<td>46</td>
<td>21</td>
<td>104</td>
<td>21</td>
<td>25</td>
<td>143</td>
<td>25</td>
</tr>
<tr>
<td>2020</td>
<td>863</td>
<td>1,418</td>
<td>899</td>
<td>899</td>
<td>1,731</td>
<td>863</td>
<td>901</td>
<td>1,656</td>
<td>853</td>
<td>2</td>
<td>75</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:

Detailed information, including changes in reporting boundaries year-on-year, is provided in Appendix 7.
The waste management KPI was introduced to prevent accumulation of waste in Russian entities (the volume of waste generation has to match the volume of waste disposal). In 2020, this KPI was met.

### 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>1,529</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>106</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-containing 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, disposal 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 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 growing over the area. As a result, it was possible to restore the soil fertility on lands previously unusable. Today, the verdant shrubs are home to hares and foxes, birds, and insects.
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 bio remediation 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 phyto remediation 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>Land area at the beginning of the year</th>
<th>Land remediated during the year</th>
<th>Land contaminated during the year</th>
<th>Land area at the end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total across LUKOIL Group</td>
<td>61.3</td>
<td>50.3</td>
<td>52.1</td>
<td>63.1</td>
</tr>
<tr>
<td>Russian entities</td>
<td>57.5</td>
<td>50.3</td>
<td>52.1</td>
<td>59.3</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>3.8</td>
<td>0</td>
<td>0</td>
<td>3.8</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total across LUKOIL Group</td>
<td>63.1</td>
<td>58.6</td>
<td>40.0</td>
<td>46.4</td>
</tr>
<tr>
<td>Russian entities</td>
<td>59.3</td>
<td>56.6</td>
<td>40.0</td>
<td>42.6</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>3.8</td>
<td>0</td>
<td>0</td>
<td>3.8</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total across LUKOIL Group</td>
<td>44.4</td>
<td>44.4</td>
<td>136.6</td>
<td>136.6</td>
</tr>
<tr>
<td>Russian entities</td>
<td>42.6</td>
<td>44.4</td>
<td>136.6</td>
<td>134.8</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>3.8</td>
<td>0.03</td>
<td>0.03</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Notes.
1. Data for foreign entities for 2018 pertain to LUKOIL Neftohim Burgas, PETROTEL-LUKOIL SA, LUKOIL Uzbekistan Operating Company, for 2019—2020 — to the above entities and to OOO LUKOIL Belarussia, 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

Our principle is “prevention – mitigation – restoration – compensation”

Impact Assessment and Mechanisms

Impact Assessment of planned projects on biodiversity is undertaken during the preparation of project documents.

Programs, Projects, and Initiatives

The Program was approved by order of PSC LUKOIL No 136 dated July 23, 2015. Action plans on biodiversity conservation have been developed for entities operating in the Arctic region. For entities operating in other regions, biodiversity conservation measures form an integral part of the Environmental Safety Program.

Collaboration

Russia: joint projects with WWF Russia, nature reserves and specially protected areas

Further Information

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

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).

Monitoring and evaluation

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.

Ecological monitoring of marine ecosystems

The specifics of using the environmental management system in offshore projects — in addition to the “zero discharge” technology — are environmental and satellite monitoring of the production facilities and conditions in the affected area. These monitoring methods are a voluntary initiative of LUKOIL Group entities.

We regularly monitor a wide range of parameters in areas which may be impacted by our operations, including the condition of marine and coastal ecosystems and the biodiversity around our production sites.

There are lists of indicator species typical to ecosystems and indicative of their sustainability for all offshore projects.

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

Sustainability Report for 2020 LUKOIL Group
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 drift 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 phytoplankton, 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 an integrated environmental vessel surveys in the Baltic Sea from the Professor Shitokman and Shelf 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 zoological 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.
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 estimates\(^1\) 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)\(^2\) 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 risks\(^3\), 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\(^4\) 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.

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5. Source: ibid.
PERSISTENCES IN EMPLOYMENT RELATIONS

Management system in employment relations

**ELEMENTS OF THE MANAGEMENT SYSTEM**

**GOALS, PRINCIPLES**

The main task is to create a management system that will give the Company the recognized status of an ‘employer of choice’ in the labor market.

**PRIORITIES / CORPORATE DOCUMENTS**

The main principles 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

**KEY PERFORMANCE INDICATORS**

- Labor productivity
- The KPI Regulations approved by the Management Committee of PJSC LUKOIL on September 18, 2019

**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

**ANNUAL SATISFACTION SURVEY**

- Held at least once every 2 years

**FURTHER INFORMATION**

More details are available on our corporate website.

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**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.

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 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.

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.

Before undertaking this change, employees met with their immediate supervisors and heads of LUKOIL-Multifunctional Business Support Center LLC to consolidate most services, including accounting, financial, HR administration, etc.

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.

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.

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.

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

Awards of 2020

PJSC LUKOIL won the ComNews Awards in the Best solution for remote work of geographically separated specialists category. In 2020, the award recognized the creation of an IT system that integrated all subsidiaries and service companies across Russia into a unified information space and the actions of the Company’s specialists to ensure continuous operation of all business processes and to secure data transfers. We plan to expand the platform’s functionality to continue improving the Company’s responsiveness to changes in the external environment.
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

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 limited health abilities 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.

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

In Iraq, candidates are hired from the local employment center database and external sources (media, recruitment agencies, and so on). Applicants from communities located near the deposit are considered first. Created specifically for the project, the Joint Local Recruitment Committee, which includes representatives of LUKOIL and national partner companies, conducts the initial screening on a competitive basis (testing and interviews). Candidates who have successfully passed the screening sign an employment contract, which must include salary, schedule for additional payments and cash incentives, working hours, and the procedure for determining terms of each shift.

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).

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.

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

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior managers, people</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td>including locals</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Share of local senior managers, %</td>
<td>31</td>
<td>33</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 in or are citizens of foreign countries.
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.

Personnel gender structure of LUKOIL Group in 2020

[Diagram showing gender breakdown of personnel]

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). 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 “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.

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

Sustainability Report for 2020 LUKOIL Group

LUKOIL Group’s headcount and average headcount, people

<table>
<thead>
<tr>
<th>Year</th>
<th>Headcount</th>
<th>Average headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>105,991</td>
<td>102,508</td>
</tr>
<tr>
<td>2019</td>
<td>105,624</td>
<td>101,374</td>
</tr>
<tr>
<td>2020</td>
<td>104,264</td>
<td>100,768</td>
</tr>
</tbody>
</table>

LUKOIL Group employees by region, %

<table>
<thead>
<tr>
<th>Region</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>84%</td>
</tr>
<tr>
<td>Europe</td>
<td>10%</td>
</tr>
<tr>
<td>Asia</td>
<td>3%</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>0%</td>
</tr>
<tr>
<td>North America</td>
<td>2%</td>
</tr>
</tbody>
</table>

LUKOIL Group employees by type of activity, %

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas production</td>
<td>12%</td>
</tr>
<tr>
<td>Oil product supply, Transportation</td>
<td>9%</td>
</tr>
<tr>
<td>Power generation</td>
<td>1%</td>
</tr>
<tr>
<td>Oil refining and petrochemicals</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

Note.

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

Recruiting and retaining young professionals is an important component of LUKOIL’s HR policy. The goal is to ensure continuity in management and production activities. Its elements include internships for students at LUKOIL Group entities and mentorship and initiatives that facilitate the continuity of professional experience, best production traditions, and the corporate culture.

Research and technology competitions and conferences for young professionals are held annually. Councils of young professionals have been established to help young people adapt to working conditions and maximize their professional talents.

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The share of young professionals of the headcount of LUKOIL Group was 35% in 2020.

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 recruited, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• young professionals</td>
<td>580</td>
<td>631</td>
<td>523</td>
</tr>
<tr>
<td>Number of students studying under agreements with LUKOIL Group entities</td>
<td>173</td>
<td>281</td>
<td>325</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.

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, Torosk, Nizhny Novgorod, Kaluga, 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 companies 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 just one-two years in their area of responsibility and enables them to be included in the management reserve.

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.”

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 of 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>Year</th>
<th>Total</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>145,706</td>
<td>147,284</td>
<td>151,528</td>
<td></td>
</tr>
<tr>
<td>including</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payrolls</td>
<td>136,475</td>
<td>138,180</td>
<td>142,909</td>
<td></td>
</tr>
<tr>
<td>social benefits and payments, social support for employees</td>
<td>8,403</td>
<td>8,125</td>
<td>7,977</td>
<td></td>
</tr>
<tr>
<td>training</td>
<td>6,288</td>
<td>6,976</td>
<td>7,628</td>
<td></td>
</tr>
<tr>
<td>including in Russian entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payrolls</td>
<td>93,386</td>
<td>98,883</td>
<td>104,446</td>
<td></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>
<td></td>
</tr>
<tr>
<td>training</td>
<td>641</td>
<td>714</td>
<td>883</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Details of the scope of social services for employees are provided in Appendix 7.
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.

**Motivation and wages**

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 commitments is a next step to improving the social benefits package and the level of social protection for employees, as compared to the mandatory legislation.

In 2020, PJSC LUKOIL and the International Association of Trade Unions of PJSC LUKOIL (IATUO) signed the 10th agreement between the employer and the trade union for 2021–2023. The supplements and amendments covered 56 points of the document. New social support obligations were included, such as:

- The lump sum payment as compensation for health damage in the event of an accident at work has been increased.
- The estimated average salary for determining additional sick leave benefit was increased.
- A lump sum payment is stipulated on the termination of an employee due to retirement.
- Unified amounts of financial aid to employees with disabled children and financial aid on the birth of a child were established.
- The monthly wage rate of social benefits for employees and non-working pensioners was increased.

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 enterprises.

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

**Awards of 2020**

- 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-Tsentrlnefteprodukt and the LUKOIL Sport Club.
- 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 grading system is the ranking of positions according to their value for the entity.

1. Including working and rest hours, occupational safety, employment of women in rural areas, support of non-working pensioners, etc.
2. According to the Labor Code of the Russian Federation, the minimum wage must not be lower than the subsistence level established for each constituent entity of the Russian Federation.
3. The grading system is the ranking of positions according to their value for the entity.

In Russia, the minimum subsistence level is regulated by law, as is the minimum wage\(^1\) and how often it is paid. In 2020 the minimum rate of pay in 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\(^2\), 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 7.
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 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 6 percent of employees’ annual salary).

In 2019, 44,1 thousand employees from the Group’s entities participate in the joint pension program (2019: 43.6 thousand). Employees of foreign entities are entitled to VHI insurance. In accordance with the local regulations and employees’ labor contracts, the level of wages and the scope of social benefits varied significantly among entities in different industries.

Non-state pension coverage

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension liabilities, LUKOIL Group, RUB million</td>
<td>8,918</td>
<td>12,544</td>
<td>13,704</td>
</tr>
<tr>
<td>Number of former employees receiving a corporate pension, in Russia, people</td>
<td>49,441</td>
<td>52,854</td>
<td>53,519</td>
</tr>
<tr>
<td>Average non-state pension level in Russia, RUB</td>
<td>2,272</td>
<td>2,334</td>
<td>2,240</td>
</tr>
</tbody>
</table>

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).

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<td>2,334</td>
<td>2,240</td>
</tr>
</tbody>
</table>

30 years of Sustainable Development. “LUKOIL Is One Family”

Thirty years ago, LUKOIL united three Siberian fields in Langepas, Urai and Kangalym (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.

1 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 for staff with the right qualifications and expertise but also keep employees’ professional skills up to date, keeping them in high demand in the labor market. This approach prevents unemployment in the regions where we operate and strengthens the well-being of families.

Our actions

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 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.

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 in person.

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 employer’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 an open 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, 900 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.

Distance learning

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). 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>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope of training, hours</td>
<td>6,963,587</td>
<td>8,026,003</td>
</tr>
<tr>
<td>Russian entities</td>
<td>6,888,930</td>
<td>76,651</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>74,055</td>
<td>470,355</td>
</tr>
<tr>
<td>Scope of training, person-courses</td>
<td>Russian entities</td>
<td>463,644</td>
</tr>
<tr>
<td>By employee category</td>
<td>managers</td>
<td>53,242</td>
</tr>
<tr>
<td>workers and other employees</td>
<td>356,882</td>
<td></td>
</tr>
</tbody>
</table>

Employee training at LUKOIL Group entities

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of trained employees, people</td>
<td>74,684</td>
<td>78,026</td>
</tr>
<tr>
<td>Share of trained employees by position, %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• managers</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>• specialists</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>• workers and other employees</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Amount of training, person-courses</td>
<td>243,467</td>
<td>258,728</td>
</tr>
<tr>
<td>Average number of training hours per one trained employee, hours</td>
<td>n/a</td>
<td>84</td>
</tr>
<tr>
<td>Average annual training costs per one trained employee, RUB</td>
<td>n/a</td>
<td>12,548</td>
</tr>
</tbody>
</table>

Note.

Average number of training hours per one trained employee = Total number of hours of training events held at Russian and foreign entities divided by Total number of employees that received training in the reporting year. Average annual training costs per one trained employee = Total costs to train employees that received training in the reporting year divided by Total number of employees that received training in the reporting year.
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.

SOCIETY

1. CUSTOMER RELATIONS

PRODUCT 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 continually 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.

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

Share of products with enhanced properties, %

<table>
<thead>
<tr>
<th>Type of product</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECTD brand fuel, thousand tonnes</td>
<td>6.3</td>
<td>6.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Bunker fuel, thousand tonnes</td>
<td>23</td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td>Brake fluids, million liters</td>
<td>8</td>
<td>10</td>
<td>16</td>
</tr>
</tbody>
</table>

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 contains less sulfur, soot, carcinogens, and other hazardous substances. The Company also produces innovative products for marine shipping, aviation, and industrial companies.

Production of energy efficient and environmentally friendly oils and lubricants

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

- LUKOIL 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 MAN trucks

- We also produce environmentally friendly biodegradable hydraulic fluids under the BIO CHAIN and BIO FLUIDE brands.

The approach for calculating the indicator 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 90%.

LUKOIL is one of the largest suppliers of bunker fuel in Russia and for ports in Bulgaria and Romania. Environmentally safe marine fuel (RMD-BIO-TSE) with 0.1 percent sulfur content meets MARPOL requirements related to the content of air pollutants in exhaust gas in SECA areas and aquatic areas of the European Union. This product has been sold in the Baltic Sea aquatic area since 2015.

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 their safety.

In the reporting year, LUKOIL International continued to develop collaboration with several leading worldwide 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 a record-breaking Association since 2018 until 2020.

The approach for calculating the indicator 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 90%.

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.

Three liquefied petroleum gas (LPG) sales facilities with a total volume of about 3 tonnes per year were commissioned in 2020 to expand the fuel product line and promote 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 terminals on track. For instance, the LUKOIL-Tsentrnafteprodukt filling stations have completely switched to this system; so have the LUKOIL-Severo-Zapadnafteprodukt filling stations in six regions, and LUKOIL-Uralefpromprod filling stations 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 transported fuel and reduces the number of technological operations that expose filling station personnel to hazards.

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>06</td>
<td>06</td>
<td>05</td>
</tr>
</tbody>
</table>

2 The 1973 International Convention for the Prevention of Pollution from Ships, as modified in 1978, MARPOL 73/78.
3 LUKOIL AVANGORD (225-300 MW) gas engine.
4 LUKOIL AVANGORD (225-300 MW) gas engine.
5 LUKOIL AVANGORD (225-300 MW) gas engine.
6 LUKOIL AVANGORD (225-300 MW) gas engine.
7 The approach for calculating the indicator 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 90%.

1 Addenda information published on the website: https:// ENG/Products
2 Fuel includes all types of motor gasoline and diesel fuels, and biofuels and biodiesels.
3 Addenda information published on the website: https:// ENG/Products
4 The method of calculating the indicator “Share of energy efficient lubricants” was revised in 2018. Energy efficient lubricants are oils with low rates of high temperature viscosity (less than or equal to 4500 cSt/100 for light-duty and cargo product lines. 2018 data was updated.

Sustainability Report for 2020 LUKOIL Group
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.

Apart from the goal of improving product quality, since its founding the Company has been building partnerships in the Russian regions. We recognize the social significance of offering charitable support not only to those who need help but also to people who have valuable ideas and the energy to bring them to fruition. This philosophy was behind the work of the LUKOIL Charity Fund and defined the main priorities of external social policy, which have been maintained and developed over the past 30 years.

By the end of 2020, the number of LUKOIL GAS STATIONS mobile application users surpassed 4.2 million customers (YoY increase – over 1.4 million people).

A large-scale information campaign was launched during the pandemic for the customers of LUKOIL filling stations. It was designed to:

- Reduce the amount of human interaction. This was achieved by actively promoting contactless payments using the LUKOIL mobile app.
- Ensure compliance with disease control measures while at the same time preventing negative reactions to them. To achieve this, filling stations were supplied with informational materials on the need to use personal protective equipment.
- Encourage customers to use online stores via the “For Those Who Are Home” campaign designed to promote LUKOIL’s partnership program.

The customer relations system we have developed helps us boost overall operational efficiency and create a welcoming environment at filling stations.

Customer service unit answers clients’ questions via any convenient communication channel.

Distribution of LUKOIL Group filling stations among countries, as of December 31 each year

<table>
<thead>
<tr>
<th>Year</th>
<th>Russia</th>
<th>Abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2,474</td>
<td>2,528</td>
</tr>
<tr>
<td>2019</td>
<td>2,640</td>
<td>2,577</td>
</tr>
<tr>
<td>2018</td>
<td>2,556</td>
<td>2,612</td>
</tr>
</tbody>
</table>

The former mass-produced domestic A-76 and A-93 gasolines contained lead, sulfur, and benzene, substances that cause severe health problems.

In 1992, emissions for gasoline (Euro 1) and diesel use contained 2.72 g of carbon monoxide per km traveled. Emission levels for LUKOIL products as early as 2002:

- 0.5 g/km (diesel) and 0.1 (gasoline) reflect the emission levels for LUKOIL products as early as 2002.
- Sulfur content is reduced to 0.03 percent, tar no higher than 5 mg per 100 cubic cm, and benzene content is reduced to 0.8 percent.

Permanent population in Kogalym in 1992 – about 48 thousand people

About 68 thousand people

LUKOIL fuels no longer contain lead compounds; sulfur content is reduced to 0.03 percent, tar no more than 5 mg per 100 cubic cm, and benzene content is reduced to 0.8 percent.

In 1994, four cooperation agreements with constituent entities of the Russian Federation were signed

37 grants were awarded as part of the first Social and Cultural Projects Competition

The winners of the contest received 769 grants

"I believe in the future of our Company. There can be no progress without continuous development."

V. Alekperov, President of PJSC LUKOIL, 2020
EXTERNAL SOCIAL POLICY PRIORITIES

External social program management system

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.

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

PISC 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)

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.

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 program, 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.

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.

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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.

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 partner in the “More than Just a Purchase” program is the “Our Future” foundation of regional social programs.
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 external social support expenses amounted to 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.

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 120 equipment to 25 Russian regions and 14 foreign countries.

The primary areas of assistance are:

- procurement of essential equipment for medical institutions (artificial lungs ventilation machines, oxygen tanks, and compressors for intensive and resuscitation medical care for patients with severe cases of infection, CT scanners, X-ray machines, ECG recorders, and others);
- construction, repair, and re-outfitting of medical facilities (the hospital for infectious diseases in the Saratov region, the multifunctional laboratory in Kogalym, among others);
- procurement of personal protective equipment (masks, protective clothing for medical workers, sanitizers, etc.).

Regional support in the fight against COVID-19

LUKOIL, volunteers assisted the elderly across different regions and handed out medical masks to the local population.

LUKOIL made a major contribution to the fight against the pandemic through its in-house production of antiseptics and disinfectants. The Kogalym Chemical Reagent Plant produced and delivered more than 820 tonnes of disinfectants to Yugra entities. LLK-Reagent Plant produced and delivered more than 820 tonnes of disinfectants to Yugra entities. LLK-Reagent Plant produced and delivered more than 820 tonnes of disinfectants to Yugra entities.

In Iraq, we supplied equipment, sanitizers, and supplies to medical facilities and hospitals in the districts of Ezizzedine Salim, Qurna, and Madaena.

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 Special Needs Support Foundation received custom-made wheelchairs for children in Kogalym, Langepas, Urai, Kogalym, Noygorod, Pokrov, Budennovsk, in the Komi republic, and in the republic of Udmurtia. The Yaroslav 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 (Poliakhi, 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 Dleshkanabad district of Kashkadarya province, low-income families, and people with disabilities received charitable assistance during the lockdown following the request from the Khoimiyon of Aslt district of Bukhara province. We also provided support to charitable foundations that addressed the spread of the coronavirus infection (Mehr va Shvaqat, Kashkadarya and Tundarya branches of the Sepgion Auloj Uchun charitable foundation).

EDUCATIONAL PROGRAMS

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.

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
Sponsorship programs for students and teachers of higher and secondary education organizations in Russia.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student scholarships</td>
<td>100</td>
<td>105</td>
<td>106</td>
</tr>
<tr>
<td>Level of financing</td>
<td>5.9</td>
<td>6.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Grants to teachers</td>
<td>70</td>
<td>70</td>
<td>86</td>
</tr>
</tbody>
</table>

Selected projects that were financed in 2020

Improving the social climate in Russian regions

Environmental improvement

The Happiness Factory project made it possible to complete the construction and furnishing of the blacksmith shop recreated using the old designs in the Krasnoyarsk Cultural Estate in Chemishkinsky District of the Perm Territory. Improvements were also made to the territory. The blacksmith shop integrated perfectly into the tourist route that takes pilgrims to St. Nicholas of Rocks in Cheia, a branch of the Pravdinsk Regional Museum of Natural History. The shop is open to everyone, and excursions and masterclasses are held for social groups.

Social and Cultural Projects Competition Results

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of projects participating in the Competition, units</th>
<th>Number of winning projects, units</th>
<th>Financial support for winning projects, RUB million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>164</td>
<td>3,645</td>
<td>3,645</td>
</tr>
<tr>
<td>2018</td>
<td>157</td>
<td>3,461</td>
<td>3,461</td>
</tr>
<tr>
<td>2019</td>
<td>159</td>
<td>3,570</td>
<td>3,570</td>
</tr>
<tr>
<td>2020</td>
<td>172</td>
<td>3,607</td>
<td>3,607</td>
</tr>
</tbody>
</table>

More information about social projects LUKOIL supports can be found on the Facebook page.
Elmira Zariyova

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.”

Selected social policy initiatives

The Company has traditionally supported numerous cultural events in the Moscow Kremlin Museums – the exhibitions “Cari Fabergé and Feodos Rukhtxet; Masterpieces of Russian enamel,” “Alexander Bereik. On the 150th Anniversary of the Artist’s Birth,” “Collection of V. Kokorin,” the State Historical Museum – “Fyodor Borisov. Collection of the State Historical Museum” exhibitions at the Tretyakov Gallery – “Maria Yakunchikova. On Birth”; at the Vyatka Art Museum. V.M. Tropinin, and others. There are plans to open a Museum and Exhibition Center in Kogalym – a branch of the Russian Academy of Sciences. The Key to Start project (Urai, 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 Yugovsky Pond was equipped for wheelchair and handbike use. Children’s tournaments were held for young athletes, amateur and professional athletes, and disabled people. Children’s trophies were held with LUKOIL’s support in 2020, including handball tournament among schoolchildren (Astrakhan Region), traditional ballroom dancing tournament Dancing Metropolis (Nizhniy Novgorod Region), Ural Football League (Komi Republic), first city tournament in adaptive equestrian sports for athletes with disabilities (Nizhny Novgorod), district and city competitions and figure skating championships in the Tatarstan Autonomous Area.

“Relaxing through Sport” grant. This nationwide charity project is aimed at sponsoring athletes between six and fourteen years of age. In addition to monetary prizes, winners receive sportswear and train under the guidance of Olympic champions. Every year from 10 to 15 winners are selected. Since 2019, 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 –Yugra 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 “OLIMP” was reconstructed in Kogalym; it will accommodate students of the wrestling and sambo clubs.

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Selected sports teams and events

LUKOIL’s sports program is geared towards promoting healthy lifestyles and sports. We help both professional and amateur teams, 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, handbike. The Company also assists in organizing various competitions and city sports festivals.

More details on the activities of LUKOIL Sports Club can be found on the Company website.
**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 number of campaigns, our volunteers from all regions, where 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 orphans and patronage of child welfare institutions, organizing related events and campaigns.
- Environmental campaigns — cleaning up natural areas, 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, 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: [LUKOIL website](https://www.lukoil.com/en/)

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**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 Khanty 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 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 NAD received no requests from the IMN 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.

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**Dmitry Artuyukhov**

**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 the good traditions that have been established between LUKOIL Company and Yamal, founded on mutual benefit and positive ground. It considers 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.

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**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>2020</td>
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</tr>
<tr>
<td>2016</td>
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<td>386</td>
</tr>
</tbody>
</table>

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 this Foundation’s programs.

The “Our Future” Foundation was created on the initiative and using private funds of the President of PJSC LUKOIL, Y. Kravchenko (https://empire-rukovodit.ru/).

Social entrepreneurship refers to a particular type of activity aimed at resolving or mitigating social issues using income from economic activities. Both small businesses and voluntary profit or not-for-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.

The Report reflects the major changes LUKOIL has introduced to production processes in response to the pandemic to facilitate the safety of our employees while ensuring stable operations of our Company. The support for regions where we operate remains high, and so is the involvement of LUKOIL entities in solving the most urgent issues related to protecting the health and well-being of local populations.

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

<table>
<thead>
<tr>
<th>Exploration and production</th>
<th>Transportation business sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLC LUKOIL-AIK</td>
<td>LLC LUKOIL-Trans</td>
</tr>
<tr>
<td>SP Merchevoy</td>
<td>LLC Varandey Terminal</td>
</tr>
<tr>
<td>LLC LUKOIL-West Siberia</td>
<td>LLC LUKOIL-Varandey-AVA</td>
</tr>
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<td>LLC RPK-Vysotski LUKOIL-II</td>
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<td>LLC LUKOIL-KNT</td>
</tr>
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<td>LLC LUKOIL-Kaliningradmorneft</td>
<td>JSC LUKOIL-Chernomorye</td>
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<td>LLC UTTIST</td>
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<td>LLC LUKOIL-Komi</td>
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<td>LLC LUKOIL-Volgogradneftepererabotka</td>
</tr>
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<td>LLC LUKOIL-Nizhegorodneftepererabotka</td>
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<td>LLC LUKOIL-Perm</td>
<td>LLC LUKOIL-Nizhegorodnefteorgsintez</td>
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<td>LLC LUKOIL-Perm-Invest</td>
</tr>
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<td>LLC Perm-Invest</td>
<td>LLC RITEK</td>
</tr>
<tr>
<td>LLC RITEK</td>
<td>LLC NK Yugranafeprom</td>
</tr>
<tr>
<td>LLC TURGUNT</td>
<td>LLC LUKOIL-Engineering</td>
</tr>
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<td>JSC Lyakholekologiya</td>
<td>JSC Nizhnechirskologiya</td>
</tr>
<tr>
<td>JSC Nizhnechirskologiya</td>
<td>LLC Sports and Cultural Complex</td>
</tr>
<tr>
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<td>LLC LUKOIL-Rezervinefpreopekt</td>
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<td>LLC LUKOIL-Rezervinefpreopekt</td>
<td>LLC LUKOIL-Permnefteorgsintez</td>
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</tr>
<tr>
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</tr>
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<td>LLC LUKOIL-KNT</td>
</tr>
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<td>LLC Donbunker</td>
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</tr>
<tr>
<td>LLC LLK International</td>
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<td>LLC LUKOIL-AERO-Vostok</td>
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<td>LLC LUKOIL-AERO-Zapad</td>
<td>LLC T2K-Arkhangelisk</td>
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<td>LLC LUKOIL-Nizhegorodneftepreopekt</td>
<td>LLC LUKOIL-Nizhegorodneftepreopekt</td>
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<td>LLC LUKOIL-RNP-Trading</td>
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<td>LLC LUKOIL-Aero</td>
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<tr>
<td>LLC LUKOIL-AERO-NEFTO</td>
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</table>
**Power Generation business sector**
- LLC LUKOIL-Volgodgradenergo
- LLC Volgodonsk Heat Supply Networks
- LLC Rostov Heat Supply Networks
- LLC Volgodonskaya Teplovaya Generation
- LLC LUKOIL-Ehoenergo
- LLC LUKOIL-ENERGOSERVIS
- LLC LUKOIL-ENERGOSETI
- LLC LUKOIL-Tuir
- LLC LUKOIL-Energoengineering

**Corporate center and other activities**
- LLC LUKOIL-Business support center
- LLC LUKOIL-PERSONNEL
- LLC Arhangelskgeolrazvedka
- LLC K.N. Holding

**Abroad**

**Europe**
- Exploration and Production
  - Oil and Gas Production Abroad business sector
    - LUKOIL Overseas Atabash OJSC
    - LUKOIL Overseas North Shelf AS
    - LUKOIL Overseas Supply and Trading Ltd.
    - LUKOIL Upstream Senegal B.V.
    - LUKOIL Upstream Abu Dhabi GmbH

**Refining, Marketing and Distribution**
- Oil Refining Abroad business sector
- LUKOIL Neftohim Burgas AD
- IASO S.r.l.
- Petroleum - LUKOIL S.A.
- Oil Product Supply Abroad business sector
- LUKOIL-Bulgaria EOOD
- LUKOIL-Bulgaria EOOD
- LUKOIL Belgium
- LUKOIL Italia S.r.l.
- LUKOIL Macedonia LTD Skopje

**Oil Product Supply Abroad business sector**
- LUKOIL-Rostovenergo
- LUKOIL Volgodonsk Heat Supply Networks
- LUKOIL Rostov Heat Supply Networks
- LUKOIL Volgodonskaya Teplovaya Generation
- LUKOIL-Ehoenergo
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- LLC K.N. Holding

**Asia, Middle East, Africa**

**Exploration and Production**
- Oil and Gas Production Abroad business sector
- LUKOIL Overseas Shah Deniz Midstream
- LUKOIL Overseas Shah Deniz Ltd.
- LUKOIL Uzbekistan Operating Company LLC
- Soyuznftegaz Vostok Limited
- LUKOIL Overseas Uzbekistan Ltd.
- LIP LUKOIL Kazakhstana upstream
- Lukarco BV
- LUKOIL Overseas Karachaganak B.V.
- LUKOIL Overseas Kurnool B.V.
- LUKOIL Asia-East Limited
- LUKOIL Overseas Iraq Exploration B.V.
- LUKOIL Saudi Arabia Energy Limited
- LUKOIL Overseas Egypt Limited
- LUKOIL Overseas Etinde Cameroon Sarl
- LUKOIL Overseas Ghana Tano Limited
- LUKOIL Overseas Nigeria Limited
- LUKOIL Upstream Production Nigeria LTD

**Refining, Marketing and Distribution**
- Oil Product Supply Abroad business sector
- LUKOIL Overseas Riyadh Ltd

**Other entities related to Refining, Marketing and Distribution**
- Other entities related to Refining, Marketing and Distribution business segment
- LUKOIL Lubricants International Holding GmbH
- UCARD Euro Services GmbH
- Veronika Mineraloil GmbH
- AC Management Company Limited
- ENERGOK TRADING BULGARIA OOD

**Corporate center and other activities**
- LUKOIL Accounting and Finance Europe s.r.o.
- LUKOIL Technology Services GmbH
- LUKOIL Securities B.V.
- Lukarco Finance B.V.
- Lukinter Finance B.V.

**Europe**
- Exploration and Production
  - Oil and Gas Production Abroad business sector
    - LUKOIL Overseas Atabash OJSC
    - LUKOIL Overseas North Shelf AS
    - LUKOIL Overseas Supply and Trading Ltd.
    - LUKOIL Upstream Senegal B.V.
    - LUKOIL Upstream Abu Dhabi GmbH

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**Asia, Middle East, Africa**

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- UCARD Euro Services GmbH
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- Lukarco Finance B.V.
- Lukinter Finance B.V.
APPENDICES

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, operations, and local communities, and/or affects the interests of 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 (EYEC 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 PJSC 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 topics 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 PJSC 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 the 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 the LUKOIL Group (Russia (the Komi Republic, the Nenets Autonomous Area, the Kaliningrad Region, the Khanty-Mansi Autonomous Area — Yurga, the Vologda 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 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)’, ‘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 for those that help to gain confidence in the future (the availability of jobs, environmentally safe, 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 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 “Recycling 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.
- The third group included issues on which most respondents probably have not yet formed a position due to limited information or lack of personal experience (climate, COVID, Renewable Energy Sources, the Arctic). The issue of engagement with the Indigenous minorities of the North was in this group because the topic is relevant to only two of the six regions where the survey was conducted.

**Survey results in six regions of Russia**

<table>
<thead>
<tr>
<th>Level of importance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>Most important topics (mandatory reflection)</td>
<td>Regional expansion (+22 points)</td>
<td>Statutory compliance</td>
<td>Water bodies, Emissions, GHG emissions</td>
<td>Spills Accidents</td>
<td>Products and customer opportunities for young professionals</td>
</tr>
<tr>
<td>Medium importance (desirable reflection)</td>
<td>Plastic waste recycling</td>
<td>Occupational safety</td>
<td>Work with contractors</td>
<td>Employment</td>
<td>Forest restoration</td>
</tr>
<tr>
<td>Low importance (brief reflection)</td>
<td>Safety in the Arctic</td>
<td>Produced water spills</td>
<td>RES development COVID-19</td>
<td>Support of Indigenous minorities of the North</td>
<td>Climate (282 points)</td>
</tr>
</tbody>
</table>

**Economy**

- **Ecology**
  - **Social sector**
    - **Consideration of the recommendations on sustainability reporting from the Russian Union of Industrialists and Entrepreneurs (RISPP)**

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)
During the preparation of the Report, in May 2021, there was a significant spill of oil (oil-containing liquid) in the Komi Republic.

Oil spills

According to the classification system of RosTechnadzor, 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 waste from the affected territories and the water surface of the Kolva River.

More detailed information will be provided in the Report for 2021.

In 2020, there were four significant oil spills at the Russian entities of LUKOIL Group.

On September 25, 2020, while conducting a routine flight over the pipeline route using a UAV, an iridescent oil film was detected near the bank of the Pechora River. The route was a swamp and hard-to-reach area, so prompt detection of the incident without a UAV would have been impossible. The altitude above ground level was 10 meters. The Komi Republic employees immediately communicated the news to the Nenets Autonomous Area.

The positive practice of pipeline reliability disclosure should continue. (Done.)

It is recommended that 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 stakeholder groups representatives of the regions of presence are included.)

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 reservoir was due to violations made during the construction. Depressurization resulted from high internal stress.

Receivers from the emergency rescue team installed the first line of barrier and sorbent booms at the point of pipeline depressurization. The water in the river was treated with sorbent, which was then collected and disposed of. To prevent the spread of the oil spill, a section of the oil pipeline was shut off from entering the Pechora River.

The operational headquarters decided to install additional lines of booms (with a total length of 4 thousand meters) downstream of the Kolva River. Taking into account the difficult conditions at the site, the best methods of mitigating the consequences were applied.

Uninterrupted real-time transmission of data from the site of the accident to LUKOIL-Komi’s operational headquarters and government agencies was organized. For this purpose, a small satellite communications station was delivered to the spill site, video cameras were installed at the work sites, and teams were organized to ensure uninterrupted operation of communications facilities.

LUKOIL-Komi employees used to transmit real-time images that enabled experts to forecast the speed and direction of the oil slick spreading on the river surface.

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).

The investigation of the incident was finished on October 23 after full completion of the work on 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 uncoordinated actions of the personnel during the performance of work.

The investigation of the incident has not yet been completed. In 2021, monitoring of the natural environment for pipeline depressurization site and on the Kolva River is scheduled. Additionally, reclamation of land disturbed during the mitigation of consequences of the oil spill is to be carried out.

In order to prevent similar incidents in the future, circumstances, and causes of the accident were communicated to employees of all the Company’s entities and it was proposed to use the investigation results when identifying future hazards and risks.

On October 18, 2020, a municipal state of emergency was introduced in the municipalities of Ustusk (the Komi Republic) and Zapoloiyarka 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. In the first half of 2021, the Federal Service for Supervision of Natural Resources, noted the prompt response to the situation by LUKOIL-Komi.

Kharyaginskoye field (the Komi Republic)

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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 (all-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)

102-35 GRI Standards and Indicators Table

<table>
<thead>
<tr>
<th>Index</th>
<th>Indicator</th>
<th>Section and page of the Report</th>
<th>Boundaries of topics and indicators</th>
</tr>
</thead>
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<tr>
<td>102-1</td>
<td>Name of the organization</td>
<td>About the Company: highlights of the year</td>
<td></td>
</tr>
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The corporate governance system is detailed in the Annual Report for 2020, page 88, as well as on the corporate website: https://www.lukoil.com/Company/CorporateGovernance.

Highest-paid employees’ compensation to average pay of the other employees of the Company (including the highest-paid staff’s ratio):

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Information provided without breakdown by gender and categories of employees, as this information is not consolidated and is not used to manage this issue in the Company.

GRI 405, Diversity and Equal Opportunity 2016

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Additional information published on the website https://www.lukoil.com/Sustainability/Ouremployees.

GRI 406, Non-Discrimination 2016

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Information published on the website https://www.lukoil.com/Sustainability/Ouremployees.


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Additional information published on the website https://www.lukoil.com/Sustainability/Humanrights.
Appendix 5. Individual GRI indicators

GRI 102 General information

202.13 Membership of associations
PSC.LUKOIL and LUKOIL Group entities participate in a number of national trade and professional associations.

Russia
The National Council for Professional Qualifications under the President of the Russian Federation: PSC.LUKOIL is a member of the Council.
The Council for Professional Qualifications in the Oil and Gas Industry of Russia: PSC.LUKOIL is a member of the Council.
The Russian Union of Industrialists and Entrepreneurs (RSPP): PSC.LUKOIL is a member of the Union.
The Airports Civil Aviation Association: LUKOIL-AERO is a member of the Council.

Europe
Belgium, The Belgian Petroleum Federation and BUSINESSEUROPE: LUKOIL Belgium N.V. is a member of these organizations.

Bulgaria, The Bulgarian Oil and Gas Association and the BULGARAN ECONOMIC FORUM: LUKOIL-BULGARIA EOOD seats on the governing bodies of these organizations and is also a member of the Donor Assembly of the Energy Efficiency And Renewable Sources Fund.

Croatia, Croatian Energy Regulatory Agency (Hrvatska energetska regulatorna agencija) and Croatian National Tourism Board (Hrvatska turistička zajednica): LUKOIL Croatia Ltd. is a member of these organizations (membership is mandatory), as well as a member of the Croatian Chamber of Commerce and Industry (Hrvatska gospodarska komora).

Italy, UNEM Urvione Energie per la Mobilita: LUKOIL Italia Srl is a member.

Macedonia, The Macedonian-Russian Chamber of Commerce and Industry: LUKOIL MACEDONIA LTD Skopje is a member.

Montenegro, The Association of Oil and Petroleum Product Distributors of Montenegro and the Chamber of Commerce of Montenegro: LUKOIL MONTENEGRO DDO is a member of these organizations, while a representative of LUKOIL MONTENEGRO DDO is also a member of the Management Board of the Union of Energy and Extractive Industry of Montenegro.

Netherlands, Netherlands Organisation for the Energy sector: LUKOIL Netherlands B.V. is a member.

Republic of Moldova, The Chamber of Commerce and Industry of the Republic of Moldova: LUKOIL-Moldova SRL is a member and participates in its projects.

Serbia, The National Petroleum Committee of Serbia (a member of WPC, the World Petroleum Council) and the Association of Oil Companies of Serbia (Udruženje Naftnih Kompanija Srbije): LUKOIL SERBIA PLC Belgrade sits on the governing bodies of these organizations and takes an active part in their initiatives.

Region Minimum notice period

Belgium 3 months

Russia, Azerbaijan, Bulgaria, Moldova, Serbia, and Uzbekistan 2 months

Austria 6 weeks

Germany, Switzerland, Italy, Macedonia, Norway 1 month

Romania For specialists 20 days; for executives 45 days.

Finland, Turkey 14 days

Kazakhstan 15 business days or 1 month

Belarus 7 days (2 months in the event of staff reductions or the liquidation of the enterprise)

Egypt 1 week

Georgia 3 days

Iraq, Montenegro, Mexico No notice period is established for employees

The USA 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.
4.2. 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, tax, 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
MMW — minimum monthly 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
UAV — unmanned aerial vehicle
WMI — 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
KMAO-Yugra — Khanty-Mansi Autonomous District — Yugra
MARPOL — International Convention for the Prevention of Pollution from Ships
MIES — Ministry of Emergency Situations
NAD — Nenets Autonomous District of the Russian Federation
OECD — Organization of Economic Cooperation and Development
OPEC — Organization of the Petroleum Exporting Countries
PISCKLUKOIL — Public Joint-Stock Company “Oil Company ‘LUKOIL’”
RSPP — Russian Union of Industrialists and Entrepreneurs
SDGs — UN Sustainable Development Goals (the UN 2030 Agenda for Sustainable Development)
TCFD — 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
Definitions

Circulating water means water that is consistently and many times used in processes based on the principle of closed systems without discharging into surface water bodies or sewage systems.

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 offence 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 in cases in which a final decision has been rendered and which are not subject to further appeal are taken into account. Cases in which the entity was found not guilty are not taken into account for the disclosure of indicators.

Key performance indicators are a set of indicators characterizing the key success factors of LUKOIL Group, taking into account industry specifics and determining the level of achievement of strategic goals.

Material claim relating to the breach of anti-monopoly law means a claim meeting the following criteria (any one or several):
- criminal prosecution of officials of PJSC LUKOIL, LUKOIL Group entities in accordance with the sentence passed and entered into legal force;
- administrative action in the form of disqualification of officials of PJSC LUKOIL, LUKOIL Group entities in accordance with the sentence passed and entered into legal force;
- entry into force of any resolution to impose an administrative fine against PJSC LUKOIL or LUKOIL Group entities calculated based on the amount of revenue of the relevant entity or the amount of the offender’s expenses for the purchase of goods (work, service).

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 offence 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 in cases in which a final decision has been rendered and which are not subject to further appeal are taken into account. Cases in which the entity was found not guilty are not taken into account for the disclosure of indicators.

Key performance indicators are a set of indicators characterizing the key success factors of LUKOIL Group, taking into account industry specifics and determining the level of achievement of strategic goals.

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- administrative action in the form of disqualification of officials of PJSC LUKOIL, LUKOIL Group entities in accordance with the sentence passed and entered into legal force;
- entry into force of any resolution to impose an administrative fine against PJSC LUKOIL or LUKOIL Group entities calculated based on the amount of revenue of the relevant entity or the amount of the offender’s expenses for the purchase of goods (work, service).
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 containment provided for by technical regulations and/or project documentation, or release in the absence of sufficient 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 Complex dated January 24, 2018 No. 29, approved by Order of Rostechnadzor 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 mean countries or constituent entities of the Russian Federation where LUKOIL Group entities operate, including affiliates and territorial departments and/or other systems and means of accident prevention and containment provided for by technical regulations and/or project documentation, or release in the absence of sufficient 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 Complex dated January 24, 2018 No. 29, approved by Order of Rostechnadzor of January 24, 2018 No. 29.


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>Indicators</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence of Board members and Board involvement in sustainability matters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairman of the Board of Directors</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Independence of the Chairman of the Board of Directors at appointment</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Independent directors</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Executive directors</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Total number of Board members</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Share of independent directors</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of sustainability and climate-related issues addressed at Board of Directors meetings</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Attendance at in-person meetings</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Share of independent members of the Board of Directors committees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy, Investment, Sustainability and Climate Adaptation Committee</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Health, Safety and Environmental Committee of PJSC LUKOIL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of members</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Number of meetings</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Number of addressed sustainability and climate-related issues</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Share of women</td>
<td>0%</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>
<td></td>
</tr>
<tr>
<td>Number of members</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Number of meetings</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Number of addressed sustainability and climate-related issues</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Share of women</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Gender composition of the Board of Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Women</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Share of women</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Average age of Board members</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Gender composition of the Management Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Women</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Share of women</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Share of members of the Board of Directors of PJSC LUKOIL competent in sustainability and climate-related issues</td>
<td>73%</td>
<td>79%</td>
</tr>
<tr>
<td>Number of vice-presidents responsible for the Company’s climate change-related activities</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Number of members of the Board of Directors of PJSC LUKOIL aged under 30 years old</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Over 5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 10 years</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Women</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of addressed sustainability and climate-related issues</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Share of women</td>
<td>0%</td>
<td>0%</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: 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.

Organizational reporting boundaries (Scope 1 + Scope 2) for Russian and foreign entities, 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 Korobkovsky Gas Processing Plant (KGPZ) and LLK International) were excluded from the reporting for Scope 1.

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 Korobkovsky Gas Processing Plant (KGPZ) and LLK International) were excluded from the reporting for Scope 1.

GRI 305–1, 305–2 GHG emissions indicators for 2016-2020

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flaring emissions (Scope 1), million tonnes of CO₂E</td>
<td>3.415</td>
<td>2.721</td>
<td>1.637</td>
<td>1.490</td>
<td>1.512</td>
</tr>
<tr>
<td>Emissions avoided by using self-generated energy from renewable energy sources (emissions reduction), million tonnes of CO₂E</td>
<td>5,573</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GRI 302–6 Energy savings from implementation of the Energy Conservation Program of LUKOIL Group entities in Russia, million GJ

<table>
<thead>
<tr>
<th>For 2017-2019</th>
<th>For 2018-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>1.2</td>
</tr>
<tr>
<td>Heat</td>
<td>1.6</td>
</tr>
<tr>
<td>Boiler and furnace fuels</td>
<td>12.7</td>
</tr>
<tr>
<td>Total</td>
<td>15.5</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

APPENDICES Sustainability Report for 2020 LUKOIL Group

GRI 305–1, 305–2 GHG emissions
### Water withdrawal and use, million cubic meters

#### 1. Water withdrawal across LUKOIL Group

<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>Water withdrawn</td>
<td>449.8</td>
<td>464.0</td>
<td>416.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2018</td>
<td>449.8</td>
<td>464.0</td>
<td>416.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>52.2</td>
<td>51.1</td>
<td>42.5</td>
<td>44.0</td>
<td>39.8</td>
</tr>
<tr>
<td>Including electric power entities</td>
<td>24.1</td>
<td>21.9</td>
<td>28.7</td>
<td>30.3</td>
<td>27.1</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>21.3</td>
<td>25.5</td>
<td>25.2</td>
<td>24.3</td>
<td>25.1</td>
</tr>
<tr>
<td>Water withdrawn by LUKOIL Group entities by water withdrawal sources, including</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water withdrawn</td>
<td>449.8</td>
<td>464.0</td>
<td>416.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>52.2</td>
<td>51.1</td>
<td>42.5</td>
<td>44.0</td>
<td>39.8</td>
</tr>
<tr>
<td>Including electric power entities</td>
<td>24.1</td>
<td>21.9</td>
<td>28.7</td>
<td>30.3</td>
<td>27.1</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>21.3</td>
<td>25.5</td>
<td>25.2</td>
<td>24.3</td>
<td>25.1</td>
</tr>
</tbody>
</table>

#### 2. Water consumption for own needs (household, industrial, other) across LUKOIL Group

<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>Water withdrawn</td>
<td>287.0</td>
<td>340.5</td>
<td>285.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the boundaries for 2018</td>
<td>287.0</td>
<td>340.5</td>
<td>285.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>297.4</td>
<td>279.7</td>
<td>267.6</td>
<td>269.7</td>
<td>227.5</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>20.3</td>
<td>25.5</td>
<td>25.2</td>
<td>24.3</td>
<td>25.1</td>
</tr>
</tbody>
</table>

#### 3. Other transactions

<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>Water withdrawn</td>
<td>11.4</td>
<td>11.0</td>
<td>10.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sea water</td>
<td>297.4</td>
<td>279.7</td>
<td>267.6</td>
<td>269.7</td>
<td>227.5</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>50.5</td>
<td>41.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 4. Unused water transferred to third-party consumers

<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>Water withdrawn</td>
<td>0.0</td>
<td>50.5</td>
<td>41.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.0</td>
<td>50.5</td>
<td>41.1</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).
### Specific water consumption for own needs by the LUKOIL Group’s Russian entities by type of activity

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil &amp; gas production, cubic meters/tonne of oil equivalent in hydrocarbon resources</th>
<th>Oil refining, cubic meters/tonne of processed oil</th>
<th>Petrochemicals, cubic meters/tonne of processed raw materials</th>
<th>Oil Product Supply, cubic meters/tonne of oil products sold</th>
<th>Transportation, cubic meters/tonne of oil, oil products transported</th>
<th>Power Generation, cubic meters/tonne of oil equivalent in consumed fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1</td>
<td>0.6</td>
<td>6.2</td>
<td>0.04</td>
<td>4.1</td>
<td>40.1</td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
<td>0.5</td>
<td>7.3</td>
<td>0.02</td>
<td>34.4</td>
<td>34.4</td>
</tr>
<tr>
<td>2018</td>
<td>1</td>
<td>0.5</td>
<td>6.4</td>
<td>0.02</td>
<td>34.4</td>
<td>35.1</td>
</tr>
<tr>
<td>2019</td>
<td>1</td>
<td>0.5</td>
<td>6.5</td>
<td>0.07</td>
<td>35.1</td>
<td>32.9</td>
</tr>
<tr>
<td>2020</td>
<td>1</td>
<td>0.5</td>
<td>6.5</td>
<td>0.02</td>
<td>35.1</td>
<td>34.6</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. Fluctuations in the indicators of petrochemical companies are mainly caused by changes in the production volume.
3. 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-AstRAhanenergo conducted several technological maintenance activities.
4. 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). LLC LUKOIL-Elsoenergo (due to the lack of fuel consumption) and LLC LUKOIL-Energoset (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 organizations, which is explained by the specifics of technological processes.
**GRI 306–1**

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water discharged into surface water bodies across LUKOIL Group (1.1 + 1.2 + 1.3)</td>
<td>216.6</td>
<td>161.7</td>
<td>190.4</td>
<td>214.7</td>
<td>203.4</td>
</tr>
<tr>
<td>Russian entities</td>
<td>244.0</td>
<td>236.4</td>
<td>214.7</td>
<td>203.4</td>
<td>151.3</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>13.2</td>
<td>10.4</td>
<td>10.4</td>
<td>10.4</td>
<td>10.4</td>
</tr>
</tbody>
</table>

**Water discharge into surface water bodies by wastewater quality, including:**

1. Clean standard-quality wastewater
2. Wastewater treated to standard quality
3. Polluted wastewater

<table>
<thead>
<tr>
<th>Quality</th>
<th>Russian entities</th>
<th>Foreign entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2016</td>
<td>2016</td>
</tr>
<tr>
<td>1.1. Clean standard-quality wastewater</td>
<td>185.0</td>
<td>126.4</td>
</tr>
<tr>
<td>Russian entities</td>
<td>223.7</td>
<td>196.4</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>8.9</td>
<td>0.00</td>
</tr>
<tr>
<td>1.2. Wastewater treated to standard quality</td>
<td>20.2</td>
<td>20.7</td>
</tr>
<tr>
<td>Russian entities</td>
<td>19.5</td>
<td>21.1</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>1.3. Polluted wastewater</td>
<td>11.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Russian entities</td>
<td>0.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.9</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Water discharges into the sea across Lukoil Group (2 = 2.1 + 2.2 + 2.3)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wastewater discharged into the sea across LUKOIL Group (2.1 + 2.2 + 2.3)</td>
<td>221.2</td>
<td>188.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>10.9</td>
<td>12.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>210.3</td>
<td>175.7</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 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>Year</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 resource</td>
<td>0.008</td>
<td>0.004</td>
<td>0.004</td>
<td>0.004</td>
<td>0.005</td>
</tr>
<tr>
<td>Oil refining, cubic meters/tonne of refined oil</td>
<td>0</td>
<td>0</td>
<td>0.007</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Oil Product facilitation, cubic meters/tonne of oil products sold</td>
<td>0.004</td>
<td>0.003</td>
<td>0.002</td>
<td>0.002</td>
<td></td>
</tr>
<tr>
<td>Transportation, cubic meters/tonne of oil, oil products transported</td>
<td>0.008</td>
<td>0.008</td>
<td>0.008</td>
<td>0.008</td>
<td></td>
</tr>
</tbody>
</table>

**Volumes of circulating water supply and reused water across LUKOIL Group entities, million cubic meters**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian entities</td>
<td>3,302.5</td>
<td>3,128.6</td>
<td>3,180.7</td>
<td>3,106.0</td>
<td>2,967.6</td>
</tr>
<tr>
<td>Volume of circulating water supply</td>
<td>2,371.9</td>
<td>2,253.1</td>
<td>2,284.2</td>
<td>2,240.9</td>
<td>2,240.9</td>
</tr>
<tr>
<td>Volume of reused-sequentially used water</td>
<td>930.6</td>
<td>875.5</td>
<td>896.5</td>
<td>865.1</td>
<td>896.7</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>200.0</td>
<td>216.2</td>
<td>210.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of circulating water supply</td>
<td>198.9</td>
<td>214.0</td>
<td>207.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of reused-sequentially used water</td>
<td>1.1</td>
<td>2.2</td>
<td>2.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Water produced as a by-product with hydrocarbons and subsequently used for FPM**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of water for LUKOIL Group</td>
<td>310.057</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>350.026</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign entities</td>
<td>0.019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Emissions

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, 1600 LUKOIL Belorussia, 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>4.1</td>
<td>3.4</td>
<td>3.2</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Oil refining</td>
<td>0.9</td>
<td>0.8</td>
<td>0.9</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>1.3</td>
<td>1.1</td>
<td>1.4</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Oil product supply</td>
<td>0.5</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>0.0</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Power generation</td>
<td>2.5</td>
<td>2.6</td>
<td>2.9</td>
<td>3.5</td>
<td></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). LLK LUKOIL-Ekoenergo (due to the lack of fuel consumption) and LLK LUKOIL-Energoseti (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 organizations, which is explained by the specifics of technological processes. At the same time, emissions from organizations that transmit thermal energy are 0.

GRI 305-7 Gross emissions of pollutants into the atmosphere (net of CO₂) by LUKOIL Group entities, 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>Total pollutant emissions</td>
<td>451.3</td>
<td>420.4</td>
<td>387.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities</td>
<td>627.5</td>
<td>502.5</td>
<td>433.3</td>
<td>402.3</td>
<td>375.1</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>18.0</td>
<td>26.5</td>
<td>18.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Including by pollutant type:

- **NOₓ emissions** | 49.4  | 47.5  | 42.9  |        |        |
- **SO₂ emissions** | 37.5  | 40.8  | 31.3  |        |        |
- **solid particle emissions** | 14.9  | 15.0  | 13.8  |        |        |
- **CO emissions** | 155.9  | 154.7  | 142.8  |        |        |
- **hydrocarbon emissions** | 73.9  | 61.0  | 48.8  |        |        |
- **volatile organic compounds (VOC) emissions** | 115.5  | 115.5  | 111.0  |        |        |
- **emissions of other pollutants** | 4.2   | 1.3   | 1.7   |        |        |

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 state 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, Neftehim Burgas, PETROTEL-LUKOIL, LUKOIL Uzbekistan Operating Company. The 2019 boundaries include: the abovementioned entities and ISAB, IOOO LUKOIL Belorussia, and LUKOIL-BULGARIA EOOD.

GRI 306–2

APPENDICES
GRI 306–2

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 transformation waste depends on the scope of drilling operations.

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 Namyshnoy and Volgograd refineries. In addition, the amount of oil-contaminated waste at LLC LUKOIL-Komi increased due to the significant formation of oil-contaminated soil as a result of pipeline depressurization.

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.

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.

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 transformation 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 Namyshnoy and Volgograd refineries. In addition, the amount of oil-contaminated waste 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.

Waste at the beginning of the reporting year

\[ \begin{array}{lcl}
\text{Russian entities} & 912.0 & 761.0 & 913.0 & 985.4 & 979.1 \\
\text{Foreign entities} & 23.0 & 24.0 & 23.1 & 23.0 & 23.1 \\
\text{Waste generated during the reporting year} & 1,556.0 & 1,783.1 & 2,178.4 & 2,179.4 & 2,178.4 \\
\text{Russian entities} & 1,033.0 & 1,494.0 & 1,289.0 & 1,289.0 & 1,289.0 \\
\text{Foreign entities} & 27.0 & 111.0 & 238.0 & 238.0 & 238.0 \\
\text{Recycled from third parties} & 8.0 & 4.8 & 4.3 & 4.2 & 4.2 \\
\text{Amount of waste used, neutralized, and transferred to specialized entities, as well as unutilized waste} & 1,604.0 & 1,750.9 & 2,211.3 & 2,211.3 & 2,211.3 \\
\text{Waste generated during the reporting year} & 1,604.0 & 1,750.9 & 2,211.3 & 2,211.3 & 2,211.3 \\
\text{Russian entities} & 1,175.4 & 1,396.1 & 1,582.0 & 1,582.0 & 1,582.0 \\
\text{Foreign entities} & 27.0 & 108.0 & 216.5 & 216.5 & 216.5 \\
\text{Waste at the end of the reporting year} & 905.0 & 948.0 & 924.5 & 924.5 & 924.5 \\
\text{Russian entities} & 765.0 & 933.0 & 886.0 & 886.0 & 886.0 \\
\text{Foreign entities} & 39.0 & 27.1 & 28.1 & 28.1 & 28.1 \\
\end{array} \]

Waste by hazard class across LUKOIL Group, thousand tonnes

<table>
<thead>
<tr>
<th>Date</th>
<th>Russian entities</th>
<th>Foreign entities</th>
<th>Hazard Class 1</th>
<th>Hazard Class 2</th>
<th>Hazard Class 3 (incl. oil-containing)</th>
<th>Hazard Class 4</th>
<th>Hazard Class 5</th>
<th>TOTAL non-hazardous and low-hazard waste (Classes 1–5)</th>
<th>Waste at the beginning of the year</th>
<th>Waste generated during the year</th>
<th>Waste at the end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>868.0</td>
<td>131.3</td>
<td>31.9</td>
<td>131.3</td>
<td>830.7</td>
<td>1287.2</td>
<td>884.1</td>
<td>2223.2</td>
<td>2856.6</td>
<td>4152.3</td>
<td>885.4</td>
</tr>
<tr>
<td>2017</td>
<td>868.0</td>
<td>23.3</td>
<td>21.2</td>
<td>23.3</td>
<td>862.6</td>
<td>1418.5</td>
<td>899.1</td>
<td>2533.6</td>
<td>3401.5</td>
<td>4933.1</td>
<td>899.1</td>
</tr>
<tr>
<td>2018</td>
<td>868.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>868.0</td>
<td>253.3</td>
<td>216.9</td>
<td>1131.4</td>
<td>364.2</td>
<td>2165.6</td>
<td>862.6</td>
</tr>
<tr>
<td>2019</td>
<td>868.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>868.0</td>
<td>253.3</td>
<td>216.9</td>
<td>1131.4</td>
<td>364.2</td>
<td>2165.6</td>
<td>862.6</td>
</tr>
<tr>
<td>2020</td>
<td>868.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>868.0</td>
<td>253.3</td>
<td>216.9</td>
<td>1131.4</td>
<td>364.2</td>
<td>2165.6</td>
<td>862.6</td>
</tr>
</tbody>
</table>

Note. The discrepancy between the amount of waste at the end of 2019 and the start of 2020 was due to the inclusion of LLC KamyshinTeploEnergo indicators into LLC LUKOIL-Volgogradenergo reporting in 2020 (LLC KamyshinTeploEnergo was added to LLC LUKOIL-Volgogradenergo structure in 2019).
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>18</td>
<td>20</td>
<td>21</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>fatal</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>high-consequence work-related injuries</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>number of minor injuries</td>
<td>15</td>
<td>9</td>
<td>9</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Number of employees injured in workplace accidents (total number of injuries, including):</td>
<td>26</td>
<td>22</td>
<td>23</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>number of fatalities (FA)</td>
<td>6</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>21</td>
<td>23</td>
<td>21</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>20</td>
<td>20</td>
<td>18</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>fatal</td>
<td>5</td>
<td>7</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>high-consequence work-related injuries</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</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>15</td>
<td>11</td>
</tr>
<tr>
<td>number of fatalities (FA)</td>
<td>6</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>number of lost time injuries (LTI)</td>
<td>24</td>
<td>15</td>
<td>8</td>
<td>9</td>
<td>11</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>60,306</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>13,821</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>14,325</td>
<td>16,334</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialists</td>
<td>13,914</td>
<td>13,251</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers and other personnel</td>
<td>15,779</td>
<td>18,642</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training costs (‘Employee training and advanced vocational training’ category), RUB million</td>
<td>329.8</td>
<td>327.9</td>
<td>323.2</td>
<td>263.8</td>
<td>359.8</td>
</tr>
</tbody>
</table>

Note. Data on the amount of training refer to mandatory HSE employee training and certification programs and include both in-person and remote employee training.

Indicators of LUKOIL Group Russian entities preparedness for emergencies

<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>Number of trainings conducted, including</td>
<td>193</td>
<td>178</td>
<td>230</td>
<td>163</td>
<td></td>
</tr>
<tr>
<td>training on the elimination of a potential oil/product spill</td>
<td>192</td>
<td>11</td>
<td>11</td>
<td>29</td>
<td>56</td>
</tr>
<tr>
<td>Number of staff involved in trainings, people</td>
<td>6,940</td>
<td>5,870</td>
<td>6,912</td>
<td>4,831</td>
<td></td>
</tr>
<tr>
<td>Number of site drills</td>
<td>15,568</td>
<td>11,916</td>
<td>10,719</td>
<td>12,612</td>
<td></td>
</tr>
<tr>
<td>Number of staff involved in the drills, people</td>
<td>75,649</td>
<td>88,330</td>
<td>91,052</td>
<td>(1,859)</td>
<td></td>
</tr>
</tbody>
</table>

Note. The dynamics of the indicators depend on training frequency and topics. For example, federal and regional training sessions under the Spill Prevention and Response Plans are conducted once every two years, with staff drills between breaks. Emergency commissions of the Russian Federation constituents determine the procedure and frequency of preparedness checks of personnel and equipment involved in local, regional, and territorial SPRPs training. Because of the pandemic, training schedules changed.

GRI 403-8  Percentage of employees covered by the management systems certified to be compliant with the ISO 14001 and OHSAS 18001 international standards

<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, %</td>
<td>90</td>
<td>84</td>
<td>83</td>
<td>95</td>
<td></td>
</tr>
</tbody>
</table>

APPENDICES

Sustainability Report for 2020 LUKOIL Group
### Employees

**GRI 102–8** Personnel characteristics by type of employment, employment contract, and gender, people (headcount)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headcount</strong></td>
<td>105,991</td>
<td>105,624</td>
<td>104,264</td>
</tr>
<tr>
<td><strong>Employee breakdown by gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>62,205</td>
<td>62,007</td>
<td>61,183</td>
</tr>
<tr>
<td>Women</td>
<td>43,786</td>
<td>43,617</td>
<td>43,081</td>
</tr>
<tr>
<td><strong>Employee breakdown by type of employment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time</td>
<td>85,319</td>
<td>85,690</td>
<td>85,182</td>
</tr>
<tr>
<td>Part-time</td>
<td>4,592</td>
<td>4,934</td>
<td>4,857</td>
</tr>
<tr>
<td><strong>Temporary</strong></td>
<td>79,542</td>
<td>92%</td>
<td>86,622</td>
</tr>
<tr>
<td>Men (% of total men headcount)</td>
<td>58,618</td>
<td>93%</td>
<td>57,254</td>
</tr>
<tr>
<td>Women (% of total women headcount)</td>
<td>1,924</td>
<td>7%</td>
<td>1,368</td>
</tr>
<tr>
<td><strong>Including</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian entities of LUKOIL Group</td>
<td>90,112</td>
<td>89,323</td>
<td>88,019</td>
</tr>
<tr>
<td>Managers</td>
<td>11,535</td>
<td>11,365</td>
<td>10,873</td>
</tr>
<tr>
<td>Specialists</td>
<td>24,824</td>
<td>24,557</td>
<td>23,950</td>
</tr>
<tr>
<td>Workers and other personnel</td>
<td>53,753</td>
<td>53,401</td>
<td>53,096</td>
</tr>
<tr>
<td>Foreign entities of LUKOIL Group</td>
<td>19,989</td>
<td>18,082</td>
<td>17,972</td>
</tr>
<tr>
<td>Managers</td>
<td>1,786</td>
<td>1,958</td>
<td>1,967</td>
</tr>
<tr>
<td>Specialists</td>
<td>4,272</td>
<td>4,141</td>
<td>4,153</td>
</tr>
<tr>
<td>Workers and other personnel</td>
<td>12,924</td>
<td>11,852</td>
<td>11,864</td>
</tr>
<tr>
<td><strong>Breakdown by gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Across LUKOIL Group</strong></td>
<td>110,101</td>
<td>107,405</td>
<td>105,991</td>
</tr>
<tr>
<td>Under 35</td>
<td>43,787</td>
<td>43,272</td>
<td>43,734</td>
</tr>
<tr>
<td>36 to 40 years</td>
<td>17,807</td>
<td>17,253</td>
<td>17,346</td>
</tr>
<tr>
<td>41 to 50 years</td>
<td>28,727</td>
<td>28,564</td>
<td>29,069</td>
</tr>
<tr>
<td>51 and above</td>
<td>19,780</td>
<td>18,816</td>
<td>18,402</td>
</tr>
<tr>
<td>Russian entities of LUKOIL Group</td>
<td>90,112</td>
<td>89,323</td>
<td>88,019</td>
</tr>
<tr>
<td>Under 35</td>
<td>36,341</td>
<td>35,931</td>
<td>34,700</td>
</tr>
<tr>
<td>36 to 40 years</td>
<td>14,039</td>
<td>14,007</td>
<td>14,142</td>
</tr>
<tr>
<td>41 to 50 years</td>
<td>22,944</td>
<td>23,274</td>
<td>23,725</td>
</tr>
<tr>
<td>51 and above</td>
<td>16,768</td>
<td>16,111</td>
<td>15,452</td>
</tr>
<tr>
<td>Foreign entities of LUKOIL Group</td>
<td>19,989</td>
<td>18,082</td>
<td>17,972</td>
</tr>
<tr>
<td>Under 35</td>
<td>3,768</td>
<td>3,246</td>
<td>3,204</td>
</tr>
<tr>
<td>36 to 40 years</td>
<td>5,792</td>
<td>5,290</td>
<td>5,344</td>
</tr>
<tr>
<td>41 to 50 years</td>
<td>3,063</td>
<td>2,705</td>
<td>2,850</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.
APPENDICES

Sustainability Report for 2020 LUKOIL Group

### Instrumental indicators

**Direct economic value generated and distributed, RUB mln**

<table>
<thead>
<tr>
<th>Indicative period</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct economic value generated</td>
<td>5,256,212</td>
<td>6,050,086</td>
<td>8,015,118</td>
<td>7,890,816</td>
<td>5,655,070</td>
</tr>
<tr>
<td>Revenue</td>
<td>5,227,014</td>
<td>5,936,203</td>
<td>8,015,869</td>
<td>3,841,246</td>
<td>3,839,401</td>
</tr>
<tr>
<td>Income from financial investments</td>
<td>14,750</td>
<td>15,125</td>
<td>19,520</td>
<td>25,134</td>
<td>13,015</td>
</tr>
<tr>
<td>Income from disposal of tangible assets</td>
<td>14,441</td>
<td>16,375</td>
<td>2,916</td>
<td>16,646</td>
<td>2,916</td>
</tr>
<tr>
<td>Distributed economic value</td>
<td>-4,745,951</td>
<td>-5,894,484</td>
<td>-7,617,222</td>
<td>-5,981,273</td>
<td>-5,872,090</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-5,619,216</td>
<td>-5,908,158</td>
<td>-5,279,969</td>
<td>-3,176,158</td>
<td>-3,753,470</td>
</tr>
<tr>
<td>Wages and salary</td>
<td>-136,070</td>
<td>-127,977</td>
<td>-115,671</td>
<td>-64,022</td>
<td>-194,893</td>
</tr>
<tr>
<td>Other employee payments and benefits</td>
<td>-23,717</td>
<td>-23,717</td>
<td>-23,717</td>
<td>-23,717</td>
<td>-23,717</td>
</tr>
<tr>
<td>Payments to capital providers, including:</td>
<td>-204,427</td>
<td>-204,427</td>
<td>-204,427</td>
<td>-204,427</td>
<td>-204,427</td>
</tr>
<tr>
<td>Interest paid to creditors</td>
<td>-44,667</td>
<td>-38,872</td>
<td>-38,872</td>
<td>-41,008</td>
<td>-19,915</td>
</tr>
<tr>
<td>Budget contributions</td>
<td>-16,927</td>
<td>-23,717</td>
<td>-23,717</td>
<td>-23,717</td>
<td>-23,717</td>
</tr>
<tr>
<td>Societal investment</td>
<td>-12,050</td>
<td>-9,009</td>
<td>-9,009</td>
<td>-9,009</td>
<td>-9,009</td>
</tr>
<tr>
<td>Undistributed economic value</td>
<td>509,281</td>
<td>815,595</td>
<td>791,176</td>
<td>891,603</td>
<td>162,980</td>
</tr>
</tbody>
</table>

**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 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.

---

**GRI 401–2 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>3,838,495</td>
<td>3,936,495</td>
<td>4,015,495</td>
<td>4,015,495</td>
<td>4,015,495</td>
</tr>
<tr>
<td><strong>including</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health protection, services</td>
<td>127,051</td>
<td>127,051</td>
<td>127,051</td>
<td>127,051</td>
<td>127,051</td>
</tr>
<tr>
<td>Social support for families with children, services</td>
<td>122,750</td>
<td>122,750</td>
<td>122,750</td>
<td>122,750</td>
<td>122,750</td>
</tr>
<tr>
<td>Non-state pension coverage, people</td>
<td>12,215</td>
<td>12,215</td>
<td>12,215</td>
<td>12,215</td>
<td>12,215</td>
</tr>
<tr>
<td>Support for pensioners, people</td>
<td>43,300</td>
<td>43,300</td>
<td>43,300</td>
<td>43,300</td>
<td>43,300</td>
</tr>
<tr>
<td>Other, services</td>
<td>21,080</td>
<td>21,080</td>
<td>21,080</td>
<td>21,080</td>
<td>21,080</td>
</tr>
<tr>
<td><strong>Specifically for Russian employees, total</strong></td>
<td>402,709</td>
<td>410,123</td>
<td>408,495</td>
<td>408,495</td>
<td>408,495</td>
</tr>
<tr>
<td><strong>including</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health protection, services</td>
<td>276,055</td>
<td>276,055</td>
<td>276,055</td>
<td>276,055</td>
<td>276,055</td>
</tr>
<tr>
<td>Social support for families with children, services</td>
<td>122,750</td>
<td>122,750</td>
<td>122,750</td>
<td>122,750</td>
<td>122,750</td>
</tr>
<tr>
<td>Non-state pension coverage, people</td>
<td>12,215</td>
<td>12,215</td>
<td>12,215</td>
<td>12,215</td>
<td>12,215</td>
</tr>
<tr>
<td>Support for pensioners, people</td>
<td>43,300</td>
<td>43,300</td>
<td>43,300</td>
<td>43,300</td>
<td>43,300</td>
</tr>
<tr>
<td>Other, services</td>
<td>18,270</td>
<td>18,270</td>
<td>18,270</td>
<td>18,270</td>
<td>18,270</td>
</tr>
</tbody>
</table>

**Notes.**

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.

---

**GRI 404–3 Percentage of employees receiving regular performance and career development reviews at PJSC 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>PJSC LUKOIL, headcount, people</td>
<td>2,331</td>
<td>2,351</td>
<td>2,408</td>
<td>2,408</td>
<td>2,408</td>
</tr>
<tr>
<td>Total PJSC LUKOIL employees who received an official performance review, people</td>
<td>2,091</td>
<td>2,131</td>
<td>2,154</td>
<td>2,154</td>
<td>2,154</td>
</tr>
<tr>
<td>Percentage of the total number of PJSC LUKOIL employees</td>
<td>50%</td>
<td>90%</td>
<td>92%</td>
<td>92%</td>
<td>92%</td>
</tr>
</tbody>
</table>
Average salaries at Russian LUKOIL Group entities

<table>
<thead>
<tr>
<th>Existing regions of operation</th>
<th>Average salary (LUKOIL)</th>
<th>Average salary in the region</th>
<th>Average salary (LUKOIL)</th>
<th>Average salary in the region</th>
<th>Average salary (LUKOIL)</th>
<th>Average salary in the region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regions where production facilities are located</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Astrakhan Region</td>
<td>88,275</td>
<td>33,140</td>
<td>92,529</td>
<td>35,752</td>
<td>95,486</td>
<td>39,037</td>
</tr>
<tr>
<td>Volgograd Region</td>
<td>82,405</td>
<td>30,252</td>
<td>85,171</td>
<td>32,717</td>
<td>88,900</td>
<td>35,599</td>
</tr>
<tr>
<td>Kaliningrad Region</td>
<td>89,837</td>
<td>32,634</td>
<td>99,845</td>
<td>34,157</td>
<td>107,471</td>
<td>37,997</td>
</tr>
<tr>
<td>Nenets Autonomous Area</td>
<td>124,451</td>
<td>82,754</td>
<td>128,702</td>
<td>86,815</td>
<td>138,227</td>
<td>91,837</td>
</tr>
<tr>
<td>Murmansk Region</td>
<td>73,081</td>
<td>32,909</td>
<td>71,593</td>
<td>35,692</td>
<td>73,828</td>
<td>37,449</td>
</tr>
<tr>
<td>Perm Territory</td>
<td>35,495</td>
<td>26,173</td>
<td>38,562</td>
<td>29,871</td>
<td>40,203</td>
<td></td>
</tr>
<tr>
<td>Komi Republic</td>
<td>93,913</td>
<td>50,105</td>
<td>101,113</td>
<td>53,162</td>
<td>106,758</td>
<td>56,780</td>
</tr>
<tr>
<td>Samara Region</td>
<td>56,152</td>
<td>33,820</td>
<td>50,352</td>
<td>37,384</td>
<td>51,874</td>
<td></td>
</tr>
<tr>
<td>Saratov Region</td>
<td>51,943</td>
<td>25,827</td>
<td>52,011</td>
<td>39,037</td>
<td>54,411</td>
<td>38,911</td>
</tr>
<tr>
<td>Stavropol Territory</td>
<td>38,071</td>
<td>25,891</td>
<td>41,167</td>
<td>28,860</td>
<td>43,166</td>
<td></td>
</tr>
<tr>
<td>Khanty-Mansi Autonomous Area  — Yugra</td>
<td>104,709</td>
<td>50,000</td>
<td>109,058</td>
<td>53,046</td>
<td>112,514</td>
<td>56,106</td>
</tr>
<tr>
<td>Yamal-Nenets Autonomous Area</td>
<td>124,257</td>
<td>96,846</td>
<td>131,225</td>
<td>103,053</td>
<td>136,883</td>
<td>110,759</td>
</tr>
<tr>
<td>Regions where only oil product supply entities operate, as well as LUKOIL Technologies and LUKOIL-Engineering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moscow (excluding PJSC LUKOIL)</td>
<td>104,845</td>
<td>83,678</td>
<td>137,143</td>
<td>99,211</td>
<td>111,262</td>
<td>100,506</td>
</tr>
<tr>
<td>Republic of Bashkortostan</td>
<td>67,296</td>
<td>33,017</td>
<td>73,090</td>
<td>36,495</td>
<td>73,561</td>
<td>38,105</td>
</tr>
<tr>
<td>Volgograd Region</td>
<td>Less than 500 people</td>
<td>35,545</td>
<td>45,844</td>
<td>35,132</td>
<td>45,540</td>
<td>42,779</td>
</tr>
<tr>
<td>Krasnodar Territory</td>
<td>50,214</td>
<td>33,583</td>
<td>52,248</td>
<td>36,115</td>
<td>51,517</td>
<td>33,666</td>
</tr>
<tr>
<td>Moscow Region</td>
<td>65,779</td>
<td>50,723</td>
<td>68,688</td>
<td>53,270</td>
<td>68,553</td>
<td>53,087</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>39,212</td>
<td>30,652</td>
<td>39,453</td>
<td>31,909</td>
<td>39,109</td>
<td>35,363</td>
</tr>
<tr>
<td>Saint-Petersburg</td>
<td>71,004</td>
<td>60,123</td>
<td>73,413</td>
<td>63,157</td>
<td>73,185</td>
<td>68,163</td>
</tr>
<tr>
<td>Smolensk Region</td>
<td>Less than 500 people</td>
<td>37,503</td>
<td>47,587</td>
<td>40,000</td>
<td>48,866</td>
<td>43,154</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>104,162</td>
<td>89,671</td>
<td>105,386</td>
<td>72,221</td>
<td>104,825</td>
<td>77,765</td>
</tr>
<tr>
<td>Chelyabinsk Region</td>
<td>40,004</td>
<td>34,980</td>
<td>44,437</td>
<td>37,300</td>
<td>46,864</td>
<td>38,663</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,’ ‘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.

SASB indicators

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Segment: E—Extraction, R—Refining, Marketing, and Distribution, S—Services (drilling, others), T—Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP 110A3</td>
<td>Description of the environmental management system</td>
<td>E, T</td>
</tr>
<tr>
<td>EM-FM 110A3</td>
<td>Long- and mid-term strategy to reduce direct GHG emissions. Reduction targets. Analysis of activities related to these targets.</td>
<td>E, R</td>
</tr>
<tr>
<td>EM-MD 110A3</td>
<td>Annual development of a climate strategy and GHG reduction targets continued</td>
<td></td>
</tr>
</tbody>
</table>

Financing of APG use activities, RUB billion

<table>
<thead>
<tr>
<th>Total across Russian LUKOIL Group entities</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total across Russian LUKOIL Group entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. The indicator covers the expenses on the construction and reconstruction of APG preparation, transportation, and processing facilities, as well as heat and electric power generation facilities in Russia. The change in the indicator is attributed to the schedule of activities under the effective APG use program.
<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Segment:</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>E — Extraction, R — Refining, Marketing, and Distribution, S — Services (drilling, others), T — Transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Greenhouse gases</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-ER-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>E, T, R</td>
<td>P: 54-55, 181</td>
<td></td>
</tr>
<tr>
<td>EM-RM 110a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-MD 110a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-EP 120 a1)</td>
<td>Volume of NOx, SOx, and other pollutant emissions to the atmosphere, VOCs, and PM10 dust</td>
<td>E, T, R</td>
<td>P: 189</td>
<td></td>
</tr>
<tr>
<td>EM-RM 120 a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-MD 120 a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-EP 140 a1</td>
<td>Amount of freshwater withdrawn, share of total consumption, change in regions with severe water scarcity</td>
<td>E, R</td>
<td>P: 104, 183</td>
<td></td>
</tr>
<tr>
<td>EM-RM 140 a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-MD 140 a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Occupational safety</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-RM 320 a1)</td>
<td>Description of the management system to improve safety culture</td>
<td>E, R</td>
<td>Improving safety culture is one of the mechanisms of the Integrated Health, Safety, and Environment Management System, p. 73-75</td>
<td></td>
</tr>
<tr>
<td>EM-EP 320 a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-MD 320 a1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Extraction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-ER-160a2)</td>
<td>Total number and volume of hydrocarbon spills, including a) in the Arctic, b) impacting countries in categories 8-10 of the Environmental Sensitivity Index (ESI) (mangroves, marshes, rocky shores, and others), percentage of recovered sites</td>
<td>E, T, R, S</td>
<td>Partially, p. 82</td>
<td></td>
</tr>
<tr>
<td><strong>E, T, R</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Analyst’s Handbook</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

APPENDIXES
Sustainability Report for 2020 LUKOIL Group
<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Segment: E — Extraction, R — Refining, Marketing, and Distribution, S — Services (drilling, others), T — Transportation</th>
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<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-510a1</td>
<td>Percentage of 1) proved and 2) 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 shrank was 14.6% in 2018, and 15.4% in 2019</td>
<td>Analyst’s Handbook</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>
<td>Partially, p. 34, 43</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>
<td>R</td>
</tr>
</tbody>
</table>

**Transport**

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Segment: E — Extraction, R — Refining, Marketing, and Distribution, S — Services (drilling, others), T — Transportation</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-MD-520a1</td>
<td>Total losses from lawsuits related to pipelines and storage facilities</td>
<td>T</td>
<td></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></td>
<td>P. 82</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></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>
<td></td>
</tr>
</tbody>
</table>

**Services (contractors)**

<table>
<thead>
<tr>
<th>Code</th>
<th>Definition</th>
<th>Segment: E — Extraction, R — Refining, Marketing, and Distribution, S — Services (drilling, others), T — Transportation</th>
<th>Response / reference to indicators in Sustainability Report for 2020</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<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. The share of reserves located in Iraq and the Republic of Congo (according to PJSC LUKOIL share) of LUKOIL Group’s proved reserves shrank was 14.6% 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>
<td></td>
</tr>
<tr>
<td>EM-SV-550a2</td>
<td>Strategy and plans to mitigate risks associated with the use of chemicals</td>
<td>S</td>
<td>Partially, p. 103, 109</td>
<td></td>
</tr>
<tr>
<td>EM-SV-560a2</td>
<td>Strategy and plans to mitigate risks associated with environmental impacts in services</td>
<td>S</td>
<td>Partially, p. 103, 109</td>
<td></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

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10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
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Fax +7 (495) 937 4400/99
Internet www.kpmg.ru


To the Shareholders of PJSC 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 ("GRI") 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 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 of 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.
Inherent Limitations

Due to the limitations inherent in any internal control structure, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal control system over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the reporting period, and the procedures were performed on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and described in this report, 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 GRI Standards and is free from material misstatement, is not, in all material respects, fairly stated.

Hlimovskis L.
JSC "KPMG"
Moscow, Russia
09 July 2021

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.
CONCLUSION

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 of LUKOIL Group (hereinafter, the Report).

The completeness implies that the Company has comprehensively presented its activities 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 recommendations of the RSPP Board based on the results of public assurance of the previous report for 2019 are reflected in the Report for 2020. It includes information on the Company’s contribution to the achievement of the UN SDGs, which is also measured against national projects; data on land reclamation is presented, information is disclosed, and explanations are given regarding the dynamics of greenhouse gas emissions; a detailed description of the procedure for identifying material topics with the participation of various groups of stakeholders is provided.

The Company’s report for 2020 contains relevant information on the following aspects of responsible business practices:

Economic freedom and responsibility: The Report covers the main areas and geography of operations, the structure of the Company, and presents strategic goals and long-term target indicators. The global trends of the industry development are reflected, growth opportunities in the context of the transition to a low-carbon economy are considered. The main financial and production results for business segments for the reporting year are disclosed. Plans to adapt to climate change and decarbonization are reported as part of the work to update the Group’s Strategic Development Program. Information on the implementation of digitalization programs and key growth projects is presented. The Company’s production model from production to sales of products and services is described. The system of quality management is reported; a description of the corporate integrated management system is given. Certification of the HSE management system for compliance with international standards ISO 14001 and ISO 45001 at the Group’s production entities was noted. It is reported that amendments have been made to the HSE Policy in connection with the Company’s transition to the new standard ISO 45001 and plans for climate adaptation. The organizational structure of the sustainability management system is shown. The Report contains information characterizing the involvement of the Board of Directors in sustainable development issues, including on the climate agenda, and the results of the work of the committees of the Board of Directors. Four of the Group’s strategic sustainable development goals are reported, which are related to the UN SDGs, and the Company’s contribution to national projects is shown. The activity of the Business Ethics Commission is described. The Company’s participation in the fight against the COVID-19 pandemic in Group entities, regions of presence in the Russian Federation and foreign countries is shown. The report contains information on the approval of the corporate Anti-corruption Policy and the Antimonopoly Policy. It also reports on sustainability awards and LUKOIL’s participation in international ratings.

Business Partnership: The Report covers stakeholder engagement issues, communication channels and tools, and key events in the reporting period. It covers interaction with government bodies and business partners in Russia at the federal, regional, and local levels, as well as participation in the international dialogue on issues of industry development and the climate agenda. It is noted in the Report that representatives of the LUKOIL Group participate in the discussion of legislative initiatives, in the work of advisory groups and expert platforms, including on crisis measures in pandemic conditions. The key principles of the Company’s human resources and social policy are given. The system of social partnership is highlighted; it is reported that an agreement was concluded between the Company and trade unions for 2021–2023, which stipulates an increase in a number of guarantees, and the coverage of employees by collective agreements is indicated. The experience of organizing work in the conditions of the COVID-19 pandemic is shown. It is reported that there are requirements on contractors and suppliers to comply with industrial and occupational safety standards, as well as to comply with anti-corruption standards, and the

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, the Board confirms the following:

The Sustainability Report of the LUKOIL Group for 2020 contains significant information on key areas of responsible business practice in accordance with the principles of the Social Charter of Russian Business, and adequately discloses information on the Company’s operations in these areas.

The recommendations of the RSPP Board based on the results of public assurance of the previous report for 2019 are reflected in the Report for 2020. It includes information on the Company’s contribution to the achievement of the UN SDGs, which is also measured against national projects; data on land reclamation is presented, information is disclosed, and explanations are given regarding the dynamics of greenhouse gas emissions; a detailed description of the procedure for identifying material topics with the participation of various groups of stakeholders is provided.

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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 mechanisms 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 protection: 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 2020–2022, its results and goals for 2021 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.

Participation in the development of the local community: The Report informs about the areas of the Group’s external social policy in the regions, the mechanisms used, including cooperation agreements with the administrations of 29 regions, and agreements with the heads of territories of traditional resource use. The priority areas of social activity common to all regions and countries in which Group organizations operate are shown, and the long-term nature of several regional programs and projects is reported. The volume of the Company’s social investments in the regions of presence is reflected, including expenses on assistance in connection with the COVID-19 pandemic. Information on the results of the contest of social and cultural projects held by the Charity Fund together with the Russian entrepreneurs’ association is presented. Criteria for assessing the effectiveness of implemented projects are shown. Information on annual environmental campaigns is included. The development of volunteering practice is reported. The implementation of the “More Than Just a Purchase” social entrepreneurship support project implemented jointly with the “Our Future” Foundation of Regional Social Programs. Information is provided on the main measures aimed at supporting orphans, the disabled, veterans of war and labor and other groups of the population in need of assistance, as well as medical organizations and sports groups.

Final provisions
The Sustainability Report of the LUKOIL Group for 2020 reflects the scope and strategy of the Company’s operations, its contribution to the development of the oil and gas sector and the economy of the country, priorities and management system in the field of sustainable development. A comprehensive approach to disclosure of information on key areas is implemented, and a significant number of performance indicators on economic, environmental, and social aspects is contained. The Report shows the balance of performance with the UN Sustainable Development Goals and their implementation objectives, which meet the Company’s strategic benchmarks. The Reports consistently expand information on sustainability factors in the Company’s foreign assets.

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, determined 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 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.
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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.