APPENDIX 1.

Corporate Governance Code
Compliance Report
This Report on compliance with the Corporate Governance Code (the “Code”), recommended by the Bank of Russia as a guidance for all publicly traded joint-stock companies, is included in the Annual Report in line with Chapter 70 of the Bank of Russia’s Regulations No. 454-P On Information Disclosure by Securities Issuers dated December 30, 2014.

Incorporated in Russia, PJSC “LUKOIL” is guided in its business operations by the corporate governance principles recommended by Russian securities market regulators, as well as by the international best practices.

The Code is the key document regulating national corporate governance standards and is available on the Bank of Russia’s website at www.cbr.ru/publ/Vestnik/ves140418040.pdf.

Since 2014, the Company has made a significant effort in aligning its corporate procedures and local regulations with the Code’s principles and recommendations.

At present, the Company has made a significant effort in aligning its corporate procedures and local regulations with the Code’s principles and recommendations.

Along with the core principles, Part A of the Code outlines Tier 2 principles, while Part B includes recommendations on corporate governance principles.

Currently, the Company’s corporate governance has some inconsistencies with the Tier 2 principles of the Code:

- The Chairman of the Board of Directors is a non-executive director, whereas independent directors have not appointed a senior independent director

- The HR and Compensation Committee of the Board of Directors which functions as prescribed by the Code and acts both as the remuneration committee and the nomination committee (an option allowed by the Code), has two independent directors (including the Committee Chairman), and one non-executive director. The set-up ensures full compliance with the Code recommendation for the nomination committee but only partial compliance with the recommendation for the remuneration committee, which provides for independent directors only

- The Company’s Charter does not list any material (as defined by the principles and recommendations of the Code) corporate actions that would be subject to special review and approval rules and require additional procedures, restrictions, and obligations exceeding the requirements of the laws currently in effect

An overview of the core corporate governance model and practice features adopted by PJSC “LUKOIL” is presented in the Corporate Governance section of the Annual Report.

In the reporting period, the Company reduced its charter capital by 11.8% to 750,000,000 shares through acquisition and cancellation of a portion of PJSC “LUKOIL” issued shares. Most of cancelled shares (over 99.9%) are quasi-treasury shares acquired from the Company subsidiary and the remaining shares – shares acquired from minority shareholders.

To further enhance the existing top management remuneration system, the Board of Directors approved amendments to the Regulations on PJSC “LUKOIL” Management Remuneration and Incentive System in 2018, which improve methods of calculation of annual bonuses based on the achievement of Group-wide and individual KPIs. The Board of Directors also amended the Regulations on the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2018-2022.

In 2018, the Company also revised its local regulations on corporate governance, including changes to the existing documents which govern business ethics and shareholder relations. In line with amendments to the Federal Law On Joint-Stock Companies, the Company’s Charter was amended to allow Directors to propose nominees to the Board of Directors at their discretion and to include matters on the agenda for the General Shareholders Meeting, which will further increase the Board’s power as a governance body.

The Board of Directors believes that the overall performance of the corporate governance at PJSC “LUKOIL” is in line with the Company’s goals and targets.

The compliance assessment against the recommendations of the Corporate Governance Code is presented below using the table template included in the Bank of Russia’s Letter No. IN-06-52/8 dated February 17, 2016, and follows the filling out guidelines described in the letter. The result is based on our self-assessment, taking into account the existing integrated data on the Company’s approach to incorporating Code requirements and the reasons for non-compliance (following the “comply or explain” principle).

The Board of Directors certifies that all data in this Report contains full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2018.
Along with the core principles, Part A of the Code outlines Tier 2 principles, while Part B includes recommendations on corporate governance.

At present, the Board of Directors can confirm that the Company has complied with all core principles of the Code (i.e., the principles and recommendations of the Corporate Governance Code for 2018).

Since 2014, the Company has made a significant effort in aligning its corporate procedures and legislation with national regulations with the Code's principles and recommendations of the Corporate Governance Code for 2018.

The Code is the key document regulating national corporate governance standards and is available on the Bank of Russia's website at www.cbr.ru/publ/Vestnik/ves140418040.pdf.

Incorporated in Russia, PJSC "LUKOIL" is guided in its business operations by the corporate governance principles recommended by securities market regulators, as well as by the international best practices.


Publicly traded joint-stock companies, is included in the Annual Report in line with Chapter 70 of the Bank of Russia's Regulations No. 454.

The Company's Charter does not list any material (as defined by the principles and recommendations of the Code) corporate actions that require obtaining shareholders' consent. There were no such actions taken by the Company in 2018.

The result is based on our self-assessment, taking into account the existing integrated data on the Company's approach to incorporating the governance model and practice features adopted by PJSC "LUKOIL" is presented in the Corporate Governance section of the Annual Report.

Currently, the Company's corporate governance has some inconsistencies with the Tier 2 principles of the Code:

- The Board of Directors approved amendments to the Regulations of the General Shareholders Meeting which will further increase the Board's power as a governance body.
- The Director's individual remuneration is regulated by the Decision of the General Shareholders Meeting of PJSC "LUKOIL" on the agenda items related to electing the Company's Board of Directors and Audit Commission.
- The 2018 Annual General Shareholders Meeting of PJSC "LUKOIL" on the agenda items related to electing the Company's Board of Directors and Audit Commission.

In the future, the Company will seek to meet these recommendations when preparing for its General Shareholders Meetings.

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<tr>
<th>Corporate governance principles</th>
<th>Compliance criteria</th>
<th>Compliance status</th>
<th>Reasons for non-compliance</th>
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<td>1.1</td>
<td>The company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the governance of the company.</td>
<td>1. The company’s internal document approved by the general meeting of shareholders governing the procedures to hold general meetings of shareholders is publicly available. 2. The company provides accessible means of communication with the company, such as a hotline, e-mail or online forum, to enable shareholders to express their opinion and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.</td>
<td>□ Full □ Partial □ None</td>
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<td>1.1.1</td>
<td>The company shall ensure the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on items on the agenda of the general meeting, coordinate their actions, and voice their opinions on items considered.</td>
<td>1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting. 2. The notice of an upcoming meeting indicates the location of the meeting and the documents required for admission. 3. Shareholders were given access to the information on who proposed the agenda items and nominees to the company's board of directors and the audit commission.</td>
<td>□ Full □ Partial □ None</td>
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<td>1.1.2</td>
<td>The procedure for giving notice of and providing relevant materials for, the general meeting shall enable shareholders to properly prepare for attending the general meeting.</td>
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In 2018, the materials provided to shareholders to prepare for the Company's Annual General Shareholders Meeting did not include the names of those who proposed matters on the agenda and nominees to the Board of Directors and the Audit Commission. However, part of this information was shared in the reports of the Corporate Secretary at the 2018 Annual General Shareholders Meeting of PJSC "LUKOIL" on the agenda items related to electing the Company's Board of Directors and Audit Commission.

In the future, the Company will seek to meet these recommendations when preparing for its General Shareholders Meetings.
### 1.1.3 In preparation for the general meeting and during the general meeting, shareholders shall be enabled to receive information about, and all materials related to, the meeting, put questions to executive bodies and members of the board of directors, as well as communicate with each other, in an unobstructed and timely manner.

1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of and during the annual general meeting.

2. The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting of shareholders.

3. The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, in all instances of general meetings held in the reporting period.

### 1.1.4 Shareholders shall not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to nominate candidates to governance bodies, and to make proposals for the agenda of the general meeting.

1. In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year.

2. In the reporting period, the company did not reject proposals for the agenda or candidates to management bodies due to misprints or other insignificant flaws in the shareholder's proposal.

### 1.1.5 Each shareholder shall be enabled to freely exercise his/her voting right in the simplest and most convenient way.

1. The internal document (internal policy) contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled in by them and certified by the counting commission.
1.1.6 The general meeting procedure established by the company shall equally enable all persons attending the meeting to voice their opinion and ask questions.

1. During general shareholders meetings held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on and discussion of the agenda items.
2. Candidates to the company’s management and control bodies were available to answer shareholders’ questions during the meeting at which their nominations were put to vote.
3. When passing resolutions on the preparation and holding of general meetings of shareholders, the board of directors considered the use of telecommunications means to provide shareholders with remote access to general meetings in the reporting period.

1.2 Shareholders have equal and fair rights to share profits of the company by receiving dividends.

1.2.1 The company has developed and introduced a transparent and clear mechanism for determining the dividend amount and paying dividends.

1. The company’s dividend policy is developed, approved by the board of directors and disclosed.
2. If the company’s dividend policy uses the company’s reporting figures to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements.

1.2.2 The company shall not resolve to pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company’s performance.

1. The company’s dividend policy contains clear indications of financial/economic circumstances under which the company shall not pay out dividends.

1.2.3 The company shall not allow the dividend rights of its existing shareholders to be impaired.

1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.
1.2.4 The company shall strive to exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value.

1. To exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value, the company’s internal documents provide for controls to ensure timely identification and procedure for approval of transactions with affiliates (associates) of the company substantial shareholders (persons entitled to use the votes attached to voting shares) in cases when the law does not formally recognize these transactions as interested party transactions.

Criterion 1 is partially not complied with.

The Company’s internal documents detail procedures for approval or subsequent approval of transactions recognized as interested party transactions only for relationships covered by the Federal Law On Joint-Stock Companies.

The Company’s internal documents, however, set additional transaction controls.

The Company has in place the Regulations on LUKOIL Group Entities and Their Employees in Conflict of Interest Situations approved by the Company’s Management Committee, which establish a uniform procedure for avoiding conflicts of interest, and if such a situation arises – for measures to avoid its adverse impact on the process and business performance of LUKOIL Group entities.

Moreover, according to the Contracting Rules of PJSC “LUKOIL” the Department for Corporate Security should inform the Company’s business units on available information that could prevent the Company from entering into contracts. Such contracts are subject to further analysis.

In accordance with the Federal Law On Joint-Stock Companies, members of the Company’s governance bodies including substantial shareholders also send PJSC “LUKOIL” notifications on whether they may be deemed interested in a joined-stock company making transactions as per the form recommended by Bank of Russia Directive No. 4338-U dated April 3, 2017.

1.3 Corporate governance system and practices ensure equal treatment for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.

1.3.1 The company has created conditions for fair treatment of each shareholder by the governing bodies and the company’s controlling entities, including conditions ruling out abuse of minority shareholders by major shareholders.

1. In the reporting period, the procedures for managing potential conflicts of interest among major shareholders were efficient, and the board of directors paid due attention to conflicts among shareholders, if such conflicts occurred.
| 1.3.2 | The company shall not perform actions which lead or may lead to artificial redistribution of corporate control. |
| 1.4   | Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance. |
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| 2.1   | The board of directors shall carry out the strategic management of the company, establish the basic principles of, and approaches to, setting up a risk management and internal control system in the company, control the activities of the company's executive bodies, and perform other key functions. |
| 2.1.1 | The board of directors shall be responsible for passing resolutions related to appointment and removal of executive bodies, including due to their inadequate performance. The board of directors shall also ensure that the company's executive bodies act in accordance with the approved growth strategy and along the company's core lines of business. |
| 2.1.2 | The board of directors shall define the main long-term targets of the company's operations, assess and approve its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business. |

In the reporting year, the Company reduced the number of its quasi-treasury shares from 16.6% to 1.7% of the charter capital. The Extraordinary General Shareholders Meeting held on August 24, 2018 made a decision to reduce the charter capital of PJSC "LUKOIL" through acquisition of a portion of issued shares in order to reduce the total number thereof, followed by the Company acquiring and cancelling a portion of issued shares, with over 99.9% of shares acquired from the Company's subsidiary.

| 1.3.2 | Quasi-treasury shares do not exist or did not participate in voting in the reporting period. |
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Criterion 1 is not complied with.

In the reporting year, the Company reduced the number of its quasi-treasury shares from 16.6% to 1.7% of the charter capital. The Extraordinary General Shareholders Meeting held on August 24, 2018 made a decision to reduce the charter capital of PJSC "LUKOIL" through acquisition of a portion of issued shares in order to reduce the total number thereof, followed by the Company acquiring and cancelling a portion of issued shares, with over 99.9% of shares acquired from the Company's subsidiary.
### 2.1.3 The board of directors shall determine the principles of and approaches to organizing a risk management and internal control system in the company.

1. The board of directors has determined the principles of and approaches to organizing a risk management and internal control system in the company.
2. The board of directors assessed the risk management and internal control system in the company during the reporting period.

### 2.1.4 The board of directors shall define the company’s policy on remuneration due to and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies, and other key executives of the company.

1. The company has developed and put in place the policy on remuneration and/or reimbursement (compensation) of costs of the members of the board of directors, executive bodies, and other key executives, approved by the board of directors.
2. In the reporting period, the board of directors reviewed at its meetings matters related to the said policy (policies).

### 2.1.5 The board of directors shall play a key role in preventing, identifying and settling internal conflicts between the company’s bodies, shareholders and employees.

1. The board of directors plays a key role in preventing, identifying and settling internal conflicts.
2. The company has set up a system for identification of transactions involving a conflict of interest, and a set of measures to resolve such conflicts.

### 2.1.6 The board of directors shall play a key role in ensuring the company’s transparency, the timeliness and completeness of its information disclosures, and unhindered access to the company’s documents for shareholders.

1. The board of directors has approved the regulations on information policy.
2. The company has designated the persons responsible for the implementation of the information policy.

### 2.1.7 The board of directors shall control the company’s corporate governance practices and play a key role in its significant corporate events.

1. In the reporting period, the board of directors considered the matter of the company’s corporate governance practices.

### 2.2 The board of directors shall be accountable to the company shareholders.

#### 2.2.1 Performance of the board of directors shall be disclosed and made available to the shareholders.

1. The company’s annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings.
2. The annual report contains key results of assessment of the board of directors’ work in the reporting period.

#### 2.2.2 The chairman of the board of directors shall be available to communicate with the company shareholders.

1. The company has in place a transparent procedure enabling shareholders to forward questions to the chairman of the board of directors and express their respective position.
2.3 The board of directors shall manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders.

2.3.1 Only persons with impeccable business and personal reputation, possessing the knowledge and expertise required to make decisions falling within the authority of the board of directors and to perform its functions efficiently, shall be elected to the board of directors.

1. The procedure for assessing the board of directors’ performance established in the company includes, inter alia, assessment of professional qualifications of the board members.

2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.

2.3.2 The company’s board of directors shall be elected as per a transparent procedure enabling shareholders to receive information about candidates which is sufficient to get an idea of their personal and professional qualities.

1. Whenever the agenda of the general shareholders meeting included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees’ written consent to be elected to the board of directors.

2.3.3 The board of directors shall be balanced, including in terms of qualifications of its members, their experience, knowledge and business qualities, and it shall have the trust of shareholders.

1. As part of assessment of the board of directors carried out in the reporting period, the board of directors analyzed its needs in terms of professional qualifications, experience, and business skills.

2.3.4 The company has a sufficient number of directors to organize the board of directors’ activities in the most efficient way, including ability to set up committees of the board of directors and enable the company substantial minority shareholders to elect a nominee to the board of directors for whom they vote.

1. As part of the assessment of the board of directors carried out in the reporting period, the board of directors considered whether the number of members on the board of directors was in line with the company’s needs and with the interests of shareholders.
2.4.1 An independent director shall be a person of sufficient professional-ism, experience and self-reliance to form his/her own opinion, able to make impartial judgements in good faith independent from the company’s executive bodies, particular groups of shareholders or other stakeholders. It should also be taken into account that in normal conditions a candidate (elected to the board of directors) cannot be considered independent if he/she is related to the company, its significant shareholder or contractor, the company’s competitor, or the government.

1. In the reporting period, all independent members of the board of directors met the independence criteria set forth in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.

2.4.2 The compliance of candidates to the board of directors with the criteria for independence shall be assessed, and a regular review of compliance of independent members of the board of directors with such criteria shall be performed. Substance shall prevail over form in such assessments.

1. In the reporting period, the board of directors (or the nomination committee of the board of directors) formed its opinion on the independence of each nominee to the board of directors and presented respective opinions to shareholders.

2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors listed by the company in its annual report as independent directors.

3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof.

2.4.3 At least one-third of the total elected number of members of the board of directors shall be constituted by independent directors.

1. At least one-third of the total number of members of the board of directors shall be constituted by independent directors.
2.4.4 Independent directors shall play a key role in preventing internal conflicts in the company and in the performance by the latter of material corporate actions.

1. Independent directors (who do not have a conflict of interest) carry out a preliminary assessment of material corporate actions implying a possible conflict of interest, and the results of such assessment are presented to the board of directors.

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2.5 The chairman of the board of directors shall facilitate the best performance of assigned duties by the board of directors.

2.5.1 The board of directors shall be chaired by an independent director, or a senior independent director shall be chosen from among the elected independent directors to coordinate the activities of independent directors and enable the interaction with the chairman of the board of directors.

1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors.

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2.5.2 The chairman of the board of directors shall maintain a constructive environment at meetings, enable free discussions of agenda items, and supervise the execution of resolutions passed by the board of directors.

1. The performance of the chairman of the board of directors was assessed as part of the procedure for assessing the efficiency of the board of directors in the reporting period.

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2.5.3 The chairman of the board of directors shall take all steps necessary for the timely provision to members of the board of directors of information required to pass resolutions on agenda items.

1. The company’s internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to members of the board of directors of materials regarding items on the agenda of the board meeting.

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### 2.6 Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence.

#### 2.6.1 Members of the board of directors shall make decisions based on all information available, without conflict of interest, subject to equal treatment of the company shareholders, and assuming normal business risks.

1. The company’s internal documents provide that a member of the board of directors shall notify the board of directors if he/she has a conflict of interest in respect of any issue on the agenda of the board meeting or the board’s committee meeting, prior to the discussion of the relevant agenda item.
2. The company’s internal documents provide that a member of the board of directors shall abstain from voting on any item in connection with which he/she has a conflict of interest.
3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.

Criterion 3 is partially not complied with.

According to the Director Compensation and Expense Reimbursement Policy of PJSC “LUKOIL”, expenses are reimbursed to Directors, including the costs incurred to engage advisors and experts and to receive relevant opinions on matters pertaining to activities of the Board of Directors, with the total not exceeding the budget allocated by the Company.

The procedure for reimbursing to Directors their actual expenses related to engaging advisors and experts and receiving relevant opinions on matters pertaining to the activities of the Board of Directors, is set out in the Procedure for Remuneration and Reimbursement of Expenses of Members of the Board of Directors and Audit Commission of PJSC “LUKOIL”.

Regulations on committees of the Board of Directors also entitle committees to accept professional services from third-party organizations within the Committee’s budget.

#### 2.6.2 The rights and obligations of members of the board of directors shall be clearly defined and set out in the company’s internal documents.

1. The company has adopted and published an internal document clearly defining the rights and obligations of members of the board of directors.

#### 2.6.3 Members of the board of directors shall have sufficient time to perform their duties.

1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period.
2. In accordance with the company’s internal documents, members of the board of directors shall inform the board of their intentions to joint management bodies of other organizations (except for entities controlled by, or affiliated to, the company), or of the relevant appointment made.
### 2.6.4 All directors have equal access to the company’s documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.

1. In accordance with the company’s internal documents, members of the board of directors are entitled to have access to documents and make queries regarding the company and entities under its control, and the company’s executive bodies must provide relevant information and documents.

2. The company has in place a formalized induction program for newly elected members of the board of directors.

### 2.7 Meetings of the board of directors, preparation for such meetings and participation of the members of the board of directors shall ensure efficient performance by the board of directors.

#### 2.7.1 Meetings of the board of directors shall be held as needed, taking into account the scale of operations and goals of the company at a particular time.

1. The board of directors held at least six meetings in the reporting year.

#### 2.7.2 Internal regulations of the company shall provide a procedure for the preparation and holding of the board meetings, enabling members of the board of directors to prepare for such meetings in a proper manner.

1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and sets out, in particular, that the notice of the meeting shall be given, as a rule, at least five days prior to such meeting.

#### 2.7.3 The format of the meeting of the board of directors shall be determined taking into account the importance of items on the agenda. The most important matters shall be dealt with at meetings of the board of directors held in person.

1. The company’s charter or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at in-person meetings of the board of directors.

**Criterion 1 is partially not complied with.**

The Regulations on the Board of Directors of PJSC “LUKOIL” list items to be discussed only at in-person meetings of the Board of Directors.

This list largely matches the list set out in Recommendation 168 of the Code; however, it reflects the existing practices of the Company’s corporate governance and the distribution of roles among its governance bodies.

For instance, due to the large number of the Company subsidiaries, coordination of their operations, including approvals of material transactions, are referred by the Charter to the jurisdiction of the Management Committee in order to accelerate the decision-making process.

On the other hand, the level of decision-making on applying for delisting has been raised much higher than required by the Code – the Charter of PJSC “LUKOIL” refers this matter to the General Shareholders Meeting (to be convened as resolved by the meeting of the Board of Directors held in person).
2.7.4 Resolutions on most important matters relating to the company’s operations shall be passed at a meeting of the board of directors by a qualified majority or by a majority of all elected board members.

1. The company’s charter provides for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected board members.

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Criterion 1 is partially not complied with.

The Company’s Charter provides for resolutions on certain material matters within the scope of authority of the Board of Directors (such as an increase in the charter capital, or public offering by the Company of its bonds or other issue grade securities) to be passed unanimously by all Directors.

The most essential matters brought up for approval of the Board of Directors are subject to preliminary discussion by core committees of the Board of Directors, which ensures a unanimous approach to the final decision in most cases.

In 2018, resolutions on the matters set out in paragraphs 1, 4, 6, 7, 10 of Recommendation 170 of the Code were passed by the Company’s Board of Directors by a majority of at least three quarters of all Directors. The Board of Directors did not consider any matters set out in paragraphs 2, 3, 5, 8, 9 of Recommendation 170.

2.8 The board of directors shall set up committees for preliminary consideration of the most important issues related to the business of the company.

2.8.1 To preview matters related to controlling the Company’s financial and business activities, it is recommended to set up an audit committee comprised of independent directors.

1. The board of directors has set up an audit committee comprised solely of independent directors.

2. The company’s internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.

3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing and auditing accounting (financial) statements.

4. Meetings of the audit committee were held at least once a quarter during the reporting period.

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<th>Criteria</th>
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<td>1.</td>
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2.8.2 To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee shall be set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.

1. The board of directors has set up a remuneration committee comprised solely of independent directors.

2. The remuneration committee is headed by an independent director who is not the chairman of the board of directors.

3. The company’s internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code.

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Criterion 1 is partially not complied with.

The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors.

As at the end of the reporting year, the HR and Compensation Committee of the Board of Directors had two independent directors (one of them being the Chairman of the Committee while not being the Chairman of the
The Board of Directors aims to maximize involvement of independent directors in the activities of the Board’s committees. However, the ratio between the number of independent directors (nominated and elected by the Company shareholders) and the strength of Committees provided for in the Company’s internal documents, which exceeded the number of independent directors in the reporting year, is seen as a natural limit.

The Company also believes that membership of independent directors in several Committees at a time results in higher pressure on independent directors and might prevent such independent directors from concentrating on matters considered by the relevant Committee. It also limits using the potential of non-executive directors.

When establishing Committees, the Board of Directors also takes into account (along with the independence criterion) the personal professional expertise and track record of the director and their preference for a certain Committee, which would enhance their performance in the work of the Committee.

Criterion 3 is partially not complied with.

The functions and tasks of the HR and Compensation Committee, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC “LUKOIL”, include the tasks listed in Recommendation 180 of the Code, save for the task specified in paragraph 5 of Recommendation 180 - selection of an independent advisor on remuneration of members of executive bodies and other key executives.

This is due to the fact that until now the HR and Compensation Committee has never engaged an independent advisor for such purposes and does not intend to do so in the short term. The Company believes that such engagement will involve additional time to be spent on preparing and sending all necessary information to the advisor, as well as additional financial expenses for the Company and will eventually affect shareholders’ income. However, the Company may engage such independent advisor should any substantial shareholders express their interest.
### 2.8.3 To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments and HR) committee shall be set up, predominantly comprised of independent directors.

1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors.

2. The company’s internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.

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<th>Criterion 2</th>
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</table>

The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors.

The role and responsibilities of the HR and Compensation Committee, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC “LUKOIL”, include (with minor text revisions) the tasks listed in Recommendation 186 of the Code, save for the task set out in paragraph 4 of Recommendation 186 (description of individual duties of directors and the chairman of the board of directors, including the time to be spent on the company’s activities, both inside and outside meetings, as part of scheduled and unscheduled work).

Time commitments of the Company’s Directors considerably depend on the Board of Directors’ and Committees’ activity plans, the number of ad hoc meetings which cannot be predicted, and on involvement of a Director with one (or more) Committees (depending on the number of independent nominees and their professional expertise).

The Board of Directors’ responsibilities and Committees’ tasks have also lately been enhanced to incorporate requirements of the Code. Therefore, it was difficult in the reporting year for the Company to reliably assess time commitment to estimate general hours for all Directors in the long term.

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### 2.8.4 Taking into account the company’s scope of business and level of risks, the company’s board of directors made sure that the composition of its committees is fully in line with company’s business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).

1. In the reporting period, the board of directors considered whether the composition of its committees was in line with the board’s tasks and the company’s business goals. Additional committees were either set up or not deemed necessary.

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<tr>
<th>Criterion 3</th>
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<td>□ Partial</td>
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<tr>
<td>2.8.5</td>
<td>Committees shall be composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.</td>
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</tr>
<tr>
<td>1.</td>
<td>Committees of the board of directors are headed by independent directors.</td>
</tr>
<tr>
<td>2.</td>
<td>The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.</td>
</tr>
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</table>

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<tr>
<th>2.8.6</th>
<th>Committee chairmen shall inform the board of directors and its chairman on the work of their committees on a regular basis.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. During the reporting period, committee chairmen reported to the board of directors on the work of committees on a regular basis.</td>
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<tr>
<th>2.9</th>
<th>The board of directors shall ensure performance assessment of the board of directors, its committees and members of the board of directors.</th>
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<tr>
<td>2.9.1</td>
<td>The board of directors' performance assessment shall be aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's development requirements, as well as bolstering the work of the board of directors and identifying areas for improvement.</td>
</tr>
<tr>
<td>1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual members of the board of directors and the board of directors in general.</td>
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<tr>
<td>2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board.</td>
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<th>2.9.2</th>
<th>Performance of the board of directors, its committees, and members shall be assessed regularly at least once a year. An external advisor shall be engaged at least once in three years to conduct an independent assessment of the board of directors' performance.</th>
</tr>
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<tbody>
<tr>
<td>1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.</td>
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Criterion 1 is partially not complied with.

The self-assessment of the Board of Directors' performance carried out in the reporting period included the assessment of performance of Committees and the Board of Directors in general but did not include any formal assessment of individual Directors (except for assessment of the performance of the Chairman of the Board of Directors and Chairmen of the Board of Directors' Committees).

The incumbent Directors of PJSC "LUKOIL" are unique in terms of their expertise, reputation, and involvement in other activities. They are representatives of business culture of different countries and, therefore, it is hard to formalize the procedure for their individual assessment.

Criterion 1 is not complied with.

For the last three years, the Company did not engage an external entity to conduct an independent assessment of the Board of Directors' performance. The Company has an efficiently built internal procedure for evaluating the performance of the Board of Directors, developed with the assistance of an internationally recognized independent advisor.

The Company may engage such independent advisor in the future.
### 3.1 The company’s corporate secretary shall ensure efficient ongoing interaction with shareholders, coordinate the company’s efforts to protect shareholder rights and interests and support the activities of the board of directors.

#### 3.1.1 The corporate secretary shall have the knowledge, experience and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.

1. The company has adopted and published an internal document – regulations on the corporate secretary.

2. The biographical data of the corporate secretary are published on the corporate website and in the company’s annual report with the same level of detail as for members of the board of directors and the company’s executives.

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#### 3.1.2 The corporate secretary shall be sufficiently independent of the company’s executive bodies and have the powers and resources required to perform his/her tasks.

1. The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary.

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**Note:** In accordance with paragraph 5.1 of the Regulations on the Corporate Secretary of PJSC “LUKOIL”, the size of remuneration (official salary) of the Corporate Secretary is determined by the Board of Directors of PJSC “LUKOIL”; in accordance with paragraph 5.2 of the same, the cost of living adjustments and bonus payments for the Corporate Secretary are made in compliance with the Company’s local regulations on remuneration, unless otherwise established by resolution of the Board of Directors.

### 4.1 Remuneration payable by the company shall be sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to the members of the board of directors, executive bodies and other key executive officers of the company shall be in compliance with the approved remuneration policy of the company.

#### 4.1.1 The amount of remuneration paid by the company to members of the board of directors, executive bodies and other key executives shall create sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company shall avoid unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company’s employees.

1. The company has in place an internal document (internal documents) – the policy (policies) on remuneration of members of the board of directors, executive bodies and other key executives, which clearly defines (define) the approaches to remuneration of the above persons.

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### 4.1.2 The company’s remuneration policy shall be devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, shall ensure control over the introduction and implementation of the company’s remuneration policy, revising and amending it as required.

1. During one reporting period, the remuneration committee considered the remuneration policy (policies) and the practical aspects of its (their) introduction and presented relevant recommendation to the board of directors as required.

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### 4.1 The company's remuneration policy shall include transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the company, and regulate all types of expenses, benefits and privileges provided to such persons.

1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.

### 4.1.1 The corporate secretary shall be appointed, dismissed, and the remuneration of the corporate secretary is determined by the board of directors. The company shall avoid unnecessarily high remuneration, as well as unregulated remuneration of the corporate secretary. At the same time, the company shall retain competent and qualified corporate secretaries to work efficiently, while ensuring sufficient incentives for their efforts to protect shareholder rights and interests and establish and maintain the company's high corporate reputation and the trust of its shareholders.

### 4.1.2 Appointments, dismissals, and remuneration of the corporate secretary are made in compliance with the Regulations on the Board of Directors of PJSC “LUKOIL” and the Internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's remuneration to members of the board of directors, executive bodies and other key executives of the company. The biographical data of the above persons.

### 4.2 Remuneration system of members of the board of directors shall ensure alignment of financial interests of the directors with long-term financial interests of the shareholders.

#### 4.2.1 The company shall pay fixed annual remuneration to members of the board of directors. The company shall not pay remuneration for attending particular meetings of the board of directors or its committees. The company shall not apply any form of short-term motivation or additional financial incentive for members of the board of directors.

1. Fixed annual remuneration was the only form of monetary remuneration payable to members of the board of directors for their service on the board of directors during the reporting period.

#### 4.2.2 Long-term ownership of the company's shares shall help align the financial interests of members of the board of directors with the long-term financial interests of shareholders to the utmost. At the same time, the company shall not link the right to dispose of shares to performance targets, and members of the board of directors shall not participate in stock option plans.

1. If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company’s shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares. (Note: Internal documents of PJSC “LUKOIL” do not stipulate any share options for its Directors.)

#### 4.2.3 The company shall not provide for any extra payments or compensations in the event of early termination of office of members of the board of directors resulting from the change of control or any other reasons whatsoever.

1. The company shall not provide for any extra payments or compensations in the event of early termination of office of members of the board of directors resulting from the change of control or any other reasons whatsoever.
4.3 The company shall consider its performance and the personal contribution of each executive to the achievement of such performance, when determining the amount of a fee payable to members of the executive bodies and other key executive officers of the company.

4.3.1 Remuneration due to members of executive bodies and other key executives of the company shall be determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company’s results and the employee’s personal contribution 1.

1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company.
2. During the latest assessment of the system of remuneration of members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration.
3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company.

Criterion 3 is not complied with.

The Company does not have in place a procedure that guarantees return to the Company of bonus payments illegally received by members of executive bodies and other key executives of the Company since the Company has a clear framework of bonus payments to members of executive bodies and other executives.

Should any such situations arise, the Company will solve these issues in compliance with the applicable laws.

4.3.2 The company shall put in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company’s shares (options and other derivative instruments where the company’s shares are the underlying asset).

1. The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company’s shares (financial instruments based on the company’s shares).
2. The long-term incentive program for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program shall take effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company’s performance targets.

Criterion 2 is partially not complied with.

The Long-Term Incentive Program for Key Employees of LUKOIL Group for 2018–2022 provides for other terms and conditions for the right to dispose of the shares used in the Program during its term. The Company believes, however, that the term of the above Program more efficiently supports the interest of the program members in achieving long-term goals.

4.3.3 The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company’s initiative, provided that there have been no actions in bad faith on their part, shall not exceed the double amount of the fixed part of their annual remuneration.

1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company’s initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.
| 5.1 | The company shall put in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company’s goals. |
| 5.1.1 | The company’s board of directors shall determine the principles of and approaches to organizing a risk management and internal control system at the company. |
| | 1. Functions of different management bodies and units of the company in the risk management system and internal control are clearly defined in the company’s internal documents/relevant policy approved by the board of directors. |
| 5.1.2 | The company’s executive bodies shall ensure establishment and continuous operation of an efficient risk management and internal control system in the company. |
| | 1. The company’s executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of units and departments accountable to them. |
| 5.1.3 | The company’s risk management and internal control system ensures an objective, fair and clear representation of the current state of the company and its future prospects, the integrity and transparency of the company’s reporting, as well as reasonable and acceptable risk exposure. |
| | 1. The company has in place the anti-corruption policy. |
| | 2. The company has arranged for accessible means of notifying the board of directors or the board’s audit committee about violations of the law, the company’s internal procedures and code of ethics. |
| | Criterion 1 is not complied with. |
| 5.1.4 | The company’s board of directors shall take necessary measures to make sure that the company’s risk management and internal control system is consistent with the principles of, and approaches to, its setting up determined by the board of directors, and that the system is functioning efficiently. |
| | 1. In the reporting period, the board of directors or the board’s audit committee assessed the efficiency of the company’s risk management and internal control system. The information on the key results of this assessment is included in the company’s annual report. |

Criterion 1 is not complied with.
### 5.2 The company shall perform internal audit for the regular independent assessment of the reliability and effectiveness of the risk management and internal control systems and corporate governance.

#### 5.2.1 The company shall set up a separate business unit or engage an independent external organization to carry out internal audits. The functional and administrative subordination of the internal audit unit shall be separated. The internal audit unit shall functionally report to the board of directors.

1. To perform internal audits, the company has set up a separate internal audit unit functionally reporting to the board of directors or the audit committee, or engaged an independent external organization under the same principle of subordination.

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#### 5.2.2 The internal audit division shall assess the performance of the internal control, risk management, and corporate governance systems. The company shall apply generally accepted standards of internal audit.

1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure.
2. The company applies generally accepted approaches to internal audit and risk management.

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### 6.1 The company and its business shall be transparent for shareholders, investors, and other interested parties.

#### 6.1.1 The company shall develop and adopt an information policy ensuring an efficient exchange of information between the company, its shareholders, investors, and other interested parties.

1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations.
2. The board of directors (or one of its committees) considered the matters related to the company's compliance with its information policy at least once in the reporting period.

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#### 6.1.2 The company shall disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.

1. The company discloses information on its corporate governance system and general principles of corporate governance applied in the company, in particular, on the corporate website.
2. The company discloses information on the composition of executive bodies and the board of directors, independence of the board members and their membership in the board's committees (as defined in the Code).
3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out the latter's plans for the company's corporate governance.

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### 6.2 The company shall make timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions.

<table>
<thead>
<tr>
<th>6.2.1 The company shall disclose information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The company’s information policy defines the approaches to, and criteria of, identification of information that can have a material impact on the company’s evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information.</td>
</tr>
<tr>
<td>2. If the company’s securities are traded on foreign regulated markets, the company shall ensure concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting period.</td>
</tr>
<tr>
<td>3. If foreign shareholders hold a significant amount of the company’s shares, during the reporting year, information was disclosed not only in the Russian language, but also in one of the most widespread foreign languages.</td>
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<tr>
<th>6.2.2 The company shall strive to avoid a formalistic approach to information disclosure, and to disclose critical information about its operations even if such disclosure is not required by law.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company’s annual report for the reporting period contains annual financial statements prepared under the IFRS, along with the auditor’s report.</td>
</tr>
<tr>
<td>2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the official website of the company.</td>
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<tr>
<th>6.2.3 The annual report, as one of the most important tools of information exchange with shareholders and other stakeholders, shall contain information enabling assessment of the company’s performance in the reporting year.</th>
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</thead>
<tbody>
<tr>
<td>1. The company’s annual report contains information on the key aspects of the company’s operations and its financial results.</td>
</tr>
<tr>
<td>2. The company’s annual report contains information on the environmental and social aspects of the company’s operations.</td>
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6.3 The company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.

6.3.1 The company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.

1. The company’s information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.

Criterion 1 is partially not complied with.

The company’s information policy establishes the procedure for providing shareholders with easy access to the company’s information and documents, where shareholders are entitled to receive such information. The procedures for providing the company shareholders with information and documents are detailed in the Regulations on Provision of Information to Shareholders of Public Joint-Stock Company “Oil Company ‘LUKOIL’”.

When providing information requested by shareholders, the company is guided by Article 91 of the Federal Law On Joint-Stock Companies that provides for no obligation of the company to share information on legal entities controlled by it with its shareholders.

The company discloses brief information on legal entities controlled by it in the List of Affiliates and more detailed information on controlled legal entities material to the company in quarterly issuer reports.

In addition, the majority of PJSC “LUKOIL” subsidiaries, including those material to the company, have their own websites which describe their operations. These websites can also be accessed via the PJSC “LUKOIL”’s official website.

6.3.2 When providing information to shareholders, the company shall ensure reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitiveness.

1. In the reporting period, the company did not refuse shareholders’ requests for information, or such refusals were justified.
2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.

Criterion 1 is fully complied with.

The company provides shareholders with easy access to information, including information on legal entities controlled by the company, as per the requests of shareholders. The procedures for providing shareholders with information and documents are detailed in the Regulations on Provision of Information to Shareholders of Public Joint-Stock Company “Oil Company ‘LUKOIL’”.

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The company discloses brief information on legal entities controlled by it in the List of Affiliates and more detailed information on controlled legal entities material to the company in quarterly issuer reports.

In addition, the majority of PJSC “LUKOIL” subsidiaries, including those material to the company, have their own websites which describe their operations. These websites can also be accessed via the PJSC “LUKOIL”’s official website.
### 7.1 Material corporate actions shall include restructuring of the company, acquisition of 30% or more of the company’s voting shares (take-over), execution by the company of significant transactions, increase or reduction of the company’s charter capital, listing or de-listing of the company’s shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The charter of the company shall provide a list of transactions, or other actions classified as material corporate actions pertaining to the competence of the board of directors of the company.

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full</td>
<td>The company’s charter provides for a list of transactions or other actions classified as material corporate actions, and criteria for their identification. Resolutions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general shareholders meeting, the board of directors presents relevant recommendations to shareholders.</td>
</tr>
<tr>
<td>Partial</td>
<td>1. Under the charter, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company’s voting shares (in case of takeover), entering in significant transactions, increase or reduce of the company’s charter capital, listing or delisting of the company’s shares.</td>
</tr>
<tr>
<td>None</td>
<td>2. Under the charter, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company’s voting shares (in case of takeover), entering in significant transactions, increase or reduce of the company’s charter capital, listing or delisting of the company’s shares.</td>
</tr>
</tbody>
</table>

The Company’s Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

The decision-making procedure (procedure for referring such decisions to the competence of the Board of Directors or the General Shareholders Meeting under the Company’s Charter or relevant laws) recommended by the Code is met with respect to most corporate actions that are deemed by the Code to be material corporate actions.

Following the established practices, when addressing the matter of preparing for and holding the General Shareholders Meeting of the Company, the Board of Directors approves the Board of Directors’ position and recommendations for shareholders for voting on all agenda items, including those which may be regarded as material corporate actions.

There are inconsistencies with the Code’s recommendations with respect to transactions involving controlled legal entities, which are specified in Recommendation 307 of the Code and which the Code recommends to refer to the Board of Directors.

Due to the large number of the Company subsidiaries, coordination of their operations, preliminary approval of their decisions regarding stakes in other entities, as well as decisions on acquiring subsoil licenses, which may result in investments exceeding an amount in rubles equivalent to USD 150 million, decisions to approve material transactions by the Company subsidiaries, and decisions on disposal of the Company’s equity interests in other entities are referred by the Charter to the jurisdiction of the Management Committee.

The Company also notes that the term “controlled legal entity material to the company” used in Recommendation 307 of the Code is used in the applicable Russian laws only for disclosure purposes. Therefore, until this term is consolidated in the corporate law, the Company’s Charter cannot refer this matter to the jurisdiction of the Board of Directors.
7.1.2 The board of directors shall play a key role in making decisions or working out recommendations regarding material corporate actions, relying on the opinions of the company's independent directors.

1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.

Criterion 1 is partially not complied with.

The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

In accordance with procedures provided for by the Regulations on the Board of Directors of PJSC “LUKOIL”, all members of the Board of Directors may participate in debates, put forward proposals, make comments, and speak on the substance of the matter under discussion.

7.1.3 When taking material corporate actions affecting the rights and lawful interests of shareholders, equal terms and conditions shall be ensured for all shareholders of the company, and, in case of insufficient statutory mechanisms for protecting shareholder rights, additional measures shall be taken to protect the rights and lawful interests of the company's shareholders. In doing so, the company shall be guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.

1. Taking into account the specifics of the company's operations, the company's charter establishes lower minimum criteria for the company's transactions to be deemed material corporate actions than those provided by law.

2. In the reporting period, all material corporate actions were subject to the approval procedure prior to execution.

Criterion 1 is partially not complied with.

The Company’s Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

Under the Company’s Charter, the authority of the Board of Directors covers approval of a transaction or several associated transactions related to acquisition, disposal or potential disposal of property worth from 10% to 25% of the book value of the Company’s assets, which exceeds the statutory requirements.
### 7.2 The company shall execute material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.

#### 7.2.1 Information about material corporate actions shall be disclosed with explanations of the grounds, circumstances and consequences.

1. In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.

   - **Criterion 1 is partially not complied with.**

   The Company’s Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

   In the reporting period, there were no such actions as reorganization of PJSC “LUKOIL”; acquisition of 30 or more percent of voting shares in PJSC “LUKOIL”; listing or delisting of shares in PJSC “LUKOIL”; or other actions that could lead to material changes in the rights of shareholders or to violation of their interests.

   In the reporting period, the Company reduced its charter capital through acquisition of a portion of PJSC “LUKOIL” issued shares in order to reduce the total number thereof. In doing so, the Company made timely and detail disclosures of all relevant information.

   The Company also timely disclosed information on PJSC “LUKOIL”’s transactions worth ten or more percent of the book value of its assets in line with the Regulations On Information Disclosure by Securities Issuers.

#### 7.2.2 Rules and procedures related to material corporate actions taken by the company shall be set out in the company’s internal documents.

1. The company’s internal documents provide for the procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction.

2. The company’s internal documents provide for the procedure for engaging an independent appraiser to assess the value of the company’s shares at their repurchase or redemption.

3. The company’s internal documents provide for an expanded list of grounds on which members of the company’s board of directors as well as other persons as per the applicable law are deemed to be interested parties to the company’s transactions.

   - **Criterion 2 is not complied with.**

   The Company duly notes that in 2017 amendments on interested party transactions to the Federal Law On Joint-Stock Companies came into force, reducing the scope of interested parties: to define interested parties, the term “affiliated” was replaced with the term “controlled”, the procedure for entering into interested party transactions was simplified, and the list of transactions with parties that would appear to qualify as related but not subject to the rules on interested party transactions was expanded.

   The above amendments were made after the Code had come into force, were approved by the industry, relied on the accumulated expertise, and were aimed at reducing the number of interested party transactions and lowering the administrative burden on...
companies associated with approving transactions. The Company welcomes this trend and has no reasons to expand the list of grounds for transactions to be deemed interested party transactions in its internal documents. The Regulations on the Board of Directors of PJSC “LUKOIL” instruct Directors to:

- notify the Board of Directors of any conflict of interest they may have in respect of any item on the agenda of the Board meeting or the Board’s Committee meeting, prior to the discussion of the relevant agenda item;
- abstain from voting on any item in connection with which they have a conflict of interest.

The above instructions for Directors enable the Board of Directors to make unbiased decisions, and help restrict decision-making for Directors whose stance may be affected by circumstances not formalized in the applicable laws.