



LUKOIL



MAKING OPPORTUNITIES REALITY

LUKOIL GROUP
SUSTAINABILITY REPORT 2017

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INTERACTIVE VERSION OF
SUSTAINABILITY REPORT 2017

<http://csr2017.lukoil.com>



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About this Report

This is the eighth Sustainability Report of the LUKOIL Group (the “Report”), and presents the performance results for the period from 1 January 2017 to 31 December 2017.

The previous report was published in October 2017 (for the period from 1 January 2015 to 31 December 2016). The Company was awarded for the quality of its non-financial reporting in 2017, winning the Moscow Exchange’s 20th Annual Report Competition in the category “Best Corporate Social Responsibility and Sustainability Report”. The LUKOIL Group consistently ranks in the top 10 in the Responsibility and Openness and Vector of Sustainability indexes prepared by the Russian Union of Industrialists and Entrepreneurs (RUIE), based on an analysis of the public reporting of the 100 largest companies in Russia.

We have been publishing sustainability reports since 2005 (that report includes performance results for 2003-2004). They are addressed to a wide range

of stakeholders and seek to provide balanced information that is relevant to the interests of each group. As part of its corporate governance system, the Company pays significant attention to improving its sustainability efforts and to raising the quality of the information reported. We believe an important factor in meeting these objectives is the performance of an independent assurance of the information disclosed, as well as the public assurance of the Report. The audit opinion on the assignment to provide limited assurance in respect of the Report is published on page 100. The public conclusions on the Report, by the RUIE Non-Financial Reporting Council, are published on page 103 hereto.



Reports for previous periods are available at the LUKOIL website



Awards received in 2017







We are seeing a new stage in the development of LUKOIL Group's non-financial reporting in terms of the integration of the 2030 Agenda for Sustainable Development of the UN (hereinafter, the SDGs) into the system for analyzing operations and submitting reporting data, and also a gradual expansion of the reporting scope.

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

- Business Reporting on SDGs
- The Sustainability Reporting Standards of the Global Reporting Initiative (GRI) ("core" option). Certain GRI Standard indicators and tables of the general and specific standard reporting indicators are provided in Appendix 2
- The United Nations Global Compact
- The Social Charter of Russian Business and the Basic Performance Indicators of the Russian Union of Industrialists and Entrepreneurs

In this document the terms and words "the LUKOIL Group", "LUKOIL", "the Company", "the Group", the pronoun "we", and variants thereof, refer to PJSC LUKOIL and its subsidiaries and associates.

A COMPREHENSIVE ANALYSIS DETERMINED EIGHT PRIORITY TOPIC AREAS FOR THE COMPANY IN THE MEDIUM TERM.

Priority area for the Company

- 1 Integrating risk management and aspects of sustainability into the Company's business model and strategy**
- 2 Ethics and compliance with statutory requirements**
- 3 Climate strategy and climate risk management**
- 4 Key environmental impacts, the intelligent and efficient use of natural resources and maintenance of biodiversity**
- 5 Industrial safety**
- 6 Energy consumption and energy efficiency**
- 7 Human capital management**
- 8 Impacts on the social and economic development of local communities, including human rights, the supply chain, and the safety and quality of production**



The UN Sustainable Development Targets up to 2030

9 INDUSTRY INNOVATION AND INFRASTRUCTURE 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	17 PARTNERSHIPS FOR THE GOALS 
Targets 9.4; 9.5	Targets 12.4; 12.5	Target 17.16

GRI 201
GRI 419

36, 37, 39,
83

13 CLIMATE ACTION 
Target 13.1


GRI 305

32

6 CLEAN WATER AND SANITATION 	8 DECENT WORK AND ECONOMIC GROWTH 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 
Targets 6.3; 6.4; 6.5	Target 8.4	Targets 12.4; 12.5	Targets 14.1; 14.2	Targets 15.1; 15.2; 15.5	

GRI 303
GRI 305
GRI 306
GRI 308

32, 39, 44,
45, 49, 52

7 AFFORDABLE AND CLEAN ENERGY 
Targets 7.2; 7.3

GRI 302

32, 35

8 DECENT WORK AND ECONOMIC GROWTH 	10 REDUCED INEQUALITIES 
Targets 8.3; 8.5	Target 10.3

GRI 202
GRI 401
GRI 402
GRI 403
GRI 404

67, 68

4 QUALITY EDUCATION 	8 DECENT WORK AND ECONOMIC GROWTH 	11 SUSTAINABLE CITIES AND COMMUNITIES 	17 PARTNERSHIPS FOR THE GOALS 
Target 4.4	Target 8.3	Target 11.4; 11.7	Target 17.17

GRI 203
GRI 204
GRI 411
GRI 412
GRI 413

42, 67, 68,
77, 78, 82



Message from PJSC LUKOIL President and CEO

“

As head of the Company, I am convinced that it is only by maintaining a harmonious balance between economic, environmental, and social factors that we can truly ensure the harmonious development of our business.

Dear friends!

PJSC LUKOIL has been publishing sustainability performance results for the past 15 years. The Company has always sought to work not only to benefit its shareholders and employees, but also society as a whole. We are convinced that our successful development is only possible if we take into account the interests of the communities of the countries where we operate.

Today we are observing changes in technology, business, and the natural environment that are more rapid than in previous decades, and are having a more noticeable impact on business, people, and society as a whole. In such circumstances we believe our primary objective is to retain our status as a responsible provider of the energy resources needed to undergird the new economic paradigm and facilitate social interaction. We are confident that oil and gas will continue to play an important role in the attainment of this goal.

One of the priority areas of the Group is the **prevention of climate change**

At the end of 2017 the LUKOIL Group's Strategic Development Program for 2018–2027 was approved. This program embodies our sustainability priorities.

The Company's operations are geared towards achieving the Sustainable Development Targets established by the United Nations, including in such areas as combating climate change. The results for 2017 show that we reduced greenhouse gas emissions, including through improving the utilization of associated petroleum gas: this indicator exceeded 95% for the LUKOIL Group. Projects involving the development of renewable energy sources also contributed to the reduction in greenhouse gas emissions. After successfully implementing solar and wind power projects in Romania and Bulgaria, LUKOIL built and commissioned in 2017 the first major commercial generation facility in Russia – a 10-MW photovoltaic power station in Volgograd.

Taking into account our production development plans, we have set ourselves the target of reducing greenhouse gas emissions by 1.2% by 2020 compared to the 2016 level.

The results of the reporting year demonstrate a decrease in indicators such as water consumption for own needs, including the consumption of water from natural sources in the Russian organizations of the LUKOIL Group.

In the regions where we operate we allocate significant resources to social projects to support education, healthcare, culture, and sport. We allocated over RUB 9 billion to these projects in the reporting period.

The socially important results presented here would be impossible without effective production operations achieved on key projects: the development of the V. Filanovsky field in the Caspian Sea, the Pyakyakhinskoye field in Western Siberia, the Yaregskoye field in the Komi Republic, and gas fields in Uzbekistan.

These projects have created thousands of jobs, generated additional tax revenues for the states and regions where we have a presence, and supported local suppliers and contractors.

The Sustainability Report for 2017 was prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and was reviewed by experts from both the Russian Union of Industrialists and Entrepreneurs and one of the world's leading audit firms, KPMG.

President and Chairman of the Management Committee of PJSC LUKOIL
V.YU. ALEKPEROV



> 95%

level of APG utilization
in the LUKOIL Group in 2017



5.8

RUB bln

in R&D spending in 2017

Taking our further production development plans into account, we have set a goal of reducing greenhouse gas emissions

by 1.2%
by 2020 compared to the 2016 level

About the 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. LUKOIL employs over 100,000 people in Russia, Europe, Asia, Africa, and America (more than 30 countries in total).



We are an international oil and gas company whose operations promote the economic development of the countries in which we operate, which in turn raises people's quality of life, and which seeks technological leadership and environmental equilibrium, so that we can all share in a prosperous future.

10 Geography and business segments

12 Strategic Development Program

12 Improving sustainability

13 Oil and gas exploration and production

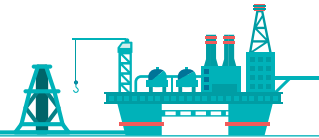
14 Refining, marketing, and distribution

14 Power generation and renewable energy

15 Key indicators



As a vertically integrated company, LUKOIL controls its entire chain of production – from oil and gas production to the marketing of a range of products supplied to industrial and retail consumers in various countries.



EXPLORATION AND PRODUCTION

- Exploration
- Development
- Production



75%

Share of oil in proved reserves



25%

Share of gas in proved reserves



REFINING

- Oil refining
- Gas refining
- Petrochemicals



8.8

The Nelson Index for company refineries as at 31 December 2017¹



86.8%

Depth of processing



MARKETING

- Production and sale of oils
- Marketing of motor fuels
- River and maritime fueling
- Aircraft refueling



585
thousand t

Sales of LUKOIL brand oils



8.6
mln t

Sales of LUKOIL premium ECTO fuel



4.5
mln t

Sales of bunker fuel



ELECTRIC POWER ENGINEERING

- Electricity generation
- Electricity generation from RES



1,053.2
mln kWh

Total electricity generated from RES



17,551.9
mln kWh

Total electricity generation (regardless of supply power generation)

¹ Not including mini-refineries and external refineries, and also not including unused capacity at the Ukhta Refinery.

> 30
countries

- Exploration and production
- Refining
- Marketing
- Others

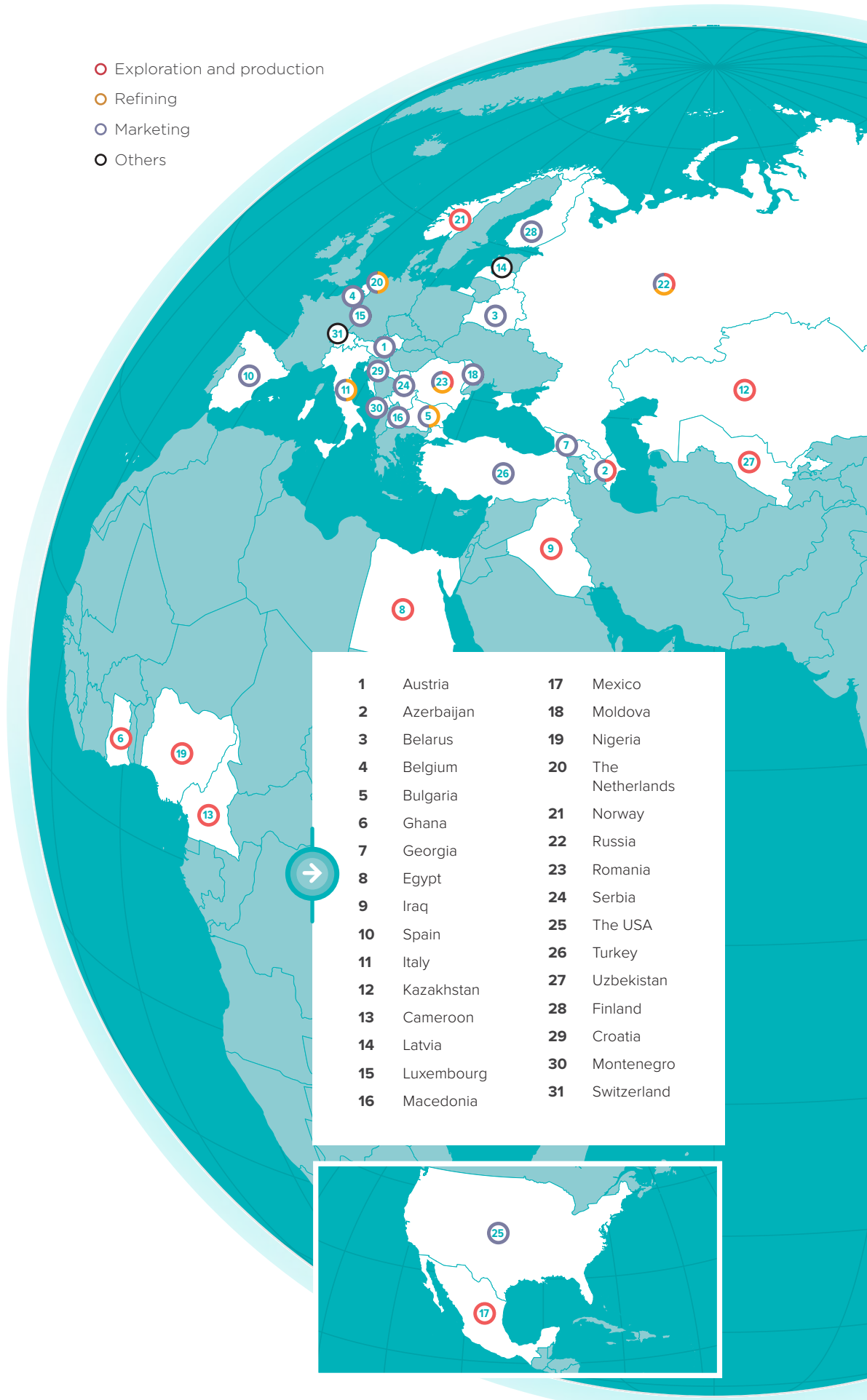
> 60
Russian regions

104
thousand employees
Average headcount

Around
1%
of proved global hydrocarbon reserves

> 2%
of total global oil production

15%
of oil production and refining in Russia



Strategic Development Program

In December 2017 the PJSC LUKOIL Board of Directors approved the LUKOIL Group Budget's key targets for 2018–2020 and LUKOIL Group's Strategic Development Program for 2018–2027. These are aimed at achieving balanced and stable development of the

Company's business in rapidly changing macro-economic and environmental conditions. The strategy integrates issues of sustainability and sets goals and objectives in this area that are uniform across the Company.

In 2017 we became the first Russian company to join the European Business Network for Corporate Social Responsibility, which brings together about 11,000 companies in Europe.

Improving sustainability

Over the past year, significant work has been done to update a number of in-house regulations, including the Social Code of PJSC LUKOIL, which now sets out the Company's approach to

respecting human rights. With the goal of improving the quality of management, changes were made to the approach to planning targeted corporate programs in health, safety, and the environment.

In the first international Corporate Human Rights Benchmark rating, LUKOIL ranked second among Russian companies and first in the Russian energy sector.

Four sustainability goals of the LUKOIL Group's Strategic Development Program for 2018–2027



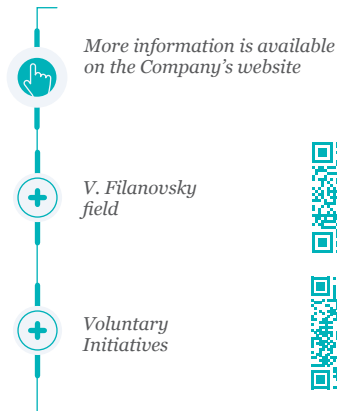
Oil and gas exploration and production

Oil and gas exploration and production form the central link in LUKOIL Group operations, and are the main creators of value for the Company. We possess a high-quality portfolio of assets that are diversified in terms of both geography and type of reserve.

The implementation of system-wide measures to improve the reliability of pipeline transportation helped us achieve the lowest specific rate of pipeline failure for six years.

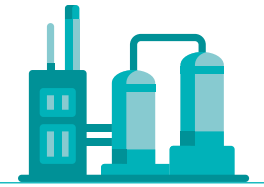
Proved oil and gas reserves consist mainly of those in the conventional category. In 2017 these amounted to 16.0 billion BOE¹, of which oil made up 75%. In the reporting year, the main increases in proved oil and gas reserves were achieved in Western Siberia and fields in the Caspian Sea.

The operation of the V. Filanovsky field (situated in the Russian sector of the Caspian Sea) made a significant contribution to the trend in oil production in 2017: it produced 4.6 million tonnes during the year, which exceeded the target level. The Company began production drilling as part of the field's second development phase – here the “zero discharge” principle is also applied.²



We continued to actively implement projects to develop hard-to-recover reserves (high-viscosity oil in the Yaregskoye field and Permian-Carboniferous deposit of the Usinskoye field in the Komi Republic). This year, record amounts of oil were produced at these fields: 1.1 million and 2.3 million tonnes, respectively.

Although there was a slight drop in total oil production in the year, under conditions of external limitations, gas production rose considerably (a 16% rise compared to 2016), as a result of the commencement of gas extraction at the Pyakyakhinskoye field in the Yamal-Nenets Autonomous Area in Russia and a doubling of gas production under the Gissar project in Uzbekistan.



Thanks to the construction and commissioning of new facilities to utilize associated petroleum gas (APG), the utilization rate in 2017 **exceeded 95%** for Russian organizations, better even than the planned indicators and target benchmarks determined at the national level.

We believe this result represents a significant achievement, even taking into account the Company's participation in the Zero Routine Flaring³ by 2030 initiative by the World Bank and the UN.

¹ Barrels of oil equivalent under the SEC classification (US Securities and Exchange Commission).

² The “zero discharge” means that all the operational waste generated at the drilling rig except for water in the power units' external cooling circuit is taken to onshore facilities where it is treated, neutralized, and recycled. This way the Company avoids marine environment pollution.

³ The Zero Routine Flaring by 2030 Initiative is a joint initiative between the United Nations and the World Bank to reduce the routine flaring and dispersal of associated gas during the production of hydrocarbons. The routine flaring and dispersal of associated petroleum gas is understood to mean a situation where volumes of produced associated petroleum gas exceed the requirements of the production entity in energy resources, and there are no technologies for their capture, utilization, or possible sale. Unlike the sporadic flaring and dispersal of associated petroleum gas (related to scheduled repairs, the maintenance and supervision of equipment, the testing and servicing of wells, breaks to the seals of equipment, starting the engine of a compressor, the binding of pipelines, and other similar events), the routine flaring of associated petroleum gas can be reduced significantly if market participants coordinate their actions. The application of the best available technologies and improvements in the market mechanisms used to sell natural gas are the underlying approaches for attaining the objective within the framework of the initiative.



Refining, marketing, and distribution

We aim to use the natural resources we extract with maximum efficiency. After completing a wide-ranging modernization program at Russian and foreign refineries¹, the refining depth of oil reached 86.7% and 86.9%, respectively, at these refineries. Over the past three years light product yield has risen by almost 10 percentage points, while the annual increase in the level of primary oil refining at Russian and European own refineries and contracted refineries was 10% (2017 versus 2016). In 2017 a decision was taken to build a delayed coker complex at the Nizhny Novgorod Refinery, similar to the unit operating at the Perm Refinery, which will make it possible to increase the light products yield by more than 10 percentage points.

Our priority in this area of activity is to boost operating efficiency and to ensure that the structure of our output matches the needs of consumers and market demand.

In 2017 we achieved the highest level of marine fuel sales for five years, including environmentally friendly marine fuel² sales. As part of our strategy in this area, we are preparing to produce marine fuel with an



Main brands: the ECTO line of gasoline and diesel (including the new ECTO 100 brand, with an octane number of more than 100) and the GENESIS line of oil.

even lower sulfur content (down to 0.5%), in order to ensure timely compliance with the requirements of the International Maritime Organization (IMO), pursuant to which such fuel must be in use from 2020.

At the end of 2017 our marketing network for motor fuels comprised 5,258 filling stations³, 50% of which were located in Russia.

In 2017 we continued to develop our advanced electronic fuel quality control system, which allows us to track the movement of petroleum products from refineries to end users.

In 2017 we opened an online store to sell lubricants and presented our products in the virtual shop windows of the largest international and Russian digital outlets. This expands the availability of our products for consumers in any country in the world.




Power generation and renewable energy




Our power-generating and distribution assets provide heat and electricity to both external consumers (commercial power generation) and for own needs (supply power generation). Our power stations operate on natural gas (of these the largest producer of electricity is LUKOIL-Kubanenergo), while the largest suppliers of heat are LUKOIL-Volgogradenergo and LUKOIL-Rostovenergo.

In 2017 a solar power station was built in Volgograd that provides an annual output of over 10 million kWh of electricity. The station will help reduce greenhouse gas emissions.

We strive to use all contemporary methods of energy generation, including renewable energy. We have solar and wind energy facilities (in Bulgaria and Romania) and hydroelectric power facilities (in Russia).

More complete information on the LUKOIL Group's production and financial performance can be found in

- 
[LUKOIL 2017 Annual Report](#)
- 
[The 2017 Data Book](#)
- 
[and other materials](#)

¹ At our own refineries, including Zeeland.

² Fuel that meets MARPOL requirements (the International Convention for the Prevention of Pollution from Ships, 1973, as amended 1978, MARPOL 73/78) regarding the content of pollutants in air emissions of combustion products in sulfur emission control areas (SECA) – the North Sea and Baltic Sea, and part of the US coast – as well as waterways of the European Union.

³ Company-owned, leased, and franchised, including mothballed stations.

Despite external limitations on oil production as part of an agreement with OPEC, and increases in rates of excise and mineral extraction tax in Russia, LUKOIL

achieved good financial results in 2017. Progress made during the reporting year was secured by increasing the share of high-margin projects in the structure of

oil production, growth in gas production in Russia and Uzbekistan, an improved product output structure at refineries, and reduced costs.

Key indicators

KEY FINANCIAL AND PRODUCTION INDICATORS

	2015	2016	2017
Financial			
EBITDA, RUB billion	816.7	730.7	831.6
Total debt/EBITDA	1.1	1.0	0.7
Capital expenditure, RUB billion	600.6	497.1	511.5
Adjusted net profit, RUB billion	363.5	303.8	399.4
Research and technical costs, RUB billion	5.5	5.8	5.8
Number of patents received	20	23	20
Production			
Production of oil and gas condensate (including shares in affiliates), million barrels	736	676	645
Crude oil production (including share by equity affiliates), thousand tonnes	100,688	91,992	87,414
Gas production, billion cubic meters	23,966	24,922	28,861
including APG	8,378	9,272	8,942
Petroleum products output, thousand tonnes ⁴	61,750	63,069	69,908
Full cycle lubricant production, thousand tonnes	812	917	998
Lubricant blending, thousand tonnes	117	118	128
Output of petrochemicals, thousand tonnes	1,074	1,270	1,171

ECONOMIC VALUE CREATED AND DISTRIBUTED, RUB million

	2015	2016	2017
Direct economic value created	5,810,758	5,256,250	6,010,089
Revenue	5,749,050	5,227,045	5,936,705
Income from financial investments	17,763	14,756	15,151
Income from sale of material assets	43,945	14,449	58,233
Direct economic value distributed	(5,202,356)	(4,741,979)	(5,380,245)
Operating expenses	(3,702,873)	(3,413,258)	(3,908,114)
Employee payroll	(126,506)	(136,035)	(127,851)
Other employee payments and benefits	(4,837)	(20,370)	(1,135)
Payments to providers of capital	(161,747)	(175,435)	(166,125)
including dividends paid	(115,106)	(130,728)	(141,499)
including interest paid to creditors	(46,641)	(44,707)	(24,626)
Payments to the government	(1,198,464)	(984,821)	(1,168,011)
Investments in society	(7,929)	(12,060)	(9,009)
Undistributed economic value	608,402	514,271	629,844

⁴ At the Group's refineries, subsidiary refineries, and third-party refineries (by Group share).

Comment. **Income from financial investments** = Income from interest on deposits + Income from interest on issued loans + Other financial income. **Income from the sale of tangible assets** = Profit from the sale and disposal of assets. **Operating expenses** = Cost of acquired oil, gas and processed products thereof + Transportation expenses + Sale, general and administrative expenses – Employee payroll – **Other employee payments and benefits** = Salary (including remuneration, estimated liabilities, compensation + incentive payments, pension insurance, voluntary medical insurance, accident voluntary insurance). **Other employee payments and benefits** = Accruals on the remuneration program. **Paid dividends** = Dividends paid on the shares of the Company + Dividends paid to the holders of non-controlling interests. **Paid interest to creditors** = Interest expenses + Other financial expenses. **Payments to the government** = Taxes (other than income tax) + Excise and export duties + Current income tax. **Investments in society** = Charitable expenses.

LUKOIL Group strategy for sustainability





In December 2017 the PJSC LUKOIL Board of Directors approved the LUKOIL Group's Strategic Development Program for 2018–2027.



Our approach to sustainability management is based on seeking to align the interests and plans of the Company with UN fundamental principles, common human values, and global national and regional development trends and priorities. This involves the integration of economic, environmental, and social goals and objectives into the corporate business decision-making system.



Issues related to industrial, environmental, and personal safety remain unwavering priorities for LUKOIL at all stages of value creation.



18 Integration of the LUKOIL Group's sustainability goals and strategy

21 Structure of Sustainability Management System

22 Human rights

23 Ethics and statutory compliance

24 Stakeholder engagement

27 Supply chain

28 Product quality assurance

Integration of the LUKOIL Group’s sustainability goals and strategy

In the process of creating the LUKOIL Group’s Strategic Development Program for 2018–2027, the core departments, with advisory support from members of

the Board of Directors, determined the Company’s priority and equivalent goals and objectives related to sustainability. In this regard we took into consideration

the global targets listed in the UN Agenda 2030, current oil and gas sector trends, and LUKOIL’s corporate culture.

STRATEGIC GOALS

We have defined four key strategic sustainability goals up to 2027.

I. Industrial and environmental safety, reliability and efficiency of processes

We are committed to improving occupational safety, preventing on-the-job injuries, ensuring that our production facilities operate accident-free, and continuously reducing our environmental impacts. In view of the observable global impact of climate change, we include in our priorities a reduction in greenhouse gas emissions.

We have set ourselves the following objectives:

- ongoing improvement of the integrated system for managing occupational and environmental safety
- the use of new technologies in industrial safety and the environment, which allow us to reduce risks and improve the effectiveness of measures performed
- improved working conditions, and developing a safe working culture that facilitates a reduction in on-the-job accidents
- reduced risk of breakdowns, incidents, fires, and emergencies at production facilities
- a constant reduction in adverse environmental impacts (earth, air, water), including greenhouse gas emissions, preserving biodiversity, an increase in the share of products with improved environmental characteristics, and the development of alternative energies
- an improved information security system and safeguarding data against cyber threats

LUKOIL is one of the largest private international oil and gas companies whose shares are traded on stock exchanges. By extracting and refining natural resources, we help satisfy people’s needs for fuel, energy, and warmth. For us, however, attaining high production figures is inextricably linked to meeting the challenges of rational natural resource management. The sustainable development of PJSC LUKOIL is based on strict adherence to the legislative norms of the countries in which we operate.

We plan to expand our relations with stakeholders in order to promptly identify risks and to implement relevant measures to mitigate these risks. We consider the following to be the main risks: the risk of a change in statutory requirements on industrial safety and environmental protection, the risk of adverse impacts on the environment and people as a result of our production activity, the risk of disruptions to the work of production facilities due to the impact of climatic factors, the risk of depletion to the biodiversity of vulnerable ecosystems affected by our production activity, and risks associated with maritime production and deep-water drilling.

The main mechanisms for achieving this strategic goal and reducing risks are medium-term targeted programs in which target indicators are clearly outlined. The list of KPIs for incentives includes the integrated indicator “Ensuring the

required level of support for health, safety, and the environment at LUKOIL Group subsidiaries”. In 2017, in order to increase responsibility for attaining this KPI at all management levels, amendments were made to a corresponding internal regulatory document. In particular, in the quarterly assessment we introduced more stringent criteria on aggregate material damages resulting from an accident, and also included a criterion for the absence of accidents.



PROJECTED RESULTS:



a reduction in the level of on-the-job injuries



the maintenance of safe working conditions



a reduction in the rate of emergencies



a reduction in adverse environmental impacts

II. Competitiveness

In a rapidly changing business environment, maintaining and improving the Company's competitiveness is a fundamental prerequisite for success. We are committed to increasing the overall productivity of our operating activity and to achieving a more rational and efficient use of resources (natural, human, production, and financial).

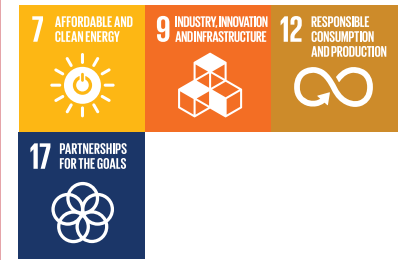
Our goals:

- effective asset portfolio management
- boosting labor productivity and energy efficiency
- optimizing processes and costs
- developing technologies, including with a view to accelerating the extraction of hard-to-recover reserves
- maximizing the added value of our output

Our strategic priority includes continual efforts to boost efficiency and to reduce the unit consumption of natural resources, materials, and energy while at the same time achieving the maximum possible output of products, through investment in innovation and new technologies.

Potential risks include higher costs due to a failure to keep up with global technology trends and a change in the level of demand for our products.

The main mechanisms for achieving this strategic goal and reducing risks are the development and execution of targeted programs to improve efficiency, investment in research, and developing new products that meet mounting demands for fuel efficiency.



PROJECTED RESULTS:



retaining leading Russian oil and gas sector positions vis-à-vis the efficient application of new technologies



greater efficiency and reduced unit consumption of natural resources, materials, and energy



the setting up of research centers

III. Social responsibility, a worthy contribution to social development

We are a major employer, taxpayer, product supplier, and consumer of goods and services. We take a very responsible attitude to our stakeholders, and carefully take their needs into account. We have a comprehensive social policy in place in relation to our workers, and make a significant contribution to improving the quality of life in the regions in which we operate.

Our goals:

- promoting productive employment
- supporting decent work and fair working conditions
- observing labor rights and human rights
- good-faith conduct of our business and zero tolerance towards corruption
- assisting in developing society and the regions in which we operate
- high-quality product standards

The Company acknowledges its responsibility to all stakeholders in the countries and regions where it operates,

pursuing a policy of social responsibility on issues related to labor, employment, and industrial relations; providing assistance to employees, disabled people, and veterans; and engaging in extensive charity and sponsorship work.

Main risks include a global trend towards changing requirements for professional competencies and skills related to the implementation of new technologies and management systems, changes to legislation and the conditions of doing business in the areas in which we operate, and increased competition for talent.

The main mechanisms for achieving this strategic goal and reducing risks are an effective human resources policy, training and skills development programs, social programs for employees, trade union agreements, collective agreements with employees, agreements with regions, charity programs, and working tirelessly to improve the quality of our products and services.



PROJECTED RESULTS:



compliance with international norms and the principles of the global initiatives in which the Company participates



more efficient social investment



bolstering relationships with authorities at all levels, with public organizations, and with other stakeholders in the countries in which we operate

IV. Return on equity, recovery of investments, and the continuous creation of shareholder value

Our unique competitive advantages form the foundation of this strategy: an extensive resource base, low production costs for traditional sources of energy, extensive experience in implementing large-scale projects, technical expertise, excellent refining efficiency, and a strong financial position.

Our goals:

- stable and organic production growth based on efficiency and value creation
- constantly improving refineries, maximizing free cash flow, and fostering the development of petrochemistry and gas chemistry
- boosting the efficiency of the sales and marketing network and developing priority sales channels
- growth in financial indicators and profit margins
- adhering to a conservative financial policy

- a progressive dividend policy and a balanced distribution of additional funds to shareholders

To achieve these goals we will work constantly to improve efficiency, foster continuous technological development, and maintain an efficient and flexible reinvestment policy.

The successful implementation of our strategy will allow us to retain our competitive advantages, continuously create shareholder value, and boost the Company's investment appeal.

We guarantee to provide all our shareholders with support in relation to rights established by applicable Russian legislation and to the Company's obligations arising from its listings of securities on the Moscow and London stock exchanges.

We believe that the principal risks are factors that may impede the successful implementation of our strategy. Achieving our strategic goals depends upon the successful implementation of our long-term strategy. Other important factors include employing best corporate practices and integrating the requirements of the investment community into the corporate system for managing sustainability.



PROJECTED RESULTS:

stable development across all business sectors

implementation of a progressive dividend policy and the balanced distribution of additional profits to shareholders

The LUKOIL Group's Strategic Development Program for 2018–2027 can be found on the Company's website



Detailed information on the risk management, internal control and corporate management systems of PJSC LUKOIL can be found in the Annual Report (available on the Company website)



Sustainability goals and objectives are integrated into the Company's overall business strategy, and their attainment is ensured as part of the implementation of targeted programs and development plans in areas of operating activity



“In its operations LUKOIL adheres strictly to the principles of sustainable development and pursues goals that ensure a balance between socio-economic and environment development.”

PJSC LUKOIL President and CEO
VAGIT ALEKPEROV

Structure of sustainability management system

In 2017 a more clearly structured hierarchy was created to manage issues related to sustainability, from the Board of Directors to LUKOIL Group subsidiary level.

STRUCTURE OF SUSTAINABILITY MANAGEMENT SYSTEM AT PJSC LUKOIL

Management level	Functions
PJSC LUKOIL Board of Directors	<ul style="list-style-type: none"> • Determines the Company's business priorities. • Aligns and approves the LUKOIL Group's long- and medium-term strategic development plans and programs. • Monitors the attainment of strategic goals and the implementation of the group's plans and targeted programs. • Determines the general corporate principles and approaches to risk management and the organization of internal control systems that are then formalized in the Company's local regulatory documents. <p>When drawing up and approving plans, budgets, and investment programs the Board of Directors takes into account the need to achieve the goals defined in the Environmental Safety Program, the Human Resources Management Program and Functional Strategy, and charity and sponsorship programs.</p>
PJSC LUKOIL Management Committee	<ul style="list-style-type: none"> • Elaborates targeted, medium-term, and annual programs and development plans. • Develops and approves budgets and investment programs. • Exercises operational control over the implementation of targeted development programs and plans, and approves their results. • Establishes procedures and norms related to the functioning of the risk management and internal control systems, as formalized in the internal regulations of the Company. • Adopts decisions with respect to the risk management and internal control system.
Strategy and Investment Committee of the PJSC LUKOIL Board of Directors	<ul style="list-style-type: none"> • Performs the preliminary consideration and elaboration of recommendations to the Board to determine business priorities for the LUKOIL Group and to develop strategies for their long-term implementation. • Elaborates recommendations for the Board to determine priority areas within the Company's operations. <p>In 2018 we plan to amend the Regulations on the Strategy and Investment Committee of the PJSC LUKOIL Board of Directors, with the goal of strengthening the functions related to sustainability.</p>
HR and Compensation Committee of the PJSC LUKOIL Board of Directors	<ul style="list-style-type: none"> • Prepares proposals for the Board of Directors on developing a corporate HR policy. • Conducts annual performance assessments of the work of the Board and its members. • Develops and from time to time reviews the Compensation Policy for members of the Board of Directors, the Management Committee, and the President of the Company; monitors its introduction and implementation.
Health, Safety, and Environment (HSE) Committee of PJSC LUKOIL	<ul style="list-style-type: none"> • Develops the HSE Policy and approves objectives, targets, and KPIs for LUKOIL Group subsidiaries. • Analyses the effect of HSE initiatives. • Assesses whether LUKOIL Group operations comply with applicable legislative and other HSE requirements. • Prepares proposals to improve the HSE Management System of LUKOIL Group.
Risk Committee	<ul style="list-style-type: none"> • Coordinates risk management work at the Company. • Designates those responsible for the Company's material cross-functional risks. • Elaborates recommendations on issues related to implementing the Risk Management and Internal Control Policy at LUKOIL Group.
Working Group on preparing the Sustainability Report	<ul style="list-style-type: none"> • Organizes and monitors the writing of the Sustainability Report. • Assesses other sustainability-related issues.

Monitoring and assessing operations

Monitoring the attainment of sustainability goals and targets on a day-to-day level is performed in the Head Office of PJSC LUKOIL by the directors of structural divisions; in LUKOIL Group subsidiaries, the heads of each Group subsidiary are responsible for sustainability performance.

Mrs. Toby T. Gati, member of the PJSC LUKOIL Board of Directors and Strategy and Investment Committee of the PJSC LUKOIL Board of Directors,

is consulted on issues related to information disclosure about the Company's sustainability efforts and how the Report is received by foreign audiences (including UN organizations, the investment and financial community, and other stakeholders).

Evgeniy Khavkin, Member of the Management Committee of PJSC LUKOIL, Vice President and Chief of Staff of PJSC LUKOIL, became Head

of the Working Group on preparing the Sustainability Report in October 2017 and oversees related business processes.

Natalia Podolskaya, Corporate Secretary of PJSC LUKOIL, and the Office of the Corporate Secretary, participates in coordinating the preparation of the Report and responds to questions from shareholders and investors about the Company's performance related to sustainability.

Working Group on preparing the Sustainability Report

In October 2017 a Working Group on preparing the Sustainability Report was created (the "Working Group") with the aim of enhancing the system for

collecting, preparing, and disclosing reporting information. The Group includes the heads of PJSC LUKOIL divisions. Issues related to improving

the sustainability activity of the LUKOIL Group as a whole can also be considered by the Working Group.

Human rights

As an international company that operates in countries with various political systems and cultural traditions, LUKOIL recognizes the importance of respecting and observing the fundamental human rights declared by the United Nations, including labor rights, the right to a healthy environment, and the rights of indigenous peoples and special groups and others.

In 2017 the corporate policy on human rights was consolidated in a new version of the Social Code of PJSC LUKOIL. This document is based, among other things, on the United Nations Global Compact Principles and sets out the Company's position and voluntary undertakings.

- LUKOIL recognizes the importance of observing human rights, and undertakes in its activity to be guided by the provisions of the United Nations Universal Declaration of Human Rights.
- The Company seeks to uphold the fundamental principles in labor relations and environmental

protection that are enshrined in the UN conventions and the International Labour Organization (ILO).

- LUKOIL respects the rights of trade unions, including rights enshrined in basic ILO conventions:
 - the right of every employee to be represented by a trade union of his/her choice and main trade union rights concerning freedom of association and the right to organize workers into trade unions, and also the right to collective bargaining
 - preventing all forms of involuntary or forced labor
 - the elimination of child labor
 - support for and ensuring equality of opportunity and relations to employees in employment, including equal pay for women and men for work of equal value, and preventing discrimination in labor and employment

In the regions where the Company operates we comply with all respective

human rights principles, including not using child or forced labor, in accordance with local legislation. Given the differences between labor law provisions in various countries, we seek to mitigate the risks of any potential human rights violations, including by establishing unified operating policies and standards. In particular, the principles and norms enshrined in the Social Code of PJSC LUKOIL, and also in the Personnel Management Policy, are binding on all Group subsidiaries.

The Social Code of PJSC LUKOIL also includes obligations on preserving the national cultural identities of peoples living in the regions where the Company operates.



The full text of the document can be found on the Company's website



The Company's obligations on rights related to ensuring a favorable environment and occupational safety are set out in more detail in the HSE policy of PJSC LUKOIL in the 21st Century.

- The Company intends to make use of all available and practicable measures to prevent accidents, occupational diseases and operational stoppages, and to reduce their impact and consequences.
- LUKOIL achieves consistent, ongoing improvements from its current and planned activities, products, and services in terms of the impact on its

employees, the general public, and the environment.



The full text of the document can be found on the Company's website



The main mechanisms for monitoring compliance with human rights comprise:

- monitoring compliance with legislative requirements

- performing internal and independent audits in the respective lines of business, including as part of supervisory audits of the management system's compliance with international standards
- performing procedures to assess the environmental impacts of production projects
- feedback channels as part of the Company's information policy

The Company's human rights activity is continually assessed during the preparation of sustainability reporting.

Ethics and statutory compliance

In 2017 work continued on implementing the provisions of the LUKOIL Group Antimonopoly Policy approved in 2016. The Russian subsidiaries of the Group have developed and adopted in-house regulations on antimonopoly compliance, and appointed individuals responsible for monitoring compliance with antitrust legislation. Work has been carried out to inform employees about the provisions of the LUKOIL Group Antimonopoly Policy and the need to adhere to these norms in their day-to-day activities. Monitoring compliance with this document, as well as other in-house regulations aimed at preventing violations of antitrust

legislation, is entrusted to the Working Group supporting relations of LUKOIL Group subsidiaries and the Federal Antimonopoly Service of the Russian Federation (FAS) and its regional authorities on issues concerning production and commercial activity.

In 2017 the number of violations of antitrust legislation by LUKOIL Group subsidiaries declined significantly, which was related to the consistent implementation of the LUKOIL Group Antimonopoly Policy, as well as the stabilization of law enforcement practice in this area in Russia.



The full text of the document can be found on the Company's website



In accordance with the Code of Business Conduct and Ethics of PJSC LUKOIL, the main principles underpinning the business activity of a LUKOIL Group entity are zero tolerance towards corruption in any form or manifestation, and compliance with the antitrust legislation of the countries where the Group operates.

COMPLIANCE WITH ANTITRUST LEGISLATION BY LUKOIL GROUP SUBSIDIARIES

	2015	2016	2017
Number of completed cases of antitrust legislation violations	15	16	3
Total monetary amount of material penalties for antitrust legislation violations, RUB million	14.30	0.70	1.10

Note. Administrative fines exceeding RUB 100,000 are considered to be material penalties. The total monetary amount of fines indicator reflects the number of cases completed in the corresponding reporting period, including those commenced in previous years. (The process for considering cases until the issue of the final decision can take varying periods of time.)

Stakeholder engagement

In its operations LUKOIL engages with a wide range of organizations and private individuals (stakeholders), with whom the Company strives to establish successful long-term relationships, taking into

account their expectations and positions on various issues. Key stakeholder engagement principles¹ comprise:

- partnership with the state and society

- achieving long-term, sustainable, and efficient development
- transparency of operations and openness of information

STAKEHOLDER ENGAGEMENT, 2017

STAKEHOLDERS	EVENTS IN 2017	ISSUES RELATED TO PARTICIPATION
State and municipal legislative and executive authorities		
The Ministry of Natural Resources and Environment of the Russian Federation, The Federal Supervisory Natural Resources Management Service.	Signing a Trilateral Agreement on Collaboration. Preparing suggestions for drafts of industry guides on best available technologies.	Plan for measures to reduce negative environmental impacts in the Year of the Environment in Russia.
The Ministry of Energy of the Russian Federation	Participation on an ongoing basis as part of the Working Group on issues related to the technical regulation of oil and gas industry operations.	Updating the existing regulatory framework with regard to technical regulations.
The Ministry of Industry and Trade of the Russian Federation.	Participation in working meetings and groups.	Developing technologies for working in the Russian Arctic. Preventing the illegal trade of products in the oil industry.
Federal Agency for Ethnic Affairs.	Signing a cooperation agreement in the area of the socioeconomic and cultural development of the indigenous peoples of the North living in regions where the Company operates.	Creating joint working bodies on issues related to the indigenous peoples of the North; developing programs to safeguard their rights.
Federal Agency for Technical Regulating and Metrology (Rosstandart).	Participation in meetings and other events, submitting proposals.	Methods for monitoring the quality of automobile fuel.
The Ministry of Labor and Social Protection of the Russian Federation.	Participation in the Working Group on safeguarding labor rights, health, safety, and the environment of the Russian Trilateral Commission on regulating social and labor relations.	Considering over 20 draft regulations related to occupational safety.
The Presidential National Council for Professional Qualifications, the Ministry of Labor and Social Protection of the Russian Federation, the National Agency for Qualification Development.	Participation in meetings and other events, submitting proposals.	Elaborating and implementing a system of professional standards.
Shareholders and investors		
Investment banks and ratings agencies.	Trips to the V. Filanovsky field by stakeholder representatives.	Quality of production assets.
All investment and financial organizations and individual investors.	Meeting with senior executives of the Company (in October 2017 in London to mark the 15 th anniversary of the LSE listing). Teleconferences involving senior executives.	Improved interaction and the exchange of information.
ESG analysts and agencies managing assets.	Transitioning, starting in 2017, to the annual release of a Sustainability Report, widening the reporting scope. Issuing press releases on the most salient sustainability related events. Increasing information on sustainability in public databases and specialized analytical reports.	The integrity and timeliness of non-financial reporting and sustainability data. The Company's management system in this area.
Employees and trade unions		

¹ These principles are set forth in the Social Code of PJSC LUKOIL.

STAKEHOLDERS	EVENTS IN 2017	ISSUES RELATED TO PARTICIPATION
The International Labour Organization (ILO), representatives of governments, employers, and employees.	Registration in the 10 th European regional meeting of the ILO. Participation in the third international conference on the training and development of local staff in international companies (Uzbekistan).	Recognition of fundamental labor principles and rights; the impact of the economy on the labor market and the position of hired laborers; and the migration of labor resources.
Local communities		
Administration of Tyumen Region, enterprises of the region.	Signing a roadmap to implement the project "Expansion of the use of the products and technologies of the enterprises of Tyumen Region". Participation at the 8 th Tyumen Oil and Gas Forum.	Interaction with local enterprises. Technologies for developing difficult-to-recover hydrocarbon reserves.
Supervisory authorities of the constituent entities of the Russian Federation.	Participation in the Coordinating Council on the Environment in Khanty-Mansi Autonomous Area – Yugra.	Results of the Year of the Environment in Khanty-Mansi Autonomous Area – Yugra.
International and national organizations.	Participation in the work of the 16 th session of the UN Permanent Forum on Indigenous Issues.	Experience in developing responsible relations with indigenous peoples of North in Russia.
Industry associations.	Standing participation in the work of the interagency industry working group to combat the illegal sale of oil industry products of the Russian Union of Industrialists and Entrepreneurs (RUIE).	Amendments to Technical Regulation TR TS 013/2011 "On Requirements on Automotive Gasoline and Aviation Fuel, Diesel and Marine Fuel, Jet Engine Fuel, and Fuel Oil".
International environmental organizations, members of the State Duma of the Russian Federation and members of the European Parliament, oil and gas companies.	Roundtable "Modern Environmental Protection Approaches During the Development of Maritime Deposits in the Baltic Sea".	Ensuring industrial and environmental safety during the development of maritime fields in the Baltic Region.
Heads of government, executive and legislative authorities, international public organizations.	Introducing the Environmental Security Program in Norway, Uzbekistan, and Kazakhstan.	System for ensuring environmental security. Technologies for working safely on the continental shelf in an Arctic climate.
The Komi Republic Administration, environmental organizations, residents of the Shchelyabozh and Kushshor communities.	Joint meeting between LUKOIL President and CEO Vagit Alekperov and the Komi Republic Head Sergey Gaplikov. Visits of representatives from Russian and international environmental organizations. Meetings with the residents of local communities.	Results of work to eliminate the consequences of an incident at the A. Alabushin field.
International oil and gas companies and the industry's expert community.	21 st International Exhibition and Conference "Oil and Gas of Uzbekistan". Astana Economic Forum: New Energy – New Economy.	Ensuring environmental security and maintaining biodiversity. Action plan to preserve the biodiversity of the Khauzak-Shady area (Uzbekistan).

State and municipal legislative and executive authorities. LUKOIL engages actively with legislative and executive authorities of the Russian Federation at all levels. PJSC LUKOIL and LUKOIL Group entity experts take part on an ongoing basis in the drafting of laws and expert reviews of legislative initiatives (including assessing the regulatory effects of draft laws and the actual effects of current statutes) and in the work of consultative groups and expert forums, discussing issues that are topical for the oil and gas industry of the Russian Federation.

Shareholders and investors. Our investors are Russian and foreign legal subsidiaries and individuals pursuing various investment strategies. We consider the following to be stakeholders: investment funds and individual investors, investment banks, financial media, professional participants on the securities market (brokers and traders), industry analytical agencies, exchanges, rating agencies and information agencies, as well as non-profit organizations that provide analytical and research services related to sustainability. We constantly strive to raise the level of information transparency, to furnish information on

a regular basis to representatives of the investment and financial community, using various channels, and to react promptly to incoming queries.

Employees and trade unions. Social partnership forms the basis of the Company's relationships with its employees and trade unions. The Company has built a social partnership system based on agreements between employer, trade unions, and employees. The key social partner of the Company is the International Association of Trade Union Organizations of PJSC LUKOIL.

Consumers. The consumers of our products are private individuals and large organizations operating in various sectors of the economy. LUKOIL provides its clients with high-quality products and services, developing innovative products that take into account the requirements of regional markets and the individual needs of consumers. Our goal is to reinforce our reputation as a responsible and reliable producer and supplier of energy and other products. We devote great attention to the energy efficiency of our products, which allows clients to reduce their energy consumption and mitigate adverse environmental impacts.

Suppliers and contractors. The LUKOIL supply chain comprises subsidiaries with diverse types and scales of operation – major corporations, small- and medium-sized enterprises, individual entrepreneurs, and social entrepreneurs. We are open to collaboration and offer equitable and competitive terms that are designed to facilitate an unbiased and effective selection of suppliers and contractors in key areas of our activity.

Local communities. Social investment programs are implemented in constant contact with stakeholders, including local authorities and municipal and public organizations. Significant attention is paid to interacting on environmental protection issues with the environmental community and the residents of the regions in which we operate.

LUKOIL is also a participant, organizer, and sponsor of forums, single-topic conferences, roundtables, and other events.





Key international projects, programs, and initiatives in which the LUKOIL Group/PJSC LUKOIL participates



The European Business Network for Corporate Social Responsibility



The World Bank and the UN initiative, Zero Routine Flaring by 2030



The United Nations Global Compact



The UN Development Program in Russia "Mainstreaming Biodiversity Conservation Into Russia's Energy Sector Policies and Operations"



The Carbon Disclosure Project (CDP)



The Cooperation agreement for 2018–2022 between the International Labour Organization and PJSC LUKOIL



“For many years, LUKOIL has consistently integrated the principles of corporate social responsibility into its business model. Joining the European Business Network for Corporate Social Responsibility is an extraordinarily important step for us, which will help the Company integrate more deeply into the global and European business community. We are delighted to become a part of this organization, and will gladly join in the discussion and exchange of information on such a high level.”

GLEB OVSYANNIKOV,

Head of the Public Relations Department

“We welcome LUKOIL to our ranks, and expect that the Company will continue to steadfastly adhere to the principles of sustainability in all its operations.”

STEFAN CRETS,

Executive Director, European Business Network for Corporate Social Responsibility

Supply chain

Each year LUKOIL purchases a large volume of goods, work and services, and does business with a large number of companies. The Company's procurements help maintain and increase the number of jobs in various economic sectors, and ensure the mobility of financial capital, thus stimulating economic activity.

In 2017 the share of domestic suppliers of centralized material and technical resources purchased by the Russian subsidiaries of LUKOIL Group stood at 94%, in terms of both the number of suppliers and the total amount of purchases in Russia.

As a rule, goods, work and services are purchased through open tenders, with mandatory competitive public bidding for the subject of the tender. Suppliers of goods, work, and services are chosen

in accordance with the Regulations on Holding Tenders to Select Suppliers and Contractors of LUKOIL Group Subsidiaries ("Regulations"). A contract is concluded with the organization that wins the tender, which together with applicable legislation serves as the basis for the further regulation of relations between both parties.

If the subject of the tender stipulates the need to review the health, safety, and environment management system of applicants, the experts of PJSC LUKOIL and its subsidiaries perform a comprehensive assessment, on the basis of the corporate document "Procedure

for Assessing the Health, Safety, and Environment Management of Entities Wishing to Participate in a Tender". This procedure reviews the availability of required licenses, employees with the necessary qualifications, and the technical capabilities and technologies of potential contractors. For certain types of purchasing, applicants undergo technical audits.

As part of tender procedures, applicants also provide information of a social nature, specifically on compliance with

the working time standards of their employees, and on provision of housing and social services to employees.

If a comprehensive assessment determines any non-compliance with corporate requirements, suppliers are not admitted to the tender.

In 2017, reviews of the conditions of the health, safety, and environment system were performed on 2,227 tender participants (38% of the total number).

Under the terms of signed contracts, all suppliers and contractors accept an obligation to comply with the Regulations, confirming their consent with a signature, and also to abide by the legislative and corporate standards set forth in the HSE policy of PJSC LUKOIL in the 21st Century and other corporate standards.

The Company continuously monitors the activity of contracting organizations for compliance with these requirements.

Product quality assurance

LUKOIL Group subsidiaries sell an extensive range of products that are used in various industrial sectors and by vehicle owners in Russia, Europe, Asia, and America. Our priorities are oriented towards consumer expectations and to constantly improving our quality control management methods.

Certificates confirming that quality management systems comply with ISO 9001 standards are held by 10 organizations working in aircraft refueling, as well as by facilities that produce the oils and lubricants of LLK-International. In 2017,

LLK-International began preparations for recertification, taking into account the new requirements stipulated by ISO 9001:2015 and IATF 16949:2016.

PRODUCT SALES, 2017

Type of product	2015	2016	2017
Premium ECTO fuel, thousand tonnes	5,802	7,535	8,554
Bunker fuel, thousand tonnes	2,549	3,347	4,539
Aircraft refueling, thousand tonnes	2,875	2,747	3,238
Branded oils, thousand tonnes	444	515	585
Biofuel blends ¹ , million liters	4,014.4	4,246.2	4,174.0

Ensuring the quality of motor fuels

We believe it is our duty to maintain at all stages, from production to consumer, the quality of our fuels at the standards prescribed by the technical regulations and standard production documents. In addition, the subsidiaries of the LUKOIL Group that supply petroleum products are governed by respective corporate standards and guidelines².

Our goal is to ensure complete and timely monitoring of the release and acceptance of petroleum products in the Transneft and Russian Railways transport systems, and that they are properly received, stored, and sold at LUKOIL tank farms and filling stations. The main measures taken to achieve this include:

- having in place a system of safety requirements for the transportation of petroleum products and their sale at filling stations
- building and optimizing the petroleum product testing structure, and analyzing the option of using NIR-spectroscopic multifunctional analyzers for real-time monitoring

¹ Assuming an automotive gasoline density of 0.755 kg/l and diesel of 0.845 kg/l. Biofuel blends are understood to mean blends of motor gasoline and ethanol (up to 10%), or diesel fuel and the methyl ethers of fatty acids. These products are sold in European countries (Belgium, the Netherlands, Romania, Italy, Bulgaria, and Turkey).

² For example, LUKOIL technical standard 1.24.1-2016 Motor Fuels. ECTO Automotive Fuel, the Methodological Guidelines on Maintaining the Quality of Petroleum Products during Reception, Storage and Release at LUKOIL-Uralnefteprodukt.

- creating a unified data system from the refinery to the tank farm, in order to reduce the number of stationary laboratories (pilot projects are already in place at LUKOIL-Volganefteprodukt and LUKOIL-Permnefteprodukt)
- participating in the work of government and industry organizations on issues related to petroleum product quality controls (including a tracking system to prevent fraudulent transactions at

pumps) and countermeasures against the distribution of counterfeit products (including such measures as turnover-based fines and public controls)

The corporate automated management system, which covers all filling stations as well as the vast majority of tank farms in Russia (and is also installed at facilities in Serbia and Romania), features the electronic tracking of products

from refinery to end user. The system is being further developed through the use of tanker trucks equipped with an automated management system called “Guaranteed Delivery of Petroleum Products”, the more widespread application of multifunctional spectrometric analyzers, infrared-range quality indicators for petroleum products, and introducing reporting as part of the Business Intelligence approach³.

BREAKDOWN OF LUKOIL GROUP FILLING STATIONS BY COUNTRIES AS OF THE END OF 2017

Total	5,258
Russia	2,609
Europe	2,155
Countries of the former Soviet Union	247
The USA	247

Note. Data include information on stations owned by the LUKOIL Group, leased stations, and franchised stations, as well as filling stations mothballed and transferred under leases (situation as of 31 December 2017).

The main mechanisms used to engage with consumers comprise: The LICARD Unified hotline, the Secret Customer program, Event Monitoring software (CMIS), and an analytical extension for the Petronix CMIS called “Monitoring the Work of Filling Stations and Tank Farms” (at LUKOIL-Tsentrnefteprodukt). We also analyze the results of inspections by state and municipal authorities, as well as LUKOIL’s internal audit function.

The following methods are used to improve the quality of services at filling stations:

- implementing targeted programs, such as the Renovation program for filling stations on federal highways and in regional centers, 2017–2020
- the transitioning of oil supply companies to responsible maintenance of facilities

- implementation of the Service Book – a corporate approach to standardizing the activity of petroleum product supply organizations
- developing the LUKOIL-Inter-Card (LICARD) System

Ensuring the quality of oils and lubricants

A key element within the lubricant quality control system is the regular audit of LUKOIL refineries by clients which are leading automobile manufacturers (for example General Motors, Ford, Volkswagen, and Renault-Nissan), during which assessments are made of the quality of products as well as the efficiency of production processes.

All suppliers of raw materials and consumables have to undergo a precise assessment in accordance with applicable corporate standards⁴. A quality record sheet is created for each lot of finished product. Feedback on product quality is received from dealers, customer services, and the commercial unit. Data is analyzed at monthly Quality Day meetings, and is also recorded in summary analysis reports for the quality management system.

The monitoring of consumer satisfaction with oils and lubricants is performed three times a year through the distribution of a Production Satisfaction Questionnaire. In 2017 the average satisfaction level of respondents in Russia was 88%.

³ Business Intelligence approach – a concept of working with information using automated tools, which is oriented towards achieving a maximum efficiency of operations and a consistency in final processing and analysis results.

⁴ SP LLK 11-2016 Assessment Procedure For Suppliers of Materials and Services.

Climate change





Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Target 9.5. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.



Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

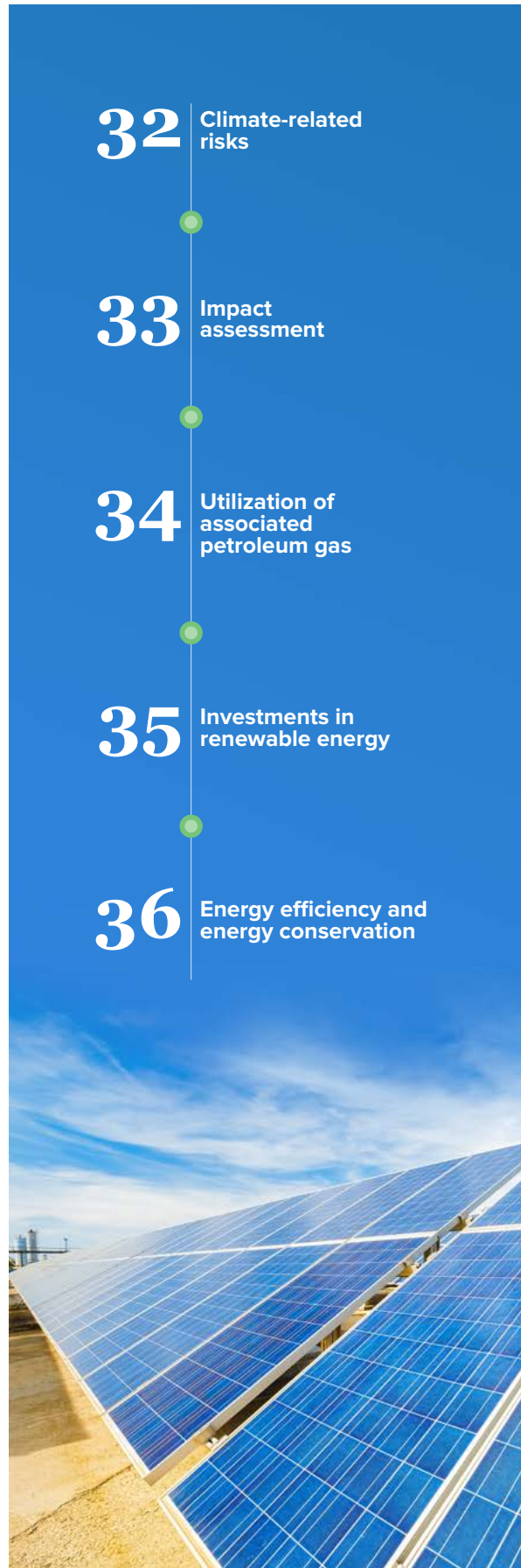
32 Climate-related risks

33 Impact assessment

34 Utilization of associated petroleum gas

35 Investments in renewable energy

36 Energy efficiency and energy conservation



Through their operations energy companies create significant amounts of greenhouse gas emissions, which can affect the climate and lead to the emergence of risks that are significant for a wide range of stakeholders. Climate change may present a threat to the lives and health of the people, flora, and fauna of the planet, and hence we share worldwide concerns over this topic.

LUKOIL is making concerted efforts to more accurately determine the scale of Group entities' impacts on the climate, to create long-term goals to mitigate impacts, and to assess the amount of investment needed to attain these goals.



Target 7.3.

By 2030, double the global rate of improvement in energy efficiency.



Target 13.1.

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Climate-related risks

Risks associated with climate change are gaining increasing attention, both from governments and the investment and financial communities.

Systemic climate-related risks include physical damage to production assets as a result of severe weather problems or natural disasters; transition risks (in the transition to a low-carbon economy), risks associated with a reduction in demand for traditional products, as well as legal and regulatory risks, etc.

Source of information:
International Environmental Law Committee
Newsletter

The connection between global warming and greenhouse gas emissions is still a topic of discussion within the scientific community, but most global initiatives (including UN initiatives and programs) are based on the conclusion from scientific studies that global warming is tied to industrialization and growth in

industrial production. European Union countries have set a goal to reduce greenhouse gas emissions by at least 20%¹ by 2020, chiefly by transitioning from fossil fuels to renewable sources of energy.

LUKOIL takes climate change risks into account when determining the Integrated Scenario Conditions (ISC), which are used to develop its strategy, assess investment projects, and create annual and medium-term plans. The ISC baseline factors in the impacts of Paris Agreement goals on the global balance of primary energy consumption. The fuel efficiency of cars is expected to rise in the largest economies over the medium term, electric and natural gas vehicles will come more to the fore, and the use of renewable energy sources will continue to grow. In order to assess risks and to test the sustainability of the Company's strategy, we also developed a scenario which envisages an accelerated reduction in the consumption of hydrocarbons in the transportation sector.

We monitor and analyze business trends related to climate change, and implement programs and projects to

reduce the LUKOIL Group's greenhouse gas emissions wherever possible.

There are dedicated programs in place to reduce the flaring of associated petroleum gas (APG), to develop green energy based on renewable energy sources, and to improve overall energy efficiency. We believe that effecting general improvements to business processes and making timely adjustments to the consumer basket and staying abreast of changes in the operational environment are equally important tasks. Looking ahead to the wider use of electric cars, we are installing charging stations at our filling stations and have signed a partnership agreement with Gazprom on expanding the use of natural gas vehicle (NGV) fuel.

Our medium-term goal is to reduce by 2020 greenhouse gas emissions by 1.2% compared to the 2016 level. We will accomplish this chiefly through measures to boost the utilization of associated petroleum gas, energy conservation programs, and the use of alternative energy sources.

¹ Compared to the 1990 level.

Impact assessment

The concept underlying the system for monitoring, reporting, and verifying the volume of greenhouse gas emissions in the Russian Federation² involves the implementation of standardized calculation methods. LUKOIL plays an active role in shaping the statutory and regulatory framework in this area, puts forward suggestions, and discusses and assesses the current methodologies being developed.

At the same time, we are making improvements to the corporate system for tracking and managing greenhouse gas emissions. This issue is closely scrutinized by corporate governance bodies.

In 2016 calculations of direct (Scope 1) greenhouse gas emissions were made using the methodology of The Ministry of Natural Resources and Environment of the Russian Federation³.

Total direct (Scope 1) greenhouse gas emissions by LUKOIL Group subsidiaries in Russia in 2017 stood at 31.14 million tonnes of CO₂-equivalent, which was 0.5% less than the same indicator in 2016 (31.28 million tonnes of CO₂-equivalent).

Total direct greenhouse gas emissions from LUKOIL's foreign oil refineries stood at 6.5 million tonnes of CO₂-equivalent, a 4% drop from 2016 levels.

SPECIFIC DIRECT (SCOPE 1) GREENHOUSE GAS EMISSIONS BY RUSSIAN SUBSIDIARIES OF LUKOIL GROUP

	2016	2017
Oil and Gas Production, tonnes of CO ₂ -equivalent/tonnes of reference fuel of produced hydrocarbons	0.108	0.088
Oil Refining, tonnes of CO ₂ -equivalent/tonnes of processed raw stock	0.173	0.209
Petrochemicals, tonnes of CO ₂ -equivalent/tonnes of processed raw stock	0.352	0.370
Product Marketing and Distribution, tonnes of CO ₂ -equivalent/tonnes of sold petroleum products	0.001	0.001
Midstream, tonnes of CO ₂ -equivalent/tonnes of transported oil and petroleum products	0.004	0.004
Electric Power Engineering, tonnes of CO ₂ -equivalent/MWh of generated electricity and heat	0.339	0.332

DIRECT (SCOPE 1) GREENHOUSE GAS EMISSIONS BY FOREIGN OIL REFINERIES, million tonnes of CO₂-equivalent.

LUKOIL Group subsidiaries	2016	2017
LUKOIL Neftochim Burgas AD (Bulgaria)	1.9	2.1
ISAB (Italy)	4.4	4.0
PETROTEL-LUKOIL S.A. (Romania)	0.4	0.4
Total for foreign oil refineries	6.7	6.5

In the past four years LUKOIL has participated in the international Carbon Disclosure Project (CDP), gradually expanding the list of information provided as the corporate system for recording greenhouse gas emissions improves.

² Russian Government Directive No. 716-r dated 22 April 2015.

³ Ministry of Natural Resources and Environment of the Russian Federation Order No. 300 dated 30 June 2015.



Utilization of associated petroleum gas

APG utilization and achieving a reduction in its flaring are priority areas of our environmental policy. Significant investments have been made to resolve this issue as part of the Group's Efficient APG Use Program.

In 2017, over RUB 15 billion was allocated to the construction and renovation of APG treatment, transport, and refining facilities and for generating electricity and heat in Russia (2016: RUB 24.2 billion). In 2017, the program's most capital-intensive measures were in their final stages.

In 2017, the commissioning of 17 facilities was performed as a part of the Group's Efficient APG Use Program for 2017–2019, including the renovation of the Usinsk Gas Processing Plant and the commissioning of the Yarega power generating center in the Komi Republic.



Through the construction and commissioning of new APG utilization facilities in 2017, the total volume of APG flaring for the LUKOIL Group was almost halved compared to 2016, and LUKOIL's Russian oil and gas production subsidiaries achieved a utilization rate of 95.2%.

TOTAL APG (HYDROCARBON) FLARING, thousand cubic meters

	2015	2016	2017
Total for LUKOIL Group, including:	957,838	952,473	574,867
Russian subsidiaries of LUKOIL Group	900,161	937,555	555,327
Foreign LUKOIL Group subsidiaries	57,678	14,918	19,540

The Group's Efficient APG Use Program for 2018-2020 was approved in 2017. A number of measures are planned under this program, including the refurbishment of the Kokuy Gas Compressor Station and the construction of a power generation center at the Chashkinskoye field (LUKOIL-PERM), the technical

retrofitting of the compressor station at the Yu. Korchagin field (LUKOIL-Nizhnevolszhskneft), and the construction of a multiphase pump station (MPS) at the A. Alabushin field and thermal power plants at the Usinskoye field (LUKOIL-Komi).

The program covers a three-year period, and will be updated annually. The effectiveness of the measures taken is assessed through internal and external audits. Plans are revised based on the results of analyzing performance targets achieved.

APG UTILIZATION RATE, %

	2015	2016	2017
Total for LUKOIL Group, including:	92.0	92.1	95.4
Russian subsidiaries of LUKOIL Group	91.9	91.7	95.2
Foreign LUKOIL Group subsidiaries	93.5	98.1	97.6

Investments in renewable energy



Target 7.2.

By 2030, increase substantially the share of renewable energy in the global energy mix



“Today, LUKOIL is a standard bearer for oil industry enterprises in the Volgograd Region when it comes to resolving environmental issues.”

A. BOCHAROV,

Volgograd Region Governor

For more than 10 years we have been developing state-of-the-art generation technology based on renewable energy sources (RES). Our projects promote reduced consumption of non-renewable types of fuel, thereby decreasing the level of greenhouse gas emissions. We analyze previously gained experience and widen its application in countries that support such projects at a national level.

The LUKOIL Group’s RES goals are:

- business diversification through implementing projects using the state support system for renewable energy in Russia (a mechanism for concluding capacity supply agreements with a guaranteed return on investment¹)
- preventing greenhouse gas emissions from power generation facilities
- keeping up with global RES trends

In line with its RES policy, LUKOIL commissioned a 10-MW photovoltaic power station (“solar park”) in January 2018 at the oil refinery in Volgograd, which resulted in a doubling of the installed capacity of the Company’s solar power facilities.

The Industry Program for Developing the Power Engineering Business Sector for 2018-2027 includes proposals on the construction of new solar parks on unused sites at oil refineries in Saratov and Volgograd. Wind farm construction projects may also be considered in the future. The appearance of localized facilities for the production of major equipment in Russia will enable us to play a more active role in RES projects.

In 2017, in terms of the development of hydroelectric power, measures have been taken to repair and upgrade

equipment, optimize operating practices, and improve the reliability of LUKOIL-Ekoenergo power facilities. One of the most important projects in this regard is the refurbishment of the Belorechensk Hydroelectric Station. The complete replacement of hydroelectric units No. 1 and No. 3, with a rise in installed capacity from 16- to 24-MW each, will make it possible to extend the service life of the hydroelectric station by at least 40 years and to improve the cost-efficiency and reliability indicators of electricity generation.

To develop alternative energy sources in Russia, and to ensure that the industry can benefit from human resources with the required level of qualifications, LUKOIL assisted in setting up a specialized renewable energy sources department at Gubkin Russian State Oil & Gas University.

TOTAL VOLUME AND SHARE OF ELECTRICITY GENERATED FROM RENEWABLE SOURCES, million kWh

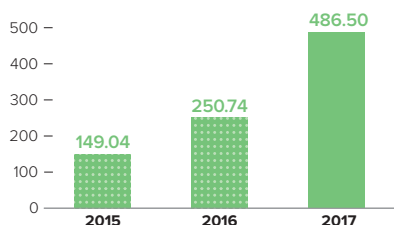
	2015	2016	2017
Total electricity generated from RES, including:	651.7	977.1	1,053.2
Wind power	0	200.8	228.5
Solar power	12.7	11.5	12.0
Hydroelectric power	639.0	764.8	812.8
Total electricity generation by LUKOIL Group commercial power generation facilities (regardless of supply power generation)	17,775.6	18,315.2	17,551.9
Share of electricity generated from RES in total electricity generated (regardless of supply power generation)	3.7	5.3	6.0

Note. Data on electricity generated through wind power in 2015 were not considered, as the wind farm was part of the LUKERG Renew JV.

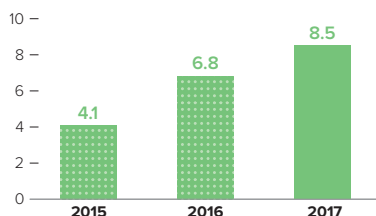
In 2017 we changed our approach to calculating the share of electricity generated from the RES indicator. The total amount of electricity generated by all commercial generating facilities of LUKOIL Group, net of supply power generation, serves as the basis for the calculation of the indicator.

¹ In 2013 the Russian Federation introduced a support mechanism for RES projects through the conclusion of capacity supply agreements (CSA RES), which offer a special rate for capacity, provided that obligations on the construction of the facilities are met. Requirements related to the localisation level of RES project equipment were approved: solar parks – 70%, wind farms – 65%, small hydro power plants – 65%.

INVESTMENTS IN RES DEVELOPMENT¹, RUB million



SHARE OF INCOME RECEIVED FROM THE SALE OF ELECTRICITY FROM RES IN THE TOTAL INCOME RECEIVED FROM THE SALE OF ELECTRICITY GENERATED BY LUKOIL GROUP POWER GENERATION FACILITIES, %



¹ Data for 2017 relate to LUKOIL-Ekoenergo and LUKOIL-Volgogradenergo.

Energy efficiency and energy conservation

Increasing energy efficiency, including through lowering fuel and energy resource consumption, is a key component of our overall efforts to improve operating efficiency and a critical factor in the maintenance of the Company's competitive edge in our rapidly changing world.

LUKOIL Group organizations have adopted an energy management system based on international standard ISO 50001:2011, and are elaborating and implementing measures to boost energy efficiency and energy conservation. In 2017 the energy management systems of 26 LUKOIL Group organizations had certificates on the ISO 50001 standard.



Target 9.4.

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

TOTAL ENERGY CONSUMPTION OF LUKOIL GROUP SUBSIDIARIES

	2015	2016	2017
Industrial electricity consumption, billion kWh	20.2	20.8	20.9
Industrial heat consumption, million Gcal	16.4	20.7	23.5
Industrial consumption of boiler and furnace fuels, million tonnes of reference fuel	7.7	8.3	9.5
Industrial energy consumption of LUKOIL Group subsidiaries (total energy consumption within the organization) ² , million tonnes of reference fuel	13.9	14.5	15.6

² Total energy consumption within the organization = consumption of non-renewable types of fuel + electricity and heat purchased for consumption. The consumption of non-renewable types of fuel = consumption of boiler-furnace fuels (takes into account fuel consumption for electricity generation and domestic heat). Electricity and heat sold to external consumers are not included in productive consumption and are taken into account separately.

Energy conservation program

The energy conservation program of LUKOIL Group subsidiaries in Russia for 2018 and 2019-2020³ is intended to boost the energy efficiency of the industrial activity. The goals of energy

conservation measures include a reduction and/or containment of growth in the share of energy costs in total production costs, as well as a reduction and/or containment of

the specific consumption of energy resources in production, oil refining, and petrochemistry, as well as in the sale of petroleum products and electricity and heat generation.

³ The energy conservation program of LUKOIL Group subsidiaries covers Russian oil and gas production, oil and gas refining, petrochemical, power engineering, petroleum product marketing and distribution and transportation subsidiaries. The energy conservation programs of foreign assets are not included in the corporate program. The energy efficiency of foreign assets is monitored as part of the assessment and approval of investment projects.

The energy conservation program benchmarks for LUKOIL Group subsidiaries in Russia up to 2020 comprise energy savings covering a total of three years (from 2018 to 2020), and consisting of:

- Electricity: about 280 million kWh
- Heat: about 330 thousand Gcal
- Boiler and furnace fuels: about 360 thousand tonnes of reference fuel

Program measures were performed in full in 2017, and planned consumption benchmarks and fuel and energy savings were met.

ENERGY SAVINGS FROM IMPLEMENTATION OF THE ENERGY CONSERVATION PROGRAM OF LUKOIL GROUP SUBSIDIARIES IN RUSSIA

	2015	2016	2017
Electricity, million kWh	108	82	66
Heat, thousand Gcal	168	57	186
Boiler and furnace fuels, thousand tonnes of reference fuel	49	76	181
Financial savings, RUB million	764	708	1,185



Target 9.5.

Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

Energy saving technologies

The LUKOIL Science and Technology Complex develops technology and equipment that is designed to improve the energy efficiency of production processes. An example in this regard is the development of submersible brushless electric motors

for oil production, which are capable of providing energy savings of up to 24%. The end-to-end cycle, from initial idea to serial production, took around 20 years.

The strategy for replacing asynchronous motors with brushless motors at oil

production enterprises was approved in 2017, with respective oil production energy savings expected to exceed 10%. The equipment will be supplied not only to LUKOIL subsidiaries, but also to domestic and international markets.

Energy-efficient products

Increased energy efficiency requirements on the part of consumers and a reduction in emissions of pollutants and greenhouse gases have become noticeable trends on the fuels and lubricants market.

LUKOIL is constantly improving both its consumer basket and the formulae of its products. For example, the new product line (including ECTO-100 motor oil and LUKOIL Genesis Glidetech synthetic

motor oils) has improved fuel efficiency characteristics: test results have shown that their use reduces fuel consumption and, consequently, air emissions.

Electric car infrastructure

The wider use of electric vehicles is seen in various countries as a potential way of reducing greenhouse gas emissions and pollutants. LUKOIL has analyzed the potential of and limitations on expanding the infrastructure for electric cars, with due consideration of the experiences of developed countries in this regard, as well as the dynamics of the fleet of electric and hybrid cars used by consumers. Promising solutions have

been identified, including converting filling stations into client-focused facilities. Options and conditions for installing charging stations at the Company's filling stations have been considered, and the first projects are under way.

In 2016, in the Krasnogorsk District of the Moscow Region, a charging station was installed at a LUKOIL filling station

integrated into the MOESK-EV network. Another project was implemented at a filling station in Krasnodar Krai.

As of 2017, over 10 charging stations for electric cars had been installed at LUKOIL filling stations, with a number of similar projects in the pipeline for the Moscow Region, the Perm Territory, and the south of Russia.

Environmental protection and occupational safety

6 CLEAN WATER AND SANITATION

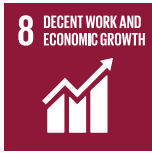


Target 6.3. By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Target 6.4. By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

Target 6.5. By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.





Target 8.4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation.

Target 8.8. Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.



Target 11.7. By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.



Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

Target 12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.



Target 14.1. By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.

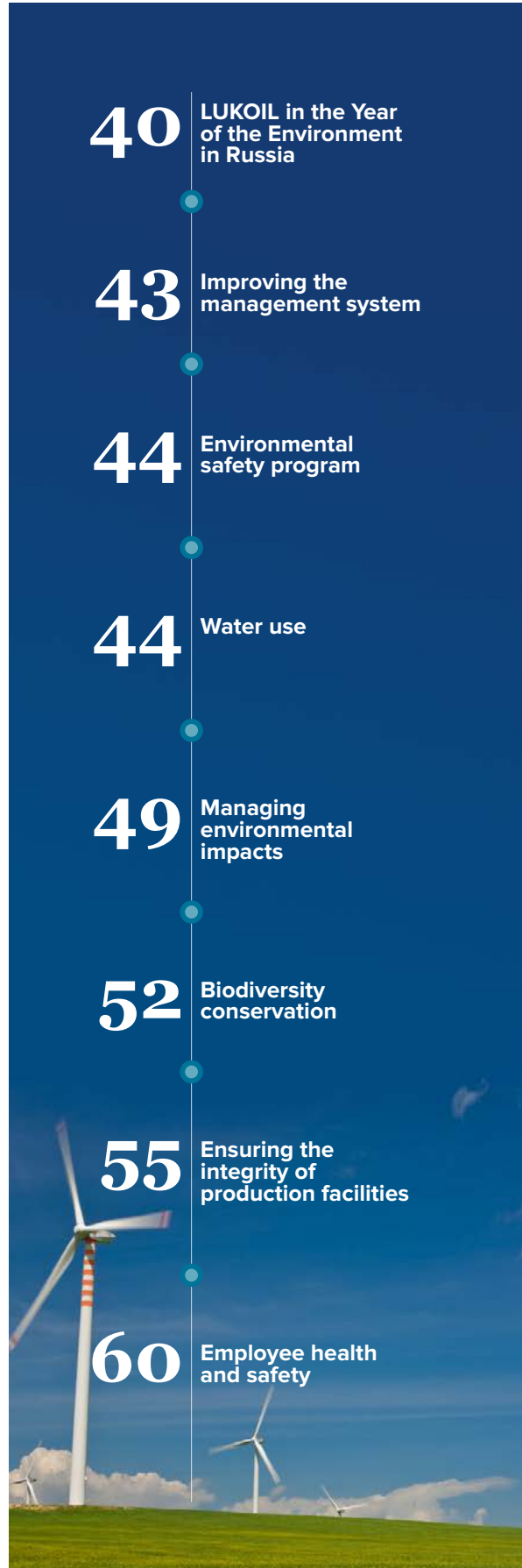
Target 14.2. By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.



Target 15.1. By 2020, ensure the conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services.

Target 15.2. By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation globally.

Target 15.5. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.



LUKOIL in the Year of the Environment in Russia

The Russian Federation declared 2017 the Year of the Environment. LUKOIL and its subsidiaries were actively involved in this initiative, and held more than 100 events in the federal districts of Russia in which our enterprises operate. Reflecting our active role, LUKOIL projects were given a special award by the Ministry of Natural Resources and Environment of the Russian Federation.

Key environmental protection measures plan

During preparations for and the implementation of the Year of the Environment, the Russian Government approved a National Plan of Key Environmental Protection Measures. A number of LUKOIL ideas were incorporated into this document and a trilateral Cooperation Agreement was signed as part of the Year of the Environment between the Ministry of Natural Resources and Environment of the Russian Federation, the Federal Supervisory Natural Resources Management Service, and LUKOIL. The Company performed all its agreed upon obligations in 2017.

- the Usa and Yarega power generating centers were built in the Komi Republic

- a special site for oil production waste utilization was built in the Komi Republic, in accordance with legislative requirements¹
- a training exercise was held to simulate oil spill response times in icy conditions in the area surrounding the Varandey Terminal
- trainings were held on the rescue of animals affected by oil spills
- a project to introduce a marine environment quality management system at LUKOIL-Nizhnevolzhskneft deposits in the Caspian Sea for the period up to 2020 is being implemented; interim results were presented at the Caspian Day event in Astrakhan in August 2017

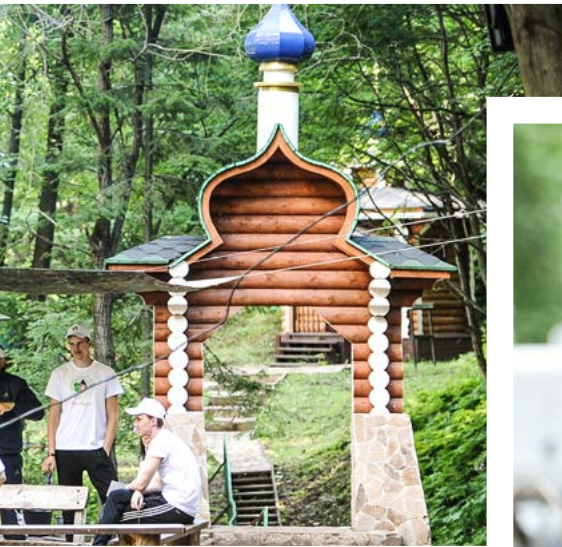
Elimination of accumulated environmental damage in the Arctic

LUKOIL supported a campaign of the government of Yamal-Nenets Autonomous Area to rehabilitate the ecosystem of the Bely and Vilkitsky islands in the Kara Sea. Volunteers from Russia, Israel, and Bulgaria, including environmental scientists and LUKOIL representatives, cleaned up over two hectares of territory and did a stocktaking of dangerous waste and abandoned infrastructure assets. More

than 100 soil, water, and vegetation samples were taken for further analysis, and two types of native grass were planted on a trial basis. The Company will provide support for another expedition of scientists and volunteers to the islands in 2018 to continue cleaning up the territory and to carry out scientific research into the local ecosystem.



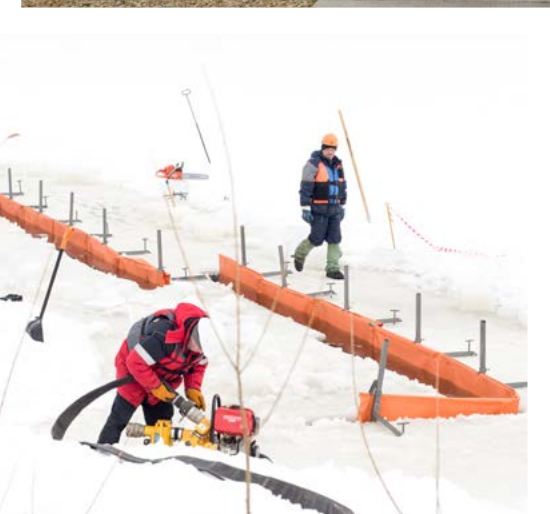
¹ Site for processing solid and liquid sludge at the West-Tebukskoye field.



> 100

measures

carried out in Russian federal districts



> 100

samples

of soil, water, and vegetation were taken in the Arctic for further analysis



Planting of trees



Target 11.7.

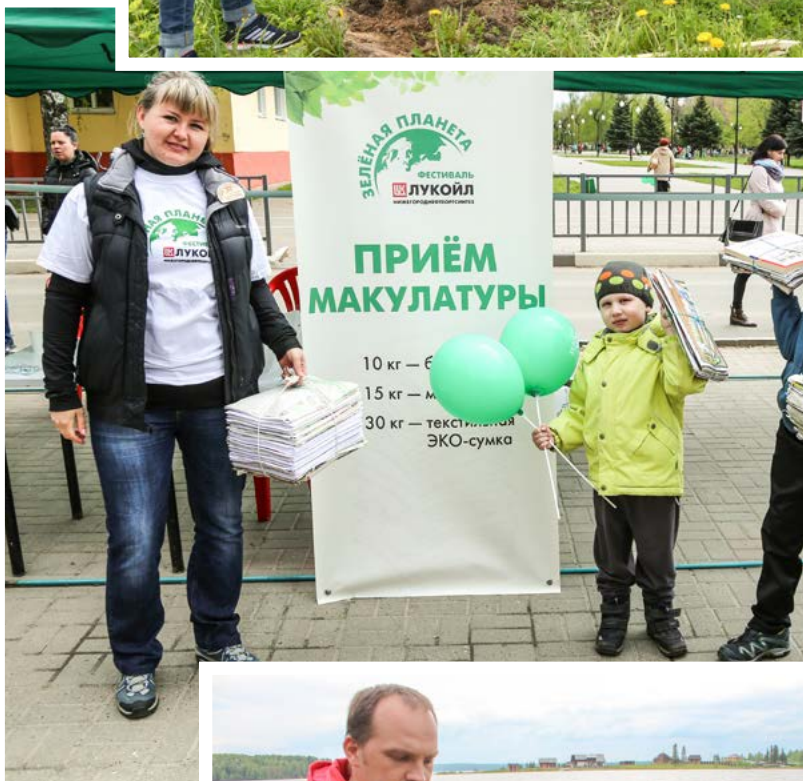
By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

In Sochi, young professionals from LUKOIL Group subsidiaries and students from the Sirius Educational Center planted olive trees in the Natural Ornithological Park in the Imereti Lowlands. Urban greening and the greening of LUKOIL Group subsidiaries' industrial sites are performed annually in all the areas where we operate. Voluntary Saturday clean-ups and environmental campaigns are held jointly with regional and local authorities and public and youth organizations.

Regional projects

Regional organizations engaged in improving the natural terrain (rivers, streams, springs, etc.) and land plots receive annual support through the Competition of Social and Cultural Projects. The following projects were supported during the Year of the Environment.

- **“A drop of water is more valuable than a diamond”** (the cleaning of Olga's Spring in Starotimoshkino village) and **“Forgive us, Prost, we have returned to you again”** (beautification of the banks of the Prost River). Both projects were performed in the Republic of Bashkortostan.
- **“Information databank of environmental problems”**: creation of a website where information on unauthorized landfills and the pollution of water bodies and parks can be posted (Samara Region).
- **“Energy of the Deep”**: the opening of an exhibition in the World Ocean Museum that acquaints visitors with offshore oil production and related environmental topics (Kaliningrad Region).



Improving the management system

The integrated corporate Health, Safety, and the Environment Management System was drafted based on the ISO 14001 and OHSAS 18001 international standards, as well as Russian law requirements and the regulations of the countries where LUKOIL Group subsidiaries operate. Compliance of the LUKOIL management system and 46 of its subsidiaries (covering 79.3% of average headcount during 2017) with

these standards was confirmed in 2017, based on the results of an independent audit.



A detailed description of the integrated management system is available on the corporate website, on the Company's website



Annual improvements are made to the integrated HSE Management System, which make it possible to raise the level of occupational and environmental safety. New tools began to be used at the Company in 2017, including leader safety visits with the participation of top management, the holding of Safety Days, and the implementation of cooperative plans with key contractors.

Improving management quality

In 2017, three-year targeted programs were developed, in line with decisions taken to align the planning of activities related to health, safety, and the environment with corporate medium-term planning procedures.

This approach will improve the quality of management as well as the productivity of the targeted programs, and take into account all the scheduled measures to be performed throughout an extensive

network of subsidiaries. These steps will foster an integrated approach to reducing industrial impacts and more effective risk management.

Targeted programs

The Environmental Safety Program of LUKOIL Group Subsidiaries for 2018-2020 and the Program of Health and Safety, Better Working Environment, Emergency Prevention, and Responses of LUKOIL Group Subsidiaries were evaluated in 2017 (and approved in early 2018).

substantially expanded: the document now contains over 900 initiatives to be performed at 53 subsidiaries (the previous program comprised around 600 initiatives at 44 subsidiaries).

Required Level of Health, Safety, and the Environmental at LUKOIL Group Subsidiaries”, in order to increase accountability for its performance at all management levels (the criteria of total material damage because of an accident have been made more stringent; criterion for the absence of accidents has also been included).

The contents of the Environmental Safety Program (“ESP”) of LUKOIL Group Subsidiaries for 2018-2020 were

HSE-related environmental aspects and risks by line of business and target indicators were updated when drafting the program. Amendments were made to the regulation to assess the key performance indicator “Ensuring the

ENVIRONMENTAL PROTECTION COSTS IN RUSSIA, RUB million

	2015	2016	2017
Total costs, including:	48,161	53,286	42,412
Capital expenditure	22,564	30,854	21,927

Note. Data include expenses related to the Group's Efficient APG Use Program. Costs related to the Environmental Safety Program of LUKOIL Group Subsidiaries (for the relevant period) include: waste removal and disposal, purification of emissions and discharges, environmental production controls and monitoring environmental components, biodiversity conservation, pollution clean-ups, and readiness to respond to emergencies and minimizing the risk of such emergencies arising (total operating and capital expenditure).

COSTS ON MEASURES UNDER THE PROGRAM OF HEALTH AND SAFETY, BETTER WORKING ENVIRONMENT, EMERGENCY PREVENTION, AND RESPONSES OF LUKOIL GROUP SUBSIDIARIES, RUB million

	2016	2017
Total costs on health, safety and fire safety, including:	9,288.2	12,307
Costs on ensuring fire safety ¹	1,753	1,925

¹ Pursuant to the federal targeted Fire Safety program in Russia up to 2017.

Risk management

We fully comply with the legislation of the countries in which we operate, and constantly analyze changes made to respective legislative requirements, thereby allowing us to promptly identify and assess potential risks.

The management of risks and the environmental aspects of operations forms an integral part of the overall corporate risk management system. A Register of Material HSE Risks and a Register of Material Environmental Aspects have been created and are

regularly updated. The materiality criteria when assessing risks are the likelihood and scope of the consequences of each identified risk, with due consideration of geographical factors.

Measures to mitigate potential risks are included in the targeted programs, with additional measures stipulated for material risks. The performance of these measures is monitored during the internal audits of LUKOIL Group subsidiaries and during the preparation of corporate reporting.

Voluntary civil liability, third-party liability, and environmental liability insurance are taken out for LUKOIL Group subsidiaries to protect against catastrophic risks.

All lines of business performed by LUKOIL Group subsidiaries are considered during risk identification and assessment, including the purchase of products and services from suppliers and contractors performing work at our facilities.

Environmental safety program

In 2017 the execution of the targeted Environmental Safety Program of LUKOIL Group Subsidiaries for 2014-2018 continued. After its consideration by the Health, Safety, and Environment Committee of PJSC LUKOIL, it was concluded that it was successfully implemented.



Target 8.4.

Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation.

ENVIRONMENTAL SAFETY PROGRAM IMPLEMENTATION RESULTS, 2014-2017

	2013 ¹	2017	2017/2013
APG utilization rate in Russia, %	87.7	95.2	↑ 7.5 p.p.
Air emissions of pollutants, thousand tonnes	735.5	502.5	↓ 31.7%
Discharge of undertreated and contaminated wastewater, million cubic meters	2.3	1.1	↓ 52.2%
Volume of water consumption for own needs, million cubic meters	432.9	376.4	↓ 13.1%
Volume of waste accumulated in the pre-privatization period ² , thousand tonnes	576 (at 31.12.2013)	304.5 (at 31.12.2017)	↓ 271.5 thousand t
Remediation of disturbed and oil-contaminated land, thousand hectares	3.06	9.2	↑ x3 times

Water use

Water is used at all stages of the production cycle in the oil and gas sector (from exploration drilling to refining crude into finished products and its delivery to consumers). At the same

time, people, animals, and vegetation also require water, which illustrates the social significance of sustainable water use. Access to clean drinking water is a fundamental human right.

¹ We compared the indicators with 2013, which was the previous year that the ESP was implemented.

² Pre-privatization period waste: waste accumulated at facilities in the period preceding their privatization and/or the acquisition of licenses by LUKOIL Group.



Target 6.3. By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Target 6.4. By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

Target 6.5. By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.

Water consumption

Despite the wide availability of water in Russia³ and the less pronounced impact of the oil and gas industry on the consumption of fresh water than other sectors of the economy⁴, improving the efficiency of water use and maintaining clean surface water and groundwater are very important objectives of the Company.

The HSE Policy³ of PJSC LUKOIL in the 21st Century contains obligations on the efficient use of natural resources, including water, and is aimed at:

- minimizing the consequences of business activity, including a reduction in the use of water resources
- reducing production dependence on possible adverse external factors, including natural ones (droughts, the drying up of surface water bodies, pollution of groundwater sources)

The bulk of LUKOIL Group’s production activity in Russia is performed in regions



The full text of the document can be found on the Company’s website



that do not now experience fresh water shortages. However, in other countries we factor in such potential risks as a shortage of drinking water, as well as possible droughts or floods, which could lead to water supply interruptions, a breakdown in the supply chain, and increased operating costs.

Prompt risk identification enables us to take corresponding measures (to install modern equipment, including that which reduces water use) to facilitate more efficient water use. Our basic approach to resolving the issue of sustainable water use is to introduce systems for reverse water supply and the reuse of water at production

enterprises and make the optimal utilization of water intake, including oil field water. New production facilities are equipped in all cases with systems for reverse water supply and the reuse of water and treatment facilities.

A wastewater and oil field water treatment facility was built at the Yaregskoye field (Komi Republic) in 2017. The facility will be used to generate steam required to extract high-viscosity oil. The amount of water taken from surface sources will be reduced due to the introduction of a closed water-use cycle at the field.

VOLUMES OF REVERSE WATER SUPPLY AND REUSED WATER AT LUKOIL GROUP SUBSIDIARIES IN RUSSIA, million cubic meters

	2015	2016	2017
Volume of reverse water supply	2,287.8	2,371.9	2,253.1
Volume of reused water	908	930.6	875.5

Comment. The fall in the volume of formation water produced with oil is due to a decline in oil production in Russia as a result of external limitations imposed under an agreement with OPEC.

Projects to provide local communities with drinking water are implemented as part of our social partnerships with the southern regions of Russia and in foreign countries with a hot climate.

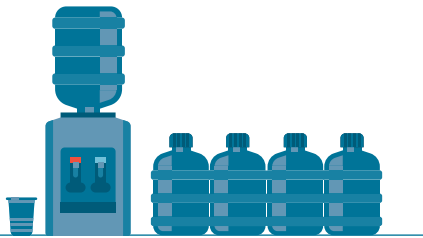
Through the implementation of the LUKOIL Environmental Safety Program we significantly reduced water consumption from natural sources: this indicator fell by 7.5% from 2015 to 2017.

Low levels of fresh water consumption are maintained by subsidiaries in all main production lines of business. In these conditions, general indicators of water withdrawal and water consumption are significantly influenced by electric power engineering subsidiaries, which are large consumers of water (used for steam generation and cooling equipment in central heating and power plants). The availability of these assets is a special

feature of the LUKOIL business model in comparison with other oil and gas companies. In 2017 the volume of water used for its own needs by electric power engineering subsidiaries amounted to 65.1% of the water consumption used for its own needs by Russian subsidiaries of LUKOIL Group.

³ See World Resource Institute <http://www.wri.org/resources/maps/aqueduct-water-risk-atlas>

⁴ See Water in the Energy Industry (BP International, 2013).



PROJECTS TO PROVIDE FRESH WATER IN IRAQ AND UZBEKISTAN

Our largest project for local residents in Iraq in 2017 entailed providing permanent access to water to residents of the Beit Zamel and Turaba villages.

The residents of the Beit Zamel village did not have full access to water for basic daily needs. Water had to be brought in by tanker truck, which was inconvenient and expensive. The village only recently became inhabited, and people were reluctant to move to it because of the issues with the water supply. With LUKOIL's support, all homes in the village were connected to the water supply. According to forecasts from the regional administration, a further 100 homes are earmarked to be built there in the near future.

In Turaba, which has 150 households, the water supply pump station did not have sufficient capacity to permanently supply all houses with water. This issue was resolved by installing a new electric pump.

LUKOIL supplies bottled water to 10 orphanages and boarding schools, where over 2,000 children and teenagers study in the cities of Bukhara and Qarshi in Uzbekistan.

TOTAL WATER WITHDRAWAL AND WATER CONSUMPTION FOR ITS OWN NEEDS BY LUKOIL GROUP SUBSIDIARIES IN RUSSIA, million cubic meters

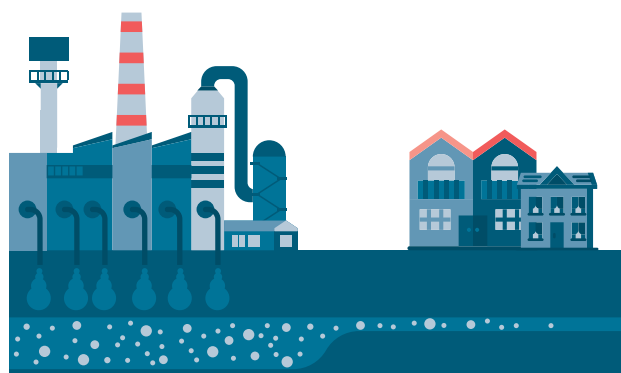
	2015	2016	2017
Total water withdrawal by LUKOIL Group subsidiaries in Russia, including:	526.8	522.2	511.1
a) by types of business activities			
Electric Power Engineering	350.1	345.1	331.9
Oil and Gas Production	112.4	112.3	109.5
Oil Refining, Gas Processing, Petrochemicals	62.9	63.3	68.5
Others	1.4	1.5	1.2
b) by source of water withdrawal			
from surface water bodies	305.9	297.4	279.7
from groundwater sources	78.7	77.1	76.1
from other sources (central water supply networks, etc.)	142.2	147.6	155.3
Water consumption for its own needs of LUKOIL Group subsidiaries, including:	413.1	415.9	376.4
a) by types of business activities			
Electric Power Engineering	276.1	275.0	245.0
Oil and Gas Production	101.1	100.3	96.6
Oil Refining, Gas Processing, Petrochemicals	34.5	39.1	33.5
Others	1.4	1.5	1.3
a) by purpose			
production needs (excluding consumption to maintain formation pressure)	304.8	307.4	278.2
formation pressure maintenance	79.2	76.4	74.0
others	29.1	32.1	24.2

Note. The water intakes of LUKOIL Group subsidiaries are also used to supply nearby enterprises.

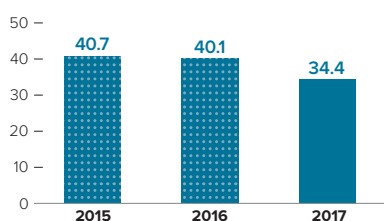
SPECIFIC WATER CONSUMPTION FOR ITS OWN NEEDS BY LUKOIL GROUP SUBSIDIARIES IN RUSSIA, WITH A BREAKDOWN BY MAIN BUSINESS ACTIVITIES

	2015	2016	2017
Oil and Gas Production, cubic meters/tonnes of reference fuel of produced hydrocarbons	1.0	1.0	0.95
Oil Refining, cubic meters/tonnes of refined oil	0.5	0.6	0.5
Petrochemicals, kg/tonnes of processed raw stock	12.8	6.2	7.3
Product Marketing and Distribution, cubic meters/tonnes of sold petroleum products	0.047	0.055	0.065
Midstream, cubic meters/tonnes of transported oil and petroleum products	0.045	0.039	0.017

Thanks to measures to decommission central heating and power plants equipment, the specific water consumption indicator at electric power engineering subsidiaries is falling. For example, in 2016-2017 a large unblocked section of the Krasnodar CHPP (LUKOIL-Kubanenergo) was decommissioned.



SPECIFIC WATER CONSUMPTION FOR ITS OWN NEEDS BY LUKOIL GROUP ELECTRIC POWER ENGINEERING SUBSIDIARIES IN RUSSIA,
cubic meters/tonnes of reference fuel consumed



DISPOSAL OF FORMATION WATER IN UZBEKISTAN

LUKOIL Uzbekistan Operating Company LLC adopted a strategy for the disposal of formation water at all gas production sites, by pumping it back into the formation. The company was the first in Uzbekistan to be issued a license to use subsoil to pump field wastewater into absorbing wells at fields. Under the terms of the licenses, field infrastructure for the complex of injection and monitoring wells must be developed at producing fields.

In 2016-2017 four injection wells were built at the Northern Shady, Kuvachi-Alat, and Kandym fields, as well as two monitoring wells in each area. The wells were successfully commissioned at Northern Shady and Kuvachi-Alat, and at Kandym the wells will begin to operate in conjunction with a gas refinery.

These projects allowed LUKOIL to move away from the surface disposal of field wastewater, significantly reduce emissions of pollutants into the atmosphere, improve air quality in the working areas of the treatment facilities, and minimize risks of environmental pollution during the discharge of industrial effluent.

Wastewater discharge

The environmental aspects of the formation and discharge of effluent into surface waters and central wastewater disposal networks are constantly monitored by the respective LUKOIL department and by specialists within its subsidiaries. Key measures to minimize the negative impacts of effluents on the quality of water bodies comprise:

- ensuring in-process monitoring of the quality of effluents
- commissioning new and/or renovating existing treatment facilities
- performing diagnostics and overhauls of pipeline transport

- building systems that initially separate and utilize formation water
- treating contaminated groundwater from drainage systems

We were able to put a complete halt to the discharge of undertreated effluent into water bodies at oil refining, petrochemicals, and electric power engineering subsidiaries.

In 2017 the main measures to deal with this issue at oil and gas production subsidiaries included building effluent treatment facilities at Yareganefit and LUKOIL-Komi (the facilities are scheduled for commissioning in 2018).

The ESP for 2018-2020 includes measures to design or upgrade biological treatment facilities at oil refining and petrochemical subsidiaries in order to maintain discharge treatment quality.

In 2017 the share of undertreated discharge in total wastewater disposed by LUKOIL Group subsidiaries continued to be insignificant (0.5%).

RANGE OF WASTEWATER DISCHARGES IN SURFACE WATER BODIES BY LUKOIL GROUP SUBSIDIARIES IN RUSSIA, million cubic meters

	2015	2016	2017
Wastewater discharges into surface water bodies, including:	268.4	244.0	236.4
clean according to standards	245.2	223.7	206.2
treated according to standards	21.8	19.5	29.1
undertreated	0.7	0.7	1.1
contaminated (untreated)	0.7	0	0

SPECIFIC DISCHARGES OF UNDERTREATED WASTEWATER BY LUKOIL GROUP SUBSIDIARIES IN RUSSIA

	2015	2016	2017
Oil and Gas Production, cubic meters/ tonnes of reference fuel of produced hydrocarbons	0.005	0.005	0.008
Oil Refining, cubic meters/tonnes of refined oil	0	0	0
Petrochemicals, cubic meters/tonnes of processed raw stock	0	0	0
Product Marketing and Distribution, cubic meters/tonnes of sold petroleum products	0	0.001	0.004
Midstream, cubic meters/tonnes of transported oil and petroleum products	0.003	0.002	0.008
Electric Power Engineering, cubic meters/tonnes of reference fuel consumed	0.102	0.003	0

Managing environmental impacts



Target 12.4.

By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

Target 12.5.

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Air emissions

Key measures to reduce emissions of pollutants comprise:

- the renovation and construction of new generating capacities at electric power engineering subsidiaries, with improved automated systems for controlling fuel consumption processes and heat losses and minimizing emissions of pollutants
- replacing or upgrading equipment at industrial sites according to the principle of best available technology

- improving the technology used in systems to capture and treat pollutant emissions

In 2017 we achieved a reduction in emissions of pollutants, chiefly through building facilities that use APG, which effected a drop in flaring, as well as the relaunch of the Lokosovsky Gas Processing Plant after its refurbishment.

The reduction in specific emissions of pollutants by electric power engineering subsidiaries in 2017 was primarily due to a reduction in the share of fuel oil in the fuel mix at the steam and heat generation facilities of LUKOIL-Volgogradenergo. The slight increase in specific emissions in 2017 by petrochemical subsidiaries was due to a reduction in product output from Stavrolen

TOTAL AIR EMISSIONS OF POLLUTANTS BY LUKOIL GROUP SUBSIDIARIES IN RUSSIA, thousand tonnes

	2015	2016	2017
Air emissions of pollutants, total, including:	541.9	627.5	502.5
NOx emissions	38.9	44.0	49.6
SO ₂ emissions	58.2	59.7	23.0
solid emissions	25.4	26.9	24.3
CO emissions	232.0	295.9	216.6
hydrocarbon emissions (net of methane)	184.7	199.2	187.8
other pollutants	2.7	1.8	1.2

SPECIFIC AIR EMISSIONS OF POLLUTANTS BY LUKOIL GROUP SUBSIDIARIES IN RUSSIA

	2015	2016	2017
Oil and Gas Production, kg/tonnes of reference fuel of produced hydrocarbons	4.5	5.5	4.1
Oil Refining, kg/tonnes of refined oil	0.9	0.9	0.9
Petrochemicals, kg/tonnes of processed raw stock	2.3	1.0	1.3
Product Marketing and Distribution, kg/tonnes of sold petroleum products	0.7	0.7	0.8
Midstream, kg/tonnes of transported oil and petroleum products	0.1	0.1	0.1
Electric Power Engineering, kg/tonnes of reference fuel consumed	2.9	3.7	2.6

Waste

Most production waste is generated during well drilling and operation, and its respective level depends primarily on the volume of drilling work. The main types of waste are drilling mud and waste drilling fluids, which under environmental hazard classification criteria belong to the hazard classes IV (low hazard) and V (non-hazardous), and are subject to disposal¹. The total amount of waste generated in 2017 stood at 1,434.0 thousand tonnes, of which 1,297.3 thousand tonnes (90.5%) constituted hazard class IV and V waste.

In 2015-2017 the Company made the transition to the concept of pit-free drilling, whereby drilling waste generated is not stored on drilling platforms, but is instead allocated for use or decontamination. Consequently, the volume of waste generated during the year is compatible with the total volume of waste used, decontaminated, and transferred to third-party organizations.

The increase in generated waste in 2017 (by 38.8%) was attributable to a rise in volumes of drilling work

(including horizontal well drilling, which requires drilling fluid to be replaced more frequently), the application of new regulations for accounting for drilling waste at LUKOIL-Western Siberia, and also significant volumes of disassembling and construction work carried out at LUKOIL-Nizhegorodnefteorgsintez and an increase in the sale of non-fuel goods (packaging and other household waste) in cafes and stores located at filling stations.

GENERATION OF HAZARD CLASS I-V WASTE AND WASTE-HANDLING AT LUKOIL GROUP SUBSIDIARIES IN RUSSIA, thousand tonnes

	2015	2016	2017
Waste generation, total	1,015.7	1,032.9	1,434.0
Amount of waste that was used, neutralized and transferred for use/neutralization by dedicated organizations, and buried	956.5	1,115.1	1,395.7
Annual volumes of waste disposal to new waste generation	0.9	1.1	1.0
Amount of waste at year-end	911.9	765.1	807.7

Note. Data on the volume of waste generated in 2017 are shown without rocky material produced during the excavation of oil wells at Yareganeft (fifth hazard class). Due to changes in the legislation covering waste-handling, since 2017 this waste has been accounted as storage waste and included in the balance sheet of waste generated at LUKOIL-Komi, where it will remain until it is utilized during the remediation stage.

MAIN TYPES OF WASTE FROM PRODUCTION ACTIVITY AND WASTE-HANDLING TECHNIQUES OF LUKOIL GROUP SUBSIDIARIES IN RUSSIA

Activity	Type of waste	Waste-handling technique
Production of crude oil and natural gas	Drilling waste	Waste is recycled by dedicated contracting organizations.
	Rocky material produced during underground mining	When developing oil fields using mining methods (in the Komi Republic), rocky material is brought to the surface and piled in waste heaps – it is not subject to decontamination.
	Oil-contaminated waste	Oil-contaminated waste at oil and gas production subsidiaries primarily comprises oil-contaminated soil and sludge from tank and pipeline purging operations. LUKOIL uses tried-and-tested disposal (microbiological destruction) and decontamination (thermal treatment) techniques.
Oil and gas refining	Oil-contaminated waste	Oil-contaminated waste at oil and gas refineries mainly comprises sludge from tank and pipeline purging operations, oil/petroleum products entrapped in process water, etc. Disposal methods include slop oil being fed back into the technological process, and sludge being decontaminated at dedicated processing facilities.
	Silt from biological treatment facilities	Forms during the treatment process that removes organic compounds from water used for production and service water. Excessive biosilt is regularly removed from treatment facilities, then dried, and sometimes used in other operations (for example as fertilizer).
Production and distribution of electricity, gas, and water	Sludge produced during the chemical treatment of water	This waste is deposited in landfills.

¹ Hereinafter the term "disposal" is used within the meaning "use, neutralisation, and transfer to specialised organizations for processing and disposal."

The Company disposes waste accumulated in the pre-privatization period at LUKOIL Group subsidiaries in Russia from its own funds. Measures taken in 2017 allowed us to reduce the total amount of such waste by 41.1 thousand tonnes compared to

2016 (to 304.5 thousand tonnes as at 31 December 2017).

We pay close scrutiny to the quality of waste disposal work performed by contractors, and monitor their activities under the contracts concluded. We check waste-handling techniques, the

condition of the production control system, and ensure that sufficient resources are available to perform contractual obligations. Cooperation between subsidiaries and contractors to improve the quality of their output is constantly expanding.

Land remediation

Oil and gas production activity is unavoidably tied to the acquisition of land, and can lead to the contamination of soil, as well as a deterioration in the habitats of plants and animals. Each year, measures are taken under the Environmental Safety Program to remediate contaminated land.

Our longstanding working relationship with the UNDP/Global Environmental Facility (UNDP-GEF) and the Ministry of Natural Resources and Environment of the Russian Federation has enabled us to choose efficient remediation

techniques for the natural restoration of biodiversity, including:

- the dredging of wetlands: a less impactful method for removing surface contamination that does not disturb native vegetation sprouts
- active adsorption of oil on flooded areas
- microbiological methods of soil bioremediation, using biological substances
- melioration and agricultural methods for oil stripping
- a two-tier system for protecting water courses during the remediation of coastal land

- a rotary cultivation system used in difficult-to-traverse swampy areas

LUKOIL-Komi has stepped up its remediation activity on disturbed land: work is being performed to eliminate three sludge pools that do not conform with current requirements in the Usinsk District, with a total area of seven hectares. Work is planned by 2019 to liquidate an additional 14 completed sludge pits at the Usinskoye and Vozeiskoye fields.

REMEDICATION OF DISTURBED AND OIL-CONTAMINATED LAND BY LUKOIL GROUP SUBSIDIARIES IN RUSSIA

	2015	2016	2017
Area of remediated land, hectares	3,527.7	8,409.5 ²	9,197.3 ³
including oil-contaminated land, hectares	165.8 ⁴	98.3 ⁴	93.3
Contaminated land on the balance sheet of subsidiaries at year-end, hectares	138.1	78.0	59.7



ENVIRONMENTAL PROJECTS IN ROMANIA

A joint five-year project between the Rotary Club and PETROTEL-LUKOIL S.A. on the landscaping of a former landfill in the city of Ploiesti (Romania) was completed in 2017. The partners of the project comprised the Mayor's Office of Ploiesti, the National Forestry Agency Romsilva, the Prahova Administration, and the Prahova Educational Inspectorate.

² The level of remediation rose in 2016 to ensure prompt compliance with changes to regional Russian law.

³ In 2017 the Area of remediated land indicator included actually remediated land, as well as undamaged land returned to the land fund after the end of production.

⁴ The data were adjusted based on the results of the recalculation.

Biodiversity conservation

Maintaining natural ecosystems and biodiversity has significant economic, environmental, and social importance, ensures a productive habitat, and is

an important aspect in human health. Our goal is to conserve the diversity of natural biosystems in the areas where the Company operates, and to use them

in a way that does not threaten their capacity for self-regeneration.



Target 14.1.

By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.

Target 14.2.

By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.

Target 15.1.

By 2020, ensure the conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services.



Target 15.2.

By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation globally.

Target 15.5.

Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

Principles and methods of activity

Our activity to preserve biodiversity is performed based on the principle “prevent – reduce – rehabilitate – compensate”, which is applied at all stages of the life cycle of oil and gas production projects.

At the early stages, an environmental impact assessment (EIA) of the planned projects is performed, during which background information is collected on the condition of the ecosystem on

the territory of the projected activity (including the condition of valuable and protected flora and fauna). The data received are considered when selecting the site for production facilities, and if necessary alternative project implementation scenarios are considered. The risk of damaging biodiversity is assessed, as are the forecasted environmental and related social and economic ramifications of this damage.

At the operating stage we take measures to reduce and mitigate the impact of production hazards and risks, including measures to prevent the introduction of invasive species. The measures being taken and the action plans are adjusted based on an assessment of environmental monitoring results. We pay special attention to our emergency response readiness and our ability to liquidate potential impacts and to save animals, birds, and plants.

Environmental monitoring

The company uses advanced technologies to ensure environmental safety, investing significant funds in this objective. The integrated industrial environmental control system (IEC) in place at its offshore facilities helps assess environmental impacts in a timely manner. The innovative quality of the IEC



The results of environmental monitoring at offshore facilities have been published annually on our website since 2003. During our 15 years of observation, there have been no instances of Company facilities having a material impact on the marine environment and eliciting a response



lies in the comprehensive observation and monitoring of all natural and man-made environments at all stages of the life cycle of the facility, with the help of satellite data, underwater observations (sea-floor monitors and geophysical observatories), and measurements taken directly at the facilities and in the immediate environs.

Targeted programs

Key biodiversity conservation measures consist of the implementation of protection systems for fish and birds; compensation for damage to marine bioresources; silt control in small rivers, including in the underwater passages of pipeline systems; the remediation of disturbed and oil-contaminated land;

Research and development work

The Research and Development Program is aimed, among other things, at studying the biological diversity of ecosystems and reducing the impact of production.

Training to rescue animals

LUKOIL applies and passes on biodiversity conservation best practices.

Training and exercises on rescuing animals in the event of oil spills were held in 2017. Many stakeholders took part in the project, including the Ministry of Natural Resources and Environment of the Russian Federation, the joint project between the UNDP-GEF and the Ministry of Natural Resources of the Russian Federation Biodiversity Conservation in the Policies and Development Programs of the Energy Sector in Russia, the World Wildlife Fund (WWF) of Russia, a number of environmental and nature conservation organizations, and the international SEA ALARM Foundation. The Varandey Terminal and LUKOIL-Komi were chosen as the base sites.

The goal of the training was to implement best practices in rescuing and rehabilitating wildlife resources in the event of spills of oil and petroleum products. International experts held table-top exercises based on a simulated event and a two-week practical course

A corporate procedure has been developed to facilitate the prompt interpretation of environmental monitoring results. For example, the system for assessing the intensity of impacts of oil production on the marine environment is reflected in the LUKOIL-Nizhnevolzhskneft corporate

and the greening and beautification of industrial facilities. Specific measures are planned and performed under the medium-term Environmental Safety Programs of the LUKOIL Group.

The LUKOIL Group has Biodiversity Conservation Programs for Company

For example, in 2017 research was carried out into lacustrine-boggy landscapes in petroleum provinces in the sub-Arctic and Arctic Zones of Russia.

standard regarding the organization of environmental monitoring using sea-floor monitors and the identification of sources of hydrocarbon pollution in the Caspian sea basin during the development of oil and gas fields.

subsidiaries in the Arctic Zone of the Russian Federation. As part of this program subsidiaries working in this zone (LUKOIL-Western Siberia, LUKOIL-Komi, and Varandey Terminal) draft their own programs and action plans to conserve rare types of flora and fauna (indicator species).

The development of technologies and equipment to remove oil and petroleum products from bodies of water also continued.



“The training at Naryan-Mar was a unique experience, because the participants included the directors and management personnel of companies. We know of no other case where an oil and gas company was able to dedicate an entire week to on-the-job training on this issue. This is the only way to build a sensible corporate response system in the event of an oil spill.”

HUGO HIJKAMP,
Sea Alarm Foundation General Manager

on organizing the search and capture of oil-covered birds and the correct way to treat them.

A corporate document will be drafted that summarizes the training results. The knowledge received began to be shared in 2017 and this document will make it

possible to share the experience gained with all LUKOIL Group subsidiaries. For example, LUKOIL-Nizhnevolzhskneft specialists held a similar seminar in the Northern Caspian with the participation of the Astrakhan Nature Reserve and the non-governmental organization Friends of the Astrakhan Nature Reserve. The

seminar's methods and materials can be used in creating an integrated regional response and preparedness centers for the protection and rescue of wildlife.

Replenishment of marine biological resources

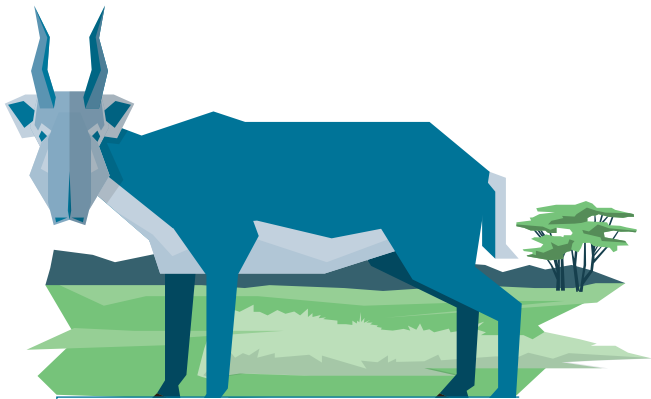
As part of the implementation of its environmental program, LUKOIL performs wide-ranging work to replenish fish stocks. In 2017, around 95.7 million fingerlings of valuable species of fish (including sturgeon, walleyes, starlet, and pike) were released into rivers and other bodies of water in the regions where the Company operates.

The most intensive work to artificially stock bodies of water is being performed in the Khanty-Mansi Autonomous Area-

Yugra, the Komi Republic, the Perm Territory, and the Astrakhan Region. A total of RUB 280.2 million was spent replenishing fish stocks in 2017.

We believe the implementation of LUKOIL's program to conserve biodiversity and local ecosystems has made a significant contribution to increasing fish numbers in local bodies of water.

Volunteers from LUKOIL Uzbekistan Operating Company LLC in Tashkent (Uzbekistan) and their families held an urban greening event called "Give the Planet a Tree!". During the event they planted over 100 trees, including birch and Crimean pine, as well as rose bushes and various types of juniper bushes.



PRESERVATION OF SAIGA POPULATION

With the support of LUKOIL, the Directorate of the Steppoy Wildlife Sanctuary (Limansky District, Astrakhan Region) is implementing the Saiga - Antelope of the Steppe project. The main aim of the project is to preserve the Saiga population in the northwest Caspian Sea Region. This species is on the verge of extinction, and the implementation of the project will make it possible to prevent a further decline in the number of Saiga and preserve the biodiversity of the steppe of the Limansky District of the Astrakhan Region.



ENVIRONMENTAL EDUCATION FOR SCHOOLCHILDREN

We continue to support the largest environmental education program in Romania, EcoAtitudine. In 2017, around 95,000 students from 230 schools took part in program-related events. In Romania we also support the "Think Green, Think Clean" program of the Environmental Protection Agency of Prahova County: a summer "environmental school" has been organized for schoolchildren, with classes held in a local park.

In 2017 workers of the refinery in Bulgaria (LUKOIL Neftochim Burgas AD) held lessons for students of three schools in the city of Burgas. They discussed human impacts on wildlife and our responsibility to preserve wildlife and the environment for future generations.

Ensuring the integrity of production facilities

We believe that improving the reliability of pipeline systems and lowering the accident rate at production facilities are

key components of industrial safety. We take a systematic approach to this, employing state-of-the-art technologies

Improving the reliability of pipeline transport

LUKOIL manages a well-developed pipeline system that comprises the most extensive system of offshore pipelines among Russian oil and gas companies. Efforts to ensure the reliability of the pipeline transport system are comprehensive and multifaceted in nature: we record all breakdowns in the integrity of the pipelines, analyze the reasons, and search for solutions that will ensure reliable and safe operation in the future.

Leveraging our extensive experience in operating pipeline transport in different geological and weather conditions, we select the optimum engineering solutions and apply the most tried-and-trusted methods.

Key measures to renovate and overhaul pipelines are planned as part of LUKOIL's investment program, with the investment cycle lasting at least 2.5 years.

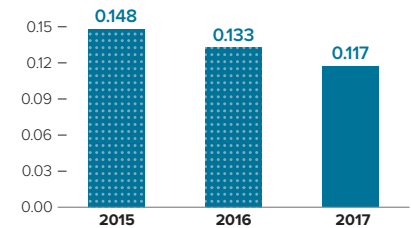
Diagnostics, the overhaul of pipelines, and the application of corrosion inhibitors are performed as part of operating activity, with some measures being performed under the Environmental Safety Program. Pipes made from modern materials, including new grades of steel, and with various protective coatings, are used when building and replacing pipelines.

Pipelines with anticorrosion performance were increased from 23.6% of the total in 2016 to 25.2% in 2017 (from 10,726 km to 11,755 km, respectively).

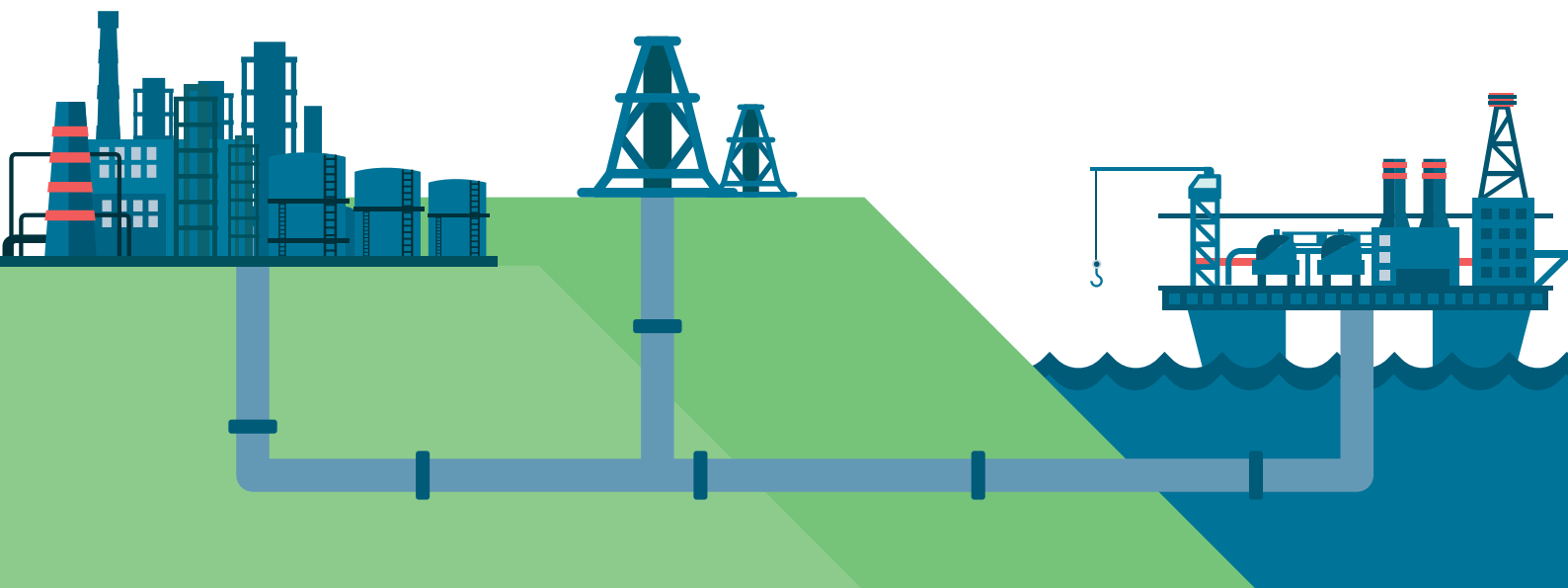
Our goal is to further improve industrial quality controls, including monitoring the actions of contractors in performing responsible technological processes at wells.

Through investment and sound engineering decisions we achieved in 2017 the lowest specific rate of pipeline failure for LUKOIL Group oil and gas production subsidiaries in Russia in the past six years: 0.117.

SPECIFIC RATE OF PIPELINE FAILURE¹, instances x km/year



¹ A pipeline failure refers to a malfunction involving a sudden full or partial pipeline shutdown due to a breakdown in the seal of the pipeline itself or the shut-off and control valves, or due to a pipeline blockage. Consolidated pipeline length figures are used when calculating results: oil pipelines, gas pipelines and water pipelines.



Implementation of the program to increase the reliability of pipelines in the Komi Republic

Increasing the reliability of the pipeline system in the Komi Republic is one of the Company's priorities. The replacement of pipelines in the region has increased substantially over the past three years: in 2017 this indicator exceeded the Company average by 1.3 times (in 2017, 3.6% of the total length of pipelines).

The Komi Republic is distinguished by having a combination of unique factors not present in any other oil and gas province in Russia which significantly affect the construction and operation of pipelines. Soil composition, the low load-bearing ability of the soil, and the formation conditions of the field all contribute to creating a highly corrosive environment (the rate of metal corrosion can reach 22 mm/year). Hence LUKOIL must, on the one hand, apply three times more corrosion inhibitor to protect pipes than in other regions (31% in Komi, 10% in other Russian regions), and, on the other, find technologies that will help extend the accident-free work of pipeline transport.

Steel pipes with internal and external anticorrosion coating are used effectively in this region. Every year when steel pipes are replaced, this type of pipe accounts for a much greater share of the total in Komi than the average for the Company. Their length equaled 1,100 km in 2016 and 1,335 km in 2017.

In 2017 we began the full upgrade of the 33-km Makariel-Shchelyayur pipeline, including the replacement of a section passing through the Pechora River (Izhma District). The completion of the project is scheduled for 2018.

The overall results of activities to increase the reliability of pipelines in the Komi Republic in 2017 compared to 2016 are as follows:

- an increase in the length of pipelines with corrosion inhibitors from 2,198 km to 2,282 km, representing over 30% of the total length of the Komi Republic pipeline system
- a rise in the total replacement of pipelines to 269 km (3.6% of the total length of pipelines)
- technical diagnostics being expanded to 1,768 km of pipelines



269

km

of pipelines replaced



1,786

km of pipelines

scope of technical diagnostics



> 30%

of the total length of the pipeline system in the Komi Republic is protected against corrosion



Study of global best practice

In 2017 a meeting was held between LUKOIL specialists and the specialists of leading oil and gas companies and engineering centers in China and the USA to study the equipment used in offshore production and repair technologies of underwater

pipelines, and also methods to increase the reliability of upstream pipeline operations in harmful environmental conditions. Based on the results of visits and existing technical and regulatory documentation on the operation of oil and gas field equipment and

pipelines, a new corporate standard on corrosion protection was drafted¹, with implementation expected to begin at LUKOIL-Komi. After testing, the standard will be applied at all the Company's oil production subsidiaries.

Participation in the legislative process

LUKOIL professionals play a proactive role in the drafting of Russian federal legislation regulating the safe operation of pipelines: in 2017 work was performed to draft federal norms and rules on the safe operation of in-field

pipelines, as well as to draft national standard on the protective coating of the internal surface of pipes used in the oil industry. Standardization of respective requirements will enable all Russian companies to determine more

accurately the coatings that are most effective for use in different conditions, thus increasing the level of industrial and environmental safety and reducing the number of oil spills throughout the country.

Use of unmanned technologies

We are looking at the experience in applying new technologies, such as drones, including for the purpose of monitoring the integrity of pipelines and rapidly responding to unauthorized actions from third parties. The Research

and Technology Board of LUKOIL is assessing various technologies that could be used at the Company's facilities. Aerial vehicles from different manufacturers are being tested at LUKOIL Group subsidiary sites in order to

determine their potential value and use. Based on the test results there are plans to adopt a decision on the expedience of using them, and the terms governing their practical use.

Oil spills

In 2017 the total amount of oil and petroleum products spilled dropped by 13.6% in comparison with 2016, despite the fact that the number of accidents affecting the environment rose.

Based on 2016 data, LUKOIL's indicator for oil spilled was low compared to other oil and gas companies². In 2017, the Group's overall dynamics improved.

tie-in into a pipeline in West Siberia, all other incidents combined accounted for 5.7% of the total volume of oil spilled.

Apart from one large spill, which occurred as a result of an unauthorized

In 2017, two incidents resulted in environmental damage and oil being spilled into water bodies.

VOLUME OF OIL AND PETROLEUM PRODUCTS SPILLED DURING INCIDENTS

	2016	2017
Volume of oil and petroleum products spilled during incidents, thousand tonnes	0.26	0.22
Specific spills rate (kg of oil and petroleum products spilled per thousand tonnes of oil and gas condensate extracted)	3.1	2.7

Note: The specific factor is calculated on the basis of the volume of oil and gas condensate production in Russia (excluding the share of dependent organizations).

¹ For example, LUKOIL-Komi Oil Field Pipelines of Regional Production Enterprises of LUKOIL-Komi. Corrosion Monitoring System, LUKOIL-Nizhnevzhskneft Repair of Offshore Pipelines technical regulation.

² According to the reports of the following companies: Rosneft (2016 Sustainability Report, page 57), BP (2016 Sustainability Report, page 8), Shell (2016 Sustainability Report, <http://reports.shell.com/sustainability-report/2016/data-and-reporting/environmental-data.html>).

Incidents

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

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

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

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

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

Regular staff training courses on the following topics is planned:

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

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

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

Work was organized with the federal executive authorities to improve the

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

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

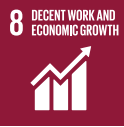
On 5 October 2017 there was another incident at LUKOIL-Nizhegorodnefteorgsintez. An accident occurred during the installation of the fire extinguisher system for tank R-1549 in the marketable product and crude storage unit, which led to a fire. At the time this Report is issued, an investigation into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



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

VAGIT ALEKPEROV,
PJSC LUKOIL President and CEO

Employee health and safety



Target 8.8.


Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

We seek to comply with global best practices when it comes to the health and safety of our employees and we have set ourselves the following goal: to reduce the number of on-the-job injuries through planned and systematic actions aimed at improving health and safety conditions.

The actions of LUKOIL Group's Program of Health and Safety, Better Working Environment, Emergency Prevention, and Response for 2017-2019 aim to prevent accidents and injuries, implement a culture of work safety, provide employees with protective equipment, deliver training and instruction, and prevent work-related illnesses, among other goals.

LUKOIL allocates significant funds to implement health and safety measures. In 2017, RUB 12,307 million was allocated to finance program measures

The description of the relevant management system can be found on the Company's website

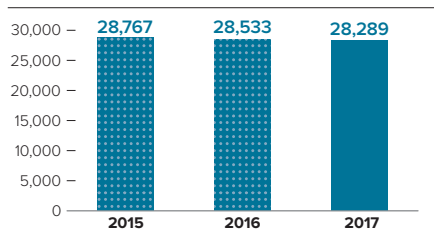



Working conditions improvement

The number of employees engaged at workplaces with potentially harmful working conditions (3rd class) decreased.

For the second consecutive year, the Company has fully eliminated workplaces with harmful working conditions of 3.4th subclass (the highest subclass of the 3rd class). The Company also has no workplaces with dangerous working conditions (the 4th class).

CHANGE IN NUMBER OF EMPLOYEES ENGAGED AT WORKPLACES WITH HARMFUL WORKING CONDITIONS AT RUSSIAN LUKOIL GROUP SUBSIDIARIES, people



Injury rate

According to data for 2016, the injury rate at Russian subsidiaries of LUKOIL Group was lower than the injury rate of the industries in which Russian subsidiaries of LUKOIL Group operate¹. In 2017 we managed to considerably improve the values of indicators related to injuries, such as the lost time accident frequency rate and the total number of lost time injuries in Russian subsidiaries.

We carefully investigate each accident, determine the causes, and analyze all circumstances surrounding it in

order to prevent any repeat accidents in the future. (The incidents in 2017 mainly related to road traffic accidents, rockslides, and injuries due to high voltage.)

The total number of injured employees at such accidents in Russia dropped over three years by a third, including at LUKOIL Group subsidiaries (by 33%), and contractor organizations (by 33%). Nevertheless, despite the reduction in the total number of accidents and injuries, there was a rise in the number of fatalities at contractor organizations.

Over three years the total number of accidents at Russian subsidiaries fell by 33%, and at foreign subsidiaries by 50%; the lost time accident frequency rate (LTAFR) dropped by nine and 14 points, respectively.

¹ The comparison is based on the bulletin Occupational injuries in the Russian Federation in 2016, source: the website of the Federal State Statistics Service (http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/). The injury rate is understood to mean the number of fatalities and lost time injuries (for one business day or more) per 1,000 employees. The comparison was performed for the following industries: production of crude oil and natural gas and the provision of services in these areas, the output of petroleum products, electricity generation, and pipeline transportation).



INDICATORS RELATED TO OCCUPATIONAL INJURIES AND DISEASES AT RUSSIAN SUBSIDIARIES OF LUKOIL GROUP

	2015	2016	2017
Total number of occupational accidents	24	18	16
Number of injured employees (total number of injuries ¹), including:	30	27	18
number of fatalities (FA)	7	4	3
number of lost time injuries (LTI)	23	23	15
Number of employees with occupational diseases established for the first time	7	6	5
Lost time accident frequency rate (LTAFR)	0.28	0.21	0.19
Severity rate (SR)	81.0	69.7	71.6
Occupational disease rate (ODR)	0.082	0.070	0.060

INDICATORS RELATED TO OCCUPATIONAL INJURIES AND DISEASES AT RUSSIAN SUBSIDIARIES OF CONTRACTOR ORGANIZATIONS

	2015	2016	2017
Total number of occupational accidents	24	22	16
Number of injured employees (total number of injuries ¹), including:	29	28	20
number of fatalities (FA)	7	8	10
number of lost time injuries (LTI)	22	20	10

Note. Lost time accident frequency rate = Number of occupational accidents in the reporting period * 1000 / Average headcount of employees in the reporting period. Injury severity rate = Number of days of temporary incapacity for work (due to occupational accidents) according to the closed sick leave certificates in the reporting period / Number of accidents for which sick leave certificates were closed in the reporting period. Occupational disease rate = Number of persons with newly established occupational diseases in the reporting period * 1000 / Average headcount in the reporting period.

¹ If an employee was injured more than once during the reporting period, each instance is recorded as a separate injury.



INDICATORS RELATED TO OCCUPATIONAL INJURIES AND DISEASES AT LUKOIL GROUP FOREIGN SUBSIDIARIES

	2015	2016	2017
Total number of occupational accidents	8	1	4
Number of injured employees (total number of injuries ¹), including:	8	1	4
number of fatalities (FA)	0	0	1
number of lost time injuries (LTI)	8	1	3
Number of employees with occupational diseases established for the first time	0	0	0
Lost time accident frequency rate (LTAFR)	0.38	0.05	0.24

INDICATORS RELATED TO OCCUPATIONAL INJURIES AND DISEASES AT LUKOIL GROUP CONTRACTOR ORGANIZATIONS

	2015	2016	2017
Total number of occupational accidents	4	4	4
Number of injured employees (total number of injuries ¹), including:	5	4	5
number of fatalities (FA)	2	0	0
number of lost time injuries (LTI)	3	4	5

Note. Lost time accident frequency rate = Number of occupational accidents in the reporting period * 1000 / Average headcount of employees in the reporting period. Injury severity rate = Number of days of temporary incapacity for work (due to occupational accidents) according to the closed sick leave certificates in the reporting period / Number of accidents for which sick leave certificates were closed in the reporting period. Occupational disease rate = Number of persons with newly established occupational diseases in the reporting period * 1000 / Average headcount in the reporting period.

¹ If an employee was injured more than once during the reporting period, each instance is recorded as a separate injury.

We believe the main way to reduce injuries is to further improve the HSE Management System of LUKOIL Group and to increase the motivation of employees and management of subsidiaries to ensure safe work.

In 2017 the Company began implementing new tools to increase safety levels in this regard:

- over 200 leadership safety visits were held, with the participation of

line managers – from the senior vice president of PJSC LUKOIL to the management of subsidiaries

- Safety Days were held throughout the Company, with the participation of key contractors
- Cooperation Plans with key contractors on health, safety and environment issues were introduced at LUKOIL Group subsidiaries

In order to further improve health and safety, plans are under way to bolster work in the following areas:

- improve the operational efficiency of decision-making to prevent and/or resolve emergencies
- increase the commitment of both management and employees in ensuring and complying with safe working methods
- establish the necessary terms and conditions to prevent emergencies at contractor (subcontractor) organizations

Maintaining employee health

Against a backdrop of a low level of work-related illnesses at LUKOIL Group subsidiaries, the vast majority

of registered instances were identified at the Yareganefit oil mining division of LUKOIL-Komi, among mine workers,

timber workers, and oil and gas production operators.



IMPROVING THE WORKING CONDITIONS AT OIL MINES

The Yareganefit oil mining division is developing one of the oldest Timan-Pechora fields, Yaregorskoye. Operations began back in 1939. This is the only location in Russia where oil is extracted, in part through the underground thermal mining method. As in any mining method to extract minerals, the extraction method has its shortcomings – for example working in a constricted space, and heightened noise levels, vibrations, and temperature.

To reduce the impact of these adverse factors, state-of-the-art extraction technologies are being implemented at the division which will significantly reduce health risks for workers. The working conditions have also been improved thanks to the introduction of new air conditioning and ventilation systems, retrofitting of the pumping fleet, the acquisition of equipment that eliminates contact with vibration sources, the installation of computer equipment, reduction in the share of manual labor, and the use of individual protection gear.

In addition, we are implementing measures to facilitate the early identification of an employee's susceptibility to work-related diseases, thus making it possible to promptly transfer that employee to another job which does not involve contact with industrial health hazard sources.

We believe these and other measures will have a positive impact on employee health, in particular on employees who have worked for a long period at mines. Over time this will help dramatically reduce the number of registered work-related illnesses.

Interaction with trade unions on health and safety issues

The International Association of Trade Union Organizations of PJSC LUKOIL (IATUO) is dedicated to safeguarding the legal interests and rights of employees to healthy and safe working conditions and to working jointly on these issues with the administration of the Company on the basis of social partnership principles.


Trade unions that are members of IATUO pay particular attention to the quality of employee training on safe working

techniques and methods, compliance with safety requirements, prevention of occupational injuries and diseases, the status of medical services, the provision of individual and group protection gear, and notification of employees about work safety and other areas designed to inculcate a culture of work safety.

IATUO includes an institute of technical labor inspectors and around 2,000 authorized employee representatives

dealing with health and safety issues. These employees monitor compliance with the occupational safety obligations of the Company contained in the collective bargaining agreements of LUKOIL Group subsidiaries.

Additional information on the structure of the technical labor inspectorate of IATUO of LUKOIL is available on the website



Health and safety training

Each year LUKOIL Group subsidiaries carry out actions to increase employee awareness surrounding industrial, fire, and occupational safety, to develop the required skills and to increase the quality of training in this area. Main actions include:

- the delivery of face-to-face and remote training, retraining, and advanced training of employees
- updating health and safety training and control programs
- the deployment of a special training system for staff operating hazardous equipment
- increasing safety related communications

To develop a culture of safety and to perfect the actions required in emergencies, LUKOIL organized a mass training of employees in 2017 on the topics “Health and Safety” and “Providing First Aid To Those Injured At Work”. A decision was taken to make extensive use of situational training simulators. Such simulators are used to practice the actions to be taken in the event of emergencies and also improve the technical skills required for the safe operation of complex equipment.

By leveraging the advantages offered by distance learning systems (DLS), employees can independently enhance their skills, test how well they have

assimilated the materials on each topic, and undergo certification procedures. In 2017 programs were undertaken to raise the quality of DLS education and, in particular, to provide additional training.

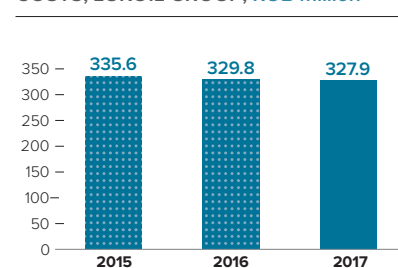
In 2017 a total of 57,513 employees at Russian subsidiaries and 12,670 at foreign subsidiaries attended various types of health and safety training courses.

In 2018 there are plans to implement a project to use electronic briefings in the DLS system.

TOTAL AMOUNT OF HEALTH AND SAFETY TRAINING, man-hours

Subsidiaries	2015	2016	2017
Total, including:	57,332	47,560	56,481
Russian subsidiaries of LUKOIL Group	38,783	33,898	42,114
Foreign subsidiaries of LUKOIL Group	18,549	13,662	14,367

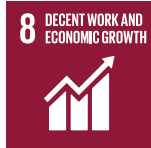
TOTAL HEALTH AND SAFETY TRAINING COSTS, LUKOIL GROUP, RUB million



Note. Data for 2015 relate to the Russian subsidiaries of LUKOIL Group; data for 2016 also include information on the organizations OOO LUKOIL Uzbekistan Operating Company and LUKOIL MEDIUM EAST LIMITED.

Personnel



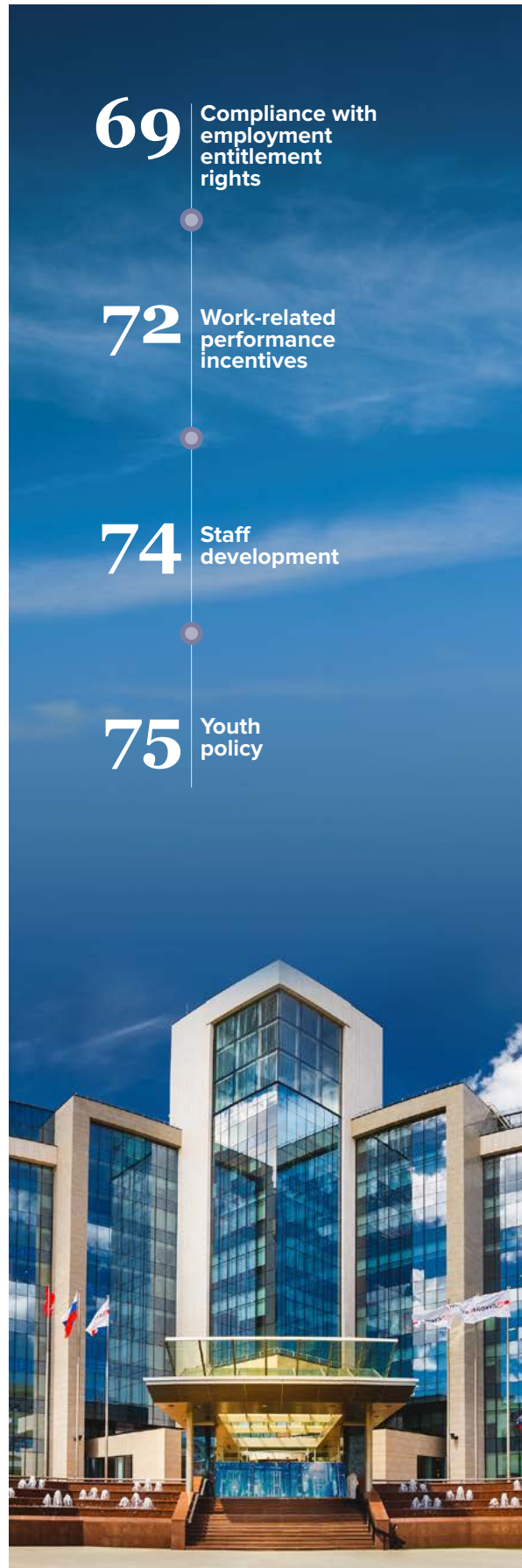


Target 8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Target 8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.



Target 10.3. Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies, and practices.

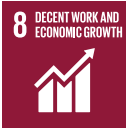


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**Target 8.3.**

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Target 8.5.

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

**Target 10.3.**

Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies, and practices.

Our HR Strategy is guided by the general strategy of LUKOIL Group and focuses on stable, long-term development based on traditions and many years of experience in the Russian oil industry. Our aim is to utilize our staff's potential to the fullest, thus strengthening the Company's key competitive advantages and boosting our ability to rapidly adapt to changes in external factors and successfully implement innovations. Our underlying principles and the basis for a relationship with employees and trade unions focus on strict adherence to all legislative and social norms.

The staffing structure has remained stable over the past three years:

- the ratio between men and women employed is roughly equal, with a slightly larger number of men, which is attributable to the operating specifics of the industry in which the Company operates (as at 31 December 2017, 59% of the Company's employees were men and 41% were women)
- employees under the age of 35 account for approximately 40% of all employees¹
- the ratios between different categories of employees were virtually unchanged.

Average headcount in 2017 stood at 103,647. Around 83% of employees worked at Russian subsidiaries.

AVERAGE HEADCOUNT, employees

	2015	2016	2017
Total for LUKOIL Group, including:	107,040	105,539	103,647
Russian subsidiaries of LUKOIL Group	84,739	85,391	85,790
Foreign subsidiaries of LUKOIL Group	22,301	20,148	17,857

HEADCOUNT AS AT 31 DECEMBER OF EACH YEAR , employees

	2015	2016	2017
Total for LUKOIL Group, including:	111,331	110,101	107,405
Russian subsidiaries of LUKOIL Group	89,167	90,112	89,323
Foreign subsidiaries of LUKOIL Group	22,164	19,989	18,082

STAFF TURNOVER, %

	2015	2016	2017
Total for the LUKOIL Group, including:	7.4	7.2	6.7
Russian subsidiaries of LUKOIL Group	6.6	5.9	5.6
Foreign subsidiaries of LUKOIL Group	10.9	12.8	11.6

Note. The staff turnover coefficient is calculated as the ratio of the number of those dismissed to the average number of employees for the reporting period. Dismissed employees include those discharged for absenteeism or other labor discipline violations, and those who retire voluntarily (as a result of moving, retiring, looking after a child aged under 14, etc.), or who leave the Company upon mutual agreement (with the exception of employees who are rehired the following day).

¹ Data relate to 2016 and 2017; in 2015 employees under the age of 30 were included in the category of young employees.

BREAKDOWN OF EMPLOYEES BY CATEGORY AS AT 31 DECEMBER OF EACH YEAR

Personnel categories	2015	2016	2017
Management	12%	12%	12%
Specialists	28%	27%	27%
Workers and other employees	60%	61%	61%

The strategic priorities of the Company are to guarantee safe working conditions, reduce accident and injury rates, and apply global best practices in the oil industry.

The HR system at LUKOIL Group is based on the Code of Business Conduct and Ethics of PJSC LUKOIL, Corporate Culture Rules, and the obligations set forth in the Social Code of PJSC LUKOIL.



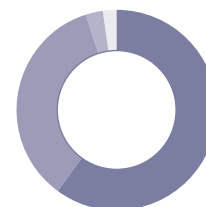
More information about this area can be found on the Company's website



In 2017 our HR systems were enhanced and a number of projects were implemented, including:

- the Working Group on Organizational Efficiency was set up, and proposals were prepared to boost labor productivity at LUKOIL Group subsidiaries
- methodological support was provided to help develop the risk management and internal control system
- implementation of the software solution ICS Personnel continued

BREAKDOWN OF EMPLOYEES BY SEGMENT AS AT 31 DECEMBER 2017, %



Downstream	60
Upstream	35
Other lines of business	3
Corporate center	2

Compliance with employment entitlement rights

Employment and the diversity of labor resources

We seek to apply unified principles and approaches to our work with personnel in all the countries and regions in which we operate, always taking into account local specifics and characteristics.

The principles and norms set forth in our staffing policy and other internal regulations are binding on all LUKOIL Group subsidiaries. These documents determine the procedure for recruiting, selecting, and evaluating personnel, determining employment terms and conditions, and actions regarding seconded employees and their family members in the event of emergencies and other issues.

SHARE OF MANAGERIAL STAFF FROM THE LOCAL POPULATION AT FOREIGN SUBSIDIARIES OF LUKOIL GROUP

	2017
Senior management ²	219
Including from local population ³	74
Share of local management	34%

LUKOIL provides opportunities for suitably qualified local employees to fill vacancies – including managerial ones – in its regions of operation. In European countries, the share of representatives from the local population in management is higher than average for the Company

(between 40% and 100%). Our fundamental approach is to recruit the best specialists to the Company and provide them with the opportunities they need to fully realize their potential.

² Senior management is understood to mean the Chief Executive Officer (Managing Director/General Director) and his deputies in functional areas.

³ The local population is understood to mean employees that are registered as or are citizens in the foreign countries where the Company operates.

The professional recruitment and deployment of management facilitates results in consistently high levels of performance and the effective management of LUKOIL Group

subsidiaries. If no executives can be recruited from local markets at foreign subsidiaries, Russian employees recognized as having high potential are seconded to managerial positions

in order to support and disseminate uniform standards and the corporate culture of LUKOIL Group, as well as to expand competencies through work experience on international projects.

Guarantees of employment entitlement rights

The main document regulating relations between the Company and our employees is the Agreement between the Employer and the Trade Union Association of Public Joint-Stock Company LUKOIL Oil Company for 2015-2020.



Detailed information about the document and interaction with the trade union organization can be found on the Company's website



Collective bargaining agreements were concluded at 46¹ Russian and 10 foreign subsidiaries, and covered 88% of employees. Moreover, this figure covers 95.1% of employees at Russian subsidiaries. Russian subsidiaries where collective bargaining agreements have not been concluded are subject directly to the Industry Agreement of Organizations Operating in the Oil and Gas Industry and the Construction of Oil and Gas Facilities in the Russian Federation.

By ensuring social stability and improving the comfort and quality of life of employees, LUKOIL implements an extensive social policy, which includes benefits and guarantees available to all employees, irrespective of whether they are a member of a trade union organization or whether there is a trade union or not. These benefits are provided regardless of the employment type (full or part-time). The Company's

additional obligations, based on Russian law and international standards, are set forth in the Social Code of PJSC LUKOIL.



Detailed information in this regard is available on the Company's website



STAFF EXPENSES, RUB million

	2015	2016	2017
Staff expenses, total for the LUKOIL Group, including:	153,729.4	153,415.0	142,145.0
wages	135,465.0	137,664.1	132,022.3
social benefits and payments, social support for employees	17,175.0	14,698.2	9,297.4
training	1,089.3	1,052.6	825.3

Note. The indicator "wages" is prepared in accordance with instructions on how to complete the federal statistical monitoring forms approved by Federal State Statistics Service Order No. 278 dated 12 November 2008, including amendments and addenda approved by Federal State Statistics Service Order No. 240 dated 3 November 2009. Salary includes remuneration amounts accrued by the entity to the employees (with due account of personal income tax and other withholdings) in monetary and non-monetary forms for worked and non-worked time, compensation payments related to working hours and employment conditions, benefits and surcharges, bonuses, one-time incentive payments, and payments for food and housing that are regular in nature, in accordance with the methodology for completing the accrued payroll of employees indicator in form No. P-4 Information on headcount and employee salaries.

¹ Including LUKOIL Oil Company and LUKOIL PERSONNEL, which have Regulations on employee guarantees and compensation that are similar in content to the collective bargaining agreements, and also LLK-International (production facilities in Perm and Volgograd).

Working hours

The Company adheres to labor legislation regarding working hours and time-off. In most countries where the Company operates, local legislation contains specific requirements on the duration of the working week, and LUKOIL strictly observes these.

In Russia, working hours are established by Employment Policies and Procedures in accordance with labor legislation, the Industry Agreement on the Organization of Oil and Gas Industries and the Construction of Oil and Gas Facilities of the Russian Federation, the Agreement between the Employer and the Trade Union Association of Public Joint-Stock Company LUKOIL Oil Company for 2015-2020, and collective bargaining agreements. For employees whose working hours differ from the general rules established by the employer, this issue is governed by the respective employment contract, with due account for the nature of production and the work specifics and working conditions.

In particular, shift work is introduced in instances where the duration of the production process exceeds the permitted number of daily working hours, and also to ensure the most effective use of equipment and to increase output or the volume of services being

provided. In shift work, each group of employees must perform their work during established working hours in accordance with the shift schedule. The employer drafts the shift schedule with due account of the opinion of the representative body of employees, and notifies employees against a signed receipt no later than one month before the schedule comes into force.

Rotation work is a particular type of work which is conducted at a considerable distance from the place of permanent residence of employees (i.e., where daily return to the permanent place of residence of the employee cannot be guaranteed). Rotation work is established at LUKOIL Group subsidiaries at remote fields and continuous production facilities. A rotation cannot last longer than one month.

In rotation work a record is kept of cumulative working hours for a month, quarter, or other more protracted period, but no more than one year. The accounting period covers all working hours, the time in transit from the location of the employer or from the collection point to the workplace and back, and the leisure hours attributable to this calendar segment.

The employer accounts for the working and leisure hours of each employee working rotation by months and for the entire accounting period. The working and leisure hours within the accounting period are regulated by the rotation work schedule, which is approved by the employer, taking into account the opinion of the elective body of the primary trade union organization, and is communicated to employees against a signed acknowledgment receipt no later than two months before it comes into force. This schedule stipulates the time required to deliver employees to the rotation and back. The days in transit to the work place and back are not included in working hours and may accrue to days of rest and recreation between rotations. When assembling rotation personnel, priority is given to local individuals with the necessary qualification.

During their time at production facilities, comfortable conditions are created for employees engaged in rotation work: they live in specially created rotation camps or in furnished hostels paid by the employer.

INFORMATION ON NUMBER OF FULL-TIME ROTATION EMPLOYEES

	Headcount of rotation employees at end of period			Share of rotation employees in total number of employees of subsidiaries at end of period, %		
	2015	2016	2017	2015	2016	2017
Total, including:	13,280	13,823	14,080			
Russian subsidiaries of LUKOIL Group	10,751	10,562	10,763	12	12	12
Foreign subsidiaries of LUKOIL Group (production)	2,529	3,261	3,317	11	16	18

Control

HR work at LUKOIL Group subsidiaries is constantly monitored by the Staffing and Organizational Development Unit through regular HR audits. The work of HR functions is audited every year at LUKOIL Group subsidiaries for compliance with Russian labor law and respective corporate requirements.

During 2017 HR audits were conducted at LUKOIL-Komi,

K.N. Holding, TPE TatRITEKneft, RITEK, LUKOIL-Chernomorje, LUKOIL-Nizhnevolzhsknefteprodukt, LUKOIL-URTs Volgograd, Volgograd Regional Directorate of LUKOIL-ENERGOSETI, LUKOIL-Volgogradenergo, LUKOIL-Stavropolenergo, LUKOIL-Energoengineering, and Varandey Terminal.

Based on an analysis of the governance systems at a subsidiary, recommendations were made on how to improve managerial processes, and plans were drafted to eliminate identified deficiencies, indicating respective deadlines and the responsible parties.

No violations of human rights in the form of the use of child labor or forced labor were found at the audited subsidiaries.

Work-related performance incentives

We seek to maintain a competitive employee remuneration system. Our goal is to attract, retain, and motivate individuals whose qualifications and performance will ensure the successful implementation of our mission and the achievement of our business goals.

Under an agreement between LUKOIL and the trade union association, the minimum rate of pay in Russian subsidiaries is established as being no less than the subsistence minimum of the employed population. The base salary depends on the employee's established duties, the challenges inherent in their work and the level of responsibility, and

is set individually for each employee taking into account their level of education and practical experience.

In 2017 the starting salary in Russian operating regions of the LUKOIL Group exceeded the established regional minimum wage in the respective regions by on average 25%¹. The starting salary of employees of LUKOIL Group foreign subsidiaries is set at no lower than the minimum wage in the countries where the Group operates, as established by labor legislation norms and/or the collective bargaining agreement and/or internal regulations.

The incentive system for employees in Russian subsidiaries also consists of a wide range of benefits and compensations established by the agreement between the employer and the trade union organization, collective bargaining agreements, and other internal regulations. Within the benefits and compensation system considerable attention is paid to issues that affect the quality of life of employees, such as maintaining their health, helping employees and their families, and providing assistance on home purchases. Social support is also provided to employees that have retired from the Company.

VOLUNTARY HEALTH INSURANCE

Additional voluntary health insurance programs are provided to over 90% of the employees of Russian subsidiaries; employees have the option to make additional payments to add services to the existing voluntary health insurance program in order to meet their specific personal needs.

HOUSING PROGRAM

1,410 employees participated in a housing program in 2017.

The program is implemented under the Fundamental Principles of the LUKOIL Group's Housing Policy, and aims to provide production staff (invited specialists and young specialists) with housing and help employees improve their housing conditions by subsidizing interest rates on bank mortgage loans.

PENSION SUPPORT

The estimated value of pension liabilities at the end of the reporting period was RUB 10,367 million. The pension plan covered over 52,000 employees.

Pension coverage for the employees of foreign LUKOIL Group subsidiaries is provided in accordance with the legislation of the country in which the subsidiary operates and local regulations.

¹ We took the maximum of the following three figures to define entry-level salaries at subsidiaries operating in a specific region: the subsistence minimum as a whole for the Russian Federation, the subsistence minimum in the respective Russian region, and the regional minimum wage.

NON-STATE PENSION COVERAGE IN RUSSIAN SUBSIDIARIES OF LUKOIL GROUP

	2015	2016	2017
Number of former employees receiving a corporate pension	41,422	43,094	46,294
Average non-state pension size, RUB	2,100	2,290	2,240

Healthcare

Particular attention was paid in 2017 to preventive treatment in relation to acute conditions at the workplace, cardiovascular diseases, and the prevention of a number of dangerous infections (including anthrax).

The system of regular and in-depth medical check-ups to prevent acute conditions was expanded. Employees receive primary healthcare from healthcare professionals at more than 100 first-aid rooms, pre-trip medical examination rooms, and medical clinics.

Thanks to equipment upgrades at clinics used for medical check-ups, state-of-the-art electronic systems are now in use and a number of tests are now automated, thereby significantly reducing the amount of time needed to undergo certain procedures.



Professional standards and employee performance evaluation

In 2017, work continued to bring the job duties and qualifications of employees in line with the requirements of professional standards. Towards this end, uniform approaches to working with professional standards at LUKOIL Group subsidiaries were drafted.

A Qualifications Evaluation Center was set up, on the basis of LUKOIL-INFORM². In October 2017 the Board for Professional Qualifications in the Oil and Gas Sector approved the Qualifications Evaluation Center of LUKOIL-INFORM.

For the first time, an independent appraisal of qualifications is being carried out in the industry. This process will make it possible to raise the professional level of oil and gas enterprise employees and to improve the quality of human capital in the industry.

PERFORMANCE EVALUATION OF PJSC LUKOIL EMPLOYEES, 2015-2017

	2015	2016	2017
Employees that underwent performance evaluation, total	1,973	2,015	2,109
Headcount of PJSC LUKOIL as at 31 December of each year	2,204	2,277	2,331
Percentage of employees that underwent performance evaluation	89.5%	88.5%	90.5%

Note. The percentage of employees that underwent performance evaluation is calculated using the formula: in the numerator – the total number of employees who underwent performance evaluation; in the denominator – the headcount of personnel as at 31 December of the corresponding calendar year.

² In connection with the adoption of Federal Law FZ-238 dated 3 July 2016, "On the Independent Appraisal of Qualifications".

Staff development

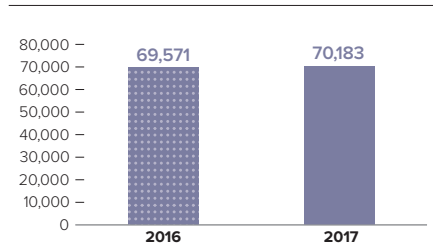
The staff corporate learning and development system revolves around the Company's strategic plans and requirements for employees with specific qualifications and competencies. We focus above all on allowing our employees to develop the skills and competencies that they need and on attracting and developing young specialists.

We believe staff training, including through professional retraining, is key to minimizing risks related to unprofessional employee actions, including those on the part of employees of service/contractor organizations.

Development programs focus on prioritizing the training requirements identified for different staff groups, based on an analysis of differences between the requirements imposed on employees and the existing competency level. We use our entire arsenal of training resources and forms, applying relevant economic and methodological tools.

We train staff on the basis of the annual Continuing Professional Development Plans of employees of PJSC LUKOIL and

NUMBER OF PEOPLE TRAINED, persons

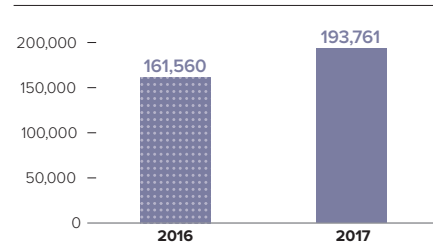


LUKOIL Group subsidiaries. Our main strategic partners are higher education academic institutions and academic centers with a proven record of providing quality educational services.

Employee educational programs help the Company successfully meet objectives related to new lines of business, and maintain the required level of competitiveness. An increase in the quality and effectiveness of employee work and a reduction in staff turnover through greater commitment and engagement help reduce costs.

We intend to continue to develop the continuous corporate learning system. This work includes plans to draft an

NUMBER OF ATTENDED TRAININGS, person-course



integrated long-term training program for various employee groups.

The Company pays significant attention to the training and development of young specialists, including by involving them directly in the work process. With this in mind, we plan to set up an institute of mentors.

To ensure the necessary quantitative and qualitative pool of candidates to fill management positions at different levels, we also plan to continue to implement our succession planning system for senior management.

Distance learning

The corporate distance learning system makes it possible to successfully meet our general learning objectives, conduct knowledge audits of compliance with corporate requirements and applicable legislation, and develop the professional and management competencies and personal efficiency skills of employees.

Based on the results for 2017, over 60 LUKOIL Group subsidiaries were connected to DLS, and more than 92,000 users were registered. During the year employees successfully completed more than 100,000 training courses, thereby increasing their workplace-related qualifications.

Leveraging DLS opportunities, we implemented an integrated training program for the operators of filling stations (including adaptation, start, and support training).

Corporate knowledge management system

We closely monitor the development of staff knowledge in order to facilitate the innovative development of the Company and to achieve optimum financial results. As part of the existing corporate knowledge management system, we follow the development processes of young specialists and staff in general,

primarily based on joint work with recognized corporate experts.

In 2017 the LUKOIL project “Creation and Development of a Corporate Knowledge Management System Based on the Example of the Knowledge Management System of the Upstream Business

Segment” was declared the winner in the Organizational Intelligence category at the 4th Russian competition of best practices of employers in developing human capital, Creating the Future.

Youth policy

Youth policy is a key focus area for us. It comprises a system of measures aimed

at recruiting young employees and creating the necessary conditions and

opportunities to ensure their successful development.

INDICATORS OF WORK WITH YOUNG PROFESSIONALS

	2017
Total number of young employees ¹	42,772
Number of young professionals	1,945
Recruited young employees	12,125
including young professionals	706
Number of students trained under contracts with LUKOIL Group subsidiaries	295
Number of students on internships at LUKOIL Group subsidiaries	2,950

R&D competitions and conferences.

R&D competitions and conferences are held annually. In 2016 events were held at 31 LUKOIL Group subsidiaries in Russia.

Councils of Young Professionals.

The goal of these Councils is to help young employees adapt to working conditions at LUKOIL. Off-site meetings of the LUKOIL Group Council of Young Professionals are held annually in Russian regions. In 2017 an event was hosted in Sochi at the Sirius Educational Center, as part of Russian Health and Safety Week. The participants drafted proposals which will serve as the basis for the new Integrated Target Program for Working with Youth.

Young Professionals Day.

Young Professionals Day is an annual event. In 2017 the day included a LUKOIL City teambuilding training course, with 150 people participating, and the second round of the “Club of Merry Oil Workers.”

Young Professional of the Year contest.

In 2017 the results of the 12th Annual Young Professional of the Year were announced. The contest featured 122 participants in 22 categories, and 59 young professionals from LUKOIL Group subsidiaries were declared winners.

Meeting Between Generations

corporate evening. In 2017 a corporate evening entitled Meeting Between Generations was held. The event was attended by young and long-term employees of the Company. The event included the awards ceremony of the 12th Young Professional of the Year from LUKOIL Group subsidiaries of the Moscow Region and a concert from the Alexandrov Ensemble.

¹ Young employees – employees of PJSC LUKOIL and LUKOIL Group subsidiaries aged up to 35, including young professionals. Young professionals are employees under the age of 46, who have a higher or secondary professional education, joined the Company based on their educational background, including blue-collar professions, within six months after graduating from an academic institution or within three months after completing their military service with the Russian Armed Forces.

Local communities





Target 4.4. By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.



Target 11.4. Strengthen efforts to protect and safeguard the world's cultural and natural heritage.



Target 17.17. Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.



Many LUKOIL Group subsidiaries are major enterprises in the regions where the Company operates, and thus have a significant impact on local communities. By investing in production capacities, creating decent working conditions, and implementing charity programs, LUKOIL contributes to the social and economic stability of these areas, as well as the development of human capital.



Target 17.17.

Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

We recognize the importance of regular interaction with local communities, focusing on objective 17.17 of the Sustainable Development Goals to stimulate effective partnerships among

stakeholders. The Company’s external social policy is structured in accordance with the principles of constructive cooperation and responsible behavior, and priority is given to charity and

sponsorship activity. Thanks to LUKOIL’s support, hundreds of such projects are implemented annually in Russia and abroad.

External social policy priorities



Target 11.4.

Strengthen efforts to protect and safeguard the world’s cultural and natural heritage.

The Company’s external social policy focuses on key stakeholder groups and is performed using various mechanisms:

- partnerships with local authorities as part of cooperation agreements with the constituent subjects of the Russian Federation
- interactions with indigenous peoples of the North in Russia
- holding the annual Social and Cultural Projects Contest in Russia for a wide range of public and municipal organizations
- supporting charity and sponsorship, with the ultimate beneficiaries both specific target groups (for example, children deprived of parental care or with special needs) and the residents of population centers in general

The priorities of LUKOIL Group’s external social activity are the same for all the regions and countries where our subsidiaries operate, and include assisting with economic development; supporting culture, sports, science and education; improving the environment in the regions where the Group operates; promoting healthy lifestyles; and assistance to childcare institutions.

An important principle of external social activity is partners and initiators making a financial contribution to social projects. For example, a mandatory condition for taking part in the Social and Cultural Projects Contest is that the applicant organization must make a contribution from its own funds or borrowings equivalent to at least 30% of the requested amount.



~9

RUB bln

External social support costs amounted in 2017



You can read in social networks about the social projects that have received support from LUKOIL, for example on Facebook





27

cooperation agreements

were in place in 2017, with total financing exceeding RUB 6 billion

Cooperation agreements with constituent subjects of the Russian Federation

As a result of social investments in Russian regions, educational, cultural, healthcare, sports, and religious facilities have been upgraded or

built, infrastructure developed, and landscaping performed. Joint projects with local authorities help increase the quality of life of the residents of the

regions, boost personal development opportunities, and improve health.



MALY THEATRE IN KOGALYM

A branch of the Maly Theatre will soon open in Kogalym, LUKOIL's "Family Seat". Its façade will be similar to that of the Moscow branch of the Maly Theatre on ulitsa Bolshaya Ordynka. Large-scale productions are being planned for the theatre. The troupe of the theatre in Kogalym will be formed from graduates of Schepkin College, who will work with professional directors from Moscow. The completion of the renovation work is scheduled for 2018.

Social and Cultural Projects Contest

The Social and Cultural Projects Contest of LUKOIL has been held since 2002. Its main goals are to support projects and initiatives from local communities to resolve existing problems and to create the conditions necessary to increase the number of active citizens and organizations capable of implementing outstanding social ideas in their region. LUKOIL Group subsidiaries and the LUKOIL Charity Foundation are the contest's organizers.

The contest is open to private non-profit organizations, state municipal budgetary

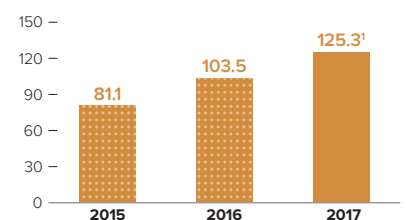
organizations, and local government authorities. Applications are considered in three key areas: the Environment, Spirituality and Culture, and Sport. Furthermore, an additional subject is approved each year.



Detailed information is published on the LUKOIL Charity Foundation website

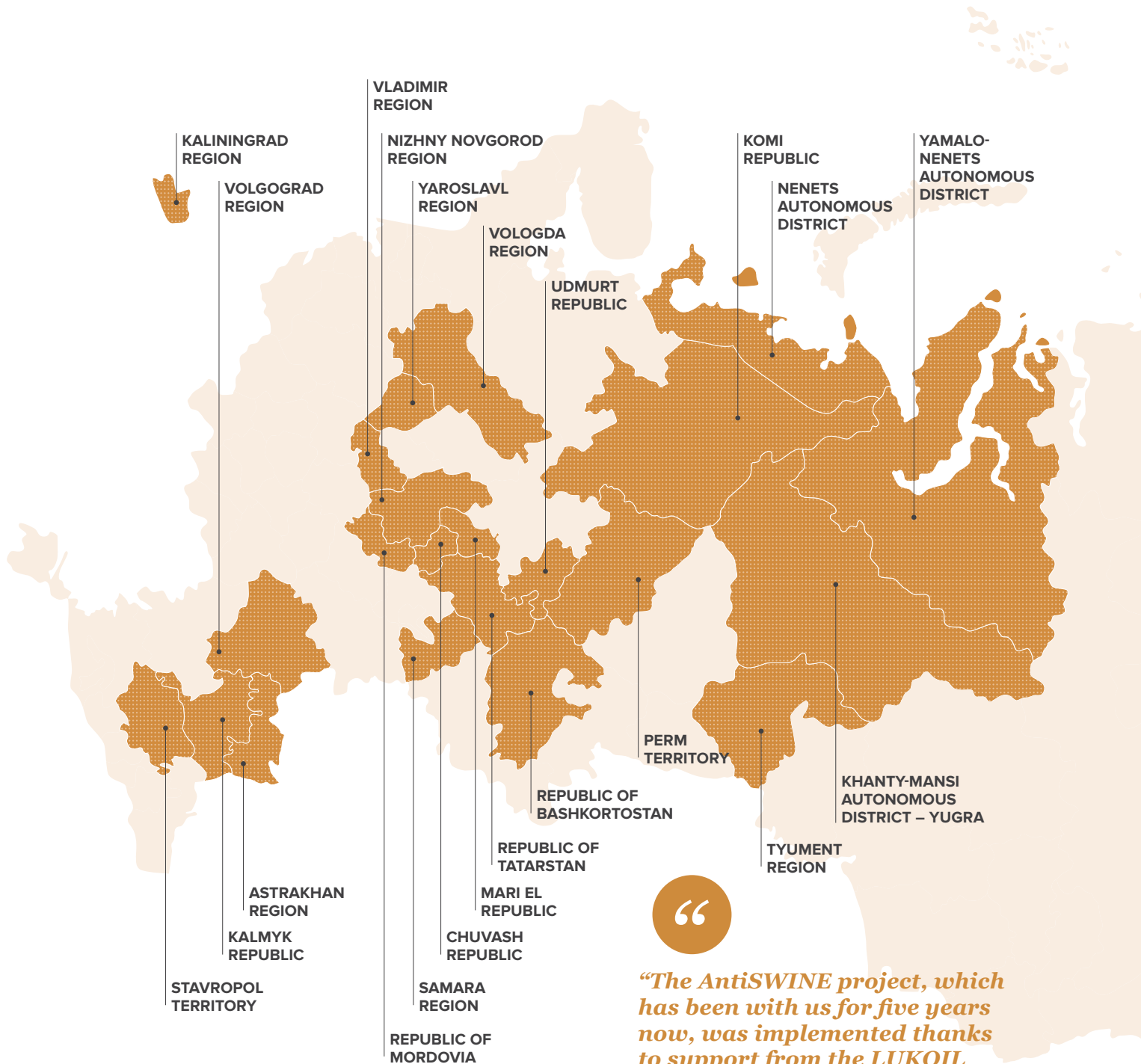


TOTAL CONTEST BUDGET, RUB million



¹ Taking into account the contribution by the LUKOIL Charity Foundation.

Areas taking part in the Social and Cultural Projects Contest



“The AntiSWINE project, which has been with us for five years now, was implemented thanks to support from the LUKOIL Charity Fund. The project brings together people that care about maintaining order in the city and keeping the shorelines of lakes and rivers clean.”

R.B. KLISHKOVSKAYA,
Head of the AntiSWINE movement (Nizhny Novgorod)

RESULTS OF THE SOCIAL AND CULTURAL PROJECTS CONTEST, 2017

Contest operator	Number of projects	Financial support to winners' projects, RUB million	Project implementation area
	Submitted to the contest (Winners)		
LUKOIL-PERM, LUKOIL-Permnefteprodukt, LUKOIL-Permnefteorgsintez	855 (174)	27	Perm Territory, Republic of Bashkortostan, Udmurtia
LUKOIL Nizhnevolzhsknefteprodukt, RITEK, LUKOIL-Volgogradneftepererabotka, LUKOIL-Volgogradenergo, LUKOIL Charity Foundation	470 (68)	11	Volgograd Region
LUKOIL-Nizhnevolzhskneft, LUKOIL-Astrakhanenergo	108 (35)	5	Astrakhan Region
LUKOIL- Nizhnevolzhskneft, LUKOIL Charity Foundation	38 (5)	1	Republic of Kalmykia
LUKOIL-Komi, LUKOIL Charity Foundation	155 (56)	15	Komi Republic, Nenets Autonomous Area
LUKOIL-West Siberia	118 (32)	4	Khanty-Mansi Autonomous Area-Yugra, Yamalo-Nenets Autonomous Area, Tyumen Region
LUKOIL-Volganefteprodukt, LUKOIL-Nizhegorodnefte-orgsintez, LUKOIL Charity Fund	375 (60)	10	Nizhny Novgorod Region, Vologda Region, Vladimir Region, Republic of Mordovia, Mari El Republic, Chuvashia
LUKOIL-Kaliningradmorneft, LUKOIL Charity Fund	103 (17)	4	Kaliningrad Region
RITEK, LUKOIL Charity Foundation	408 (74)	15	Samara Region
RITEK, LUKOIL Charity Foundation	683 (197)	30	Republic of Tatarstan
Stavrolen, LUKOIL-Yugnefteprodukt, LUKOIL Charity Foundation	51 (21)	3	Stavropol Territory
Total	3,364 (739)	121	

“

“Thanks to grants received from the LUKOIL Charity Fund we have implemented a number of socially important projects in various regions of Astrakhan: we created Veterans’ Square, improved the Walk of Fame, and restored the territory of a park near a memorial to soldiers who gave their lives in World War Two.”

E.G. SELIVERSTOVA,

Director of the Center for Strategic Analysis and Project Management (Astrakhan Region)

“

“Our project “Win by Overcoming” won a grant in the 2017 competition. With the funds awarded we examined 190 children from remote districts of the republic for the early detection of diseases, and organized various memorable and enjoyable events for families raising children with disabilities and physically challenged children.”

A.L. ZAGRETDINOV,

Project Director and founder of the Strength in Children charitable fund (Kazan)

Charity and sponsorship

LUKOIL's charity and sponsorship projects are conducted throughout the country. Partners and beneficiaries include well-known creative teams, sports teams, research and medical centers, and small subsidiaries and groups of citizens in need of help. In

Russia, these issues are managed by the LUKOIL Council for Coordination of Charity/Sponsorship Activities, which is chaired by First Vice-President of LUKOIL Alexander Matytsyn.

Foreign subsidiaries with smaller budgets plan charity activity independently within the framework of the general priorities approved by LUKOIL.

Education

In our interactions with local communities we pay close attention to improving educational levels, and seek to achieve this both through charity projects and

interactive programs with secondary and higher educational institutions. We believe that in this way the Company can contribute to developing human capital

and establishing intellectual potential in production areas that require modern and innovative solutions.



Target 4.4.

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Programs for schoolchildren focus on developing the skills and knowledge that they will need in their studies and professional activity. Career-oriented work is performed for senior high school students, and trips are organized to LUKOIL enterprises.

Since 2000 we have been supporting promising students, young teachers, and masters of industrial training by awarding them with scholarships and grants. In 2017 the scholarship program covered 11 institutions of higher education, four colleges, and one high school in Russia. On average, LUKOIL grants are more than twice the size of a state grant¹.



Detailed related information can be found on the Company's website



SUPPORT PROGRAMS FOR STUDENTS AND TEACHERS IN HIGHER AND SECONDARY EDUCATIONAL ORGANIZATIONS IN RUSSIA

	2015	2016	2017
Student grants			
Number of grant holders, people	180	186	180
Amount of financing, RUB million	5.1	5.8	6.6
Grants for teachers			
Number of grant holders, people	82	88	89
Amount of financing, RUB million	9.0	9.6	10.3

Note. Numbers for 2015-2016 have been adjusted.

¹ In 2017 the academic state grant for university students was set at RUB 1,484 per month.

As part of the comprehensive cooperation program between LUKOIL Group subsidiaries and industry-specific higher education institutions (oil, chemistry, and gas), dedicated departments have been set up, the material and training facilities of universities have been increased

significantly, and new training aids have been published.

In 2017 LUKOIL CEO Vagit Alekperov visited the opening at the Gubkin Russian State University of Oil and Gas (national research university) of a research and training site, a Center for

Supervising Oilfield Development, and Exhibition Areas, which was refurbished with the Company's support. The LUKOIL CEO delivered a lecture on development trends in global fuel and energy markets and the Russian oil industry, and met the recipients of LUKOIL scholarships and grants.



In Iraq a project is being implemented in Basra, jointly with the Education Department to train young children from the Eiz Eldeen Saleem District on the deployment of digital technologies. Equipment has been supplied to schools and is being used to teach a number of subjects, including mathematics. Currently the program is only available to first graders; however, there are plans to subsequently expand it to the entire primary school.



FAMILY NIGHTS IN HOUSTON

LUKOIL supports the Children's Museum in Houston as a sponsor of a Free Family Night event. Thanks to our support, low-income families can visit museums for free and participate in educational programs that acquaint the children with science, technologies, engineering, and mathematics. The goal of the project is to increase the engagement of partners in the education of children and to reduce the impact of poverty on the level of education achievement. In 2017 a record number, over 100,000, visited the Free Family Night event.



"I like these pictures on the screen – it feels as if you are watching cartoons at home. Now it is always fun in lessons!"

HASSAN SHAHID,
pupil of the Al Rawad primary school
located in Um Shewage village

Support for children and childcare institutions

Our support program for childcare institutions (family support and childhood centers) is a priority within LUKOIL's charity activity. We decided to provide support in this area long before the topic came to the attention of society. Our goal is to create conditions that provide the best start in life for children deprived of parental care.

The Company has helped resolve numerous issues encountered by sponsored childcare institutions: buildings now have modern interiors, and classrooms are equipped with suitable furniture and educational materials.

As a result of reforms to the guardianship system, the requirements of childcare institutions in the social sector in Russia have changed. It is for this reason that LUKOIL is intensifying its activity focused on the long-term personal development of children and their socialization and adaptation to independent life.

An acute problem faced by the children we support is the lack of an appropriate adult role model to communicate with, as a result of a breakdown in parent-child relations. We attempt to help resolve this complex issue through voluntary activities involving our young professionals.

The Company continues to help the graduates of sponsored orphanages obtain an education by providing them with grants. In 2017, 49 graduates received support in this area. We provide vocational training and also pay attention to the creative development of children. Towards this end, we hold the children's drawing contest "We're Drawing the Kremlin" and a special program as part of the Spasskaya Tower festival.



For more details
go to the website





ORPHANAGES IN SERBIA

The clients of LUKOIL filling stations in the cities of Niš and Novi Sad in Serbia selected orphanages to be supported by the Company in 2017: the Institution for Mar's Children and the Center for Housing Orphans and Adoption in Nish, and the Orphanage for Street Children and the House for Children and Young People with Development Disorders in Novi Sad. The Company also provides assistance to the Primary School of Boško Buha for children with development disorders.



SPASSKAYA TOWER - FOR CHILDREN

As part of the annual musical festival Spasskaya Tower we implement a charity campaign that has already become a tradition for the young residents in family support and children centers. Educational master classes and lectures are organized for the young residents, who get to see real officer uniforms and weaponry, and also enjoy performances by musical bands and equestrian shows. In 2017 pupils from the Assistance Center for Family Education Kahovskie Romashki and the Center for Family and Childhood Support in Zelenograd came to Moscow to attend an event, joining the Center for Family and Childhood Support of the North-West Administrative District of Moscow.

In honor of the 10th anniversary of the festival, an Art Object was placed in the area – a pumping unit for the production of oil. In addition, we developed theme-based drawings that the children were able to color in on special easels placed in the children's village.

Sport

LUKOIL's sports program aims to promote healthy lifestyles and sport in general, and expand the number of grassroots sports projects and the diversity of their formats. The organized approach we adopt to achieving these aims includes providing continual support to sports organizations (clubs, federations, leagues, etc.) through the LUKOIL Sports Club.

We help both professional and amateur teams and are constantly looking for new ideas to implement social initiatives in this area. A sponsorship program is being developed to improve the accessibility of sports lessons for people with disabilities, in particular an adaptive physical culture. The

implementation of the program is scheduled for 2018.

In 2017 the Company sponsored the charity hockey campaign entitled With a Pure Heart, with proceeds going towards sponsoring sportsmen and children with disabilities.

In 2017 the LUKOIL Racing Team turned 20. A leading racing team, both in Russia and globally, in its anniversary year it won numerous races in Russian and international tournaments. As well as participating in tournaments, the team trains drivers and advances their careers, and develops, tests, manufactures, and prepares racing cars for competitions.

The Company sponsors the football club Spartak-Moscow, the non-profit organization Unified Basketball League, the Russian Cross-Country Skiing Federation, the LUKOIL Racing Team, the Handball Club "Zarya Kaspiya", the Spartak-Volgograd Water Polo Club, the Children's Football League, and the Automotorsport Federation of the Republic of Kazakhstan.

ROAD SAFETY

In Italy ISAB S.r.l. finances school road safety projects. With the support of the Mayor and the Syracuse police (Carabinieri of Siracusa), the Company provides explanatory work to schoolchildren and holds a drawing contest on the topic Safety and Law and Order.

A children's and youth sports school has been established under the auspices of the Handball Club "Zarya Kaspiya", where around 900 young sportsmen regularly practice.

The Children's Champions Cup of LUKOIL (LUKOIL Cup, <http://www.lukoilcup.com/>) is an international social project aimed at tackling racial intolerance and discrimination in football. The project unites the national

associations and clubs of 40 countries and has over 3,500 participants. Children's teams from countries in Europe and Asia and well-known football players participate in the project. The Project Ambassadors are stars from

global football and coaches who have won international trophies in professional sports.

In 2017 the format and geography of the tournament were expanded: the Russian rounds of the tournament were held in the Russian cities of Sochi, Kazan, St. Petersburg, as well as Perm and Tula. The winners of the regional stages arrived in Moscow for the national

final, with the winner ("Rubin", Kazan) participating in the final round in Bulgaria.

Since 2001 LUKOIL has been supporting one of the largest children's sport organizations – the regional public organization Children's Football League (<http://www.dfl.org.ru/>). The tournament draws together over 4,000 thousand participants from 50 countries. The

final round of the tournament draw in 2017 was held in the main arena of the Bulgarian club Levsky (Sofia), with more than a 1,000 people attending.



Detailed information is published on the website



Indigenous peoples of the North

We share the principles set forth in the United Nations Declaration on the Rights of Indigenous Peoples, the United Nations Global Compact, and the UN World Conference Resolution on Indigenous Peoples. We seek to achieve a harmonious combination of our subsidiaries' business activity on the ancestral habitats of indigenous peoples of the North (the Indigenous Peoples), thereby enabling them to retain their traditional lifestyle and business activity.

Interaction with the Indigenous Peoples is carried out within the framework of federal and regional Russian law, the licensing obligations of LUKOIL Group subsidiaries, and federal and regional support programs for the Indigenous Peoples. The main forms of interaction include:

- cooperation agreements between LUKOIL and the authorities of the regions
- economic agreements with the heads of territories on the traditional use of natural resources
- socio-economic development contracts with deer farms
- cooperation with non-governmental organizations

- sponsoring specific projects through grant-based financing as part of the LUKOIL Social and Cultural Projects Contest

Specialized divisions are responsible for the interaction, in particular the LUKOIL Public Relations Department, and surveying departments and public relations centers at LUKOIL subsidiaries.

The Russian Association of the Indigenous Peoples of the North is our constant partner, and a LUKOIL representative is a member of the Expert Advisory Board of this organization.

In 2017 a cooperation agreement was signed between LUKOIL and the Federal Agency for Ethnic Affairs. A representative of the Company is a member of the working group responsible for putting forward amendments to the procedure for conducting ethnological expert reviews of geological exploration and production projects on the territories where the Indigenous Peoples traditionally live.

Compensation payments are made annually to indigenous residents: on the territory of the Khanty-Mansi Autonomous Area-Yugra (LUKOIL-West Siberia, RITEK, LUKOIL-AIK), as part of licensing obligations; and on the territory of the Nenets Autonomous Area (LUKOIL-Komi) within the framework of contracts with deer farms. We also implement charity projects (for example, the Red Tent project in the Nenets Autonomous Area).

Mechanisms for hearing the appeals of representatives from the Indigenous Peoples and non-governmental organizations have been created, and work is successfully carried out at LUKOIL Group subsidiaries on issues related to providing assistance to or safeguarding the rights of the Indigenous Peoples. In 2017 there were 62 appeals, which related to different areas of cooperation with the Company, assistance on compensation for tuition and the treatment of the representatives of the Indigenous Peoples, the purchase of specialized equipment, and providing information on the activities and plans of the Company to support the Indigenous Peoples. No appeals were submitted that related to violations of the rights of the Indigenous Peoples.

SUPPORT FOR INDIGENOUS PEOPLES IN RUSSIA UNDER THE LICENSING OBLIGATIONS OF LUKOIL GROUP SUBSIDIARIES, RUB million

Region	2015	2016	2017
Khanty-Mansi Autonomous Area-Yugra	275.4	274.8	311.4
Nenets Autonomous Area	29.5	29.5	30.5
Total	304.9	304.3	341.9

Appendix 1

Reporting boundaries

The reporting boundaries comply with the consolidated financial reporting standards (IFRS) for 2017 relating to LUKOIL Group subsidiaries in which PJSC LUKOIL has a stake of over 50%, and which have significant environmental and social impacts on local communities.

The reporting boundaries additionally include subsidiaries involved in forming individual indicators due to the specifics of the respective activity and the corporate data collection and consolidation systems. The boundaries of individual indicators may not coincide

with the reporting boundaries, due to differences in the data collection and consolidation systems. Information about the boundaries of these indicators is given in Appendix 6.

	Russian subsidiaries of PJSC LUKOIL		Foreign subsidiaries of PJSC LUKOIL	
Exploration and production	OOO LUKOIL-AIK	OOO LUKOIL-PERM	Included in LUKOIL International Upstream Holding B.V.:	LUKOIL Overseas Anaran Ltd.
	OOO LUKOIL-Western Siberia	JSC RITEK , OOO LUKOIL-Primoryeneftegaz , OOO NK Yugraneftprom	LUKOIL MID-EAST LIMITED	LUKOIL Overseas Aral Ltd.
	OOO LUKOIL-Kaliningradmorneft	OOO UralOil	LUKOIL Overseas Atash B.V.	LUKOIL Overseas Karachaganak B.V.
	OOO LUKOIL-Komi	OOO TURSUNT	LUKOIL OVERSEAS EGYPT LIMITED	LUKOIL Overseas Kumkol B.V.
	OOO LUKOIL-Nizhnevolzhskneft	OOO Chumpassneftedobycha	LUKOIL Overseas Iraq Exploration B.V.	LUKOIL Overseas North Shelf AS
			LUKOIL Uzbekistan Operating Company LLC	LUKOIL Overseas Shah Deniz Ltd.
			SOYUZNEFTEGAZ VOSTOK LIMITED	LUKOIL Overseas Uzbekistan Ltd.
			TURGAI-PETROLEUM JSC	LUKOIL SAUDI ARABIA ENERGY LIMITED
			LUKOIL International Upstream West Inc	
Refining, trade and sales, transportation	Oil refinery	OOO LUKOIL-Aero	Oil refinery and petrochemistry	Trade
	OOO LUKOIL-Volgogradneftepererabotka	OOO LUKOIL-Aero Volgograd	ISAB S.r.l.	LITASCO SA
	OOO LUKOIL-Nizhegorodnefteorgsintez	OOO LUKOIL-Aero Nizhniy Novgorod	PETROTEL-LUKOIL S.A.	Other
	OOO LUKOIL-Permnefteorgsintez	OOO LUKOIL-Aero Perm	LUKOIL Neftochim Burgas AD	LUKOIL LUBRICANTS International Holding GmbH
	OOO LUKOIL-Ukhtaneftepererabotka	OOO LUKOIL-Aero Samara	Oil products distribution	LUKOIL Lubricants Middle East Madeni Yag Sanayi ve Ticaret Limited Sirketi
	OOO LUKOIL-KGPZ	OOO LUKOIL-Aero Surgut	LUKOIL Aviation Bulgaria EOOD	LUKOIL Lubricants Central Asia LLP
	Petrochemistry	OOO LUKOIL-Aero Tyumen	LUKOIL Belgium N.V.	LUKOIL Lubricants Europe S.R.L.
	OOO Saratovorgsintez	OOO LUKOIL-Aero Chelyabinsk	LUKOIL Croatia Ltd.	LUKOIL LUBRICANTS EAST EUROPE S.R.L.
	OOO Stavrolen	Transport	LUKOIL Eurasia Petrol Anonim Sirketi	LUKOIL Lubricants Europe GmbH
	Oil products distribution	OOO Varandey Terminal	LUKOIL Italia S.r.l.	LICARD Euro Services GmbH
	OOO LUKOIL-AERO	OOO LUKOIL-Trans	LUKOIL MACEDONIA LTD Skopje	LUKOIL Accounting and Finance Europe s.r.o.
	OOO LUKOIL-BUNKER	AO RPK-Vysotsk LUKOIL-II	LUKOIL MONTENEGRO DOO	LUKOIL International Secondment B.V.
	OOO LUKOIL-Volganefteprodukt	OOO LUKOIL-Nizhnevolzhskneft-Kalmykia	LUKOIL Netherlands B.V.	Lumex Operacion S. de R.L. de C.V.
	OOO LUKOIL-Nizhnevolzhsknefteprodukt	OOO LUKOIL-AVIA	LUKOIL NORTH AMERICA LLC	LUKOIL Technology Services GmbH
	OOO LUKOIL-Permnefteprodukt	OOO TZK-Arkhangelsk	LUKOIL ROMANIA S.R.L.	VARS
	OOO Rostovnefteprodukt	OOO LUKOIL-KNT	LUKOIL SERBIA PLC Belgrade	
	OOO LUKOIL-Severozapadnefteprodukt	Trade	LUKOIL-Azerbaijan, ZAO	
	OOO LUKOIL-Uralnefteprodukt	OOO LLK-International	LUKOIL-BULGARIA EOOD	
	OOO LUKOIL-Tsentrnefteprodukt	OOO LUKOIL-MarineBunker	LUKOIL-Georgia Ltd.	
	OOO LUKOIL-Chernozemyenefteprodukt	OOO LUKOIL-Rezervnefteprodukt	LUKOIL-Moldova S.R.L.	
	OOO LUKOIL-Yugnefteprofukt	OOO LUKOIL-RNP-Trading	Oy Teboil Ab	
		Other	LUKOIL Belarus	
		OOO INTESMO	LUKOIL-Bulgaria Bunker EOOD	
			LUKOIL Americas Corporation	

	Russian subsidiaries of PJSC LUKOIL		Foreign subsidiaries of PJSC LUKOIL	
Electric Power Engineering	Generation	Energy transfer and supply	LAND POWER S.A.	
	OOO LUKOIL-Astrakhanenergo	OOO Astrakhanskije Teplovye Seti	S.C. LUKOIL ENERGY & GAS ROMANIA S.R.L.	
	OOO LUKOIL-Volgogradenergo	OOO Volgodonskie Teplovye Seti	LUKOIL Neftochim Burgas AD	
	OOO LUKOIL-Kubanenergo	OOO Volzhskie Teplovye Seti		
	OOO LUKOIL-Rostovenergo	OOO LUKOIL-ENERGOSETI		
	OOO LUKOIL-Stavropolenergo	OOO Rostovskie Teplovye Seti		
	OOO LUKOIL-Ekoenergo	Other		
	OOO Volgodonskaya Teplovaya Generatsia	OOO LUKOIL-TSUR		
	OOO Teplovaya Generatsia G. Volzhskogo	OOO LUKOIL-Energoengineering		
	OOO Kamyshin CHPP	OOO LUKOIL ENERGO SERVICE		
Other	OOO LUKOIL-Engineering	OOO LUKOIL-URTs Perm	LUKOIL Cyprus Limited	
	OOO LUKOIL-INFORM	AO LUKOIL Chernomorye		
	PJSC LUKOIL	OOO LUKOIL PERSONNEL		
	OOO LICARD (LUKOIL-Inter-Card)	OOO LUKOIL EPU Service		
	OOO LUKOIL-Nizhegorodniinefteproekt	OOO LUKOIL-TSUR		
	OOO LUKOIL-URTs Volgograd	OOO LUKOIL Trading House		
		OOO LUKOIL-TTK		
	K.N. Holding			
Subsidiaries in reorganization	PAO Astrakhan Power Sale Company	OOO AIR	OOO KARPATNEFTEKHIM	OOO LUKOIL Engineering affiliate in London
	AO Arkhangelskgeolrazvedka	OOO LUKOIL-Kambarsk Bulk Plant	JSC LUKOR	OOO LUKOIL Engineering affiliate in Teheran
			LUKOIL International Services B.V. representatives in Mexico	OOO LUKOIL Engineering affiliate in Atyrau
			LUKOIL International Services B.V. affiliate in Astana	OOO LUKOIL Engineering affiliate in Mexico
			LUKARKO B.V.	OOO LUKOIL Engineering affiliate in Mexico
			LUKOIL International U.K. Limited	OOO LUKOIL Engineering affiliate in Dubai
			LUKOIL International Services B.V.	
			LUKOIL Energy & Gas Bulgaria	
			EODD	

Appendix 2

GRI content index and individual GRI indicators

2.1. GRI Index

102-55

GRI Standards and Indicators Table

Index	Indicators	Section of the Report	Page
GRI 101. Reporting Principles			
		About this Report, Appendix 2 GRI Index and Individual GRI Indicators	4, 95
GRI 102. General Disclosures			
1. Organizational profile			
102-1	Name of the organization	About the Company	9
102-2	Activities, brands, products, and services	About the Company	14
102-3	Location of headquarters http://www.lukoil.com/Company/contacts		
102-4	Location of operations	About the Company	11
102-5	Ownership and legal form Information about share capital and PJSC LUKOIL's securities is available on the corporate website: http://www.lukoil.com/InvestorAndShareholderCenter/Securities/sharecapital	About the Company	
102-6	Markets served	About the Company Product quality assurance	11, 28
102-7	Scale of the organization	About the Company	10-11
102-8	Information on employees and other workers The information on employment agreements is consolidated by the Company without a breakdown by permanent and temporary employees. Workers that are legally recognized as being self-employed, or individuals other than employees or supervised workers, are not significantly engaged in operations.	Personnel	68-69
102-9	Supply chain	Stakeholder engagement Supply chain	27
102-10	Significant changes to the organization and its supply chain No significant changes in the structure of LUKOIL occurred in the reporting year. Data about the supply chain are not consolidated.		
102-11	Precautionary Principle or approach As part of its existing risk management system, the Company employs the precautionary approach in the exercise of Environmental and Social Impact Assessment (ESIA) procedures and in planning its Environmental Safety Program activities.		
102-12	External initiatives	Stakeholder engagement. Appendix 2 GRI Index and Individual GRI Indicators	
102-13	Membership of associations	Stakeholder engagement. Appendix 2 GRI Index and Individual GRI Indicators	93
2. Strategy			

Index	Indicators	Section of the Report	Page
102-14	Statement from senior decision-maker	Address by the President and CEO of PJSC LUKOIL	6
102-15	Key impacts, risks, and opportunities	LUKOIL Group strategy for sustainability	16
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	http://www.lukoil.com/Company/CorporateProfileEthics and statutory compliance	
4. Governance			
102-18 – 102-19	The corporate governance system is detailed in the Annual Report for 2017, page 90, as well as on the corporate website (http://www.lukoil.com/Company/CorporateGovernance)		
102-20	Executive-level responsibility for economic, environmental, and social topics	LUKOIL Group strategy for sustainability	16
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder engagement	24
102-22 – 102-28 102-35 – 102-38	Details about the corporate governance system are provided in the Annual Report for 2017, on page 90, as well as on the corporate website. (http://www.lukoil.com/Company/CorporateGovernance)		
102-29	Identifying and managing economic, environmental, and social impacts	LUKOIL Group strategy for sustainability	16
102-31	Review of economic, environmental, and social topics	About this report	
102-32	Highest governance body's role in sustainability reporting		
5. Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder engagement	24
102-41	Collective bargaining agreements	Appendix 2 GRI Index and Individual GRI Indicators	94
102-42	Identifying and selecting stakeholders		24
102-43	Approach to stakeholder engagement	Stakeholder engagement	
102-44	Key topics and concerns raised		24
6. Reporting practice			

Index	Indicators	Section of the Report	Page
102-45	Entities included in the consolidated financial statements	Appendix 2 GRI Index and Individual GRI Indicators	94
102-46	Defining report content and topic Boundaries	Appendix 1 Reporting boundaries	86
102-47	List of material topics	About this report	5
102-48	Restatements of information No restatements was carried out.		
102-49	Changes in reporting The reporting boundaries and scope have essentially not changed compared with the LUKOIL Group Sustainability Report for 2015-2016. The boundaries of indicators, which differ significantly from reporting boundaries, including due to their specifics, are given in the Report (see Appendix 1). Some indicators, whose boundaries differ slightly from reporting boundaries, are accompanied by relevant comments in the notes.	Appendix 1 Reporting boundaries	
102-50	Reporting period		4
102-51	Date of most recent report	About this report	
102-52	Reporting cycle		
102-53	Contact point for questions regarding the report Contact information on issues related to the content of the Report: Coordination Center for Corporate Activities Tel.: +7(495) 981-79-77, +7(499) 973-70-56. E-mail: csr@lukoil.com Investor Relations Department Tel.: +7(495) 627-16-96. E-mail: ir@lukoil.com Press Service Tel.: +7(495) 627-16-77. E-mail: media@lukoil.com		4
102-54	Claims of reporting in accordance with the GRI Standards	About this report	4
102-55	GRI content index	Appendix 2 GRI Index and Individual GRI Indicators	88
102-56	External assurance	About this report	4
GRI 201 Economic Performance			
201-1	Direct economic value generated and distributed	About the Company	15
201-3	Defined benefit plan obligations and other retirement plans	Work-related performance incentives	72
GRI 202 Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage The standard entry level wage in the Russian organizations of the LUKOIL Group is presented in comparison with local minimum wages prevalent in the regions where the Company operates. Wages do not differ according to gender.	Work-related performance incentives	72
202-2	Proportion of senior management hired from the local community	Compliance with employment entitlement rights	69
GRI 203 Indirect Economic Impacts			

Index	Indicators	Section of the Report	Page
203-1	Infrastructure investments and services supported	External social policy priorities	80
GRI 204 Procurement Practices			
204-1	Proportion of spending on local suppliers	Supply chain	27
	The data include only Russian organizations of the LUKOIL Group		
GRI 302 Energy			
103-1, 103-2, 103-3	The management approach and its components Regulations: <i>PJSC LUKOIL Standard STO LUKOIL 1.20.6-2013 Energy Management System of LUKOIL Group organizations</i> Department responsible – <i>Department of Energy Efficiency and Energy Supply of PJSC LUKOIL</i>	Energy efficiency and energy conservation	36
302-1	Energy consumption within the organization	Energy efficiency and energy conservation	37
GRI 303 Water			
103-1, 103-2, 103-3	The management approach and its components Department responsible – <i>HSE Department of PJSC LUKOIL</i>	Water use	45
303-1	Water withdrawal by source	Water use	46
303-3	Water recycled and reused Does not include the total volume of water recycled and reused as a percentage of total water withdrawal, since the methodology is under development	Water use	45
GRI 305 Emissions			
103-1, 103-2, 103-3	The management approach and its components Department responsible – <i>HSE Department of PJSC LUKOIL</i>	Climate-related risks. Environmental safety program	49
305-1	Direct GHG emissions	Impact assessment	33
305-5	Reduction of GHG emissions		
305-6	Emissions of ozone-depleting substances (ODS) The Company does not use ozone-depleting substances (ODS) on an industrial scale		
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Managing environmental impacts	49
GRI 306 Effluents and Waste			
103-1, 103-2, 103-3	The management approach and its components Department responsible – <i>HSE Department of PJSC LUKOIL</i>		
306-1	Water discharge by quality and destination Information on volumes and quality of wastewater is provided without its destination	Water use	48
306-2	Waste by type and disposal method	Managing environmental impacts	50
306-3	Significant spills	Ensuring the integrity of production facilities	58
GRI 308 Supplier environmental assessment			

Index	Indicators	Section of the Report	Page
103-1, 103-2, 103-3	The management approach and its components Regulations: <i>Regulations on Holding Tenders to Select Suppliers and Contractors of LUKOIL Group Subsidiaries; the HSE policy of PJSC LUKOIL in the 21st Century; PJSC LUKOIL Standard Health, Safety and Environment Management System: Contractors Requirements</i> Department responsible – <i>HSE Department of PJSC LUKOIL</i>	Supply chain	28
308-1	New suppliers that were screened using environmental criteria	Supply chain	28
GRI 401 Employment			
103-1, 103-2, 103-3	The management approach and its components Regulations: <i>The Social Code of PJSC LUKOIL, The Personnel Management Policy</i> Department responsible – <i>Personnel Policy Department of PJSC LUKOIL</i> For more information see the corporate website: http://www.lukoil.com/Responsibility/SocialPartnership/HumanResources	Personnel	68
401-1	New employee hires and employee turnover Employee turnover disclosure is presented. Disclosures related to new hires are not material for the Company	Personnel	68
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees Social benefits are granted to all employees, regardless of the type of employment	Work-related performance incentives	72
GRI 402 Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	Appendix 2 GRI Index and Individual GRI Indicators	97
GRI 403 Occupational Health and Safety			
103-1, 103-2, 103-3	The management approach and its components Regulations: <i>STO LUKOIL 1.6.14-2016 Health, Safety and Environment management system. Procedure for registration, recording and investigation of accidents and incidents.</i> Department responsible – <i>the HSE Department of PJSC LUKOIL</i>	Employee health and safety	60
403-1	Workers representation in formal joint management-worker health and safety committees	Employee health and safety	65
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities The lost day and absentee rates are not presented in the Report, as the Company does not apply these indicators to HSE management reporting system. The Report includes indicators used for the internal and external reporting purposes of the Company.	Employee health and safety	62-63
403-3	Workers with high incidence or high risk of diseases related to their occupation	Employee health and safety	64
403-4	Health and safety topics covered in formal agreements with trade unions	Appendix 2 GRI Index and Individual GRI Indicators	98
GRI 404 Training and Education			
103-1, 103-2, 103-3	The management approach and its components Department responsible – <i>Department of Personnel Assessment and Development of PJSC LUKOIL</i>	Staff development	74
404-1	Average hours of training per year per employee The number of individuals that underwent training is presented in the Report. The number of training hours per year per employee by gender and by employee category is not available within the current reporting system.	Staff development	74

Index	Indicators	Section of the Report	Page
404-2	Programs for upgrading employee skills and transition assistance programs	Appendix 2 GRI Index and Individual GRI Indicators	89
404-3	Percentage of employees receiving regular performance and career development reviews	Staff development	73
Information is 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 411 Rights of Indigenous Peoples			
103-1, 103-2, 103-3	The management approach and its components	Indigenous peoples of the North	85
Department responsible – <i>Regional Communications Department of PJSC LUKOIL</i>			
411-1	Incidents of violations involving rights of indigenous peoples	Indigenous peoples of the North	85
GRI 412 Human Rights Assessment			
103-1, 103-2, 103-3	The management approach and its components	Human rights	
412-1	Operations that have been subject to human rights reviews or impact assessments	Compliance with employment entitlement rights	72
GRI 413 Local Communities			
103-1, 103-2, 103-3	The management approach and its components	External social policy priorities	78
Department responsible – <i>the Public Relations Department of PJSC LUKOIL</i>			
413-1	Operations with local community engagement, impact assessments, and development programs	External social policy priorities	78
All Company subsidiaries have programs in place related to local community engagement. For the list of Company subsidiaries see the Annual Report for 2017, page 143			
GRI 419 Socio Economic Compliance			
103-1, 103-2, 103-3	The management approach and its components	Ethics and statutory compliance	23
Regulations: <i>the LUKOIL Group Antimonopoly Policy</i> . Department responsible – <i>Department of Legal Support of International Disputes of PJSC LUKOIL</i>			
419-1	Non-compliance with laws and regulations in the social and economic area	Ethics and statutory compliance	23

2.2 Individual indicators of GRI Standards

GRI 102. GENERAL INFORMATION

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External initiatives

- The National Council for Professional Qualifications of the President of the Russian Federation
- The Council for Professional Qualifications in the Oil and Gas Industry of Russia

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Membership of associations

- The Airport Civil Aviation Association – LUKOIL-AERO is a member.
- The Bulgarian Oil and Gas Association.
- The Macedonian-Russian Chamber of Commerce and Industry, the Chamber of Commerce of Montenegro.
- The National Oil Committee of Serbia, which is a member of the WPC (World Petroleum Council). Representatives from LUKOIL Serbia PLC Belgrade occupy positions in the management bodies (the Board of Directors and Executive Council); participate in ongoing activity, including committee work (for example, in the Young Specialists Committee). The Company does not provide substantial financing outside standard membership dues, and does not consider its membership to be strategic.
- The Association of Fuel Distribution Companies of Turkey (ADER). Akpet GAZ A.S. and LUKOIL Eurasia Petrol A.S are members of the organization; a LUKOIL representative was its chairman in 2017.
- The Association of Oil and Petroleum Product Distributors of Montenegro.
- The Union of Energy and Extractive Industry of Montenegro – LUKOIL Montenegro DOO is a member of the Management Board of the organization.
- The Union of Oil Companies of Serbia. Representatives from LUKOIL Serbia PLC Belgrade hold positions in the management bodies; the subsidiary is an active participant in all the organization's undertakings.
- The Turkish LPG Association (Türkiye LPG Derneği) and the Union of Chambers and Commodity Exchanges of Turkey (TOBB). LUKOIL subsidiaries participate actively in discussions of practical issues related to the development of the Turkish gas market.
- The Belgian Petroleum Federation.
- The Croatian Energy Regulatory Agency (Hrvatska energetska regulatorna agencija). LUKOIL Croatia Ltd. does not occupy a position in the management bodies and regards its membership as strategic.
- The Croatian Chamber of the Economy (Hrvatska gospodarska komora) – LUKOIL Croatia Ltd. does not occupy a position in the management bodies and views its membership as being strategic.
- The Netherlands Organization for the Energy sector.

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Collective bargaining agreements

- The Company's obligations to its workforce are set forth in the Social Code of PJSC LUKOIL, specified in the course of collective negotiations with trade-union organizations, and enshrined in the Agreement between the Company and the unions, as well as in internal regulations. The freedom of collective negotiations is set out in the following points of the Agreement:
 - "2.5.7. To provide representatives of trade-union organizations with the ability to participate in the work of the management bodies of the controlled organizations".
 - "2.5.9. To adopt internal regulations and decisions with due consideration for the opinions of (by agreement with) the union committee (council) of the corresponding trade-union organization in cases stipulated by the Russian Labor Code, the Industry Agreement, this Agreement, and the collective agreements of the controlled organizations".
- Trade unions are also granted the right to participate in management decision-making processes on an equal basis with the Company's management (members of the Board of Directors).

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Entities included in consolidated financial statements

Russian organizations of the LUKOIL Group (the share of PJSC LUKOIL is 50 % and over)	OOO LUKOIL-Nizhnevolzhsknefteprodukt	PJSC LUKOIL
OOO Astrakhanskies Teplovyie Seti	OOO LUKOIL-Nizhnevolzhskneft	JSC RITEK OOO Rostovskie Teplovyie Seti
OOO Varandey Terminal	OOO LUKOIL-Permnefteorgsintez	AO RPK-Vysotsk LUKOIL-II
OOO Volgodoskie Teplovyie Seti	OOO LUKOIL-Permnefteprodukt	OOO Saratovorgsintez
OOO Volzhskie Teplovyie Seti	OOO LUKOIL-PERM	OOO Stavrolen
OAo KamyshinTeploEnergo	OOO LUKOIL-Primoryeneftegaz	OOO UralOil
OOO LLK Marin Rus	OOO LUKOIL-Rezervnefteprodukt	AO Arkhangelskgeolrazvedka
OOO LLK-International	OOO LUKOIL-RNP-Trading	OOO LUKOIL-Nizhnevolzhskneft-Kalmykia
OOO LUKOIL-AIK	OOO Rostovnefteprodukt	NK Yugranefteprom
OOO LUKOIL-Astrakhanenergo	OOO LUKOIL-Rostovenergo	OOO Perm-Invest
OOO LUKOIL-AERO	OOO LUKOIL-Severo-zapadnefteprodukt	OOO RITEK-ITC
OOO LUKOIL-BUNKER	OOO LUKOIL-Stavropolenergo	OOO SP Neftestroy
OOO LUKOIL-Volganefteprodukt	OOO LUKOIL-Trans	OOO TURSUNT
OOO LUKOIL-Volgogradneftepererabotka	OOO LUKOIL-Uralnefteprodukt	OOO UTTIST
OOO LUKOIL-Volgogradenergo	OOO LUKOIL-Ukhtaneftepererabotka	OOO Chumpassneftedobycha
OOO LUKOIL-Western Siberia	OOO LUKOIL-Tsentrnefteprodukt	OOO AERO-NEFTO
OOO LUKOIL-Engineering	OOO LUKOIL-Chernozemyenefteprodukt	OOO Volgodoskaya Teplovaya Generatsia
OOO LUKOIL-INFORM	OOO LUKOIL-Ekoenergo	OOO Donbunker
OOO LUKOIL-Kaliningradmorneft	OOO LUKOIL-Energoengineering	OOO INTESMO
OOO LUKOIL-Komi	OOO LUKOIL ENERGO SERVICE	OOO Kamyshin CHPP
OOO LUKOIL-Kubanenergo	OOO LUKOIL-ENERGOSETI	K.N. Holding OOO LICARD (LUKOIL-Inter-Card)
OOO LUKOIL-MarineBunker	OOO LUKOIL EPU Service	OOO LUKOIL-AVIA
OOO LUKOIL-Nizhegorodnefteorgsintez	OOO LUKOIL-Yugnefteprofukt	OOO LUKOIL-AERO

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Entities included in consolidated financial statements

OOO LUKOIL-Aero Volgograd	AO SOVEKS	LAND POWER S.A.
OOO LUKOIL-Aero Domodedovo	OOO SP Volgodeminoil	LITASCO SA
OOO LUKOIL-Aero Nizhniy Novgorod	OOO TZK Volga	LITASCO Middle East DMCC
OOO LUKOIL-Aero Perm	OOO TZK Severo-Zapad	LUKINTER FINANCE B.V.
OOO LUKOIL-Aero Samara	OOO Tsentrikasneftegaz	LUKOIL Accounting and Finance Europe s.r.o.
OOO LUKOIL-Aero Surgut	Foreign organizations of the LUKOIL Group	LUKOIL Americas Corporation
OOO LUKOIL-Aero Tyumen	LUKOIL-Bulgaria Bunker EOOD	LUKOIL ASIA PACIFIC PTE LTD.
OOO LUKOIL-Aero Chelyabinsk	LICARD Euro Services GmbH	LUKOIL Aviation Bulgaria EOOD
OOO LUKOIL-Varandey-AVIA	LUKOIL-Inter-Card-Bel	LUKOIL Belgium N.V.
OOO LUKOIL-KGPZ	LUKARCO B.V. (group of sub-consolidated reporting)	LUKOIL Benelux B.V.
OOO LUKOIL-KNT	LUKARCO Finance B.V.	LUKOIL Capital Markets Ltd
OOO LUKOIL-Nizhegorodniinefteproekt	LUKOIL INTERNATIONAL GmbH (group of sub-consolidated reporting)	LUKOIL Croatia Ltd.
OOO LUKOIL-URTs Volgograd	AC MANAGEMENT COMPANY LIMITED	LUKOIL Eurasia Petrol Anonim Sirketi
OOO LUKOIL-URTs Perm	Akdeniz Boru Hatlari Nakliyat ve Isletmecilik Ic ve Dis Tic. Ltd Sti	LUKOIL Europe Holdings B.V.
OOO LUKOIL-TSUR	Akpet Akaryakit Dag. A.S.	LUKOIL Hamburg GmbH
AO LUKOIL Chernomorye	Akpet Gaz A.S.	LUKOIL Holding B.V.
OOO LUKOIL PERSONNEL	ARJ LTD	LUKOIL Holding GmbH
AO Maritime Agency Novotorik	Auto Maas Tankstations B.V.	LUKOIL International Finance B.V.
OOO Sports and cultural complex	EIGER SHIPPING SA	LUKOIL INVESTMENTS CYPRUS LTD
OOO Teplovaya Generatsia G. Volzhskogo	IMMANIS N.V.	LUKOIL ISRAEL LIMITED (Cyprus)
OOO TZK-Arkhangelsk	IRAQ PETROLEUM TRADING DMCC	BRAZOS PETROLEUM OVERSEAS LIMITED
AO LUKOIL-Aero-Sheremetievo	ISAB S.r.l.	LUKOIL Istasyon Isletmeciligi Limited Şirketi
OOO Gas-Oil trading	ISTASYON YONETIMI VE PETROL URUNLERI TICARETI ANONIM Sirketi	LUKOIL Italia S.r.l.
ZAO KalmTtaneft	Kiinteisto Oy Nurmijarven Liikennepalvelukeskus	LUKOIL MACEDONIA LTD Skopje
OOO KNGK		LUKOIL MONTENEGRO DOO
OOO Oil Company Vostok NAO		LUKOIL Netherlands B.V.
OOO PermTOTIneft		LUKOIL Neftohim Burgas AD

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Entities included in consolidated financial statements

LUKOIL NORTH AMERICA LLC	LUKOIL Pan Americas, LLC	LUKOIL LUBRICANTS EAST EUROPE S.R.L.
LUKOIL International Upstream Holding B.V.	LUKOIL ROMANIA S.R.L.	LUKOIL Lubricants Europe GmbH
Esh El Mallaha Petroleum Company (ESHPETCO)	LUKOIL SERBIA PLC Belgrade	LUKOIL Lubricants Mexico S.de R.L.de C.V.
LUKOIL International Secondment B.V.	LUKOIL Sweden AB	LUKOIL LUBRICANTS UKRAINE, TOV
LUKOIL International Upstream West Inc.	OOO LUKOIL Uznefteprodukt	LUKOIL MARINE LUBRICANTS DMCC
LUKOIL MID-EAST LIMITED	LUKOIL-Azerbaijan, ZAO	LUKOIL Marine Lubricants Germany GmbH
LUKOIL Overseas Anaran Ltd.	LUKOIL-BULGARIA EOOD	LUKOIL MARINE LUBRICANTS USA INC.
LUKOIL Overseas Aral Ltd.	LUKOIL-Georgia Ltd.	LLK-NAFTAN
LUKOIL Overseas Atash B.V.	LUKOIL-Moldova S.R.L.	LUKOIL Technology Services GmbH
LUKOIL OVERSEAS EGYPT LIMITED	Lumex Holding B.V.	VARIS
LUKOIL Overseas Etinde Cameroon Sarl	Lumex Amatitlan B.V.	
LUKOIL OVERSEAS GHANA TANO LIMITED	Lumex Amatitlan Holding S. de R.L. de C.V.	
LUKOIL Overseas Iraq Exploration B.V.	Lumex Operacion S. de R.L. de C.V.	
LUKOIL Overseas Karachaganak B.V.	Petrolera de Amatitlan, S.A.P.I. de C.V.	
LUKOIL Overseas Kumkol B.V.	MEROIL TANK S.L.	
LUKOIL Overseas Nigeria Limited	Op-Ay Akaryakit Tic. Ltd. Sti.	
LUKOIL Overseas North Shelf AS	Oy Teboil Ab	
LUKOIL Overseas Riyadh Ltd.	PETROTEL-LUKOIL S.A.	
LUKOIL Overseas Shah Deniz Ltd.	S.C. LUKOIL ENERGY & GAS ROMANIA S.R.L.	
LUKOIL Overseas Shah Deniz Midstream Ltd.	TOTAL Opslag en Pijpleiding Nederland N.V.	
LUKOIL Overseas Supply and Trading Ltd.	Verolma Mineralol GmbH	
LUKOIL Overseas Uzbekistan Ltd.	LITASKO Central Asia	
LUKOIL SAUDI ARABIA ENERGY LIMITED	LUKOIL Belarus	
LUKOIL UPSTREAM MEXICO, S. de R.L. de C.V.	LUKOIL Lubricants (China) Co., Ltd.	
LUKOIL Uzbekistan Operating Company LLC	LUKOIL LUBRICANTS International Holding GmbH (group of sub-consolidated reporting)	
SOYUZNEFTEGAZ VOSTOK LIMITED	LUKOIL Lubricants Middle East Madeni Yag Sanayi ve Ticaret Limited Sirketi	
TURGAI-PETROLEUM JSC	LUKOIL Lubricants Central Asia LLP	

102-46**Defining report content and topic boundaries**

In the process of preparing reporting information, we performed an analysis of whether the Company's activity complies with the Sustainable Development Targets of the 2030 Agenda for Sustainable Development and with the procedure for identifying material topics in accordance with GRI Standards.

The procedure for identifying material topics includes an analysis of the following sources:

- topics raised by the Company's management and senior executives during their public speeches and presentations in Russia and abroad

- a survey of the heads of the main structural departments
- queries for information received from stakeholders during the reporting year
- personal visits with the representatives of stakeholders in various formats (round tables, conferences, working meetings, etc.)
- publications on the Company in business and public-affairs periodicals, as well as in internet publications
- the reports of Russian and foreign oil & gas companies that are commensurate in scale
- analyzing events that are important to the industry which occurred during the

reporting period, including legislative requirements on the disclosure of non-financial information, the requirements of financial marketplaces, etc.

- monitoring non-financial reporting systems and the main initiatives in this area

The Report also reflects certain indicators of the Environmental Responsibility Rating of Oil & Gas Companies (WWF-Creon), as well as the indices Responsibility and Openness and Vector of Sustainability (RUIE).

402-1**Minimum notice periods regarding operational changes**

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 (in the event of staff reductions or the liquidation of the enterprise – 2 months)
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, however, under certain circumstances the law may prescribe special procedures and periods. For example, during mass staff reductions, a notice period of at least two months

403-4 | Health and safety topics covered in formal agreements with trade unions

A key document is the Agreement between the Employer and the Trade-Union Association of PJSC LUKOIL for 2015–2020.

Section 6, Health, Safety, and the Environment of this document includes the obligations of PJSC LUKOIL and its subsidiaries to preserve the health and safety of their employees, including:

- financing measures to improve working conditions
- informing employees about safety related issues (working conditions,

appropriate personal protection, etc.)

- registering and tracking the circumstances and causes of accidents, as well as ensuring that union representatives can participate in investigations
- supporting the activity of the union association’s technical labor inspection and union safety officers
- supporting the activity of the social insurance commission
- conducting safety and environmental competitions

- providing compensation for working under harmful conditions
- additional guarantees for pregnant women
- additional guarantees to employees with medical contraindications for work they previously performed, etc.

404-2 | Programs for upgrading employee skills and transition assistance programs

EMPLOYEE SKILLS DEVELOPMENT PROGRAMS

Type of training	Training programs and courses
In-house training courses	DLS: over 300 educational courses on the following topics: Quality Management and Lean Manufacturing, Organizational Change Management, Project Management, Management, Personal Effectiveness, Foreign Languages, Corporate Spirit, IT Courses (Outlook, Excel, PowerPoint), Public Speaking and Presentations, People Management, Human Resources Management, Effective Negotiations, Production Orientation, Petroleum Product Supply, Risk Management, IT Security, Civil Defense and Emergency Protection, Industrial Safety, Occupational Safety, Fire Safety.
External training or education	Professional retraining, education in MBA, EMBA, DBA programs The Company pays 50% 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.

EXTERNAL TRAINING PROGRAMS TO DEVELOP MANAGERIAL AND PROFESSIONAL COMPETENCIES

Program	Frequency; educational institution
Master’s in Business Administration – Oil & Gas Management	Annually. Gubkin Russian State University of Oil and Gas
Development of the company’s management resources	Annually. The Russian Presidential Academy of National Economy and Public Administration
Professional training for the general directors of LUKOIL Group subsidiaries	Annually
Head of Oil and Gas Production Department	Annually
LUKOIL Integrated Project Management System (IPMS)	Once (2015-2017). Skolkovo Moscow School of Management
Training experts in the independent assessment of professional qualifications	Once (2017)

Appendix 3

Independent Limited Assurance Report

on the LUKOIL Group Sustainability Report 2017

Audited entity:	PJSC LUKOIL. Registration No. in the Unified State Register of Legal Entities 1027700035769. Moscow, Russia.
Independent auditor:	JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Registration No. in the Unified State Register of Legal Entities 1027700125628. Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.

TO THE MANAGEMENT OF PJSC LUKOIL

Introduction	We were engaged by the Management of PJSC LUKOIL (the "Management") to perform an assignment resulting in the issue of an independent limited assurance report on the LUKOIL Group (the "Group") Sustainability Report 2017 (the "Report") with an independent 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, in all material respects, based on the "core" version of the Global Reporting Initiative Sustainability Reporting Standards (the "GRI Standards") and is free from material misstatement, is not fairly stated.
Management's Responsibilities	Management is responsible for the preparation and presentation of the Report that is free from material misstatement in accordance with the GRI Standards, and for the information and statements contained therein. This responsibility includes designing, implementing and maintaining internal control system relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. It also includes: determining the Group's objectives in respect of sustainable development performance and reporting, including the identification of key stakeholder groups and their material issues; selecting applicable requirements of the GRI Standards; preventing and detecting fraud; identifying and ensuring that the Group complies with the laws and regulations applicable to its activities; selecting and applying appropriate policies; making judgments and estimates that are reasonable in the circumstances; maintaining adequate records in relation to the information included in the Report; ensuring that staff involved with the preparation of the Report are properly trained, information systems are properly updated and that any changes in the reporting system encompass all key divisions.
Our Responsibilities and Applicable Standards	Our responsibility is to perform procedures to obtain evidence in respect of the Report prepared by Management, and to issue a report with an independent limited assurance conclusion regarding Management's statement in respect of the Report based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 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 about whether Management's statement that the Report is prepared, in all material respects, based on the GRI Standards and is free from material misstatement, is fairly stated.

Our Independence and Quality Control

We have complied with the independence and ethical requirements established by the Rules on Independence of Auditors and Audit Firms and the Code of Professional Ethics for Auditors approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the Code of Ethics for Professional Accountants 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 behaviour.

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 professional 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 the 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.

The procedures we developed based on the performed risk assessment are a combination of inspections, recalculations, analytical procedures and inquiries.

Our engagement also included: assessing the appropriateness of the information included in the Report and the suitability of the GRI Standards used by Management in preparing 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 risk assessment included, but were not limited to, the following:

- Inspection of the processes used by the Group to identify topics and issues material to the Group's key stakeholder groups, with the purpose of understanding such processes in the Group, as well as analysis of information from open sources on topics and issues material to key stakeholder groups of other organizations in the industry, with the purpose of determining the level of completeness of disclosure of such topics and issues in the Report;
- Interviews with Management representatives and officers at corporate headquarter level and subsidiaries regarding the sustainable development strategy and policies regulating material issues in areas of importance for the Group, stage of implementation of such policies, and procedures for collecting information on sustainable development;
- Interviews with staff at the corporate headquarter level and subsidiaries responsible for providing the information in the Report;
- Visits to the following subsidiaries:
 - LUKOIL West Siberia LLC, Kogalym, Langepas;
 - LUKOIL Komi, Usinsk;
 - LUKOIL Nizhegorodnefteorgsintez, Kstovo;
 - LUKOIL Neftochim Burgas AD, Bulgaria, Burgas, which were selected based on a risk analysis using both qualitative and quantitative criteria;
- Comparing the information presented in the Report with data from other sources to determine its completeness, accuracy and consistency;
- Assessing the completeness of qualitative and quantitative information on sustainable development against recommendations of the GRI Standards;
- Reading and analysing information on sustainable development included in the Report to determine whether it is in line with our understanding and knowledge of the Group's sustainable development activity;
- Recalculation of quantitative data and inspection of underlying documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Criteria Used	To evaluate the Report, GRI Standards were used which are available at the link: https://www.globalreporting.org/standards/
Management's Statement	Management states that the Report is prepared, in all material respects, based on the GRI Standards and is free from material misstatement.
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, in all material respects, based on the GRI Standards and is free from material misstatement, is not fairly stated.



Anton Ivanovich Oussov
JSC "KPMG"
Moscow, Russia
17 May 2018

Appendix 4

Conclusion of the RUIE Council for Non-Financial Reporting on the public assurance review of the LUKOIL Group Sustainability Report for 2017

At the request of PJSC LUKOIL (the “Company”, the “Group”, “LUKOIL”), the Council for Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs (the “Council”), established by a decision of the Management Committee Bureau (Resolution dated 28 June 2007), has reviewed the LUKOIL Group Sustainability Report for 2017 (the “Report”).

The Company asked the RUIE Council to perform a public assurance review. The Council was asked to provide an opinion on the relevance and completeness of information about the company’s activity disclosed in the Report, in accordance with the principles of responsible business practices contained in the Social Charter of Russian Business, and whether it complies with the provisions of the UN Global Compact as well as Russian and international social responsibility standards.

From 28 May to 18 June 2018, Council members studied the Report provided by the Company and prepared this Conclusion in accordance with the Regulations for the Public Assurance Review of Corporate Non-Financial Reporting approved by the Council. The Council members have the necessary qualifications in the field of corporate social responsibility, sustainable development, and non-financial reporting, comply with the ethical requirements of independence and impartiality, and are expressing their personal expert opinion rather than that of the organizations they represent.

The Report was assessed based on the following criteria for the completeness and relevance of information contained in the Report:

- Information is considered relevant if it reflects the Company’s activities in implementing the principles of responsible business practices of the Social Charter of Russian Business (www.rspp.ru).
- Information is considered complete if the company has comprehensively presented its activity in the Report, including its underlying values and strategic benchmarks, its management system and structure, achievements and key performance results, and the system for stakeholder engagement.

- The Company's use of international reporting standards is taken into account during the public assurance review. However, confirming how well the Report complies with international standards is beyond the scope of this Conclusion.
- The Company is responsible for the information and statements contained in this Report. Determining the reliability of the data contained in the Report is not the goal of the public assurance review.

This Conclusion has been prepared for the Company, which can use it for its internal corporate needs and for communication with stakeholders, by publishing it without making any changes.

CONCLUSIONS

Based on our analysis of the Report, public information available on the Company's official website, and a collective discussion of the independent assessment of the Report by the members of the RUIE Council on Non-Financial Reporting, the Council confirms the following:

- The LUKOIL Group Sustainability Report for 2017 contains relevant information on key areas of responsible business practices in accordance with the principles of the Social Charter of Russian Business, and provides sufficient comprehensive disclosure of the Company's activity in these areas.
- The recommendations of the RUIE Council, based on the public assurance review of the Company's previous report for 2015–2016, were reflected in the 2017 Report in the form of greater disclosure of information on integrating sustainability goals into the Company's strategy and the consolidation of data at Group level, including Russian and foreign assets.

The Company's 2017 Report contains relevant information in respect of the following aspects of responsible business practices:

Economic freedom and responsibility:

The Report discloses information on the Group's Russian and foreign assets, includes key financial and production performance results, presented over time, and describes the Company's key lines of business, operating footprint, and competitive advantages. The approval of the LUKOIL Group Strategic Development Program for 2018–2027 is reported, which reflects the sustainability priorities, sets out the goals and objectives for the entire Company in this area, and correlates them with UN Sustainability Goals. The key projects of the reporting year are listed, and include the development of renewable energy, the development of hard-to-recover reserves, and the utilization of associated petroleum gas (APG). The Report provides information on work to improve the efficiency of production activity across the value creation chain. Issues related to ensuring product quality and management in this area, in accordance with international standards, are covered. The structure for managing aspects of sustainability and sustainability risks is presented vertically, from Board to subsidiary level. Information is given on updates to in-house regulations designed to improve activity in this area; on new management approaches to planning targeted corporate programs in health, safety and the environment; and on confirmation that the management system in this area complies with ISO 14001 and OHSAS 18001. The Report highlights ongoing efforts to implement the provisions of the LUKOIL Group Antimonopoly Policy. The Report contains a Company statement on compliance with anti-corruption legislation in the countries where the Company operates.

Business partnerships:

The Report covers the principles, programs, and topics of interaction with main groups of stakeholders. Information is given on how the Company meets its obligations to shareholders and investors, including issues related to ensuring transparency, regular reporting, implementing the dividend policy, and also responding to queries received from investment and financial institutions and analytical agencies. The Report covers participation by the Company's representatives in the advisory panels of ministries related to the oil and gas sector, and in the drafting of legislation and providing appraisals of legislative initiatives. It also covers interactions with the Company's key social partner, the International Association of LUKOIL Group Trade Union Organizations, including on issues related to improving working conditions. Information is given on the main mechanisms of the HR policy, training programs and personnel development, and social programs for employees. The Report covers how the procurement of goods, work, and services is organized through open tenders and the selection of suppliers in accordance with the requirements of corporate Regulations. Information is also provided on support for local suppliers and contractors. The Report notes that the Company monitors the activity of contracting organizations for compliance with the health, safety, and environmental requirements stipulated in the contracts with these contractors. The Company reports that in the reporting year it opened an online store to sell lubricants, which makes the Company's products available to consumers worldwide. The main mechanisms for interacting with consumers and receiving consumer feedback are cited. The Report provides information on the Company's participation in international and Russian public organizations and in international projects, programs, and initiatives.

Human rights:

The Report states that in the reporting year the corporate human rights policy was consolidated in a new version of the Social Code. In all the countries where it operates, the Company recognizes the importance of observing the UN Universal Declaration of Human Rights, including rights pertaining to labor, the right to a healthy environment, and the rights of indigenous minorities and special community groups.

The main mechanisms are described for monitoring and assessing activity in connection with human rights compliance. The Report contains information on observing employee rights to free association, which are exercised through the activities of trade unions and through concluding collective agreements in the majority of Russian and foreign organizations, with a broad coverage of employees. Information is provided on compliance with labor rights and the observance of social guarantees. Information is also given on the Company's obligations, as contained in the Social Code, to support the national and cultural identities of indigenous peoples living in areas where the Company operates, as well as the mechanisms for their implementation, including partnership agreements, joint working bodies on issues related to the indigenous peoples of the North, programs to protect their rights and legal interests, and the provision of support.

Environmental protection:

The Report presents the implementation results of the Environmental Security Program for 2014-2017, and gives the key results for the reporting year. The approval of the Environmental Security Program for 2018-2020 is mentioned. The main measures are listed for reducing emissions of pollutants, curtailing APG flaring, and developing “green” energy based on renewables. The Company’s approach to effective water management and wastewater removal are covered. Information is included on Russian assets created as a result of land reclamation. The Report also contains information on oil spills and the scope of the measures taken to mitigate risks in this area, including more stringent requirements for contracting organizations. The principles and approaches to preserving biodiversity, including in the Arctic Zone, are described. The Report provides a wide range of aggregate and relative indicators on the environmental impacts of the Company’s production activities. Information is provided on energy conservation measures, the implementation of energy-saving technologies, and installations of the first charging stations for electric automobiles at Company filling stations. The goals and objectives of the Energy Conservation Program of LUKOIL Group Subsidiaries in Russia for 2018 and for the period from 2019-2020 are presented. The Report states that Group organizations have certificates confirming compliance with ISO 50001 standards. Information is included on the performance of climatic risk assessments when taking investment decisions and creating strategic, medium-term, and annual plans. Data are presented on measures taken together with regional and local authorities and non-governmental organizations during the Year of Ecology. Support for environmental education programs in Romania, Bulgaria, and Uzbekistan is reported.

Participation in local community development:

The Report covers the priorities and mechanisms for implementing the social policy and the Company’s interactions with local communities. Mention is made of the 27 partnership agreements in place in the Company’s areas of operation. The Report includes information on support for projects and initiatives of local communities, as part of a Competition of Social and Cultural Projects implemented by the Company’s subsidiaries and the LUKOIL Charity Foundation in the categories Environment, Spirituality and Culture, and Sport. The key elements of the system for managing charity activity are indicated, including data on the Company’s expenditure in this area. Information is provided on Company projects to support social infrastructure, education, healthcare, culture, and sport. Examples are given of social projects that will be implemented by the Company’s foreign subsidiaries.

CONCLUDING REMARKS

Overall, the Report reflects the LUKOIL Group's responsible business practices, management system, and the Company's impact on society and the environment. The Report uses an integrated approach to disclose information across key lines of business, including a substantial number of performance indicators related to the economic, environmental, and social aspects of the Company's operations. The Report provides information on the implementation of the Company's strategy, and how the Company's performance is in line with UN Sustainable Development Goals.

The Report was drafted based on recommendations, standards, and guidelines used both in Russia and internationally (the Global Reporting Initiative (GRI), the UN Global Compact, the Social Charter of Russian Business, and the Corporate Reporting Guidelines for Sustainable Development Goals), which ensures consistency across a number of reporting cycles and comparability with the reports of other companies.

The 2017 Report is the Company's eighth non-financial report and its first annual report, which attests to the consistent development of the Company's reporting process, including in relation to the provision of time-sensitive information. The Company uses various methods to make independent assessments and to verify reporting information (professional audits and public assurance), thus reaffirming its responsible approach to ensuring the quality of information presented.

RECOMMENDATIONS

While noting the merits of the Report, the Council draws the Company's attention to a number of aspects that are important for stakeholders concerning the relevance and completeness of the information disclosed, and recommends taking them into account in future reports.

The Council notes that the recommendations elaborated on the basis of the analysis of the Company's previous reports will be useful in the future reporting practices of the Group.

The Report compares the results of the Company's activities with UN Sustainable Development Goals, in line with modern global best reporting practices. It is advisable to continue to analyze the Company's activity for compliance with UN Goals, to expand on this information, and to demonstrate how the business results contribute towards attaining the Company's strategic benchmarks and progressing towards the global goals and objectives relevant for the Company and stated in the 2017 Report.

We recommend that the Company's sustainable development goals defined in the Report, as well as corresponding strategic objectives, be accompanied in future by the plans for their implementation in the next reporting period and over the medium term, with measurable targets stated in the Report.

The Report indicates that information requests from various stakeholders are taken into account during the Report's preparation, including the indicators to be used for independent assessments and the compilation of indices and ratings. In this regard, attention should be paid to the Company's performance indicators, which include labor productivity, and this information should be incorporated into the report in future.

It is stated in the Report that the Company applies a procedure for identifying topics of interest based on GRI Standards, and the elements of this procedure are indicated (here special mention is made of the survey of the directors of main structural divisions). It would also be prudent to describe the tools for taking stakeholder opinions into account when drawing up lists of material topics, and to set out the procedure for interacting with them in this regard.

In the previous period the Company gained experience in holding discussions with stakeholders in its areas of operation on resolving social issues and the development of local communities. If this practice continues going forward, it should be covered in reports, with an emphasis made on the creation and implementation of the Company's social programs. This type of information serves to confirm the effectiveness of the stakeholder cooperation and feedback mechanisms employed by the Company.

In view of increasing attention being paid by numerous stakeholders, both in Russia and globally, to issues related to business ethics and corporate anti-corruption practices, it would be worth expanding the scope of information regarding this topic in future reports.

The Company has gained extensive experience in the area of sustainability reporting, including the best practices for showcasing the key results of activity at a regional level. This experience should be leveraged in the future, with the most salient information on the Company's performance in the areas of operation of the LUKOIL Group organization being included in reports.

The RUIE Council for Non-Financial Reporting, having given the Report a positive assessment, supported the Company's commitment to responsible business practices, and noted the reporting consistency, confirms that the LUKOIL Group 2017 Sustainability Report has passed public assurance.



RUIE Council
for Non-Financial Reporting



Russian Union of Industrialists and Entrepreneurs

CERTIFICATE

of Public Endorsement
of a Corporate Non-Financial Report

LUKOIL GROUP SUSTAINABILITY REPORT 2017

has received public endorsement
by the RSPP Council on Non-Financial Reporting

A detailed opinion of the RSPP Council of non-financial reporting regarding public endorsement of the LUKOIL GROUP Sustainability Report 2017 has been sent to the Company, which may publish it without amendment and use it both for corporate purposes and for the purposes of stakeholder engagement.

Registration number 121.01.14.01.17

RSPP President



A. Shokhin

Appendix 5

Abbreviations

FS – filling station

NIR spectrometer – near-infrared spectrometer

RES – renewable energy sources

VMI – voluntary medical insurance

IMN – indigenous minorities of the North

KPIs – key performance indicators

SMMW – statutory minimum monthly wage

NAA – Nenets Autonomous Area

OR – oil refinery

OMA – oil mining administration

EIA – environmental impact assessment

OOO – limited-liability company

HSE – health, safety, and the environment

APG – associated petroleum gas

IEC – industrial environmental control system

DLS – distance learning system

MM – the mass media

JV – joint venture

SO – the standards of the organization

SPP – solar power plant

FEC – fuel and energy complex

TPP – thermal power plant

CHPP – combined heat and power plant

KMAA – Khanty-Mansi Autonomous Area

SG – Sustainability Targets (UN Agenda 2030)

EBITDA – Earnings before Interest, Taxation, Depreciation and Amortization

ESG – Environmental, Social, and Corporate Governance

SDGs – Sustainable Development Targets

Names of organizations

IATUO – International Association of Trade-Union Organizations of PJSC LUKOIL

ILO – the International Labour Organization

UN – United Nations

OPEC – Organization of Petroleum-Exporting Countries

PJSC LUKOIL – Public Joint-Stock Company LUKOIL

UNDP/GEF – United Nations Development Program (UNDP)/Global Environment Facility (GEF)

R&D – research and development

RR – OAO Russian Railways

RUIE – Russian Union of Industrialists and Entrepreneurs

CDP – Carbon Disclosure Project

GRI – Global Reporting Initiative

WWF – World Wildlife Fund

Units

BOE – barrel of oil equivalent

p.p. – percentage point

Appendix 6

Reporting boundaries of individual indicators



REPORTING BOUNDARIES OF INDIVIDUAL INDICATORS ARE PRESENTED ON THE WEBSITE OF THE INTERACTIVE REPORT

Contact Information on the Report

LUKOIL Company welcomes your feedback. Your feedback, suggestions and comments on the Report's contents will help us identify the topics and indicators that are of the greatest interest, and balance properly the amount of information published, when the Company prepares the next Sustainability Report.



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