

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

Moscow, 2018

