

Message from PJSC LUKOIL President and CEO

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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.

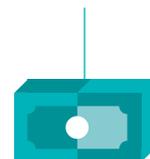
The Sustainability Report for 2017 was prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and was reviewed by experts from both the Russian Union of Industrialists and Entrepreneurs and one of the world's leading audit firms, KPMG.

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