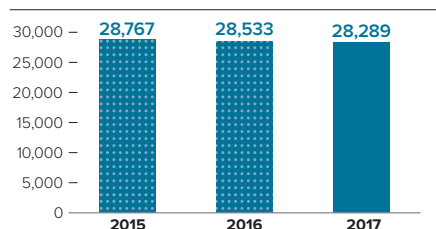


Working conditions improvement

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.