

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.