

## 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%<sup>1</sup>. 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.

<sup>1</sup> 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-INFORM<sup>2</sup>. 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.

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