

Monitoring and assessing operations

Monitoring the attainment of sustainability goals and targets on a day-to-day level is performed in the Head Office of PJSC LUKOIL by the directors of structural divisions; in LUKOIL Group subsidiaries, the heads of each Group subsidiary are responsible for sustainability performance.

Mrs. Toby T. Gati, member of the PJSC LUKOIL Board of Directors and Strategy and Investment Committee of the PJSC LUKOIL Board of Directors,

is consulted on issues related to information disclosure about the Company's sustainability efforts and how the Report is received by foreign audiences (including UN organizations, the investment and financial community, and other stakeholders).

Evgeniy Khavkin, Member of the Management Committee of PJSC LUKOIL, Vice President and Chief of Staff of PJSC LUKOIL, became Head

of the Working Group on preparing the Sustainability Report in October 2017 and oversees related business processes.

Natalia Podolskaya, Corporate Secretary of PJSC LUKOIL, and the Office of the Corporate Secretary, participates in coordinating the preparation of the Report and responds to questions from shareholders and investors about the Company's performance related to sustainability.

Working Group on preparing the Sustainability Report

In October 2017 a Working Group on preparing the Sustainability Report was created (the "Working Group") with the aim of enhancing the system for

collecting, preparing, and disclosing reporting information. The Group includes the heads of PJSC LUKOIL divisions. Issues related to improving

the sustainability activity of the LUKOIL Group as a whole can also be considered by the Working Group.

Human rights

As an international company that operates in countries with various political systems and cultural traditions, LUKOIL recognizes the importance of respecting and observing the fundamental human rights declared by the United Nations, including labor rights, the right to a healthy environment, and the rights of indigenous peoples and special groups and others.

In 2017 the corporate policy on human rights was consolidated in a new version of the Social Code of PJSC LUKOIL. This document is based, among other things, on the United Nations Global Compact Principles and sets out the Company's position and voluntary undertakings.

- LUKOIL recognizes the importance of observing human rights, and undertakes in its activity to be guided by the provisions of the United Nations Universal Declaration of Human Rights.
- The Company seeks to uphold the fundamental principles in labor relations and environmental

protection that are enshrined in the UN conventions and the International Labour Organization (ILO).

- LUKOIL respects the rights of trade unions, including rights enshrined in basic ILO conventions:
 - the right of every employee to be represented by a trade union of his/her choice and main trade union rights concerning freedom of association and the right to organize workers into trade unions, and also the right to collective bargaining
 - preventing all forms of involuntary or forced labor
 - the elimination of child labor
 - support for and ensuring equality of opportunity and relations to employees in employment, including equal pay for women and men for work of equal value, and preventing discrimination in labor and employment

In the regions where the Company operates we comply with all respective

human rights principles, including not using child or forced labor, in accordance with local legislation. Given the differences between labor law provisions in various countries, we seek to mitigate the risks of any potential human rights violations, including by establishing unified operating policies and standards. In particular, the principles and norms enshrined in the Social Code of PJSC LUKOIL, and also in the Personnel Management Policy, are binding on all Group subsidiaries.

The Social Code of PJSC LUKOIL also includes obligations on preserving the national cultural identities of peoples living in the regions where the Company operates.



The full text of the document can be found on the Company's website



The Company's obligations on rights related to ensuring a favorable environment and occupational safety are set out in more detail in the HSE policy of PJSC LUKOIL in the 21st Century.

- The Company intends to make use of all available and practicable measures to prevent accidents, occupational diseases and operational stoppages, and to reduce their impact and consequences.
- LUKOIL achieves consistent, ongoing improvements from its current and planned activities, products, and services in terms of the impact on its

employees, the general public, and the environment.



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The main mechanisms for monitoring compliance with human rights comprise:

- monitoring compliance with legislative requirements

- performing internal and independent audits in the respective lines of business, including as part of supervisory audits of the management system's compliance with international standards
- performing procedures to assess the environmental impacts of production projects
- feedback channels as part of the Company's information policy

The Company's human rights activity is continually assessed during the preparation of sustainability reporting.

Ethics and statutory compliance

In 2017 work continued on implementing the provisions of the LUKOIL Group Antimonopoly Policy approved in 2016. The Russian subsidiaries of the Group have developed and adopted in-house regulations on antimonopoly compliance, and appointed individuals responsible for monitoring compliance with antitrust legislation. Work has been carried out to inform employees about the provisions of the LUKOIL Group Antimonopoly Policy and the need to adhere to these norms in their day-to-day activities. Monitoring compliance with this document, as well as other in-house regulations aimed at preventing violations of antitrust

legislation, is entrusted to the Working Group supporting relations of LUKOIL Group subsidiaries and the Federal Antimonopoly Service of the Russian Federation (FAS) and its regional authorities on issues concerning production and commercial activity.

In 2017 the number of violations of antitrust legislation by LUKOIL Group subsidiaries declined significantly, which was related to the consistent implementation of the LUKOIL Group Antimonopoly Policy, as well as the stabilization of law enforcement practice in this area in Russia.



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In accordance with the Code of Business Conduct and Ethics of PJSC LUKOIL, the main principles underpinning the business activity of a LUKOIL Group entity are zero tolerance towards corruption in any form or manifestation, and compliance with the antitrust legislation of the countries where the Group operates.

COMPLIANCE WITH ANTITRUST LEGISLATION BY LUKOIL GROUP SUBSIDIARIES

	2015	2016	2017
Number of completed cases of antitrust legislation violations	15	16	3
Total monetary amount of material penalties for antitrust legislation violations, RUB million	14.30	0.70	1.10

Note. Administrative fines exceeding RUB 100,000 are considered to be material penalties. The total monetary amount of fines indicator reflects the number of cases completed in the corresponding reporting period, including those commenced in previous years. (The process for considering cases until the issue of the final decision can take varying periods of time.)