

Stakeholder engagement

In its operations LUKOIL engages with a wide range of organizations and private individuals (stakeholders), with whom the Company strives to establish successful long-term relationships, taking into

account their expectations and positions on various issues. Key stakeholder engagement principles¹ comprise:

- partnership with the state and society

- achieving long-term, sustainable, and efficient development
- transparency of operations and openness of information

STAKEHOLDER ENGAGEMENT, 2017

STAKEHOLDERS	EVENTS IN 2017	ISSUES RELATED TO PARTICIPATION
State and municipal legislative and executive authorities		
The Ministry of Natural Resources and Environment of the Russian Federation, The Federal Supervisory Natural Resources Management Service.	Signing a Trilateral Agreement on Collaboration. Preparing suggestions for drafts of industry guides on best available technologies.	Plan for measures to reduce negative environmental impacts in the Year of the Environment in Russia.
The Ministry of Energy of the Russian Federation	Participation on an ongoing basis as part of the Working Group on issues related to the technical regulation of oil and gas industry operations.	Updating the existing regulatory framework with regard to technical regulations.
The Ministry of Industry and Trade of the Russian Federation.	Participation in working meetings and groups.	Developing technologies for working in the Russian Arctic. Preventing the illegal trade of products in the oil industry.
Federal Agency for Ethnic Affairs.	Signing a cooperation agreement in the area of the socioeconomic and cultural development of the indigenous peoples of the North living in regions where the Company operates.	Creating joint working bodies on issues related to the indigenous peoples of the North; developing programs to safeguard their rights.
Federal Agency for Technical Regulating and Metrology (Rosstandart).	Participation in meetings and other events, submitting proposals.	Methods for monitoring the quality of automobile fuel.
The Ministry of Labor and Social Protection of the Russian Federation.	Participation in the Working Group on safeguarding labor rights, health, safety, and the environment of the Russian Trilateral Commission on regulating social and labor relations.	Considering over 20 draft regulations related to occupational safety.
The Presidential National Council for Professional Qualifications, the Ministry of Labor and Social Protection of the Russian Federation, the National Agency for Qualification Development.	Participation in meetings and other events, submitting proposals.	Elaborating and implementing a system of professional standards.
Shareholders and investors		
Investment banks and ratings agencies.	Trips to the V. Filanovsky field by stakeholder representatives.	Quality of production assets.
All investment and financial organizations and individual investors.	Meeting with senior executives of the Company (in October 2017 in London to mark the 15 th anniversary of the LSE listing). Teleconferences involving senior executives.	Improved interaction and the exchange of information.
ESG analysts and agencies managing assets.	Transitioning, starting in 2017, to the annual release of a Sustainability Report, widening the reporting scope. Issuing press releases on the most salient sustainability related events. Increasing information on sustainability in public databases and specialized analytical reports.	The integrity and timeliness of non-financial reporting and sustainability data. The Company's management system in this area.
Employees and trade unions		

¹ These principles are set forth in the Social Code of PJSC LUKOIL.

STAKEHOLDERS	EVENTS IN 2017	ISSUES RELATED TO PARTICIPATION
The International Labour Organization (ILO), representatives of governments, employers, and employees.	Registration in the 10 th European regional meeting of the ILO. Participation in the third international conference on the training and development of local staff in international companies (Uzbekistan).	Recognition of fundamental labor principles and rights; the impact of the economy on the labor market and the position of hired laborers; and the migration of labor resources.
Local communities		
Administration of Tyumen Region, enterprises of the region.	Signing a roadmap to implement the project "Expansion of the use of the products and technologies of the enterprises of Tyumen Region". Participation at the 8 th Tyumen Oil and Gas Forum.	Interaction with local enterprises. Technologies for developing difficult-to-recover hydrocarbon reserves.
Supervisory authorities of the constituent entities of the Russian Federation.	Participation in the Coordinating Council on the Environment in Khanty-Mansi Autonomous Area – Yugra.	Results of the Year of the Environment in Khanty-Mansi Autonomous Area – Yugra.
International and national organizations.	Participation in the work of the 16 th session of the UN Permanent Forum on Indigenous Issues.	Experience in developing responsible relations with indigenous peoples of North in Russia.
Industry associations.	Standing participation in the work of the interagency industry working group to combat the illegal sale of oil industry products of the Russian Union of Industrialists and Entrepreneurs (RUIE).	Amendments to Technical Regulation TR TS 013/2011 "On Requirements on Automotive Gasoline and Aviation Fuel, Diesel and Marine Fuel, Jet Engine Fuel, and Fuel Oil".
International environmental organizations, members of the State Duma of the Russian Federation and members of the European Parliament, oil and gas companies.	Roundtable "Modern Environmental Protection Approaches During the Development of Maritime Deposits in the Baltic Sea".	Ensuring industrial and environmental safety during the development of maritime fields in the Baltic Region.
Heads of government, executive and legislative authorities, international public organizations.	Introducing the Environmental Security Program in Norway, Uzbekistan, and Kazakhstan.	System for ensuring environmental security. Technologies for working safely on the continental shelf in an Arctic climate.
The Komi Republic Administration, environmental organizations, residents of the Shchelyabozh and Kushshor communities.	Joint meeting between LUKOIL President and CEO Vagit Alekperov and the Komi Republic Head Sergey Gaplikov. Visits of representatives from Russian and international environmental organizations. Meetings with the residents of local communities.	Results of work to eliminate the consequences of an incident at the A. Alabushin field.
International oil and gas companies and the industry's expert community.	21 st International Exhibition and Conference "Oil and Gas of Uzbekistan". Astana Economic Forum: New Energy – New Economy.	Ensuring environmental security and maintaining biodiversity. Action plan to preserve the biodiversity of the Khauzak-Shady area (Uzbekistan).

State and municipal legislative and executive authorities. LUKOIL engages actively with legislative and executive authorities of the Russian Federation at all levels. PJSC LUKOIL and LUKOIL Group entity experts take part on an ongoing basis in the drafting of laws and expert reviews of legislative initiatives (including assessing the regulatory effects of draft laws and the actual effects of current statutes) and in the work of consultative groups and expert forums, discussing issues that are topical for the oil and gas industry of the Russian Federation.

Shareholders and investors. Our investors are Russian and foreign legal subsidiaries and individuals pursuing various investment strategies. We consider the following to be stakeholders: investment funds and individual investors, investment banks, financial media, professional participants on the securities market (brokers and traders), industry analytical agencies, exchanges, rating agencies and information agencies, as well as non-profit organizations that provide analytical and research services related to sustainability. We constantly strive to raise the level of information transparency, to furnish information on

a regular basis to representatives of the investment and financial community, using various channels, and to react promptly to incoming queries.

Employees and trade unions. Social partnership forms the basis of the Company's relationships with its employees and trade unions. The Company has built a social partnership system based on agreements between employer, trade unions, and employees. The key social partner of the Company is the International Association of Trade Union Organizations of PJSC LUKOIL.

Consumers. The consumers of our products are private individuals and large organizations operating in various sectors of the economy. LUKOIL provides its clients with high-quality products and services, developing innovative products that take into account the requirements of regional markets and the individual needs of consumers. Our goal is to reinforce our reputation as a responsible and reliable producer and supplier of energy and other products. We devote great attention to the energy efficiency of our products, which allows clients to reduce their energy consumption and mitigate adverse environmental impacts.

Suppliers and contractors. The LUKOIL supply chain comprises subsidiaries with diverse types and scales of operation – major corporations, small- and medium-sized enterprises, individual entrepreneurs, and social entrepreneurs. We are open to collaboration and offer equitable and competitive terms that are designed to facilitate an unbiased and effective selection of suppliers and contractors in key areas of our activity.

Local communities. Social investment programs are implemented in constant contact with stakeholders, including local authorities and municipal and public organizations. Significant attention is paid to interacting on environmental protection issues with the environmental community and the residents of the regions in which we operate.

LUKOIL is also a participant, organizer, and sponsor of forums, single-topic conferences, roundtables, and other events.





Key international projects, programs, and initiatives in which the LUKOIL Group/PJSC LUKOIL participates



The European Business Network for Corporate Social Responsibility



The World Bank and the UN initiative, Zero Routine Flaring by 2030



The United Nations Global Compact



The UN Development Program in Russia "Mainstreaming Biodiversity Conservation Into Russia's Energy Sector Policies and Operations"



The Carbon Disclosure Project (CDP)



The Cooperation agreement for 2018–2022 between the International Labour Organization and PJSC LUKOIL



“For many years, LUKOIL has consistently integrated the principles of corporate social responsibility into its business model. Joining the European Business Network for Corporate Social Responsibility is an extraordinarily important step for us, which will help the Company integrate more deeply into the global and European business community. We are delighted to become a part of this organization, and will gladly join in the discussion and exchange of information on such a high level.”

GLEB OVSYANNIKOV,

Head of the Public Relations Department

“We welcome LUKOIL to our ranks, and expect that the Company will continue to steadfastly adhere to the principles of sustainability in all its operations.”

STEFAN CRETS,

Executive Director, European Business Network for Corporate Social Responsibility

Supply chain

Each year LUKOIL purchases a large volume of goods, work and services, and does business with a large number of companies. The Company's procurements help maintain and increase the number of jobs in various economic sectors, and ensure the mobility of financial capital, thus stimulating economic activity.

In 2017 the share of domestic suppliers of centralized material and technical resources purchased by the Russian subsidiaries of LUKOIL Group stood at 94%, in terms of both the number of suppliers and the total amount of purchases in Russia.

As a rule, goods, work and services are purchased through open tenders, with mandatory competitive public bidding for the subject of the tender. Suppliers of goods, work, and services are chosen

in accordance with the Regulations on Holding Tenders to Select Suppliers and Contractors of LUKOIL Group Subsidiaries ("Regulations"). A contract is concluded with the organization that wins the tender, which together with applicable legislation serves as the basis for the further regulation of relations between both parties.

If the subject of the tender stipulates the need to review the health, safety, and environment management system of applicants, the experts of PJSC LUKOIL and its subsidiaries perform a comprehensive assessment, on the basis of the corporate document "Procedure