

Structure of sustainability management system

In 2017 a more clearly structured hierarchy was created to manage issues related to sustainability, from the Board of Directors to LUKOIL Group subsidiary level.

STRUCTURE OF SUSTAINABILITY MANAGEMENT SYSTEM AT PJSC LUKOIL

Management level	Functions
PJSC LUKOIL Board of Directors	<ul style="list-style-type: none"> • Determines the Company's business priorities. • Aligns and approves the LUKOIL Group's long- and medium-term strategic development plans and programs. • Monitors the attainment of strategic goals and the implementation of the group's plans and targeted programs. • Determines the general corporate principles and approaches to risk management and the organization of internal control systems that are then formalized in the Company's local regulatory documents. <p>When drawing up and approving plans, budgets, and investment programs the Board of Directors takes into account the need to achieve the goals defined in the Environmental Safety Program, the Human Resources Management Program and Functional Strategy, and charity and sponsorship programs.</p>
PJSC LUKOIL Management Committee	<ul style="list-style-type: none"> • Elaborates targeted, medium-term, and annual programs and development plans. • Develops and approves budgets and investment programs. • Exercises operational control over the implementation of targeted development programs and plans, and approves their results. • Establishes procedures and norms related to the functioning of the risk management and internal control systems, as formalized in the internal regulations of the Company. • Adopts decisions with respect to the risk management and internal control system.
Strategy and Investment Committee of the PJSC LUKOIL Board of Directors	<ul style="list-style-type: none"> • Performs the preliminary consideration and elaboration of recommendations to the Board to determine business priorities for the LUKOIL Group and to develop strategies for their long-term implementation. • Elaborates recommendations for the Board to determine priority areas within the Company's operations. <p>In 2018 we plan to amend the Regulations on the Strategy and Investment Committee of the PJSC LUKOIL Board of Directors, with the goal of strengthening the functions related to sustainability.</p>
HR and Compensation Committee of the PJSC LUKOIL Board of Directors	<ul style="list-style-type: none"> • Prepares proposals for the Board of Directors on developing a corporate HR policy. • Conducts annual performance assessments of the work of the Board and its members. • Develops and from time to time reviews the Compensation Policy for members of the Board of Directors, the Management Committee, and the President of the Company; monitors its introduction and implementation.
Health, Safety, and Environment (HSE) Committee of PJSC LUKOIL	<ul style="list-style-type: none"> • Develops the HSE Policy and approves objectives, targets, and KPIs for LUKOIL Group subsidiaries. • Analyses the effect of HSE initiatives. • Assesses whether LUKOIL Group operations comply with applicable legislative and other HSE requirements. • Prepares proposals to improve the HSE Management System of LUKOIL Group.
Risk Committee	<ul style="list-style-type: none"> • Coordinates risk management work at the Company. • Designates those responsible for the Company's material cross-functional risks. • Elaborates recommendations on issues related to implementing the Risk Management and Internal Control Policy at LUKOIL Group.
Working Group on preparing the Sustainability Report	<ul style="list-style-type: none"> • Organizes and monitors the writing of the Sustainability Report. • Assesses other sustainability-related issues.

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

