



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

for Assessing the Health, Safety, and Environment Management of Entities Wishing to Participate in a Tender". This procedure reviews the availability of required licenses, employees with the necessary qualifications, and the technical capabilities and technologies of potential contractors. For certain types of purchasing, applicants undergo technical audits.

As part of tender procedures, applicants also provide information of a social nature, specifically on compliance with

the working time standards of their employees, and on provision of housing and social services to employees.

If a comprehensive assessment determines any non-compliance with corporate requirements, suppliers are not admitted to the tender.

In 2017, reviews of the conditions of the health, safety, and environment system were performed on 2,227 tender participants (38% of the total number).

Under the terms of signed contracts, all suppliers and contractors accept an obligation to comply with the Regulations, confirming their consent with a signature, and also to abide by the legislative and corporate standards set forth in the HSE policy of PJSC LUKOIL in the 21st Century and other corporate standards.

The Company continuously monitors the activity of contracting organizations for compliance with these requirements.

Product quality assurance

LUKOIL Group subsidiaries sell an extensive range of products that are used in various industrial sectors and by vehicle owners in Russia, Europe, Asia, and America. Our priorities are oriented towards consumer expectations and to constantly improving our quality control management methods.

Certificates confirming that quality management systems comply with ISO 9001 standards are held by 10 organizations working in aircraft refueling, as well as by facilities that produce the oils and lubricants of LLK-International. In 2017,

LLK-International began preparations for recertification, taking into account the new requirements stipulated by ISO 9001:2015 and IATF 16949:2016.

PRODUCT SALES, 2017

Type of product	2015	2016	2017
Premium ECTO fuel, thousand tonnes	5,802	7,535	8,554
Bunker fuel, thousand tonnes	2,549	3,347	4,539
Aircraft refueling, thousand tonnes	2,875	2,747	3,238
Branded oils, thousand tonnes	444	515	585
Biofuel blends ¹ , million liters	4,014.4	4,246.2	4,174.0

Ensuring the quality of motor fuels

We believe it is our duty to maintain at all stages, from production to consumer, the quality of our fuels at the standards prescribed by the technical regulations and standard production documents. In addition, the subsidiaries of the LUKOIL Group that supply petroleum products are governed by respective corporate standards and guidelines².

Our goal is to ensure complete and timely monitoring of the release and acceptance of petroleum products in the Transneft and Russian Railways transport systems, and that they are properly received, stored, and sold at LUKOIL tank farms and filling stations. The main measures taken to achieve this include:

- having in place a system of safety requirements for the transportation of petroleum products and their sale at filling stations
- building and optimizing the petroleum product testing structure, and analyzing the option of using NIR-spectroscopic multifunctional analyzers for real-time monitoring

¹ Assuming an automotive gasoline density of 0.755 kg/l and diesel of 0.845 kg/l. Biofuel blends are understood to mean blends of motor gasoline and ethanol (up to 10%), or diesel fuel and the methyl ethers of fatty acids. These products are sold in European countries (Belgium, the Netherlands, Romania, Italy, Bulgaria, and Turkey).

² For example, LUKOIL technical standard 1.24.1-2016 Motor Fuels. ECTO Automotive Fuel, the Methodological Guidelines on Maintaining the Quality of Petroleum Products during Reception, Storage and Release at LUKOIL-Uralnefteprodukt.