



2018 RESULTS



- Gross emissions fell significantly (**by 14%**) and specific indicators of pollutant emissions into the atmosphere were improved.



- The consumption of water resources from surface sources declined **by 4%**.



- Waste management targets were met:** waste recovery corresponded to the volume of waste generated.



- Around **80,000 tons** of pre-privatization waste¹ were disposed of.



- The incident rate at hazardous production facilities was **reduced**.

MANAGEMENT SYSTEM

In LUKOIL Group the corporate Integrated System of Management of Industrial, Fire, Radiation Safety, Emergency Prevention and Liquidation, the Protection of Civilians, Occupational Safety and Environmental Protection (hereinafter, the HSE Management

System) is in effect, and forms an essential part of the general management system. An integrated approach to HSE management has been developing on a voluntary basis since the mid-1990s.

The sphere of application of the HSE Management System of LUKOIL Group is determined based on an analysis of the internal and external factors of activities of LUKOIL Group and LUKOIL Group entities that influence the attainment of strategic goals.

Certification of management systems

The HSE management system has been certified for compliance with the international standards ISO 14001 and OHSAS 18001 since 2001; it is also based on Russian law provisions and the legislation of the countries in which LUKOIL Group operates.

The sphere of certification comprises LUKOIL Group entities in whose operations principal risks in the area of health, safety, and environmental protection from time to time arise.

As of December 31, 2018, certificates issued to PJSC LUKOIL and 48 LUKOIL Group entities were in effect (with total employee coverage of 83%)².

The certification framework is steadily expanding, and foreign LUKOIL Group entities are regularly included in it. For example, from 2019 IOOO LUKOIL-Belarus will be included in the scope of certification.

During the three-year period in which a certificate is issued, an audit of the HSE

Management System in LUKOIL Group entities is conducted. Depending on the nature of production, each entity undergoes an audit at least once, while hazardous production facilities and organizations where critical deviations have been established are audited every year or once every two years. In addition to external audits, corporate supervision over compliance between the HSE Management System and the requirements of law and corporate standards is performed annually³.

Number of entities where audits to determine compliance between management systems and the requirements of law and corporate standards were performed

	2016	2017	2018
External audits (for compliance with ISO 14001 and OHSAS 18001 standards)	22	20	19
Internal audits (for compliance with corporate requirements)	25	26	27

Note. External audits are conducted within a three-year cycle in accordance with ISO committee recommendations; during this period, all LUKOIL Group entities that have been declared for certification and in which certification or supervisory audits are conducted are audited.

¹ Waste from the pre-privatization period – waste accumulated at facilities during the period before their privatization and/or the acquisition of assets by LUKOIL Group.

² With regard to the foreign entities LUKOIL Uzbekistan Operating Company LLC, ISAB S.r.l., S.C. LUKOIL ENERGY & GAS ROMANIA S.R.L., SIA VARS (VARS) and oil product supply entities.

³ The requirements for audits are established by the corporate standard STO LUKOIL 1.6.12-2016 "HSE Management System. Procedure for Organizing and Conducting Audits" (Order No. 143 of PJSC LUKOIL dated August 2, 2016).

Policy

LUKOIL Group Policy for Health, Safety, and Environmental Protection in the 21st century (hereinafter, the Policy) is in effect at the Company. In 2018, amendments were made to the Policy's contents, and a new version was

approved⁴. The amendments stipulate the Company's obligations vis-à-vis applying risk-oriented approaches, including on climate change issues and preserving biodiversity.



A more detailed description of the principles and obligations reflected in LUKOIL Group Policy for Health, Safety, and Environmental Protection in the 21st century, as well as the integrated system for managing these issues, can be accessed on the corporate website at:



Employee engagement

In order to boost employee motivation when it comes to adhering to the HSE principles and obligations of LUKOIL Group, annual occupational safety and environmental protection competitions have been held in the Company for over 10 years. Competition participants submit projects and inventions that promote

improving the occupational safety culture and mitigating against negative environmental impacts. The winners receive awards, while the other participants have an opportunity to study best practices in this area and to employ them to enhance HSE performance in their companies.

Targeted functional programs

In accordance with the corporate requirements for planning HSE activities, LUKOIL Group annually creates three-year medium-term targeted functional programs on a sliding basis in the sphere of environmental and industrial safety, which form an integral part of the Budget and Investment Program. As a part of the planning, program parameters are determined for one year and benchmarks for two years.

The implementation of environmental and industrial safety programs for 2018–2020 have facilitated a reduction in negative environmental impacts and improved industrial safety and occupational safety performance. Respective results are provided in relevant sections hereto.

In 2018, work was completed to create medium-term targeted functional programs⁵:

- A program related to industrial safety, improving labor conditions and industrial safety, and emergency prevention and mitigation of LUKOIL Group entities for 2019–2021 (hereinafter, the Industrial Safety Program).
- The Environmental Safety Program of LUKOIL Group Entities for 2019–2021 (hereinafter, the Environmental Safety Program).

R&D activities

In addition to targeted HSE programs, LUKOIL Group R&D function annually completes projects with high implementation potential, aimed at accomplishing pressing tasks in the sphere of reducing adverse environmental impacts and reducing waste or ensuring its productive use.

The annual LUKOIL Group R&D coordination program is developed on the basis of proposals from LUKOIL Group entities, hence it includes the most in-demand projects. The R&D Committee of PJSC LUKOIL creates the respective sections of the program, while the Presidium of the R&D Committee examines and approves the program as a whole.

In 2016–2018 a number of projects were implemented to reduce greenhouse gas emissions, improve working conditions during mining extraction, and create new formulae and expand the line of oils being produced.

⁴ By Resolution No. 9 of the PJSC LUKOIL Management Board, dated May 21, 2018.

⁵ The industrial and environmental safety programs of LUKOIL Group entities were approved by Order No. 46 of PJSC LUKOIL, dated February 2, 2018.