





















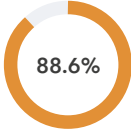
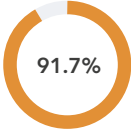




### Information on the composition and activities of the Board of Directors and its committees in 2018

Indicators	Board of Directors of	Strategy and Investment Committee	Audit Committee	HR and Compensation Committee (HRCC)
Number of members	11 	4 	3 	3 
Composition (ratio of independent executive directors <sup>1</sup> / executive directors <sup>1</sup> )	5/3  + 3  non-executive directors	2/2 	3/0 	2/0  + 1  non-executive director
Gender composition, women $\Delta$ / men $\nabla$	2/9 	1/3 	0/3 	0/3 
Number of meetings	19 (in-person + remote) 	6 (in-person, no remote meetings) 	9 (in-person + remote) 	6 (in-person + remote) 
Number of sustainability issues considered	9 	8 	2 	5 
Attendance at in-person meetings	 88.6%	 91.7%	 91.7%	 100%



The Board's committees perform preliminary reviews of issues related to the risks and key sustainability issues that fall within their competence, and also prepare recommendations related to planning activities.

### The Strategy and Investment Committee

A leading role in enhancing the sustainability performance of LUKOIL Group is assigned to one of the three committees of the PJSC LUKOIL Board of Directors: the Strategy and Investment Committee

In 2019, amendments were made<sup>2</sup> to the Regulation on the Strategy and Investment Committee in order to expand its functions for coordinating sustainability activity within LUKOIL Group, including evaluating issues regarding the improvement and planning of activities, and sustainability reporting.

Mrs. Toby Gati, a member of the Board of Directors as well as the Strategy and Investment Committee of the PJSC LUKOIL Board of Directors, advises on issues related to information disclosure about the Company's efforts in the area of sustainability and how public reports are received by foreign audiences (including UN organizations, the investment and financial community, and other stakeholders).

<sup>1</sup> In accordance with the recommendations of the Corporate Governance Code, executive directors are understood to be not only members of the Management Committee of PJSC LUKOIL, but also individuals that have a contractual relationship with the Company.

<sup>2</sup> Appendix 7 to Minutes No. 13 of the PJSC LUKOIL Board of Directors meeting dated October 19, 2018: Supplement to the Regulation on the Strategy and Investment Committee of the Board of Directors of PJSC LUKOIL: Clause 2.1, Section 2 of the Regulation will be supplemented with a new Sub-Clause 2.1.3, to read as follows: "2.1.3. Considering the matter of drafting the Sustainability Report of LUKOIL Group".

Igor Ivanov, Chairman of the Strategy and Investment Committee, plays an active role in sustainability issues, and in 2018 he initiated considering integrating digital technology and artificial intelligence into business processes throughout the value creation chain.

In order to extend the competences of the heads of key business units at PJSC LUKOIL, in 2018 the Strategy and

Investment Committee and the Working Group on the Sustainability Report, with the support of the Board of Directors, held a training session where the principles of sustainable development and global UN Sustainable Development Goals, best practices, and contemporary non-financial reporting trends were discussed. A similar training is planned for the heads of LUKOIL Group entities.



Information about the activities of the committees of the PJSC LUKOIL Board of Directors can also be found in the 2018 Annual Report (page 97).

### Audit Committee

In 2018, the main objective of the Audit Committee was to organize work to align the internal control system in LUKOIL Group entities with the approaches and principles of the Risk

Management and Internal Control Policy of PJSC LUKOIL.

During the reporting year the Committee paid significant attention to fraud in

respect of LUKOIL Group, in the form of false offers made on behalf of its entities. The Company promptly reacted to such cases and published its official position on the corporate website.

### HR and Compensation Committee (HRCC)

In 2018, at meetings of the HR and Compensation Committee, the following issues were considered in relation to implementing personnel-related HR and social policies:

- Personnel management work in LUKOIL Group entities
- Employee turnover in LUKOIL Group;
- Recommendations to the Board of Directors for amending the Code of Business Conduct and Ethics of PJSC LUKOIL
- Amending the Regulation on the Labor Compensation and Incentives System for Executive Personnel of PJSC LUKOIL
- The long-term motivation of key LUKOIL Group employees in 2018-2022

### Sustainability Report Working Group

Since 2017, the Sustainability Reporting Working Group (hereinafter, the Working Group) has been functioning at the Company. It is responsible for improving the system of collecting, processing, preparing, and disclosing information in the area of sustainable development and facilitating the greater integration of related issues into LUKOIL business model. The Working Group consists of the heads of key departments dealing with relevant business processes and risks.

At its meetings the Working Group shapes the overall corporate position on pressing sustainability issues

and considers objectives related to developing LUKOIL Group activities in this area.

In 2018, the Working Group initiated setting up an internal sustainability portal, to be used as a corporate tool for collecting and storing non-financial information and elaborating internal solutions. The portal is used to:

- Ensure that effective communication channels are in place with the Board of Directors on sustainability issues
- Increase the transparency of non-financial reporting and enhance the interaction process among its internal participants and stakeholders

- Process incoming requests related to sustainable development

Based on the results of 2018, projects to further bolster the sustainability management system were initiated, including:

- Developing the Sustainability Policy of PJSC LUKOIL
- Developing the Regulation for Drafting the Sustainability Report of LUKOIL Group, with due regard for the recommendations of report audits conducted in 2017-2018.

## HSE Committee of PJSC LUKOIL

This committee was set up in 2016 to improve LUKOIL Group's HSE Management System. The committee is headed by a member of the Board of Directors, Ravil Maganov, and provides information to the Board of Directors about industrial safety, labor protection, and the environment. Each year the Board of Directors is presented with a report on the management system in these areas and the results of operations and measures taken to improve management quality and efficiency.

At committee meetings the results of executing target programs, the report

on the state of the risk management system, new legislative requirements, and other topics are considered. In 2018 the committee considered the following issues:

- New legislative requirements in the sphere of HSE
- Material environmental risks, aspects, and benchmarks, including in relation to PJSC LUKOIL's participation in the "Zero Routine Flaring by 2030"
- Initiative and the increased attention of stakeholders towards climate change
- Further developing the safety culture and the holding of Safety Days, etc.

The Industrial Safety, Better Working Environment, Emergency Prevention, and Responses Program of LUKOIL Group Entities for 2019-2021 and the Environmental Safety Program of LUKOIL Group Entities for 2019-2021 were considered and recommended for approval by committee members.

### Information about PJSC LUKOIL HSE Committee in 2018

NUMBER  
OF MEMBERS  
OF COMMITTEE

12

COMPOSITION

6

vice presidents

6

heads of departments

NUMBER OF  
MEETINGS

2

NUMBER OF  
SUSTAINABILITY ISSUES  
CONSIDERED

7

## Emergency and failure warning system

The Company employs an emergency and failure observation, warning, communications and notification system that covers all management levels of LUKOIL Group, including the Board of Directors and the HSE Committee of PJSC LUKOIL. The system's operation is regulated by standards and bylaws that were elaborated based on legislative requirements.

To improve PJSC LUKOIL's responsiveness to potential failures that carry a risk of severe consequences (employee fatalities or significant material damage), the Emergency Response Center of PJSC LUKOIL was set up,<sup>1</sup> with a view to eliminating accidents at hazardous production facilities of LUKOIL Group entities.

## Corporate Secretary

In 2018, the Corporate Secretary Natalia Podolskaya paid great attention to sustainability issues. Since sustainable development was determined as being one of the Company's strategic development goals, the efforts of the Corporate Secretary were aimed at supporting respective initiatives and obtaining maximum benefit from the experience of Board members who have exceptional capabilities in this area. In particular, during the reporting year the Corporate Secretary organized a speech by Mrs. Toby Gati, a member of the Board of Directors of PJSC LUKOIL, at a Russian Institute of Directors conference dedicated to corporate governance, where a wide range of corporate governance issues was discussed.

As a member of the Sustainability Reporting Working Group, the Corporate Secretary plays an active role in coordinating the drafting of the non-financial reporting of LUKOIL Group, interacts with dedicated business units of the Company and members of the Strategy and Investment Committee of the Board of Directors of PJSC LUKOIL. During the year the Corporate Secretary of PJSC LUKOIL took part in forums held by the professional community to exchange opinions on approaches to developing corporate sustainability management systems.

<sup>1</sup> By Order of PJSC LUKOIL No. 48 dated March 23, 2015.