

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,¹ 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.

¹ By Order of PJSC LUKOIL No. 48 dated March 23, 2015.

Awards received in 2018



At the XXI Annual Competition of the Moscow Stock Exchange the Company's 2017 Sustainability Report won a prize in the special category **"Best Corporate Social Responsibility and Sustainability Report"** established by the Russian Union of Industrialists and Entrepreneurs.

LUKOIL received a diploma in the category **"Best Public Non-Financial Report of a Company in the Oil and Gas Sector with More Than 100,000 Employees"** in a competition held by the Russian Ministry of Energy to establish the best socially-oriented company in the oil and gas sector in 2018.

LUKOIL won the All-Russian RSPP Competition "Leaders of Russian Business. Dynamics, Responsibility, Sustainability 2018" in the category **"High Quality of Sustainability Reporting."**



Based on the performance results of 2018, the professional community praised the work of the Company's Corporate Secretary: Natalia Podolskaya received an award in the 8th National **"Director of the Year" Awards, in the category "Corporate Governance Director / Corporate Secretary of 2018."**

Based on a comparison of disclosure and transparency levels, LUKOIL is a leader in the prestigious international Thomson Reuters ESG Score rating among publicly traded companies that published a sustainability report for 2017.

On July 4-5, 2018, the International Forum of Corporate Secretaries "Corporate Secretary and Corporate

Governance: New Challenges and Old Problems" was held. At the forum Natalia Podolskaya delivered a report on

the Company's non-financial reporting system and on the management of aspects of sustainability.

SUSTAINABILITY RISKS IN THE RISK MANAGEMENT SYSTEM

The Company's management team pays significant attention to risk management in order to ensure a reasonable guarantee of attaining strategic goals against a backdrop of uncertainty and negative factors.

PJSC LUKOIL regularly determines, describes, assesses, and monitors potential events that could negatively impact the Company's activities, and elaborates measures to prevent their manifestation or to mitigate their adverse impacts as much as possible should they materialize.

Risk management is carried out at all levels: in LUKOIL Group entities and PJSC LUKOIL and at the level of the Board of Directors. Information about the risk profile of LUKOIL Group entities

is included in the annual reports, which are reviewed by the Board of Directors of PJSC LUKOIL and the Audit Committee of the Board of Directors of PJSC LUKOIL.

Sixteen groups of the most material risks affecting the business activities of LUKOIL Group entities were determined, and these undergo annual qualitative and quantitative assessments based on the likelihood of the risk arising and the extent of the consequences. For each material risk, an acceptability level and measures to mitigate or eliminate its negative impacts are developed. Employees from the Risk Management Department and dedicated units monitor the implementation of these measures and their effectiveness.

Given the uncertain nature of risks, as well as their external nature in relation to the Company, PJSC LUKOIL cannot guarantee that risk management measures will fully eliminate the negative impacts of risks. By reporting on identified risks, we inform stakeholders about the existence of certain circumstances that could worsen the Company's performance indicators.

Furthermore, PJSC LUKOIL invests considerable efforts in mitigating risks associated with its production operations in the regions where the Company operates.