

# SUSTAINABILITY STRATEGY

## OF LUKOIL GROUP

Our absolute priorities at all levels of the value chain are issues of industrial, environmental, social, as well as the personal safety of employees of LUKOIL Group entities and improvement of the safety culture in the supply chain.

### LUKOIL GROUP'S STRATEGIC GOALS

In 2017, the Board of Directors of PJSC LUKOIL determined four strategic goals of LUKOIL Group in the area of sustainable development that can be aligned with **11 UN Sustainable Development Goals** and **15 targets**.

We implement many programs and annually disclose their results in public reports. The 2019 results demonstrate that the Company is evolving thanks to continuous improvement of its sustainability performance.

#### STRATEGIC SUSTAINABLE DEVELOPMENT GOALS OF LUKOIL GROUP

#### SDGs

**1** INDUSTRIAL AND ENVIRONMENTAL SAFETY, RELIABILITY AND EFFICIENCY OF PROCESSES

**We are committed** to improving industrial safety, reducing on-the-job injury rates, ensuring accident-free operation of our production facilities, and continuously reducing our environmental impacts



**2** COMPETITIVENESS

**We are focused** on boosting our overall operational performance and achieving more rational use of resources (natural, human, production, and financial)



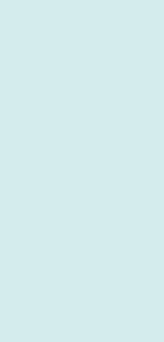
**3** SOCIAL RESPONSIBILITY, A WORTHY CONTRIBUTION TO SOCIAL DEVELOPMENT

**We take a very responsible attitude** towards our stakeholders and always take their needs into account. We pursue a responsible social policy towards our employees and make a significant contribution to improving living standards in the regions where we operate



**4** RETURN ON EQUITY, RETURN ON INVESTMENT, AND CONTINUOUS CREATION OF SHAREHOLDER VALUE

**We follow** a flexible reinvestment policy, work constantly to improve our performance and foster technological development. Thanks to successful implementation of our strategy, we maintain our competitive advantages, create shareholder value, and boost the Company's investment appeal



<sup>1</sup> Indicators dynamics is assessed in relation to 2018, unless otherwise indicated. Comparison with indicators for a longer period is caused by specific indicators.  
<sup>2</sup> The indicator relates to the processing of raw materials by LUKOIL Group entities at its own refineries (excluding mini-refineries).  
<sup>3</sup> Starting from 2014, the list of organizations covered by the study has changed while the scope of the study has remained unchanged.

Our approach to managing sustainability is based on alignment of the Company's interests and plans with the United Nations sustainable development principles, universal values, global trends, as well as national and regional development priorities.

KPIs	UNCTAD INDICATORS	INDICATORS UNDER OTHER REPORTING SYSTEMS	PLANS	REPORTING GUIDELINES
<p>The efficient use of APG reached <b>97.6%</b> throughout LUKOIL Group</p> <p>The lost time accident frequency rate (LTAFR) amounted to <b>0.19</b></p>	<p>The lost time injury frequency rate (LTIFR) stood at <b>0.13</b></p>	<p>Russian entities cut their air pollutant emissions by <b>7.2%</b></p>	<ul style="list-style-type: none"> <li>• Further increase in the APG use</li> <li>• Further implementation of industrial and environmental safety programs</li> <li>• Further introduction of safety culture tools</li> <li>• Development of cooperation with contractors in the area of occupational health and safety</li> </ul>	<p>GRI IPECA UNCTAD SASB RSPP</p>
<p>Refinery yield<sup>2</sup> - <b>89.4%</b></p> <p>As compared to 2014<sup>3</sup>, the EII index (Solomon) decreased to <b>96.5%</b></p> <p>The energy intensity of refining one tonne of basic raw material at petrochemical plants amounted to <b>270 kWh/t</b></p>	<ul style="list-style-type: none"> <li>• As compared to 2016 (the base year), methane emissions decreased by <b>46%</b>, and GHG emissions dropped <b>3.3%</b> across Russian Entities</li> <li>• The share of electric power generated from renewable sources in 2017-2019 averaged <b>6%</b></li> </ul>	<ul style="list-style-type: none"> <li>• The refining depth (the Nelson Index) for LUKOIL Group refineries rose up to <b>9.1</b></li> <li>• The Information Strategy of LUKOIL Group is being implemented</li> <li>• Project teams have been formed</li> </ul>	<ul style="list-style-type: none"> <li>• Development of further long-term goals to reduce GHG emissions; preparing the inventory of GHG emissions</li> <li>• Further implementation of the energy conservation program</li> <li>• Further improvement in the efficiency of processing raw materials and modernization of the product mix</li> <li>• Further introduction of leadership tools into HR management</li> </ul>	<p>GRI IPECA UNCTAD SASB</p>
<p>Specific revenue (labor productivity) amounted to <b>RUB 77 million/person</b></p>	<ul style="list-style-type: none"> <li>• The share of LUKOIL Group employees covered by collective agreements equaled <b>88.9%</b></li> <li>• Share of young employees in the total LUKOIL Group employee headcount was <b>37%</b></li> <li>• The amount of training reached over <b>258 thousand</b> person-courses</li> <li>• External social support contributions in LUKOIL Group were <b>RUB 9 billion</b></li> </ul>	<ul style="list-style-type: none"> <li>• Employees of LUKOIL Group received over <b>300 thousand</b> health-related services <sup>4</sup></li> <li>• The share of local managers in foreign entities of LUKOIL Group was <b>33%</b><sup>5</sup></li> <li>• <b>785</b> projects in Russian regions received support</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of programs to improve operational efficiency, digitalization and investment programs</li> <li>• Formation of key management personnel</li> <li>• Further implementation of social and economic development programs in regions</li> </ul>	<p>GRI IPECA UNCTAD SASB</p>
<p>The free cash flow was <b>RUB 702 billion</b>, up <b>26%</b> on 2018.</p>	<p>The revenue of LUKOIL Group stood at <b>RUB 7,841 billion</b></p>	<ul style="list-style-type: none"> <li>• The dividends paid on shares amounted to <b>RUB 180.7 billion</b>, a rise of <b>14.1%</b> on 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of programs to improve operational efficiency, digitalization and investment programs</li> <li>• Improvement of corporate governance</li> </ul>	

<sup>4</sup> A service provided to an employee under social programs is the provision of the relevant service at the employee's request or the provision of an amount of money to pay for the service or compensate for its cost.

<sup>5</sup> The indicator is calculated using the number of senior managers.