

STAKEHOLDER ENGAGEMENT

The successful implementation of our strategic goals is facilitated by a relationship of trust with stakeholders, including state and local authorities, shareholders and investors, business partners and customers, workers and trade unions, Russian and international organizations, and society as a whole.



STATE LEGISLATIVE AND EXECUTIVE AUTHORITIES

We interact with state legislative and executive authorities of all levels in Russia and with local authorities in foreign countries.

In Russia, representatives of PJSC LUKOIL and LUKOIL Group entities take part on an ongoing basis in discussing legislative initiatives and in the work of advisory groups and expert forums, discussing issues that are topical for the Russian oil and gas industry. Management of PJSC LUKOIL and LUKOIL Group entities engages with the authorities as part of the upgrading of production facilities, signing and implementation of agreements on social and economic cooperation, as well as in regional and international forums.

Leveraging legal mechanisms guaranteeing stakeholder participation in the discussion of draft regulations, the Company participates in the creation of a modern, stable and healthy system of state regulation, using internal corporate processes for monitoring, evaluation, planning, etc.

LUKOIL liaises with regulatory bodies, public associations and non-profit organizations, and monitors regulatory and legislative activities in the Russian Federation on an ongoing basis.



SHAREHOLDERS AND INVESTORS

In order to increase the effectiveness of relations with shareholders the revised version of the Shareholder Relations Policy of PJSC LUKOIL was established by the decision of the Board of Directors of PJSC LUKOIL dated 11 December 2018 (Minutes No.17). The Policy, among other issues, states the principles of equal treatment of all shareholders, as well as the commitment to applying best practices of corporate governance. The observance of shareholders legitimate rights and mutual engagement in the benefit of sustainable and dynamic development of PJSC LUKOIL facilitates creating shareholder value and increasing the reputation of the Company.

Our investors comprise Russian and foreign entities and individuals pursuing various investment strategies. To strengthen investor relations and maintain the investment appeal of the Company, LUKOIL's equity story is communicated to participants in the financial market, including the disclosure of requested information and targeted measures.

In order to attract additional investment in the Company's equity, a shareholder analysis is conducted on an ongoing basis, and groups of investors with whom targeted measures will be carried out are identified. We continually strive to raise the level of information transparency, regularly



WE STRIVE TO BUILD LONG-TERM CONSTRUCTIVE RELATIONS BASED ON THE PRINCIPLES OF PARTNERSHIP, COMPANY PARTICIPATION IN IMPLEMENTING LONG-TERM DEVELOPMENT GOALS, TRANSPARENCY OF OPERATIONS, AND INFORMATION.

These principles are set forth in the Social Code of PJSC LUKOIL and the Code of Business Conduct and Ethics of PJSC LUKOIL.



provide information to representatives of the investment and financial communities using various channels, and react promptly to incoming queries.

In recent years, we can observe a marked upward trend in the number of responsible investors taking into account sustainability factors when making investment decisions. In this regard, cooperation with this group of stakeholders has been expanded (including the organization of meetings with independent members of the Board of Directors), information disclosure in public materials has been improved, and work on systemic issues of sustainable development has been enhanced.

We liaise with international rating agencies and information database owners; we also publish climate reporting as part of the Carbon Disclosure Project (CDP).

One of the key elements of interaction with the investment community is to ensure investor feedback for PJSC LUKOIL governing bodies and management. In response to incoming queries, the level of disclosure of information in financial statements, annual reports, sustainability reports and on the corporate website is constantly increasing.



Efforts of LUKOIL Group's investor relations service were highly rated by the investment community, resulting in the Group receiving an award from the professional magazine Institutional Investor in 2019.



EMPLOYEES AND TRADE UNIONS

Social partnership is at the core of LUKOIL Group's relations with employees and trade unions. The Company has built a social partnership system based on agreements between employer, trade unions and employees. Meetings of employees and representatives of the management of PJSC LUKOIL and LUKOIL Group entities are held regularly.

For many years, LUKOIL has been collaborating with the International Labor Organization (ILO) and IndustriALL Global Union.

The past year marked the hundredth anniversary of the International Labor Organization. Being ILO's only partner in Russia, LUKOIL Group took an active part in the organization of the anniversary events. During the Russian hour of the 24-hour online video marathon, the President of PJSC LUKOIL Vagit Alekperov extended his congratulations on the ILO's anniversary. Also, a meeting of Russian President Vladimir Putin with ILO Director-General G. Ryder was held where the contribution of LUKOIL Group to ILO activities in the Russian Federation was noted.



CLIENTS

Our clients comprise large and medium-sized entities operating in various sectors of the economy and private individuals. We provide our clients with high-quality products and services, and develop innovative products tailored to the needs of regional markets and the individual needs of consumers. Our goal is to reinforce our reputation as a responsible and reliable producer and supplier of energy products.

The Company operates a quality management system covering all the stages a product passes through when moving from the factory to the consumer. LUKOIL applies a responsible approach to customer relations and observes the principles of fair marketing and sales of products. To provide strong support to its customers on any emerging issues, the Company studies customer feedback thoroughly to identify the most pressing issues and research customer satisfaction.



SUPPLIERS AND CONTRACTORS

LUKOIL's supply chain covers entities of various legal forms and sizes, from large companies and small and medium-sized businesses to individual and social entrepreneurs. We are open to cooperation and provide a level playing field. We perform impartial and effective selection of suppliers and contractors through tender procedures in key areas of the Company's business.



SOCIETY

We build our relations with society based on the principles of openness and partnership. Social investment programs are implemented in constant contact with local authorities, mass media, and municipal and public organizations. Significant focus is placed on interaction with the environmental community and residents of the regions and countries in which we work on questions of environmental protection and social issues. The programs are implemented with the participation of experts having a solid track record implementation of social projects in various industries. We respond to queries from foreign, federal and regional media, hold media tours and publish relevant materials.

LUKOIL is also a participant, organizer and sponsor of forums, specialized conferences, roundtables and other events where the Company can interact with other industry players and stakeholder groups noted above on a wide range of topics.

Stakeholder engagement in 2019

STAKEHOLDERS

EVENTS IN 2019

EVENT-RELATED COOPERATION



STATE LEGISLATIVE AND EXECUTIVE AUTHORITIES

Legislative authorities of the Russian Federation

The Company reviewed more than 700 draft regulations and submitted proposals on 260 of them to the federal authorities. Compared to 2018, the share of draft regulations affecting the Company's activities and requiring its response rose by 30%.

Standard-setting initiatives in the field of environmental protection covered issues of compensatory reforestation, emission credits, sanitary protection zones of industrial facilities, and carbon tax

Regional authorities in the Russian Federation

44 events with the participation of LUKOIL President Vagit Alekperov were held, resulting in the signing of 41 documents on cooperation

9 cooperation agreements, 10 protocols and 20 supplementary agreements to existing cooperation agreements

Memorandum of cooperation with the Government of Stavropol Territory

Tripartite agreement between the Ministry of Sports of the Russian Federation, the Government of the Khanty-Mansi Autonomous Area - Yugra and PJSC LUKOIL on the construction of social and sports infrastructure in the territory of the Khanty-Mansi Autonomous Area - Yugra

Ministries of the Russian Federation, local authorities, international organizations

Business trips of PJSC LUKOIL management to production facilities in the regions of operations

Activities of LUKOIL Group entities

International Forum devoted to the Year of Indigenous Languages in Russia (2019) (Khanty-Mansiysk, Russia)

Issues of cultural identity and preservation of national languages in the regions of the Russian Federation

18th Session of the UN Permanent Forum on Indigenous Issues, Round Table "Preservation and Promotion of the Linguistic Heritage of Indigenous Minorities of the North" (New York, the USA)

LUKOIL's experience in the preservation and development of national languages of the indigenous minorities of the North

Extended board meeting of the Federal Agency for Ethnic Affairs (Moscow, Russia)

Joint meetings of deputies of the Republic of Kalmykia's Hural and the Duma of the Khanty-Mansi Autonomous Area - Yugra (Elista and Khanty-Mansiysk, Russia)

Diversity and preservation of languages of the Russian Federation's ethnicities

Tourism development

STAKEHOLDERS

EVENTS IN 2019

EVENT-RELATED COOPERATION



SHAREHOLDERS AND INVESTORS

Shareholders and investors

More than 200 queries from investors and over one thousand of queries from shareholders were handled

6 roadshows, 18 major investment conferences, over 180 meetings and 50 calls with investors were organized

Quarterly conference calls regarding disclosure of the Company's financial performance

A trip for representatives of the investment community to the Nizhny Novgorod refinery was organized in the run-up to MARPOL-2020

Two General Shareholders Meetings were held

Climate strategy and reporting

Measures to reduce emissions of greenhouse gases and pollutants

Oil spill management system and mitigation actions

Land remediation

Waste management

Human rights

Engagement with local communities

Anti-corruption



EMPLOYEES AND TRADE UNIONS

International Labor Organization (ILO)

24-hour online video marathon dedicated to the 100th anniversary of the ILO

Roundtable as part of the 74th session of the UN General Assembly (New York, the USA)

Exhibition dedicated to the anniversary of the ILO and its operations in Russia (Moscow, Russia)

Implementation of the ILO principles in the work of HR companies



SOCIETY

Public authorities, expert and sectoral organizations, the mass media in Russia

National Sustainable Development Forum (Moscow, Russia)

Corporate sustainable development practices, sustainable development programs of LUKOIL Group

Regional governments and industrial enterprises in Russia

Technology Day in the Republic of Udmurtia (Izhevsk), Samara Region (Samara), Tyumen Region (Tyumen), Voronezh Region (Voronezh)

Encouraging regional industrial enterprises to participate in open tenders conducted by PJSC LUKOIL and LUKOIL Group entities. Exchange of experience and participation in events

Industrial Ecology-2019 conference (Moscow, Russia)

Industrial ecology, the prospects for implementation of green economic models

Non-governmental and environmental organizations

Meetings with representatives of the Pechora Rescue Committee, WWF Russia, etc.

Environmental conditions in the Komi Republic

Implementation of the project to rescue the saiga antelope

STAKEHOLDERS

EVENTS IN 2019

EVENT-RELATED COOPERATION



SOCIETY

Local communities and municipal authorities	Roundtable «Sustainable Development of LUKOIL Territories» (Perm, Russia)	Presentation of LUKOIL Group Sustainability Report
State authorities (Rostekhnadzor, Ministry of Emergency Situations), expert community (RSPP, Union of Oil and Gas Producers of Russia), non-governmental and oil and gas organizations	Scientific and technology conference "Industrial and Occupational Safety at Oil and Gas Enterprises"	Corporate best practices in industrial safety, work quality and efficiency improvement
Indigenous minorities of the North, authorities and non-governmental organizations of indigenous minorities of the North in Russia	Meeting «Approval of the Procedure for Compensation of Damages Caused to Indigenous Minorities of the Russian Federation, Their Associations and Persons Belonging to Indigenous Minorities of the Russian Federation» (Kogalym, Russia)	Compensation of damages to the traditional habitat of indigenous minorities of the Russian Federation as a result of the business activity of companies and individuals
International organizations	Awards to the winners of the "Talents of the Arctic. Children" project (Moscow, Russia)	The experience of PJSC LUKOIL was presented in the area of sustainable development, in particular supporting indigenous minorities of the North, Siberia and the Far East of the Russian Federation
Regional and local authorities, non-governmental organizations in foreign countries	Official launch event of the International Year of Indigenous Languages (2019) at UNESCO Headquarters (Paris, France)	Culture preservation of indigenous minorities of the North
Authorities and non-governmental organizations in foreign countries	Public dialogue opened by the Romanian refinery (Ploesti and Bucharest, Romania)	Launch of the Competition for Social and Cultural Projects; the Company's experience of holding the competition in Russian regions
Media	RusPrix Award 2019 (Noordwijk, Netherlands)	Investment cooperation between Russia and the Netherlands, LUKOIL Group's work in the Netherlands
Scientific community	International Folklore Festival Burgas-2019 (Burgas, Bulgaria)	Cooperation between Burgas and Kogalym
Media	Press releases, press conferences	LUKOIL Group strategy and production plans, developments in oil and gas industry regulations, social responsibility
Scientific community	Support for environmental and biodiversity projects and research in Russian regions	Scientific approaches to biodiversity conservation