LUKOIL GROUP
SUSTAINABILITY POLICY
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INTRODUCTION

General information about the LUKOIL Group Sustainability Policy

The LUKOIL Group Sustainability Policy (the “Policy”) sets out the Group’s position on sustainability issues, and also establishes the LUKOIL Group principles, goals, and key objectives in the field of sustainable development. Internal documents governing sustainability management and corporate strategy are elaborated and updated taking into account the Policy.

The Policy was developed in accordance with UN Sustainable Development Goals, the principles of the UN Global Compact and International Labour Organization, OECD Guidelines for Multinational Enterprises, World Business Council for Sustainable Development recommendations, the provisions of the UN Universal Declaration of Human Rights, the Paris Agreement and other international agreements as well as the requirements of Russian and foreign legislation, and the expectations of stakeholders of the LUKOIL Group.

Scope of the Policy

This Policy applies to PJSC “LUKOIL” and its subsidiaries, which together make up the LUKOIL Group. All employees of the LUKOIL Group must be familiar with the Policy and be guided by it when performing their work duties.

PJSC “LUKOIL” calls upon its partners, contractors, suppliers, and other counterparties to align their activities with the principles and objectives set forth in the Policy.

Stakeholder engagement

The LUKOIL Group interacts with a wide range of stakeholders, including the following main groups:

• employees and trade unions
• shareholders and investors
• national legislative and executive authorities and local government authorities
• society
• clients
• suppliers and contractors.

Stakeholder engagement is guided by the following principles:

• partnership and accountability
• balanced interests, respect for different viewpoints
• combined efforts to attain long-term socio-economic and environmental goals related to developing the regions and countries of operation.
Sustainable development management

In order to facilitate the attainment of strategic goals and to assist in implementing sustainable development principles, PJSC “LUKOIL” has created and operates a sustainability management system which covers all levels, from the Board of Directors of PJSC “LUKOIL” to LUKOIL Group entities.

Sustainability principles of the LUKOIL Group

The LUKOIL Group adheres to the following sustainability principles:

- Full compliance with respective national laws and international agreements
- Taking into account the specifics of regions and countries of operation
- Unconditional observance of human rights
- Environmental responsibility
- Information openness and transparency
- Upholding the rights of and respect for stakeholders’ interests.

Sustainable development goals of the LUKOIL Group

The LUKOIL Group has set the following sustainability goals:

- Maintaining an effective corporate governance system
- Continued economic sustainability and development
- Embracing ethical business practices
- Decarbonisation and adapting to climate change
- Prioritising environmental safety
- High occupational health and safety standards
- Providing decent working conditions
- Contributing to the socio-economic development of the regions and countries of the LUKOIL Group operation.

Cognisant of its responsibility to the global community, the LUKOIL Group aligns its sustainable development goals with the following priorities of the Transforming our world: the 2030 Agenda for Sustainable Development Declaration (Resolution adopted by the General Assembly on 25 September 2015):
SUSTAINABLE DEVELOPMENT GOALS AND OBJECTIVES

Goal 1. Maintaining an effective corporate governance system

Key objectives

– Constant improvements to the sustainability management system, in line with best practices.

– Adapting the corporate governance structure, with a view to solving sustainable development issues.

– Taking into account sustainability principles, goals, and objectives during management decision-making, as well as current and strategic planning.

– Determining priority development areas for corporate sustainability programmes and initiatives, and assessing their efficacy.

– Ensuring that the Board of PJSC “LUKOIL” and senior executives are actively involved in managing sustainability issues.

– Creating an incentive system for senior executives, based on sustainability goals and objectives.

Goal 2. Continued economic sustainability and development

Key objectives

– Managing sustainability risks.

– Business growth, taking into account sustainability opportunities and challenges.

– Embracing innovation.

– Flexibility when responding to changes in the external environment.

– The rational use of natural, labour, and financial resources.

– Improving the efficiency and reliability of production and business processes.

– Supply chain management based on sustainability principles.
Goal 3. Embracing ethical business practices

Key objectives

– Building and maintaining strong and constructive relationships with all stakeholders.

– Preventing human rights violations.

– Combating and preventing corruption.

– Preventing conflicts of interest.

– Improving the corporate culture.

– Ensuring the competitive and transparent selection of suppliers and contractors.

– Safeguarding confidential information.

Goal 4. Decarbonisation and adapting to climate change

Key objectives

– Managing climate-related risks.

– Exploiting climate-related opportunities.

– Reducing greenhouse gas emissions.

– Developing technologies and embracing innovations aimed at decarbonisation and adapting to climate change.

– Mitigating the potential negative impacts of the energy transition on stakeholders.

– Fostering the concept of a low-carbon economy among clients and suppliers.

– Taking part in climate initiatives and forging partnerships to achieve climate-related goals.

– Participating in the development of Russian and international climate regulations.
Goal 5. Prioritising environmental safety

Key objectives

- Embracing state-of-the-art technologies.
- Continuous mitigating the adverse environmental impacts from activities, products, and services.
- Protecting marine and onshore ecosystems and vulnerable areas
- Biodiversity conservation.
- Optimising water consumption, especially in arid regions.
- Fostering a corporate environmental culture among employees and counterparties.

Goal 6. High occupational health and safety standards

Key objectives

- Adopting leading industry practices.
- Improving the reliability of production processes and equipment.
- Nurturing a safety culture among LUKOIL Group’s employees and contractors.
- Implementing measures to prevent injuries to LUKOIL Group’s and contractors’ employees.
- Introducing measures to further safeguard the health of employees and reduce the risk of occupational diseases.
- Ensuring a high level of readiness to deal with emergencies and their consequences.

LUKOIL Group is guided by the precautionary principle states that if there is a threat of serious or irreversible damage to the environment, the insufficient scientific justification of these assumptions should not be used as grounds to postpone the implementation of economically effective measures aimed at preventing environmental pollution.
Goal 7. Providing decent working conditions

Key objectives

– Fair employee remuneration based on qualification levels and the complexity, volume, and quality of work, as well as the conditions in which it is performed.

– Creating new jobs as part of the energy transition.

– Providing social support to employees and their families.

– Zero tolerance towards discrimination.

– Promoting a positive ethos in the working environment.

– Prioritising the hiring of local employees.

– Respecting the right to freedom of association and collective bargaining.

– Equal opportunities and a high level of employee engagement.

– Providing the requisite conditions for professional development and retraining.

Goal 8. Contributing to the socio-economic development of the regions and countries of the LUKOIL Group operation

Key objectives

– Ensuring the safety and high quality of products.

– Remitting taxes in full, without resorting to tax optimisation schemes.

– Running external social programmes based on discussions and feedback from stakeholders.

– Supporting local initiatives to address relevant objectives.

– Respect towards and support for indigenous minorities.

– Involving employees and external stakeholders in charity initiatives.