



LUKOIL GROUP
SUSTAINABILITY REPORT
2015-2016



**IN HARMONY
WITH THE PRESENT,
WITH CARE FOR
TOMORROW**

CONTENTS



Interactive version
of LUKOIL Group
Sustainability Report
2015-2016

<http://csr2015-2016.lukoil.com>



- 02 Address by PJSC LUKOIL President and CEO
- 06 About the Report



About the Company



- 11 General information
- 22 Strategy and management
- 27 Corporate governance
- 31 Ethics
- 32 Risk management and internal control
- 34 Stakeholder engagement
- 37 Supply chain

Health, safety and environment



- 42 Management approach
- 44 Management system
- 45 Environmental safety program
- 55 Biodiversity conservation
- 57 Health and safety

Personnel



- 62 Management approach
- 63 The company's position with regards to employment entitlement and human rights
- 64 Guarantees of employee labor and human rights
- 66 Health and on-site safety
- 70 Personnel policy
- 73 Incentives and remuneration
- 80 Training
- 82 Youth policy

Community



- 85 Management approach
- 87 Social investments
- 90 High quality industry-specific education
- 92 Interaction with the indigenous minorities of the North
- 94 Charity and sponsorship

Appendix to Sustainability Report

Sustainable Development of the Russian Regions and corporate responsibility practices in foreign assets. 2015-2016 (Appendix)



- 102 Table of conformity to the GRI Guidelines, UN Global Compact and RUIE's Core Performance Indicators
- 109 Conclusion of KPMG
- 113 Conclusion of the RUIE
- 119 Reporting boundaries
- 123 Basic terms and notions
- 125 Contact Information on the Report

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"We intend to continue a constant dialogue with the stakeholders, implement programs and projects that have shown their effectiveness, and look for new approaches and ideas".

Address by PJSC LUKOIL President and CEO

This Sustainability Report is an opportunity for our Company to present a comprehensive view of our economic, environmental and social achievements. We are convinced that it is only through observing a balance between all these factors that we can ensure the truly harmonious development of the business. In fact, along with the creation of shareholder value, we strive to ensure that our activities contribute to maintaining the ecological balance, as well as improving the prosperity of the regions of our presence through taxation and social support programs

Observance of laws and moral standards, consideration of the expectations of stakeholders and the interests of future generations have been used for strategic decision making since the foundation of LUKOIL.

When planning our activities, we take into account the main global trends in the field of sustainable development. One of the latest initiatives our Company has supported is the United Nations Development Program, "Transforming Our World: The 2030 Agenda for Sustainable Development". This document gives recommendations for coordinating the efforts of government and business in the field of sustainable development.

Among the industrial achievements of the reporting period, mention should be made of the commissioning of the Pyakyakhinskoye field in the north of West Siberia and the Vladimir Filanovsky field in the Russian sector of the Caspian Sea.



2.5
trillion rubles
LUKOIL
CAPITALIZATION
AS OF THE END
OF 2016
(RECORD HIGH)

The high productivity and cost-effectiveness of these projects confirm the Company's ability to successfully develop complex hydrocarbon reserves from scratch, both onshore and offshore. The competences that have been accumulated form a solid foundation for further sustainable development of the Company in the circumstances of a reduced conventional resource base.

The Vladimir Filanovsky field is the largest of our new projects. With its record breaking outputs and minimal environmental impact, it is a good illustration of the sustainable development concept in action. The 'zero discharge' principle has been applied here, which completely rules out the discharge of wastes into water, and a biodiversity conservation program is also being implemented. The development of this project contributes to the economic growth of the Astrakhan Region through the creation of new jobs, the use of contractors, and implementation of regional social support programs.

The Pyakyakhinskoye field is distinguished by its use of highly complex drilling and well completion technologies. In particular, we use horizontally branched wells that ensure high flow rates and enable us to minimize geological risks. The experience we have gained has opened up new possibilities for implementing oil production projects in future. It is also important to note that development of this field, like our work in the new East-Taimyr license block, contributes to the integrated development of the Russian subarctic regions.

Among our international projects, attention must be drawn to our deposits in Uzbekistan, where we have invested substantially in the construction of a gas production and treatment infrastructure. Once these projects have achieved full capacity, they will be one of the major growth factors of the Company's hydrocarbon production in the medium term.

It is worth mentioning that we were one of the first in Russia to complete the basic modernization program for our Russian refineries. As a result, we have significantly improved the output composition of our products and have fully transitioned to the production of fuels under the Euro 5 environmental standard. Today, our refineries are in line with the best global practices.

As a result of the implementation of the Environmental Safety Program in Russian enterprises, the volume of water withdrawn from natural sources has been reduced, while the scope of land reclamation and volume of waste utilization have increased. In recent years, we have been actively implementing the Efficient APG Management Program and are approaching the target of 95% of APG utilization in all subsidiaries in Russia.

Despite numerous economic challenges, we have managed to show strong financial results in the reporting period and have outperformed many global oil and gas companies. Thanks to our considerable cash flow, we have been able to reduce our debt burden to a record low (net debt/EBITDA – 0.6).

G4-1 G4-2



95%

the planned level
of APG utilization
at all subsidiaries
of the Group
in Russia



>100

thousand people

are employed
by LUKOIL Group.
The Company
is one of the largest
employers in Russia

The outcome of our business development efforts and our balanced financial policy are reflected in the market value of the Company – LUKOIL's capitalization reached a historic high of 2.5 trillion rubles in 2016.

In the last two years, we have increased our ruble dividends by 27% per share and, in 2016, approved new provisions on dividend policy, designed to improve the traceability and predictability of our dividend payments.

In 2015–2016, the Company paid a great deal of attention to the development of the corporate governance system. Among the important changes has been the formation of the Corporate Secretary department in accordance with the recommendations of the Bank of Russia's Corporate Governance Code. In addition to this, further confirmation of the high value placed on environmental and industrial safety has been the introduction of a Health, Safety and Environment Committee, accountable to the President of PJSC LUKOIL.

Throughout its history, LUKOIL has maintained the status of one of Russia's largest employers. Over 85 thousand people work for our Russian entities, and more than 100 thousand people are employed

by the LUKOIL Group. They are people of various trades and ethnic backgrounds, who, together, form a highly professional and motivated team. Our relationship with our employees is focused on creating conditions conducive to a high quality of work and life, and on solving the specific social problems they and their families may have through social partnerships with trade union organizations. Much attention has been paid to safety issues, educational programs, and personnel development programs.

We are in dialogue with public environmental organizations and the indigenous minorities of the North, on whose ancestral territories our production facilities operate. As a direct result of the support the Company gives, both in Russia and abroad, significant social facilities have been built, and the initiatives of local organizations have been realized. An important area of social investment, in which the Company works together with the "Our Future" Foundation for Regional Social Programs, is the development of social entrepreneurship in the Russian regions.

We intend to continue a constant dialogue with the stakeholders, implement programs and projects that have shown their effectiveness, and look for new approaches and ideas.

In response to the growing needs of our stakeholders as regards information about the Company, we have prepared this report in accordance with the G4 Global Reporting Initiative (GRI) Guidelines. This Guidelines introduces more extensive requirements on the disclosure of information on corporate ethics and product supply chain, which are reflected in this document.

I am pleased to present to you the Sustainability Report of the LUKOIL Group and I am happy to say that, starting from 2017, we are moving to an annual reporting cycle and expanding the reporting boundaries by including foreign assets in the document.

In gratitude for your interest in our Company,

President and CEO,
Chairman of the PJSC LUKOIL
Management Committee
V.Yu. Alekperov



About the Report

**G4-28, G4-29,
G4-30, G4-32,
G4-15, G4-18,
G4-3, G4-23**

PJSC LUKOIL presents the seventh Sustainability Report prepared for the period from 01.01.2015 to 31.12.2016. The document comprehensively reflects economic, environmental, and social results of our activities. The Company has published Sustainability Reports since 2005. The previous Report was published in autumn 2015 (for the period from 01.01.2013 to 31.12.2014). **G4-28, G4-29, G4-3**

Up until the 2016 reporting year inclusive, the Company¹ published its reports every second year. In order to increase the relevance of the information provided and in accordance with the recommendations of the Council on Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs following public confirmation of the previous report, the Company intends to move to an annual reporting cycle in 2017 and expand the reporting boundaries by including foreign assets in the scope of the Report. **G4-30, G4-23**

LUKOIL uses the following documents and guidelines when preparing reports: **G4-32**

- Sustainability Reporting Guidelines under the Global Reporting Initiative GRI G4 (the main level of compliance). General Standard Disclosures and specific standard disclosures under GRI G4 are included on p. 102;
- UN Global Compact; **G4-15**
- Social Charter of Russian Business, Core Performance Indicators (CPI). **G4-15**

The Company is guided by AA1000 SES (2015) standard when convening dialogues (round-table discussions) with the external stakeholders. The LUKOIL Group consolidated financial statements have been drawn in accordance with IFRS since the 2015 Statement (under US GAAP previously).

A standard process of identification of material aspects in the course of preparing of non-financial reporting includes study of the following sources: **G4-18**

- topics raised by the Company's leadership and top-managers in the framework of public appearances and presentations in Russia and abroad;
- publications about the Company in the major business, and social and political media, as well as in the Internet media;
- reports of Russian and foreign oil and gas comparable companies;
- analysis of significant events in the industry within the reporting period;
- interview of the heads of LUKOIL's key structural subdivisions (conducted from time to time);
- the content of dialogue with stakeholders in Russian regions of the Company's presence (1–2 dialogues annually, with an average number of participants of 30–50 per dialogue).

In 2016, the process was supplemented by conducting a survey of business partners of the Company's subsidiaries operating in Russia.



Starting from 2017,

the Company is moving to an annual reporting cycle and extending its boundaries



**THE COMPANY PUBLISHES
ITS NON-FINANCIAL REPORTS**
to inform stakeholders of the key areas of its activity and economic, social, and environmental results from the point of sustainable development of the Company and society.

¹ The words LUKOIL, Company, Group, the LUKOIL Group in this document mean PJSC LUKOIL and its subsidiaries and affiliates.



Based on the results of a comprehensive analysis, the following themes have been identified as significant.
G4-19 G4-20 G4-21 G4-27

Comparison with GRI Aspects [G4-19]	Material aspects of the Report [G4-27]	Significant for the Company [G4-20]	Significant for outside audience [G4-21]	Report Sections
Economic category <ul style="list-style-type: none">Economic performanceIndirect economic impact Social category <ul style="list-style-type: none">Product responsibility Industrial application <ul style="list-style-type: none">Reserves Environmental category <ul style="list-style-type: none">Energy	Economic			
	Capital investments, including those for the modernization of power generating facilities and oil refineries. Plans to construct new production facilities and expand current ones	✓	✓	About the Company (General information). Sustainable Development of the Russian Regions and corporate responsibility practices in foreign assets
	Development of fields at mature stages, as well as extraction of hard- to-reach and hard-to-recover reserves	✓	✓	Sustainable Development of the Russian Regions and corporate responsibility practices in foreign assets
	Energy sources, including renewable	✓	✓	About the Company (General information. Power Engineering)
	Innovative Policy	✓	✓	About the Company (General information. Development of Technology). Sustainable Development of the Russian Regions and corporate responsibility practices in foreign assets
	Procurement practice with Russian organizations and engagement in small entrepreneurship development programs	✓	✓	Community (Development of social entrepreneurship)
	Fuel and Products: quality, meeting clients' demands, customer satisfaction at filling stations	✓	✓	About the Company (General information. Trade and marketing) About the Company (Interaction with Stakeholders)
Social Category	Environmental			
<i>Labor practices and decent work:</i> <ul style="list-style-type: none">Health and on-site safety Environmental category <ul style="list-style-type: none">WaterEmissionsDischarges and wasteBiodiversityGeneral information (Investments in Environmental Protection)	Industrial Safety	✓	✓	HSE (Industrial Safety) Personnel (Health and On-Site Safety)
	Implementation of Environmental Policy. Impact on the main environmental components: air, water, and soil	✓	✓	HSE (Management Approach; Management System; Environmental Safety Program)
	Greenhouse gas emissions and climate change	✓	✓	HSE (Environmental Safety Program)
	Development of offshore fields	✓	✓	HSE (Biodiversity preservation)
	The impact of industry on the environment in the territories of operation and public health	✓	✓	HSE. Community. Sustainable Development of the Russian Regions and corporate responsibility practices in foreign assets
	Oil spills	✓	✓	HSE (Emergency prevention and response)

Comparison with GRI Aspects [G4-19]	Material aspects of the Report [G4-27]	Significant for the Company [G4-20]	Significant for outside audience [G4-21]	Report Sections
Social Category	Social			
<i>Labor practices and decent work:</i> <ul style="list-style-type: none">EmploymentEmployee-Employer relationsTraining and educationDiversity and equal opportunitiesEqual remuneration for female and male employeesGrievance mechanisms in regard to labor practices	Personnel policy, social policy with respect to employees	✓	✓	Personnel (Personnel Policy; Incentives and Remuneration; Training; Youth Policy) About the Company (Ethics)
	Cooperation with universities on personnel training	✓	✓	Community (High quality industry-specific education)
	Cooperation agreements with RF regions, improvement of social climate in the regions of presence	✓	✓	Community (Social Investments), Sustainable Development of the Russian Regions and corporate responsibility practices in foreign assets
	Charity Policy, Social and cultural projects contest	✓	✓	Community (Social Investments), Sustainable Development of the Russian Regions and corporate responsibility practices in foreign assets
<i>Human Rights:</i> <ul style="list-style-type: none">Prevention of discriminationFreedom of association and collective negotiationsChild laborForced or compulsory laborRights of indigenous peoples/ minoritiesGrievance mechanisms in case of human rights violations	Human Rights	✓	✓	Personnel (Management approach; guarantees of employee labor rights and human rights) Community (Interaction with the indigenous minorities of the North)
<i>Community:</i> <ul style="list-style-type: none">Local communitiesAnti-corruptionGovernment PolicyAnti-competitive behaviorCompliance				
Economic category <ul style="list-style-type: none">Market presence				

ABOUT THE COMPANY



11
General
information

22
Strategy and
management

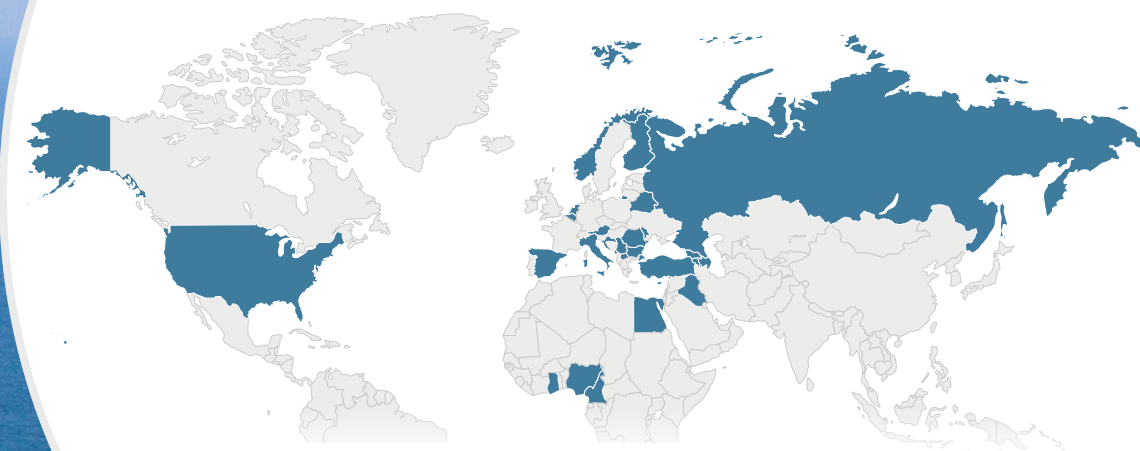
27
Corporate
Governance

31
Ethics

32
Risk management
and internal control

34
Stakeholder
engagement

37
Supply
chain



General information

LUKOIL is one of the world's largest public vertically integrated oil and gas companies. A strong resource base, diversified assets, efficient management and new high-margin projects ensure high sustainability, performance growth and a strengthening of the Company's positions.

- The Company is responsible for 2% of global oil production, and 2% of global oil refining.
- In Russia, the figures are 15% for both oil production and refining.

>30
countries
worldwide


>60
Russian
regions

LUKOIL is active in more than 60 regions of Russia and more than 30 countries, including Russia. The main activities in Russia are concentrated in four¹ federal districts: the North-West, Volga, the Urals and the Southern Federal Districts. [G4-3](#) [G4-6](#), [G4-EC8](#)

PJSC LUKOIL² is the corporate center of the LUKOIL Group (based in Moscow), and coordinates and manages the organization, investment and finance in its subsidiaries. [G4-5](#)

The Company's business model is built on a full production cycle, from the extraction of hydrocarbon raw materials to the sale of petroleum products and petrochemical products. [DMA](#)

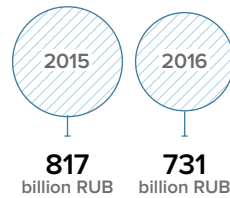
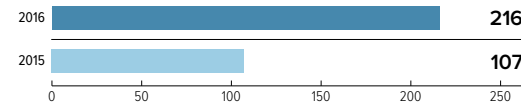
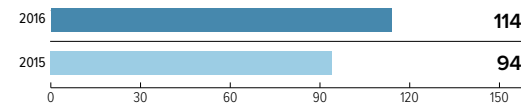
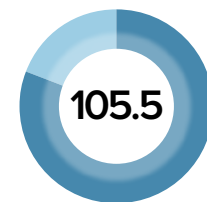
¹
[G4-3](#), [G4-6](#)
[G4-5](#), [DMA](#),
[G4-EC8](#)

 For detailed description of the business model refer to the Annual Report for 2016, pp. 14-15.

¹ The Company considers these federal districts to be of significance due to the presence of downstream enterprises, strategic projects, and the impact of production on the environment and local communities.

² In July 2015 the Company changed its name to Public Joint Stock Company LUKOIL (PJSC LUKOIL) to ensure compliance with the requirements of Chapter 4 of the Civil Code of the Russian Federation.

EBITDA:


Upstream Business Segment net profit in 2015–2016 at the LUKOIL Group, billion RUB

Refining, Trade and Marketing Business Segment net profit in 2015–2016 at the LUKOIL Group, billion RUB

The average number of employees in 2016, G4-9 thousand people


thousand people	
in Russia	85.4
in foreign companies	20.1

Upstream

G4-9, G4-6

The Company performs oil and gas upstream activities in 12 countries across the globe¹. The principal area of operation is Russia, while the largest projects abroad are implemented in Central Asia and the Middle East. **G4-6**

A total of 88 percent of all proved reserves of the Company and 86 percent of its commercial oil and gas production is based in Russia. West Siberia is the principal region by resource base size and oil production volumes. The resource base is of high quality. The bulk of reserves are conventional, which means upstream costs are among the lowest in the industry. The basis of gas production in Russia is the reserves in The Bolshekhetskaya Depression (Yamalo-Nenets Autonomous Area). The Nakhodkinskoye field is the main gas field, accounting for over half of all commercial gas produced by the Company in Russia.

The main events of the 2016 reporting period in Russia were the launch of the Filanovsky field, which is the largest oil field discovered in the Russian region of the Caspian Sea, and the startup of oil production at the Pyakyakhinskoye oil and gas condensate field in the northern region of West Siberia, which is of special importance since considerable volumes of natural gas will be produced here in addition to oil.

See Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in Foreign Assets.

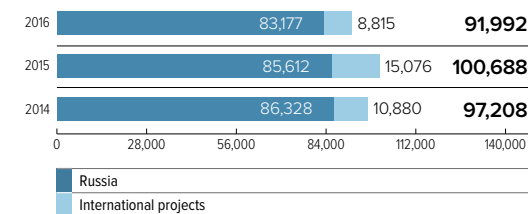
In 2015–2016, in addition to the V. Filanovsky and the Pyakyakhinskoye fields, eleven new fields, predominantly in the Timan-Pechora and the Volga River Region, were brought into operation in Russia.

To boost operational efficiency, exploratory drilling is being stepped up in West Siberia, along with production of high-viscosity oil in the Timan-Pechora province.

In 2015, the LUKOIL Group entered a new promising market: The Company was awarded a contract for the Eastern Taimyr block in Western Siberia (the Krasnoyarsk Territory).

In 2016, a decision was made to step up exploratory drilling in Western Siberia, which should increase future production.

See Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in the Foreign Assets.

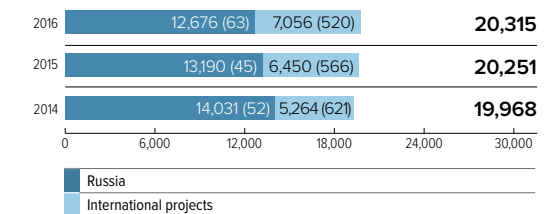
Oil production, thousand tons G4-9, GRI G4 OG1


Note. The negative impact on production figures is mainly due to reduction in the amounts of compensation oil received under the West Qurna 2 Project in Iraq, as a substantial part of the historical costs was already recovered in 2015. Reduced production in Western Siberia is due to the natural depletion of mature fields. Production was boosted, however, by the launch of two large fields (Filanovsky and Pyakyakhinskoye), increased exploratory drilling in West Siberia, and increased production in Timan-Pechora and the Pre-Ural regions, mainly achieved through modern mining methods.

In order to use natural resources efficiently and ensure full extraction, including hard-to-recover reserves, LUKOIL uses cutting-edge production methods including those designed by the Company's R&D department.

See Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in Foreign Assets.

In other countries,² major upstream activities are performed in Romania, Nigeria, Norway, Uzbekistan and Iraq. A wildcat well in Romania's Black Sea shelf area was completed in 2015, with a new deposit discovered.

Commercial gas production (with share in production of affiliated entities), million cubic meters


The main international gas production projects are in Kazakhstan and Uzbekistan, with the latter accounting for over half of the natural gas produced by the Company abroad. Production under the Kandym's Early Gas project began at the Kuvachi-Alat field in Uzbekistan in 2015, while construction of the Kandym Gas Processing Complex was initiated in 2016. Natural gas production remained stable throughout the reporting period.



11.4%

growth of high-viscosity and hard-to-recover oil production across LUKOIL Group in 2016

G4-9, GRI G4 OG1, G4-13

¹ Hereafter in this section, information about the Company is given as of December 31, 2016, unless otherwise specified.

² The main changes that occurred in the reporting period are as follows: a deal to sell a 50 percent stake in Caspian Investment Resources Ltd. owned by a LUKOIL Group entity was finalized in 2015. **G4-13**



G4-6, G4-4,
G4-13

Refining

The Company's oil processing and petrochemical plants are located in Russia and four¹ European countries (Romania, Bulgaria, Italy and the Netherlands²), close to the key markets. **G4-6**

The Company makes a wide range of petroleum products, commercially refined gas and petrochemical products.

IN 2016:



84.7%

is the conversion rate reached at the Russian refineries (without mini-refineries)



62.9%

is the light petroleum output reached at the Russian refineries



86.0%

is the conversion rate reached at foreign refineries



72.7%

is the light petroleum output reached at the facilities abroad

The main products **G4-4**



Petroleum products

gasolines, diesel, vessel, bunkering fuel, aviation kerosene, fuel gasoil, residual fuel, vacuum gasoil, oils



Petrochemical products

polymers and monomers, organic synthesis products, pyrolysis products and fuel fractions



Gas chemistry products

NGL, LPG, residue gas, etc.



LUKOIL's major brands include:

several ECTO gasoline and diesel fuels, Genesis oils and others **G4-4**



For more information, see the Analyst's Guidebook for 2016

Russian refinery upgrade program

The large-scale program to upgrade Russian refineries concluded in 2016, resulting in a greater conversion rate, new products, decreased heavy oil and vacuum gas oil concentrations alongside increased production

of light oils. Today, LUKOIL refineries exceed the Russian average in terms of capacity, efficiency and environmental protection.



A new product, ECTO 100 gasoline, was readied for industrial production in 2016. Large-scale projects implemented during the reporting period include the 2015 launch of the oil residue processing unit at the Perm refinery, and the 2016 launch of Russia's largest vacuum gas oil deep processing complex at the Volgograd refinery. The conclusion of the upgrade program marked the complete fulfillment by the Company of its obligations under the 2011 quadruple agreement between oil companies, the Russian Federal Antimonopoly Service, the Federal Service for Environmental, Technological, and Nuclear Supervision (Rostekhnadzor) and the Federal Agency for Technical Regulation and Metrology (Rosstandart).

In 2012, all Russian refineries of the LUKOIL Group transferred to EURO 5 (European emission standard 5) car fuels, which is mandatory for Europe and became mandatory in Russia in 2016.

The LUKOIL Neftohim Burgas refinery in Bulgaria also underwent a large-scale upgrade, which saw a unique complex being constructed from 2012 to 2015 to process hard residues using the H-oil tar



LUKOIL Group refining

	2014	2015	2016
Primary oil processing, thousand tons	68,419	65,385	66,805
Petroleum product output, thousand tons	65,805	61,750	63,069
Petroleum and wet gas processing, million cubic meters	3,206.7	3,376.0	3,534.4
Natural gas treatment, million cubic meters	14.3	284.4	366.8
NGL processing, thousand tons	710.0	550.1	392.0

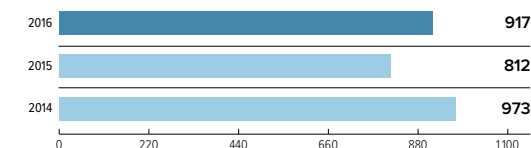
Note. The data is for refineries owned or controlled by the Group (per Group's share).

hydrocracking technology. The facility converts high sulphur residual tar to Euro 6 standard light oil and the pollutant emission levels during the refining process are significantly below normative values.

Lubricants are produced at Russian plants in Perm, Volgograd and Tyumen, at Company-owned plants in Romania, Finland, Turkey and Austria (managed by OOO LLK-International), and by joint enterprises. A plant with a 100,000 ton annual capacity is being built in Kazakhstan.

There are 600 lubricants and oils, including products that were designed by the Company's R&D. Many products have won the approval of leading carmakers and equipment manufacturers and represent a quality alternative to imported products in Russia. Consumers include, among others, carmakers, authorized service centers, and public transport companies.

Lubricant Production at the LUKOIL Group, thousand tons



Note. The data is for lubricant production at plants owned by the Company.



>112

billion RUB

invested in refining by LUKOIL Group entities in total in 2015–2016



>100

countries

scope of lubricant product sales

¹ A deal to sell a 100 percent stake in LUKOIL Chemical B.V., which was owned by OOO Karpatneftekhim (Ukraine), was finalized in February 2017. **G4-13**

² The Company owns a 45 percent stake in the Zeeland oil refinery.

Trade and marketing

G4-8, G4-6,
G4-9, G4-13,
G4-PR5

Wholesale and retail trade in oil and petroleum products covers Russia, Europe, South Eastern Asia, Central and Northern America and other regions, totaling 27 countries. The Company possesses an extensive logistics and distribution network, including in-house offshore terminals and tank farms. **G4-8** Trading is carried out through the LITASKO subsidiary in over 100 countries. **G4-6**

Almost half of our engine fuels are sold through retail. The LUKOIL Group marketing network is the main channel of engine fuel sales; as of late 2016, it had 5,309 filling stations¹, half of which (2,603) were based in Russia. Most retail sales in Russia take place in the Southern, North Western and Volga federal districts. Sales of premium products such as ECTO gasolines and fuels and Genesis lubricants have grown. **G4-8**

Product Quality Control: from Refinery to End Consumer

A focus on the needs and expectations of end customers, continuous improvement of technologies and an excellent management methodology are key priorities for organizations specializing in oil marketing and the production and sale of lubricants. **G4-PR5**

Continuous multistage quality control of engine fuel is carried out throughout the entire product supply chain: from refineries to bulk plants, filling stations and fueling complexes.

Bulk plants have accredited laboratories that perform quality control tests on incoming fuels from manufacturing plants. Copies of the quality control certificates issued from these tests are available to the end consumer at filling stations.

Filling stations control the quality of fuel brought in by tankers and the fuel in the filling stations' tanks are subjected to scheduled checks as well as unscheduled inspections. All petroleum products are subject to mandatory certification. Fuel for inspection is selected at random from filling stations located in different city districts and highways. Mobile laboratories with the equipment to conduct expert analysis of any pollution indicator are used for this testing.

The Group's plants that manufacture lubricants and specialized liquids analyze consumer demands and work consistently to increase customer satisfaction in accordance with ISO 9001 and ISO/TS 16949 and the requirements of global carmakers. Corporate clients such as General Motors, Ford, Volkswagen, Renault-Nissan and others conduct regular audits of the Company's plants to assess product quality and production efficiency. An innovative tank authentication system is in place to protect against counterfeiting and to ensure consumer safety.

Power Engineering

LUKOIL is both a major consumer and producer of electrical energy. The Company produces electrical and thermal energy for external consumers

(commercial generation) and for internal needs (support power).

G4-9



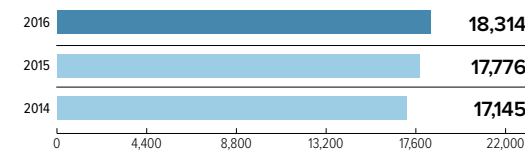
73%

is the LUKOIL Group's commercial generation share in the total power output in 2016

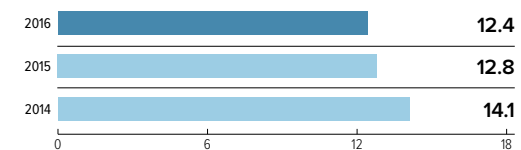
Commercial and support power generation

General indicators G4-9

Power output, million kW*h



Thermal energy output, million GCal



Note. Support power is excluded. The data are provided for the following assets: OOO LUKOIL-Volgogradenergo, OOO LUKOIL-Rostovenergo, OOO LUKOIL-Stavropolenergo, OOO LUKOIL-Kubanenergo, OOO LUKOIL Astrakhanenergo, S.C.LUKOIL ENERGY & GAS ROMANIA S.R.L., OOO LUKOIL ENERGIA I GAZ KALUSH, Lukoil Energy & Gas Bulgaria EOOD, LUKOIL-Ekoenergo.

The Group's commercial generation assets include those located in the Southern and Northern Caucasus federal districts of Russia: 12 thermal power stations, four hydroelectric power plants (HPP) and two power plants with boilers using gas-piston units. In 2015, the Company completed a large-scale program aimed at commissioning its power generation facilities as provided by the applicable capacity supply agreements.

The development of support power generation contributes to the greater use of APG, and partly satisfies the LUKOIL Group's need for power. The support power output more than doubled in the reporting period due to the commissioning of the first part of the Usa power center (the Komi Republic) and the power center at the V. Filanovsky field.

Support Power Generation in Russia

	2014	2015	2016
Installed capacity of power stations ⁴ , MW	678	1,164	1,539
Power output, million kW*h	3,273	3,897	5,339

⁴ Taking into account the 2016 launch of the 100 MW unit at the Usa center, selling of Volgograd CHP 2 at the Volgograd Refinery (225 MW), and the launch of the Filanovsky OIRP (49.6 MW).

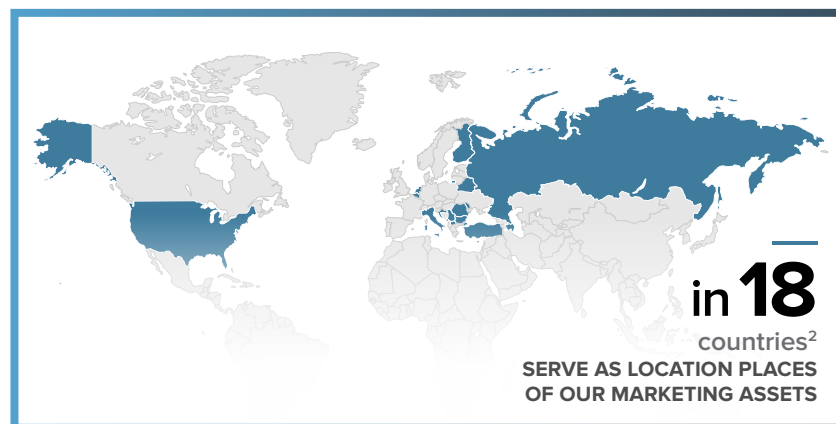


THE USA POWER CENTER PROJECT HAS MADE PROVISIONS FOR THE CONSTRUCTION OF EIGHT STEAM PLANTS BY 2019.

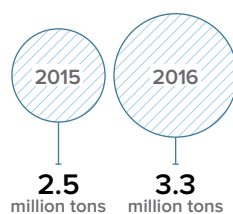


13.9
million tons

of petroleum products were sold in 2016 at filling stations **G4-9**



Bunker fuel sales G4-9



The LUKOIL Group delivers petroleum products to airports in Russia and abroad, as well as marine fuel to sea and river ports of Russia, Bulgaria and those on the Danube. **G4-8**

In 2015, 2.8 million tons of aviation bunker fuel were sold and 2.7 million tons were sold in 2016. Fuel was sold through 12 in-house fueling complexes (FC)³ and new FC were built in Yekaterinburg and Sheremetyevo.

¹ In-house, rented and franchised, including cold stacked.

² In 2015–2016, the marketing network in other countries was optimized through the sale of filling stations in Ukraine, Estonia, Poland, Latvia, Lithuania and Cyprus. **G4-13**

³ Including joint enterprises with GAZPROMNEFT-AERO: OOO Yenisey FC (Krasnoyarsk) and ZAO Soveks (St. Petersburg).

DMA, G4-EN3, G4-EN5

Energy saving and energy efficiency activities
Efficient management of fuel and energy is one of the main priorities of the LUKOIL Group.

The Company has approved its 2017 and 2018–2019 Energy Conservation Program of LUKOIL Group entities.

The activities are expected to save over 3,000 million RUB and decrease the energy consumption of: DMA



Electric power

>240
million kW*h



Thermal energy

>400
thousand GCal



Boiler and furnace fuels

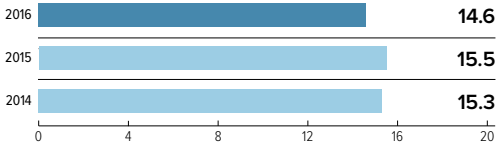
>480
thousand tons of reference fuel

Energy Resource Consumption at Russian LUKOIL Group entities G4-EN3

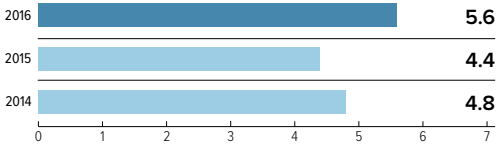
Types of energy resources consumed	2014	2015	2016
Electric power consumption (purchase and generation), billion kW*h	19.2	20.2	20.8
Thermal energy consumption (internal generation, purchase from external suppliers), million GCal	14.6	16.4	20.7
Other types of resources, boiler and furnace fuels, million tons of reference fuel	6.7	7.7	8.3

Energy resources supplied under purchase and sale agreements in Russia

Purchased electric power², billion kW*h



Purchased thermal energy², million GCal



¹ Data as of December 31, 2016.
² Excluding transfers.



in 27 subsidiaries¹

an energy management system has been introduced that meets the requirements of the international standard ISO 50001: 2011

Energy Savings from Implementation of the Energy Conservation Program in the LUKOIL Group Entities in Russia G4-EN6

G4-EN6

Period	Electric power, mln kW*h	Thermal energy, thousand GCal	Boiler and furnace fuels, thousand tons of reference fuel	Financial savings, million RUB
2014	92	119	55	526
2015	108	168	49	764
2016	82	57	76	708

Note. The data are provided for the entities specializing in upstream activities, processing, petroleum chemistry, gas processing, product marketing, and transport.

Energy Savings from Implementation of the Energy Conservation Program in LUKOIL Group Entities in Russia G4-EN6

Period	Electric power, mln kW*h	Thermal energy, thousand GCal	Boiler and furnace fuels, thousand tons of reference fuel	Financial savings, million RUB
2015	15.7	122	13.6	597.7
2016	5.2	43	6.6	365

Note. The data are provided for the following entities: PETROTEL-LUKOIL S.A., LUKOIL Neftochim Burgas AD (Bulgaria) and product marketing entities.





Around 4%

of the total energy generated by the Company's power facilities is from renewables



G4-EC7
GRI G4 OG3

Renewable Energy Sources

The cumulative capacity of power generating assets operating on renewable energy, including four HPPs, stood at 390 MW in 2016.

The first renewable pilot projects were the construction of solar parks at three filling stations located in Serbia and Russia in 2009. Over the reporting period, several projects were implemented, using renewables to generate energy for the internal consumption of the Company's entities. **G4-EC7**

As of the Report date, construction of the 10 MW solar plant was ongoing at the Volgograd refinery.

A Competence Center on renewables has been created in OOO LUKOIL-Ecoenergo for the benefit of LUKOIL Group entities that might be interested in implementation of renewable energy facilities and systems.

Solar collectors



Several filling stations are equipped with solar collectors to provide hot water and heat pumps for air conditioning and heating.

Solar park in Bulgaria



A 1.25 MW solar park was commissioned in 2011 at the Bulgarian refinery. The power it generates is supplied to the national grid and is subject to a preferential payment rate.

Solar park and wind farm in Romania



A 9 MW solar park was commissioned in 2014 at the Romanian refinery, along with the 84 MW Land Power wind farm. The power generated by solar parks and wind farms is supplied to the grid and is subject to market rate payment. "Green certificates" are issued based on energy generation volumes and are traded in a specialized market.

Power generation (all sources) and the share of power generated from renewable sources in Russia **GRI G4 OG3**

Indicator	2014	2015	2016
Power output (excluding small-scale generation), million kW*h	16,810	17,580	17,885
Share of electric power generated from renewable energy sources, %	5	3	4

Renewable Power Generation Abroad **GRI G4 OG3**

Renewables in other countries	2015	2016
Installed electric power, MW		
Solar parks	10.25	10.25
Wind farms	— ¹	84

¹ The 84 MW Land Power wind station was owned by a joint venture with Erg Renew in 2015, and was not reflected in the index.

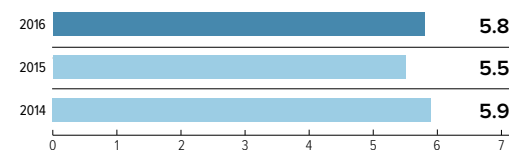


THE CUMULATIVE CAPACITY OF POWER GENERATING ASSETS OPERATING ON RENEWABLE ENERGY, INCLUDING FOUR HPPs, STOOD AT 390 MW IN 2016.

Technological development

LUKOIL is focused on generating ideas, searching for and using new technologies (including those specifically aimed at reducing the consumption of natural resources), materials and energy with the highest output possible. The achievement of this task is facilitated by the LUKOIL Group's research and project complex, whose aim is to search for and introduce new technologies, increase the efficiency of project solutions,

Financing of Research and Technology in the LUKOIL Group entities in Russia, billion RUB



Participation in activities and initiatives

PJSC LUKOIL is a member of a number of organizations and party to several initiatives: UN Global Compact Network Russia and the Social Charter of Russian Business (initiative of the RUIE (Russian Union of Industrialists and Entrepreneurs)), the Chamber of Commerce and Industry of the Russian Federation, the Russian Gas Society, the Russian Union of Oil and Gas Producers, the Carbon Disclosure Project, the International Labor Organization (ILO), etc. **G4-15**



G4-15

enhance technological competences and create a corporate knowledge base. The complex comprises of two head institutes with five branches across Russia. In total, the complex employs over 4,000 employees.

Under the President of PJSC LUKOIL, a Research and Technology Board was set up as a permanent collegiate advisory body. Its main objectives are to identify priority areas of scientific development for LUKOIL Group entities, to ensure the effective use of intellectual and research potential, and to reduce operational costs through, in particular, the introduction of innovative resource- and energy-saving technologies and technical processes.

The Company has adopted its 2017 research and technology coordination program of the LUKOIL Group, accommodating over 750 topics.

Awards and ratings



The winner

in the Best Corporate Governance category of the 2015 World Finance annual contest.



Certificate

of Environmental Responsibility of the Russian Oil and Gas Companies in 2016.



Ranked 6

in the 2016 Platts Top 250 Global Energy Company Ranking.



The winner

in the Best Exporter category in the Customs Olympus 2015 contest among foreign trade companies.



A longstanding leader

in the Filling Station category according to the Brand of Trust study for 2015 and 2016.



The winner

in the High Quality in Sustainability Reporting category in the Leaders of Russian Business: Performance and Responsibility – 2015 Russian National contest.



Top 5

in the 2015 annual environmental efficiency rating of Russian oil and gas companies, compiled by the World Wildlife Fund (WWF) Russia and the CREON analytical group.



Top 10

in the global oil and gas industry in the Boston Consulting Group's 2015 Creating Value through Active Portfolio Management Report.



The winner

in the Business Efficiency category of the RAEX-600 21st ranking of Russia's largest companies.

Strategy and management

Key strategic goals and points

G4-2

In the long-term, the LUKOIL Group is focused on consistent value creation, as well as on increasing the level of environmental, industrial and social security.

Strategic goals of the LUKOIL Group:

- Strengthening positions in the industry.
- Financial stability.
- Optimal balance.
- High corporate responsibility.

 *Analysis of fundamental factors and trends in the industry - See 2016 Annual Report, pp. 36–37. G4-2*

The Company has set the following key strategic points:

- financial stability and reasonable balance between current shareholders' profits and long-term capital investment;

- a balanced portfolio of projects that fully uses the potential of diversification and vertical integration and ensures the best return-risk ratio;
- development of technological competence and increased energy efficiency;
- planning activities around the principles of social and economic responsibility.

Key strategic points are formulated at the level of business sectors and business segments and are broken down by project portfolios and strategic groups of assets. This helps design balanced branch-wise development programs and build an optimal investment project portfolio on their basis.

Key strategic points

Upstream Business Segment	Downstream Business Segment
Upstream in Russia Business Sector <ul style="list-style-type: none"> • Ensuring a stable increase in hydrocarbon production. • Revival of the resource base: continuation of geological surveys in the Company's regions of presence. • Increasing the operational efficiency of older deposits and introducing more efficient production at newer ones, which are currently low-margin. • Enhancement of technological efficiency of reserve development and introduction of new, highly efficient technologies for cost-effective development of hard-to-recover reserves. 	Oil Refining in Russia Business Sector <ul style="list-style-type: none"> • Implementation of targeted projects to increase the conversion rate and production of premium fuels. • Ensuring optimal refining load, based on a balanced production program in view of market conditions
	Petrochemicals Business Sector <ul style="list-style-type: none"> Increasing production efficiency through synergy with oil processing
	Product Marketing in Russia Business Sector <ul style="list-style-type: none"> Improving business consumer focus
	Power Engineering Business Sector <ul style="list-style-type: none"> Increasing the efficiency and reliability of commercial generation facilities, optimizing low-efficiency assets, upgrading thermal generation assets
Upstream Abroad Business Sector <ul style="list-style-type: none"> • Development of the resource base: continuation of geological surveys in Norway, Iraq and Mexico. • Development of priority projects: construction of the Kandym Gas Processing Complex (Uzbekistan), implementation of the Gissar. Full Development Project (Uzbekistan) 	Oil Processing Abroad Business Sector <ul style="list-style-type: none"> Ensuring optimal refining load, based on a balanced production program in view of market conditions
	Lubricant production <ul style="list-style-type: none"> Optimizing low-margin areas, expanding delivery range, increasing the range of the oil product portfolio
	Product Marketing Abroad Business Sector <ul style="list-style-type: none"> Optimizing European marketing assets that are not integrated into the general business model¹

¹ As of the Report publication date the program has been completed.

Strategic Development Program

The Strategic Development Program of the LUKOIL Group outlines long-term objectives with a 10-year planning horizon, major tasks and expected results for each business segment, as well as analysis of risks and opportunities. The program is preliminarily considered by the Strategy and Investment Committee under the Company's Board of Directors and approved by the Management Committee and the Board of Directors. The strategic tasks are subject to delegation to the managerial level through implementation of triennial medium-term plans. The adoption of a new strategy is scheduled for 2017.

The achievement of strategic goals is assessed based on the key performance indicators (KPI), which are used for planning, performance efficiency assessment, and motivation of managers and employees.

The list of key performance indicators is approved by the PJSC LUKOIL Management Committee and reviewed biennially. As part of the budget planning process, the KPIs are used as a goal-setting tool both during the development of benchmarks and the finalization of target performance indicators serving to assess the efficiency of activities.

Sustainable development management

In its business, LUKOIL focuses on the sustainable development goals as laid out in the UN Declaration "Transforming Our World: the 2030 Agenda for Sustainable Development", and seeks to integrate them into its business objectives, corporate culture and decision-making system.

THE COMPANY SHARES THE UNDERSTANDING THAT SUSTAINABLE DEVELOPMENT REQUIRES A BALANCED COMBINATION OF ECONOMIC GROWTH WITH MANDATORY SOLUTIONS OF SOCIAL AND ENVIRONMENTAL PROBLEMS, ACCOMPANIED BY CONTINUOUS IMPROVEMENT OF CORPORATE GOVERNANCE.



Key documents

- *Regulations on the LUKOIL Group Development Strategy*
- *Strategy Development, Investment and Corporate Planning Policy*
- *Regulations on the LUKOIL Group Corporate Planning*
- *Regulations on the LUKOIL Group Corporate Management Reporting*
- *LUKOIL Group Strategic Development Program*
- *Regulations on the LUKOIL Group Investment Management*
- *LUKOIL Group Investment Program*
- *Major Principles of the LUKOIL Group Corporate Performance Assessment System*
- *List of Key Performance Indicators*



The achievement of seventeen global goals to secure the future for humanity and our planet, is expected to be fulfilled by means of a global action program in which a significant role is played by business. LUKOIL is already implementing

programs and providing assistance to the initiatives that meet sustainable development goals. With the adoption of the sustainable development policy and strategy, the Company's related activities will grow in focus and scale.



”

"In Russia, sustainable development and corporate social responsibility are firmly on the agendas of major companies. Today these issues are directly tied to efficiency and competitiveness, and influence the assessment of company activities by financial institutions and various state and social structures.

LUKOIL is undoubtedly one of Russia's business leaders, as evidenced, in particular, by the rank it holds in the Sustainable Development Indexes compiled by the RUIE. This is the only independent Russian scoring system that has been included in the international database of sustainable development rankings. The Company that is a party to the United Nations Global Compact and the Social Charter of Russian Business, has been consistent in its progress in responsible business and transparency and the promotion of public accountability.

Development of a corporate sustainable development strategy is a logical move for LUKOIL. Its implementation can be expected to contribute to the achievement of UN goals, the fostering of Russia's economic competitiveness, and a strengthening of the Company's position in the Russian and global markets."

E. Feoktistova,
Managing Director for Corporate Responsibility,
Sustainable Development and Social Entrepreneurship, RUIE

LUKOIL's sustainable development model seeks to meet the need of society for energy in an economically, environmentally and socially acceptable manner. The approach to sustainable development is based on the harmonization of the Company's short- and long-term interests with universal human values and national development priorities.

While developing and approving plans, budgets and investment programs, the Board of Directors considers whether it is feasible to achieve the goals outlined

in the Environmental Safety Program of the LUKOIL Group entities, as well as the Policy and Functional Strategy for Personnel Management and charity and sponsorship programs. Thus, sustainable development objectives are integrated in the general business strategy of the Company and they are attained through implementation of targeted programs and development plans across business segments.

Control over sustainable development implementation is carried out at both strategic and operational levels.

ⁱ
G4-42, G4-46


Elements of the sustainable development management system **G4-42 G4-46**

Management level	Functions
Board of Directors	<ul style="list-style-type: none">• Identify priority activities• Approve strategic long and medium-term plans and development programs• Control the implementation of strategic goals, development plans and programs in the area of sustainable development
Board Committees: Strategy and Investment Committee	<ul style="list-style-type: none">• Prepare recommendations to set strategic goals• Prepare recommendations to identify the Company's priority areas of business• Assess the Company's long-term performance efficiency
Human Resources and Compensation Committee	<ul style="list-style-type: none">• Development of the main lines of the Company's human resources activities• Supervise the introduction and implementation of the Company's policy on remuneration and various motivation programs, in particular, programs of long-term incentives for the employees of the Company and its subsidiaries• Plan appointments, prepare recommendations regarding candidates for the position of the Company's Corporate Secretary, Management Committee members and the Company's President
Management Committee	<ul style="list-style-type: none">• Approve target programs• Develop and adopt budget and investment programs in the sphere of sustainable development• Exercise operational control over the implementation of target programs and development plans
PJSC LUKOIL Health, Safety and Environment Committee (HSE)	<ul style="list-style-type: none">• Develop the LUKOIL Group Entities' HSE policy and key performance indicators• Assess the implementation efficiency of HSE activities• Prepare proposals on the improvement of the LUKOIL Group HSE Management System, including efficient distribution of resources to meet the HSE requirements• Consider the measures to manage considerable HSE risks, environmental aspects, including HSE action programs
PJSC LUKOIL Central Office: heads of Divisions and structural subdivisions	Develop target programs and control their implementation
LUKOIL Group entities: heads of entities	Implement target programs

Note. The in-house documentation regulating sustainable development is listed in relevant chapters of the present Report

The list of KPIs includes a comprehensive indicator that characterizes performance in a number of aspects of sustainable development – Ensuring the Required Level of Occupational Safety, Health and Environmental Protection in the LUKOIL Group Entities.

The indicator is used to guide the work of the PJSC LUKOIL employees and managers and executives of the LUKOIL Group entities.

 *For details on the key performance indicators see 2016 Annual Report, p. 108.*

Key Performance Indicators

Specific KPI components	Criteria of the Ensuring the Required HSE Management Level Indicator
Health, Safety and Environment (HSE) Indicators:	
presence of fatal accidents for which the employer is held responsible	absence of fatal accidents for which the employer is held responsible in the period assessed
presence of fatal accidents as a result of work conducted by contractors, service providers or subcontractors	absence of fatal accidents as a result of work conducted by contractors, service providers or subcontractors
accident frequency rate	the accident frequency rate does not exceed the limit set by the decision of PJSC LUKOIL Management Board
emergency (incident) at a LUKOIL Group entity's facility, which has caused material damage	absence of an emergency (incident), which has caused material damage
execution of planned activities	complete execution of planned activities in order to meet strategic goals
violations of regulatory requirements	absence of violations of HSE regulatory requirements traced by supervisory authorities
compliance of the HSE management system with ISO 14001:2004 and OHSAS 18001:2007	absence of significant flaws in the Management System as evidenced by auditing reports in the period assessed
Environmental impact is assessed by the following indicators: <ul style="list-style-type: none">• specific indexes of air pollutant emissions;• specific polluted water discharges into surface water bodies;• ratio of the waste disposed during the reporting period to the newly generated waste.	meeting the environmental impact targets for the reporting period to ensure consistent impact reduction



The list of KPIs

includes a comprehensive indicator that characterizes performance in a number of aspects of sustainable development

Corporate Governance

LUKOIL improves its system of corporate governance in accordance with Russian and international legislation, and the listing rules of stock exchanges on which the Company's securities are traded in Russia and abroad, in order to improve business management efficiency.

Major 2015–2016 changes

- The institution of the PJSC LUKOIL Corporate Secretary was established.
- The Internal Audit Service was established with functions separate from internal control and risk management.
- PJSC LUKOIL Health, Safety and Environment Committee was established.
- The following corporate documents were adopted:
 - Antimonopoly policy;
 - Compensation and Expense Reimbursement Policy for PJSC LUKOIL BoD members;
 - Regulations on the Provision of Information to the Shareholders of the Public Joint Stock Company LUKOIL Oil Company.
- Transition to the International Financial Reporting Standards was completed.

The Company intends to continue improving its corporate governance in order to enhance operational efficiency and strengthen its competitive advantage.

 **G4-34**



Corporate Governance System

The Corporate Governance System outlines the principles of interaction between PJSC LUKOIL and its shareholders and other stakeholders, the management approaches to corporate activities, and the opportunities granted to the shareholders to monitor the activities of the Company's management. An effective corporate governance system contributes to the attractiveness of the Company as an investment and, as a consequence, shareholder value. In terms of its corporate governance system, PJSC LUKOIL devotes particular attention to the protection of the rights of minority shareholders.

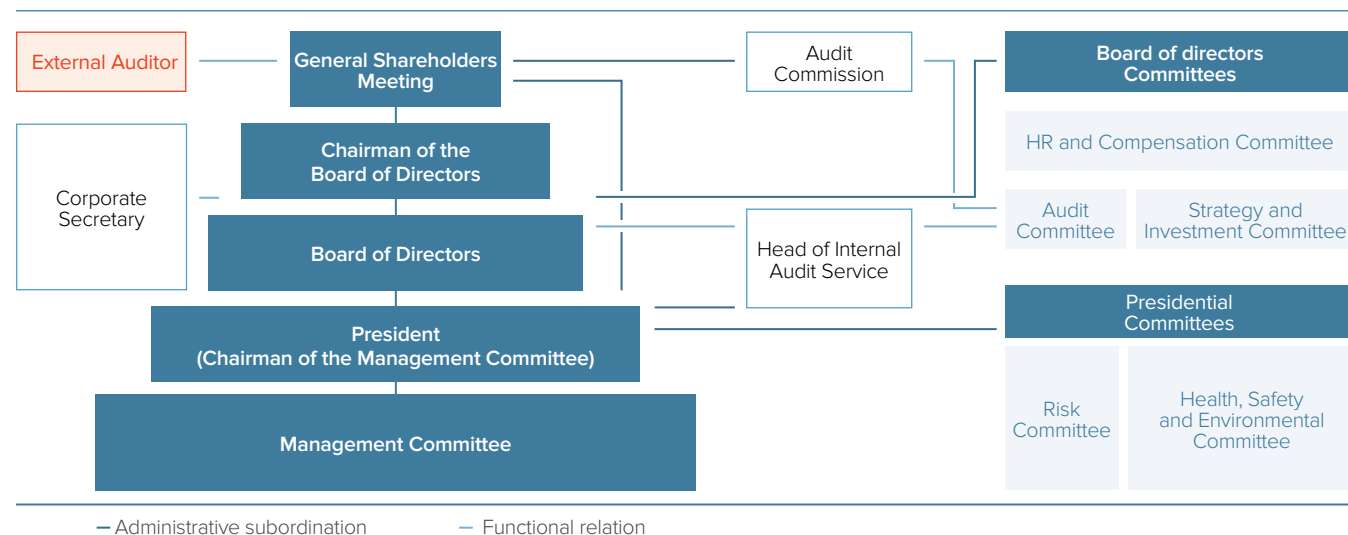
The Company's management bodies are the General Shareholders Meeting, PJSC LUKOIL Board of Directors, the President, and the Management Committee. The President and the Management Committee direct the Company's day-to-day

activities, implementing the decisions of the Board of Directors and the General Shareholders Meeting. **G4-34**



- *For more details on the corporate governance structure, the competences of management bodies, the composition of the Board of Directors and the Management Committee, the participation of the Board of Directors and the Management Committee members in the management of the Company, remuneration system and other issues, see 2016 Annual Report, pp. 80-108.*
- *The principal documents are available on the corporate website (<http://www.lukoil.com/Company/CorporateGovernance/InternalDocuments>).*

Corporate governance structure of PJSC LUKOIL



General Shareholders Meeting

The General Shareholders Meeting of the Public Joint Stock Company LUKOIL Oil Company is the highest governance body of the Company. It is authorized to make decisions on the most important issues.

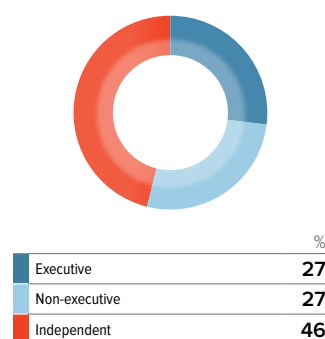
The annual general meeting is held every year in the form of joint attendance. The general meeting procedure gives each shareholder an equal opportunity to participate in a meaningful way.

Board of Directors

The Board is responsible for the general management of the Company's business except for the reserved matters of the General Shareholders Meeting. It plays a crucial role in the development of the corporate governance system, determines the business priorities of the Company, and performs strategic, mid-term and annual planning and performance assessment.

The Company is of the opinion that the composition of the Board is optimal in terms of the number of members and is well-balanced in terms of the proportion of independent, executive and non-executive directors, which ensures objectivity and permits continuous improvement of both the Board and the corporate governance system as a whole. The Chairman of the Board is a non-executive director.

BoD composition, %



For more details on the composition of the Board and Board member assessment procedures, see 2016 Annual Report, pp. 30-31. G4-LA12 G4-44

Board Committees

The Board Committees include: The Audit Committee, the Human Resources and Compensation Committee and the Strategy and Investment Committee. Since January 2016, most of the members of the Audit Committee and the Human Resources and Compensation Committee are fully compliant with the independence criteria of the Corporate Governance Code.

Corporate Secretary

In 2016, the Company's Board of Directors approved the Regulations on the Corporate Secretary of PJSC LUKOIL. The Corporate Secretary facilitates efficient interaction between the Company's shareholders, Board of Directors and executive management; he or she acts as the guarantor of the Company's management and governance bodies compliance with procedures and principles that ensure the implementation of the legitimate rights and interests of shareholders. In addition to other

functions, the Corporate Secretary ensures the proper operation of the Board of Directors and its Committees, plays a crucial role in the resolution of ethical issues, participates in the prevention of corporate conflicts, and oversees the execution of the provisions stipulated in in-house documentation.

G4-50

BOD INVOLVEMENT IN SUSTAINABLE DEVELOPMENT

BoD/committee meetings consider the issues related to sustainable development such as HSE performance efficiency, and social policy.



Consideration of sustainable development issues by the Board of Directors G4-50

The Board of Directors held 24 meetings in 2015 and 27 in 2016. At some of the meetings BoD, members addressed issues related to sustainable development, including:

- Major global economic development trends to 2030.
- Target benchmarks of the LUKOIL Group 2016-2018 Medium-Term Plan.
- Comparative data on the Company's performance indicators in recent years: technological efficiency in the Upstream segment.
- Introducing innovations in LUKOIL Group entities.
- Implementation of measures to increase production efficiency at late-stage fields using innovative technologies.
- Implementation status of the Program of Hard-to-Recover Oil Production.
- The industrial safety management system at the Company.
- Internal control, internal audit and risk management systems in LUKOIL Group entities.
- Performance assessment of the Board of Directors and its committees.
- The approval of the Compensation and Expense Reimbursement Policy of PJSC LUKOIL BoD Members.

At some of its meetings, the Strategy and Investment Committee addressed issues related to sustainable development, including:

- Implementation of the Program of Efficient APG Management in LUKOIL Group entities for 2014 – 2016.
- The assessment procedure for innovative approaches to oil and gas production.
- Major global economic development trends to 2030 and their impact on the Company's business.



46%

of PJSC LUKOIL BoD members are independent members



2016

saw creation of PJSC LUKOIL Health, Safety and Environment Committee at the Company

President and the Management Committee

The President is the single-person Executive Body of the Company; he or she is appointed by the General Shareholders Meeting for a term of five years and acts as Chairman of the Management Committee. The President manages the current operations of the Company and acts within the scope of his or her authority, established by the Charter of PJSC LUKOIL. Vagit Yusufovich Alekperov has been President of PJSC LUKOIL for over 20 years.

The Management Committee is a collective executive body that manages the current operations of the Company. The Management Committee is formed annually by the Board of Directors on the basis of proposals made by the President. The number of 2016 Management Committee members has been set at 15. The meetings of the Management Committee are

convened when necessary. The agenda is determined by the President and includes proposals put forward by the members of the Management Committee. The authority of the Management Committee is defined by the PJSC LUKOIL Charter.

PJSC LUKOIL Committees

The Company has established the Risk Committee, a collective body under the President of PJSC LUKOIL, and the Health, Safety and Environment Committee.

The Health, Safety and Environment Committee of PJSC LUKOIL is a collective body, which was set up in 2016. The Committee drafts HSE proposals for the President’s consideration, the Management Committee and the Board of Directors.

Compensation of the Board of Directors and Management Committee

In accordance with the Corporate Governance Code, the Company pays equal annual remuneration to all members of the Board of Directors for performing their duties. The amount of remuneration is regularly compared with that offered at similar companies within the same business sector with a comparable scale of operations.

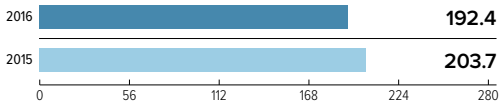
Remuneration of top managers (President, First Executive Vice President, First Vice Presidents, Senior Vice Presidents, Vice Presidents) is comprised of a fixed and variable component.



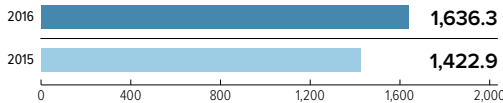
For details on top management remuneration see 2016 Annual Report, pp. 106-107

Compensation of the highest governance body members, million RUB

Members of the Board of Directors, million RUB



Management Committee members, million RUB



Note. As for the BoD members who also act as the members of the Management Committee, the table features payments for their Board duties; the remuneration for their duties as the members of the Management Committee and other payments are included in PJSC LUKOIL Management Committee compensation.

Ethics

Antimonopoly policy DMA

In 2016, the Management Committee of PJSC LUKOIL adopted the Company’s Antimonopoly Policy¹, which was drafted in accordance with best business practices and the recommendations put forward by the Russian Federal Antimonopoly Service. The document establishes the main principles of competitive business conduct in target markets and stipulates the rules of personnel conduct to prevent violations of antimonopoly laws. Local regulations and compliance procedures are in place across Russian LUKOIL Group entities.

The Russian Federal Antimonopoly Service, its regional branches and commercial courts of various jurisdiction

considered 42 cases of antimonopoly violation against LUKOIL Group entities in 2015, and 111 cases in 2016. Of these, 15 cases were concluded in 2015 and 16 cases in 2016. For violations of the antimonopoly laws, Russian LUKOIL Group entities received administrative fines totaling 14.3 million RUB in 2015, and 0.7 million RUB in 2016. G4-S07

DMA, G4-S07, G4-LA16, G4-56

The Company has drawn up and continually improves upon a set of measures to prevent and eliminate antimonopoly violations by providing personnel training, holding seminars, conferences and roundtable discussions on antimonopoly regulations, etc.

Code of Business Conduct G4-56

The Code of Business Conduct is a set of norms and rules of individual and collective behavior of Company employees. This document regulates relations between the Company’s employees and business partners, shareholders, governmental agencies and public organizations. It also contains rules of conduct relating to environmental protection and industrial safety, prevention of conflicts of interests, as well as other issues.

To implement the Code of Business Conduct, identify violations and take necessary measures, the Company has established the Business Conduct and Ethics Commission, chaired by PJSC LUKOIL President and CEO Vagit Yusufovich Alekperov.

Any employee can contact the Business Ethics Commission if he or she believes they have witnessed, or is aware of, a violation of the Code. All information provided is reviewed by



independent experts. Individuals who come forward are guaranteed privacy and freedom from harassment and discrimination. DMA

In 2015–2016, seven complaints were made to the Business Ethics Commission by employees of the LUKOIL Group. The complaints were duly considered, investigations were conducted and measures were taken in each case to prevent issues recurring in the future. G4-LA16

¹ By the decision of the PJSC LUKOIL Management Committee (Minutes No.18 of August 29, 2016).

**G4-SO4,
DMA, G4-2**

Anti-corruption

LUKOIL Group entities strictly abide by the anti-corruption laws of the Russian Federation and similar legislation in the other countries in which they operate. The Company is developing a corporate culture, and introducing rules and procedures that prevent corruption and corporate fraud.

Anti-corruption procedures are in place at all LUKOIL Group entities, including those based outside Russia. **G4-SO4**

LUKOIL Group entities, which are present or operate in the US, strictly abide by the US Foreign Corrupt Practices Act. The entities have anti-corruption procedures in place which are compliant with legislation.



In addition to the Code of Business Conduct, the following documents are in force at PJSC LUKOIL:

- *Regulation on the Procedures for LUKOIL Group entities and their Employees in case of the Conflict of Interest;*
- *Regulations on Insider Information of the Public Joint Stock Company LUKOIL Oil Company;*
- *Regulations on Holding Tenders for the Selection of Suppliers and Contractors by the LUKOIL Group Entities;*
- *The provision on the procurement commission, PJSC LUKOIL's Directive on Measures to Ensure Economic Security at the LUKOIL Group, and other documents. DMA*

Risk management and internal control

The Company has a Risk Management and Internal Control System (hereinafter – the RM&ICS). It aims to ensure that the following goals are met:

- strategic and business objectives;
- asset integrity;
- compliance of all reporting forms with established requirements;
- compliance with applicable laws and the regulations of LUKOIL Group entities.

In order to develop the RM&ICS, the Board of Directors approved the PJSC LUKOIL's Risk Management and Internal Control Policy in 2016. The document sets forth the key principles of and approaches to organizing the RM&ICS, its main goals, and the main objectives of its stakeholders, which are uniform and binding across the LUKOIL Group. **G4-2**

The RM&ICS is designed to be a three-line system to protect the interests of the Company. The practicality of organizing such a system of responsibility is aimed at achieving the goals of enhanced reliability in the Company's activities.

Risk management and internal control processes are integrated into the activities of LUKOIL Group entities. The Risk management regulatory and procedural

framework sets out the common requirements for all Company subsidiaries regarding risk management at all stages, and determines the management of separate, more significant risk categories. Risk assessments are conducted regularly, and information about the risk portfolios of LUKOIL Group entities are included in annual reports considered by the Board of Directors and the Audit Committee.



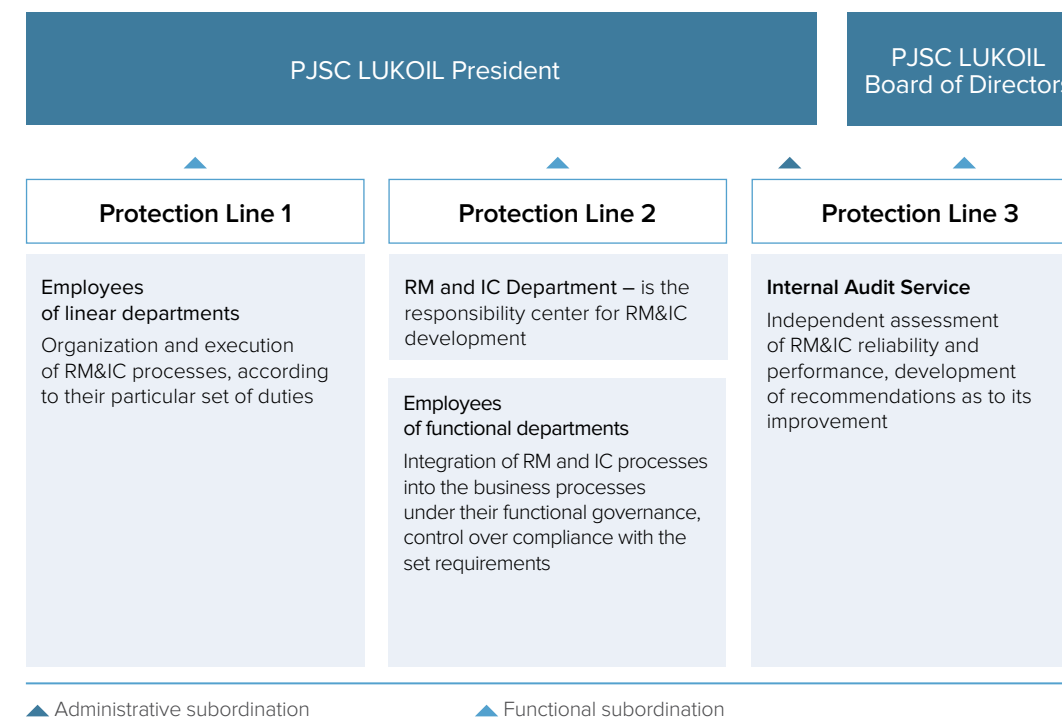
For more information about the function of the risk management system, its participants and the changes to the system during the reporting period, see 2016 Annual Report, pp. 110-111.

The Group has identified the most significant risks affecting the activities of LUKOIL Group entities and has performed qualitative and quantitative assessments. It has established levels of acceptability for each significant risk and has developed measures designed to reduce or eliminate their negative impact. The implementation and effectiveness of these measures are monitored.



The full list of risks and management procedures is available in the 2016 Annual Report. Annex 2.

Protection System of Company's Interests



3

lines of protection

of the Company's interests are in effect at LUKOIL RM&IC

Environmental and Industrial Safety Risks

The risk management system identified various aspects of environmental and industrial safety risks. The main risk factors are related to changes in the legislative requirements of the countries of presence, the failure of production equipment, the work done by contractors, as well as onshore and Arctic area operations. The Health, Safety and Environment

Management System was set up by the Company and operates successfully to mitigate these risks. Risk management involves the adoption of preventive measures and the implementation of investment projects to reduce the likelihood of their occurrence. Since 2003, the LUKOIL Group has had a system of insurance protection against risks that pose a threat to its business¹.



¹ For more information see <http://www.lukoil.com/Company/InsurancePolicy>.

Stakeholder Engagement



G4-25, G4-26

LUKOIL considers stakeholder engagement to be an aspect of responsible business practice and develops a systematic approach to interaction and joint

activities to resolve issues of mutual interest. LUKOIL is increasing the transparency and quality of stakeholder engagement to harmonize and balance interests.

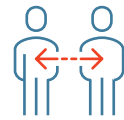
Stakeholder identification and selection

The Company follows the following principles of identifying and selecting stakeholders: **G4-25**



Dependency

Stakeholders that are considerably dependent on the Company's activities



Responsibility

Parties the Company has obligations to (by contract, agreement etc.)



Influence

Stakeholders that have a high degree of influence over the Company's activities and performance



Stress

Stakeholders that require an urgent response



Strategy

Cooperation with stakeholders important to the Company's strategic outlook

The Company is also guided by legislation of the Russian Federation and that of the countries in which it is present, and other documents which set out the principles of stakeholder engagement (such as Stakeholder Engagement Standard AA1000SES (2015)).

Forms of engagement

The process of interaction with stakeholders is carried out at all levels of the Company's management. A wide range of mechanisms and forms of cooperation are used which correspond to the nature of the issues and the scope of the tasks being solved that are within the scope of mutual interests.

With some stakeholder groups (regional and federal authorities, trade unions, public and international organizations, families and communities of indigenous peoples, business partners), the Company builds relationships on the basis of cooperation or partnership agreements.

Agreements are preceded by negotiations in which each party can state its position so that a mutually satisfying solution can be found. Fulfillment of obligations is monitored to give each party an



Stakeholder engagement is regulated by a number of corporate documents including:

- *PSJC LUKOIL Charter;*
- *OAo LUKOIL's Code of Business Conduct;*
- *OAo LUKOIL's Social Code;*
- *OAo LUKOIL's HSE Policy in the 21st Century;*
- *OAo LUKOIL's Personnel Management Policy;*
- *OAo LUKOIL Shareholder Policy;*
- *Regulations on the Information Policy of the Public Joint Stock Company LUKOIL Oil Company.*

opportunity to assess the results of engagement. The success of an agreement is, as a rule, discussed with stakeholders, both privately and at public events. **G4-26**

Surveys initiated by the Company are an effective feedback mechanism. For nearly 10 years, LUKOIL subsidiaries have conducted annual consumer

satisfaction surveys. LUKOIL also studies the opinions of employees through opinion polls. For the first time, in 2016, a survey was conducted of organizations with which the Company regularly interacts on the content and essential topics of the Sustainability Report. **G4-PR5**

The Company uses the following indicators to assess the success of its stakeholder engagement system:

- number of proposals made (during dialogues, public hearings, surveys);
- fulfillment of the Company's obligations.



FOR THE FIRST TIME, IN 2016, A SURVEY WAS CONDUCTED OF ORGANIZATIONS WITH WHICH THE COMPANY REGULARLY INTERACTS ON THE CONTENT AND ESSENTIAL TOPICS OF THE SUSTAINABILITY REPORT.

Key stakeholder groups

Regulatory authorities. The Company operates in several countries with significant variance in legislation. LUKOIL participates in the work of official bodies and expert panels that discuss issues and draft laws pertaining to the oil and gas industry. In particular, the Company is a member of the National Council for Professional Qualifications under the President of Russia. **G4-24**

Shareholders and investors. LUKOIL's investors are Russian and foreign organizations and persons with various investment strategies. The Company seeks to continually increase transparency, in particular, by publishing information beyond what is required by law. Information requests from investors are processed and responded to promptly on a continuing basis.

Given the growing importance of sustainable development to the investment community, in 2016, this issue was highlighted in order to improve the effectiveness of our communication. During the reporting period, responses to information requests were provided, while meetings and conference calls regarding sustainable development were held with analysts from investment funds and specialized analytical firms.

Personnel and trade unions. Social partnership forms the basis for the Company's relationship with employees and trade unions. LUKOIL's social strategy seeks to maintain jobs and a positive working environment, and to promote stability in the labor market in the regions where it maintains a presence. The Company has developed tried-and-tested tools of social partnerships in the form of a three-level system of agreements between the employer, trade unions and employees. A key social partner of the Company is the International Association of Trade Union Organizations of PJSC LUKOIL (IATUO).

Product consumers. Consumers of the Company's products include organizations active in various economic spheres and private individuals. LUKOIL follows the Improve What You Produce strategy, which has provided new, quality products and services for customers. The Company adopted the concept of the "customer-oriented filling station", within the framework of which, a mechanism for studying consumers' opinions was introduced and measures taken to increase their attractiveness and ability to deliver customer satisfaction.



G4-24, G4-PR5



AA1000SES
(2015)

The Company acts in line with the Stakeholder engagement standard



G4-PR5



In 2015,

LUKOIL-Komi set up a round-the-clock environmental hotline³

The LUKOIL Hotline is in place to build trust with customers and to receive their feedback¹. A unified center receives and processes customer requests from all over Russia. Customers can, in real time, receive information on the cost of fuel and products at each Russian LUKOIL filling station, or submit their complaints and requests. The Mystery Client program is also in place to improve service at filling stations.

A number of subsidiaries monitor customer satisfaction. For instance, OOO LUKOIL-AERO scored 9.10 points out of 10 according to customer satisfaction monitoring² in 2015. **G4-PR5**

Local communities. Social investment programs are implemented with continuous contact with stakeholders to achieve a balance of interests; meetings are held

with grantees, partners, local municipal and public organizations. Considerable attention is devoted to relations with the environmental community and local residents in the regions where LUKOIL maintains a presence regarding environmental protection. LUKOIL is broadening its channels for stakeholder engagement. For instance, in 2015, LUKOIL-Komi set up a round-the-clock environmental hotline.³ There has also been long-term cooperation with a number of public organizations.

The Company also participates in, organizes and sponsors forums, specialized and regional conferences, roundtable discussions and other events. Among other things, LUKOIL acts as a permanent sponsor of major economic forums in St. Petersburg and Sochi, large-scale sports events, theater performances, exhibitions, road tours and other events of national significance.

International Cooperation

The Company is party to a number of international projects that focus on the resolution of global problems of sustainable development, as well as social and humanitarian issues.

Partnerships for Youth Employment in the Commonwealth of Independent States

Since 2012, the Agreement between PJSC LUKOIL and the International Labor Organization has served as a basis for the international project Partnership for Youth Employment in the Commonwealth of Independent States, which involves nine Eastern European and Central Asian countries, including Russia. The project aims to improve domestic youth employment programs. It is being implemented most widely in Azerbaijan, Kazakhstan and Russia. At the request of the participating countries, the project supports scientific research in areas that are of importance to them.

Caress the World global project

LUKOIL participates in Caress the World, a unique art project that seeks to promote peace and tolerance, bringing the Earth's population together, and fostering mutual understanding between people of various ethnicities and cultures. The mobile exhibition set off in the North Pole and intends to pass through all 194 UN-country members before finishing its journey in the South Pole. Drawing support from partners all over the world, the project has already been to 30 countries.

In 2015, as part of the project, a work of art was installed in the Company's head office in the form of a cube with a multitude of hands embracing the World and uniting all its inhabitants.



Caress the World global project

"For us, it is very symbolic... because we operate in dozens of countries today. And for me, personally, this installation is associated with the many countries to which we have extended the hand of friendship and have received, in return, a warm handshake".

Vagit Alekperov,
PJSC LUKOIL's
President

¹Hotline: 8-800-1000-911.

²The following indicators are monitored: delivery discipline; aviation fuel quality; aircraft fuel supply quality; price; time to respond to information requests on aviation fuel and aircraft fuel supply.

³Hotline: (82144) 5-55-50.

Supply chain

LUKOIL annually purchases a significant amount of goods and services, involving a large number of entities. Procurement helps to maintain and increase the number of jobs in various sectors of the Russian economy, including small businesses and social entrepreneurship, and facilitates the financial capital flow that stimulates economic activity. **G4-12, G4-LA15**

Holding of tenders

LUKOIL's procurement procedure seeks to create equal competitive conditions for all participants (applicants), and to ensure the impartial and efficient selection of suppliers and contractors with the best price-quality ratio. Participation in tenders promotes technological and innovative development of Russian companies.

The procurement activities of the LUKOIL Group are regulated by local regulatory acts in accordance with the legislation of the Russian Federation. The regulative framework of procurement is routinely updated, taking into account the experience gained by LUKOIL and other major Russian companies, to ensure compliance with Russian legislation.

Goods, work and services are mainly procured via open tenders with obligatory open competitive bidding on the subject of the tender. Information on bidding terms and procedures, requirements for applicants, and the list of required documents are available on the corporate website of PJSC LUKOIL and its subsidiaries in the Tender section.

The selection of goods, work and service suppliers is made in accordance with the Regulations on Holding Tenders for the Selection of Suppliers and Contractors by LUKOIL Group Entities. PJSC LUKOIL and its subsidiaries have permanently functioning bodies, which are authorized to select winning bids.

G4-12,
G4-LA15

Bids are assessed by highly qualified experts and specialists. The current local regulations of the LUKOIL Group provide for a separate assessment of the technical and commercial parts of tender proposals. In assessing the technical part, quantitative and qualitative indicators are taken into account and are used to evaluate the capacity of an applicant to supply the goods, work or services stipulated in the tender. Price is assessed by experts based on competitive open bidding. The permanently functioning bodies of PJSC LUKOIL and its subsidiaries select a winner based on a final score, which is the sum of technical and commercial scores.

PJSC LUKOIL, and the subsidiaries in the Upstream Business Segment and the Oil Processing in Russia business sector use an electronic tender system. The advantages of the system are the minimization of paper documentation and the convenience and efficiency of sending and receiving the required documents and proposals. Bidding can be conducted electronically in real-time.

A contract is drawn up with the winner of the tender, which, subject to Russian legislation, serves as the basis for further agreements between both parties.

Health, Safety and Environment (HSE) Requirements

When interacting with suppliers and contractors, a significant emphasis is placed on health, safety and environment issues. PJSC LUKOIL's procedures to select suppliers and contractors and to monitor the fulfilment of contractual obligations promote a culture of safe and responsible business.

If a tender requires the inspection of an applicant's HSE system, experts of PJSC LUKOIL and its subsidiaries conduct an assessment in accordance with the corporate document "Regulations on Holding Tenders for the Selection of Suppliers and Contractors by LUKOIL Group Entities".

The assessment is based on a pro forma qualification questionnaire. The assessment seeks to determine the level of compliance of the applicant's HSE system with the requirements of the Company based on a number of criteria and indicators, including the occurrence of accidents, the frequency rate of fatal accidents, the variation in the number of accidents and incidents in the last three years. If the outcome of the assessment is unsatisfactory, the applicant will not be permitted to participate further in the tender.

Corporate standards

In 2015, corporate regulations governing procurement were amended to toughen requirements for applicants regarding health and safety as well as in accident prevention at the facilities of subsidiaries.

In 2016, the Company adopted the PJSC LUKOIL Standard, "Health, Safety and Environment Management System: Requirements to contractor organizations". (STO-LUKOIL 1.6.5-2016) The Standard is mandatory for all Russian subsidiaries; it is applied by subsidiaries in other countries, taking into account the respective national legislation.

Furthermore, in accordance with supply and service contracts, all suppliers and contractors must commit to abide by legislation and corporate requirements, including the LUKOIL HSE Policy in the 21st Century, and the Key Safety Rules at LUKOIL Group Entities' Facilities.

Under contract, suppliers and contractors are liable for non-compliance or deficient compliance with the requirements of industrial, fire, radiation safety, emergency prevention and response, civil defense, and labor and environmental protection.

If, during the provision of services, a contractor fails to comply with HSE regulations, a report is drafted, outlining the identified issues. This is then communicated to the management of these companies and joint meetings are held to rectify and prevent violations.

The Standard applies to contractors that construct, maintain and repair production facilities; install, adjust and repair devices, machinery and equipment; repair and maintain buildings and structures, provide transport services, etc. The Standard features a description of procedures for the training of contractor employees, verification of PPE availability, as well as requirements regarding the main environmental impacts, etc.

The Standard is equally applicable to subcontractors.

Innovative partnership

The LUKOIL Group is focused on establishing long-term cooperation with those who generate new ideas and are capable of becoming reliable suppliers - research institutes, universities and equipment producers, etc.

The internet portal has a register of technologies that are of interest to the Company in the areas of exploration, drilling, hydrocarbon development and production. All incoming proposals are reviewed by LUKOIL experts who give recommendations on whether to continue cooperation with creators of the most promising ideas and technologies. This reduces the time between first encountering a new idea or technology and its testing and introduction.

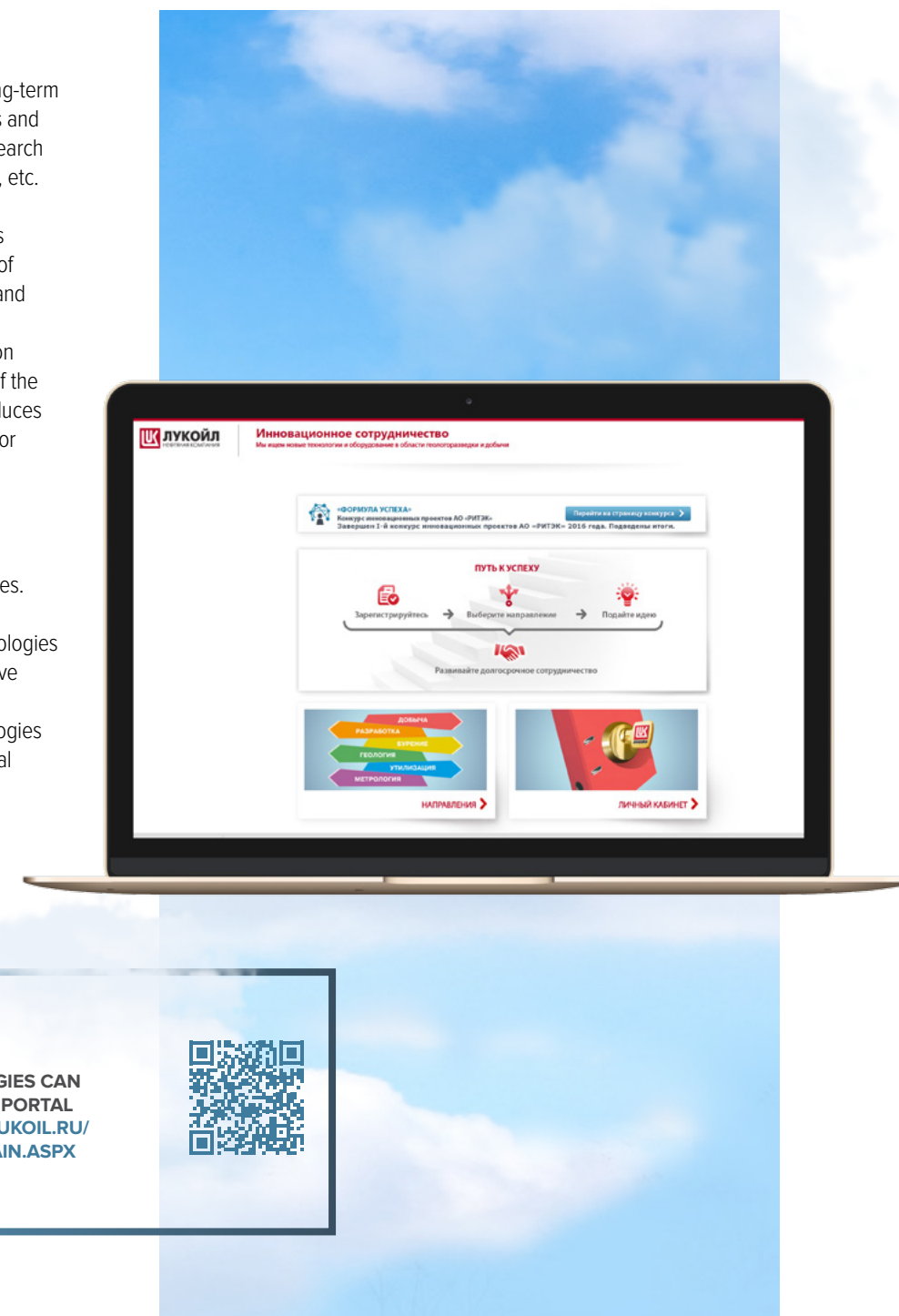
PJSC LUKOIL is drawing up a database of counterparties with information on positive partnership experience with LUKOIL Group entities.

Since 2014, LUKOIL has kept a Register of technologies that have successfully completed testing and have been recommended for commercial use at the Company's fields. The Register includes technologies that have been tested at the Company's industrial sites, many of which are already in use.



In 2016

the Company adopted PJSC LUKOIL Standard "Health, Safety and Environment Management System: Requirements to contractor organizations". STO-LUKOIL 1.6.5- 2016



THE LIST OF TECHNOLOGIES CAN
BE FOUND AT INTERNET PORTAL
[HTTPS://INNOVATIONS.LUKOIL.RU/
SYSTEMS/GID/PAGES/MAIN.ASPX](https://innovations.lukoil.ru/systems/gid/pages/main.aspx)



HEALTH, SAFETY AND ENVIRONMENT



42
Management
approach

45
Environmental
safety program

44
Management
System

55
Biodiversity
conservation

57
Health
and Safety

The key principle followed by **LUKOIL** is to maintain an environmental and economic balance of production and environmental safety

2015–2016 results

- A targeted corporate biodiversity conservation program has been adopted.
- Percentage of discharged contaminated wastewater brought down to 0.3% of the total wastewater generation.
- The Russian entities performed over and above their waste handling target, with the waste disposal exceeding its generation.

Plans for the Future

- Further improve the corporate integrated Health, Safety and Environment Management System.
- Implement measures set out in the LUKOIL Group's 2017–2019 Program of Health and Safety, Better Working Environment, Emergency Prevention and Response.
- Implement measures set out in the LUKOIL Group's 2014–2018 Environmental Safety Program.
- Implement measures set forth in the All-Russian Plan and Cooperation Agreement between the Russian Ministry of Natural Resources, the Russian Federal Supervisory Natural Resources Management Service, and PJSC LUKOIL, including construction of APG utilization and waste processing facilities of OOO LUKOIL-Komi, introduction of a marine environment management system at the fields of OOO LUKOIL-Nizhnevolzhskneft in the Caspian Sea; and construction of water treatment facilities on the sites of LUKOIL-Komi's Yareganeft Oil Mines Division.
- Commission four waste disposal sites in the Timan-Pechora Oil and Gas Province, and one in Western Siberia.



Performance improved

in terms of the key types of environmental impact (versus 2014):

- reduced atmospheric emissions,
- waste amounts on the entities' books,
- discharges of contaminated wastewater.



12
thousand
hectares

of disturbed land were remediated, re-soiled, and turned over to the owners.



CPI 1.1, G4-15



According to the Rating of Environmental Performance of Russian Oil and Gas Companies, PJSC LUKOIL is among the **top five** environmental performers.

Environmental principles CPI 1.1

The key principle followed by LUKOIL management is to maintain an environmental and economic balance of production, environmental safety, and the best practices employed by global oil and gas businesses. In its environmental activities, the Company is committed to the following principles:

- observe the requirements imposed by the laws of Russia and countries of the Company's presence;
- employ innovative practices to maintain environmental safety and enable efficient nature management;
- choose, for the most part, preventive measures over reactive ones;
- at all times follow the "zero discharge" principle, while operating in offshore locations;
- engage stakeholders;
- build information transparency.



Management approach

From its foundation, LUKOIL has pursued the goal of consistently reducing its adverse environmental impact by continuously improving its integrated Health, Safety, and Environment (HSE) Management System, adopting state-of-the-art technologies, equipment,

Company engagement in environmental initiatives and environmental ratings

LUKOIL is a party to environmental initiatives, such as the Green Office, and the Carbon Disclosure Project (CDP). The Green Office consists of self-imposed obligations to improve the environment in office spaces. Being a party to the project, the Company can bring down its energy consumption (by installing energy-saving lighting fixtures) and thus cut back on its greenhouse gas emissions. Under the international CDP project, the Company voluntarily discloses the details of its greenhouse gas emissions and takes measures to reduce them. **G4-15**

LUKOIL also signed a cooperation agreement with WWF Russia, whereby it engages in bilateral discussions, workshops, information and data exchange in relation to environmental projects and the conservation of nature.

In 2016, the Company launched an expedition to study the Atlantic walrus in the south-eastern Barents Sea in the areas exposed to the operations of OOO Varandey Terminal (jointly with WWF Russia and the Marine Mammal Council). The work involved using satellite transmitters and photographic recorders to observe the migratory routes of walruses and their patterns of breeding ground formation, as well as testing tissue samples for toxins.

According to the Rating of Environmental Performance of Russian Oil and Gas Companies¹, PJSC LUKOIL is among the top five environmental performers. In 2016, LUKOIL was declared the winner in a special category For High Quality and Availability of Environmental Reports on Rating Indicators.

materials, and launching environmental initiatives. It currently proceeds with its fifth environmental safety program. These investments significantly reduce the Company's environmental footprint.

¹ Organized by WWF Russia and the Russian advisory group CREON Energy.

Sustainable development goals – 2030 and Company activities



Responsible consumption and production

Execution

- LUKOIL Group's Program of Health and Safety, Better Working Environment, Emergency Prevention and Response
 - LUKOIL Group's 2014–2018 Environmental Safety Program
- Subprograms:**
- Clean Air, Clean Water, Waste, Remediation, etc.



<http://www.lukoil.com/Responsibility/SafetyAndEnvironment/Ecology/EnvironmentalSafetyProgram>

- Industrial Environmental Monitoring Program

Key strategic points (2021)

- Reduction of pipeline failures and remediation of contaminated land
- Reduced contractor accident rate
- Key health and safety points



see "Personnel"



Combating climate change

Execution

- PJSC LUKOIL's stance on climate change



<http://www.lukoil.com/Responsibility/SafetyAndEnvironment/Ecology/GasEmissionRegulation>

Key strategic points (2021)

- Reach 95% of APG utilization by 2018
- Upgrade production facilities using the best available technologies
- Efficiently manage greenhouse gas emissions



Implementation: basic documents

21st Century Health, Safety, and Environment Policy



<http://www.lukoil.com/Responsibility/SafetyAndEnvironment/HSEManagementSystem/HSEPolicy>

LUKOIL standards, HSE Management System series



Preservation of marine ecosystems

Execution

- Biodiversity Conservation Program



<http://www.lukoil.com/Responsibility/SafetyAndEnvironment/Ecology/BiodiversityConservationProgram>

Key strategic points (2021)

- Reduce water discharges into water bodies
- Take measures to preserve the fauna
- Support artificial reproduction of fish stock
- Monitor the environmental biosystem



Preservation of onshore ecosystems

Execution

- LUKOIL Group's 2014–2018 Environmental Safety Program
- Subprograms:**
- Clean Air,
 - Clean Water,
 - Waste,
 - Remediation, etc.
- Industrial Environmental Monitoring Program

Key strategic points (2021)

- Fully eliminate "historic environmental damage"

CPI 1.1
DMA



The priorities of PJSC LUKOIL include:

- ensuring safe working conditions of employees
- protecting the health of employees of the LUKOIL Group and the population living in the Company's areas of operation
- maintaining a favorable environment based on the use of the best available technologies



The Company has a system

of corporate standards, series 1.6, in place, titled the Health, Safety and Environment Management System

Management System DMA

The Corporate Integrated Health, Safety and Environment Management System (hereinafter referred to as the “Management System”) is in service and continuously subject to improvements as required by ISO 14001, OHSAS 18001, Russian law or statutory acts enacted in the countries of LUKOIL Group’s presence. Starting from 2001, the LUKOIL Group successfully passed external audits establishing its compliance with ISO 14001 and OHSAS 18001. Following a re-certification audit conducted in 2016, PJSC LUKOIL and 46 Group entities, including those outside Russia, were certified as compliant with these standards.

In 2016, the Company enacted and began to enforce requirements in regard to leadership safety visits by the management of the Company and LUKOIL Group entities, making them part of production facility visits. In addition to tackling production matters, these include inspections of facilities and monitoring of the LUKOIL Group and contractor (subcontractor) personnel to establish whether the HSE requirements are being followed and to discuss hazardous actions and safe operating practices.

Following-up on HSE matters is the responsibility of the First Executive Vice President, who heads the Health, Safety, and Environment Committee of PJSC LUKOIL. Day-to-day management and coordination of these activities is the responsibility of the Department for Industrial Safety, Environment, Research and Technology of PJSC LUKOIL.

The HSE Policy of the LUKOIL Group in the 21st Century defines the strategic goals, objectives, and obligations underpinning all functional long-term and annual goals, objectives, programs, plans, and activities. If there is no ground for adjustment, document revision is carried out every five years. **CPI 1.1**

- In order to implement the Policy, the Company has developed targeted functional programs, including:
- An environmental safety program;
 - A program of health and safety, better working environment, emergency prevention and response;
 - A health, safety, and environment program;
 - A biodiversity conservation program, and other measures.

The Management Committee annually reviews and approves an HSE report, which is an established form of performance review in the respective area by the management of the Company. This review is followed by decisions regarding future development paths, remedial and preventive measures. The data contained in the report are also taken into account while drafting the Development Strategy and investment programs of the LUKOIL Group.

Policy Implementation Mechanics



Audit



Assessment of the management system efficiency



Long-, mid, and short-term environmental and occupational safety programs, better working conditions and safer working environments, emergency prevention and response.

The Company conducts annual in-house audits of the management system across LUKOIL Group entities. It regularly engages third party auditors to conduct external supervisory audits.

- Assessments are based on:
- audit findings;
 - monitoring data, including production control and corporate supervision data;
 - results of HSE review contests

Both the Company’s corporate center and subsidiaries must abide by the established key HSE performance indicators, some of which serve as incentives and are taken into account when determining the remuneration of the executive personnel.

The LUKOIL Group’s management system is standardized as regards to contractor HSE requirements and covers all stages from pre-bid evaluation of bids to work performance of contractors. In 2016, the LUKOIL Group required all of its entities to do routine audits of their contractors (subcontractors) and hold joint Safety Days at least twice a year. The contractors (subcontractors) also have to adopt and enforce the Key Safety Rules at the facilities of LUKOIL Group Entities.

Environmental safety program

At present, the fifth targeted medium-term Environmental Safety Program of the LUKOIL Group entities for 2014–2018 (hereinafter referred to as the “Program”) is being implemented, with a total funding of 128 billion rubles.¹

The Program consists of several subprograms, i.e. Clean Air, Clean Water, Waste, Remediation, Emergency Prevention and Response, Research

and Development, Production Environmental Control, and Environmental Initiatives. (For the definitions of the Program indicators see STO LUKOIL 1.6.10-2012 Health, Safety and Environment Management System.) Data Collection and Reporting Requirements.

The Program establishes the quantitative targets that the Company seeks to achieve through annually planned activities.

Results of the 2014–2016 Environmental Safety Program vs Targets in Russia

Indicator	2013 indicator	Target value (TV) to be reached by 2018 (vs 2013)	TV achieved at 2016 year end (over 2014 – 2016)	Planned for 2017
APG utilization level	88%	95%	91.7% (p. 48)	93.9%
Reduction of atmospheric emissions of pollutants	735,500 thousand tons annually	↘ by 130,000 tons	↘ by 108,100 tons (p. 49)	↘ by 125,000 tons
Additional treatment (prevention) of wastewater discharges	2.3 million cubic meters per year	6.8 million cubic meters (on an accrual basis over 2014–2018)	3.8 million cubic meters (p. 50)	5.1 million cubic meters
Water withdrawal for own needs	432.9 million cubic meters	↘ by 7.6 million cubic meters	↘ by 17 million cubic meters (p. 52)	Target achieved ahead of schedule
Disposal of generated oil-contaminated waste	–	300,000 tons (on an accrual basis over 2014–2018)	257,600 tons (p. 54)	55,000 tons
Disposal of waste accumulated prior to privatization	576,000 tons – weight as of January 1, 2014	380,000 tons (on an accrual basis over 2014–2018)	232,200 tons (p. 53)	50,000 tons
Restoration of disturbed and contaminated land	–	5,100 hectares (on an accrual basis over 2014–2018)	15,000 hectares (p. 54)	3,600 hectares
Elimination of sludge pits	–	1,008 pits	531 pits (p. 54)	150 pits
Overhaul and replacement of pipelines	1,100 km (annually)	4,000 km	3,300 km (p. 58-59)	1,300 km
Pipeline diagnostics	–	31,600 km	29,700 km (p. 59)	9,300 km
Inhibitor protection of pipelines	–	18,800 km	12,400 km (p. 59)	4,700 km

Note. Some targets are compared to those of 2013, before the Program was implemented. Some of the indicators are not compared with the data for 2013, as they are not indicative in terms of dynamics but depend, rather, on the number of licensed blocks in possession, drilling volumes, speed of work and other factors not related to managing aspects of sustainable development.

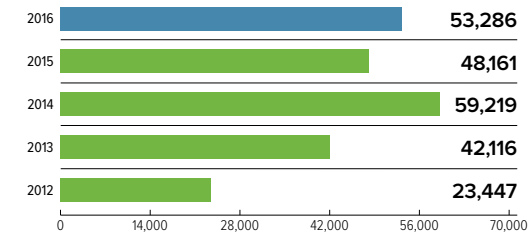
¹ Data for entities outside Russia are not included in this section.

Key activities completed in 2015–2016



Note. For environmental measures please see Appendix "LUKOIL Group Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in International Assets. 2015–2016."

Environmental costs in Russia, million RUB G4-EN31 CPI 2.12



Note. Includes the following cost types: removal and disposal of waste, clean-up of emissions and discharges, insurance, pollution clean-up, associated petroleum gas utilization projects, readiness for emergency response and minimization of the risk of such emergencies (sum of OPEX and CAPEX).

G4-EN31, CPI 2.12, DMA, GRI G4 OG6

Clean Air: atmospheric emissions

Management Approach DMA

The key measures to reduce atmospheric emissions of pollutants include:

- upgrading and construction of facilities whose operations increase APG utilization;
- upgrading and construction of new generation facilities by power generation entities;
- replacement and upgrading of equipment at industrial sites;
- adjustment of applied technologies to best suit particular needs.

Utilization of associated petroleum gas

Most atmospheric emissions are attributed to entities engaged in production (85%), with APG combustion products accounting for 65% of the total emissions.

In 2016, Russian LUKOIL Group entities flared 938 million cubic meters of APG. **GRI G4 OG6**

The Company's objective is to bring APG flaring to a minimum. For over a decade, LUKOIL has been investing in APG utilization projects, having started its APG flaring reduction effort long before legislators made it mandatory.

Russian entities are currently implementing the fourth Program of Efficient APG Management in LUKOIL Group entities for 2016–2018. Foreign entities are also developing similar programs and activities.

The key activities under the Russian Entities' Program include APG utilization at power generation facilities and product consumption for production needs, the construction of a gas transport infrastructure, and the search for consumers.

BETWEEN 2015 AND 2016, 43 APG UTILIZATION FACILITIES WERE PUT IN OPERATION.

ANOTHER 42 PROJECTS ARE CURRENTLY IN THEIR DESIGN, BUILDING, AND RECONSTRUCTION STAGES.

LUKOIL SPENDS ABOUT 20 BILLION RUB ANNUALLY ON CONSTRUCTION OF ITS APG UTILIZATION INFRASTRUCTURE

APG is injected into formations at fields to maintain formation pressure, generate electricity at supporting gas-fired power plants or for other production needs. Marketable associated gas is supplied to gas treatment plants and to local consumers.



Company's objective:

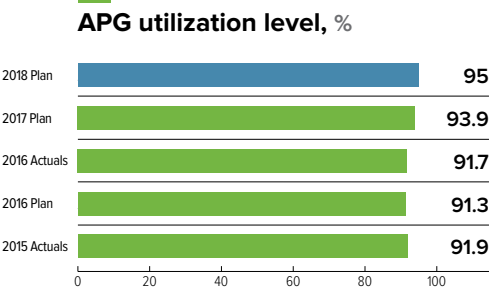
minimize APG flaring

OVER 11 YEARS, APG UTILIZATION ACROSS RUSSIAN ENTITIES GREW FROM 75% TO 91.7%.

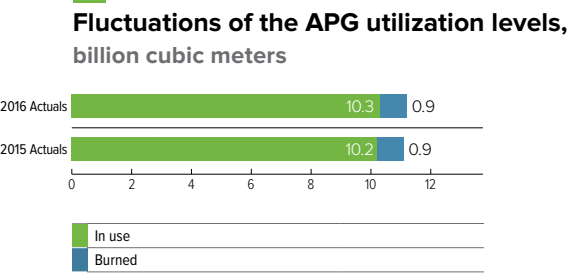
IN 2016, THE APG UTILIZATION RATE OF THE LUKOIL GROUP WAS 92.1% (91.7% IN RUSSIA, AND 98.1% AT COMPANY FACILITIES OUTSIDE RUSSIA).

The Company expects to reach its target of 95% across Russian entities by 2018, for the most part through renovation of the Usinsk Gas Processing Plant in the Komi Republic and construction of utilization facilities in the North Caspian and other regions. Whether and to what extent such plans will be accomplished, depends on:

- emergence of the LUKOIL Group's new assets during the program implementation period;
- complexity of operations at separate producers within fields that are far away from existing infrastructure and feature minor APG resources, and other similar sites.



Note. These charts show the data of entities operating in Russia.



**G4-EN20 GC 7, 8
CPI 2.6.1**

Atmospheric emissions

Over the reporting period, the reduction of emissions specific to the Petrochemicals business sector was due to an increase in output: in February 2016, the first start-up complex gas processing plant was put into operation at the Stavrolen plant in Budennovsk, processing about 1 million tons of APG supplied from the North Caspian fields.

Reduction of specific emissions across the Midstream business sector was due to contracting out of motor and railroad transportation services to third parties.

A minor emissions growth across the Product Marketing in Russia business sector was due to the changes in the calculation methodology and structure of sold fuels (growth of small-scale wholesale diesel fuel sales).

The growth of specific emissions across the Power Engineering business sector was due

to a higher share of fuel oil in the fuel used to power LUKOIL-Volgogradenergo’s CHP (raising to 12% in 2016) accounted for by the economic situation in the petroleum product market of the Volgograd Region. No maximum permitted emissions have been exceeded.

The fluctuations of emissions across the Oil and Gas Production in Russia business segment are due to APG flaring.

A substantial decrease in the SO₂ emissions was due to the cessation of flaring of APG with a high concentration of hydrogen sulfide, commissioning of oil treatment units with sulphur generation and granulation capabilities at LUKOIL-Komi’s Bayandynskoye and Vostochno-Lambeyshorskoye fields, the products of which are heavily saturated with hydrogen sulfide. Upgrading of the flaring systems of the LUKOIL Group’s oil and gas producing entities led to a substantial reduction in soot emissions.

Specific emissions broken down into business sectors CPI 2.6.1

Business sector	2014	2015	2016
Oil and Gas Production in Russia, kg/tons of reference fuel of produced hydrocarbons	5.6	4.5	5.5
Oil Refining in Russia, kg/tons of refined oil	0.9	0.9	0.9
Petrochemicals, kg/tons of processed raw stock	3.8	2.3	1.0
Product Marketing and Distribution in Russia, kg/tons of sold petroleum products	0.6	0.7	0.7
Midstream, kg/tons of transported oil and petroleum products	0.2	0.1	0.1
Power Engineering, kg/tons of reference fuel consumed	3.6	2.9	3.7

The Company does not use
ozone-depleting substances on a commercial scale
G4-EN20 GC 7, 8

Atmospheric emissions of NO_x, SO_x and other major pollutants (net of CO₂) in Russia, thousand tons G4-EN21 GC 7,8 CPI 2.6

Indicator	2014	2015	2016
Total atmospheric emissions of pollutants, including:	656.4	541.9	627.5
NO _x emissions	34.2	38.9	44.0
SO ₂ emissions	100.1	58.2	59.7
solids emissions	30.1	25.4	26.9
CO emissions	293.8	232.0	295.9
hydrocarbon emissions ¹	190.7	184.7	199.2
other emissions/discharges	7.5	2.7	1.8

¹ The methane emissions detailed in historic reports are incorporated into the Greenhouse gas emissions indicator, calculated separately.

Climate change and reduction of greenhouse gas emissions

LUKOIL acknowledges the importance of combating global climate change, and supports Russia’s contribution to the global effort to reduce greenhouse gas emissions.

The concept underlying the system for monitoring, reporting and verifying the volume of greenhouse gas emissions in Russia² involves the introduction of unified methods and the implementation of measures that will help reduce the carbon intensity of the Russian economy.

LUKOIL is involved in shaping of the statutory and regulatory framework governing greenhouse gas emissions and is set to plan its operations in accordance with the decisions that have been made.

Between 2015 and 2016, the Company worked to develop a corporate system to keep records

of and manage greenhouse gas emissions. The calculations use the Methodology developed by the Russian Ministry of Natural Resources³.

In 2016, Russian entities of the Group produced a total of 31.3 million CO₂ equivalent to direct GHG emissions. The largest contributors (78%) to the total direct emissions are fixed combustion sources.
G4-EN15 GC7,8 CPI 2.5

No guidelines for the calculation of indirect greenhouse gas emissions have been approved in Russia so far and the legislation under consideration is currently being assessed for its regulatory impact. Therefore, the Company is unable to calculate its indirect greenhouse gas emissions for 2016.

**G4-EN21 GC7,8
CPI 2.6,
G4-EN15 GC7,8
CPI 2.5,
G4-EN18 GC 8**

Specific direct greenhouse gas emissions in Russia G4-EN18 GC 8 CPI 2.6

Business sector	2016
Oil and Gas Production in Russia, tons of CO ₂ equivalent/tons of reference fuel of produced hydrocarbons	0.108
Oil Refining in Russia, tons of CO ₂ equivalent/tons of processed raw stock	0.173
Petrochemicals, tons of CO ₂ equivalent/tons of processed raw stock	0.352
Product Marketing and Distribution in Russia, tons of CO ₂ equivalent/tons of sold petroleum products	0.001
Midstream, tons of CO ₂ equivalent /tons of transported oil and petroleum products	0.004
Power Engineering, tons of CO ₂ equivalent/MW*h of generated electricity/steam	0.339

² Russian Government Executive Order No. 716-r of April 22, 2015.
³ Order No.300 of the Ministry of Natural Resources of June 30, 2015.

Clean Water Subprogram

DMA
G4-EN22 GC8
CPI 2.7, 2.7.1, 2.7.2

Management Approach **DMA**

- The key wastewater clearing measures include:
- in-process control over the quality of wastewater discharges and the condition of the impacted bodies of water;
 - commissioning of new and/or revamping of existing water treatment facilities;
 - identification of defects and a major overhaul of pipelines and their inhibitory protection;
 - construction of initial water discharge and utilization systems;
 - revision of pipeline passages through bodies of water;
 - treatment of contaminated groundwater from drainage systems.

Offshore facilities follow the “zero discharge” principle that rules out any contamination and involved in-process environmental monitoring.

THE “ZERO DISCHARGE” PRINCIPLE is the central pillar of the environmental security system that LUKOIL implements while carrying out its offshore projects. “Zero Discharge” means a complete ban on burying or overboard discharges of any production or domestic waste. Following its collection and segregation, all waste is taken ashore for recycling or disposal. The “zero discharge” principle is followed strictly when carrying out both exploratory and production drilling, and during commercial hydrocarbon production. The approaches employed by the Company to enforce the “zero discharge” principle for its offshore projects are based on the recommendations made by HELCOM (Helsinki Commission) for countries operating in the Baltic offshore areas.

Variations of wastewater discharges in Russia, million cubic meters **G4-EN22 GC8 CPI 2.7, 2.7.2**

Indicator	2014	2015	2016
Water discharges into surface water bodies including:	265.4	268.4	244.0
clean according to standards	243.0	245.2	223.7
treated according to standards	20.7	21.8	19.5
under-treated	0.6	0.7	0.7
contaminated (untreated)	1.1	0.7	0

Specific discharges of contaminated wastewaters in Russia **CPI 2.7.1**

Business sector	2014	2015	2016
Oil and Gas Production in Russia, cubic meters/ton of reference fuel of produced hydrocarbons	0.005	0.005	0.005
Oil Refining in Russia, cubic meters/tons of refined oil	0	0	0
Petrochemicals, cubic meters/tons of processed raw stock	0	0	0
Product Marketing and Distribution in Russia, cubic meters/tons of sold petroleum products	0	0	0.001
Midstream, cubic meters/tons of transported oil and petroleum products	0	0.003	0.002
Power Engineering, cubic meters/TRF (tons of reference fuel) of consumed fuel	0.17	0.102	0.003

Clean Water Subprogram: Water discharge

The Environmental Safety Program has put a stop to discharges of contaminated (or insufficiently treated) wastewater into bodies of water across all business sectors, other than Oil and Gas Production in Russia.

Compared to 2014 levels, discharges of contaminated (insufficiently treated or untreated) wastewater by LUKOIL Group entities has decreased, mainly due to a complete cancellation of wastewater discharges by OOO LUKOIL-Volgogradenergo into bodies of water. Water treatment facilities were constructed at Pyakyakhinskoye, a field operated by OOO LUKOIL-West Siberia in the Yamal-Nenets Autonomous Area.

The accounting policy has been adjusted with respect to the discharge of wastewater: land disposal of wastewater has been excluded from the record in accordance with changes in Russian legislation. Nevertheless, the Company continues to tackle the issue of land disposal of contaminated wastewater, in particular, discharges of salt-wastewater into a sludge pit at Astrakhan SGP-110, operated by OOO LUKOIL-Astrakhanenergo. A project is underway to prevent wastewater filtration into subsurface horizons by waterproofing the bottom of the sludge pit with a polymer film.

Clean Water Subprogram: water withdrawal

Management approaches **DMA**

- The key fresh water consumption reduction measures include:
- monitoring fresh water consumption;
 - commissioning new and/or revamping the existing reverse water supply and recycling facilities.

The Company’s entities also operate in arid regions, where fresh water is scarce (Stavropol and Krasnodar Territories, Saratov, and Volgograd Regions). The issue is primarily addressed by putting water supply and recycling systems into service and ensuring the most beneficial use of the water withdrawn, including stratal water. As part of its social partnership with different Russian regions, the Company has ongoing projects to supply their residents with drinking water.

Water consumption

Most of the water consumption of the LUKOIL Group (i.e. over 90%) is used to satisfy production needs, of which, about 70% is used to meet demand from power and heat generation facilities, and about 20% goes to business units to maintain formation pressure within mineral extraction blocks.

DMA

LUKOIL Group entities also have their water intake facilities replenished by enterprises located within proximity of the Company’s sites, however, their share in the total water withdrawal has been declining.

Power engineering companies use water to produce steam and cool down CHP equipment. The specific water withdrawal in the business sector has been reduced due to the decommissioning of obsolete equipment.

In November 2016, at its Yarega field, OOO LUKOIL-Komi commissioned VPU-700, a water treatment unit (capacity: 700 cubic meters per hour) to treat stratal water and produce steam that is subsequently injected in pay beds during the production of high-viscosity oil. With this facility in operation, the company will cut back on its water intake from the reservoir and use stratal water more efficiently.

A reduction in specific water withdrawal in the Petrochemicals sector was due to expansion of production.

A WATER TREATMENT PLANT WAS COMMISSIONED IN NOVEMBER 2016 AT THE YAREGA FIELD. WITH THIS FACILITY IN OPERATION, THE COMPANY WILL CUT BACK ON ITS WATER INTAKE FROM THE RESERVOIR



**G4-EN8 GC 7,8
CPI 2.3,
CPI 2.3.1,
G4-EN10 GC8
CPI 2.4,
G4-EN22 GC8
CPI 2.7**

Water withdrawal for own needs in Russia,
million cubic meters **G4-EN8 GC 7,8 CPI 2.3, G4-EN22 GC8 CPI 2.7**

Indicator	2014	2015	2016
Water consumption, including:	525.0	526.8	522.2
surface bodies of water	314.0	305.9	297.4
subsurface bodies of water	81.0	78.7	77.1
other sources (central water supply networks, etc.)	130.0	142.2	147.6
Water consumption for own needs of the LUKOIL Group entities, including:	402.7	413.1	415.9
business needs (excluding consumption to maintain formation pressure)	303.9	304.8	307.4
formation pressure maintenance	76.5	79.2	76.4

Specific water withdrawal for own needs of LUKOIL Group entities in Russia CPI 2.3.1

Business sector	2014	2015	2016
Oil and Gas Production in Russia, cubic meters/ton of reference fuel of produced hydrocarbons	1.0	1.0	1.0
Oil Refining in Russia, cubic meters/tons of refined oil	0.4	0.5	0.6
Petrochemicals, kg/tons of processed raw stock	21.2 ¹	12.8	6.2
Product Marketing and Distribution in Russia, cubic meters/tons of sold petroleum products	0.04	0.047	0.055
Midstream, cubic meters/tons of transported oil and petroleum products	0.04	0.045	0.039
Power engineering, cubic meters/TRF (tons of reference fuel) of consumed fuel	47.8	40.7	40.1

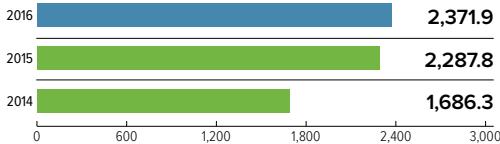
¹ Affected by downtime caused by the OOO Stavrolen accident.

Fresh water consumption across the business sectors remains low. New production facilities are fitted out with reverse water supply and recycling systems. Compared to 2014, in 2016, water circulation

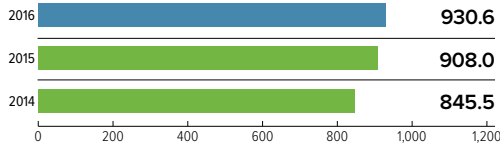
in the said systems went up 30% (or by 768 million cubic meters), which results in substantial savings of natural water resources.

Reverse water supply and reused water in Russia,
G4-EN10 GC8 CPI 2.4

Reverse water supply,
million cubic meters



Reused water in Russia,
million cubic meters



30%
growth of recycled water volumes and graywater volumes in 2016 (compared to 2014)

Waste Subprogram

Management approaches DMA

Most production waste is generated during well drilling and operations. The main waste types are drilling

wastewater, drilling cuttings, used muds and oily sludges.

**DMA,
GRI G4 OG7**

The key measures to minimize the negative impact of waste include:



Reducing waste generation

by ensuring a more efficient consumption of the raw resources and materials



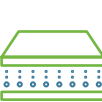
Using waste

to produce energy or in other industries (e.g. construction)



Waste neutralization

using the Company's own resources and expanding the scope of waste neutralization operations



Taking waste

to custom-built landfills



Disposing² waste

of previously accumulated waste (pre-privatization)

Waste types and waste handling in Russia at year-end 2016 GRI G4 OG7

Activities	Waste types	Waste generation assessment, %	Hazard class	Waste handling technique
Crude and natural gas sales	Drilling waste	70	IV and V	Previously, waste was buried inside sludge pits. It is currently processed by dedicated contractors. When sludge pits are decommissioned, technical and biological reclamation of the lands on which they were placed is carried out
	Rocky material produced during underground mining	20	V	LUKOIL is the only company in Russia to develop its oil fields using mining methods (in the Komi Republic). Rock brought to the surface is piled up in waste heaps and is not subject to disposal or neutralization
	Oil-contaminated waste	5–7	III	Oil-contaminated waste – oil-contaminated soil and sludges from tank and pipeline purging operations. LUKOIL uses tried and tested disposal (microbiological destruction) and neutralization (thermal treatment) techniques
Oil and gas processing	Oil-contaminated waste	About 30	III	Oil-contaminated waste – sludges from tank and pipeline purging operations, oil/petroleum products entrapped in process water, etc. Disposal methods: slop oil is fed back into the process, and sludges are neutralized at dedicated processing facilities
	Silts from biological treatment facilities	About 20	IV	Water used for production and residential purposes is treated to remove organic compounds. Excessive biosilt is regularly removed from treatment facilities, dried up, and may be used in other operations (as a fertilizer)
Production and distribution of electric power, gas, and water	Sludges produced during the chemical treatment of water	80	V	Landfilling

² Hereafter, in the “Waste” section, the term “disposal” is used in the sense of “utilization, neutralization, transfer to dedicated agencies for processing or disposal”.

**G4-EN23 GC8
CPI 2.8**

To reduce the adverse exposure to drilling waste, in its operations, the Company relies on environmentally safe mud components. On susceptible natural territories or in locations where the integrity of sludge reservoirs may be disrupted, it uses sumplless drilling (with purification and recurrent use of the liquid waste phase).

In 2016, Russian LUKOIL Group entities exceeded their performance targets, i.e. waste that was used, neutralized, transferred for disposal/neutralization to dedicated contractors, or buried (including drilling

waste accumulating in Western Siberia over 2014–2015) exceeded the waste that was generated.

The Company continues to dispose of waste accumulated in the pre-privatization period. In 2015 –2016, the Company succeeded in reducing its total waste by almost 122,000 tons, with OOO LUKOIL-Volgogradneftepererabotka being the main contributor to this trend. As of January 1, 2017, 346,000 tons of pre-privatization oil-contaminated waste is still being held at the Group’s facilities in Russia.

Generation of 1st–5th hazard class waste and handling of waste in Russia¹, thousand tons **G4-EN23 GC8 CPI 2.8**

Indicator	2014	2015	2016
(a) Waste generation	1,437.0	1,015.7	1,032.9
(b) Quantities of waste that was used, neutralized, and submitted for disposal/neutralization to dedicated agencies, or buried	1,456.0	956.5	1,115.1
Ratio of (b) and (a)	1.01	0.94	1.08
Waste at year-end	845.8	911.9	765.1

¹ Volumes of accumulated and recovered wastes, as well as volumes of wastes in place as of the end of the year, do not include data on waste for Arkhangelskgeoldobycha

Remediation of land

The 2016 progress in the remediation of land disturbed as a result of construction of oil and field facilities was considerably ahead of the timeframe set out in the Environmental Safety Program. In 2015–2016, a total of 11,937,000 hectares of disturbed land was subjected to remediation with resoiling, and turned over to its owners. A great deal of land was remediated in KMAA-Yugra (AO RITEK being the user

of such land). The increase in the scope of work is related to expected changes in regional legislation (more stringent regulations on land reclamation and recovery).

At the same time, a downsizing of drilling operations lead to a curtailment of sludge pit decommissioning plans.

Remediation of disturbed and oil-contaminated land in Russia

Indicator	2014	2015	2016
Area of remediated land, ha	3,026	3,528 ²	8,409
including oil-contaminated land, ha	151	166	97
Decommissioning of sludge pits by own efforts, pits	136	195	200

² The indicator includes remediation of disturbed and contaminated lands across Oil and Gas Production in Russia (3,478 hectares) and 50 hectares of contaminated land subject to remediation works requested by the Kam-barskaya Bulk Plant (OOO LUKOIL-Trans).

Biodiversity conservation

Action plan to preserve biodiversity

In 2015, PJSC LUKOIL approved its biodiversity conservation program³, establishing the legal framework, obligations, principles, and approaches to biodiversity conservation, and outlining the requirements for measures developed for the Company’s offshore facilities in the Russian Arctic region. The document sets out LUKOIL’s obligations:

- DMA**
- strive to avoid operations within the habitats of valuable and protected flora and fauna, in sensitive environmental areas, during the growing season of plants, at the times of reproduction and migration of wildlife or to minimize exposure within specific areas or during specific seasons, if it cannot be avoided altogether;
 - strive to prevent the creation of permanent and insurmountable obstacles to the migration of wild animals in the form of linear structures;
 - take measures to avoid or minimize the impact of Company personnel on wildlife and enforce such measures.

Based on this program, entities are developing action plans for the conservation of biodiversity. In 2016, the Company launched an expedition to study the Atlantic walrus in the south-eastern Barents Sea in the areas exposed to the operations of OOO Varandey Terminal (jointly with WWF Russia and Marine Mammal Council). The work involved


using satellite transmitters and photographic recorders to observe the migratory routes of walruses and their patterns of breeding ground formation, as well as testing tissue samples for toxins. The work will continue in 2017.

Within the framework of the Environmental Safety Program of the LUKOIL Group entities for 2014–2018, measures aimed at biodiversity conservation have been implemented, with a total worth of 50 billion rubles. The financing of compensatory works on reproduction of fish resources in 2015–2016 amounted to more than 170 million rubles. 68 million young of valuable fish were raised and released into rivers. **G4-EN12, G4-EN-11, G4-EN14**

The Company’s subsidiaries outside of Russia are also engaged in biodiversity conservation.

In Uzbekistan, OOO LUKOIL Uzbekistan Operating Company developed a biodiversity conservation action plan for Khauzak–Shady, which became one of the first plans for the management of protected natural areas in the country. The document was approved and endorsed by the Bird Protection Society of Uzbekistan. The subsidiary’s experience may be shared across the LUKOIL Group, when introducing the ISO 14001:2015 requirements.

**DMA, G4-EN12,
G4-EN-11, G4-EN14**


68
million of fish juveniles
of valuable species were bred and released into the rivers in 2015–2016



³ PJSC LUKOIL Order No.136 of July 23, 2015.

G4-EN11, G4-EN12

Areas of operations	Biodiversity conservation program	2014–2018 Environmental Safety Program	Financing, million RUB	
			2014–2018 planned	2014–2016 actual
Marine biosystems				
Measures to prevent adverse impact	Impact assessment, action plan development Rules for the personnel An Atlantic walrus monitoring program was launched jointly with the WWF	Upgrading of fish protection framework as part of revamping of the water intake structures and hydroelectric installations of hydro power plants	150	0
Redress of harm to biological resources		Restoration of aquatic biological resources	300	300
Sediment control in minor rivers, including locations of underwater pipeline crossings	Environmental Protection Events			
Onshore ecosystems				
Remediation of disturbed and oil-contaminated land		Emergency prevention (also by replacing pipelines, holding emergency prevention and response exercises)	42,300	31,600 ¹
		Remediation of disturbed and contaminated land	3,900	3,800
All ecosystems				
Environmental monitoring of the natural environments	IEC and local monitoring: open waters, benthral deposits, soils, fauna	All activities	2,800	1,500

¹ The amount includes the cost of offshore emergency prevention and response exercises.

Industrial environmental control system operating at offshore fields DMA

DMA, G4-EN11, G4-EN12

LUKOIL has an extensive track record of offshore field development, and the operation of its offshore terminal, three production rigs and submerged pipelines has been accident-free.

LUKOIL IS THE FIRST RUSSIAN COMPANY TO COMMENCE COMMERCIAL PRODUCTION OF HYDROCARBONS AT ITS BALTIC OFFSHORE FIELDS.

The company uses advanced technologies to ensure environmental safety, investing significant funds in this direction. The industrial environmental control system that is in place at its offshore facilities helps

assess their environmental impact in a timely manner. The innovation of IEC lies in the comprehensive observation of all natural and natural/man-made environments at all stages of the life cycle of the facility, including the pre-construction stage. In addition to observations, experimental work is also carried out.

THE COMPANY HAS BEEN ABIDING BY THE “ZERO DISCHARGE” PRINCIPLE FROM THE VERY BEGINNING OF PRODUCTION AT ITS OFFSHORE FIELDS. THESE PRACTICES RECEIVED PRAISE FROM THE INTERNATIONAL COMMUNITY.


The URL (<http://www.lukoil.com/Responsibility/SafetyAndEnvironment/Ecology/EnvironmentalMonitoring>) features annual IEC reports for Kravtsovskoe field (Baltic) and Korchagin (Caspian) field, and the Varandey Terminal (Barents Sea).

DRILLING OF WELLS IN THE NORTHERN CASPIAN IS CARRIED OUT USING AN OIL-FREE MUD AND, AS A RESULT, EXCESS MUD AND SLUDGE DO NOT CONTAIN PETROLEUM HYDROCARBONS.

ITS OFFSHORE FACILITIES AND SITES ARE SUBJECT TO CONTINUOUS SATELLITE MONITORING.

The independent research contractors who were involved include NIC Yugraneftgaz and the Shirshov Institute of Oceanology. A total of eight research organizations and higher education institutions contribute to the monitoring of the Baltic Sea.

LUKOIL COMPLETED THE CONSTRUCTION OF THE FIRST EVER AND NORTHERNMOST RUSSIAN OFFSHORE OIL TERMINAL, VARANDEY, ON THE BARENTS SHORE.

 See also the history of the Company's offshore operations – 2016 Annual Report, p. 10–11.

Health and Safety

The key areas of LUKOIL Group's health and safety focus include:

- Improve health, safety, and fire safety management practices, as well as the regulatory and organizational framework;
- Ensure emergency prevention and response;
- Provide training to personnel and hold drills;
- Make sure that the goals are accomplished using cutting-edge scientific and technical solutions.

To keep the LUKOIL Group entities prepared for potential emergencies, in 2015 and 2016, the Company's facilities held 445 exercises, of which over 280 exercises dealt with response to simulated oil spills, and over 27,000 facility-specific drills, engaging over 110,000 personnel. The biggest exercises included:

- The comprehensive exercise “Kaliningrad-2015” trained both its own and contract personnel in the area adjacent to the offshore ice-resistant platform;

Offshore field development projects factor in environmental safety measures and compensation of damages caused to the environment, at 15% of the total capital investment.

Partner Projects

For many years PJSC LUKOIL, represented by its President and CEO V.Yu. Alekperov, has been sitting on the Board of Trustees of the Russian Geographical Society. During the course of this cooperation, the partner entity completed numerous research and awareness-building projects, including:

- research of the coastal waters and coastline of the northern Kola Bay and mapping of the areas sensitive to oil spills across the entire Bay;
- creation of the “Geo-Russia” website;
- “The Rivers and Mountains of the Urals Region: the experience of creating descriptive and geographical map of the region”;
- “Preservation of the Amur Tiger in Central Sikhote-Alin Nature Reserve”.



Annual IEC reports:

for Kravtsovskoe field (Baltic) and Korchagin (Caspian) field, and the Varandey Terminal (Barents Sea)

- In June 2016, an international comprehensive exercise (featuring Finnish rescue boats) responding to a simulated oil spill in the offshore area of AO RPK-Vysotsk LUKOIL-II (OOO LUKOIL-Trans);
- The comprehensive exercises “Caspian-2015” and “Caspian-2016”, focusing on the elimination of gas and oil shows at the Korchagin field and a response to an “emergency spill” at Filanovsky.

Most of the focus was on quick-response training in case of potential emergencies at offshore facilities with a high environmental hazard.

Training of the personnel operating at the LUKOIL Group's offshore oil and gas facilities is the responsibility of LUKOIL's specialized Corporate Training Center situated in the Astrakhan Region. The occupational and personal safety skills required in the course of offshore operations are developed using one-of-a-kind simulators under realistic training conditions.

Emergency prevention and response

DMA,
CPI 2.3,
G4-EN24

Management approach DMA

The health and safety system places a special focus on oil spill prevention and quick-response to spills occurring during the course of the Company's operations. The health and safety program features annual activities that are designed to enhance the reliability of pipeline systems and to reduce the number of accidents affecting the environment. The accidents occurring over the reporting period include 28 accidents in 2016, and 29 in 2015. The major causes of the accidents are for the most part¹ pipeline failures brought about by corrosion and illegal tie-ins. The Company has adopted procedures to effectively respond to incidents, and investigates each specific case to improve its HSE performance.

CPI 2.3

In 2016², accidents affecting the environment resulted in 0.26 thousand tons³ of spilled oil, over 20% of which resulted from an unauthorized tie-in into the Company's West Siberian pipeline, while the rest was due to a pipeline rupture caused by a pressure surge in the Komi Republic. Most spills were on soil. The initial consequences of the spills were dealt with as soon as possible and, at the present time, biological remediation (planting of grass) is entering its final phase.

G4-EN24

In 2016, the specific number of pipeline failures⁴ across Russian entities of the LUKOIL Group fell by 10%, as compared to 2015, as a result of major overhauls, replacement, upgrading, and inhibitor protection of pipelines. To reduce the number of failures, between 2015 and 2016, the Company replaced 2,133 km of pipeline, with almost a quarter having anticorrosive coating.

BETWEEN 2015 AND 2016, THE COMPANY REPLACED 2,133 KM OF PIPELINE, WITH ALMOST A QUARTER HAVING ANTICORROSIVE COATING.

LUKOIL is taking measures to increase the reliability of its pipeline systems and reduce the rate of accidents, and is investigating the use of state-of-the-art technologies that may be used to this end. Every year, entities within the "Oil and Gas Production in Russia" business sector, carry out targeted measures to enhance the reliability of pipeline transportation. Every oil and gas producing company within the LUKOIL Group implements its annual targeted program, with the enforcement of such programs and review of their efficiency being the responsibility of PJSC LUKOIL.

The key pipeline system reliability measures include:

- replacement of pipelines that are older than 20 years;
- diagnostics and overhaul of pipelines and the application of inhibitor protection coating;
- introduction of seamless pipes or those made of new steel grades;
- more stringent in-process control of the safety of pipeline operations;
- control of process operations conducted by contractors at well sites.

"Worn out" pipelines are replaced with non-metal pipes, steel pipes with a protective coating, or high durability pipes made from modified steel grades; As of now, there are roughly 1,200 km of fiberglass and about 2,000 km of polythene pipes in operation.

The Company set up the network team, "Improving the Reliability of Field Pipes and Production Tubing", whose primary goal is to search for and introduce new types of equipment and technologies. The specialists on the team include oil production department (service) heads and experts. In 2015–2016, team members visited a number of seamless pipe manufacturers both in and outside of Russia to review their products.

The introduction of new pipeline products is a promising way of enhancing the reliability of pipelines. Following tests of new generation 05KHGB steel pipes, independent experts confirmed a 1.5-2 times reliability improvement without additional anticorrosive measures. OOO LUKOIL-Komi will carry out industrial testing of a 4.4 km pipeline made from new materials.

The 2017 pipeline reliability enhancement plans for the Komi Republic include:

- bring the length of protected pipelines up to 2,282 km (increasing the overall pipeline length by 196.5 km) or 30% of the total pipeline system length;
- increase the length of pipeline replacements to 309.8 km (9.4% of the oil pipeline length);
- expand the scope of technical and in-line inspections to 1,882.3 km of pipelines.

The Reliability Increase of Pipelines in the Republic of Komi

When the asset in the Komi Republic was acquired in 1999, LUKOIL assumed the responsibility to improve the environmental situation that existed as a result of operation of the asset by its previous owner.

In 1999, the pipeline stock was about 3,000 km, with most of it having a high percentage of wear. In the last 16 years, LUKOIL has replaced over 2,500 km of pipeline (i.e. over 80%).

The investments brought the percentage of pipeline older than 15 years down from 63% in 2000 to 37% in 2016, and the failure rate of field pipelines has been halved. In recent years, there has been a substantial growth in pipeline replacement, i.e. from 47 km (1.3% of the total length) in 1997 to 240 km (4.2%) in 2016. The company has the Group's highest percentage of protected pipelines relative to total pipeline length: in 2016, this percentage was 31% in the Komi Republic, compared to 9.9% companywide.



¹A pipeline failure is an operational disruption caused by a full or partial shutdown of a pipeline due to loss of containment of the pipeline itself or its shut-off or control valves, or due to pipeline plugging.

²No major spills occurred in 2015.

³The spills were on soil.

⁴The number of pipeline failures is calculated as the number of pipeline failures divided by the overall length of pipeline, per annum.

PERSONNEL

62 Management Approach

63 The Company's position with regards to employment entitlement and human rights

64 Guarantees of employee labor and human rights

66 Health and On-Site Safety

Principles

- 1 observance of fundamental labor principles and rights
- 2 compliance with the labor law of the Russian Federation or the countries where the company is present
- 3 creation of favorable conditions for the social protection of employees and workforce stability

70 Personnel Policy

73 Incentives and remuneration

80 Training

82 Youth Policy

2015–2016 results

- A project to modernize the corporate distance learning system resulted in many-fold increase in the number of courses completed.
- Pilot projects aimed at the launch of a new personnel health management system have been implemented.
- Representatives of the Company took part in the development of professional standards in the field of "Extraction, Processing and Transportation of Oil and Gas."
- The implementation of professional standards in accordance with Federal Law No. FZ-122 of May 2, 2015 has been initiated.
- PJSC LUKOIL introduced a working group to create and develop a Corporate Professional Competences System and a Qualification Assessment Center.



Ratings and Awards

An Award
from the 2015 e-course competition set up by the e-Learning center company (as part of the "Art of Course Development" e-learning conference)

An Award
for the "Contribution to the Development of the National Qualification System in the Oil and Gas Industry" from the Ministry of Energy of Russia

Plans for the Future

- Implement measures set out in the LUKOIL Group's 2017–2019 Program of Health and Safety, Better Working Environment, Emergency Prevention and Response.
- Roll out the corporate integrated ICS "Personnel" software system in LUKOIL Group entities.
- Advance the "SAP ERP HR Based Personnel Assessment and Development System" project.
- Organize the activities of the Qualification Assessment Center and develop the methodological foundation of independent qualification assessment. Obtain the authority to assess qualifications at the Oil and Gas Industry Professional Qualification Council.
- Implement mobile learning techniques and increase the capacity of the current remote learning courses.
- Develop a corporate knowledge management policy.

Management Approach

LUKOIL Group entities employ representatives of various countries, ethnic backgrounds and cultures. The high quality of human capital is an important growth factor for the development of the Company and the regions in which it operates. A balanced HR

policy, high HSE standards, adequate social support and investment in the development of the knowledge and skills of employees are the prerequisites for both current and future LUKOIL achievements.

2030 Sustainable development goals and Company's activities



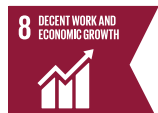
Good health and well-being

Execution

- Collective agreements
- Program of Health and Safety, Better Working Environment, Emergency Prevention and Response
- Social Programs: "Healthcare"

Key strategic points (2024)

- Study and apply the best international personnel management practices in the oil industry
- Ensure safe working conditions, reduce accident and injury rate



Good jobs and economic growth

Execution

- Collective agreements
- Social Programs: "Housing", "Pension Support"

Key strategic points (2024)

- Ensuring qualified personnel sufficiency
- Incentives to reach high goals



Gender Equality

Execution

- Social benefits and guarantees for women

Key strategic points (2024)

- Ensuring qualified personnel sufficiency
- Incentives to reach high goals



Implementation: basic documents

- The Global Agreement between the IndustriALL Global Union, the Russian Oil, Gas, and Construction Workers' Union, and OAO LUKOIL's IATUO.
- Social Code.
- Personnel Management Policy.
- Functional Strategy of Personnel Management.
- Fundamentals of Housing Policy.
- Youth Policy.
- Agreement with the International Association of Trade Unions.



The Company's position with regards to employment entitlement and human rights

G4-15, DMA, CPI 1.1

The Company's position with regards to employment entitlement and human rights is expressed in the Global Agreement between the IndustriALL Global Union and LUKOIL's IATUO, the Russian Oil, Gas, and Construction Workers' Union and OAO LUKOIL (hereinafter – the Global Agreement). The Content of the Global Agreement confirms LUKOIL's commitment to the basic principles of labor relations and environment protection stipulated in the UN and International Labor Organization (ILO) conventions.

G4-15

The obligations assumed under the General Agreement extend to all areas of activity and subsidiaries directly controlled by the Company, and also require the notification of the organizations with which it interacts (contractors, license holders and major suppliers). **DMA, CPI 1.1**

Ensuring a safe, life and health friendly working environment, cultivating a responsible attitude to occupational safety at all management levels, and ensuring the proper training of employees in this area are of paramount importance to the Company.

LUKOIL obligations are also concerned with a responsible attitude to the restructuring of entities, fair wages and benefits at the level of industry norms in the countries of its presence, providing opportunities for professional growth (especially to young employees), recognition of the value of family life and the rights of women.

These obligations have become the basis for the Social Code¹, the Personnel Management Policy, the Functional Personnel Management Strategy as well as the Agreement between the employer and PJSC LUKOIL's professional association for 2015–2017 and have been implemented through collective agreements signed by subsidiaries.

The Company promotes cooperation with international organizations, primarily with the International Labor Organization, to further improve the activities related to personnel management and compliance with the best international practices in the oil industry.



Principles stipulated in the Global Agreement:

"2.1. LUKOIL recognizes basic human rights and, in its activities, is guided by the provisions of the UN Universal Declaration of Human Rights.

2.2. LUKOIL greatly appreciates the additional opportunities derived from the rich national and cultural diversity of its employees and the various populations of the regions in which it operates. This is reflected in its activities, which are built upon the following principles:

2.2.1. Respect and support of the traditions of tolerance and benevolence and the preservation of national and cultural traditions, values, arts and crafts in the areas of activity of the entities of the LUKOIL Group;

2.2.2. Respect for the religious beliefs of employees and local populations".

The Global Agreement also stipulates that the Company has an obligation to respect the rights of trade unions, including the rights enshrined in the core ILO conventions:

"3.1.1. The right of every employee to be represented by a trade union of their choice and the basic trade union rights enshrined in ILO Conventions Nos. 87 and 98 concerning freedom of association and the right to organize workers in trade unions, as well as the right to collective bargaining. Thus, LUKOIL agrees not to oppose efforts aimed at involving the employees of LUKOIL Group entities in trade unions.

3.1.2. Ruling out any forms of forced or compulsory labor banned by ILO Conventions No.29 and 105 or other documents.

3.1.3. Actual ruling out of child labor banned by ILO Conventions No.138 and 182.

3.1.4. Encouraging and ensuring equal opportunities and treatment of employees in the employment sector including equal remuneration for men and women for work of equal value as well as non-discrimination in the labor and employment sector as per the requirements of ILO Conventions No.100 and 111 respectively".

¹ The document is available at the Company's website (<http://www.lukoil.com/Responsibility/SocialPartnership/SocialCodeofPJSCLUKIL>).

Guarantees of employee labor and human rights

GC-3 DMA,
G4-LA8,
G4-11 GC-3
CPI 3.1.4

The Company grants its employees the right to freedom of association (trade unions) and collective bargaining. The interaction of PJSC LUKOIL with trade

unions is based on the principles of social partnership and is formalized in agreements.

Interaction with trade unions

The key social partner of the Company is the International Association of Trade Union Organizations of PJSC LUKOIL (IATUO) uniting the trade union organizations operating in the LUKOIL Group entities located in Russia, Azerbaijan, Belarus, Bulgaria, Moldova, Romania and Serbia. **GC-3 DMA**

The number of trade union members in foreign entities in 2016 was 12,363 employees¹. The number of IATUO members among foreign trade union organizations is growing. In 2015, a cooperation agreement was

signed with the Association of LUKOIL trade union organizations in Romania and IOOO LUKOIL-Belarus established a trade union organization that joined IATUO.

The representatives of foreign trade union organizations attend meetings of the IATUO Council regularly as associated members and discuss practical issues, including those related to the observance and protection of the rights and interests of employees based on respective local legislation.

Agreement with IATUO

The Agreement between the employer and LUKOIL's Association of Trade Unions (hereinafter referred to as the Agreement with IATUO) for 2015–2017 takes account of the provisions of the applicable labor law, the provisions of the 2014–2016 Master Agreement between all-Russian trade union associations, all-Russian associations of employers and the Russian Government, the industry-wide agreement of organizations operating in the oil and gas industry, construction of oil and gas infrastructure in the Russian Federation. The Agreement with IATUO provides for a number of additional guarantees and benefits for employees, compared with those outlined in the legislation and the documents mentioned above.

The Agreement with IATUO outlines the obligations mutually assumed by the Company and its employees with regard to social or employment matters, basic rules applied when dealing with labor relations matters, working and leisure hours, remuneration, health and safety, social benefits and guarantees, youth and veterans activities in view of the peculiarities of the policies and local regulations adopted by PJSC LUKOIL. **G4-LA8**

The Agreement serves as a milestone for LUKOIL Group entities when signing collective agreements. The obligations formalized in such agreements are consistently fulfilled, which is demonstrated by the results of collective bargaining campaigns².

During the reporting period, the subsidiaries of the Company concluded 47 collective agreements in Russia, 11 in foreign entities and two agreements (at OOO Karpatneftekhim and ZAO LUKOR) which were recognized for the last time in 2016 due to the sale of assets.

In 2016, 96.9% of employees were covered by collective agreements. **G4-11 GC-3 CPI 3.1.4**

Annual competitions held by the Russian Oil and Gas Industry Construction Trade Union demonstrate that the collective agreements made by the LUKOIL Group are among the best in the industry, confirming that the Company's employees have an adequate level of social guarantees.

Priority issues are addressed at the meetings of the IATUO Council and at meetings between trade unions and the management, together with the employees. IATUO and trade union committees consistently monitor the social and economic situation in LUKOIL entities and in the regions of presence. The results of this monitoring are also used by PJSC LUKOIL.

In foreign LUKOIL Group entities with active IATUO organizations, in 2015–2016, agreements formalize the following obligations:

- labor management contributing to high productivity and quality work of employees in accordance with their specialization and qualification;
- provision of economic rights, social benefits and guarantees established by the country's legislation and collective agreements;
- ensuring occupational safety and employee health protection;
- offering wages at least at the level of the current norms applied in the country;

- having a socially responsible approach to the restructuring of entities; if there is a need to cut the number of employees, preemptive actions are taken to reduce social tension among the personnel;
- a healthy moral and psychological climate and corporate solidarity, a creative approach to work, performance efficiency improvement, promotion of amateur creativity among employees and their family members, support of popular sports or other athletic activities by the employees or their families.

”

"The model of social partnership built in LUKOIL seems, to me, to be very effective: it combines the best traditions with the realities of modern life, and is in constant development. It is no coincidence that many experts, both in Russia and abroad, consider it unique".

V.Yu. Alekperov,
President and CEO of PJSC LUKOIL

Mechanisms of employee appeals

Employees are given an opportunity to address the employer directly or through independent trade union channels. **DMA, G4-LA16**

The employees, even if they are not trade union members, can address, either in writing or verbally, their trade union organization or IATUO, for example, through the IATUO website. Any concerns an employee may have are investigated, which may include the participation of representatives of the employer. The employee is always notified of the progress of the investigation and its resolution. The most complex issues identified by employees are considered by a working group or a committee.

Any employee of the Company (including employees of foreign assets) may also communicate with the Company's management through regular

mail, a helpline, a feedback form or via their personal account on the corporate portal. Analysis of the requests received through these various channels makes it possible to take a quick managerial decision with regard to the issues raised.

Complaints received from employees or labor organizations which are related to the activities of the Company or its employees are subject to mandatory investigation and review in specialized divisions. Following the investigation and review process, a judgement is reached regarding the veracity of the complaint. Should violations of regulations or corporate policy be discovered, the head of the LUKOIL Group entity where the violation was committed receives recommendations on measures to eliminate the violations and provide feedback to the complainants.

DMA, G4-LA16



Any concern
submitted by an
employee to IATUO
is investigated



Information

on compliance with
collective agreements
is published at the
IATUO website

¹ As for the foreign assets, collective agreements were signed with ZAO "LUKOIL-Azerbaijan", "LUKOIL-Moldova" S.R.L., "LUKOIL Neftokhim Burgas AD, "LUKOIL Energia and Gas Bulgaria" EOOD, "LUKOIL-BULGARIA" EOOD, "LUKOIL Aviation Bulgaria" EOOD, PETROTEL-LUKOIL S.A., S.C. LUKOIL-ROMANIA S.R.L., LUKOIL SERBIA AD Belgrade S.C., "LUKOIL ENERGY & GAS ROMANIA" S.R.L. and IOOO "LUKOIL-Belarus".

² The information on compliance with collective agreements is published at the IATUO website (<http://mopo.lukoil.ru/572/590/index.html>).

Health and On-Site Safety

DMA, CPI 3.1.9

The priority of the personnel management policy of PJSC LUKOIL is the creation of decent and safe working conditions, the introduction of a safe work culture, and the protection of the lives and health

of employees of LUKOIL Group entities. The Company follows the national statutory occupational safety requirements.

Management approach DMA

The occupational safety system is part of the corporate integrated Health, Safety and Environment Management System¹. The strategic goals and obligations are formalized in PJSC LUKOIL's HSE Policy in the 21st Century.

The Company has assumed the obligation to implement all available and practical measures to prevent injuries, occupational illnesses, accidents and to mitigate their consequences. The Policy applies to all LUKOIL Group entities, including foreign ones.

The Program and Corporate Standards



During the reporting period, under the 2011–2015 Program of Health and Safety, Better Working Environment, Emergency Prevention and Response, measures were implemented with the overall financing of around 40 billion RUB. In 2015 10,262 million RUB were allocated for the Program's implementation. In 2016, the expenses for HSE events amounted to 9,288 million RUB. **CPI 3.1.9**

Since 2017, the LUKOIL Group's 2017–2019 Program of Health and Safety, Better Working Environment, Emergency Prevention and Response has been applied².

The comprehensive key performance indicator "Ensuring the Required Level of Occupational Safety, Health and Environmental Protection in LUKOIL Group Entities" is applied at the Corporate Center and subsidiaries both in Russia and abroad³.

¹ For general information on the management system see Section "Environmental Protection" as well as the website <http://www.lukoil.com/Responsibility/SafetyAndEnvironment/HSEManagementSystem>.

² Approved on January 13, 2017.

³ For more information about the indicator see Section "Strategy and Management".

Cost Structure for Occupational, Industrial and Fire Safety in Russia, million RUB CPI 3.1.9

Program Section	Implementation Costs	
	2015	2016 ⁴
Make sure that the challenges are resolved using cutting-edge scientific and technical solutions	6.08	13.2
Develop occupational safety awareness among the employees of LUKOIL Group entities, educate, train and upgrade the employees' HSE skills	335.6	329.8
Bring the workplaces in LUKOIL Group entities in line with regulatory requirements	312.2	359.8
Provide personnel with personal protective equipment and appropriate sanitary and disease prevention conditions	1,566.4	1,696.4
Arrange a healthcare scheme for the employees of LUKOIL Group entities in compliance with national and corporate standards	650.9	742.8
Improve industrial and fire safety management practices, regulatory and organizational support	422.5	442.5
Ensure emergency prevention and response	4,021.8	4,315.6
Bring the facilities of LUKOIL Group entities in line with the regulatory industrial, fire safety and health requirements	2,946.5	1,388.1
Total, the LUKOIL Group entities	10,262.0	9,288.2

⁴ The 2016 total amount includes expenses of OOO LUKOIL Uzbekistan Operating Company LLC, and LUKOIL MID-EAST Ltd.

Monitoring and Control

Health and safety (hereinafter – HS) monitoring is conducted by trade union health and safety officers, managers and specialists in subsidiaries, technical labor inspectors and HS unit employees.

IATUO is an equal partner in policy implementation. Together with the top management of the Company and its subsidiaries, the trade union organization exercises administrative and public oversight of personnel health and ensures safe working conditions. Legal and technical IATUO employment inspectorates, including public (freelance) legal inspectors of employment matters representing trade

union organizations, as well as over 2,600 trade union health and safety officers, monitor the observance of labor legislation, the working conditions of employees, ensure their legal protection and create a collegial work culture⁵. **G4-LA5**

The trade union association runs an annual contest for the "Best Health and Safety Officer" Award. During the reporting period, 125 people at LUKOIL received this award. Four of them were named best HS officers of the Russian Oil, Gas, and Construction Workers' Trade Union.

CPI 3.1.9, G4-LA5



The structure of the Technical Labor Inspectorate

is shown at the IATUO website

⁵ The structure of the Technical Labor Inspectorate is shown at the IATUO website (<http://mopo.lukoil.ru/575/605/index.html>).

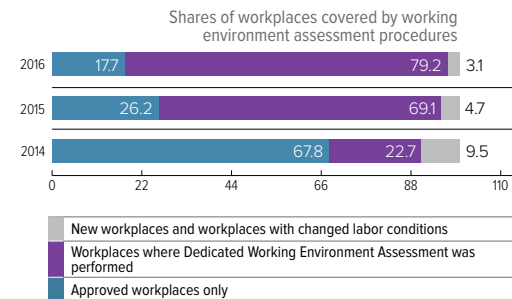
Dedicated Working Environment Assessment

As of January 1, 2017, LUKOIL Group entities had 46,142 workplaces, employing 86,164 people, including 35,973 women.

In accordance with legislation¹, Russian LUKOIL Group entities conduct a dedicated working environment assessment to identify hazardous and/or dangerous occupational factors and assess their impact on employees.

Dedicated working environment assessment covers 79.2% of workplaces² with almost 80% of employees. 17.7% percent of workplaces are covered by workplace certification results from 2012–2013. The remaining 3.1% are newly introduced workplaces and those where the working environment has changed.

Workplaces in the Russian LUKOIL Group entities covered by the dedicated working environment assessment as of the year end, %



Injury Rates

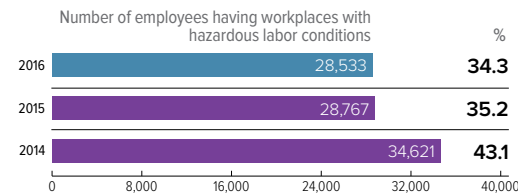
The injury rates in Russian LUKOIL Group entities are recorded in accordance with STO LUKOIL 1.6.13-2016 “Health, Safety and Environment Management System. Registration and analysis of accidents, occupational illnesses and microtraumas”.

Injury rates in contractor (service) organizations have been recorded since 2012 in accordance with corporate standard STO LUKOIL 1.6.5 “Health,

The share of employees of Russian entities of the LUKOIL Group employed in workplaces with harmful working conditions has been steadily declining over the past few years and at the end of 2016 amounted to 34.3% of the total number of employees whose workplaces have actual results of a special assessment of working conditions or workplace certification.

In 2016, the Company improved the working environment for 2,917 employees, fully eliminating workplaces with the maximum hazard class working environment, which were occupied by 231 employees, in 2015. There are no workplaces with hazardous working environment (Class 4) in the Company.

Number of employees having workplaces with hazardous labor conditions



Safety and Environment Management System. Requirements to contractor organizations”. (The current version is of 2016). The standard requirements apply to contractor and service organizations, including subcontractors, working at the facilities of LUKOIL Group entities.

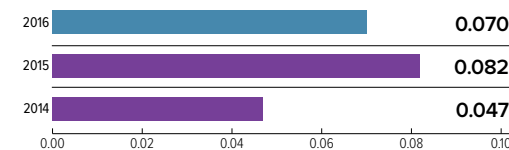
LUKOIL Group Injury Rate Indicators G4-LA6

G4-LA6

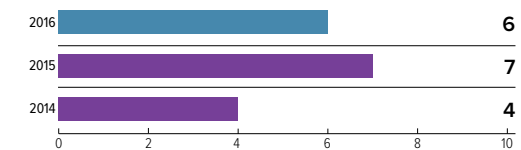
Indicators	2014	2015	2016
FOR THE RUSSIAN LUKOIL GROUP ENTITIES			
Number of occupational accidents, total	11	24	18
in road traffic accidents, persons	2	4	3
Accident frequency rate (number of accidents per 1,000 employees)	0.13	0.28	0.21
Number of occupational casualties, total, persons	21	30	27
fatalities, persons	3	7	4
in road traffic accidents, persons	2	4	12
Number of accidents in contractor organizations at the facilities of the Russian LUKOIL Group entities	22	24	22
in road traffic accidents	1	2	4
Number of casualties in contractor organizations at the facilities of the Russian LUKOIL Group entities, total, persons	24	29	28
fatalities, persons	4	7	8
in road traffic accidents, persons	1	2	6
FOR FOREIGN LUKOIL GROUP ENTITIES			
Number of occupational accidents, total	9	8	1
in road traffic accidents, persons	0	1	0
Accident frequency rate (number of accidents per 1,000 employees)	0.38	0.38	0.05
Number of occupational casualties, total, persons	9	8	1
fatalities, persons	1	0	0
in road traffic accidents, persons	0	3	0
Number of accidents in contractor organizations at the facilities of the foreign LUKOIL Group entities	4	4	4
in road traffic accidents, persons	0	0	0
Number of accident casualties in contractor organizations at the facilities of the LUKOIL Group entities, total, persons	7	5	4
fatalities, persons	4	2	0
in road traffic accidents, persons	0	0	0

Occupational disease rate (number of registered cases per 1,000 employees) in Russia

Occupational disease rate



Number of cases



¹ Federal law No. 426-FZ of December 28, 2013 “On Dedicated Working Environment Assessment”.

² As of December 2016.

Personnel Policy

DMA

Management Approach DMA

The Company has unified personnel policy principles that apply to all its subsidiaries:



Equal opportunities

for all candidates that meet the Company's skill requirements



Priority to local residents

in hiring



Maintaining teams

and the Company's core, highly skilled personnel



Responsible

restructuring



Goal-oriented

corporate culture



THE COMPANY'S PERSONNEL REQUIREMENTS ARE ALIGNED WITH ITS STRATEGIC GOALS AND ARE SUBJECT TO ANNUAL REVIEWS, WITH THE GOAL OF MAKING SURE ALL LUKOIL GROUP ENTITIES HAVE THE STAFF THEY REQUIRED.

A system is being developed to provide key personnel to the LUKOIL Group's assets and projects, with the aim of identifying current and future needs and plan professional development of employees across the key competencies. Key recruitment activities include:

- partnership programs with schools and universities; setting up dedicated training departments and educational centers in the Russian regions where LUKOIL is present;
- succession pool and further training for executives;
- training programs for various categories of staff;
- recruiting professionals in the external market.

Company personnel: structure and description

G4-10, G4-LA1 GC-6 CPI 3.1.1; 3.1.3

LUKOIL Group entities have more than 100,000 employees, with 80% employed by the Russian entities.

Number and structure of employees as of December 31 of each year for LUKOIL Group, persons G4-10 G4-LA1 GC-6 CPI 3.1.1; 3.1.3

	2015		2016	
	Russia	Foreign countries	Russia	Foreign countries
a) Number of employees	89,167	22,164	90,112	19,989
b) by gender				
male	50,413	14,746	51,046	13,859
female	38,754	7,418	39,066	6,130
c) by category				
managers	11,637	2,074	11,535	1,787
specialists	24,672	6,297	24,827	5,279
employees	52,188	12,481	53,153	11,471
other	670	1,312	597	1,452
d) by age				
under 35	21,479 ¹	4,796 ¹	36,361	7,426
36–40	28,093 ²	7,672 ²	14,039	3,768
41–50	22,459	6,271	22,944	5,783
51 and older	17,136	3,425	16,768	3,012
e) by education				
university degree	45,244	10,257	46,845	9,299
including:				
PhD (candidate of science degree)	559	109	559	103
post-doctoral degree	27	30	21	28
post-secondary vocational school degree	18,556	7,733	18,567	6,686
secondary vocational school degree	25,367	4,174	24,700	4,004
f) newly recruited employees	15,224	3,640	16,909	3,397
including those under the age of 35 (inclusive)	7,853 ¹	1,428 ¹	10,785	2,094
g) employees made redundant	15,432	6,418	15,945	5,606
including those under the age of 35 (inclusive)	5,408 ¹	1,316 ¹	7,587	1,714

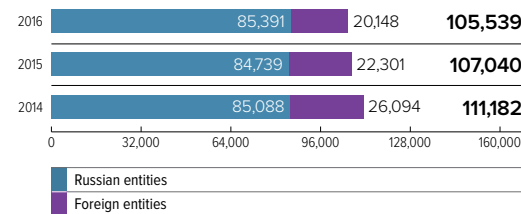
¹ Under the age of 30 (inclusive).
² 31–40 years old. Data for Russia shown for major regions (six federal districts).



**G4-LA1 GC
CPI 3.1.2**

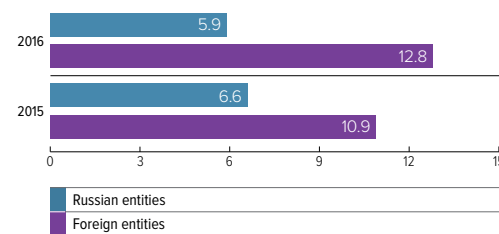
In 2016, the average number of employees of LUKOIL Group declined by 1,501 people compared to 2015. At the same time, the number of people employed by foreign entities went down by 2,153 people

Average number of employees across LUKOIL Group, persons



as a result of asset sales, and Russian entities hired 652 new people due to commissioning of new facilities.

Employee turnover in 2015 and 2016, % G4-LA1 GC CPI 3.1.2



When choosing personnel for rotations

The Company prioritizes local residents provided they have the necessary competencies

Employees on rotational schedules

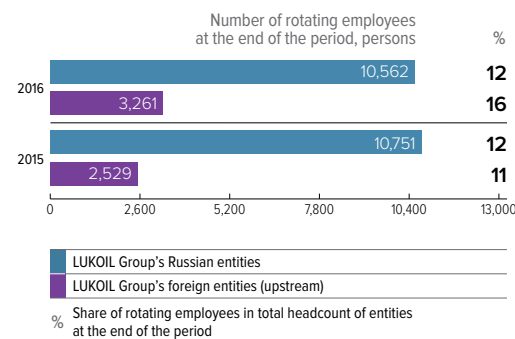
The nature of the Company's operations, including exploration and mining of hydrocarbons, requires its employees to work in rotations. Rotations are in place for LUKOIL Group's remote fields and continuous production facilities.

When choosing personnel for rotations, the Company prioritizes local residents provided they have the necessary competencies. All candidates undergo psychological testing, and there are sets of methodologies for each category of staff (employees, specialists, managers).

Rotating employees are transported by the Company to the work site and back (to the base station/town) using economically justified means of transport under agreements with respective transportation companies.

Rotating employees are offered comfortable conditions while at production facilities: they reside in dedicated rotational camps or dormitories with amenities at the employer's expense.

Information on the number of rotating full-time employees across LUKOIL Group



Incentives and remuneration

Management approach

The corporate remuneration system aims to provide competitive salaries and is based on the equal payment for equal work concept. **DMA**

In Russian entities, the agreement between PJSC LUKOIL and the association of trade unions sets the minimum pay rate at the level of the minimum living wage of the economically active population or higher. The base salary depends on the employee's set duties, challenges inherent in their work, and level of responsibility. It is set individually for each employee and takes into account the level of training and practical experience. Salaries are indexed on an annual basis.

In the reporting period, work was continued to implement ICS "Personnel", a corporate integrated

system aimed at making business processes more transparent to the employees. In 2016, as part of the project titled "Development of Template Solution of ICS "Personnel" System", the following sub-projects were completed: "Employee's Personal Office" and "Payroll and Social Benefits Planning". The software is expected to be rolled out across LUKOIL Group's entities in 2017 and 2018. Work is underway to replicate this project in the Russian entities of the LUKOIL Group and work has begun on the dissemination of the Template Solution of ICS "Personnel" in the foreign assets of the business segment "Oil and gas production abroad", which is scheduled to continue in 2017.



DMA, G4-LA13

Remuneration, compensation and benefits

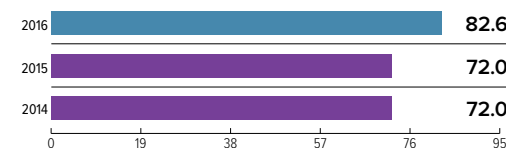
The structure of employee pay at LUKOIL Group includes fixed and variable components.

The average salary at LUKOIL Group's Russian entities is growing, and, in some regions of presence in Russia, it is above the average salary for the respective region.

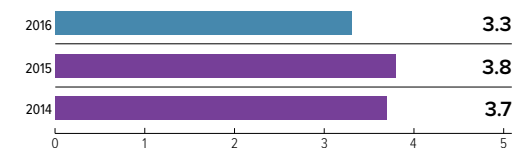
Salary	
Fixed component	Variable component
<ul style="list-style-type: none"> basic salaries / pay rates; extra and additional payments 	<ul style="list-style-type: none"> quarterly/monthly bonuses; annual bonuses for meeting KPIs and individual targets; bonuses as part of a long-term incentive plan; one-off bonuses, including those to mark the employee's personal anniversaries and the Oil and Gas Industry Workers Day

Average salary of employees at LUKOIL Group's entities G4-LA13

Russian entities thousand RUB



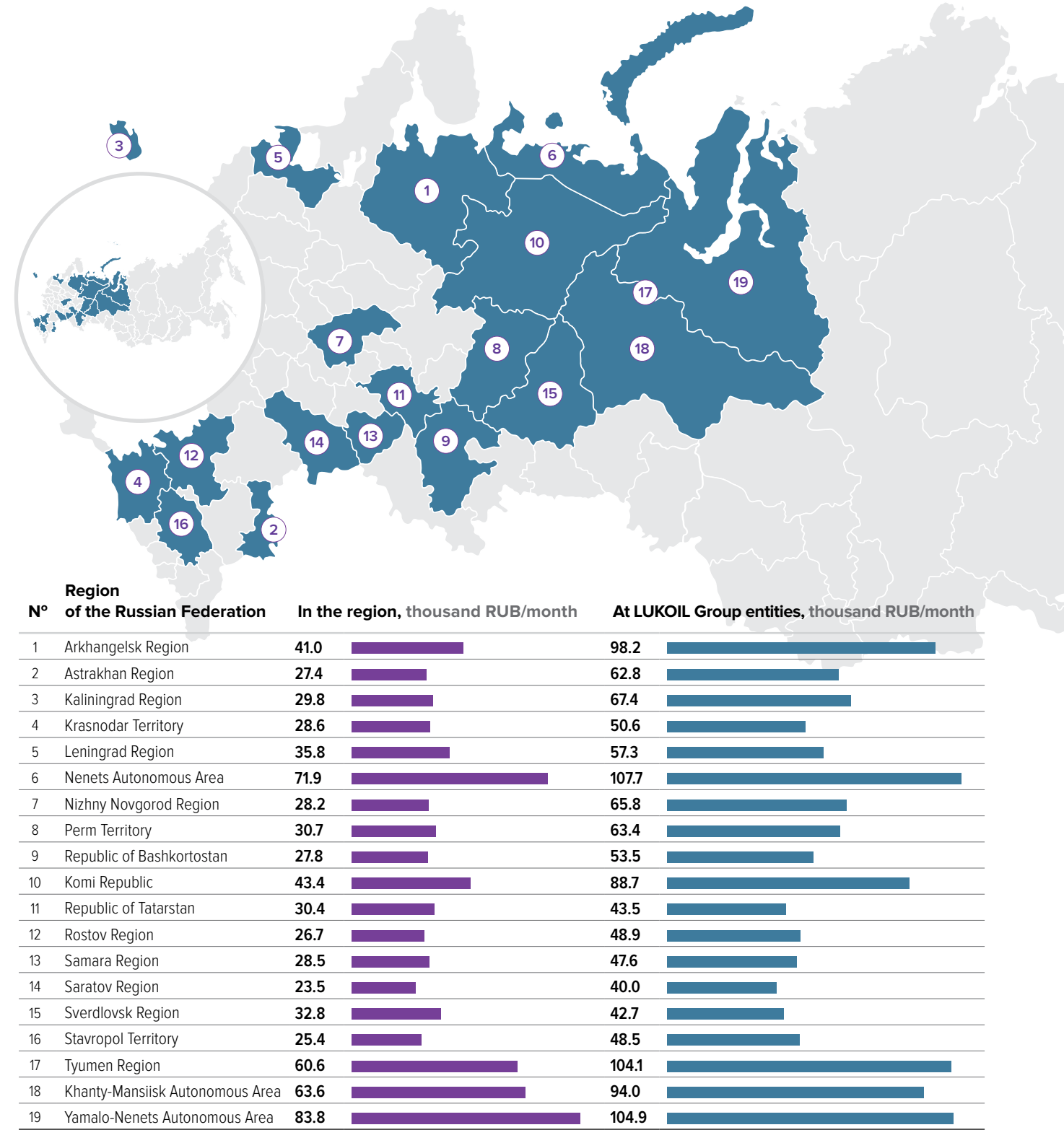
Foreign entities, thousand USD



Note. Calculation methodology: total salaries for employees of all LUKOIL Group entities in a region divided by the average number of employees of the entities and the number of months in the period. The table shows data for the regions where LUKOIL Group's production facilities are located.

G4-EC5

Average salary in LUKOIL Group’s Russian entities compared to average salary in the regions where LUKOIL is present, in 2016, thousand RUB/month G4-EC5



Note. Calculation methodology for the average salary at LUKOIL Group’s entities: total payments to employees of all entities operating in the region divided by the number of employees in the region. The table shows data for the regions where LUKOIL Group’s production facilities are located.

The framework of incentives at Russian entities also includes a wide range of benefits and compensations set forth in the agreement between the employer and the association of trade unions, collective agreements, and other local regulations. All benefits and guarantees are provided in full compliance with the Russian Labor Code. Considerable attention

is paid in the structure of benefits and compensations to issues affecting the quality of life of employees, such as maintaining health; assisting families, female employees and children; help with house-buying; and providing social support to former employees after their retirement.

G4-LA2 UN GC

Benefits and compensations (Russian entities) G4-LA2 UN GC

Healthcare

- Sick leave allowances above the statutory minimum
- Contributions to voluntary medical insurance (VMI) for employees
- Coverage of services provided by healthcare facilities
- Temporary disability allowance covered from the company's own funds as per the law (first three days)
- Coverage of VMI expenses for families of employees and also employees who were made redundant as a result of headcount reduction and retirees
- Contributions under voluntary accident insurance agreements
- Payments to compensate damage to the health of employees

Health improvement, sports and leisure

- One-off entitlement for annual holiday
- Payment for the travel of employees and their families to their holiday destination and back (for those working in the Far North and equivalent areas)
- Payment for treatment, recreation, excursions and travels for employees and their families
- Compensations to employees and their families for treatment, leisure, recreation, excursions and travels
- Payment for vacation packages provided to employees' children for health improvement and leisure purposes
- Compensation to employees' children for health improvement and leisure purposes
- Tickets to health groups and classes in sports clubs
- Coverage of travel to holiday destinations

Housing support: assistance to employees in purchasing housing¹

- Refund of the interest rate on a bank's housing mortgage loan
- Allowances for housing rental
- Free subsidies for housing purchases
- Loans (repayable subsidies) for housing purchases

Social support to women and families with children

- One-off financial assistance to families with children with special needs
- One-off newborn child allowance (for men)
- Coverage of New Year gifts expenses
- Coverage of kindergarten fees
- Training of employees and their families (children) not related to the Company's operations
- Maternity and childbirth allowance covered by the company
- Monthly allowances to either of the parents who is on parental leave (until the child is three years old)
- Newborn child allowance for women

Social policy with respect to young employees

- One-off financial assistance to employees returning from active military duty
- Allowance to young professionals

Other

- Coverage of relocation expenses to employees moving to another place of residence, including those moving from regions of the Far North and equivalent areas
- Meal allowances
- One-off family-related allowances (funeral, wedding, etc. expenses)
- Coverage of expenses to travel to the burial site, medical checkup, etc.
- Coverage of expenses to travel to and from work (due to the nature of operations)
- One-off retirement benefit
- One-off benefit for dismissal on disability grounds
- Death benefits
- Social support to non-working retirees

¹ Social support.

Obligations under collective agreements

In 2015 and 2016, the Company fulfilled its obligations set forth in collective agreements and agreements with trade union organizations and local regulations on social support, and continued its corporate

social programs. All employees are entitled to social benefits, irrespective of their trade union membership or availability of a trade union at the company.



All employees

are entitled to social benefits, irrespective of their trade union membership or availability of a trade union at the company

Social payments under collective agreements at LUKOIL Group's Russian entities

Indicators	2015	2016
Expenses to provide social support to employees, their families, and retirees, total, million RUB including the following programs:	9,637.9	10,201.7
Healthcare, including VMI	1,317.0	1,503.5
Social support to women and families with children	371.7	358.7
Employee recreation and health improvement	3,609.6	3,921.5
Assistance to employees in housing purchases	129.0	131.6
Social support to retirees	257.4	264.3
Other social benefits	3,953.2	4,022.1
Maintenance of social infrastructure facilities	1,262.3	1,246.8

The Company respects the rights of its employees to receive temporary disability allowances and is committed to making all payments on time and in full. The Group's Russian entities have social insurance committees responsible for overseeing the timely and proper allocation and payment of temporary disability allowances; verifying

the Company's determination of an employee's right to receive temporary disability allowance, refusal to provide the same, or a decision to provide a reduced allowance; review disputes that arise between the employer and employees related to temporary disability allowances.

Social payments under collective agreements at LUKOIL Group's foreign entities

Indicators	2015	2016
Expenses to provide social support to employees, their families, and retirees, total, million USD including the following programs:	205.8	145.3
Healthcare, including VMI	17.4	15.8
Compensation of housing rental rates	74.3	40.6
Schooling and kindergarten fees	15.1	14.6
Employee vacations and health improvement	16.7	16.6
Life/accident insurance	8.3	5.0
Coverage of expenses to travel to and from work	1.2	4.9
Employer-provided meals	6.2	5.5
Other social benefits	66.6	42.3
Maintenance of social infrastructure facilities	0.8	0.7

Corporate social programs

The key corporate social programs are aimed at providing social support to employees:

G4-LA7



Healthcare programs (including voluntary medical insurance)



Programs of assistance to employees in purchasing housing



Program of social support to women and families with children



Non-state pension scheme program

Industrial Safety

Across its entities, the Company strives to build a fundamentally new framework of personnel health management based on timely identification and management of health-related risks.

To that end, a number of projects were implemented in 2015 and 2016, including the introduction of automated pre-shift medical checkups for employees involved in underground operations.

The traditional pre-shift examination approach has limited effectiveness as it requires a lot of healthcare professionals with uneven workloads. A totally new level of performance was achieved after a pilot project was launched at the Yareganeft Oil Mines Division of OOO LUKOIL-Komi. In combination with an automated personnel health management system, automated pre-shift checkups¹ help to drastically speed up the checkup procedure (a 3-fold reduction in time) while also contributing to secondary prevention of significant diseases.

At mine entrances, equipment has been installed which automatically performs examinations of workers before each shift. Checkup results are submitted into the automated employee health management system, which accumulates data from regular medical examinations. By consolidating and analyzing the data, the Company can identify employees that are exposed to a high risk of professional and/or significant diseases, and can also better assess the impact from operating conditions.

There are plans to extend this approach to vehicle drivers and employees responsible for the maintenance of power supply facilities.

A special emphasis is placed on early identification and prevention of cardiovascular conditions. For employees who fall into a disease risk group, the Company develops ongoing monitoring plans (individual health improvement recommendations, an additional checkup plan, and a set of treatment and prevention activities required for each employee). **G4-LA7**

All employees in risk groups benefit from prevention and treatment measures provided by on-site health posts and healthcare facilities under VMI programs. Health post staff request employees to attend for the treatments they have been prescribed. Health posts also operate the Health Awareness and Hypertension Awareness Centers. The effectiveness of all measures is also controlled using data from the automated personnel health management system.

First aid at LUKOIL Group entities is provided by more than 100 health posts, pre-shift inspection rooms, and first-aid stations. Every year, employees get vaccinated against flu, tick-borne encephalitis and other dangerous diseases.

VMI

VMI programs now cover over 90% of personnel. A more flexible insurance coverage mechanism is available to employees, who have the opportunity to expand their VMI coverage at their own cost, thus meeting their personal needs.



>100
health posts

render first aid services at LUKOIL Group entities

¹ The checkup procedure is set forth by Order of the Russian Ministry of Health dated December 15, 2014 No. 835n.

G4-EC3



>90%
of employees

are covered by VMI programs



82
thousand employees

keep the cumulative part of retirement pensions at AO NPF LUKOIL GARANT

Housing Program

In 2015–2016, the Company provided housing support to its employees in accordance with the Fundamental Principles of the LUKOIL Group's Housing Policy (human resources and social components). The costs associated with the human resources component of the housing policy are allocated in accordance with the operating personnel's requirement for housing (external staff and young professionals). The costs associated with the social component of the housing policy are allocated to assist the personnel in housing improvements by subsidizing the interest rates applicable to mortgage loans provided by the banks.

Pension Support

During the reporting period, the LUKOIL Group, in line with its corporate pension standard, focused its efforts on the accumulation of pension capital for its personnel, using every available opportunity under the applicable law or local regulations, including:

- efficient management of the funded part of the pension;

- participation in the governmental pension savings cofinancing program;
- participation in the corporate program of non-state pensions, which includes standard and participatory pension plans.

As part of the program for mandatory government pension insurance, 82,154 employees have their funded component of the retirement pension in JSC NPF LUKOIL Garant as of the end of 2016, including 40,842 employees who take part in the government co-financing program.

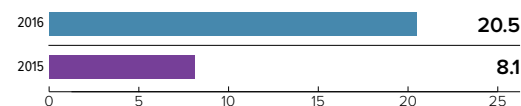
At the end of the reporting period, the Standard Pension Plan covered 41,365 people, while the Participatory Pension Plan had 39,246 active participants. Non-state pensions paid in 2016 averaged RUB 2,290.

Non-state pension coverage in Russia **G4-EC3**

Indicator	2015	2016
Total contributions by LUKOIL Group entities to JSC NPF LUKOIL Garant under corporate pension agreements, million RUB	936	917
Number of former employees who receive corporate pensions, persons	41,422	43,094
Pension payments, million RUB	1,763	1,804
Total employee contributions under individual agreements for non-state pension schemes with JSC NPF LUKOIL Garant, million RUB	451	486
Number of employees who signed individual agreements for non-state pension schemes in the reporting period, persons	5,424	5,706
Number of employees who are the fund's contributors, persons	37,185	43,574

Non-state pension support abroad

Total contributions by LUKOIL Group entities, million USD



Pension support to employees of foreign entities of the LUKOIL Group is provided in accordance with applicable national laws and local regulations of subsidiaries.

Professional standards and personnel assessment

Work is being carried out to implement Federal Law dated May 2, 2015 No. FZ-122 regarding the application of professional standards at LUKOIL Group entities. PJSC LUKOIL established a working group and developed unified approaches to treating professional standards at LUKOIL Group entities, with employee duties and grades currently being aligned with the requirements of professional standards.

Following the adoption of Federal Law dated July 3, 2016 No. FZ-238 On Independent Assessment of Qualifications, the President of the Company established a Qualification Assessment Center using the resources of OOO LUKOIL INFORM. Its operational procedures and methodologies for qualification assessment are being developed.

In 2015 and 2016, 2.2% of employees of LUKOIL Group's Russian entities were covered by the assessment. **G4-LA11 GC-6**

G4-LA11 GC-6

Opportunities: personnel development

For the Company, investing in its personnel means investing in the future: properly trained human resources are at the core of the Company's sustainable development outlook. LUKOIL is building a corporate system of personnel training and development while also partnering with major industry-specific universities and other educational institutions, helping to improve the quality of education across Russia and its regions of presence.

Talent Pool

The Talent Pool program provides employees with opportunities to embark on personal and career growth and to master new skills and knowledge that meet the current needs of the oil and gas industry.

Eligibility criteria for employees to be included in the talent pool for management positions and the talent pool of subsidiaries include performance, professionalism, business skills and potential capabilities to act as managers, including those identified through performance assessment exercises.

The composition of the talent pool for management positions (421 people) and talent pool of PJSC LUKOIL (321 people) was approved for the period from August 2, 2016 to August 1, 2019. Also, there are talent pools to fill management positions across all subsidiaries.

Each employee included in the talent pool has an individual development plan for a period of three years, with an annual review of performance. The individual plan can be adjusted and amended

when needed and in response to business requirements. The fulfillment of individual development plans is overseen by Vice Presidents of PJSC LUKOIL and heads of subsidiaries.

Employees in talent pools receive training in managerial and corporate competencies at the best Russian and international universities and training centers, using a wide range of learning tools available today, including training sessions, MBA programs, conferences, symposiums, projects, and internships.

Internships

The Company emphasizes the importance of internships, or on-the-job training, viewing those as opportunities for employees to obtain hands-on experience in the latest production processes, gain new knowledge, and enhance their creative approach. The internship schedule for the year is prepared annually in August and September. Employees who were unable to undergo their scheduled internship due to unforeseen circumstances can re-apply the next year. An unscheduled internship is also possible, subject to approval from the entity that provides it.

In 2015 and 2016, more than 2,100 employees of LUKOIL Group entities submitted applications for internships, a 17% increase compared to 2013 and 2014.

In the reporting period, internships were held at Finland's Fortum as a way to look into energy asset management practices. Agreements were reached with the management of Chevron and Neste to exchange best practices.



17%

increase in the number of employees who applied for internships compared to 2013–2014

**CPI 3.1.11,
G4-LA9**

Training local staff abroad
LUKOIL and its employees can boast of unique competencies and experience in oil processing. To this end, Kazakhstan’s KazMunayGas initiated on-the-job training of its Atyrau Refinery’s personnel at OOO LUKOIL-Nizhegorodnefteorgsintez in 2016.

In 2016, LUKOIL entities and other training centers in Russia started providing training to employees of the Kandym Gas Processing Complex, which is under construction in the Republic of Uzbekistan. The project will help the successful completion of the Kandym project and improve the professional skills of local staff in using the latest equipment.

DMA

Training DMA

LUKOIL Group entities use a wide range of training tools available today, including seminars, training sessions, internships, remote learning, and university education programs. Training is provided using both the Company’s in-house training centers

and third-party educational facilities. In the reporting period, opportunities to improve skills and enhance competencies were made available to more than half of the employees at LUKOIL Group entities in Russia and abroad.

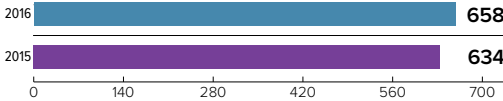
Number of employees who received training, total for LUKOIL Group G4-LA9

Indicator	2015	2016
Number of employees who received training, persons, including:	60,300	69,571
Managers, administrative staff, employees	26,042	–
employees	34,258	–
Share of employees who received training in total headcount, %	57	66.5

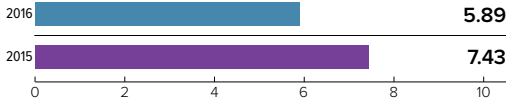
Note. As a result of changes in the annual reporting forms, methodology information on training in 2016 with a breakdown by employee category is unavailable; training data is currently being collected with a breakdown by category. Data on managers, experts and other employees pursuing second university degrees was no longer taken into account, and data on workers who attended advisory workshops, awareness seminars and received distance learning was introduced in the records.

Expenses on training and development of LUKOIL Group entities staff CPI 3.1.11

Russian entities of LUKOIL Group, million RUB



Foreign entities of LUKOIL Group, million USD



Remote Learning

2015 and 2016 saw a major rise in the number of employees covered by the remote learning system (almost a seven-fold increase compared to 2014), driven by the development of e-learning based on the latest IT technologies. G4-LA10


In 2016, 56 LUKOIL Group entities joined the remote learning system, with more than 93,000 registered users. Over 68,000 e-learning courses were successfully completed throughout 2016.

G4-LA10

Corporate Knowledge Management System

The corporate knowledge management system ensures the exchange of professional experience and knowledge among employees and entities of the LUKOIL Group (the system covers more than 10,000 employees, with 240 expert communities in place). Young professionals and other employees

grow and develop as they work alongside renowned corporate experts. The system brings people into communities and networks, offers access to external knowledge and experience, helps retain knowledge, create and spread best practices and also jointly implement development projects.


93
thousand
users
are registered in the
distance learning system



Number of employees who received training under corporate programs in 2016, across LUKOIL Group entities

Program	
Executive MBA “Oil and Gas Business Management. The Manager of Today”	32
“Head of Oil and Gas Upstream Unit – 2015” (new)	61
Specialized training programs for drilling professionals (developed together with the Tyumen Industrial University, Schlumberger Logelco Inc. and Halliburton International)	101
“Days of Professional Training for Managers” (twice a year)	100% of managers of subsidiaries

PROFESSIONAL DEVELOPMENT THROUGH THE CORPORATE TRAINING AND DEVELOPMENT SYSTEM HAS A POSITIVE IMPACT ON EMPLOYEE EFFICIENCY, ENHANCING THE HR POTENTIAL OF THE COMPANY IN GENERAL AND ENABLING IT TO ADDRESS ISSUES RELATED TO NEW BUSINESS AREAS WHILE ALWAYS STAYING COMPETITIVE.


69.6
thousand
employees
of LUKOIL Group
completed trainings
in 2016

Youth Policy

Creating opportunities for young people is among LUKOIL's strategic activities in sustainable development and is being implemented both in Russia and worldwide. The goal is to assist them in obtaining a quality education and to quickly adjust to the real needs of today's production

facilities in order to create the basis for successful employment in the industry.

The LUKOIL Group has the Comprehensive Target Program for Youth Outreach for 2008–2017 with the following goals.

Goals of the Comprehensive Target Program for Youth Outreach for 2008–2017



ongoing recruitment of young qualified professionals



reduction in the turnover of young professionals



improved corporate culture and motivation of young employees to excel in their jobs and to grow professionally

Key areas of engaging young professionals

Forum of Young Employees of LUKOIL Group entities

In April 2016, the Company held the 3rd Forum of Young Employees of LUKOIL Group entities, which brought together 300 young employees and professionals from 55 subsidiaries. The forum included roundtable discussions on a variety of business segments, which involved managers of the Company as well as its longest-serving employees. The final day of the forum was marked by a meeting with PJSC LUKOIL's President, Vagit Alekperov, who responded to questions asked by young employees and presented awards to those who made a significant contribution to the growth of the corporate youth movement.

R&D competitions and conferences

R&D competitions and conferences are held on an annual basis. In 2015, they were held in 29 entities of LUKOIL Group and in 2016, in 26 entities. Young professionals also took part in the second and third All-Russian "New Idea" competition for the best technical development, which is held under the auspices of the Russian Ministry of Energy. Over the last two years, 81 applications have been submitted to the contest, with 17 of them eventually winning.


Councils of Young Professionals

These associations aim to help young employees to familiarize themselves with the requirements of the Company. Councils meet to discuss important matters and develop joint projects. Off-site meetings of the Council of Young Professionals of LUKOIL Group are held annually in Russian regions. In 2015, the event was hosted by Saint-Petersburg's OOO LUKOIL-Severo-Zapadnefteprodukt and in 2016 it was held at PJSC LUKOIL in Moscow.

Young Professionals Day

The Young Professionals Day is an annual event. In 2015 and 2016, the program included a team-building activity that involved 150 young employees from LUKOIL Group entities in the Moscow region. A similar event in line with LUKOIL Group's Comprehensive Target Program for Youth Outreach for 2008–2017 is held across many subsidiaries.

Assisting young professionals and employees in organizing their leisure is an important component of corporate culture. Young professionals actively engage in sporting events such as LUKOIL's Ski Trail or Dad, Mom and Me – We're a Sporting Family. Other important activities include volunteer events held to aid orphanages.


300
young employees and professionals
took part in the Forum of Young Employees of LUKOIL Group entities in 2016

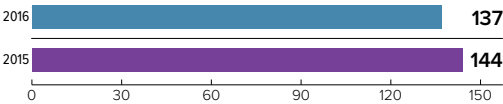
Efforts targeting young professionals in Russia

Indicator	2015	2016
Total number of young employees, persons	26,275	43,787
Number of young professionals, persons	2,097	2,013
Number of young employees recruited, persons	9,281	12,879
including young professionals, persons	914	817
Number of students who study under agreements signed by LUKOIL Group entities, persons	344	345
Number of students who received on-the-job training at LUKOIL Group entities, persons	2,950	3,000

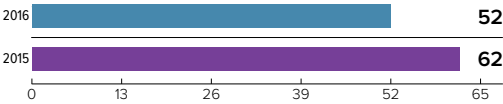
Note. In accordance with the industry-wide agreement of organizations operating in the oil and gas industry, construction of oil and gas infrastructure in the Russian Federation for 2014–2016¹, the Company defines a young employee as an employee aged under 35. A similar criterion for young employees is also set forth by the agreement between the employer and LUKOIL's Association of Trade Unions for 2015–2017.


Results of the 10th and 11th Russia's Young Professional of the Year Contests

Number of participants, persons



Number of winners, persons




43.8
thousand people
the total number of young employees in Russia in 2016



¹ Extended until December 31, 2019.

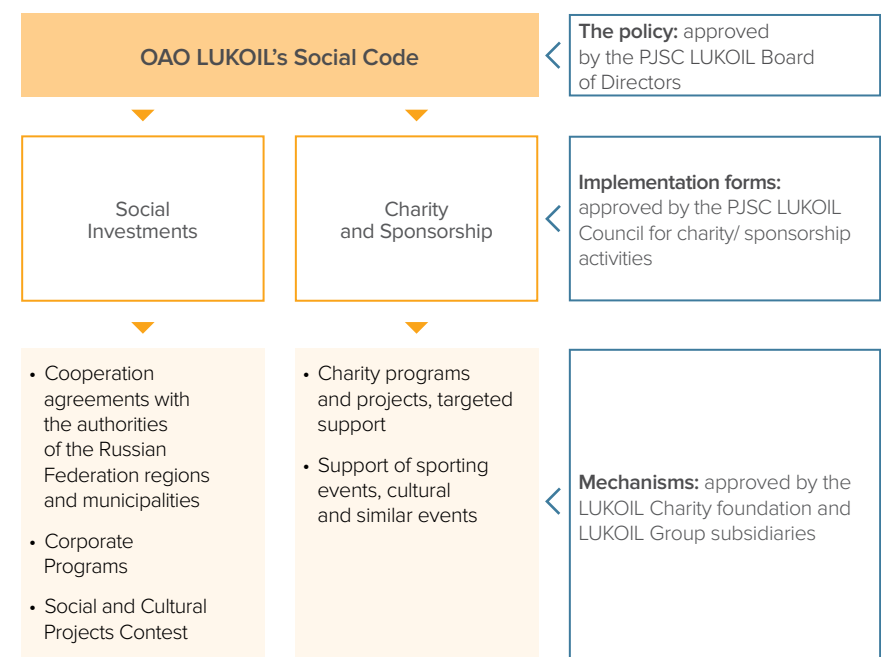
COMMUNITY

The Company's policy regarding community relations is determined by the Social Code of OAO LUKOIL. The Company has been using various mechanisms to comply with its obligations, upgrading them as new forms of such activities emerge and as soon as the partners are ready for them.

Management Approach



Social Investments Management System



Program effectiveness is measured by means of:



annual meetings with the communities in the regions of presence



research conducted by independent organizations



personal meetings with heads of regions and municipalities

85 Management Approach

87 Social Investments

90 High quality industry-specific education

92 Interaction with the indigenous minorities of the North

94 Charity and Sponsorship

2030 Sustainable Development Goals and the Company's Activities



No poverty

Implementation: basic documents

- Charity program

Execution

- Indigenous minorities of the North support program
- Support for childcare organizations

Key strategic points

- Improvement of social adaptation and self-actualization of target groups



Good health and well-being

Implementation: basic documents

- Charity program

Execution

- Annual support of healthcare institutions in the regions of the Russian Federation

Key strategic points

- Improved quality of medical care due to increased investment in facilities and scientific development



High quality education

Implementation: basic documents

- Comprehensive program of cooperation between LUKOIL Group entities and industry-specific higher education institutions (oil, chemistry and energy)

Execution

- Annual support of the industry-specific institutions
- Cooperation agreements with 14 higher education institutions

Key strategic points

- Improvements in the quality of education due to increased investment in training facilities and the development training materials



Sustainable cities and communities

Implementation: basic documents

- OA LUKOIL's Social Code

Execution

- Social and Cultural Projects Contest

Key strategic points

- Increase community activity to solve social problems and facilitate the socio-cultural development of the indigenous minorities of the North



Note. The indicator calculation method will be revised.

Social Investments DMA, G4-EC7, G4-SO1

DMA, G4-EC7
G4-SO1

Social investments and natural investments (just discussed) are supplemented by targeted financing of programs or projects that have a lasting effect and positive impact on living standards in the Russian regions. Social investments are implemented by means

of cooperation agreements with the authorities of the regions and municipalities and through corporate programs. Stakeholder engagement is part of the governance system.

Regional Partnership Agreements

LUKOIL abides by the principles of social partnership and views administrations of Russian districts and municipalities as its key partners in resolving social and economic problems existing in the areas where the Company has a presence.

A wide range of questions is addressed under these agreements: those related to economics, infrastructure, social questions, etc. and region-specific ones (such as support of the indigenous minorities of the North). PJSC LUKOIL holds regular meetings

with the authorities of the regions to evaluate mutual performance of contractual obligations. LUKOIL complies with its obligations consistently, as confirmed by the surveys of its partners.

A substantial part of capital expenditure is invested into social infrastructure development in the regions, including construction and renovation of kindergartens, schools, sporting facilities, out-patient clinics and hospitals, cultural institutions and other socially significant facilities.

Social and Cultural Projects Contest

One of the most effective forms of social investments practiced by PJSC LUKOIL is its Social and Cultural Projects Contest, which has been held annually since 2002 by the LUKOIL Charity Foundation (hereinafter - the “LUKOIL CF”) and Company subsidiaries.



LUKOIL has invested over

700 million rubles

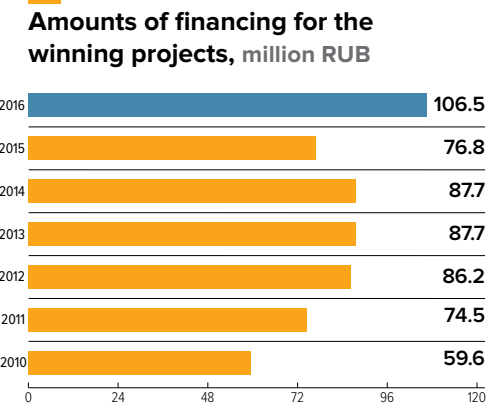
into socially significant projects, since 2002

Contest objective

Stimulate social activity so as to address topical problems in the regions and make the Company’s charitable effort more effective.

Contest results

- Improved social climate
- Decent conditions for sporting activities, creative work and arts created
- Folk arts and crafts revived
- New workplaces created



INTERACTION WITH GRANT RECEIVERS: DEVELOPMENT OF NCO COMPETENCES

In addition to distributing the grant funding for the Social and Cultural Projects Contest, OOO LUKOIL-Volganefteprodukt takes steps to ensure that the contest creates grounds for development of non-commercial organizations and initiatives in the region. Initially (from 2009), training workshops and seminars were arranged for the winners on topics important to NCOs. Since 2015, a new format has been used - the Festival of Winners, which includes a program of lectures, training seminars and presentations of outstanding projects. An exchange of experience between the regions is also incorporated.

The main task of the festival is to act as a unifying platform for NCOs to improve the quality and professionalism of their work and to introduce modern social models and practices into their projects.

The first festival was held on October 13, 2015 in Nizhny Novgorod. 80 NCO representatives from six regions took part in it: The Nizhny Novgorod Region, Vologda Region, Vladimir Region, the Republic of Mari El, Mordovia and Chuvash Republic. On September 27, 2016, also in Nizhny Novgorod, the second Festival of winners was held with a broader range of stakeholders present: the authorities, the LUKOIL Charity Foundation, NCOs, municipal and tax-funded organizations. Leading coaches of the region led special training seminars for the recipients of contest grants.



“Our team from the Yaroslavl Region received lots of useful information and brought back wonderful impressions; we hope to continue our project next year”.

Lyubov Postnikova,
Director of Kindergarten 41, the village of Petrovskoe, contest winner



“The LUKOIL Social and Cultural Projects Contest has been in place in the regions for ten years now. Over this period, non-commercial organizations submitted over 1,500 applications, a third of which received funding. Our objective is to create the necessary foundation for NCOs to move forward without restraint and to implement new ideas”.

Ilya Borodin,
CEO of OOO LUKOIL-Volganefteprodukt

Social entrepreneurship

“More than just a Purchase!”, a partnership project of LUKOIL and “Our Future Foundation”, a Regional Social Program Foundation, is a unique initiative aimed at solving pressing social problems, and creating opportunities for socially disadvantaged groups to find jobs and improve their lives.

Convenience stores at filling stations offer goods manufactured by social entrepreneurs. Assisting small business start-ups and ensuring a distribution channel for their products, the Our Future Foundation and LUKOIL help social enterprises to attain financial stability. As a result, they can offer jobs to a greater number of people including mothers of large families, the elderly, the physically impaired, graduates of childcare institutions, etc.

The first point of sale offering the products of social entrepreneurs was opened in 2014. Over the three years the project has been running, the number

of filling stations participating in the project has increased and the variety of products on offer has been extended.

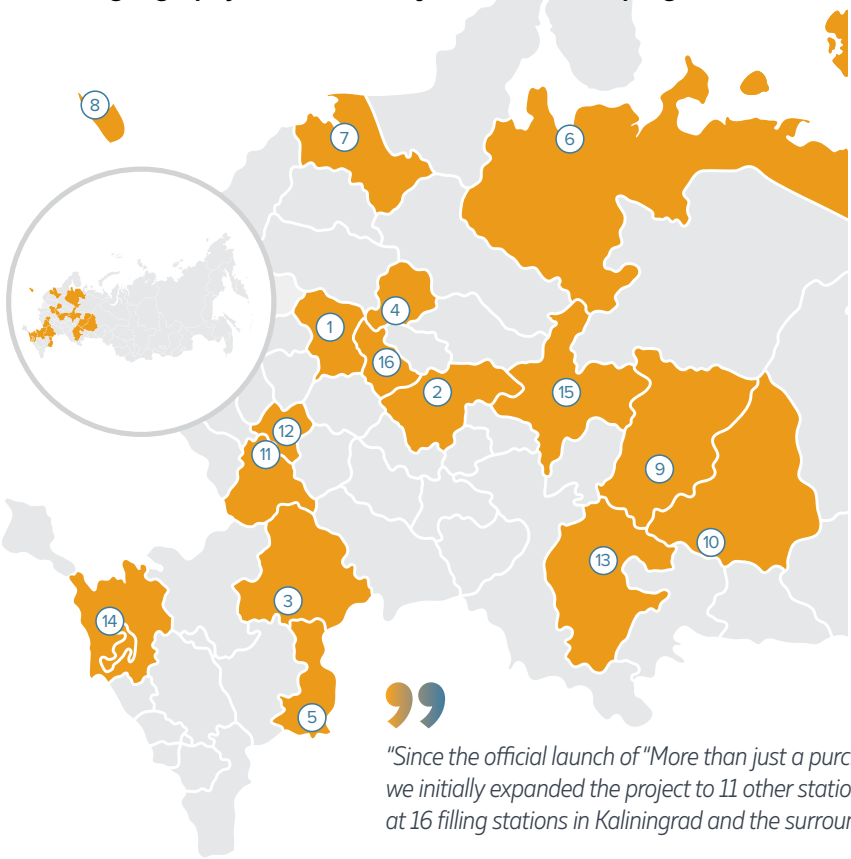
At present, over 20 social enterprises take part in the project. They manufacture souvenirs, popular craftwork items, homewares from natural raw materials and foodstuffs. For instance, in the Nizhny Novgorod Region, LUKOIL filling stations offer Khokhloma painted wares, products of the social projects “Naive? Quite so!” and “It’s easy to help” and other goods.

By buying them, customers of LUKOIL filling stations, together with the Company, support social entrepreneurship and help people solve problems through their own resources. Taking into account the extensive geography of the LUKOIL filling station network, the idea of social entrepreneurship is gradually spreading across the whole of Russia.



БОЛЬШЕ,
чем покупка!

The geography of “More than just a Purchase” program



#	City	Number of filling stations involved in the program
1	Moscow	25
2	Nizhny Novgorod	14
3	Volgograd	11
4	Rostov Veliky	2
5	Astrakhan	4
6	Arkhangelsk	5
7	St. Petersburg	28
8	Kaliningrad	15
9	Perm	23
10	Ekaterinburg	5
11	Voronezh	3
12	Lipetsk	2
13	Ufa	5
14	Krasnodar	5
15	Kirov	5
16	Vladimir	3



“Since the official launch of “More than just a purchase” in Kaliningrad, together with LUKOIL, we initially expanded the project to 11 other stations, and now our stands are present at 16 filling stations in Kaliningrad and the surrounding region”.

Yevgeny Rakhnovsky,
deputy director of Charity
and Social Projects Department of Our Future Foundation



with 8
Russian higher
education
institutions
in the sphere

of oil, chemistry and
energy the Company
maintains long-term
relationship

High quality industry-specific education

Over the years, the Company has been supporting secondary level education and higher education in Russia. The investments in this area are intended to address the following issues:

- improve the facilities and the methodological framework of industry-specific institutions (higher education institutions and colleges) and modernize the educational process;
- increase the interest in technical disciplines among schoolchildren;
- offer more educational opportunities to children from orphanages;

- participate in the implementation of state policy aimed at the improvement of professional education in the country.

Thanks to the Company’s support, the facilities and the educational foundations of industry-specific educational institutions have been significantly reinforced: new manuals have been published, and promising students and talented teachers have received support.

Interaction between the LUKOIL Group and Russian higher education institutions

The number of education institutions the Company collaborates with, both in Russia and abroad, continues to increase. In 2016, a Cooperation agreement was signed with Tyumen industrial university and Bukhara Oil and Gas Professional College. The Bukhara college is considered to be one of the core sites used to prepare and train future employees (primarily operating personnel) in the Republic of Uzbekistan.

A Long-standing cooperation relationship exists between LUKOIL and Gubkin Russian State University of Oil and Gas, in the area of research, engineering

and education. In 2015, at a meeting jointly held by the Innovative Management Academic Department and the Task Team responsible for maintaining contacts with the university, the 2016–2018 Action Plan was approved.

Since 2013, multifunctional centers for applied oil-specific professions have been established by the Company. Their objective is to bridge the gap between the economic need for skilled workers and the real level of education they receive in the academic system.

Comprehensive program of cooperation between LUKOIL Group entities and industry-specific higher education institutions (oil, chemistry and energy)



Key Areas
of Cooperation

- career guidance for schoolchildren;
- work with students in higher education;
- training and development of LUKOIL Group entities and staff;
- research and technology activities;
- procurement activities.



Implementation
mechanisms

- set-up of educational organization departments at LUKOIL Group entities;
- development of professional standards jointly with industry-specific educational organizations and changing educational standards based on them;
- internships for students and on-the-job training for professors at LUKOIL entities;
- participation of students and professors of higher education institutions in sci-tech contests and LUKOIL young specialists conferences, lectures by Company representatives at universities, etc.



In 2015-2016

New departments opened:

- the specialized Oil and Gas Engineering department of Perm national polytechnic research university at OOO LUKOIL Engineering branch PermNIPneft;
- the specialized Innovative Well Construction Technologies department of Tyumen industrial university at OOO LUKOIL Engineering branch KogalymNIPneft’.

Lectures at educational institutions were delivered by representatives of OOO LLK International, OOO LUKOIL Engineering and AO RITEK

Scholarships

Since 2000, within the framework of the Charity program, the Company has been funding personal scholarships and grants to support talented students and young academic staff at oil-industry oriented or technical higher education institutions.

Scholarship program indicators in Russia

Indicator	2015	2016
Student grants		
Scholarship holders, persons	185	185
Amount of financing, million RUB	5.6	5.3
Personal grants for academic staff		
Grant holders, persons	80	80
Amount of financing, million RUB	9.7	8.4

The following higher education institutions have received assistance in the reporting period:

- Saint-Petersburg State University - for the implementation of new research projects;
- The Museum of Geology under the Russian Academy of Science - for the establishment of an Intercollegiate academic navigation center for mining and geology-specific professions;
- M.V. Lomonosov Northern (Arctic) University - to equip the scientific library.

SIRIUS Education center

In 2016, the management of the Company decided to provide financial support to the SIRIUS Educational Center in Sochi, as its objectives are in line with the Company’s priorities in the area of educational development.

The objective of the SIRIUS Center is to single out gifted children who have demonstrated outstanding abilities in the area of art, sports, science and technical creative endeavors at an early stage. Every month SIRIUS receives 600 children, aged ten to seventeen, from several dozen Russian regions. They have been accompanied by over 100 teachers and coaches, who are given an opportunity to improve their competencies at the Center.

The children are taught and trained by leading teachers from schools specializing in sports, physics, mathematics, chemistry and biology, and also by well-known figures in Russian academic music, classical ballet and fine arts.



Since 2000, the Company has been funding personal scholarships and grants to support talented students and young academic staff at oil-industry oriented or technical higher education institutions

Interaction with the indigenous minorities of the North **G4-OG9**

Expansion of oil and gas production in the regions of Siberia and the Arctic zone by the Company's subsidiaries affects the traditional way of life and the traditional economy of the indigenous minorities of the North (IMN).

Management Approaches

The Company bases its interaction with the IMN on the principles of respect towards their rights, legitimate interests, ethnic and cultural uniqueness and traditions. The Company's policy regarding the indigenous minorities of the North is set forth in the provisions of the contracts between PJSC LUKOIL and the autonomous areas. **DMA**

PJSC LUKOIL builds its relations with indigenous people on the basis of clauses contained in its license agreements, agreements on socio-economic development of regions and places with a dense population of indigenous minorities. The Company's duties include such activities as:

- compensation for environmental damage;
- compensation for damages to the traditional natural resources utilized by the indigenous minorities of the North;
- consultation with the indigenous population on the construction of facilities and exploration activities;
- implementation of environmental protection measures;

- provision of helicopters and vehicles for medical services and transportation of products for the indigenous minorities, and many other services.

In accordance with the legislation of the Russian Federation, prior to the launch of industrial projects, the subsidiaries hold public hearings to evaluate the environmental impact (EI) of the project, where the IMN can share their suggestions. The consent of the IMN to the implementation of hydrocarbon upstream projects is determined by EI procedures.

Departments for relations with indigenous people have been created in subsidiaries (or persons responsible have been appointed), by means of which complaints and suggestions can be submitted to the Company. From time to time, subsidiary employees undertake trips to nomad camps and national settlements so as to meet the indigenous people in person.

Interaction mechanisms

Following international principles and best practice, as projects are being implemented, subsidiaries maintain a constant dialogue with the indigenous people, supporting their socio-economic development and the preservation of their culture and traditions. The IMN interaction policy is governed by the provisions of the Social Code of OAO LUKOIL (p. 2.4. Preservation of national/cultural authenticity).

Implementation of the provisions of the Social Code is carried out through programs approved annually by subsidiaries in the Khanty-Mansiisk Autonomous Area - Yugra, the Yamalo-Nenets Autonomous Area, the Nenets Autonomous Area, the Komi Republic, West Siberia and the Perm Territory. The key mechanisms of interaction include:

- cooperation agreements with the authorities of the regions of the Russian Federation and PJSC LUKOIL;

- economic agreements with leaders of territories on traditional ecological management;
- socio-economic development agreements with deer farms;
- agreements and cooperation with the non-governmental IMN organizations, such as Save Yugra, Yamal - for our Descendants, the Assembly of the Indigenous Minorities of the North, Association of the Nenets people Yasavey, the Union of Deer Breeders, etc.;
- Social and Cultural Projects Contest.

Economic agreements with the leaders of territories on traditional ecological management of the Khanty-Mansiisk Autonomous Area - Yugra, has made it possible to maintain a traditional lifestyle and indigenous economic activities. The compensations payable under the economic agreements include monetary payments, provision

of boats, snowmobiles, sleighs, out-board engines, power stations, chainsaws, compound animal feeds, air- and automobile transportation, medical care, education and job opportunities.

In the Nenets Autonomous Area, PJSC LUKOIL supports the IMN in accordance with the agreements on socio-economic development of agricultural production cooperatives in the territories in which it operates. Under the agreements, the deer farms build houses

and corrals, purchase equipment and fuel, arrange vacations for the deer breeders and their children and ensure adequate, vitamin-rich nutrition.

The Company gives priority attention to its relations with non-governmental organizations, particularly in the sphere of the preservation of ethnic identity, language and cultures of the IMN. As part of the Social and Cultural Projects Contest, PJSC LUKOIL supports initiatives of the IMN.

G4-14



Rules of conduct

LUKOIL Group entities take steps to inform their employees and the employees of their contractors of the rules of conduct in the territories of traditional lifestyles and activities of the indigenous people so as to avoid conflict situations

Rules of operation in the territories of traditional IMN residence

Prior to development, each field is studied by archeologists who run mandatory historic/cultural research. It is obligatory to obtain the consent of the indigenous population for planned development sites and geological exploration in order to avoid future conflicts at the planning stage and take into account the interests of all parties. **G4-14**

LUKOIL Group entities take steps to inform their employees and the employees of their contractors of the rules of conduct in the territories of traditional

lifestyles and activities of the indigenous people so as to avoid conflict situations. At OOO LUKOIL West Siberia such activities are governed by Order No. 262 "On the measures limiting access to the territories of communal family lands". The rules outline limitations of access to the territories of communal family lands for the purposes of wild crops harvesting, hunting, fishing and visits to nomad camps. It is also prohibited to keep dogs and to tame dogs. Air transportation over nomad camps, deer calving locations and pasture is to be avoided.

Prospects and plans of interaction

The plans of PJSC LUKOIL as regards further development of interaction with the IMN



full compliance with legislation on indigenous issues



further enhancement of environmental safety measures



assistance in preservation of traditional lifestyles of the indigenous population in the territories impacted by the construction of facilities

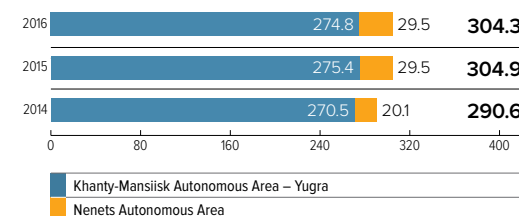


study of the life issues of the indigenous population in the regions of activities and joint resolution of these issues



further improvement of the dialogue between stakeholders

Support of IMN in Russia under the license commitments of the subsidiaries, million RUB



Note. License commitments include compensatory payments under the Economic agreements with the leaders of territories of traditional natural management and under agreements on socio- economic development with deer farms.



Charity and Sponsorship G4-EC8

Support for childcare organizations

The goal of the Orphanages and Boarding Schools Support Program is to help their graduates receive education, improve their health, get a profession and find their place in life. Starting from 2006, the LUKOIL Charity Foundation has been paying out personalized 'LUKOIL' scholarships to the alumni of the sponsored orphanages studying at higher and secondary education institutions. In 2016, scholarships were paid to 49 orphanage graduates.

In the Nizhny Novgorod Region, the Foundation provides assistance to the Kstovo Petroleum Technical School, which also includes students of sponsored orphanages (in 2016 the Foundation supported four scholarship holders). Thus, a comprehensive program of social integration for children in difficult circumstances is being implemented.

During the vacation period, the Foundation arranged a trip to Moscow for the students of the Astrakhan Region orphanages who won the drawing contest, "We're Drawing the Kremlin". The main event of this trip was an exhibition of the drawings of the contest winners in the Grand entrance hall of the Armory of the Moscow Kremlin museum and the award ceremony.

PJSC LUKOIL has been sponsoring the "Spasskaya Tower" international military music festival for many years. Every year orphanage students are invited to the festival. Apart from seeing the festival performances, they can participate in the master classes, quests and interactive programs.



In the reporting period, the Foundation continued its support of Children's Art Schools in the regions where the Company is present and acquired musical instruments for the schools in the Volgograd Region, the Nizhny Novgorod Region, the Samara Region and the Republic of Kalmykia.

Special attention is given by the Foundation to the children in need of specialized assistance. The project called "A Book as a Gift to Every Blind Child" has been underway for many years as part of the Illustrated Books for Young Visually Impaired Children Program. In 2015-2016, such editions were handed over to specialized childcare institutions of the Astrakhan Region and Kaliningrad Region, Perm, Samara, Kazan and Budennovsk.

The LUKOIL Group entities in Bulgaria traditionally take part in the Bulgarian President's charity initiative Bulgarian Christmas, which helps raise funds for the treatment of sick children and for upgrading of equipment at children's hospitals.



Support for healthcare organizations

LUKOIL Charity Foundation (CF) supports large medical research centers and treatment centers both at the federal and regional level. The Foundation's support fosters development of the medical service system and helps improve the technological infrastructure of medical institutions. Among the regular partners of the Foundation: The Russian Cardiology Research Center and the A.V. Vishnevsky Surgical Institute.

On a yearly basis, assistance is provided to regional and specialized hospitals. In 2015-2016 such assistance was given to the medical institutions in Mezen (the Arkhangelsk Region), Usinsk (the Komi Republic), the village of Bolshoye Murashkino and Kstovo (the Nizhny Novgorod Region), Narimanovo and Liman (the Astrakhan Region), Nizhny Novgorod children's clinical hospital, the Rehabilitation Center named after G.N. Romanov in Saint Petersburg, and others.

Cultural and historical heritage preservation

LUKOIL considers it an important public mission to promote Russian culture and art and to preserve it for future generations. The Company supports museums, theaters, philharmonic societies, art galleries, performance groups, both on a regular basis and under separate projects. Support of High Art is a priority.

In 2015-2016 LUKOIL acted as a partner in the following exhibitions and projects:

- In the Tretyakov State Gallery - Pavel Kuznetsov. Day-dreams. Tair Salakhov. High sun;
- At the State Historical Museum - Saint Vladimir, Equal-to-the-Apostles, Festive clothing of the Russian peoples in the 19th–20th centuries;
- At the Moscow Kremlin Museums:
 - The traveling exhibition, Tsar's and Imperial Hunts from the collections of the Moscow Kremlin Museums at the P.M. Dogadin Astrakhan Gallery;
 - The traveling exhibition in Samara, "Honors of the Russian Empire". From the collections of the Moscow Kremlin museums;
- in the Russian museum – exhibitions: "Serov. Not a portrait painter", "Silvester Shchedrin and the school of Posilippo";
- At the Pushkin State Museum of Fine Arts - "The Voices of André Malraux's Imaginary Museum"; Funding was provided so as to set up an archive and perform a restoration of a collection of Sumerian cuneiform tablets.

The Perm branch of the Foundation provided substantial support to the M.A. Tverye Industrial Hospital No. 9, Municipal Children's Clinic No. 5, the Perm Territory Children's Clinical Hospital, Comprehensive Rehabilitation Center for the Disabled, Municipal Clinical Hospitals No. 3 and No. 21 and Children's Clinical Hospital No. 13.

In Italy, since 2013, the ISAB S.r.l. refinery has been supporting a multi-year project of prevention and treatment of cancerous diseases in Sicily in cooperation with the regional branch of the National Healthcare Institute Azienda Sanitaria Provinciale. Free medical examinations help spot cancerous diseases at an early stage.



LUKOIL Charity Foundation (CF)

supports large medical research centers and treatment centers both at the federal and regional level



THE COMPANY SUPPORTS MUSEUMS, THEATERS, PHILHARMONIC SOCIETIES, ART GALLERIES, PERFORMANCE GROUPS, BOTH ON A REGULAR BASIS AND UNDER SEPARATE PROJECTS. SUPPORT OF HIGH ART IS A PRIORITY.



One of the large projects

of the reporting period was support of a new permanent exhibition “Northeast Passage” at the Fram museum in Oslo, Norway

With the aid of the LUKOIL Charity Foundation, assistance has been provided to:

- V.M. and A.M. Vasnetsov Vyatka Region Museum of Fine Arts - to organize a number of exhibitions Her Majesty Collection dedicated to the 100th anniversary since foundation of the museum;
- The A.N. Radishchev Saratov Museum - to purchase a painting by the artist V.A. Uchaev Encounter. My father and son. 1986-1987 and to publish the album “Russian avant-garde”. The capitals and province;
- The I.I. Mashkov Volgograd Museum of Fine Arts - for the restoration of the painting “Portrait of a Lady in Black”. 17th century. Artist unknown;
- The Kaliningrad Regional Museum of Amber – for the addition of two amber articles to the collection;
- The Nizhny Novgorod State Museum of Arts - for the traveling exhibition from the collection of the Tretyakov State Gallery “At the Turn of the Century”;



- P.M. Dogadin State Art Gallery in Astrakhan - for restoration of paintings in the main collection of the gallery;
- A museum of samovars has been founded in Saratov.

The LUKOIL CF has supported a number of cultural events, and in particular:

- the all-Russian music festival “Crescendo”;
- the tour of the Youth Symphonic Orchestra of the Karelia Republic and the Urals Philharmonic Orchestra in Germany;
- concerts of the Moscow Synodal Choir;
- production of the opera “The Legend of the Invisible City of Kitezh and Maid Fevronia” by N. Rimsky-Korsakov at the Astrakhan State Theatre of Opera and Ballet;
- The 4th Muslim Magomaev International Vocalists Contest;
- The 10th International Vocalist Contest, “Amber Nightingale in Kaliningrad”;
- the music festivals “Opera Live” and “See the Music”.

The Foundation continued to support the Tchaikovsky Symphony Orchestra under the direction of V. Fedoseev, the P.I.Tchaikovsky Perm State Theater of Opera and Ballet, the Kaliningrad Region Philharmonic Society and its program “To the concert en famille!”.

The Company also supports the Chamber orchestra of Geneva on a multi-year basis. In the course of this lasting and fruitful partnership, the Company has become a notable participant of the key musical events of the region, including Christmas concerts.

One of the large projects of the reporting period was support of a new permanent exhibition “Northeast Passage” at the Fram museum in Oslo, Norway. The exhibition is dedicated to the historical cooperation between Russian and Norwegian explorers of the Arctic region in 18th-19th centuries. The exhibition materials have been collected with the participation of the Russian Geographic Society. Thus, LUKOIL keeps up the traditions of such cooperation, implementing joint projects with Norwegian partners in the Norwegian sector of the Barents Sea.

Corporate Museum Network

The Company’s museum network comprises the PJSC LUKOIL Museum, founded in 2005, and over 25 museums of its subsidiaries in various Russian regions, Bulgaria and Romania. These are corporate museums, functioning as universal communication centers, keeping up the best traditions of the oil and gas industry.

Museum events and exhibitions are an essential part of the activities conducted by the museum network. PJSC LUKOIL Museum arranged over 20 temporary exhibitions in 2015-2016; among them - the 25th anniversary of PJSC LUKOIL, the 10th anniversary of OOO LLK International, The Energy of Victory (on the actions performed by oilmen in the Great Patriotic War (WWII), V.D. Shashin’s 100th birthday anniversary, the Youth Policy of the Company, The History of Oil and Gas Industry Awards, and many others.

Sports

Over a number of years, LUKOIL has focused special attention on the support of sports and the promotion of a healthy lifestyle. The Company supports both professional and amateur teams, making children and youth sports a priority.

Among the professional teams supported by LUKOIL: the football club Spartak-Moscow; the Astrakhan handball club Zarya Kaspiya; the Arkhangelsk hockey club Vodnik; the Volgograd water polo club Spartak; the Cross Country Skiing Federation of Russia; the Nizhny Novgorod ice-hockey club Torpedo; and the racing team LUKOIL Racing.

PJSC LUKOIL has been the general sponsor of one of the most popular Russian football clubs - Spartak Moscow – since 2000. The team is a twelve-time champion of the USSR and a nine-time champion of Russia. The F.F. Cherenkov Spartak Football Academy operates as part of the club; around 600 young athletes are trained in the academy.

The handball club Zarya Kaspiya, Astrakhan, is one of the top-ranking clubs of Russian handball. Over the years the club has been supported by LUKOIL, it has won silver (2001-2008) and bronze (2000) awards at the Championships of Russia several times.

The Company’s museum collection, with over 5,000 items, is, in the opinion of many experts, one of the country’s most sizeable themed collections. It documents various stages of the development of the oil and gas industry and is shows the history of its formation and its current state. Exhibits from LUKOIL’s museums were often used to illustrate textbooks, historic chronicles, books and magazine articles.

The excellent facilities at the Company’s museums makes it possible for them to be used as training centers for employees of all levels, schoolchildren and university students. Since 2010, the students of I.M. Gubkin Russian State University of Oil and Gas have regularly held classes in the Company’s Museum in order to study the history of the Russian oil and gas industry and corporate culture of oil and gas companies.



A Youth Athletic Center has been created on the basis of the club, where some 900 young handball players train on a regular basis.

The professional water polo club Spartak-Volgograd is the leader of the Russian water polo Super-league.

The LUKOIL Racing Team is the leader in national car racing. Apart from participation in competitions, the team trains drivers and develops their careers; develops, tests, manufactures and prepares racing cars for competitions. LUKOIL racing team members have won over 70 Championships and Russian Cups and have secured around 700 victories in Russian and international competitions. Over the entire history of the USSR and Russia, no other racing team has ever achieved such results.



Over a number of years

LUKOIL has focused special attention on the support of sports and the promotion of a healthy lifestyle



>3,5
thousand
participants

are brought together
by the Children's
Champions Cup
of LUKOIL

Children's Champions Cup of LUKOIL

One of the most notable projects in the reporting period was the Children's Champions Cup of LUKOIL - an international social project; the objective is to counter racial intolerance and discrimination in football. The project unites national associations and clubs of 40 countries and over 3,500 participants. Children's teams from the countries of Europe and Asia and well-known football players participate in the project. The Project Ambassadors are the stars of global football and coaches who won international trophies in professional sports. The final games of 2016 took place in the stadium Otkrytiye Arena. The winners were the 12-year old football players of the Portuguese team Benfica, silver went to the Italian team Genoa, while Spartak Moscow won bronze. The audience of the competitions included over 2,500 children and athletes.

Children's Football League

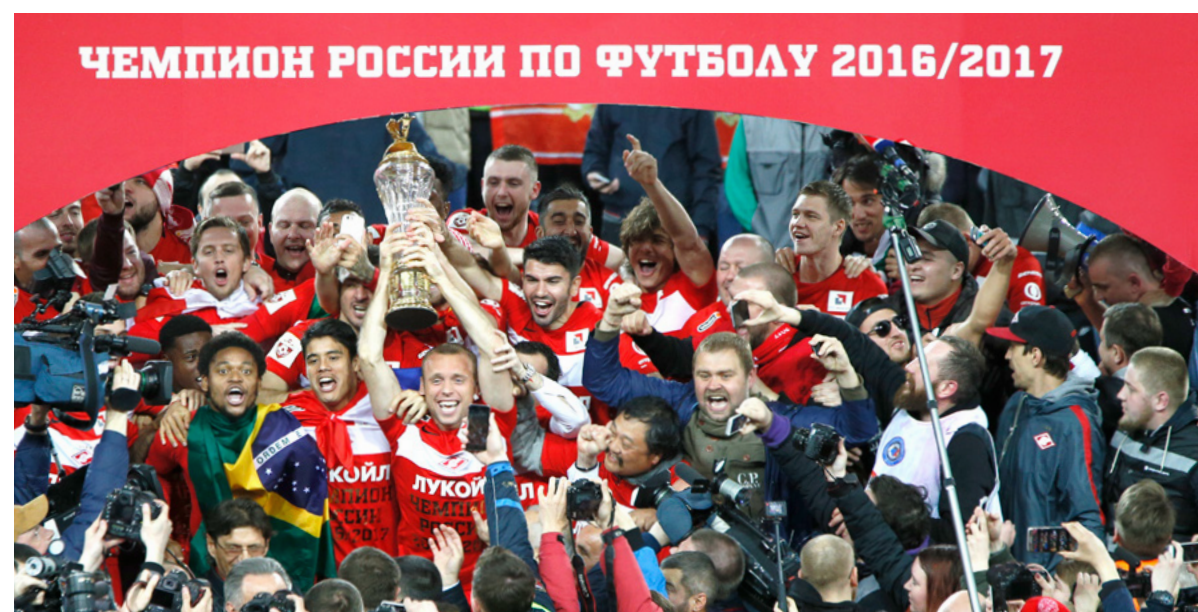
Since 2001, PJSC LUKOIL has been supporting one of Russia's largest children's sporting organizations - the Children's Football League (CFL), a regional non-governmental organization. Around 3,000 teams and 48,000 young football players from various regions of Russia take part in the CFL competitions.

In the reporting period, a number of tournaments, which have now become traditional, were held: the competition "Big stars shine on smaller ones" supervised by well-known football players and coaches is held in 16 cities of Russia (over the summer period); the competition "The field of honors in battle" commemorating 70 years since the Victory in the Great Patriotic War (WWII); open championships of CFL in eight cities of Russia (over the summer period); the traditional tournament in memory of the Fedotov brothers in Moscow (in spring), and several others.



A Biking City in Bulgaria

Since 2012, the Company has been supporting the Burgas administration project, "A Biking City - a model of modern city mobility". This project has introduced a vast bicycle infrastructure to Burgas, which has contributed to the development of the resort's tourist potential. The project makes it possible to reduce CO₂ emissions and promotes a healthy lifestyle.



Promotion of a healthy lifestyle among schoolchildren in Turkey

Since 2015 LUKOIL Eurasia Petrol Anonim Sirketi has been implementing social projects in the territory of Turkey, supporting the pupils of primary schools. Every month the entity's employees select a school and pay a visit, bringing gifts and presents. The leading

football clubs of the country took part in some of the projects, sending sports equipment and club uniforms to the children. In 2016 at the Turkish Energy Forum LUKOIL Eurasia Petrol Anonim Sirketi received the Altin Varil award for sponsorship of these social projects.





102 Table of conformity to the GRI Guidelines, UN Global Compact and RUIE's Core Performance Indicators

113 Conclusion of the RUIE

123 Basic terms and notions

109 Conclusion of KPMG

119 Reporting boundaries

125 Contact Information on the Report

Table of the Report’s Conformity to the GRI Guidelines (G4 basic version), UN Global Compact and RUIE’s Core Performance Indicators (2008)

General standard disclosures		
Indicator	Statement	Report page
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker of the organization	02
G4-2	Description of key impacts, risks, and opportunities	02, 22, 32
ORGANIZATIONAL PROFILE		
G4-3	Report the name of the organization.	06, 11
G4-4	Report the primary brands, products, and services.	14
G4-5	Report the location of the organization’s headquarters.	11
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has major subdivisions or that are specifically relevant to the sustainable development issues covered in the report.	12, 14, 16
	Report the nature of ownership and legal form.	
G4-7	See 2016 Annual Report, p. 121	GRI Table
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	16
G4-9	Report the scale of the organization, including: <ul style="list-style-type: none">• total number of employees; total number of subdivisions; net sales;• total capitalization broken down in terms of debt and equity; quantity of products or services provided.	12, 13, 16, 17
	See the net debt to equity ratio, 2016 Annual Report, p. 121.	
G4-10 CPI 3.1.1	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization’s work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of subcontractors. f. Report any significant seasonal variations in employment	71
	The Company doesn’t keep records on employment agreements with a breakdown by permanent employees and temporary employees. Workers who are legally recognized as self-employed, or individuals other than employees or supervised workers are not engaged to perform any share of the operations.	
G4-11 UN GC Annex 3 CPI 3.1.4	Report the percentage of total employees covered by collective agreements.	64
G4-12	Describe the organization’s supply chain.	37
G4-13	a. Report any significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none">• changes in the subdivisions or their location, or changes in operations, including facility openings, closings, and expansions;• changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations);• changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination of such relationships.	13, 14, 16
	See also the Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in the Foreign Assets, p. 3, 40	

General standard disclosures		
Indicator	Statement	Report page
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	93
	The Company employs the precautionary approach as part of its existing risk management system in the exercise of the EI procedures and planning of its Environmental Safety Program activities. See also the Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in the Foreign Assets, p. 9, 36, 47	
G4-15 CPI 3.3.4	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	06, 21, 42
G4-16 CPI 3.3.5	a. List memberships of associations (such as industry associations) and/or national or international advocacy organizations in which the organization: <ul style="list-style-type: none">• holds a position on the governance body;• participates in projects or committees;• provides substantive funding beyond routine membership dues;• views membership as strategic.	GRI Table
	PJSC LUKOIL is a member of RUIE, the Russian Chamber of Commerce and Industry, the Russian Union of Oil and Gas Producers. V.Y. Alekperov, President and CEO of PJSC LUKOIL, is a member of the Management Committee of the Russian Union of Industrialists and Entrepreneurs (RUIE) and head of the Energy Policy and Energy Efficiency Committee within the Council of the Russian Union of Oil and Gas Producers.	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	a. List all entities included in the organization’s consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization’s consolidated financial statements or equivalent documents are not covered by the sustainability report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.	121
	Major subsidiary list – see the 2016 Annual Report, Annex 5, note 33, p. 115	
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content. About the Report	06, 121
G4-19	List all the material Aspects identified in the process of defining report content. About the Report	06
G4-20	For each Material Aspect, report the Aspect Boundary within the organization, as follows: <ul style="list-style-type: none">• report whether the Aspect is material within the organization;• if the Aspect is not material for all entities within the organization, select one of the following two approaches and report either:<ul style="list-style-type: none">▸ the list of entities or groups of entities included in G4-17 for which the Aspect is not material or,▸ the list of entities or groups of entities included in G4-17 for which the Aspect is material.	06
	Report any specific limitation regarding the Aspect Boundary within the organization.	
G4-21	For each Material Aspect, report the Aspect Boundary outside the organization, as follows: <ul style="list-style-type: none">• report whether the Aspect is material outside the organization;• if the Aspect is material outside the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified;• report any specific limitation regarding the Aspect Boundary outside the organization	06
	If any indicators shown in the previous reports have been reworded, report the results of such rewording and specify the reasons for it.	
G4-22	Nothing has been reworded.	GRI Table
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	06

General standard disclosures		
Indicator	Statement	Report page
STAKEHOLDER ENGAGEMENT		
G4-24	Provide a list of stakeholder groups engaged by the organization.	
G4-25	Report the basis for identification and selection of stakeholders to be engaged.	34, 35
G4-26	Report the organization’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	34
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key issues and concerns, including through its reporting. Report the stakeholder groups that raised each of the key issues and concerns.	06
REPORT PROFILE		
G4-28	Reporting period (such as fiscal or calendar year) for which information is provided.	06
G4-29	Date of most recent previous sustainability report (if any).	06
G4-30	Reporting cycle (such as annual, biennial).	06
G4-31	Provide the contact person for questions regarding the report or its contents.	127
G4-32	a. Specify the preparation option ‘in accordance’ with GRI the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be ‘in accordance’ with the Guidelines.	06
	Certificate of public assurance of the report by RUIE. Independent audit of the non-financial report by KPMG.	111, 120
G4-33	a. Report the organization’s policy and current practice with regard to seeking external assurance for the sustainability report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the external assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking external assurance for the organization’s sustainability report.	115
CORPORATE GOVERNANCE		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	27
	The corporate governance structure is detailed in the 2016 Annual Report, p. 80-108	
G4-42	Report the highest governance body’s and senior executives’ roles in the development, approval, and updating of the organization’s purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	25
G4-44	Report the processes for evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social issues	28
G4-46	Report the highest governance body’s role in reviewing the effectiveness of the organization’s risk management processes for economic, environmental and social issues	25
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	29
ETHICS AND INTEGRITY		
G4-56 UN GC Annex 10 CPI 1.1	Describe the organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	31

Specific standard disclosures

Material Aspects	DMA and Indicators	Report page
ECONOMIC CATEGORY		
Economic performance	DMA	11
	2016 Annual Report, p. 14-17	
	G4-EC1 Economic value generated and direct economic value distributed	
	See the 2015 and 2016 Annual Reports, featuring the following indicators: proceeds, OPEX, taxes paid, excise taxes and duties, credit and loan payments, distribution of dividends, personnel costs, benefit plan payments.	Annual Reports for 2015 and 2016
	G4-EC3 Coverage of the organization’s defined benefit plan obligations CPI 1.8	78
	Additionally see the 2016 Annual Report, Note 22 to the consolidated financial statements, p. 101. The National Rating Agency confirmed the highest reliability rating of AO NPF LUKOIL-GARANT at “AAA”.	Annual Reports for 2015 and 2016
Presence in the markets	G4-EC4 Financial assistance received from government	GRI Table
	Federal and regional laws provide for tax benefits in a number of Russian constituent entities where PJSC LUKOIL’s subsidiaries operate	
	DMA	73
Indirect economic impact	G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	74
	Average salary in the Russian entities of the LUKOIL Group compared to average salary in regions of presence	
Reserves	DMA	87
	G4-EC7 Development and impact of infrastructure investments and services supported	20, 87
	G4-EC8 Significant indirect economic impacts, including the extent of impacts	11, 94
Reserves	GRI G4 OG1 Proved reserves and production	13
	Proved reserves – see the 2016 Annual Report, p. 45	
ENVIRONMENTAL CATEGORY		
Energy	DMA	18
	G4-EN3 Energy consumption within the organization UN GC Annex 7, 8;CPI 2.2	18
	G4-EN5 Energy intensity	18
	G4-EN6 Energy reduction UN GC Annex 7.8	19
	GRI G4 OG3 Total renewable energy production by sources	20
Water	DMA	50, 51
	G4-EN8 Total water withdrawal broken down into sources UN GC Annex 7, 8 ; CPI 2.3	52
	G4-EN10 Percentage and total volume of water recycled and reused	52
Conservation of ecosystems, including biodiversity	DMA	55, 56
	G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside the protected areas or adjacent to them UN GC Annex 8	56
	Sustainable Development of the Russian Regions and corporate social responsibility practices in the foreign assets	
	G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	55, 56
	G4-EN14 Total number of IUCN Red List of Threatened Species and national conservation list species with habitats in the areas affected by operations, by level of extinction risk	55
Conservation of ecosystems, including biodiversity	Individual cases described	

Material Aspects	DMA and Indicators	Report page
Atmospheric emissions	DMA	47
	G4-EN15 Direct GHG emissions (Scope 1) UN GC Annex 7, 8 ; CPI 2	49
	Total volumes of direct GHG emissions are disclosed for 2016. Data on GHG emissions are disclosed for the first time; in future the reporting system will be improved	49
	G4-EN18 Greenhouse gas emissions intensity	49
	G4-EN20 Emissions of ozone-depleting substances UN GC Annex 7.8	48
	G4-EN21 NO _x , SO _x and other significant air emissions UN GC Annex 7, 8 ; CPI 2.6	49
Effluent discharges and waste handling	DMA	53
	G4-EN22 Total water discharge by quality and destination UN GC Annex 8 ; CPI 2.7	52
	G4-EN23 Total weight of waste by type and disposal method UN GC Annex 8 ; CPI 2.8	54
	G4-EN24 Total number and volume of significant spills UN GC Annex 8 ; CPI 2.9	58
	G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention, Annex I, II, III, and VIII, and percentage of transported waste shipped internationally UN GC Annex 8	GRI Table
	The Company does not perform such operations.	
	GRI G4 OG6 Total volume of APG flaring	47
	GRI G4 OG7 Total drilling waste (drilling mud and cuttings), disposal and placement approaches	53
	The indicator is partially reflected.	
General information	DMA	44
	G4-EN31 Total environmental protection expenditures and investments by type UN GC Annex 8 ; CPI 2.12	47
SOCIAL CATEGORY		
Labor practices and decent work		
Employment	DMA	70
	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region UN GC Annex 6 ; CPI 3.1.2 and 3.1.3	71, 72
	G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	75
Employee-Employer relations	G4-LA4 Minimum notice periods regarding substantial operational changes	GRI Table
	In accordance with the laws of the countries where LUKOIL is present	
Health and on-site safety	DMA	66
	G4-LA5 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	67
	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absentee rate, and total number of work-related fatalities, by region and by gender CPI 3.1.5 - 3.1.8	69
	G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	77
	G4-LA8 Health and safety issues covered in formal agreements with trade unions	64

Material Aspects	DMA and Indicators	Report page
	DMA / CPI 3.1.11	80
	G4-LA9 Average hours of training per year per employee by gender, and by employee category UN GC Annex 6 ; CPI 3.1.10	80
	The report indicates the number of persons that underwent training	
	G4-LA10 Programs for skill management and lifelong learning that support the continued employability of employees and assists them at the end of their career.	81
	G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category UN GC Annex 6	79
Diversity and equal opportunities	G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, or minority group membership	28
Equal remuneration for women and men	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	73 GRI Table
	The basic amounts of employees' salaries are not dependent on their gender.	73
Labor practices assessment	G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	37
Grievance mechanism in regard to labor practices	DMA G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	31
	Indicates grievances submitted by the LUKOIL Group employees to the Business Ethics Committee	
HUMAN RIGHTS		
Freedom of association and collective negotiations	DMA	63, 64
	HR4 Subdivisions and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	GRI Table
	No such violations have been discovered in the reporting period	
Child labor	DMA	63, 64
	HR5 Subdivisions and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	GRI Table
Forced or compulsory labor	No such violations have been discovered in the reporting period	
	DMA	63
	HR6 Subdivisions and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	GRI Table
	No such violations have been discovered in the reporting period	

Material Aspects	DMA and Indicators	Report page
Rights of indigenous peoples/ minorities	DMA	63, 92
	G4-HR8 Total number of incidents of violations involving rights of indigenous peoples and actions taken UN GC Annex 1; CPI 3.2.3	GRI Table
	No such cases have been identified in the reporting period, all contractual obligations have been fulfilled. Also see the Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in the Foreign Assets, p. 15, 38	GRI Table
	G4-OG9 Operations affecting the indigenous peoples and activities to establish relations with such peoples	92, 93
	See the Sustainable Development of the Russian Regions and Corporate Social Responsibility Practices in the Foreign Assets, p. 15, 38	
Grievance mechanisms in cases of human rights violations	DMA / CPI 3.1.12	65
	G4-HR12 Number of grievances concerning human rights UN GC Annex 1; CPI 3.2.2	GRI Table
	No such cases have been identified in the reporting period	
COMMUNITY		
Local communities	DMA CPI 3.3.1 and 3.3.3	85, 92
	G4-SO1 Percentage of subdivisions with implemented local community engagement, impact assessments, and development programs UN GC Annex 1; CPI 3.3.2	87, GRI Table
	All Company subsidiaries have programs for local community engagement in place and in progress.	
Anti-corruption	DMA	32
	G4-SO4 Communication and training on anti-corruption policies and procedures UN GC Annex 10	32
	G4-SO5 Confirmed incidents of corruption and actions taken UN GC Annex 10	GRI Table
	No such cases have been identified in the reporting period	
Government Policy	G4-SO6 Total monetary value of political contributions UN GC Annex 10; CPI 3.3.1	GRI Table
	LUKOIL does not make political contributions	
Anti-competitive behavior	G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	31
Compliance	DMA	31
	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Annual Report for 2016
	For the details, see 2016 Annual Report, Note 29 to the Consolidated Financial Statements, p. 110	Annual Report for 2016
PRODUCT RESPONSIBILITY		
Labeling of Products and Services	G4-PR5 Results of surveys measuring customer satisfaction	16, 35, 36
	G4-PR6 Sale of banned or disputed products	GRI Table
Marketing communications	As required by the Russian law, the LUKOIL filling stations do not sell alcohol (including beer), while tobacco products are sold in accordance with Federal Law No.15-FZ of February 23, 2013 "On Protection of Health of the Public from Exposure to Environmental Tobacco Smoke and Consequences of Tobacco Use"	



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G4-32,
G4-33

Independent Limited Assurance
Report on the LUKOIL Group
Sustainability Report 2015–2016

To the Management of PJSC LUKOIL

Introduction

We were engaged by the Management of PJSC LUKOIL (the “Management”) to perform an assignment resulting in the issue of an independent limited assurance report on the LUKOIL Group (the “Group”) Sustainability Report 2015–2016 (the “Report”) with an independent limited assurance conclusion that, based on our work performed, nothing has come to our attention that causes us to believe that Management’s assertion that the Report is prepared, in all material respects, based on the “core” version of the Global Reporting Initiative G4 Sustainability Reporting Guidelines (the “GRI G4 Guidelines”) and is free from material misstatement, is not fairly stated.

Management’s Responsibilities

Management is responsible for the preparation and presentation of the Report that is free from material misstatement in accordance with the GRI G4 Guidelines, and for the information and statements contained therein.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. It also includes: determining the Group’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and their material issues; selecting applicable requirements of the GRI G4 Guidelines; preventing and detecting fraud; identifying and ensuring that the Group complies with the laws and regulations applicable to its activities; selecting and applying appropriate policies; making judgments and estimates that are reasonable in the circumstances; maintaining adequate records in relation to the information included in the Report; ensuring that staff involved with the preparation of the Report are properly

Entity: PJSC LUKOIL.

Registration No. in the Unified State Register of Legal Entities
1027700035769.

Moscow, Russia.

Independent auditor: JSC “KPMG”, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities
1027700125626.

Member of the Self-regulated organization of auditors “Russian Union of auditors” (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.


PJSC LUKOIL
Independent Limited Assurance Report on the LUKOIL Group Sustainability Report 2015–2016

trained, information systems are properly updated and that any changes in the reporting system encompass all key divisions.

Our Responsibilities and Applicable Standards

Our responsibility is to perform procedures to obtain evidence in respect of the Report prepared by Management, and to form a limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether Management's statement that the Report is prepared, in all material respects, based on the GRI G4 Guidelines and is free from material misstatement, is fairly stated.

Our Independence and Quality Control

We have complied with the independence and ethical requirements established by the *Rules on Independence of Auditors and Audit Firms* and the *Code of Professional Ethics for Auditors* approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply the *International Standard on Quality Control 1*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures Performed

The procedures selected, and our determination of the nature, timing and extent of these procedures, depend on our professional judgment, including the assessment of risk of material misstatement during the preparation of the Report, whether due to fraud or error, our understanding of the Group's activities, as well as other engagement circumstances.

In making these risk assessments, we considered the internal control relevant to the Group's preparation of the Report, in order to design procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Group's internal control.

The procedures we developed based on the performed risk assessment are a combination of inspections, recalculations, analytical procedures and inquiries.

Our engagement also included: assessing the appropriateness of the information included in the Report and the suitability of the GRI G4 Guidelines used by Management in preparing the Report in the circumstances of the engagement; evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of the Report and the reasonableness of estimates made by Management.

The procedures we developed based on the risk assessment included, but were not limited to, the following:

- Inquiries to gain an understanding of processes for determining the material issues for the Group's key stakeholder groups;
- Interviews with senior management and relevant staff at corporate headquarter level and subsidiaries concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with Management representatives and officers at corporate headquarter level and subsidiaries regarding the sustainable development strategy and policies regulating material issues in areas of importance for the Group, stage of implementation of such policies, and procedures for collecting information on sustainable development;
- Interviews with staff at the corporate headquarter level and subsidiaries responsible for providing the information in the Report;
- Visits to the following subsidiaries:
 - LUKOIL West Siberia LLC, Kogalym;
 - LUKOIL-Permnefteorgsintez LLC, Perm;
 - LUKOIL-Komi LLC, Usinsk;
 - LUKOIL Uzbekistan Operating Company LLC, Uzbekistan, Tashkent,
 which were selected based on a risk analysis using both qualitative and quantitative criteria, in order to analyse the processes of accounting, collection and presentation of data, as well as to test the reliability of data used in the preparation of the Report;
- Comparing the information presented in the Report with data from other sources to determine its completeness and consistency;
- Assessing the completeness of qualitative and quantitative information on sustainable development against recommendations of the GRI G4 Guidelines;
- Reading and analysing information on sustainable development included in the Report to determine whether it is in line with our understanding and knowledge of the Group's sustainable development activity;
- Recalculation of quantitative data and inspection of underlying documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Criteria Used

To evaluate the Report, the recommendations of the GRI G4 Guidelines were used which are available at the link:

<https://www.globalreporting.org/information/g4/Pages/default.aspx>

Management's Statement

Management states that the Report is prepared, in all material respects, based on the GRI G4 Guidelines and is free from material misstatement.



PJSC LUKOIL

Independent Limited Assurance Report on the LUKOIL Group Sustainability Report 2015–2016

Inherent Limitations

Due to the limitations inherent in any internal control, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the reporting period, and the procedures were performed on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and described in this report, nothing has come to our attention that causes us to believe that Management's statement that the Report is prepared, in all material respects, based on the GRI G4 Guidelines and is free from material misstatement, is not fairly stated.


 Anton Ivanovich Osseov
 JSC KPMG
 Moscow, Russia
 22 August 2017



Council for Non-Financial Reporting under the Russian Union of Industrialists and Entrepreneurs

Conclusions of the RUIE Council for Non-Financial Reporting regarding the public assurance review of the LUKOIL Group Sustainability Report 2015-2016

 **G4-33**

The Council for Non-Financial Reporting under the Russian Union of Industrialists and Entrepreneurs (hereinafter, the Council), established pursuant to Resolution of June 28, 2007 of the Management Committee Bureau, has reviewed the LUKOIL Group (hereinafter, the Company, the Group, LUKOIL) 2015-2016 Sustainability Report (hereinafter, the Report) at PJSC LUKOIL's request.

The Company asked the RUIE to initiate a public assurance review by the Council, which was called upon to offer an opinion on the completeness and relevance of the information provided in the Report with regard to the Social Charter of Russian Business that contains business responsibility principles.

From August 22 to September 7, 2017, members of the Council studied the Report and drafted the present Conclusions in accordance with the Regulations for the Non-Financial Statement Public Assurance adopted by the Council. The Council members are sufficiently qualified in the field of corporate responsibility, sustainable development and non-financial reporting, abide by the ethical requirements of independence and impartiality, and express personal expert opinion rather than that of the organizations they represent.

The Report was assessed based on the following completeness and relevance criteria:

Information is considered relevant if it reflects the Company's activities to implement the principles of responsible business practice of the Social Charter of Russian Business (www.rspp.ru).

Information is considered complete if the Company has produced a comprehensive statement on its business, including its underlying values and strategic benchmarks, as well as management systems and structures, achievements and key performance indicators, and the stakeholder engagement system.

The use of the international reporting standards by the Company is taken into account during the public assurance of the Report. The present Conclusions, however, do not seek to confirm the Report's compliance with the international reporting standards.

The responsibility for the information and statements contained in the Report lies with the Company. The public assurance does not concern itself with the veracity of factual data contained in the Report.

The present Conclusions have been drafted for the Company, which can use them for its internal corporate needs and for communication with stakeholders by publishing them without changes.

CONCLUSIONS

Based on the analysis of the report, the public information on the Company's official website, and the collective discussion of the independent assessment of the Report by members of the RUIE Council for Non-Financial Reporting, the Council confirms the following:

LUKOIL GROUP 2015-2016 SUSTAINABILITY REPORT contains relevant information on key business responsibility areas in accordance with the Social Charter of Russian Business and provides comprehensive disclosure of the Company's activities in these areas.

Recommendations of the RUIE Council following public assurance of the Company's 2013-2014 report were included in the 2015-2016 Report. Thus, more details were provided on the application of the Code of Business Conduct and business practice demands put forward to suppliers. The method used to determine material aspects was more clearly defined, reporting boundaries were extended to cover international assets.

Economic freedom and responsibility: The Report covers the LUKOIL Group's key areas of operation, including its assets in the regions of presence. It shows the Company's industry position, the financial and economic results achieved during the reporting period, and the Group's contributions to the sustainable economic development of the Russian regions. The Report sheds light on the Company's strategic development program, its key targets and benchmarks, and the business model. There is information on the efforts taken to improve efficiency and provide stability of the Company through the introduction of cutting-edge hydrocarbon production and refinery technology and rational use of fuels including, but not limited to the development of renewable energy sources. The Report highlights the improvement of products and services, and the release of new products compliant with the environmental safety requirements. It discloses information on sustainable development management, which is being integrated into the general business strategy. The Report also describes the corporate governance system, briefly summarizes the risk management system and management approaches to the key business areas.

Business partnership: The Report covers the Company's business partnership practice and interaction with major stakeholder groups. The Company was reported to have adopted rules and regulations with regard to these issues. The Company is noted to be undertaking measures to improve transparency in its relations with shareholders and investors. The Report features information on the HSE improvement, employee training and development, provision of social security, staff capacity development, and youth policy implementation. The Report covers cooperation as part of social partnership. It also covers cooperation with authorities on such issues as the development of country-wide and regional economy, and on the implementation of agreements with regional and municipal administrations on social and economic cooperation. The Report contains information on measures to improve consumer satisfaction, also based on customer feedback analysis. There is information on the establishment of responsible relationships with suppliers, including the provision of transparent procurement procedures, the Company's HSE requirements that have to be complied with by the suppliers in view of the Group's applicable corporate standards. The Report also covers interaction with the indigenous minorities of the North. Information is provided on cooperation with academic and public organizations, and business associations on a wide range of issues related to the Company's activities.

Human Rights: The Report presents the Group's position in terms of compliance with labor and human rights, which, as noted, is reflected in its corporate regulations and is based on key international standards. Exercise of labor rights is disclosed in great detail in the Report. Special focus is given to the observance of employees' right to free association and collective negotiations. The Report covers the practice of entering into agreements as part of social partnership. The Report shows established employee-employer communication channels. The Report contains a statement on the respect of rights and legal interests of the indigenous minorities of the North, and covers the practice built on these principles and rules to ensure compliance.

Environmental protection: The Report presents the key results of the Company in environmental and industrial protection, and the related management system, which is based on international standards. Future plans have been outlined. An interrelation is observed between the Group's environmental activities and the UN Sustainable Development Goals of the 2030 Agenda for Sustainable Development. The Report covers the environmental safety program, its structure and 2014-2016 implementation results. Information is provided on the environmental impact of the Company's production activities for the most part in Russia, including air emissions, greenhouse gas emissions, water withdrawal, waste managements, and soil reclamation. Information on APG utilization is included in the Report. The adoption of a biodiversity preservation program in 2015, its measures and results are reported. Information is provided on energy resource consumption and saving, and the use of renewables.

Participation in the local community development: The Report provides information on the impact that LUKOIL Group's activities have had on the social and economic development in the areas of presence, including as part of the implementation of cooperation agreements with regional and municipal administrations. The Report covers the Company's policy and practice in social investment as well as the related management system. Principles of interaction with communities are said to be enshrined in corporate regulations. There is information on the LUKOIL Charity Foundation efforts, as well as efficient mechanisms and procedures of external social programs and key areas of their implementation. The Report showcases the connection between the Company's activities and the UN Sustainable Development Goals. A special annex to the Report contains more detailed information on contribution of the LUKOIL Group to the sustainable development of certain Russian regions, in which the Company operates, and on initiatives to support the local communities that the Company's subsidiaries implement in other countries of presence.

Concluding remarks

On the whole, the information provided in the Report presents a clear picture of the LUKOIL Group's responsible business practice in the context of sustainable development goals, management system, key results of the reporting period, and the impact produced by the Company on the environment and society.

The Report features a comprehensive approach to disclosure across the key business areas, including the economic, environmental and social aspects, and contains a considerable number of performance indicators.

The Council notes that the inclusion of details on the Company's impact on sustainable development in the regions of presence increases the Report's information value to stakeholders, presents a more comprehensive picture of the Group's responsible business practice both in Russia, and in other countries, and is an example of successful disclosure on regional activities.

Council for Non-Financial Reporting under the Russian Union of Industrialists and Entrepreneurs

The Report was drafted based on recommendations, standards and guidelines used in Russia and internationally (GRI G4, AA 1000SES, UN Global Compact, Social Charter of Russian Business), which ensures consistency across various reporting cycles and comparability with other companies' reports. Information is provided on the selection of material aspects, which was conducted based on views and opinions of stakeholders.

The 2015-2016 Report is the Company's seventh non-financial biennial report, which ensures consistent development of the reporting process. The Company uses various forms of independent assessment and verification of reporting information (professional audit and public assurance), thus reaffirming its responsible approach to the quality of reports. The declared intention mentioned in the Report to start producing annual reporting reflects the Company's commitment to the principles of openness and transparency.

RECOMMENDATIONS

While praising the merits of the Report, the Council draws attention of the Company to a number of aspects concerning the relevance and completeness of information disclosed that are of importance to stakeholders, and recommends taking them into account in future reports.

The Council notes that it is advisable to continue to use the recommendations made with regard to the previous reports produced by the Company in the future.

The Report compares strategic objectives of the Company in certain areas of its activities with the UN Sustainable Development Goals of the 2030 Agenda for Sustainable Development that conforms with modern global reporting practice approaches. In order to ensure greater completeness, it would be advisable to increase the number of measurable and quantitative indicators that showcase the Company's strategic benchmarks, and to provide more comprehensive information on the integration of sustainable development goals into the Company's strategy.

It should be noted that the information on operational results for the reporting period would be more complete if the actual results were compared with the planned targets, which can be used to measure the achievement level. It is also recommended to include the quantitative indicators the results will be compared to into plans for the next reporting period.

The Report features a great variety of indicators on the Company's performance, which helps provide a more detailed picture of the Company's impact on society and the environment. It should be noted that the indicator changes should be explained to ensure greater clarity. This is especially true in case drastic indicator changes take place over the reporting period, hence the description of the responsible factors (for instance, injury, air emissions, waste water discharge factors).

Information on risks, including non-financial risks, that the Company manages, is significant for, inclusively, business practice assessment, management quality and resilience assessment. It stands

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to reason to include the risk map in future reports in addition to links to other information sources. It is recommended that the Reports show significant changes in principal risks over the reporting period and measures taken to mitigate them.

Given the importance of the fact that stakeholders should participate in the determination of the Report's material aspects and unsolved issues pertaining to the Company's activities, future reports ought to feature the specific results of public events, including those held during the drafting of reports (hearings, stakeholder dialogues). Reports should contain information on stakeholders' expectations, and the Company's response and commitments. The balanced information principle should be used more extensively, and urgent issues should be addressed more closely.

While acknowledging the importance of the Company's decision to start producing annual sustainability reporting and supporting it, the Council recommends to draw together the release dates of these reports and annual reports, and focus on comparability of data from different sources. It is necessary to improve the collection process of data including those on environmental impact, anti-corruption efforts and procedures, and other significant issues; progress should be made to consolidate data across the Group, including Russian and international assets.

While praising the Report, supporting the Company's commitment to responsible business practice and noting reporting consistency, the RUIE Council for Non-Financial Reporting confirms that the LUKOIL Group 2015-2016 Sustainability Report has passed public assurance.

Chairman of the RUIE
Council for Non-Financial Reporting

Deputy Chairman of the RUIE
Council for Non-Financial Reporting



G4-32



About the Report (continued)

Reporting boundaries

The information provided in the Report covers the activities of the controlled entities, where the share of PJSC LUKOIL is over 50%, in accordance with the consolidated financial reporting standards (IFRS) for 2015-2016. **G4-17**

Significant aspects of the GRI are identified in the process of identifying significant reporting topics and comparing them with the presentation of sustainable development aspects in the GRI G4 Guide (see p.3 of the Report). **G4-18**

At the same time, the reporting boundaries, in terms of some GRI aspects, are different from the specified scope, due to the specifics of the data accounting systems or the minor impact of the listed entities (see table 1). For a number of aspects, the Report includes data on the organizations outside of the scope of consolidated financial reporting (see table 2). When indicators with boundaries different from those indicated are described in the Report, information on which entities are included in the scope is indicated in the notes to the relevant statements, tables and diagrams. **G4-18**

G4-17,
G4-18

The Report contains the data on the following foreign subsidiaries:

LUKOIL-Bulgaria Bunker EOOD
LICARD Euro Services GmbH
LUKARCO B.V.
SOOO LUKOIL-Inter-Card-Bel
Grib Diamonds N.V.
ISAB S.r.l.
LAND POWER S.A.
LITASCO SA
LUKOIL Accounting and Finance Europe s.r.o.
Lukoil Americas Corporation
LUKOIL Aviation Bulgaria EOOD
LUKOIL Belgium N.V.
LUKOIL Croatia Ltd.
LUKOIL Energy & Gas Bulgaria EOOD
LUKOIL ENERGY&GAS KALUSH Ltd.
LUKOIL Eurasia Petrol Anonim Sirketi
LUKOIL ISRAEL LIMITED (Cyprus)
LUKOIL Italia S.r.l.
LUKOIL MACEDONIA LTD Skopje
LUKOIL MONTENEGRO DOO
LUKOIL Netherlands B.V.
LUKOIL Neftochim Bourgas AD
LUKOIL Overseas Uzbekistan Ltd.

LUKOIL Uzbekistan Operating Company LLC
LUKOIL SRBIJA AD BEOGRAD
LUKOIL-Azerbaijan, ZAO
LUKOIL-BULGARIA EOOD
LUKOIL-Georgia Ltd.
LUKOIL-Moldova S.R.L.
LUKOR, JSC
Oy Teboil Ab
PETROTEL-LUKOIL S.A.
S.C. LUKOIL ENERGY & GAS ROMANIA S.R.L.
S.C. LUKOIL Romania S.R.L.
OOO KARPATNEFTEKHIM
TOO LITASCO Central Asia
IOOO LUKOIL-Belarus
OOO LUKOIL-NAFTOKHIM
LUKOIL Lubricants Central Asia LLP
LUKOIL LUBRICANTS EAST EUROPE S.R.L.
LUKOIL Lubricants Europe GmbH
LUKOIL LUBRICANTS UKRAINE, TOV
SOOO LLK-NAFTAN
LUKOIL Technology Services GmbH
VARS

Material aspects of GRI G4-19	Boundaries of GRI aspects: LUKOIL Group entities outside the scope of the reporting boundaries G4-20
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ECONOMIC CATEGORY	
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SOCIAL CATEGORY

Training and education	000 Volgodonskie teplovye seti 000 Volzhskie teplovye seti 000 LUKOIL-Volgogradenergo 000 LUKOIL-Permnefteorgsintez 000 LUKOIL-Permnefteprodukt 000 LUKOIL-Ekoenergo PSJC LUKOIL 000 Rostovskie teplovye seti 000 Stavrolen 000 UralOil 000 LUKOIL-Nizhnevolzhskneft-Kalmykia 000 NK Yugraneftprom 000 Volgodonskaya teplovaya generatsia 000 Kamyshinskaya CHP LICARD Euro Services GmbH SOOO LUKOIL-Inter-Card-Bel LUKARCO B.V (group of subconsolidated reporting)	Grib Diamonds N.V. LAND POWER S.A. Lukoil Americas Corporation LUKOIL Energy & Gas Bulgaria EOOD "LUKOIL ENERGY&GAS KALUSH Ltd. " LUKOIL Overseas Uzbekistan Ltd. LUKOIL Uzbekistan Operating Company LLC LUKOR, JSC PETROTEL-LUKOIL S.A. TOO LITASCO Central Asia 000 LUKOIL-NAFTOKHIM LUKOIL Lubricants Central Asia LLP LUKOIL LUBRICANTS EAST EUROPE S.R.L. LUKOIL Lubricants Europe GmbH LUKOIL LUBRICANTS UKRAINE, TOV SOOO LLK-NAFTAN
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Health and on-site safety	000 Astrakhanskies teplovye seti 000 Varandey Terminal 000 Volgodonskies teplovye seti 000 Volzhskies teplovye seti 000 LUKOIL-Permnefteprodukt 000 LUKOIL-Ukhtaneftepererabotka PJSC LUKOIL 000 Rostovskies teplovye seti AO RPK-Vysotsk LUKOIL-II 000 UralOil 000 LUKOIL-Nizhnevolzhskneft-Kalmykia 000 NK Yugraneftprom 000 Volgodonskaya teplovaya generatsia 000 INTESMO 000 Kamyshinskaya CHP 000 LUKOIL-AVIA 000 LUKOIL-Kambarskaya Bulk Plant 000 LUKOIL-KNT 000 LUKOIL PERSONAL LUKOIL-Bulgaria Bunker EOOD LICARD Euro Services GmbH SOOO LUKOIL-Inter-Card-Bel	LUKARCO B.V (group of subconsolidated reporting) Grib Diamonds N.V. LAND POWER S.A. LITASCO SA LUKOIL Accounting and Finance Europe s.r.o. LUKOIL Aviation Bulgaria EOOD LUKOIL ISRAEL LIMITED (Cyprus) LUKOIL Overseas Uzbekistan Ltd. LUKOIL Uzbekistan Operating Company LLC LUKOIL SRBIJA AD BEOGRAD LUKOR, JSC TOO LITASCO Central Asia 000 LUKOIL-NAFTOKHIM LUKOIL Lubricants Central Asia LLP LUKOIL LUBRICANTS EAST EUROPE S.R.L. LUKOIL Lubricants Europe GmbH LUKOIL LUBRICANTS UKRAINE, TOV SOOO LLK-NAFTAN LUKOIL Technology Services GmbH (group of subconsolidated reporting) VARS
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All LUKOIL Group's foreign subsidiaries, except for:	
LUKOIL Energy & Gas Bulgaria EOOD	PETROTEL-LUKOIL S.A.
LUKOIL Neftochim Bourgas AD	S.C. LUKOIL ENERGY & GAS ROMANIA S.R.L.
LUKOIL Uzbekistan Operating Company LLC	OOO LUKOIL-NAFTOKHIM

Material aspects of GRI G4-19	Boundaries of GRI aspects: LUKOIL Group entities outside the scope of the reporting boundaries G4-20	
Biodiversity	All LUKOIL Group's foreign subsidiaries, along with: <div>AO ARKHANGELSKGEOLDOBYCHA PAO Astrakhan Power Sale Company OOO Astrakhanskie teplovye seti OOO Volgodonskie teplovye seti OOO Volzhskie teplovye seti OOO LLK International OOO LUKOIL-AERO OOO LUKOIL-BUNKER OOO LUKOIL-Volganefteprodukt OOO LUKOIL-Engineering OOO LUKOIL-INFORM OOO LUKOIL-Permnefteprodukt OOO LUKOIL-Ukhtaneftepererabotka OOO LUKOIL-Chernozemyenefteprodukt OOO LUKOIL-Rezervnefteprodukt OOO LUKOIL-Energoengineering OOO LUKOIL ENERGOSERVICE</div>	
Water Emissions Discharges and waste General information	All LUKOIL Group's foreign entities, along with: <div>PAO Astrakhan Power Sale Company OOO Astrakhanskie teplovye seti OOO Volgodonskie teplovye seti OOO Volzhskie teplovye seti OOO LUKOIL-BUNKER OOO LUKOIL-Engineering OOO LUKOIL-Permnefteprodukt OOO LUKOIL-Rezervnefteprodukt OOO LUKOIL-Energoengineering OOO LUKOIL ENERGOSERVICE PSJC LUKOIL OOO Rostovskie teplovye seti OOO UralOil OOO LUKOIL-Nizhnevolzhskneft-Kalmykia</div>	<div>PSJC LUKOIL OOO Rostovskie teplovye seti OOO UralOil OOO LUKOIL-Nizhnevolzhskneft-Kalmykia OOO NK Yugraneftprom ZAO TURSUNT OOO Volgodonskaya teplovaya generatsia OOO INTESMO OOO Kamyshinskaya CHP OOO LICARD (LUKOIL-Inter-Card) OOO LUKOIL-AVIA OOO LUKOIL-Nizhegorodniinefteproekt OOO LUKOIL-RAO Volgograd OOO LUKOIL-RAO Perm OOO LUKOIL-TSUR AO LUKOIL Chernomorye OOO LUKOIL PERSONAL</div> <div>OOO NK Yugraneftprom ZAO TURSUNT OOO Volgodonskaya teplovaya generatsia OOO INTESMO OOO Kamyshinskaya CHP OOO LICARD (LUKOIL-Inter-Card) OOO LUKOIL-AVIA OOO LUKOIL-Nizhegorodniinefteproekt OOO LUKOIL-RAO Volgograd OOO LUKOIL-RAO Perm OOO LUKOIL-TSUR AO LUKOIL Chernomorye OOO LUKOIL PERSONAL</div>

Table 2

GRI aspect	List of the entities out of scope of the financial reporting but included into the boundaries of this Report	
ECONOMIC CATEGORY		
Presence in the markets	MRO Baltiyskoye Burgasnefteproekt LUKOIL-TTK PII LUKOIL-Ukraine	LLK International Balkanskoye MRO Eurasian MRO East-European MRO
SOCIAL CATEGORY		
Labor practices and work conditions		
Employment	Burgasnefteproekt OOO LUKOIL-TTK PII LUKOIL-Ukraine	LLK International LUKOIL EESTI AS
Training and education	Burgasnefteproekt OOO LUKOIL-TTK LLK International Region 1 Overseas MRO “Middle East and Asia” Region 2 Overseas MRO “West Africa, Europe and America”	Upstream development Region 3 ZAO LUKOIL Baltija, Lithuania OOO LUKoil Baltija R, Latvia Lukoil Polska Sp.z.o.o.
Health and on-site safety	LUKOIL Cyprus PII LUKOIL-Ukraine LUKOIL EESTI AS	ZAO LUKOIL Baltija, Lithuania OOO LUKoil Baltija R, Latvia Lukoil Polska Sp.z.o.o.
ENVIRONMENTAL CATEGORY		
Water Emissions Discharges and waste General information	OOO LUKOIL-TTK RPK Atrakhansky transport hub Volgograd transport hub	Nizhny Novgorod transport hub Perm transport hub
Biodiversity	OOO LUKOIL-UNP	PII LUKOIL-Ukraine

Basic terms and notions

Stakeholders are individuals and legal entities that either influence the Company’s performance or are influenced by the Company.

Corporate social responsibility (CSR) implies the responsibility assumed by the company for the impact produced by its decisions and activities on the society and environment through transparent and ethical conduct, which contributes to sustainable development, including health and welfare of the society; considers the expectations of stakeholders; complies with the applicable legislation and international codes of conduct; is integrated into all of the company’s operations and applied to its relations (GOST R ISO 26000-2012).

Sustainable development is the global community development concept put forward by the United Nations during the Earth Summit held in Rio de Janeiro in 1992. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland Commission, 1987).

Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development is a UN document that contains 17 global goals to end all forms of poverty, preserve the planet’s resources, and promote the general welfare of the people. Each of the 17 Goals implies a number of indicators to be attained within 15 years through the complementary efforts of governments, businesses, the civil society and the tellurians.

Abbreviations

The LUKOIL Group stands for PJSC LUKOIL and its subsidiaries and affiliates
Subsidiary, company stands for PJSC LUKOIL subsidiary
The LUKOIL Group entities stand for PJSC LUKOIL and its subsidiaries and affiliates
IATUO stands for the International Association of Trade Union Organizations of PJSC LUKOIL

Names of subsidiaries
LUKOIL-KMN stands for OOO LUKOIL-Kaliningradmorneft
LUKOIL-UNP stands for OOO LUKOIL-Ukhtaneftepererabotka

PFS stands for petrol filling station
FFS stands for fuel filling station
CPI stands for RUIE core performance indicators
BRICS stands for Brazil, Russia, India, China and the Republic of South Africa
Renewables stand for renewable energy sources
WPS stands for wind power station
POL stands for petroleum, oil and lubricants
HPP stands for hydroelectric power plant
GC stands for UN Global Compact
VMI stands for voluntary medical insurance
CSA stands for capacity supply agreement
RTA stands for road traffic accidents
PA stands for polluting agents
IMS stands for information management system
IMN stands for indigenous minorities of the North
KPI stands for key performance indicators

CSR stands for corporate social responsibility
EOSE stands for emergency oil spill elimination
ICC stands for international children’s center
ILO stands for International Labor Organization
IFRS stands for International Financial Reporting Standards
EMERCOM stands for the Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters.
NAA stands for Nenets Autonomous Area
R&D stands for research and development
NPO stands for non-profit organization
ORP stands for refinery (oil refinery plant)
NPF stands for non-state pension fund
OMD stands for Oil Mines Division
EI stands for environmental impact
UN stands for United Nations Organization
NE stands for (natural) environment
HSE stands for health, safety and environment
SGP stands for steam gas plant
APG stands for associated petroleum gas
ORP stands for refinery (oil refinery plant)
VFD stands for Volga Federal District
IEC stands for industrial environmental control
RAS stands for Russian Academy of Science
RUIE stands for Russian Union of Industrialists and Entrepreneurs
PPE stands for personal protective equipment
NCFD stands for North Caucasian Federal District
MM stands for mass media

APC stands for agricultural production cooperative

DMA stands for Disclosures on Management Approach

LPG stands for liquefied petroleum gas

RM & ICS stands for Risk Management and Internal Control System

SP stands for solar park

FC stands for fueling complex

TMF stands for territorial manufacturing facility

HTR stands for hard-to-recover reserves

TPP stands for thermal power plant

CHP stands for combined heat and power station

UFD stands for Urals Federal District

HELCOM stands for Helsinki Commission

KMAA-Yugra stands for Khanty-Mansi Autonomous Area – Yugra

SDG stands for Sustainable Development Goals

CFD stands for Central Federal District

FAS stands for Federal Antimonopoly Service

NGL stands for natural gas liquids

SFD stands for Southern Federal District

YNAA stands for Yamal-Nenets Autonomous Area

CDP stands for Carbon Disclosure Project

EBITDA stands for Earnings before Interest, Taxation, Depreciation & Amortisation

GRI stands for Global Reporting Initiative

MBA stands for Master of Business Administration

WWF stands for World Wildlife Fund

Units of measurement

GW	Gigawatt is a unit of measurement used to measure electric power (1 gigawatt = 1,000 megawatt).
GJ	Gigajoule is a unit of measurement used to measure work, energy and quantity of heat
GCal	Gigacalorie is a unit of measurement used to measure thermal energy.
GCal•h	Gigacalorie/hour is a unit of measurement used to measure heating capacity.
kW•h	Kilowatt-hour is a unit of measurement used to measure energy output.
MW	Megawatt is a unit of measurement used to measure electric power.
TCE	Ton of coal equivalent is a unit of measurement used to measure fuel equal to one ton of coal in terms of its energy value.

Contact Information on the Report **G4-31**

LUKOIL Company welcomes your feedback. Your feedback, suggestions and comments on the Report’s contents will help us identify the topics and indicators that are of the greatest interest, and balance properly the amount of information published, when the Company prepares the next Sustainability Report.

G4-31



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**LUKOIL GROUP
SUSTAINABLE
DEVELOPMENT
OF THE RUSSIAN
REGIONS AND
CORPORATE SOCIAL
RESPONSIBILITY
PRACTICES IN
INTERNATIONAL
ASSETS. 2015–2016**



CONTENTS

- 04 Northwestern Federal District
- 18 Volga Federal District
- 36 Urals Federal District
- 48 Southern and North Caucasian Federal Districts
- 64 Central Federal District

SUSTAINABLE DEVELOPMENT OF THE RUSSIAN REGIONS

02



CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INTERNATIONAL ASSETS

68

- 70 Upstream
- 78 Refining
- 82 Petroleum product supply
- 84 Lubricant production and sale

SUSTAINABLE DEVELOPMENT OF THE RUSSIAN REGIONS



04
Northwestern Federal
District

18
Volga Federal District

36
Urals Federal District

48
Southern and North Caucasian
Federal Districts

64
Central Federal District

Over the ten years of preparing and publishing non-financial reports, the operations of its subsidiaries in the Russian regions have been a special focus for LUKOIL. Each report provided an overview of the most important developments in the way the Company's facilities operate, implement social projects, and take steps to improve the environment. There are a number of reasons that underpin this approach. Russia is home to the Company's key assets and the place where its productive, natural, intellectual, and social capital is best utilized. Hence, in addition to showing how these types of capital help create added value, the report also outlines how the value is distributed.

The key stakeholder groups in the Russian regions that the Company is in constant dialog with include:

- administrations of over 60 regions in six federal districts and a variety of municipalities with which LUKOIL liaises as part of its comprehensive development plans;
- people who live near the Company's facilities and work there;
- clients, partners, suppliers and contractors, NGOs and municipal organizations that the Company has business relations with.

The Company identifies matters that stakeholders view as important for their respective region, and strives to respond to them through this report, environmental activities, and social programs.

For the first time ever, this report contains management approaches and corporate social responsibility projects of some of the Company's foreign assets.

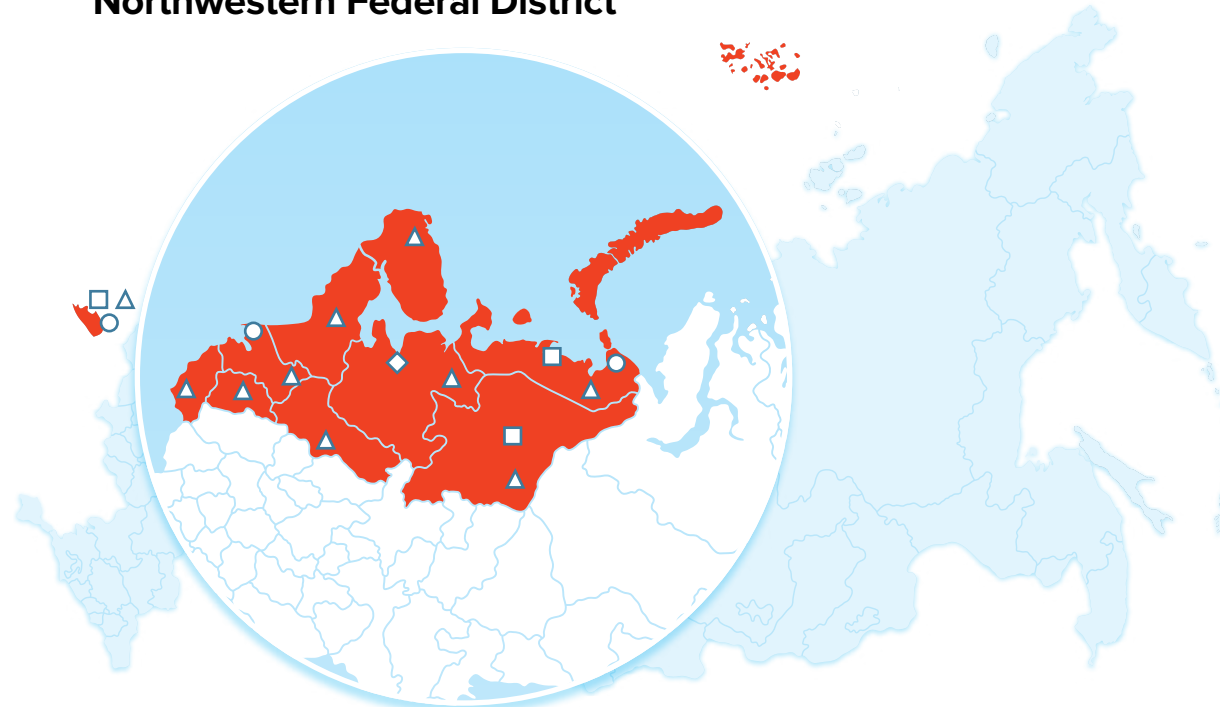
A reliable partner and investor in its regions of presence, LUKOIL has always been honoring its day-to-day commitments while also paving the way for success in the future.



> 60
regions

presence of the LUKOIL
Group assets in Russia

Northwestern Federal District



□ Upstream	△ Downstream	○ Midstream	◇ Other
OOO LUKOIL-Kaliningradmorneft OOO LUKOIL-Komi	OOO LUKOIL-Ukhtaneftepererabotka OOO LUKOIL-Severo-Zapadnefteprodukt OOO LUKOIL-BUNKER (Murmansk and Kaliningrad branches) OOO LUKOIL-AERO OOO LUKOIL-Volganefteprodukt	OOO Varandey Terminal OOO LUKOIL-Complex Oil Terminal OOO RPK-Vysotsk-LUKOIL-II ¹	AO ARKHANGELSK-GEOLDOBYCHA ²

ECONOMIC ROLE AND INVESTMENTS

The Company's strategy in the region aims to increase oil production, improve utilization of associated petroleum gas (APG), ramp up the share of higher added value products at the Company's refineries, and develop the filling station network.



¹ Starting from June 2017 – AO RPK-Vysotsk LUKOIL-II.

² In May 2017, an agreement was signed to sell 100% of AO ARKHANGELSKGEOLDOBYCHA to Otkritie Holding. G4-13

Achieved

- Production of high-viscosity oil in the Timan-Pechora Province increased by 9% as a result of development of the Yaregskoye field and the Permian-Carboniferous deposit of the Usinskoye field.
- Production at the fields of the Denisovskaya Depression in the Timan-Pechora Province went up by more than 20%
- Actual APG utilization rate at OOO LUKOIL-Komi reached 83.7%. The APG from the Northern cluster of fields is also supplied to Gazprom's Sosnogorsky Processing Plant
- A 24/7 hotline was launched for everyone wishing to help OOO LUKOIL-Komi improve its environmental activities

Planned

- Increase the recovery potential for high-viscosity oil by using new technologies, and continue adding new volumes of high-viscosity oil output
- Continue developing offshore projects in the Baltic Sea
- Continue improving APG utilization to 95%.
- Commission the Yarega generation facility in the Ukhta District of the Komi Republic in 2017
- Enhance interaction with local residents and the environmental community on matters related to environmental protection

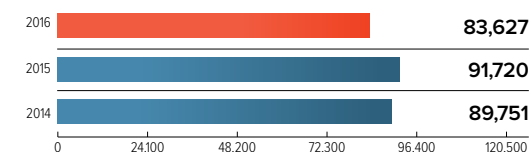


A hotline

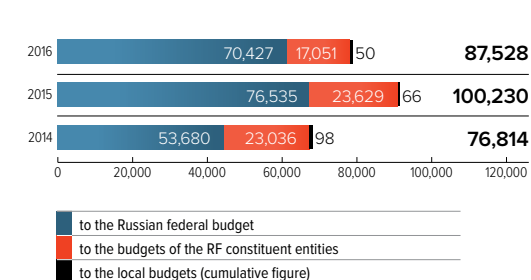
was launched in 2016 for those wishing to ask OOO LUKOIL-Komi about its environmental activities

Key Economic Performance Indicators

Investments, million RUB

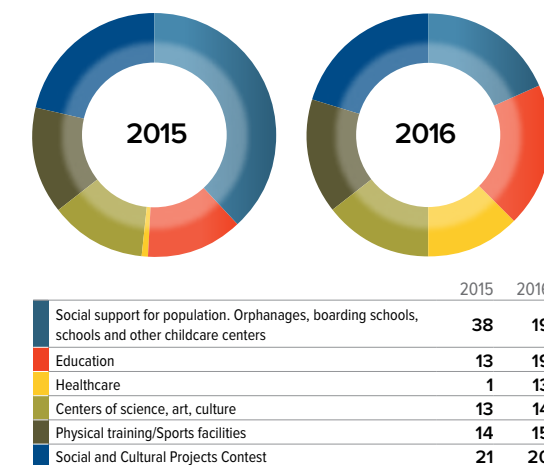


Total taxes paid, million RUB



Note. Includes taxes paid by LUKOIL Group entities incorporated as legal entities in the federal district under the applicable law.

Socially significant projects/ facilities costs, %



Upstream



90%
of oil

is produced by the Group in the Nenets Autonomous Area (NAA), and the Usinsk and Pechora Districts of the Komi Republic

The Komi Republic and NAA

In terms of hydrocarbons production, OOO LUKOIL-Komi has been the second largest LUKOIL Group company in Russia for many years. 90% of oil is produced in the Nenets Autonomous Area (NAA) and the Usinsk and Pechora Districts of the Komi Republic. The Company is developing a total of 65 fields (in 2017, these include 58 license blocks in the Komi Republic and 29 license blocks in NAA). In 2015, a new field named after Andrey Alabushin, an employee of OOO LUKOIL-Komi, was commissioned, and licenses were obtained to operate at three sites in both regions. Four fields were commissioned in 2016.

The proved reserves of high-viscosity oil being developed by the Company are located mainly in two fields: Yaregskoye and Usinskoye. To develop these, thermal oil recovery methods are used (comparable to those currently being used in Canada in shale oil production). Also, AO RITEK uses these fields to test its proprietary technology of steam-gas treatment of bottomhole formation zones.

The Kaliningrad Region

OOO LUKOIL-Kaliningradmorneft is developing 26 oil fields, including 25 onshore fields and one offshore field in the Baltic Sea. In 2015, offshore exploration resulted in the discovery of two fields, including the largest one in the Baltic Sea (potentially twice as large as D-6, which is currently under development). Its development is scheduled to begin in 2017.

A single project office was set up to manage the fields, and a unified concept for the development of the Baltic Sea fields is currently being prepared.

When in active stages, further offshore development projects in the Baltic Sea are likely to require a lot of personnel, helping to create new jobs in the region. In 2017, the project office in the Kaliningrad Region alone is expected to create 19 high tech jobs for trained professionals. The growth in the number of personnel and the potential increase in production volumes will increase tax contributions to both federal and regional governmental budgets, as well as create an additional demand for high-tech products of Russian suppliers in the Kaliningrad region.

Midstream

LUKOIL has a unique transportation system, the main links of which are: the northernmost Varandey marine oil terminal, RPK-Vysotsk-LUKOIL-II terminal, which ships petroleum products only, and the Complex Oil Terminal at the port of Svetly in the Kaliningrad Region.

About 20 million tons of oil and petroleum products are shipped out from these three terminals every year, requiring more than 115 tankers. The Varandey terminal alone shipped 8 million tons of oil in 2016, or approximately 10 tankers a month.

In terms of equipment and technologies, the terminals are among the world’s most innovative. During operations, an emphasis is placed on environmental and industrial safety. There are annual drills in place to respond to spills of oil and petroleum products. In 2016, the Varandey terminal was a remote participant of the “Arctic Days” forum, held under the auspices of the Ministry of Natural Resources and Environment.



8
million tons
of oil

were shipped from the Varandey terminal in 2016

In the village of Varandey in the summer of 2016, comprehensive training exercises took place to localize and neutralize a fictitious oil spill at sea and to protect and clean the coastal strip of the village from “pollution”. In the scenario of the exercise, the “Kapitan Gotsky” tanker lost control and collided with a service ship near the fixed marine ice-resistant shipping berth of OOO Varandey Terminal in the Pechora Sea. The hull of the tanker was damaged, resulting in a loss of pressure in the tank and a spill of 5,000 tons of oil. To assess the scale of the “spill”, OOO Ecoshelf Baltika, a professional emergency response and rescue team, was engaged. The Varandey terminal requested additional resources and funding from OOO Gazprom Neft Shelf, the operator of the Prirazlomnaya platform. The Company’s management responded by sending in a multi-purpose salvage vessel, the “Murman”, equipped with Lamor LSC, an onboard oil recovery system. The Main Directorate of the Ministry for Emergency Situations (EMERCOM) in NAA commented that all participants did well in the exercise.

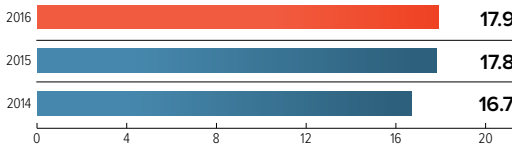
Projects in the Komi Republic and NAA

Yaregskoye field	<ul style="list-style-type: none">• In 2014, the Yarega-1 project was launched and, within the framework of which 25 new production facilities will be built.• In 2015, several steam generating units were commissioned with a total capacity of 775 tons of steam per hour, including units running on APG.• In 2016, the Company launched a water treatment unit unprecedented in Russia: water that was previously pumped into a reservoir is now treated and used for steam generation. This will completely eliminate the need to use natural resources (rivers and lakes) for water consumption.• In 2016, the Yarega facility for the treatment and gathering of oil was commissioned to transport commercial oil to the main pipelines of Transneft.
The Usinskoye Field	<ul style="list-style-type: none">• In 2016, the first stage of the Usa generating facility (100 MW) was commissioned. It ensures energy independence for production sites and helps improve APG utilization rates at in-house generation facilities. The field relies mostly on Russian equipment, with innovative technologies used across all stages of construction
The Vostochno-Lambeyshorskoye field “Denisovskaya Depression”	<ul style="list-style-type: none">• This is a technologically challenging project, as the hydrocarbons have a high hydrogen sulfide content. In 2016, the construction of gas desulfurization and sulfur granulation facilities was completed at the Vostochny Lambeyshor oil treatment unit as a way to achieve 100% utilization of hydrogen sulfide and produce granulated sulfur for the chemical industry

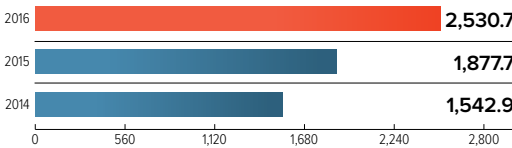
Key Operational Indicators

Production of raw hydrocarbons (OOO LUKOIL-Kaliningradmorneft, OOO LUKOIL-Komi)

Oil production, million tons



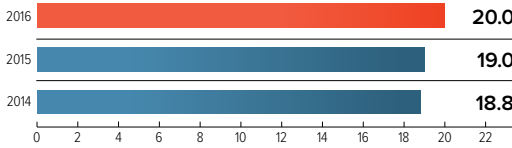
Production of natural and associated petroleum gas, million cubic meters



653
million cubic
meters

increase in the natural and associated gas production in 2016

Oil transshipment (AO RPK-Vysotsk LUKOIL-II, OOO Varandey Terminal, OOO LUKOIL Kompleksny Neftyanoy Terminal), million tons



Source: Company data.

Downstream

OOO LUKOIL-Ukhtaneftepererabotka is one of the oldest refineries in the industry – and also Russia’s northernmost one. The plant relies on three principles of its development strategy: safety, profitability, and sustainable development. Following an upgrade program, the refinery is gradually transitioning from heavy to light oil as feedstock, effectively contributing to a higher conversion rate and the production of products with higher added value. The Company is committed to upgrading the refinery further and plans to continue its programs to increase energy efficiency and environmental safety.

OOO LUKOIL-BUNKER focuses on bunker fuel supplies in marine and river ports across six Russian regions and is also engaged in wholesale supplies of bunker fuel. The Company operates its own bunkering fleet (18 tankers) and leased tankers.

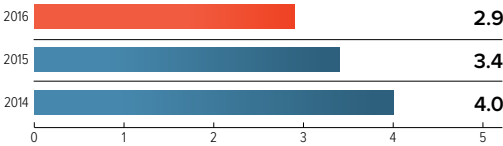
“It’s a great place to stop for a break on the road. It’s bright, cozy and quiet. The coffee is one of the best I’ve ever tried. I mean it. And they also offer traditional Vologda souvenirs. A great idea! That’s what I think as a tourist:). On top of that, the staff are pleasant and courteous, and there’s fairly good ice-cream and free (!) maps with travel tips about the Vologda Region. Straight A’s! It’s a filling station not to be missed. Exactly what you need on the roads across Russia’s vast distances. Civilization is what I call it!”

Vasily Nikitinsky,
online journalist

Key Operational Indicators

Feedstock processing and output of products OOO LUKOIL-Ukhtaneftepererabotka

Primary refining, million tons



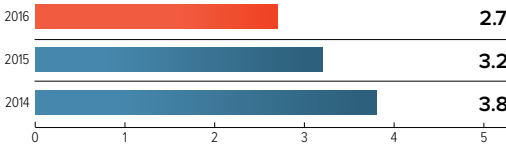
The key priorities for filling stations in the federal district are improving the technological infrastructure, enhancing customer experience, and expanding the range of services on offer.

In 2015, OOO LUKOIL-Severo-Zapadnefteprodukt introduced the automated supply of petroleum products to 132 filling stations in Saint Petersburg and the Leningrad Region, 8 stations in the Pskov Region, and 20 stations in the Kaliningrad Region. In 2016, the number of such filling stations increased to 175.

OOO LUKOIL-Volganefteprodukt pays a lot of attention to maintaining the quality of its petroleum products throughout the supply chain, from the bulk plant to the filling station. To this end, a regional chemical analysis laboratory in the Volgograd Region carries out quality control tests, issues certificates for storage tanks and analyzes samples taken from the tanks of filling stations and bulk plants.

As part of the “LUKOIL – Civilization” press tour organized by OOO LUKOIL-Volganefteprodukt in 2015, journalists and automotive bloggers visited the Company’s filling stations on their route from Nizhny Novgorod to Vologda. The participants praised the construction of the multi-purpose roadside filling stations currently being rolled-out by LUKOIL. Facilities include: filling stations, “Full-Service” cafes, parking for trucks, tyre fitting shops, and a car parts stores.

Petroleum product output, million tons



Source: Company data.



Presence of LUKOIL’s Filling Stations in the Region

Area	2014	2015	2016
OOO LUKOIL-Volganefteprodukt			
Vologda Region	60	61	61
OOO Severo-Zapadnefteprodukt			
Arkhangelsk Region	20	21	22
Kaliningrad Region	32	29	31
Murmansk Region	7	7	8
Novgorod Region	12	13	12
Pskov Region	9	9	9
Saint-Petersburg and Leningrad Region	148	146	147
Karelia Republic	8	8	9
Komi Republic	64	55	56
NAA	–	–	3
Total	300	288	358

Environmental Protection



G4-14



Key Environmental Measures

OOO LUKOIL-Trans, which has facilities operating in Russia's Arctic zone¹, puts special emphasis on minimizing its environmental impact. To this end:

G4-14

- public hearings were held and the approval of the State Environmental Inspection was received with respect to the EOSE Plan of the Varandey Terminal;
- the risk of permafrost degradation at the site of the onshore tank farm of the Varandey Terminal has been minimized;
- monitoring of the terminal's offshore and onshore parts and the local mammal and bird populations. According to the results of this monitoring, the tank farm and the shipping berth have no negative environmental impact;
- industrial environmental control activities carried out.

THE KEY PRINCIPLE FOLLOWED BY THE LUKOIL MANAGEMENT IS TO MAINTAIN AN ENVIRONMENTAL AND ECONOMIC BALANCE OF PRODUCTION, ENVIRONMENTAL SAFETY, AND THE BEST PRACTICES EMPLOYED BY THE GLOBAL OIL AND GAS PLAYERS.

¹ The Arctic zone of the Russian Federation means the territory of the Arctic Region where Russia has sovereign rights and jurisdiction and which includes:
a) territories (or parts of territories) of Russian constituent entities;
b) lands and islands that have been or can be discovered in the future and are located in the Arctic Ocean to the north of the coast of the Russian Federation and up to the North Pole;
c) inland and territorial waters of the Russian Federation adjacent to the territories listed in a) and b) above;
d) exclusive economic zone and continental shelf of the Russian Federation adjacent to the territories, listed in a) and b) above, within the sovereign rights and jurisdiction of the Russian Federation;
e) airspace above the territories and waters listed in a) to d) above. (Draft Federal Law "On the Development of the Arctic Zone of the Russian Federation").



Water resource management

Alongside environmental protection efforts as part of the corporate Environmental Safety Program, subsidiaries are also involved in regional campaigns and initiate their own activities.

OOO LUKOIL-Komi is implementing an action plan to rehabilitate the Maly Voyvosh Creek and the rivers of Yarega, Ukhta, and Izhma. On the Maly Voyvosh Creek, the coastline was cleaned and biological remediation was carried out, with fertilizers applied and new grasses planted. The activities were accepted by the authorized committee of the Komi Republic. In 2017, there are plans to commission a permanent hydrolock at the Maly Voyvosh Creek and new treatment facilities at the Yarega field. The water resources are subject to environmental monitoring and water sampling.



In 2017

new treatment facilities at the Yarega field will be commissioned

Biodiversity Preservation

The project to restore the numbers and species composition of biological resources in northern rivers is part of OOO LUKOIL-Komi's environmental program and has been in place for more than 10 years. To date, more than 1.1 million juvenile whitefish and grayling have been released, with an average of around 100,000 fish released every year.



> 1.1
million

juvenile whitefish and grayling have been released into northern rivers over the decade



12
filling stations

in the Vologda Region have been practicing waste sorting since 2015

Environmental campaigns

During the reporting period, LUKOIL’s employees took part in “River Ribbon”, a civic campaign to clean the coastlines of rivers and lakes, and in “Green Land”, a corporate environmental project dedicated to the 25th anniversary of the Company.

In 2015 and 2016, OOO LUKOIL-Volganefteprodukt participated in the project “ECOLOGical Culture in the Vologda Region. Take a Look Inside Yourself”, which is implemented by ROSSOYUZSPAS in order to improve environmental awareness among the general public and make the region more attractive to tourists. The project involved the local youth as volunteers. A number of filling stations in the region (No. 12, 21, 41, and 19) put up information for their visitors about places to stay and sights located alongside the Vologda–Medvezhyegorsk federal highway.

Since 2015, 12 filling stations of OOO LUKOIL-Volganefteprodukt in the Vologda Region have been practicing separate waste collection as a way to reduce their environmental footprint.

Support from OOO LUKOIL-Severo-Zapadnefteprodukt helped open the “Alley of Russia” in Petrozavodsk as part of a national campaign to plant trees that symbolize different Russian regions. Karelia is symbolized by the birch.

In 2015and2016, OOO LUKOIL-Kaliningradmorneft continued its ongoing environmental campaign, “March of Parks”. Every spring, the Council of Young Professionals and young employees volunteer for cleanup campaigns at the Curonian Spit National Park to help clean up beaches, repair walking trails and signboards, and put up new fencing. Also, the Council of Young Professionals holds annual urban planting campaigns for municipalities.

Relations with the Environmental Community and Local Residents



OOO LUKOIL-Komi launched a 24/7 hotline for everyone wishing to help the Company improve its environmental activities. Local residents can ask questions about the Company’s environmental efforts and construction projects, submit their ideas for improvement, or leave a complaint. The new hotline proves that the Company is open and committed to engaging in purposeful dialog with the environmental community, the residents of Russian regions, and regulatory bodies.

In 2015, the city of Usinsk (in the Komi Republic) hosted a round table titled “Key Environmental Challenges in the Komi Republic: Setting Targets and Moving Towards Solutions”, which was initiated by OOO LUKOIL-Komi. It brought together representatives of the executive branch of government, municipalities, oil companies, NGOs, scientists, and experts. The participants visited the Bayandyskoye field to review the Company’s production facilities.

Social Programs and Projects

Partnerships with the Areas of Presence

In its areas of presence, the Company signs agreements on social and economic cooperation. LUKOIL honors all its obligations as per the timeline and volumes set forth by the agreements.

In 2015, PJSC LUKOIL and the Government of the Komi Republic signed a new Cooperation Agreement, lasting until 2019, which saw the level of funding considerably increased in 2016. A new direction within the framework of the Agreement was cooperation in developing the Republic’s R&D capacities, carrying out scientific research, and providing grants for R&D and new engineering applications. Under the Agreement, a working group with oversight functions was set up and a procedure of interaction was developed to make the best use of funds dedicated to socially important projects.

As part of an agreement in NAA, the Company committed to supplying fuels and lubricants to companies and individuals in the region, respecting the rights of the indigenous minorities of the North, and, where possible, increasing the sourcing of services from local organizations (rescue teams, airlines, healthcare providers, etc.).

- The agreement signed with the Government of the Vologda Region identifies the following priorities:
- further development and enhancement of the fuel and energy sector;
 - sustainable supplies of petroleum and petrochemical products to consumers;
 - social stability, environmental improvements, etc.

In 2016, a Cooperation Agreement was signed between PJSC LUKOIL and the Government of the Kaliningrad Region. The Cooperation Agreement between PJSC LUKOIL and the Government of the Leningrad Region also remained in force during the reporting period.



All obligations as per agreements are met by LUKOIL in full and on time

Discharge of obligations assumed under agreements with Russian regions (examples) G4-EC7



The Komi Republic	<ul style="list-style-type: none">• Financing was provided for the refurbishment of community centers, hospitals, kindergartens and schools. 21 school buses were purchased and new playgrounds for children were installed.• Textbooks were procured for secondary school No. 2 of Ukhta and equipment purchased for City Polyclinic No. 2 of Yarega settlement, City Hospital No. 1 of Ukhta, and the Children’s Hospital of Ukhta.• In the Ust-Tsilma District, two local schools were supported in purchasing tractors to provide vocational training tailored to rural needs; two rural kindergartens and three schools were renovated.• In Pechora, equipment and multimedia equipment was purchased for a children’s sports school and Orphanage No. 17, respectively. In Vuktyl, Secondary School No. 1, Central District Hospital and Center for Therapy and Rehabilitation of War Veterans were renovated. In Sosnogorsk, new equipment was installed at the Gorizont community center.• Oil skimming equipment was donated to the Komi Republic to be used in oil spills if local oil producers require additional resources to quickly respond to emergencies
Leningrad Region	<ul style="list-style-type: none">• Projects are underway to build new and upgrade existing facilities to transport and store oil and petroleum products; the filling station network is being expanded. A petroleum product pipeline from the Primorsk port to the Vysotsk terminal was built, along with 12 filling stations and a bitumen storage facility
Nenets Autonomous Area	<ul style="list-style-type: none">• Key areas of cooperation: supporting indigenous populations, organizing the diagnosis and treatment of special needs children, funding social infrastructure and constructing housing.• Construction and maintenance of the Naryan-Mar–Usinsk winter road.• During the reporting period, a medical checkup was provided for people living in tundra regions (as part of the “Red Rawhide” project) and an annual festival titled “The Days of Classical Music in the Arctic” was organized; the construction of the “House of Crafts” in Krasnoye, and a research laboratory and an indoor tennis court in Naryan-Mar was underway

G4-EC7

Discharge of obligations assumed under agreements with Russian regions (examples) G4-EC7

The Kaliningrad Region	<ul style="list-style-type: none">• In the Guryevsk city district, the construction of a rural healthcare center is underway and equipment is being provided for children's playgrounds in settlements, a school, community center, and kindergarten No. 23 in Guryevsk.• In the Gvardeysk city district, support was provided to the Gvardeysk Museum of History and Culture and uniforms and equipment were purchased for the Olympia football club.• In the Zelenogradsk city district, an international festival was held at a community center and construction of sports facilities in Zelenogradsk is underway.• In the Krasnoznamensk city district, cultural and educational programs were organized and support was provided to the district union of people with disabilities.• In the Svetlovsky city district, urban improvement was carried out, drain water facilities were set up, the “City Day” and “Fisherman Day” events were held, and support was provided to sports schools and sports clubs for children.• In 2016, the Baltic Fleet and OOO LUKOIL-KMN signed a cooperation agreement, which will see the Company provide corporate assistance to the Steregushchy corvette in its preparations for maritime campaigns, improving equipment, cultural exchange between the Company and the Fleet, and the military and patriotic training of the crew.
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Charitable activities

Charitable activities of OOO LUKOIL-Severo-Zapadnefteprodukt	<ul style="list-style-type: none">• The Company has traditionally supported major cultural events:<ul style="list-style-type: none">▸ “The Imperial Gardens of Russia”, an international festival organized by the State Russian Museum,▸ a charitable concert of brass music in Saint Isaac’s Cathedral (Saint-Petersburg),▸ and the “Crescendo” music festival in the Pskov Region.• In the Novgorod Region, funding was provided to organize celebrations marking the 1,000th anniversary of the town of Staraya Russa. Financing was provided to SKA hockey school for trips to tournaments and ice resurfacing equipment.• Support was provided to the Gennady Romanov Children's Rehabilitation Center, which uses unique proprietary treatment methods.• To mark the 70th anniversary of the Great Patriotic War (WWII), support was provided to redevelop the site of the Grove of the 500 war memorial in the Kingisepp District of the Leningrad Region. More than 200 war veterans in Saint-Petersburg, the Leningrad, Pskov and Novgorod Regions and the Komi Republic received gifts. As usual, the Company participated in the “Ribbon of Saint George” countrywide gathering before Victory Day.
Charitable activities of OOO LUKOIL-Volganefteprodukt in the Vologda Region	<ul style="list-style-type: none">• For many years, the LUKOIL Charity Foundation and OOO LUKOIL-Volganefteprodukt have been acting as trustees of the Veliky Ustyug Orphanage. In 2015, the orphanage opened its own multi-purpose sports ground.• Regular assistance is provided to the Vologda branch of the Russian Children’s Fund, which works with children who require medical treatment



The Company traditionally supports

major cultural events: “The Imperial Gardens of Russia”, an international festival organized by the State Russian Museum

Social and Cultural Projects Contest

In 2015 and 2016, OOO LUKOIL-Komi and the LUKOIL Charity Foundation held the Social and Cultural Projects Contest in four Russian regions within the federal district.



“The Company is building an environment that fosters activism in citizens to enable them to tackle and solve their problems. This is very important, and we share the same vision here. I would describe this kind of support as social investment in the region. These include investing in the health, education, and professional and personal growth of our residents.”

Igor Koshin,
Governor of NAA

Contest results

Contest operator	Number of projects				Coverage area
	2015		2016		
	submitted	winners	submitted	winners	
OOO LUKOIL-KMN and LUKOIL CF	97	17	191	27	Kaliningrad Region
OOO LUKOIL-Komi and LUKOIL CF	90	15	90	35	The Komi Republic and NAA
OOO LUKOIL-Volganefteprodukt	102	11	114	12	Vologda Region

The supported projects include:



Istok Non-Governmental Foundation, Energy of the Nature project (Kaliningrad)

The Energy of the Nature awareness-raising project has been in place since 2013. It is designed to help local residents and tourists learn more about the unique nature of the Kaliningrad Region and to learn how to preserve it. In 2015, an online photography competition called “The Lakes of the Kaliningrad Region” was held, and a book titled “The Nature of the Kaliningrad Region” was presented and later distributed to educational facilities and libraries across the region.



The Center of Culture and Sport of the Lunino Rural Settlement, Park of Heroes project (the Kaliningrad Region)

The organization improved the park adjacent to the war memorial, cleaning up the pond, planting roses

and spruces, and installing gazebos, benches, and waste bins. The project was completed with a literary evening for students of the Malomozhayskoye school titled “In Our Memories for Centuries”.

In the Vologda Region, the Social and Cultural Projects Contest has been held since 2012. In 2015–2016, regional NGOs submitted a total of 216 applications to the Expert Council, with funding granted to 23 of them.



Vologda State Historical, Architectural and Art Museum Reserve, project Transformations of the Old Shoe and His Friends (Vologda)

The project is focused on environmental preservation, including the search for technologies of zero or near zero waste production. Environmental masterclasses were organized for Vologda residents to teach them about ideas and technologies that can help reuse old things.



117 winners

of the Social and Cultural Projects Contest in the Northwestern Federal District in 2015-2016



14

RUB million

were allocated to support the IMN medical assistance project between 2008 and 2016

In 2016, OOO LUKOIL-Komi and LUKOIL Charity Foundation held the Social and Cultural Projects Contest in the Komi Republic and the Nenets Autonomous Area for the 12th time. Projects were submitted in the categories Environment, Spirituality and Culture, Sport, and in a special category titled Energy for the Benefit of Humanity, which marks the 25th anniversary of PJSC LUKOIL. To celebrate the anniversary, the contest offered a considerably larger total number of grants, which were distributed between twice as many winners as in 2015.



In the Komi Republic, the Izhemsky District, the regional activist movement “Izvatas” won the Spirituality and Culture category for their project “Mother Tongue: The Foundation of the Spirituality and Culture of Izhma-Komi People” (the Komi Republic, the Izhemsky District)

The project won the Spirituality and Culture nomination. It aims to publish textbooks for the preservation of the language of the Komi indigenous people. Reading and writing textbooks, a Russian-Izhma dictionary, and other teaching aids were published.



Children’s Supplementary Education Center, Nizhny Odes settlement, project “School of Engineers of the Future” (the Komi Republic, the Sosnogorsk municipal district)

The project is designed to foster technical creativity in children and teenagers through training, competitions and festivals in robotics, computer science, and programming.



Kindergarten No. 2 of Izhma settlement, project “Bab Kydyis Divo (Miracle from Grandma’s Wooden Chest)”, (the Komi Republic, the Izhemsky District).

The project helps pre-school children learn more about national traditions, history and culture of their village and district, and create an interactive exhibition of traditional folk costumes (for women and children). In addition, there are gaming and learning sites and recreational areas set up on the streets.

Social Events

With support from OOO LUKOIL-Severo-Zapadnefteprodukt, Kaliningrad hosted a campaign to celebrate the beginning of the school year. On September 1, 2015, traffic police officers and volunteers from the Silver Rain radio station came out to pedestrian crossings near city schools to present flowers to car drivers, reminding them that the beginning of the school year means that there will be a lot of pedestrians who are new to the rules of road. The campaign was supported by the Kaliningrad Region traffic police.

Support of the Indigenous Minorities of the North

In its interaction with indigenous peoples, OOO LUKOIL-Komi strives to preserve their cultural heritage and traditional way of life. The key traditional activity in NAA is reindeer breeding. The Company provides regular assistance to reindeer farms as a way to improve the quality of life for reindeer breeders.

Under Cooperation agreements between PJSC LUKOIL and NAA administration, OOO LUKOIL-Komi provided funding for the construction and maintenance of a winter road up to the Khorey-Ver settlement, which is vital for the operations of the Put’ Ilyicha reindeer breeding farm.

Reindeer farms in areas where a subsidiary operates signed agreements on social and economic cooperation. As part of those agreements, equipment, fuel and lubricants are purchased, korals¹ (reindeer pens) are built, housing for farm workers is constructed, and holiday trips are provided to reindeer breeders and their children. In 2016, similar agreements were signed with SPK Harp, SPK Erv, and SPK Izhma Reinbreeder & Co. reindeer farms. The total financing under the agreements with the farms was approximately 30 million RUB. **G4-OG9**

¹ A koral is an enclosure for confining livestock.

Public Recognition

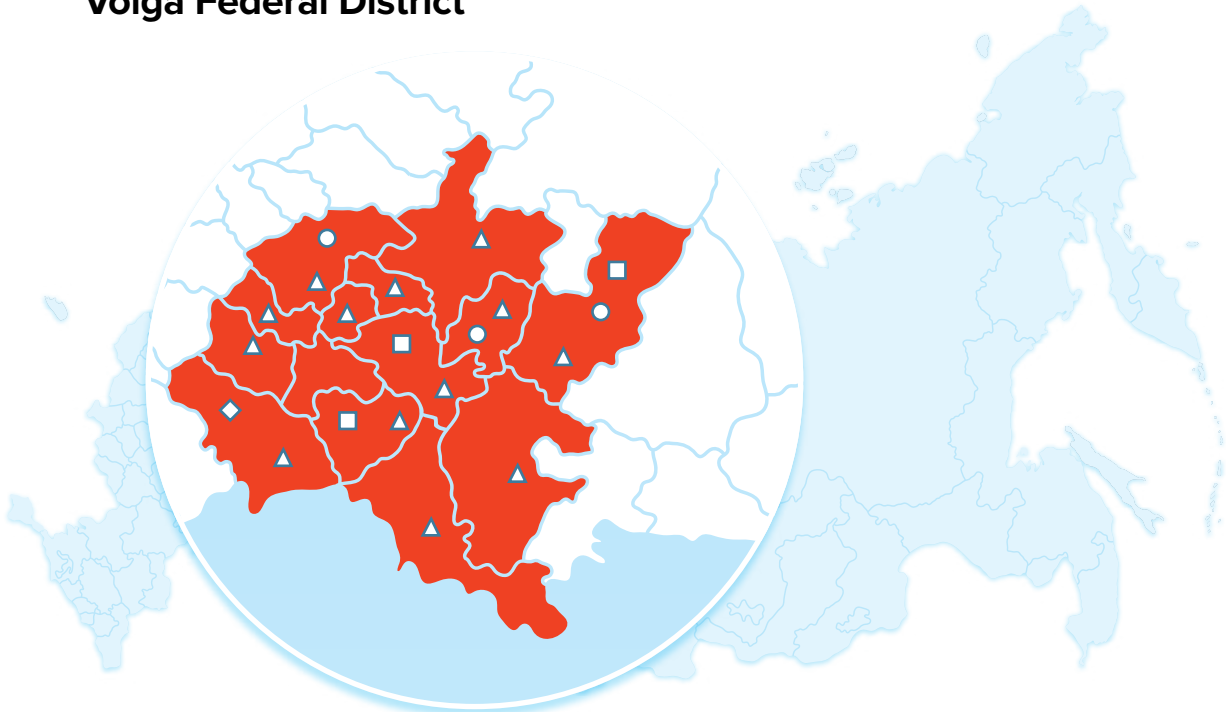
OOO LUKOIL-Komi provides support to annual sports competitions, such as the Artur Chilingarov Hero’s Cup of Russia snowmobile races, that local residents take part in. Another major event is the annual inter-municipal Spartakiade among the residents of NAA’s villages.

For nine years, OOO LUKOIL-Komi has been providing patronage assistance to the ethnic settlement of Krasnoye’s comprehensive school for children of workers of the Harp and Erv reindeer farms. Over these nine years, the school has received new furniture, interactive devices and multimedia projectors, a mobile physics laboratory, and musical instruments.

In addition, OOO LUKOIL-Komi is implementing social and charitable projects in NAA aimed at improving the lives of indigenous peoples - the Nenets and the Komi. In 2008, OOO LUKOIL-Komi, administrations of the NAA and Zapolyarny District, the Yasavey organization and Total Exploration Production Russia oil company started a project titled “Red Rawhide”. The project helps increase the accessibility of medical assistance to nomadic residents in remote regions of the Arctic: teams of healthcare professionals provide on-site checkup and treatment to reindeer breeders and their families. Doctors also conduct training courses for women on how to administer first aid and provide them with comprehensive first-aid kits and guidebooks. The project helps identify a variety of conditions in their early stages so as to help treat them more effectively. Between 2008 and 2016, the program has helped more than 6,500 people, with a total of 14.5 million RUB allocated in funding.



Volga Federal District



□ Upstream	△ Downstream	○ Midstream	◇ Petrochemicals
OOO LUKOIL-PERM AO RITEK ¹ (TMF TatRITEKneft, TMF RITEK-Samara-Nafta, TMF RITEK-Uraloil)	OOO LUKOIL-Nizhegorodnefteorgsintez OOO LUKOIL-Permnefteorgsintez OOO LUKOIL-Volganefteprodukt OOO LUKOIL-Nizhnevolzhsknefteprodukt OOO LUKOIL-Permnefteprodukt OOO LUKOIL-Uralnefteprodukt OOO LUKOIL-AERO	OOO Kamarskaya Bulk Plant OOO LUKOIL-Trans (Transport interchange hub (TIH) Kstovo, TIH Perm)	OOO Saratovorgsintez

ECONOMIC ROLE AND INVESTMENTS

The Company's strategic goal in the federal district is to maintain the efficient production of hydrocarbons, especially through the use of new technologies and up-to-date equipment. Investments have been made in the development of Upstream infrastructure, reducing the production of heavy petroleum products and increasing the output of value-added products by refineries, as well as in projects designed to improve health and safety performance.



Achieved

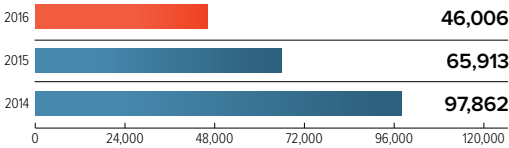
- TMF TatRITEKneft reached its target APG utilization level (97.1% of the value-added product use)
- The longest drilled oil well is located in the Perm Territory
- For the first time in Russia, the raw stock conversion rate of OOO LUKOIL-Permnefteorgsintez exceeded 98%
- 34 filling stations were upgraded and revamped and six new filling stations built

Planned

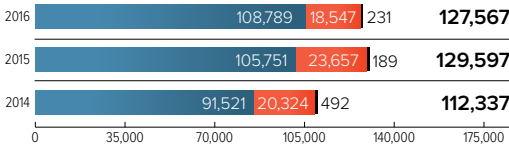
- Stabilize the key performance indicators of hydrocarbon exploration and production
- Increase the proportion of high value-added products
- Increase the raw stock conversion rate of OOO LUKOIL-Nizhegorodnefteorgsintez
- Continue to introduce energy efficiency solutions
- Continue the upgrading and revamping of the filling station network and further improve the quality of service offered to customers

Key Economic Performance Indicators

Investments, million RUB



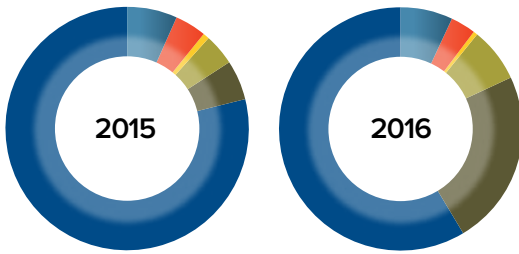
Total taxes paid, million RUB



to the Russian federal budget
to the budgets of the RF constituent entities
to the local budgets (cumulative figure)

Note. Includes taxes paid by LUKOIL Group entities incorporated as legal entities in the federal district under the applicable law.

Socially significant projects/ facilities costs, %



	2015	2016
Social support for population. Orphanages, boarding schools, schools and other childcare centers	7	7
Education	4	3
Healthcare	1	1
Centers of science, art, culture	4	7
Physical training/Sports facilities	5	23
Social and Cultural Projects Contest	79	59

¹ AO RITEK includes five territorial production enterprises (TMF) situated in three federal districts: the Southern Federal District – TMF Volgogradneftegaz (the Volgograd and Astrakhan Regions, the Republic of Kalmykia); the Volga Federal District – TMF TatRITEKneft (the Republic of Tatarstan, the Udmurt Republic), TMF RITEK-Uraloil (the Perm Territory), TMF RITEK-Samara-Nafta (the Samara and Ulyanovsk Regions); and the Ural Federal District – TMF RITEKBeloyarskneft (KMAA and YNAA).

Upstream

OOO LUKOIL-PERM is a holder of 102 mineral development licenses; it produces oil at 101 oil and gas fields, the oldest of which has been operating for 77 years. In the reporting period, three new fields were opened, including one gas deposit in the Republic of Komi (Pachginskoye). The deposit was discovered based on the results of an earlier geological exploration within the Kurino-Patrakovskoye License District. New discoveries in the Kama Region include two oil fields (South-Kalmiyarskoye and Western-Chikulaevskoye) and 32 new deposits within existing fields. The Pavlovskoye field, discovered in 1956, is a success story of additional exploration: in 2016, the drilling of five wildcats and 3D seismic surveys resulted in major additions to the existing oil reserves.

Among the major investment projects implemented during the reporting period were the renewing of the Chashkino-Kamenny Log gathering pipeline, the development of 143 new wells, and the completion of an APG pipeline construction project. In its anniversary year of the Company, the subsidiary drilled its longest well at the Rostovitskoye field – it is 4,620 m long, a new record for the Perm Territory.

The new production technologies and techniques adopted by OOO LUKOIL-PERM help enhance production and widen the production choices in complex environments. The subsidiary requested R&D and pilot projects in a number of areas relevant to the industry as a whole.

Fifteen well stimulation and production enhancement technologies were field-tested in 2015, of which two were identified as being the most effective. In particular, development of a unit exposing the bottomhole area to heat was successfully completed,

thus increasing the recovery of high-viscosity and water-cut oil. The Company also carried out pilot projects designed to prevent complications during well construction and completion, introducing smart software and hardware solutions, and the protection of downhole equipment against corrosion and deposits.

Given the high demand for effective chemicals of a consistently high quality, the Company is developing a highly inhibited water-based mud, which is produced from domestic raw materials. In 2016, the R&D stage of the project was completed. The introduction of the technology makes it possible to improve the quality of the production wells and sidetracks in the fields of OOO LUKOIL-PERM. A total of one intellectual property application was filed following completion of R&D in 2016.

AO RITEK is a holder of 162¹ mineral extraction licenses, which authorize it to carry out prospecting, exploration and production of hydrocarbons in different regions. In the Volga Federal District, the Company is developing 129 fields. Between 2015 and 2016, nine fields were brought into development.

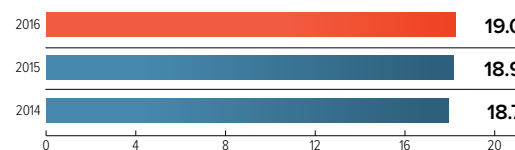
The exploration operations conducted in 2016 resulted in the discovery of three fields in the Samara Region.

In the Republic of Tatarstan, a major investment project for the development of the Enorusskinskoye field is underway. A water-alternated-gas site was put into operation at the Menzelinskoye field (TMF TatRITEKneft) in 2015. The Company continued to improve its water-alternated-gas injection technology at Menzelinskoye.

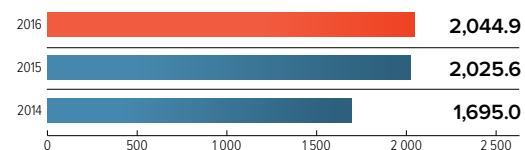
Key Operational Indicators

Production of raw hydrocarbons (OOO LUKOIL-PERM, TMF RITEK-Uraloil)

Oil production, million tons



Production of natural and associated petroleum gas, million cubic meters



¹ As of February 2017.

Refining

OOO LUKOIL-Permnefteorgsintez, one of the most technically advanced Russian refineries, carried out numerous investment projects in the reporting period. A new advanced oil refining complex, incorporating a delayed coking unit and a diesel oil cut hydrotreating unit with hydrogen generation, was put into service, which significantly increased its oil conversion rate. The enterprise has started production of new products, including jet fuel components, oil fuel, more environmentally friendly unleaded gasolines, etc. A great deal of effort has been put into the certification of the enterprise's products.

To improve the energy efficiency of its production facilities, in 2015, the Company constructed an APG-powered co-generation plant (TES-200) to meet its in-house demand, which almost entirely removed the need to purchase power, energy, and heat. Reliance on cutting-edge gas turbine technology enabled a combined output of heat and electric power.

There is an ongoing project to replace tube heaters with more efficient ones (i.e., with performance above 85%) to cut back on greenhouse gas emissions. This will also result in a reduction in fuel consumption and an increase in the reliability and safety of the equipment.

In the reporting period, the enterprise started to implement a lean production system (that uses the Lean Six Sigma production methodology), designed to improve the overall production performance, production processes, and workforce productivity.

Over the last decade, OOO LUKOIL-Nizhegorodnefteorgzintez has commissioned new processing facilities in Kstovo, each of which is on the list of the region's biggest investment projects. Today, the plant produces over 70 products, including gasoline, diesel fuel, kerosene, marine fuel, road bitumen, propylene for the petrochemical industry, etc.



14

projects

were successfully implemented using the Lean Six Sigma production methodology in 2015

19

projects

were developed and implemented in 2016 based on the LSS methodology

IN 2015, A SIGNIFICANT INVESTMENT PROJECT WAS THE COMPLETION OF THE SECOND VACUUM GAS OIL CATALYTIC CRACKER.



In 2015, a significant investment project was the completion of the second vacuum gas oil catalytic cracker. Putting the cracker into operation substantially increased the output of light petroleum products. VT-2, a vacuum gas oil unit, was built to enhance conversion efficiency and supply the enterprise with its own raw stock.

The Company is considering the construction of a heavy residue hydrocracker that is based on delayed coking. The hydrocracker will considerably improve the oil conversion rate and output of fuels that are compliant with current quality standards.

In 2016, the General Board of State Expert Review approved a project for the transfer of 8.5 million tons of gasoline and diesel fuel produced by OOO LUKOIL-Nizhegorodnefteorgsintez to the Transneft network for deliveries to the Moscow region.

In 2017, the refinery is expected to commence commercial production of ECTO 100, a gasoline intended as a replacement for ECTO Sport 98, sold at the Company's filling stations. The use of LUKOIL fuels

with an octane rating of 100 or higher improves the performance of high-power engines while preserving the operating and environmental properties of the ECTO family of fuels. The product received a positive appraisal from the Intertek laboratory in Switzerland.



"For LUKOIL, the high quality of our products has always been fundamental. It's always been essential to LUKOIL that we maintain a high quality of our products. The innovative ECTO 100 gasoline is the result of many years of work put in by the Company in the perfection of fuels that it puts out on the Russian market. A few years ago, our Company was the first in Russia to complete the modernization of its refineries and the first to switch to Euro-5 fuel. Today, we have taken another important step towards our customers - we hope that the new product, which LUKOIL has also launched first, will be in demand".

Vladimir Nekrasov,
First Vice President of PJSC LUKOIL

OOO Saratovorgsintez is carrying out two production expansion projects. In 2015, a second sodium cyanide unit with a capacity of 15 thousand tons/year was put into operation. The commissioning of this unit brought the aggregate product capacity that is required to meet the demand from domestic and foreign producers to 30 thousand tons/year. The investment project started in 2012. The main process was designed by GLATT (Germany) under a license from DUPONT (US).

INVESTMENT IN THIS PROJECT TOTALED 1.3 BILLION RUB.

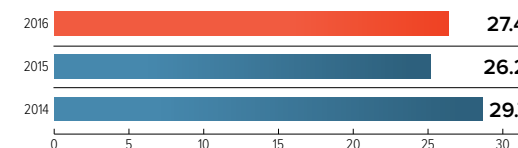
The commissioning of the unit made it possible to completely end the combustion of hydrocyanic acid, which is a byproduct of the manufacturing of the saleable product, thus considerably reducing atmospheric emissions of pollutants.

In 2016, they laid the cornerstone of the acrylamide and polyacrylamide plant (a joint project of PJSC LUKOIL and SNF Floerger (France)). It is anticipated that the initial production capacity will be 20 thousand tons and that this will be accomplished as early as 2018.

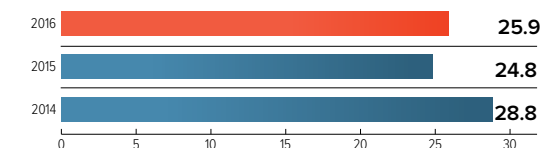
Key Operational Indicators

Oil refining: OOO LUKOIL-Permnefteorgsintez, OOO LUKOIL-Nizhegorodnefteorgsintez, (cumulative figure)

Refining output, million tons



Petroleum product output, million tons



Indicators	2014	2015	2016
Petrochemicals: OOO Saratovorgsintez			
Raw stock refining volumes, thousand tons	279.1	284.6	280.9
Commercial output, thousand tons	168.8	173.2	188.1
Gas processing: OOO LUKOIL-Permnefteorgsintez			
Petroleum and wet gas processing, million cubic meters	467.6	720.0	810.4
Natural gas treatment, million cubic meters	—	275	323.4
NGL processing, thousand tons	629.4	471.2	328.5

Source: Company data.

	2014	2015	2016
OOO LUKOIL-Kambarskaya Bulk Plant			
Oil transshipment, million tons	1.3	1.0	1.0

Source: Company data.



8.5
million tons

of fuel manufactured by LUKOIL-Nizhegorodnefteorgsintez were approved for shipment to the Transneft system in 2016

Petroleum Product Sales



34

filling stations

were modernized in the Volga Federal District to suit the clients' needs in 2015-2016

OOO LUKOIL-Permnefteprodukt is a major supplier of petroleum products in the Volga Federal District. In the reporting period, the Company started a ten-year upgrading program at its filling stations. It plans to re-equip the stations, create additional parking spaces, introduce pump attendants, offer tire inflation facilities, and hoovering services. Additional car wash and maintenance services may also appear.

In 2016, the Company drastically changed the appearance of its 18 filling stations in the Perm Territory, the Kirov Region, and the Udmurt Republic, and built three brand new stations in the Perm Territory. Each filling station features a café, free Wi-Fi, and a selection of products. Only natural ingredients are used in the preparation of food and beverages.

The quality control of the petroleum is in full accordance with corporate standards.

IN 2016, 1,680 SAMPLES WERE TAKEN AT BULK PLANTS, AND 3,748 AT FILLING STATIONS (IN 2015 – 1,848 AND 3,940 RESPECTIVELY).

TO PRESERVE AND MAINTAIN THE QUALITY OF PETROLEUM PRODUCTS, 549 TANKS WERE PURGED AT FILLING STATIONS AND BULK PLANTS (503 IN 2015).

A customer poll run at several new filling stations in late 2015/early 2016, revealed growing customer satisfaction, which is due to the high quality of petroleum products, good work by the personnel, and the introduction of new services, including the option of postpayments, being a major time-saver for motorists who are filling up.

Since 2016, the Company has been using a new management tool designed to improve the quality of services. Its "Service Book", a code of rules governing the sale of non-fuel products and services offered by filling stations, establishes a common framework in which all personnel work.



The Company works to attract young, qualified personnel to its facilities in order to raise the quality of service offered by the business. In 2016, an agreement was signed between OOO LUKOIL-Permnefteprodukt and Perm State National Research University for students of the Department of Economics to have their internships at the Company's filling stations.

Another major petroleum product supply company in the Volga Federal District is OOO LUKOIL-Volganefteprodukt. The enterprise's priorities have remained unchanged over the entire history of its existence. These include the safe operation of all its facilities, sales network upgrades, petroleum product quality control at every stage and substantial improvements in the services offered at the filling stations. In 2015 – 2016, it built three new stations that meet the Company's current standards, and made improvements to 14 filling stations in the Nizhny Novgorod Region, Chuvash Republic, Mordovia, and Mari El.

In 2016, OOO LUKOIL-Volganefteprodukt opened filling station No.53 on the premises of the MEGA shopping plaza in the Nizhny Novgorod Region, which is the first facility constructed under an agreement which will see LUKOIL filling stations on the premises of MEGA plazas across Russia.

”

"The project was implemented specifically in the Nizhny Novgorod Region due to the smart policies of the region's Government. In the near future, we are about to negotiate the possibility of construction of LUKOIL filling stations next to MEGA plazas in other Russian regions".

Aidar Abdullin,
Head of the Sales Development Department
of PJSC LUKOIL

The Company is particularly concerned with securing the quality of its petroleum products. The petroleum product quality control is a multi-stage process: products arriving at bulk plants are subjected to laboratory testing (certification) and samples are taken from the tankers transporting products to filling stations and from tanks at the filling stations and bulk plants.

The quality control of petroleum products in the Nizhny Novgorod Region is the responsibility of the high-tech central lab of OOO LUKOIL-Nizhegorodnefteorgzintez.

In 2015, 6,992 samples were taken from filling stations and bulk plants in the Nizhny Novgorod Region and 7,245 samples were taken from filling stations and bulk plants in the Vladimir Region and filling stations in Mordovia, the Chuvash Republic and Mari El (of which 3,340 samples were tested in a mobile lab). No petroleum products of substandard quality were identified.

144 tanks at 34 filling stations and 36 tanks at seven bulk plants were purged.

In 2015, bulk plants were retrofitted in order to improve safety: remote control devices were introduced and treatment units were installed at the Sergachskaya bulk plant and others.

Company employees constantly work to improve the services offered to customers. Almost every filling station in the network is equipped with a coffee machine. In 2016, the Company began installing machines that use

“living” milk. Some filling stations offer their customers blood pressure tests, and have pharmaceutical and flower vending machines in place. Certain filling stations feature children’s areas and those on highways have small playgrounds.

In April-May 2015, a study of customer preferences was conducted in the Nizhny Novgorod Region. The study revealed that customers highly value the quality of the fuel and the level of service offered at LUKOIL filling stations. There has been a growth in the percentage of consumers who choose the ECTO fuel and are aware of its performance characteristics.

OOO LUKOIL-Uralnefteprodukt also pays much attention to the modernization of its own network of filling stations and bulk plants in accordance with the technologies and requirements of PJSC LUKOIL. In 2016, a complete refurbishment of its bulk plant in Orenburg was carried out: a new pumping station was constructed, a full overhaul of the railway overpass was completed, process pipelines were replaced, a new transformer substation was built, and sewage treatment facilities with a storm sewage system was laid out, etc. Filling station No. 63054 in Samara and No.16119 on the 72 km of the Kazan – Ulyanovsk highway were renovated.

At its bulk plant in Iglino in the Republic of Bashkortostan, the Company built a new petroleum product quality control laboratory, which enables it to quickly conduct tests and issue product safety data sheets based on actual measurements rather than solely relying on the data contained in manufacturer certificates.

Presence of LUKOIL’s Filling Stations in the Region

Area	2014	2015	2016
OOO LUKOIL-Permnefteprodukt			
Perm Territory	124	123	124
Kirov Region	48	48	48
Udmurt Republic	65	64	64
OOO LUKOIL-Uralnefteprodukt			
Orenburg Region	21	21	21
Samara Region	21	21	21
Republic of Bashkortostan	57	54	54
Republic of Tatarstan ¹	35	36	35
OOO LUKOIL-Volganefteprodukt			
Nizhny Novgorod Region	106	106	106
Republic of Mordovia	26	26	26
Chuvash Republic	14	14	15
Mari El Republic	13	13	13
OOO LUKOIL-Nizhnevolzhsknefteprodukt			
Penza Region	25	25	25
Saratov Region	35	35	35
Total	590	586	587

¹ Including one filling station of OOO LUKOIL-Volganefteprodukt.

IN APRIL-MAY 2015, A STUDY OF CUSTOMER PREFERENCES WAS CONDUCTED IN THE NIZHNY NOVGOROD REGION. THE STUDY REVEALED THAT CUSTOMERS HIGHLY VALUE THE QUALITY OF THE FUEL AND THE LEVEL OF SERVICE OFFERED AT LUKOIL FILLING STATIONS.



Environmental Protection

Key Environmental Measures

A land reclamation project in Udmurtia is one of the most crucial environmental improvement initiatives taken in the Volga Federal District. Between 2010 and 2015, OOO LUKOIL-Kambarskaya Bulk Plant successfully reclaimed 40 hectares of oil-contaminated forestry land in the Republic's Kambarka District. The contamination of the forestry land by OAO Udmurtnefteprodukt occurred prior to the bulk plant acquisition by the Company in 2009.

The Company's filling stations also take air improvement measures in urban locations. The filling stations of OOO LUKOIL-Volganefteprodukt have in-house patented environmental installations in place to recover petroleum product vapor. The recovery system helps cut back on atmospheric emissions of pollutants and reduce the sanitary zone to a minimum, which is crucial in restricted urban conditions.

Preservation of Biodiversity

In furtherance of the Biodiversity Preservation Policy, the subsidiaries annually replenish the numbers of valuable and rare fish in the rivers and reservoirs within the regions of their presence.

OOO LUKOIL-PERM works to maintain the fish numbers in Votkinskoye and Kamskoye reservoirs, and in the rivers of Kama, Buy, Yaiva, and Chusovaya. In 2015–2016, over 1 million sterlet, pike perch, and pike juveniles, specifically bred by three fish farms in the Perm District, Dobryanka and Elovo, were released into the wild.

In 2015, OOO LUKOIL-Nizhegorodnefteorgsintez released 6,489 sterlet juveniles into the Volga.

Environmental campaigns

For many years, OOO LUKOIL-PERM has held the environmental events "Children and LUKOIL for the environment" and "City of oil workers - the city of flowers" together with the Perm Branch of the LUKOIL Charity Foundation, municipalities and employment agencies.



OVER THE LAST DECADE, THE EVENTS RESULTED IN THE PLANTING OF ABOUT 3 MILLION FLOWERS AND OVER 58 THOUSAND TREES AND SHRUBS.

To mark the 25th anniversary of the Company, colorful flowerbeds were planted in the shape of the number "25" with avenues of lilac, birches, mountain ash, apple, currant, cherry, and plum orchards. Kindergartens and schools now have "healthy patches" of spices and medicinal herbs. The total spending on these events exceeded 30 million RUB in 2016.

Another environmental initiative is the removal of communal waste from the territories. In 2015–2016, employees of OOO LUKOIL-PERM cleared the specially protected natural area of the Nizhnevishersky reserve, i.e. the shoreline of Lake Nyukhti, as well as water protection zones, sanitary protection zones and territories adjacent to the production facilities of the Company. A total of 205 cubic meters of waste was collected and brought to a solid waste landfill.

OOO LUKOIL-Volganefteprodukt annually sponsors AntiSWINE, a social program whereby volunteers clean up fly tipping sites.

In 2016, in the Samara Region they held an environmentally themed children's drawing competition titled "Clear Perspective". The goal of the competition is to involve the younger generation in the process of studying and protecting the environment. About 200 school students, from first to fifth grade, entered the competition, and 36 young artists were declared winners.

Separate waste collection

In 2016, OOO LUKOIL-Volganefteprodukt launched a socially significant separate waste collection project at its filling stations, i.e. paper, cardboard, and other types of waste are submitted for recycling and are then used as processed raw materials.

40 FILLING STATIONS OF OOO LUKOIL-VOLGANEFTEPRODUKT IN THE NIZHNY NOVGOROD REGION EMPLOY SEPARATE WASTE COLLECTION PRACTICES. THE PROJECT GAINED THE APPROVAL OF THE MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES OF THE NIZHNY NOVGOROD REGION.


216.7
million RUB

were allocated to land reclamation operations between 2010 and 2015

Social Programs and Projects

Partnerships with the Areas of Presence



Discharge of obligations assumed under agreements with Russian regions (examples) G4-EC7

Perm Territory	<ul style="list-style-type: none">• In 2016, in Osa, Kungur, Polazne, Krasnokamsk and Chernushka, monuments to the discoverers of oil were erected, a social entrepreneur fair was held, and a charity tour by the leading theatrical companies of the regional capital was organized.• The achievements of 2016 include: commissioning of four rural community centers, completion of major repairs of the Polazna-based Center for Technology, renovation of the auditorium of the A.G. Soldatov Cultural Center in Perm, repairing the facade of the Center for Creative and Leisure Activities in Osa, and the beautification the adjacent territory by making pathways, putting up rest benches, creating Alpine rock gardens, and installing street planters.• The Company allocated money to build 12 pre-schools in the Oktyabrsky, Siva, Usolye, Dobryanka, Kueda, and Chernushka Districts. It helped to renovate school No.8 in Krasnokamsk, and made repairs to school buildings in the Kueda District.• Completed construction projects include: three rural health posts in the Gainsky District, there is ongoing renovation of the Municipal Children’s Hospital in Berezniki, the Perm Territory Children’s Clinical Hospital, and the M.A. Tverye Infirmary No.9.• Stadiums were opened in Ochera, Perm, and the village of Siva. The Company rebuilt athletic tracks in stadiums in Dobryanka and Elovo, and laid out sports grounds with outdoor fitness machines in the village of Polozovo in the Bolshaya Sosnova District and in the Comprehensive Rehabilitation Facility for the disabled in Perm.• A gas boiler house was overhauled in the village of Oshya in the Kueda District. A streetcar emergency maintenance truck was purchased for the municipal electric transport department in Perm.• Ecclesiastical construction projects included churches in Krasnovishersk and Perm, and mosques in the villages of Barda and Bashkultaevo. In addition to that, the Company has been supportive of monasteries (Belogorsky Monastery in the Kungur District, Monastery of the Transfiguration of the Savior in Usolye, St. Nichoals Monastery in the village of Nikolaevskoye in the Chernushka District), churches in the villages of Orda, Dobryanka, Osa, Polazna, Elovo, Kueda, etc., and mosques in the Uinskoye, Barda, Oktyabrsky, and Kueda Districts.• By joining forces with the Territory’s authorities, LUKOIL plans to put in place six new rural community centers with a seating capacity of 100 in the villages of Enapaevo in the Oktyabrsky District, Nizhny Lukh in the Dobryanka District, Etysh in the Chernushka District, Vanky in the Chaikovsky District, and two with a capacity of 200 in the villages of Aspa in the Uinskoye District and Beloevo in the Kudymkarsky District. There are plans to refurbish and remodel community centers in the villages of Chaika in the Uinskoye District, Tyush in the Oktyabrsky District, and Yug in the Perm District.



"The Perm Territory is one of the leaders in the oil and gas industry, thanks in part to the investment policy pursued by LUKOIL. The Company has, in a timely manner, and using the best technology that there is, modernized its enterprises and made the kind of progress that is now highly valued in the global market. In addition, what is more important is what the Company has done for the country through developing its economic potential and addressing social issues in the regions of LUKOIL's presence".

Mikhail Babich,
plenipotentiary for The Russian President
to the Volga Federal District

Discharge of obligations assumed under agreements with Russian regions (examples) G4-EC7



Samara Region	<p>The Cooperation Agreement between the Company and the Samara Region Government will continue to be in effect till the end of 2018 and provides for completion of long-term geological surveys and reserve replacement programs in the Region, as well as development of oil and gas production and product marketing in the area.</p> <p>The Company is actively involved in social, sports and cultural projects. In 2015 and 2016, the Samara Region was used by AO RITEK as a venue for the social and cultural project contests of PJSC LUKOIL, with funds being allocated for construction of sports facilities in the villages of Koshki and Bolshaya Glushitsa.</p>
Nizhny Novgorod Region	<p>The Agreement made with the Nizhny Novgorod Region Government sets the following priorities:</p> <ul style="list-style-type: none">• develop and improve the performance of the fuel and energy sector businesses of the region;• ensure sustainable supplies of fuel and lubrication to the businesses and the general public in the Nizhny Novgorod Region;• maintain social stability, improve the social situation, population demographics and standard of living in the region;• improve the environmental situation in the Nizhny Novgorod Region;• adopt an approved social and economic policy that serves the interests of the people living in the Nizhny Novgorod Region, the personnel of the Company's subsidiaries, plan and take actions designed to increase production, and engage competent professionals by offering fair wages and bonuses;

OOO LUKOIL-Uralnefteprodukt is active in providing charitable and sponsorship assistance to educational establishments, local authorities, orphanages, non-government organizations in the Republic of Tatarstan, and, jointly with governmental authorities, supports and promotes children’s crafts and sports.

Social projects and events

With support from the Perm Branch of the LUKOIL Charity Foundation, as part of a charity program started by LUKOIL Group entities in the Perm Territory, the S.P. Dyagilev University-Preparatory School No.11 opened a museum-laboratory of ethnography, arts and crafts of the Perm Territory. The permanent exhibition features one-of-a-kind ethnographic materials that were collected by students and teachers of the school on expeditions and walking tours in the northern and southern areas of the Perm Territory.

In 2016, the Company continued its support of the Saint Lord and Master Alexander Nevsky Orthodox Christian school in Nizhny Novgorod, by constructing a new school building.

In 2015, OOO LUKOIL-Volganefteprodukt helped create a new children’s sports ground on the premises of the Zarechye health and fitness center in Nizhny Novgorod, divided into three artificial turf zones for those doing fitness, for the disabled, and for those practicing, or holding tournaments of, mini-football or tennis. The ability to do different sports at one facility provides a unique opportunity for visitors, students of Gymnasium No.120, and residents of the entire Leninsky District. The sports ground is open for all.



In 2015,

the Company continued its support of the Saint Lord and Master Alexander Nevsky Orthodox Christian school in Nizhny Novgorod



"Sports and physical education are becoming the "in-thing" in the Nizhny Novgorod Region. I would like to thank our long-standing sponsor, LUKOIL-Volganefteprodukt, for its continuous contribution to the promotion of sports in the region".

Sergey Panov,
Minister of Sports of
the Nizhny Novgorod Region

OOO LUKOIL-PERM's annual Addresses of Mercy has been a tradition of many years. The funds raised by its personnel in 2015 were used to help over 2,700 people in the Perm Territory. The LUKOIL Charity Foundation additionally sponsored the purchase of gifts. In December, the volunteer young professionals of LUKOIL-PERM and LUKOIL-URC Perm paid visits to nursing homes in the Chernushka and Solikamsk Districts, Elovo psychoneurological boarding school, Verkhnyaya Kurya geriatric center, psychoneurological boarding schools in the Orda and Dobryanka Districts, and the Osa disabled society. They gave observation beds to some nursing homes and every single patient got presents and attended holiday concerts featuring stage performance groups of the Kama Region.


> 2,700
people
received support as
part of the Addresses
of Mercy Initiative in 2015

Social and Cultural Projects Contest

The organizers of the Social and Cultural Projects Contest in the Volga Federal District are OOO LUKOIL-PERM, AO RITEK, and OOO LUKOIL-Volganefteprodukt (in cooperation with the LUKOIL Charity Foundation).

To mark its 25th anniversary, the Company increased the total grant fund for the 2016 Contest in the Perm Territory to 25 million RUB, which is an 11 million RUB increase from the previous year. This resulted in a higher influx of applications and an improvement in the quality of the projects. A total of 1,070 applications were submitted, and 153 projects received funding. Despite the turbulent economic times, the 2017 total grant funding was sustained.

AO RITEK annually spends 25 million RUB on projects in Tatarstan. Between 2015 and 2016, OOO LUKOIL-Volganfetprodukt allocated over 15 million RUB on projects in the Volga Federal District.

Over 400 non-government and municipal organizations received financial backing for their projects as part of the initial social and cultural projects contest, held by OOO LUKOIL-Volganefteprodukt. This leads to better living conditions, promotes social partnership, and provides a considerable impetus to children's programs.

Contest results

Contest operator	Number of projects				Coverage area
	2015		2016		
	submitted	winners	submitted	winners	
OOO LUKOIL-PERM	982	103	1070	153	Perm, ZATO Zvezdny, Berezniki, Aleksandrovsk, Barda, Vereshchagino, Dobryanka, Elovo, Ilyinsky, Ust-Kishert, Krasnovishersk, Krasnokamsk, Kungur, Kueda, Oktyabrsky, Orda, Osa, Perm, Siva, Solikamsk, Suksun, Uinskoye, Usolye, Chaykovsky, Chastye, Cherdyn, Chernushka, Chusovoy, Yusva Municipal Districts of the Perm Territory, Verkhniye Tatyshly Municipal District of Bashkortostan
OOO LUKOIL-Volganefteprodukt	169	36	177	33	Nizhny Novgorod Region, Republic of Mari El, Chuvash Republic, and Republic of Mordovia
AO RITEK	691	169	706	152	Republic of Tatarstan
	431	54	397	64	Samara Region

The supported projects include:



The Tatar-Bashkir community center in the Oktyabrsky municipal district, "Park of my Dreams" project (the Perm Territory)
The Company completed landscaping of a public park in the village of Oktyabrsky, put up playground apparatus and planted trees. This is a venue for children and youth celebrations, competitions, and health days. Daily visitation to the playground exceeds 200 people. Now children, teenagers, young families with kids and athletes can enjoy quality leisure time here.



The Orthodox parish of the Holy Trinity Church in the village of Nizhniye Mully, the Perm District, "The Land of Saint Tryphon" project
During the project, a volunteer team of young professionals of the LUKOIL entities in the Perm Territory proceeded with the beautification of the Tryphon poustinia. They built stairs and planked footways. Where the sacred spring comes to the surface, they built a draw-well and a baptismal font.



Project "Health Park" (the Perm District, the Perm Territory)
The project resulted in the construction of a multi-purpose ecological "Health Park" for outdoor family recreation in the village of Sylva. The money was used to purchase park facilities.



The Projects, "We Shape the Future through Our Love for Children", and "Children's Sports and Playgrounds" (the Krasnovishersk District)
Creation of a sports and playground zone near the district community center for active recreation and promotion of children's health. The grant money was spent on outdoor fitness machines.



764
winners

of the Social and Cultural
Projects Contest in
the Volga Federal
District in 2015-2016



“New Age of Tatarstan” republican social movement, “Volleyball – Intelligence and Health” project.

Promotion of healthy lifestyles, growing the number of Tatarstan residents regularly engaged in sports, including volleyball. All things required are now in place: amateur athletes have been provided with high-quality sports gear and equipment, and competitions are held. More residents of the Republic’s municipalities are now playing volleyball. An essential result of the project was the formation of youth sports volunteer teams (of 200 people). The project was carried out with support from the Ministry of Youth and Sports of Tatarstan and executive committees of the municipalities.



The Regional Non-Governmental Organization “Women of Tatarstan”, “You’re not Alone” project

The aim of this project was to set up a crisis management center for mothers with children in difficult circumstances. A comfortable environment has been created where women have access to medical care, counselling, and practical advice on how to overcome their difficulties. Over the 8 months the project has been running, the crisis management center was visited by 19 people, 13 mothers had a change of heart and took their children back home. The project was carried out in cooperation with the Ministry of Health, and the Ministry of Labor, Employment, and Social Protection of Tatarstan.



The “Aspect” Center for Development of youth journalism, film making and TV, “Sounds of War” project

The participants of the project included about 2,500 students and 70 educators from children and youth film-making organizations, with the project geography covering the children’s centers Artek (Crimea), Orlenok in the Krasnodar Territory, the Samara Region and other Russian regions. The project participants made a film based on the book “Holy Cats” by N. Soplyakov,

written in 2003 based on the recollections of radio and communications operators of the 50th Detached Air Warning Battalion. A film crew was set up, and advice was sought and obtained from experts from the Russian Film-Makers Union. Preparations for the film shootings took place at the Artek International Children’s Center, and the film itself was shot in the Stavropol District and the Samara Region.



Nizhny Novgorod Alekseev State Technical University, “Formula Student Design Bureau” project

The goal of the project was to engage students in scientific and technical creative activities, drive the learning process and promote up-to-date technological developments. The students of Alekseev Technical University independently created a one-of-a-kind sports trimaran, the “Silver Arrow”, powered by solar energy. The team of students, SOLAR TEAM, came in 1st in the race held on the Moskva River, and came 2nd overall in the international Solar Regatta engineering competition.

Public Relations

OOO LUKOIL-Volganefteprodukt seeks to respond to public inquiries in a timely manner and regularly holds an Open House Days, inviting local residents to get an insight into its quality assurance system, environmental policies, and to assess the level of services offered at its bulk plants and filling stations.

The Company is working to combat the distribution of fake petroleum products. In 2015, its employees were invited to a round table discussion held by the Legislative Assembly on the Nizhny Novgorod Region as experts to discuss the issue.

The 2016 meeting of the BRICS ministers of labor and employment in Ufa including a round table on youth employment was held at the offices of OOO LUKOIL-Uralnefteprodukt.

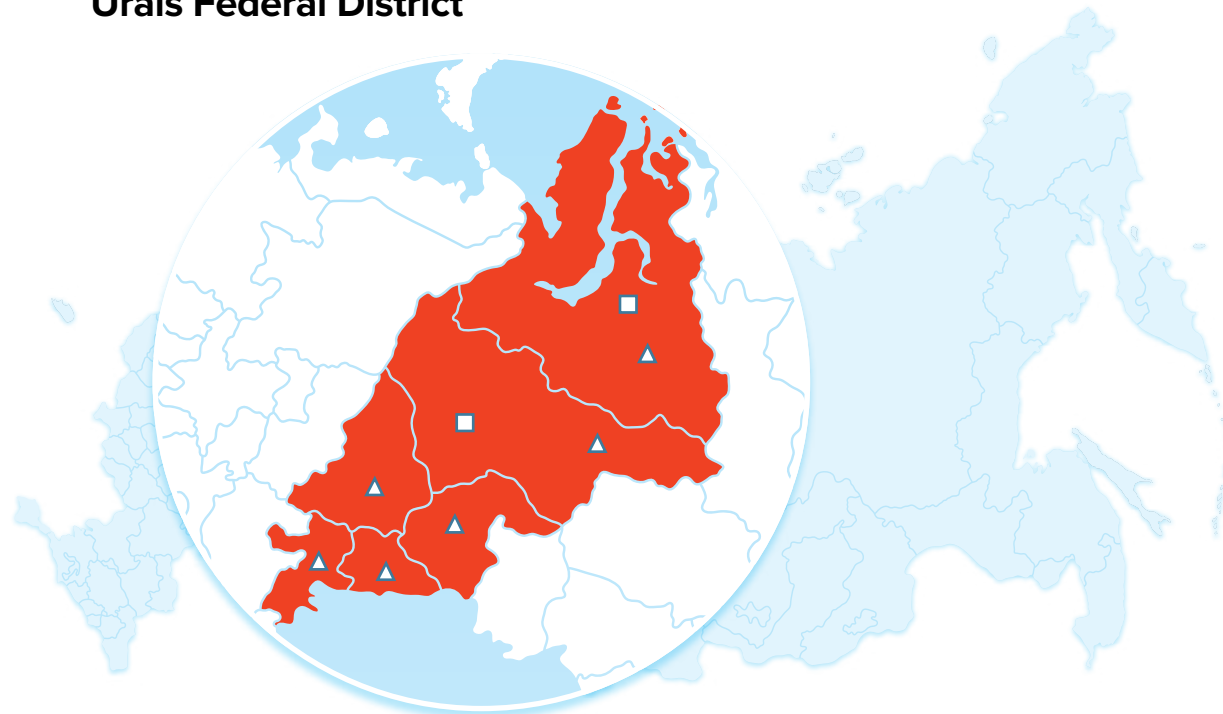
Public Recognition

- For their innovative scientific and technological work titled Creation and Introduction of Equipment and Technology to Operate Rat Holes with Pumping Units Equipped with Cable Rods, in 2016, a team of OOO LUKOIL-PERM experts headed by O.V. Tretyakov, was awarded a prize, and received lapel pins, and certificates from the central board of Gubkin Scientific and Technical Society of the Oil and Gas Industry.
- The logo of LUKOIL-PERM was placed on the patron of arts recognition board at Perm State National Research University, as one of the sponsors providing financial backing to the university since its foundation.
- OOO LUKOIL-Permnefteorgsintez won the 12th All-Russian Nature Conservation Leader award, Best Municipal Enterprise in Terms of Production Performance and Resolution of Social Issues, and the All-Russian Contest 100 Best Russian Goods in the category Industrial and Technical Products.
- For the effort it made in the protection and efficient management of reservoirs, OOO LUKOIL-Volganefteprodukt received a letter of appreciation from the Verkhnevolzhsk Basin Water Management Board of the Federal Agency for Water Resources.
- OOO LUKOIL-Volganefteprodukt is the only three-time winner of the Nizhny Novgorod Phoenix prize in the category Goodwill Company. The Company was awarded a winning certificate of the 5th annual Pine Tree Branch competition, an environmental event held in the Nizhny Novgorod Region in 2015.
- Following the 1st stage of the annual Best Motorway Service Facility competition, OOO LUKOIL-Uralnefteprodukt was awarded a 2nd place certificate in the Best Fuel Filling Station category.



OOO LUKOIL-PERMNEFTEORG-SINTEZ WON THE 12TH ALL-RUSSIAN NATURE CONSERVATION LEADER AWARD.

Urals Federal District



Upstream

OOO LUKOIL-West Siberia
AO RITEK
(TMF RITEKBeloyarskneft)
ZAO Tursunt
ZAO LUKOIL-AIK¹



Downstream

OOO LUKOIL-Uralnefteprodukt
OOO LUKOIL-Permnefteprodukt
OOO LUKOIL-AERO



ECONOMIC ROLE AND INVESTMENTS

The LUKOIL Group's strategic focus in the region is on the stability of hydrocarbon production through, in particular, the development of hard-to-recover hydrocarbon reserves with the use of cutting-edge technologies, as well as protecting the environment and contributing to the solution of pressing local problems in order to reduce the burden on the environment. The LUKOIL Group's main oil production enterprise OOO LUKOIL-West Siberia operates in this region.

¹ In June 2017 transformed into OOO TURSUNT and OOO LUKOIL-AIK.



Achieved

- APG utilization reached 95%
- Nearly 100% of the waste generated from OOO LUKOIL-West Siberia production operations is utilized
- TMF Urayneftegaz fully reclaimed the "heritage" of 600 ha of contaminated land

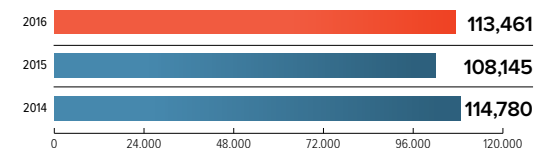


Planned

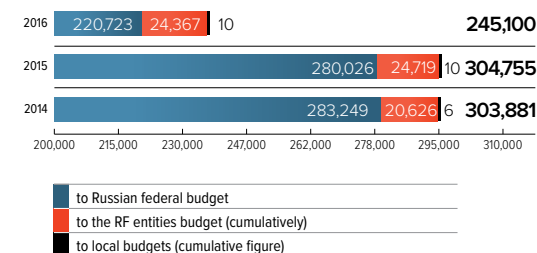
- Maintain the indicator at the aforesaid level during further production operations
- Continue to develop a cuttings recycling technology that will help reduce waste burial and enable its utilization in the production process
- Continue the construction of new waste disposal sites
- Continue the reclamation of disturbed and oil-contaminated lands and further improve the reliability of pipelines

Key Economic Performance Indicators

Investments, million RUB

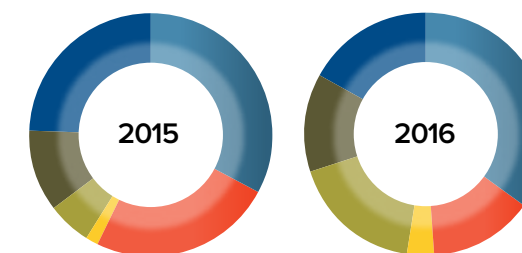


Total taxes paid, million RUB



Note. Includes taxes paid by LUKOIL Group entities incorporated as legal entities in the federal district under the applicable law.

Socially significant projects /facilities costs, %



	2015	2016
Social support for population. Orphanages, boarding schools, schools and other childcare centers	33	35
Education	24	14
Healthcare	2	3
Centers of science, art, culture	6	18
Physical training/Sports facilities	11	13
Social and Cultural Projects Contest	24	17



106

subsoil use licenses

in the Ural Federal District are owned by the LUKOIL Group

Upstream

OOO LUKOIL-West Siberia operates in the Tymen Region, Khanty-Mansiisk Autonomous Area – Yugra, Yamalo-Nenets Autonomous Area, and the Krasnoyarsk Territory within 106 license blocks. The total area of its license blocks is 82 thousand sq.km. They are being developed by specialists in six territorial production facilities.

The strategy of replenishing the Company’s resource base includes the acquisition of new blocks from the unallocated subsoil reserve fund and the discovery of new oil and gas fields and deposits. Four new blocks (East Taimyr, East Tugrov, South Kholmogorsk, and Shchuchy) were acquired and two new fields (West Imilorskoye and Yukkun-Yeganskoye) were discovered in 2015-2016.

The expansion of its presence in the RF Arctic area celebrated a new stage in the Company’s development. 2016 saw the launch of geological exploration in the Taimyr Dolgano-Nenetsky district of the Krasnoyarsk Territory. OOO LUKOIL-West Siberia also links the development of its resource potential with YNAA (Bolshekhetskaya Depression), where the Company holds six licenses in which eight fields are located (Pyakyakhinskoye, Nakhodkinskoye, Khalmerpayutinskoye, South-Messoyakhskoye, North-Khalmerpayutinskoye, Salekaptskoye, Perekatnoye, and Vareyskoe).

2016 was marked by the launch of the commercial development of the Pyakyakhinskoye oil and gas condensate multi-layer field (YNAA), unique for Russia in terms of field development and operation. During the period under consideration a gas turbine power plant with the capacity of 36 MW was constructed at the field, as well as an integrated oil and gas treatment

unit, booster station to maintain reservoir pressure, and condensate deethanization and stabilization unit.

OOO LUKOIL-West Siberia develops technology which helps resolve the problem of waste disposal. In 2014, the Company received the praise of the state environmental expert center for developing technology that uses cuttings to manufacture construction material. The technology has been in use since 2015. In 2016 the Company signed an agreement to recycle the total volume of cuttings to manufacture construction material used for earthwork during cluster pad construction, rehabilitation of disturbed lands, and other types of work. Over 500 thousand tons of waste was utilized in 2016, which had previously been buried in sludge pits.

OOO LUKOIL-West Siberia pays special attention to the search for new technology to increase reservoir recovery, among which is multi-zone hydraulic fracturing, branched and multi-lateral well drilling, three-string well program, etc. New chemical agents and new hydraulic fracturing technologies were tested in 2015–2016, with positive results for certain types of work.

Similar tasks are being tackled by AO RITEK at fields in the KMAA-Yugra.

In the KMAA-Yugra, AO RITEK continues its pilot projects on thermal gas reservoir treatment, a Russian import-substituting method used in the development of hard-to-recover reserves. The technology is already being applied at two sites of the Sredne-Nazymskoye field (TMF RITEKBeloyarskneft); the results obtained have proved the theoretical foundation of the technology.

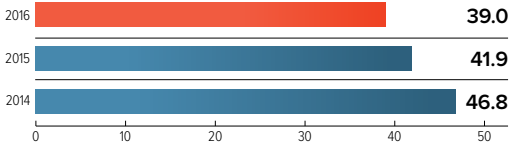
The expected effect of the project is an increase in the oil recovery rate by 15-20%. In 2015, PJSC LUKOIL approved a comprehensive program for the implementation of this technology at the third pilot site. This technological development is also included in the regional program “Development and Use of the Khanty-Mansiisk Autonomous Area – Yugra Mineral Resource Base”. The project is recognized as one of the elements of an integrated, systemic work on bringing hard-to-recover reserves into commercial development and changing the technological platform of the oil industry in the region.

AO RITEK is also implementing a major investment project to develop and set up surface infrastructure for the V.N. Vinogradov field (the Beloyarsky district, KMAA-Yugra). At the geologically difficult Sandibinskoye field in the Nadymsky district, YNAA, the water alternating gas injection method is applied: the APG produced from the field is injected into the oil reservoir, which results in lower oil viscosity and a capillary force effect that keeps residual oil in place.

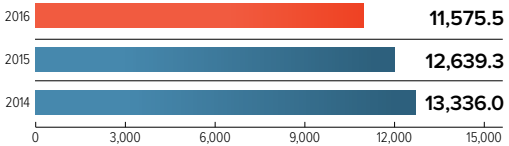
Key Operational Indicators

Hydrocarbon crude production (OOO LUKOIL-West Siberia and TMF RITEK-Beloyarskneft of AO RITEK)

Oil production, million tons



Production of natural and associated petroleum gas, million cubic meters



Source: Company data

AO RITEK RESEARCH AND TECHNOLOGY ACTIVITIES

The innovation objectives of the organization include: higher energy efficiency; higher recovery rates; higher efficiency in the development of hard-to-recover reserves. Priority areas of innovation include: improvement of field development systems, testing new water-alternating gas injection and thermal gas treatment technologies. AO RITEK owns 113 items of intellectual property as of December 31, 2016. 79 of them are patents for invention, 26 are utility model patents, 7 trademark certificates, and 1 database certificate. 34 technologies were tested under the “Pilot Projects and New Technologies Program” in 2015-2016.



Downstream



In 2016, OOO LUKOIL-Uralnefteprodukt started the reconstruction of an oil storage depot in Kogalym and reconstruction work was completed at filling station No. 74057 in Magnitogorsk and filling station No. 72303 in Tyumen. The updated filling stations will be able to service the whole transport flow quicker and better; they have enough parking spaces, and car drivers will be able to use a tire inflation service. In 2016, OOO LUKOIL-Uralnefteprodukt filling stations introduced the postpayment service.

In 2016 the first LUKOIL youth filling station was opened in Chelyabinsk which sets the goal of becoming a benchmark of quality of service. There are plans to introduce new lines of non-fuel products and new services, change the interior, and launch social initiatives at the filling station.

Presence of LUKOIL's Filling Stations in the Region

Area	2014	2015	2016
OOO LUKOIL-Permnefteprodukt			
Sverdlovsk Region	83	87	88
OOO LUKOIL-Uralnefteprodukt			
Kurgan Region	4	4	4
Tyumen Region	21	19	19
Khanty-Mansiisk Autonomous Area – Yugra	53	45	45
Chelyabinsk Region	104	103	102
Yamalo-Nenets Autonomous Area	1	1	1
Total	266	259	259

OOO LUKOIL-Uralnefteprodukt worked to introduce a Service Book during the reporting period. A training schedule was drafted for all categories of workers, an e-version of the Book was sent to all regional directorates and filling stations for self-study.

Six OOO LUKOIL-Permnefteprodukt filling stations in the Sverdlovsk Region radically changed in appearance in 2016: four of them were reconstructed and two were modernized. Another new LUKOIL filling station was set up in the region. The quality control of the petroleum is in full accordance with corporate standards. For instance, a total of 240 samples were taken at the oil storage depot, and 2,648 samples at filling stations in the Sverdlovsk Region in 2015-2016.

Environmental Protection

Water Resource Management

One of the main objectives OOO LUKOIL-West Siberia managed to achieve during the reporting period was the reduction of water consumption from natural sources and the prevention of pollutant discharge into bodies of water. The water intake from the water sources to satisfy the needs of its oil fields used to be over 5 million cubic meters annually, while now it has been completely stopped.

The Company carries out monitoring of submerged crossings through the bodies of water. Each body is examined in the summer and the status of water protection areas, riversides and coastland is assessed.

Waste Disposal

Taking into account the urgency of the topic of waste reduction and land reclamation in the KMAA-Yugra, specialized landfills have been created at each OOO LUKOIL-West Siberia enterprise, where oil sludge is thermally processed at waste disposal facilities, thus there is no need to construct temporary pits for its placement.

At the disposal sites, a continuous process of placing and neutralizing oily waste has been organized. As of the end of the reporting period, all sludge pits with oily waste were eliminated and land plots were reclaimed.

Preservation of Biodiversity

OOO LUKOIL-West Siberia supports the nature and wildlife reserves of the KMAA-Yugra, including the Small Sosva and Yugansky reserves, the Untorsky and Sorumsky reserves, and the Kondinsky Lake Nature Park.

One of the blocks under development is located on the territory of the Kondinsky Lakes Nature Park. Park specialists take part in discussions even at the early design stages of the Talnikov field and, if necessary, make adjustments, taking into account the specific

conditions of the work in the protected natural area. The measures undertaken by LUKOIL fully comply with the requirements set by modern HSE management systems. **G4-EN11**

G4-EN11

It is the intent to reduce to a minimum the surface area of the land allotted to the construction of facilities. No facilities are to be located in protected water areas, areas under special ecosystem protection or near historical and cultural monuments taking into account the functional zoning of the nature park.

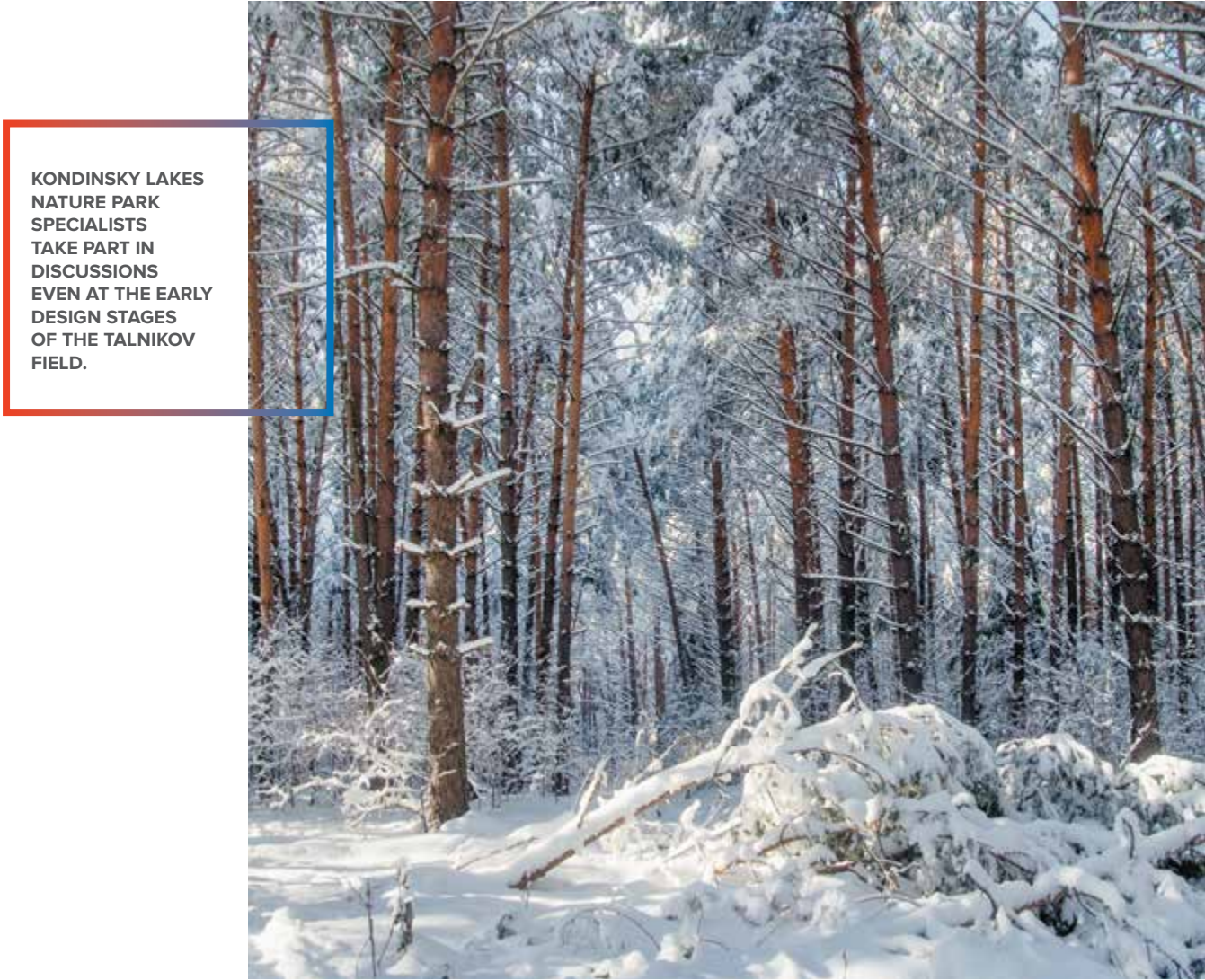
Pitless technology is employed to construct wells within the nature park. To this end, rigs are equipped with the cutting-edge treatment systems and high-performance equipment. The drilling cuttings are taken away for disposal outside the park area. A low-toxicity drill mud is used during well construction.

Bottom water has been used to maintain reservoir pressure since 2010, which allows the Company to use no water from the Kurtamysh horizon and preserve the nature park hydrosphere.

A pressure-sealed system of well product gathering and transportation is applied at the field. A multi-phase booster station was built for the export pipeline to transport the produced liquid-gas mixture without its separation into oil and gas. This allowed the Company not to construct a separation unit which provides for flaring and tank battery.

Pipes with inside anti-corrosion coating and outside polyethylene insulation are used for the construction of oil gathering mains and high-pressure water lines. An anti-filtration screen and groove along the axis of the wells ensure that no contaminants can infiltrate the soil in case of an emergency.

In order to preserve the soil and vegetation layer during road construction, this layer is cut off at the base of the embankment and is subsequently used to strengthen the slopes of the roadbed and to reclaim disturbed lands.



KONDINSKY LAKES NATURE PARK SPECIALISTS TAKE PART IN DISCUSSIONS EVEN AT THE EARLY DESIGN STAGES OF THE TALNIKOV FIELD.

 **G4-14**



> 30
million

baby whitefish are annually released into the waters of the Nizhneobsky water basin

Throughout the entire period of development and operation of the Talnikov field, environmental monitoring will be carried out. The monitoring allows the Company to track changes in the environmental components under the impact of natural and human-caused factors.

Control is carried out in compliance with the project of local environmental monitoring. When developing the project, features of the natural environment of the territory were analyzed, human impact on the environment caused by operating the field was assessed, the optimum number and location of monitoring points were determined, as well as the monitoring frequency of environmental components.

The study results are regularly submitted to the nature park administration. The monitoring study findings show that the human-caused impact resulting

from production activity complies with tolerability limits and make it possible to forecast changes in the environmental situation within this territory. **G4-14**

The nature park specialists annually carry out a joint comprehensive audit of the oil production facilities. The specialists from the OOO LUKOIL-West Siberia contractor organizations who carry out production activities at the Talnikov field, are engaged in the audits.

The program of fish stock recovery in the rivers and bodies of water within the LUKOIL operated territories also contributes to the preservation of biodiversity in regional water bodies. Over 30 million baby whitefishes are annually released into the bodies of water of the Nizhneobsky water basin.

Social Programs and Projects

Partnerships with the Areas of Presence

Supplement agreements to the framework Cooperation Agreement between the KMAA-Yugra Government and PJSC LUKOIL, in force until 2018, were signed in 2015 and 2016.

We have cooperated under the Agreement in YNAA since 2007. The Company and the region are actively cooperating in the development of oil and gas production in the Arctic, the application of a more



"Cooperation Agreements between the Yugra Government and LUKOIL have been signed since 2005. Thus, in 2015, we celebrated a sort of anniversary. The tradition is to sum up cooperation results at such pivotal moments. The Company invests in major social projects that are aimed at the development of culture, sports, and social infrastructure. The partnership between the government of the autonomous area and the oil company is regarded as a long-term project where we appreciate certainty and reliability of our relations".

Natalya Komarova,
KMAA-Yugra Governor

stringent approach to environmental safety and measures aimed at the social development of Yamal.

In 2015 V. Alekperov, PJSC LUKOIL President and CEO, and V. Tolokonsky, Krasnoyarsk Territory Governor, signed a Cooperation Agreement until 2020 within the framework of the St. Petersburg International Economic Forum. A supplementary agreement was signed in 2016 which determines the scope of social project financing within the territory. LUKOIL will contribute to the construction of a sports hall and a recreation center for the youth of Khatanga, and a boarding school for 250 pupils in Nosok.



"It gives us joy to see that one of the global oil leaders, LUKOIL, links its future development with its projects in the Yamalo-Nenets Autonomous Area. We see the need to maintain a balance between the industrial development of the territory, a conservative attitude to Arctic nature, and the preservation of the traditional way of life of the Far North indigenous peoples. This harmony of interests of all parties is a formula for sustainable development for both business and the territory. Our cooperation determines not only the social and economic development of the region, but that of Russia as a whole".

Dmitry Kobylkin,
YNAA Governor

Discharge of obligations assumed under agreements with Russian regions (examples) **G4-EC7**

Region	Content of cooperation agreements
KMAA – Yugra	<p>Historically, within the framework of the agreement, residential houses, social facilities, cultural and leisure and sports institutions have been built, and sports and cultural events have been organized. In 2015–2016:</p> <ul style="list-style-type: none">a 16-storey residential building was commissioned and two 3-storey buildings are under construction in Kogalym, as well as a skiing center in Pokachi, an ethnographic center in Sovetsk, a water intake with water treatment facilities in the settlement of Gornopravdinsk in the Khanty-Mansi district, a community club and sports hall in the settlement of Trom-Agan and village Russkinskaya, and a water and sports complex in Langepas;the community cultural center Sibir in Kogalym, Oktyabr in Pokachi, and Neftyanik in Urai were renovated;the Delfin swimming pool in Pokachi and kindergarten No.12 in Urai were renovated and the non-residential building of the children's health center was renovated and transformed into a residential house;the Galaktika sports and cultural facility is under construction in Kogalym.

 **G4-EC7**

Discharge of obligations assumed under agreements with Russian regions (examples) G4-EC7

Region	Content of cooperation agreements
Yamalo-Nenets Autonomous Area	<p>In 2015 investments were made to construct a Nursing Care Home and an Orthodox Christian church in the Tazovsky settlement, to support the indigenous minorities of the North, and to construct social infrastructure facilities and housing.</p> <p>In 2016 the Company financed the construction of a residential building for medical workers in the Tazovsky settlement, provided medical and diagnostic assistance to severely ill children and children with disabilities, developed hang gliding and aviation tourism, expanded the use of light aviation for the YNAA industries, as well as contributed to a regional environmental project to clean up the isle of Bely.</p>



Social projects and events

In June 2016, OOO LUKOIL-Uralnefteprodukt participated in the Ilmen Festival that celebrated its 40th anniversary. Admirers of guitar poetry gather annually to listen to bards (poets singing their own songs to the guitar) in the vicinity of the city of Miass.

In 2016, when celebrating the 280th anniversary of Chelyabinsk and the 25th anniversary of the Company, operators of the youth OOO LUKOIL-Uralnefteprodukt filling station organized a festivity for young patients of the Chelyabinsk regional clinical hospital.

In 2016, “the LUKOIL Golden Puck Cup” for children’s teams was organized with the support of the Chelyabinsk Region Directorate for Culture, Sports and Tourism and OOO LUKOIL-Uralnefteprodukt.

Social and Cultural Projects Contest

The Social and Cultural Projects Contest has been convened since 2005 on the territory covered by OOO LUKOIL-West Siberia operation. In 2015 the contest area expanded to include Tyumen.



49 winners

of the Social and Cultural Projects Contest in the Ural Federal District in 2015-2016

Contest results

Contest operator	Number of projects				Coverage area
	2015		2016		
	submitted	winners	submitted	winners	
OOO LUKOIL-West Siberia	105	24	104	25	KMAA - Yugra (Kogalym, Lange-pas, Urai, Pokachi); YNAA (Salekhard, Tazovsky district, Tazovsky settlement); Tyumen Region (Tyumen)

The supported projects include:



“Save Ugra” organization, “Childlore of the Ob Ugric people” project

A multimedia collection of the Far North peoples’ folklore was created under the project, educational seminars and classes for children in Kogalym, Pokachi, and Langepas were organized. The project helps preserve samples of traditional culture of the indigenous peoples and attract children’s attention through the use of modern forms of presentation. Five hundred schoolchildren and 10 school teachers were involved in the project.



The “Children’s Supplementary Education Center” state-funded educational institution, “Robotics Engineering and Sports Clubs” project

A system of intellectual and creative contests is organized in Urai, whose objective is to promote sports-oriented robotics, motivate the youth to choose engineering and construction careers, engage children and the youth in innovative activities for the development of hi-tech industries in the KMAA-Yugra. The club was the venue for two city and one regional contests which involved 50 teenagers.



341

economic
cooperation
agreements

were signed with
the IMN-populated
territories in
the KMAA-Yugra
in 2016



G4-OG9

Interaction with indigenous peoples of the Far North

Contracts and agreements on social and economic cooperation with the Governments of RF entities, local self-governance bodies, indigenous communities, and with district and settlement associations of the indigenous minorities of the Far North, as well as with individual ethnic households - owners of tribal lands, constitute the main mechanism of subsoil use in the KMAA-Yugra and the YNAA.

OOO LUKOIL-West Siberia production activities affect over 30 areas in the KMAA-Yugra, where Khanty and Mansi people live in a traditional way. Economic agreements on cooperation directly with heads of these territories became one of the most efficient forms of support. In 2016 there were 341 such agreements signed which covered 1,184 people. Taking into account the governmental program of the Khanty-Mansiisk Autonomous Area – Yugra titled “2014-2020 Social and Economic Development of Indigenous Minorities of the North”, the number of such agreements may grow to 380. **G4-OG9**

The Company makes quarterly compensation payments under the agreements and contracts and takes the individual needs of families into account when rendering other types of aid, such as refurbishment of residential houses and other social infrastructure facilities in ethnic communities, the purchase of snowmobiles, mobile power generators and construction materials. Funds were also allocated to organize medical services, develop territories of traditional nature management, and training of indigenous peoples’ representatives in specializations that are in demand.

A number of important social projects were organized in YNAA in 2015 under the agreement with the government of the Area. The construction of a Nursing Care Home for first aid/obstetric services to the indigenous peoples, including nomads, was completed in the Tazovsky district. Women with children are provided with relevant medical care for the whole period of their stay.

OOO LUKOIL-West Siberia helps agricultural enterprises of fishers and reindeer-breeders in the Purovsky district to purchase licenses for these types of activity (under regional laws) which is a significant factor ensuring indigenous minorities of the North have access to traditional wildlife management.

Development of infrastructure that allows the indigenous minorities of the North to sell products of their traditional industries is another branch of support which is important for maintaining the traditional lifestyle. In this regard, the construction of a modular building to receive and process wild-growing herbs began in the Shuryshkarsky district, and mini-units for primary raw material processing were set up in smaller settlements.

LUKOIL cooperates with indigenous people and public organizations of the indigenous minorities of the North, including the Assembly of the indigenous minorities of the North, Yamal to its Descendants! and Save Yugra organizations, and the Union of Deer-Breeders of the KMAA-Yugra.

These organizations convene their own events and participate in forums, round tables, and fairs with the Company’s support. The international research and practice conference was convened in 2015 under the title Regulatory Support and Challenges of the Development of the Languages, Literature, Arts, and Folklore Heritage of the Indigenous Minorities of the North of the Khanty-Mansiisk Autonomous Area. The forum attracted representatives of governmental authorities, Finno-Ugric Peoples’ Consultative Committee, scholars, writers, literary critics, artists, and ethnographers from Russia, Finland, Hungary, and France. The Company also supported the Indigenous Minorities of the North Youth Forum in the village of Russkinskaya (Kar-Tokhi), the inter-regional conference titled Human Being. Oil. Environment. Law, a joint session of the Save Yugra organization and the Public Chamber of the district, etc.

A sightseeing attraction Sacred Lake Numto is being created to preserve the indigenous peoples’ cultural heritage and sacred places in the vicinity of Lake Numto (KMAA-Yugra).

Public Recognition

LUKOIL helps with organizing and convening traditional sports competitions - the Day of Deer-Breeder in Kogalym, the Fisher and Hunter Days, the Oblas (type of boat) Day, and Crow Day in the village of Russkinskaya, settlements Agan, Trom-Agan, Tazovsky, and Tarko-Sale, international oblas rowing race for the KMAA-Yugra Governor Cup. The Company sponsors the Buran-Day snowmobile race and deer team race, the largest festivity of the Nenets Autonomous Area. The race took place for the 20th time in 2016. The festivity has been a national contest since 2010.

In 2015 OOO LUKOIL-West Siberia was named the Company of the Year in the Yugra’s Black Gold regional contest which is convened among fuel and energy companies by the KMAA-Yugra Government. The organization won for the tenth time in the category Work with the Indigenous Peoples and is included in the list of the Most Dynamically Developing Vertically Integrated Companies.

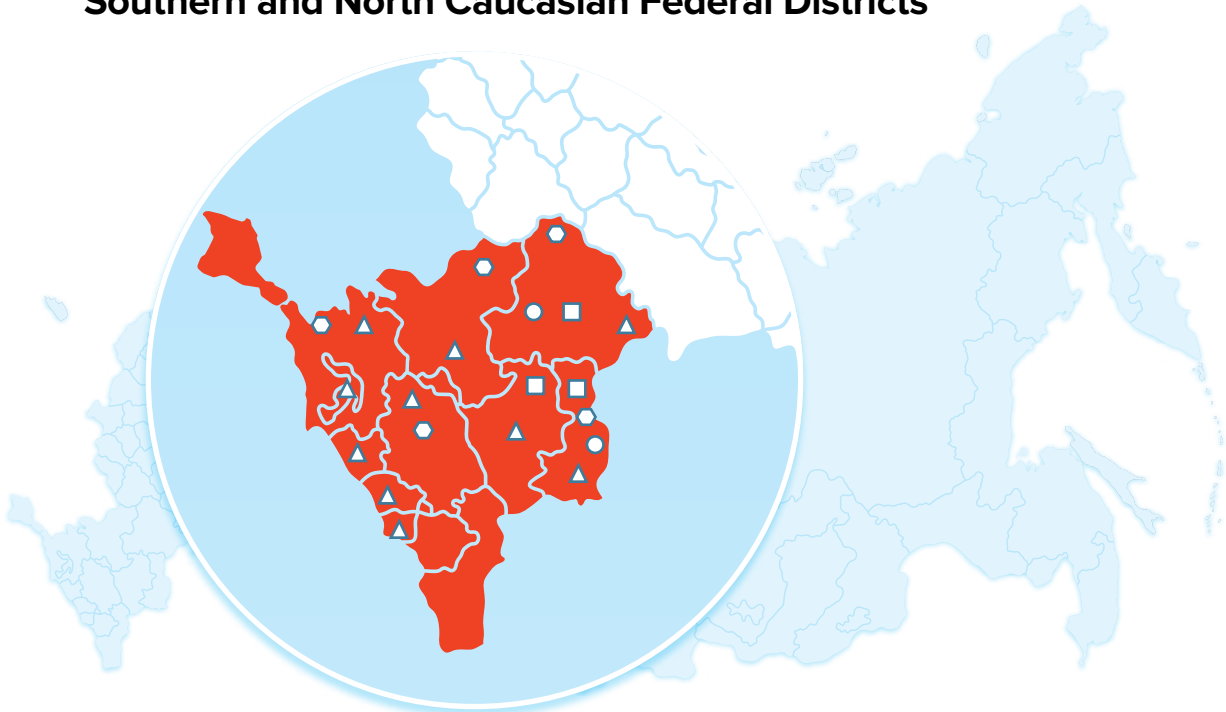
2¹3

10
victories

were awarded to
LUKOIL-West Siberia
in the nomination Work
with the Indigenous
Peoples



Southern and North Caucasian Federal Districts



Upstream	Downstream	Midstream	Power generation
OOO LUKOIL-Nizhnevolzhskneft AO RITEK (TMF Volgogradneftegaz)	OOO LUKOIL-Volgogradneftepererabotka OOO LUKOIL-Korobkovsky gas processing plant OOO Stavrolen OOO LUKOIL-Yugnefteprodukt OOO LUKOIL-Nizhnevolzhsknefteprodukt OO LUKOIL-AERO OOO LUKOIL-BUNKER	OOO LUKOIL-Trans (TPU RPK Atrakhansky, Volgograd TPU)	OOO LUKOIL-Astrakhanenergo OOO LUKOIL-Rostovenergo OOO LUKOIL-Volgogradenergo OOO LUKOIL-Kubanenergo OOO LUKOIL-Ekoenergo OOO LUKOIL-TTK (heat supply) OOO LUKOIL-ENERGOSETI OOO Astrakhan Power Supply Company

ECONOMIC ROLE AND INVESTMENTS

The strategic approach of the Company in the region is the comprehensive development and the most productive use of extracted resources, an increase in output of processed raw stock and products with high added value, and an improvement in the quality of service for consumers of petroleum products. LUKOIL's investment projects are amongst the largest launched by the oil and gas industry in the Southern Federal District, and the Stavrolen plant is a resident of the Budennovsk Regional Industrial Park in the Stavropol Territory.



Achieved

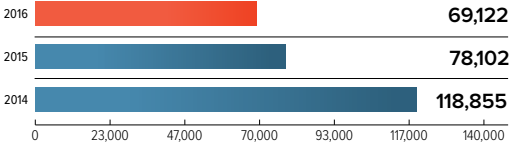
- 1st stage of Filanovsky commissioned (the North Caspian Sea)
- First start-up complex of the gas processing unit (GPU-1) commissioned at Stavrolen.
- APG utilization reached 95%
- Retail fuel sales began in the Republic of North Ossetia – Alania

Planned

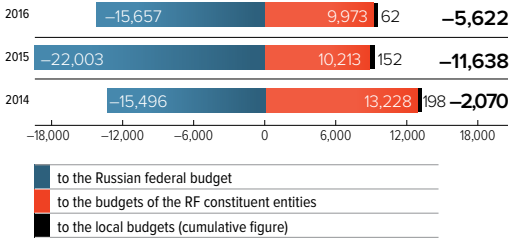
- Commission the 2nd and 3d stages of the Filanovsky and the 2nd stage of the Korchagin field
- Continue the construction of the gas processing facility within the framework of the Regional Project “Conversion of Associated Petroleum Gas from the North Caspian Fields into Polyethylene and Polypropylene”
- Maintain the utilization rate at the aforesaid level during further development of oil and gas fields
- Continue the commissioning of cutting-edge filling stations, offering their customers an extended range of services. Promote sales of gaseous fuels (HGL)

Key Economic Performance Indicators

Investments, million RUB



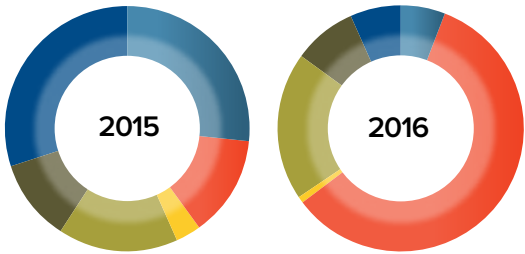
Total taxes paid, million RUB



Note. A consolidated tax payment report was prepared for the LUKOIL Group entities incorporated as legalentities in the Federal District under the applicable law.

Tax refunds exceeded total tax paid due to the export-oriented sales of the products of OOO LUKOIL-Volgogradneftepererabotka and the company exercising its entitlement to a VAT refund from the federal budget.

Socially significant projects/ facilities costs, %



	2015	2016
Social support for population. Orphanages, boarding schools, schools and other childcare centers	27	6
Education	13	59
Healthcare	3	1
Centers of science, art, culture	16	19
Physical training/Sports facilities	11	8
Social and Cultural Projects Contest	30	7

Upstream

Offshore

A 2016 milestone achieved by the Company was the commencement of production at Filanovsky, which is a major field containing over 129 million tons of oil and 30 billion cubic meters of gas reserves recoverable, according to Russian classification. LUKOIL's accumulated investments in the field development totaled 150 billion RUB.

The Y. Korchagin field was commissioned in 2010. The company relies on cutting-edge production technologies, some of which were used by the LUKOIL Group for the first time, including multizone cross-section mapping and smart well technologies. With the help of multizone cross-section mapping technology, additional exploration and local updating of the 3D model of the field at or around the drill site was carried out. This approach helps minimize the environmental impact by cutting back on the number of wildcats being drilled and producing more accurate forecasts.

There are several high-tech supply ships on duty at sea, monitoring safety and security of the oil production facilities. The Bumi Urai and Bumi Pokachi are ships used for cargo and personnel deliveries, and are fitted out with fire suppression systems and oil spill response equipment. The ships are also designed to collect various forms of waste in accordance with the zero-discharge principle. The Bumi Naryan-Mar ship is on duty 24/7 in hydrocarbon production areas and is designed to conduct rescue operations. The ships are of an ice class that enables their use in every season.

In 2016, in the Republic of Kalmykia, the Company commissioned its onshore facilities designed to receive, store, and export oil from the North Caspian fields for its subsequent transfer to the system of the Caspian Pipeline Consortium.

Onshore

AO RITEK operates Korobkovskoye, which is a mature field in the Kotovo District of the Volgograd Region, where it produces high-quality crudes. To enhance oil recovery, the Company has tried and tested new types of equipment designed for smaller or mature fields.

In 2015, three wells were used as testing grounds for highly corrosive resistant equipment (fiberglass sucker rods), offering lower energy demand, increased durability, and other benefits. The new equipment makes it possible to run downhole equipment to depths that are greater on average by 240–300 m. The tests yielded the following results:

- Over 7 months, the incremental oil production from the three wells totaled 795 thousand tons;
- energy consumption was reduced by a factor of 2.9;
- pump efficiency grew by 15%.

Another discovery was the possibility to run sucker-rod strings another 2,000 m down, thus increasing the withdrawal of fluid even further. In 2016, the equipment was commissioned at a further three wells.

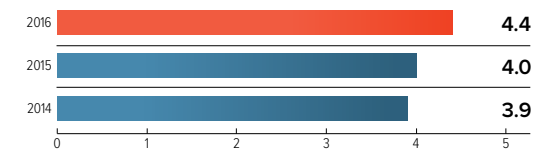
The Company proceeded with the testing of a trial batch of 10 units designed to pump oil out of low and average flow wells with crude viscosity up to 200 cP and running depths of 1,500 m or less.



Key Operational Indicators

Production of raw hydrocarbons (OOO LUKOIL-Nizhnevolzhskneft, TMF Volgogradneftegaz of AO RITEK)

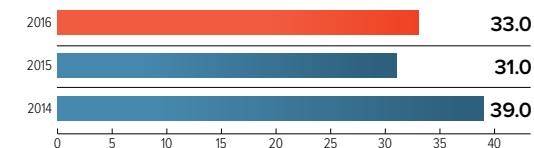
Oil production, million tons



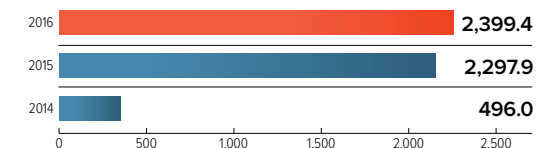
2016

witnessed start of
the V. Filanovsky field
commercial operation

Oil transshipment, million tons (Astrakhan harbor transshipment center)



LUKOIL Group's natural gas and APG production, million cubic meters



Refining and Petrochemicals

OOO LUKOIL-Volgogradneftepererabotka is the largest producer of fuels and lubrication in the Southern Federal District, employing over 2 thousand people. In 2016, it reached a conversion rate of 92% and processed a total of 12.8 million tons of oil.

The assortment of products produced by OOO LUKOIL-Volgogradneftepererabotka features about 70 high-quality petroleum products, such as high-octane Euro 5 motor gasolines and diesel, bitumens, liquefied gases, petroleum cokes, including calcined ones, and vacuum gas oil.

2016 saw the completion of one of the most crucial projects: the construction of a vacuum gas oil processing facility, incorporating mild cracking, hydrogen and elemental sulphur generation units. LUKOIL invested 84 billion RUB in the project. The commissioning of the facility enabled the Company to increase its output of high-grade motor fuels, and create about 100 additional jobs.

“This is a new cutting-edge facility that meets the most stringent environmental standards, which is essential for the Volgograd Region”.

D. Medvedev,
Head of the Russian Government

In 2015, the refinery also commissioned its ELOU AVT-1, a crude distillation unit with an annual crude capacity of 6 million tons , thus increasing the refinery’s crude capacity by 3 million tons annually.

The consistent implementation of environmental measures has enabled the Company to lower its gross emissions of pollutants since 2015. It entirely shut down the sludge reservoirs in Volgograd and created a protective belt of greenery in the refinery’s

sanitary protection zone. These measures helped improve the environment of the adjacent residential estates. The Company holds regular public hearings on environmental and nature conservation matters. The parties to the hearings include regional authorities, leading environmentalists, researchers, and heads of the regional divisions of federal environmental and supervisory agencies.

OOO Stavrolen is the backbone enterprise in Budennovsk that is strategically important for the economic development of both the east of the Stavropol Region, and the entire Territory. The Company’s operations have a profound impact on the level of employment. As the plant develops, it creates additional jobs, provides consistent work for construction, installation, and other local contractors.

In 2016, the Company put into operation the first start-up complex of the gas processing unit (GPU-1), being a part of the Regional Project “Conversion of Associated Petroleum Gas from the North Caspian Fields into Polyethylene and Polypropylene”, which is one of the largest investment projects both in the Stavropol Territory and Russia as a whole. Not only does it lay the solid groundwork for economic growth in the Stavropol Region, but also serves as an example of successful and consistent investment decisions by the Company that resonate nationwide.

The project will enable the full utilization APG from the North Caspian offshore fields and provide OOO Stavrolen with its own raw stock. Some APG will be processed into polyethylene and polypropylene, which will, in turn, drive the development of plastic processing SMEs, create new jobs, and contribute to the region’s growing economic potential.

LUKOIL’S INVESTMENTS INTO THE PROJECT
NEARED 7 BILLION RUB.



12.8
million tons

of oil were processed at the LUKOIL-owned Volgograd refinery, the largest producer of fuels and lubricants in the Southern Federal District



“Completing this major investment project was particularly symbolic at the beginning of the Company’s anniversary year as, not only was it a landmark event for the region, but also is a stellar example of consistent, and intelligent nationwide investment decisions”.

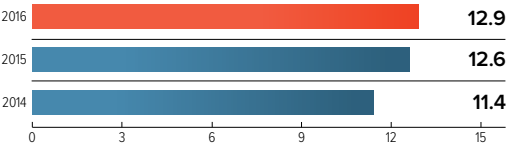
A. Dvorkovich,
Deputy Head of the Russian Government

2016 marked the 50th anniversary of the OOO LUKOIL-Korobkovsky Gas Processing Plant, an enterprise to which quite a number of Kotovo residents have dedicated their professional lives. The plant processes APG and condensate supplied from the fields in the Volgograd Region. The products of the Korobkovsky gas processing plant primarily find their uses in the Volgograd Region (to provide household and motor transport utility needs), and are also supplied to the Stavropol and Krasnodar regions and other regions with petrochemical enterprises for the production of rubbers, polyethylene and other products.

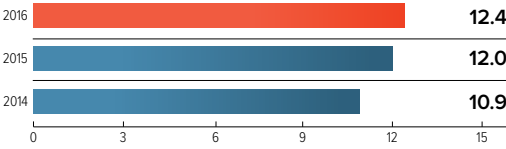
Key Operational Indicators

Oil refining: OOO LUKOIL-Volgogradneftepererabotka

Refining output, million tons



Petroleum product output, million tons



Indicators	2014	2015	2016
Gas processing: OOO LUKOIL-Korobkovsky Gas Processing Plant			
Petroleum gas processing, million cubic meters	419.0	424.3	374.7
Natural gas treatment, million cubic meters	14.3	9.9	43.5
NGL processing, thousand tons	80.5	78.9	63.5
Petrochemicals: OOO Stavrolen			
Raw stock processing, thousand tons ¹	181.4	697.5	835.6
Commercial products	141.3	513.1	706.6
Petroleum gas processing, million cubic meters ²	—	—	1,259.1

¹ Since 2012-2014 the processing indicator has taken into account all the feedstock on the balance sheet (hydrocarbons, acetic acid, reagents, sooty concentrate). In 2010, hydrocarbons and acetic acid were taken into account. In 2011, hydrocarbons, acetic acid, and sooty concentrate were taken into account.

² The gas processing facilities were commissioned in 2016.

Petroleum Product Sales



> 450
filling stations

form part of
the LUKOIL Group
in the Southern
Federal District
and the North
Caucasian Federal
District

OOO LUKOIL-Yugnefteprodukt has a developed infrastructure for the sale of petroleum products in small wholesale from its own bulk plants, and also offers bitumen products from the refineries of the LUKOIL Group. The infrastructure includes seven bulk facilities (three in the Krasnodar Territory, two in the Republic of Adygea and the Stavropol Territory) and more than 230 filling stations. The Staromaryevka bulk plant is one of the most state-of-the-art petroleum depots in the Stavropol Territory. Among consumers of its products are the industrial enterprises of the region Adler CHP, agricultural producers, and independent filling station and bulk plant owners.

One of the major objectives of the Company is the renovation of existing filling stations and the construction of new ones. In 2016, it commissioned five filling stations, and overhauled or upgraded nine. The Company also plans to develop its fully automated filling stations, which it views as an ideal solution for larger cities. Eight such stations already operate in Krasnodar and Sochi. A great deal of attention is being paid to the promotion of non-fuel products and services, including food services.

The production processes that are related to quality control of incoming products are fully automated. They are monitored from the headquarters in Krasnodar. Within each bulk plant there is a laboratory that meets the existing international standards. The laboratories conduct quality control tests on the incoming fuels supplied by manufacturers. If any issues are identified, a mobile laboratory can be dispatched to filling stations. Motorists are provided with data on the name, grade, ecological class of fuel, certificates of conformity and quality control certificates upon request, and benchmark fuels can be used to verify the characteristics.

In 2016, the Company expanded its facilities to treat ECTO-fuels at the bulk plants, which resulted in a 48% increase in the sales of premium fuels, with the share of such fuels in retail sales being 64%.

OOO LUKOIL-Yugnefteprodukt is an innovator in the application of renewable energy technologies. The first solar powered filling station was put in operation in Sochi's Krasnaya Polyana. Another filling station, in Anapa, has installed heat pumps, which are used for heating or cooling down of the premises, which substantially lowers energy consumption. The projects met the expectations of the Company, taking into account the fact that initially the task was not to meet 100% of the energy needs of the stations. "Green" energy is used mainly for internal and external lighting of the filling stations, and to support the station's operations in case of a disruption of external power supply.



"It's an honor that the Krasnodar Territory is being viewed as an attractive investment forum by such big players in the domestic fuel and energy sector. And note that this serves to promote not only economic, but socially significant projects as well. We have to not merely built filling stations, but have developed the region's motorway service infrastructure as a whole. We must offer high quality services to anyone choosing Kuban as their vacation destination".

Veniamin Kondratyev,
governor of the Krasnodar Territory

Presence of LUKOIL's Filling Stations in the Region

Southern Federal District	2014	2015	2016
OOO Yugnefteprodukt			
Krasnodar Territory	142	144	146
Republic of Adygea	21	21	21
OOO LUKOIL-Nizhnevolzhsknefteprodukt			
Astrakhan Region	33	33	33
Volgograd Region	119	118	118
Republic of Kalmykia	6	6	6
Rostov Region	75	75	75
Total	396	397	399

North Caucasian Federal District	2014	2015	2016
OOO Yugnefteprodukt			
Stavropol Territory	47	47	47
Karachay-Cherkess Republic	10	10	10
Kabardino-Balkar Republic	13	13	13
Republic of North Ossetia – Alania	–	–	2
Total	70	70	72



THE FIRST SOLAR
POWERED FILLING
STATION
WAS PUT IN
OPERATION
IN KRASNAYA
POLYANA, SOCHI.

Heat and Power Generation

Between 2015 and 2016, OOO LUKOIL-Kubanenergo carried out major investment projects to retrofit its equipment, complete the decommissioning of outdated and uneconomical non-package CHP equipment. The Company’s Energy Management System successfully passed ISO 50001: 2011 recertification.

In 2015, the Company adopted a new shop-free structure that relies on Fortum’s best practices, i.e. completed preparations for introduction of the Maximo maintenance and repair program.

OOO LUKOIL-Energoengineering completed major investment projects, constructing the following CSA facilities: 110 MW SGP, 235 MW SGP in Astrakhan, 410 MW SGP in Krasnodar and 135 MW SGP in Budennovsk.



Environmental Protection

OOO Stavrolen pays a great deal of attention to environmental issues. The Company has created a modern system of environmental monitoring for all types of impact and, as stipulated by environmental legislation, equipment is being modernized.

The Company’s laboratory has been certified as ISO-ILAC-IAF competent by the Analitika Association of Analytical Centers (Moscow), which confirms the quality of its work and its compliance with established criteria and indicators. In terms of its technical capacity, the laboratory is one of the best in the Stavropol Territory and consistently makes it into the top five of the “For Measurement Precision” competition in the category of inter-lab comparative tests of potable, natural, and waste water, carried out by the Analytical Water Quality Center of ZAO ROSA (Moscow), for labs in Russia and the near abroad. In 2015, as part of its production and environmental control effort, it purchased cutting-edge gas analyzers to determine the concentrations of oxygen (O₂), carbon oxide (CO), nitrogen oxide (NO) and sulphur dioxide (SO₂) in flue gases.

Landscaping and preservation of vegetation in the arid Kuma Region is one of the key environmental challenges that the Company faces. In 2015, with the participation of young specialists of the plant and pupils of the House of Children's Creativity youth center, seedlings of trees and shrubs were planted in the 6th, 7th and 8th housing districts and in the central part of the city.

OOO Stavrolen is located on the eastern bank of Lake Buivola. Understanding the significance of the reservoir for the local population and the natural environment of the Prikumye, in 2014 and 2015, at the initiative of the Company, specialists and scientists from the North-Caucasus Federal University conducted a comprehensive study of the lake for the first time in order to assess its ecological state (water quality and living organisms) and recommendations have been made to maintain the ecological balance of the lake in the future. **G4-14**

The study revealed that the production facilities of OOO Stavrolen have no adverse impact on the lake’s ecosystem due to the isolation of the water withdrawal and water disposal systems of the enterprise. The researchers noted a high species diversity of aquatic and semi-aquatic flora and fauna, thus classifying the lake as a stable ecosystem. According to hydrobiological indicators, the lake’s water is fit both for recreation and fish breeding.

OOO Stavrolen adheres to the policy of openness and transparency, and demonstrates a willingness to maintain a constructive dialogue with every stakeholder. The findings of the research conducted by the researchers with the North-Caucasus Federal University were brought to public notice and reviewed in August 2015 at a meeting attended by the representatives of the Ministry of Natural Resources and Environmental Protection of the Stavropol Territory. Between 2015 and 2016, at the initiative of PJSC LUKOIL and OOO Stavrolen, Budennovsk hosted conferences on the Company’s operations in the Federal District which was attended by the representatives of the Company’s subsidiaries, legislative and executive authorities of the Stavropol Territory and Budennovsk, members of the public and media. The conference attendees considered such

events useful and noted the Company’s eagerness to engage in dialogue.

OOO Stavrolen continued with its environmental outreach to children and teenagers. It held multiple environmentally-oriented events, engaging students of the Kuma Region’s educational institutions and Bumblebee environmental patrols, such as the Best Bird Box, environmental readings titled Topical Environmental and Nature Management Issues, celebrations of the Day of Water and the Day of Land, district-level phases of the national campaigns Alley of Russia, Plant a Tree, or the Green Wave National Cleanup Day.

The largest outreach event is the Best ECO Project, which is a competition started in 2012 by OOO Stavrolen. Between 2015 and 2016, the winning projects brought together 143 school students, 38 kindergarten pupils, 87 further education students, 38 parents and 26 educators.

OOO LUKOIL-Nizhnevolzhskneft traditionally helps organizations of the Astrakhan Region and the Republic of Kalmykia in implementing their environmental initiatives.



> 300
people

participated in
the Best ECO Project
contest in 2015–2016

Examples of projects receiving support of OOO LUKOIL-Nizhnevolzhskneft

Entities	Activities
All-Russian Society of Nature Conservation	Nature conservation measures in 2015. Make films about the nature of the Caspian and its unique fauna
Environmental foundation	Hold the annual "Vobla" fishing festival. At the request of the locals, the Akhtubinsk District hosted the "Vobla Plus" festival for the first time in 2016.
Ilmenno-Bugrovoy public nature reserve	Support the nature reserve’s operations
Astrakhanskoye hunting reserve	Nature preservation challenges and ways to overcome them
Astrakhan reserve museum	«Cycling stories», a biking route
Blackland state biosphere nature reserve	Raise environmental awareness of the rural community to preserve the region’s unique wildlife and population of saiga in the north-west of the Caspian Sea Region
Union of fisheries and fish canneries Caspfish	Support schools’ Blue Patrols engaged in the preservation of fish young

Environmental Initiatives

Since 2007, LUKOIL has held its annual environmentally themed children’s drawing competition, titled Clear Perspective, in the Astrakhan Region, with contestants spanning the first five school grades. Over the years, more than 3 thousand kids have submitted their artistic works. Since 2016, the contest has been opened up to include the school students in the Stavropol Territory. In 2016, winning certificates were awarded to 150 contestants.

The Social and Cultural Projects Contest is also aimed at supporting environmental initiatives proposed by non-profit organizations in the Southern Federal District.



“Next year is the year of ecology, which adds to the significance of the event, and I think the kids got a feel of it. Each drawing is an expression of great fondness and affection for their homeland. And it’s great! It is quite remarkable that companies like LUKOIL are so environmentally minded”

Aleksandr Klykanov,
Deputy of the Russian State Duma,
member of the Clear Perspective jury

Examples of projects receiving support as part of the contest

Entity	Project description
Bogdinsko-Baskunchaksky public nature reserve	Create artificial nesting grounds for birds of prey, improve their habitats, and establish a tour circuit that will help promote environmental tourism
Government agency of Kalmykia Nature Park	Lay out a nature’s nook in the Nature Park’s visitor center
Government agency of Kalmykia Wildlife Center	Monitor the saiga population in the North-West of the near-Caspian region, raise public awareness of the challenges in preserving the saiga or other endangered animal species, combat poaching
“Mir” children’s center in the village of Karsny Yar	Environmental education of the locals (above all, the youth) on the basis of the Krasny Yar library; set up a young environmentalist workshop, where students get to make things out of household waste

Social Programs and Projects

Partnerships with the Areas where the company is present

LUKOIL and subjects of the Federation in the Southern and North Caucasian Federal Districts, and the authorities of Budennovsk have signed cooperation agreements to promote economic development, improve the investment climate and environmental situation, and address the social challenges faced by the territories. The mechanisms of these agreements allows for the coordination of economic, environmental, and social aspects of the territories and the development plans of the Company.



Discharge of obligations assumed under agreements with Russian regions (examples) G4-EC7

Astrakhan Region	<ul style="list-style-type: none">In 2015, monuments commemorating Victory in the Second World War were renovated, including the Victory Boulevard in Astrakhan, and the central square and fallen heroes monument in the village of Liman. Renovation of a sports facility is under way in the Ikrya-ninsk District, with the project scheduled for completion in 2017.In education, a major project was carried out to fit out the classrooms of the Oil and Gas Institute within Astrakhan State Technical University with field development simulators and software.The beautification of the Volga embankment, a place favored by both residents and visitors of Astrakhan alike, is being carried out.
Volgograd Region	<ul style="list-style-type: none">2016 saw renovation and construction of socially significant facilities in the region, including the municipal children’s and youth center in Volgograd
Krasnodar Territory	<ul style="list-style-type: none">LUKOIL supplies the economic sector of the Krasnodar Territory with petroleum products, contributes to social and economic programs designed to promote employment in the region and develop its infrastructure
Stavropol Territory	<ul style="list-style-type: none">A socially significant project for the construction of a new sports and recreation complex with a seating capacity of 770 is being implemented in the region, which includes an ice skating rink, a swimming pool, gyms, and a health rehabilitation center.The Stavropol Territory has for a second time hosted the interregional forum of artistic unions titled White Acacia. Its program included literary encounters, movie screenings, artistic workshops, conferences, and round tables attended by renowned men of art. There’s a hope that the White Acacia festival will transform into a brand of the Territory.Following on from the state program Development of PE and Sports in the Stavropol Region, in 2016, OOO Stavrolen allocated funds for the construction of two all-in-one sports grounds in Budennovsk.Beautification of the resort city of Kislovodsk is under way.
Budennovsk	<ul style="list-style-type: none">Between 2015 and 2016, three children’s playgrounds and two all-in-one sports grounds were built in Budennovsk’s residential estates. Support was provided to the municipal Community Center, Budennovsk children’s school of arts, the municipal Union of Veterans, and other organizations. The premises of university-preparatory school No.7 and kindergarten No.14 Solnyshko were renovated.In 2015–2016, in Budennovsk, a new sports and fitness center, designed to accommodate 600 persons per shift, was built.

G4-EC7

Social and Cultural Projects Contest

The Volgograd Region has been hosting the Social and Cultural Projects Contests since 2004, and the Astrakhan Region, since 2005. The Republic

of Kalmykia joined the grants competition in 2008. The Social and Cultural Projects Contest was launched in the Stavropol Territory in 2016.

Contest results

Contest operator	Number of projects				Coverage area
	2015		2016		
	submitted	winners	submitted	winners	
OOO LUKOIL-Nizhnevolzhsk-nefteprodukt			67	28	Volgograd Region
OOO LUKOIL-Nizhnevolzhskneft	80	39	92	35	Astrakhan Region, Republic of Kalmykia
OOO Stavrolen	–	–	50	17	Sovetsk, Stepnovsk and Budennovsk Districts in the Stavropol Territory

The supported projects include:



Centralized municipal library system, Timur and his NEXT team... (Astrakhan)

The goal behind this project was to assist the elderly by developing their computer skills, teaching them how to go on the Internet, and use electronic public services. The project covers 64 retirees taking classes from a team of five volunteer instructors. Between December 2015 and April 2016, they taught a total of 229 hours of classes, attended by 308 students.

Winning the Social and Cultural Projects Contest gave library No.11 a new status and transformed it into a local community and leisure center, which enabled it to expand its work by starting a new club for the elderly “Literary Cinefilm”, and more actively working with the municipal authorities in Astrakhan on the resolution of the social issues faced by the local population.



Astrakhan State University, the project "Labyrinth Toy Library" (Astrakhan)

Thanks to the opening of the Toy Library, children from socially vulnerable families are able to use modern educational games, practice their skills, develop inquisitiveness and build their drive for research and experiment in many areas, including robotics.



Astrakhan Regional Research Guidance Center of Folk Culture, Frontline Concert Brigade (Astrakhan)

By reenacting the activities of frontline concert brigades, the project created a theatrical and musical program titled Frontline Concert Brigade, as well as an exhibition of photographs for the veterans of the Second World War and other residents of the Astrakhan Region. In 2015, the program and exhibition were shown in six villages, and there are plans to update them and extend the coverage to include other villages.



In 2016, LUKOIL social project grants in the Volgograd Region were awarded to non-government organizations and funds supporting gifted children in difficult circumstances, medical institutions and veteran organizations. In the Volgograd Region, the Social and Cultural Projects Contest has traditionally placed a special focus on the promotion of patriotism. For instance, in 2015–2016, in the Krasnoarmeysky District of Volgograd, the Company realized an important social project that erected and beautified a monument to four heroes of the Second World War who fought in the Battle of Stalingrad. The site around the monument is now paved, with planted flowers and trees. This is now not only a site for ceremonious and commemorative events, but also a landscaped mini-park.

Charity projects

In 2015–2016, with the assistance of OOO LUKOIL-Volgogradneftepererabotka, Volgograd hosted guest performances by the State Academic Maly Theater of Russia, which was a big event in the city’s cultural life. The Company annually supports the International Chemical Conference.

OOO Stavrolen provides yearly charity support to the entities in Budennovsk and the Budennovsk District. The enterprise is particularly concerned about the most important municipal social facilities (kindergarten No.21 Olympiysky, being one of the oldest in the city, Cultural Center, Polymer Sports Club, etc.)

In the reporting period, OOO LUKOIL-Kubanenergo assisted in the renovation of the premises of boarding school I-II for hearing impaired children in Krasnodar, where more than 300 students from all over the Krasnodar Territory are trained. The Company has been consistently supporting and promoting sports in Kuban. In the year of the 70th anniversary of Victory in the Second World War, the Company personnel, jointlywith the authorities of the Karasunsky District located in Krasnodar, contributed into the publication of a book titled “They Fought for Us“, dedicated to combat veterans from the Krasnodar Region, and energy workers of the Krasnodar CHP.



In 2015–2016, with the assistance of OOO LUKOIL-Volgograd-neftepererabotka, Volgograd hosted guest performances by the State Academic Maly Theater of Russia, which was a big event in the city’s cultural life



119 winners

of the Social and Cultural Projects Contest in the Southern Federal District and the North Caucasian Federal District in 2015-2016

Social Events

In 2015, OOO LUKOIL-Yugnefteprodukt supported to the Safety Forecast campaign, a project launched by the regional branch of the Russian Association of Motor Insurers and Road Safety department under the Russian Ministry of Interior, covering over 20 thousand residents of and visitors to the city.

The Company also supported the creation of the interactive theme park "Minopolis", in particular its largest attraction, the "LUKOIL Speedway Track", and also partnered with the Russian circuit racing series on the country's most up-to-date race circuit, the "Sochi Speedway Track".

YUGNEFTEPRODUKT OPENED LUKOIL PLAYGROUND IN THE CHILDREN'S CITY

Educators and psychologists from different countries have long agreed that play is crucial for a child's intellectual and emotional development. This is the very idea that underpins the public space format that is gaining popularity worldwide, i.e. the educational city of professions for children. While playing, children assume different professional roles, getting knowledge and developing skills that will come in handy in adult life (critical thinking, team interaction and work skills, financial literacy, etc.). There are several such projects in Russia, including the one in Krasnodar (the interactive play park, Minopolis children's city). OOO LUKOIL-Yugnefteprodukt sponsored the construction of a major playground LUKOIL Speedway Track within the children's city. The five motoring themed stations, i.e. a Filling Station, a Speedway Track, a Car Repair Shop, Driver Training, and a Car Wash have become the main features of the park. Each one of them is an operating interactive model of real-life enterprises fitted out with cutting-edge equipment. Whilst at the stations, children can try their hand at various professions. For instance, at the Speedway Track, a child, having previously "received" a driving license, can be a driver; the LUKOIL Car Repair Shop provides an opportunity to temporarily be a car mechanic; the LUKOIL Car Wash helps master the craft of the car wash operator and, at he Filling Station, that of a cashier or pump attendant. Young trained instructors work with the children. The instructors are well-versed in safety practices, ways of dealing and communicating with children and trained in every aspect of the game. In 2016, the LUKOIL Speedway Track was visited by some 80 thousand children.



OOO LUKOIL-Yugnefteprodukt was officially a partner of several major events

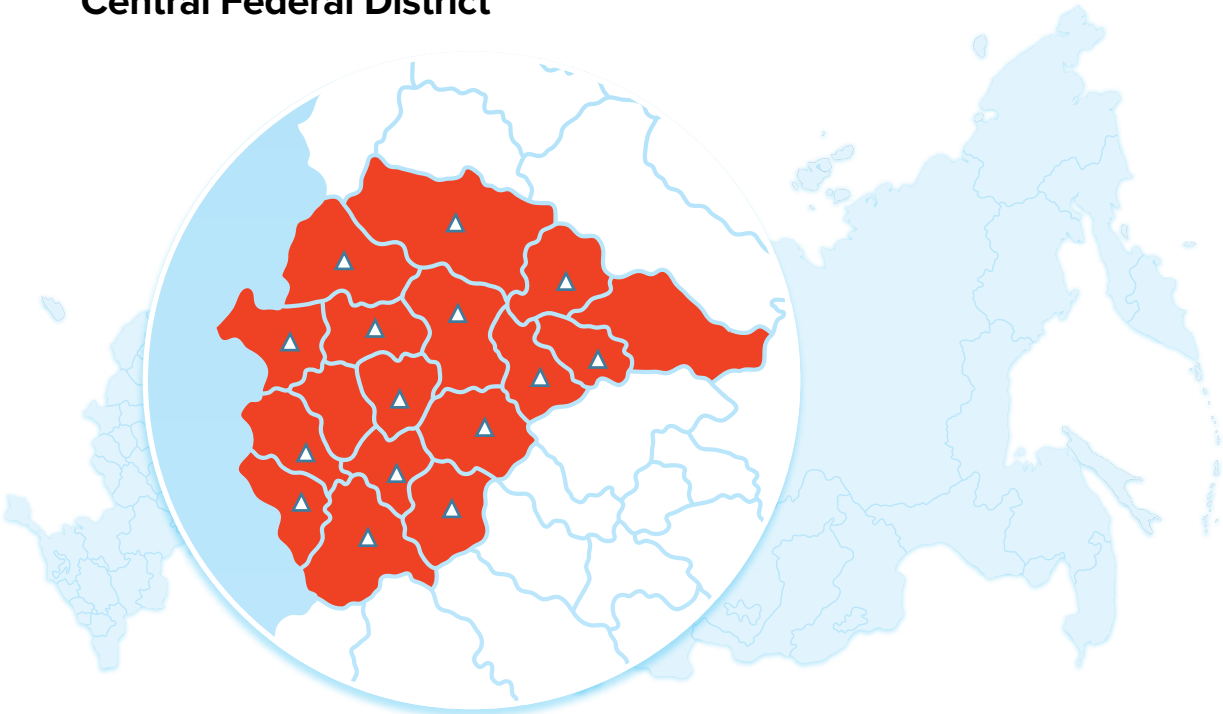
Krasnodar, 2015	Being an eye-catching and vibrant car sound show, DBBATTLE is the first car sound pressure format, developed in Russia. Attendance at the events exceeded 20 thousand, with the audiences coming from Krasnodar, the Krasnodar Territory or specifically driving in from different parts of Russia to watch the season opening. The events had a record number of 350 car owners taking part in different competition formats
Sochi, 2015	International racing events featuring the LUKOIL Racing Team. Customers of LUKOIL filling stations entered the acoustically charged car show, and took part in TCR driver autograph signing and giveaways. Lukoil Racing drivers held a great race at filling station No.59: Sergey Afanasyev and Aleksey Dodukalo had their pictures taken with filling station customers, signed autographs, spoke about their race cars and gave away presents
Sochi, 2016	Yug-MotorShow-2016 customized vehicle festival Visitors to the festival could not only take a look at the cars, but also visit LUKOIL's stand

Public Recognition

OOO LUKOIL-Yugnefteprodukt was recognized as "good corporate citizen". Filling stations No.37 (Sochi) and No.15 (village of Golubitskaya) were awarded the "Best Krasnodar Territory Station" certificates The main evaluation criteria are the dynamics of financial and economic performance indicators, the quality

of products sold, a high level of service culture and the provision of additional services for consumers, health and safety at enterprises, accessibility to individuals with mobility impairments, and the absence of complaints from consumers or supervising authorities.

Central Federal District



- PJSC LUKOIL
AO RITEK
OOO LICARD
OOO LUKOIL-Trans
- ▲

Downstream
OOO LUKOIL-Tsentrnefteprodukt
OOO LUKOIL-Volganefteprodukt
OOO LUKOIL-Chernozemyenefteprodukt
OOO LUKOIL-AERO
OOO LUKOIL-BUNKER

Economic Role and Investments

The federal district's major businesses are sales companies. A number of LUKOIL Group's management companies are also located here.

In 2015–2016, as part of its cooperation with the Moscow Regional Government, OOO LUKOIL-Tsentrnefteprodukt built and put into operation 17 filling stations. Moreover, the Company was declared winner of an open auction held by the Moscow City Department for Competition Policy resulting in the acquisition of seven filling stations in Moscow. Under the auction's terms and conditions, OOO LUKOIL-Tsentrnefteprodukt undertook to sell liquefied hydrocarbon gas at the acquired stations for at least 25 years.

In 2016, the Company signed a framework agreement on cooperation and technical partnership with GK Morton, Moscow Region's biggest developer, which is valid until 2020. The agreement stipulates that OOO LUKOIL-Tsentrnefteprodukt, being the biggest retail supplier of fuels in the Central Federal District, must undertake to supply petroleum products for the partner's machinery and equipment. From the Company's perspective, this is a positive experience of effecting direct supplies of petroleum products to facilities under construction using the new technology of mobile fueling modules.



In the reporting period, the filling stations and bulk plants of OOO LUKOIL-Tsentrnefteprodukt underwent scheduled maintenance and replacement of outdated equipment in Moscow, the Moscow Region, Smolensk and Tver Regions. The bulk plant in Vidnoye was fully revamped, and the one in Sofrino was upgraded.

To avoid possible negative impacts on the environment, the Company uses state-of-the-art technologies: all new filling stations are equipped with systems for deaeration of fuel vapors and automatic fuel tank overflow monitoring systems; while the filling station dispensers are capable of recirculating vapor from the fuel tanks of vehicles.

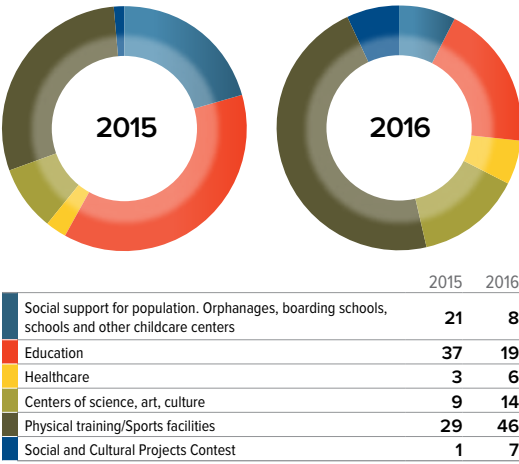
For better service, the Company proceeded with its program of installing Wi-Fi hot spots at all of its filling stations with cafés; there are plans to expand cooperation with new food services suppliers such as Coffee House, Burger King, and McDonald's. In 2016, for ease of payments, another 102 filling stations adopted the post pay system, making a total of 182 stations operating this way.

In 2016, for the first time, the company's filling stations offered a convenient way of paying toll road fees. Drivers can purchase the T-Pass transponder of Avtodor-Toll

Roads at LUKOIL's gasoline stations. The same filling stations offer a top-up service for the transponders.

Since 2015, the Company has engaged an independent contractor to tighten control over the quality of petroleum products that it supplies. It harmonized the tank truck sealing requirements and practices, and is currently in the process of automating its bulk plants, filling stations, and GPS system.

Socially significant projects/ facilities costs, %



Presence of LUKOIL's Filling Stations in the Region

Area	2014	2015	2016
OOO LUKOIL-Chernozemyenefteprodukt			
Belgorod Region	16	15	15
Bryansk Region	10	12	12
Voronezh Region	26	30	31
Kaluga Region	7	8	7
Kursk Region	8	8	8
Lipetsk Region	21	21	19
Ryazan Region	2	2	2
Tambov Region	8	8	8
Tula Region	24	23	24
OOO LUKOIL-Volganefteprodukt			
Vladimir Region	45	44	45
Yaroslavl Region	9	8	8
Ivanovo Region – water-based station ¹	1	1	1
OOO LUKOIL-Tsentrnefteprodukt			
Moscow	114	133	133
Moscow Region	116	121	141
Smolensk Region	16	16	16
Tver Region	9	9	9
Total	432	459	479

¹ Operable during the summer navigation period.



Social Programs and Projects

Partnerships with the Areas where the company is present

The master cooperation agreement between PJSC LUKOIL and the administration of the Moscow Region² expires on December 31, 2018 and will be automatically extended for each next calendar year subject to mutual consent. There are plans to sign cooperation agreements with the governments of the Tver and Tula Regions.

For the Moscow Region, the cooperation priorities are the construction of a petroleum product pipeline to supply light products to the Moscow Region, the expansion of the filling station network, the development of social and sales infrastructure within the territories owned by filling stations, and the creation of a charging infrastructure for electric vehicles.

In 2015, the Government of the Voronezh Region and Open Joint Stock Company LUKOIL Oil Company signed a cooperation agreement, whereby the Company, in conjunction with the regional social programs foundation “Our Future”, built a kindergarten with a swimming pool able to accommodate 140 children in Borisoglebsk.

Social projects and events

LUKOIL's subsidiaries operating in the Central Federal District continue to be actively involved in charitable, social and cultural events, and social programs.

Development of social entrepreneurship is one of the most important social programs. As part of this program, filling stations in the Central Federal District set up 33 points of sale for social entrepreneurship products.

In 2015, the LUKOIL Filling station network held a Victory Spring promotion to commemorate the 70th anniversary of Victory in the Second World War, in which the holders of LUKOIL club cards³ were quite active. The winners got free tours to Berlin and had bonus points added to their loyalty cards. As part of the Victory Spring, Every WWII veteran holding a LUKOIL club card, received gift certificates for 70 liters of fuel.

The product marketing organizations within the LUKOIL Group hold regular press tours. For instance, the personnel of OOO LUKOIL-Tsentrnefteprodukt informed journalists of plans to develop motorway service stations (the new multi-function filling station No.244 (the M-4 Don highway). OOO LUKOIL-Volganefteprodukt held an information tour for journalists and bloggers of the Vladimir Region, which followed the route traveled by fuel products from the bulk plant to the fueling nozzle.

In the Central Federal District, the Social and Cultural Projects Contest is held with involvement of the LUKOIL CF and OOO LUKOIL-Volganefteprodukt. In 2016, the contest expanded geographically within the district, by including a new constituent region of Russia, the Yaroslavl Region.



In 2016

six vehicle charging units were installed and put into operation at filling stations in the Moscow Region

Contest results

Contest operator	Number of projects				Coverage area
	2015		2016		
	submitted	winners	submitted	winners	
OOO LUKOIL-Volganefteprodukt	5	2	19	4	Vladimir Region, Yaroslavl Region

² The master agreement setting out the fundamentals of cooperation between the government of the Moscow Region and Open Joint Stock Company “LUKOIL Oil Company”.

³ Plastic information and score cards of LUKOIL's Customer Incentivization Program.

CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INTERNATIONAL ASSETS



70
Upstream

78
Refining

82
Petroleum product supply

84
Lubricant production and sale

The foreign subsidiaries of the Company operate in more than 30 countries, each with its distinctive natural conditions, legislation, and social relations. In a number of countries, LUKOIL is one of the largest investors. The Company's business contributes to economic and social development of local communities.

The foreign entities of LUKOIL Group strictly adhere to international law, the laws of the countries in which they operate and to the terms of contracts, including such areas as HR, environmental protection and market presence.

LUKOIL Group subsidiaries share the Company's general principles enshrined in the PJSC LUKOIL Code of Business Conduct and in the policies that deal with environmental protection, industrial safety and energy efficiency that serve as the basis for the drafting of internal corporate documentation (policies and plans of action). At certain entities, the requirements stipulated in environmental protection and labor health and safety policies are mandatory for both local employees and subcontractors.

While sharing LUKOIL Group's general principles in the sphere of corporate social responsibility and sustainable development, the subsidiaries are at liberty to determine the priorities and scope of their charitable activities and develop programs based on the needs and expectations of local stakeholders. Among the top priorities for charitable programs for local communities are supporting healthcare, sports and educational institutions and carrying out environmental campaigns and programs.

At most of the entities, a stakeholder analysis is conducted and activities are planned to build relations, in accordance with international standards (for example, those of the International Finance Corporation). The entities that are active in upstream hydrocarbon production in the Middle East and Central Asia have channels that local people can use to voice their concerns with regard to the implementation of projects.



> 30
countries worldwide

presence of
the LUKOIL Group
foreign assets

Upstream

LUKOIL performs upstream activities in 11 countries outside Russia. The main works are concentrated in Central Asia and the Middle East.

Middle East



LUKOIL MID-EAST LIMITED
(Iraq, West Qurna 2)
In 2014, LUKOIL started commercial production from West Qurna 2, one of the world's largest oil deposits. The Company is also involved in the geological survey project at Block 10, located in the vicinity of West Qurna 2.

LUKOIL Overseas Iraq Exploration B.V.
(Iraq, Block 10 Project)
LUKOIL won the right to conduct a geological survey and start subsequent production at Block 10 in 2012. A seismic survey was carried out following a demining effort, and promising areas were identified for prospective drilling in 2014–2015.

LUKOIL OVERSEAS EGYPT LIMITED
(Egypt)
In 2011, LUKOIL joined the project to develop the West Esh El-Mallaha (WEEM) field, located in the Eastern Desert close to the city of Hurghada, and considerably intensified the ongoing effort. Eshpetco is the Egyptian party to the project.

Jobs for the local population

The entities active in the Middle Eastern region are focused on improving the life of the local population in the areas of their operation, particularly on boosting the skills of local professionals, which promotes

the well-being of families. Priority objectives in the sphere of social responsibility are:

- maximum involvement of the local population (local workforce, contractors, resources);
- training of local workers to work at the field, improving workers' skills.

At LUKOIL MID-EAST LIMITED a system of continuous training and mentoring is in place, which helps local people find work as supervisors and engineers. Together with its partner, Basra Oil Company, LUKOIL has developed and introduced a new employment model for local staff through the Central Employment bureau. At West Qurna 2 LUKOIL Mid East coordinates employment of local people and ensures that jobs are distributed proportionally among locals from different tribes. The entity provides regular consultations to its contractors in order to promote the introduction of transparent and efficient mechanisms for employment or dismissal.

Share of local population in employment as of the end of 2016

Companies	%	Note
LUKOIL MID-EAST LIMITED (total share of local population employed by the operating company and its contractors)	70	Each contract between the operator and its contractors has provisions that obligate the latter to give priority to local people during the employment process.
LUKOIL Overseas Iraq Exploration B.V.	5	The BOHAI drilling contractor, which currently operates Block 10, employs over 80 local inhabitants in accordance with the established procedures via the social subcommittee.
LUKOIL OVERSEAS EGYPT LIMITED (EGYPT)	98	The share of local staff at contractor entities is 100 percent.

Environmental protection

The activities of subsidiaries operating in the Middle East are based on strict adherence to the legislation of the countries in which they operate and to the terms of contracts. Guided by the company-wide principles of social responsibility and sustainable development, the entities pay special attention to the safety of their workers and the population inhabiting areas close to business facilities, while conducting nonstop monitoring of environmental impact.

A fully autonomous movable laboratory was purchased for day-to-day environmental monitoring at the West Qurna-2. The laboratory can be deployed within one hour to perform quick measurements of all environmental components from the continuous monitoring of weather and atmospheric conditions and physical impact factors to complex chemical analysis of water and soil.

Thus, the Company's subsidiaries have stricter approaches to environmental protection than local laws mandate. Legislation of the Republic of Iraq does not regulate total atmospheric emissions for corporate entities, and no regulation of pollutant emissions is stipulated in the laws of the Republic of Egypt. Experts from the relevant departments at the subsidiaries provide oversight of contractors' activities.

Major goals in environmental protection

LUKOIL MID-EAST LIMITED (Iraq)	LUKOIL Overseas Iraq Exploration B.V. (Iraq)	LUKOIL OVERSEAS EGYPT LIMITED (Egypt)
<ul style="list-style-type: none">• Nonstop monitoring of the environment at and near the field, creation of environmental monitoring databases using geoinformation systems.• Arrangement of the effort to decontaminate and/or recycle oil-containing or hazardous waste.• Remediation of disturbed land.• Removal of historical landfills within the West Qurna - 2 project allotment	<ul style="list-style-type: none">• Environmental monitoring by way of direct measurements of water, air, and soil quality and noise level at Block 10.• Control over the receipt of work permits by contractors.• Monitoring of solid and liquid waste utilization.• Arrangement of solid waste sorting for recycling.• Using aerobic bacteria, not chemicals, to treat service wastewater	<ul style="list-style-type: none">• Increasing the level of tank water disposal to 100%.• Monitoring of radioactivity of the extracted water and maximal eliminating of related consequences.• Regular monitoring in conjunction with the National Center for Nuclear Safety and Radiation Monitoring of Egypt.• Performance of activities to reclaim polluted soils

Waste Disposal

Waste disposal is an urgent issue in the Republic of Iraq which results in heightened attention that this issue receives from the two entities.

Since the production start at West Qurna 2, LUKOIL MID-EAST LIMITED has established a system of separate waste collection and disposal. New waste storehouses were built at the field to meet the industrial needs for several years to come. The storehouses are waterproofed using high strength polyethylene, which completely prevents the sludge or off-spec oil from impacting the soil or groundwater. The storehouse area is included in the environmental monitoring program.

The Company's subsidiaries operating in the Middle East have gathered a large amount of data on all environmental components. The absence of significant criticisms leveled at the subsidiaries for their activities by environmental watchdogs is an important achievement.

LUKOIL Overseas Iraq Exploration B. V., which is engaged in the exploration of Block-10, was granted permission by Basra Oil Company to build its own landfill for the disposal of municipal solid waste (MSW), which meets international standards. The landfill features secure soil insulation from the waste impact. The landfill became the only officially authorized area for the collection and disposal of MSW at the 5600-square-meter Block 10. The entity also found a contractor to dispose of the scrap metal that accumulates as part of operations. The first batch of scrap was shipped off in 2016.

Background radiation monitoring

At the Rabeh and Rabeh Est fields, LUKOIL OVERSEAS EGYPT LIMITED conducts background radiation monitoring in conjunction with the National Center for Nuclear Safety and Radiation Monitoring, as well as environmental monitoring. This needs to be done due to the radioactivity of the water produced.

The entity mounted special tanks to prevent drainage of oil-containing liquids during the ongoing major well repairs as well as during technological operation. A special evaporation pool was completed featuring an underlying layer of plastic to prevent water coming in contact with soils.

The entity also monitors noise and light levels in cooperation with the Egyptian Center of Power and Environmental Studies.

Resolution of allotment issues

LUKOIL Group entities take part in the resolution of social issues within the area of their presence, if needed. Issues related to the allotment and use of land plots were especially tense during the implementation of West Qurna 2 due to the fact that the contract area was home to around 80,000 people and 300,000 more lived in areas close by. Even though the land was property of the state, local people used it extensively for farming and pasturing.

LUKOIL MID-EAST LIMITED conducted a land inventory, made a land use registry and developed a procedure

to reimburse residents for the damage as a result of the field exploration and production. Since 2011, the government has paid the farmers around \$77 million. Thus, for the first time in Iraq's history local residents have received compensation for the land that they used without owning.

Support of Local Communities

The entities operating in the Middle East pay a lot of attention to raising the quality of school education, furnishing medical establishments with modern equipment, and developing youth sports.

In the reporting period, LUKOIL MID-EAST LIMITED provided computers, furniture and equipment, and also organized supplies of drinking water to 31 schools, funded mobile classrooms, renovated the Dijla secondary school for girls, where it also purchased classroom equipment and built playgrounds.

In addition, medical equipment for six medical clinics and 2,000 containers for garbage collection for the municipality of Huwair were purchased, and the roads in the Summom settlement were repaired.

A special focus is given to sports development: during the time of its implementation, the project saw the construction of six football fields, the purchase of equipment and uniforms for the Huwair and Madana sports clubs and the annual support of sports tournaments.



Central Asia

In terms of corporate responsibility and sustainable development, Central Asian subsidiaries focus on minimizing negative impacts on the environment,

implementing social projects aimed at improving the quality of life for local people, and building relations with local communities.



Karachaganak Petroleum Operating B.V.¹
(Kazakhstan)
In 1997, LUKOIL joined the project to develop the Karachagank field in the Republic of Kazakhstan, which is one of the world's largest oil and gas condensate fields. The entity operates under the Final Production Sharing Agreement which is valid for 40 years.

OOO LUKOIL Uzbekistan Operating Company
(Uzbekistan)
LUKOIL's gas project operator in the Republic of Uzbekistan is engaged in geological surveys, and the production and processing of natural gas. The Khauzak-Shady-Kandym, South-West Gissar and Aral projects are implemented on the basis of production sharing agreements.



It is an achievement

that, in the last decade OOO LUKOIL Uzbekistan Operating Company has had no environmental accident or incident, and has not been fined by or been subject to complaints from executive authorities.

¹ Karachaganak Petroleum Operating (KPO) is a consortium of companies joined to implement the Karachaganak project in the West Kazakhstan region, the Republic of Kazakhstan, one of the world's largest oil and gas condensate fields. Shell, Eni, Chevron, LUKOIL, KazMunaiGaz hold different stakes in KPO. LUKOIL Overseas Karachaganak B.V., LUKOIL's subsidiary, represents LUKOIL's interests in the Karachaganak project.

Principal environmental protection activities

Karachaganak Petroleum Operating B.V.	OOO LUKOIL Uzbekistan Operating Company
<ul style="list-style-type: none">• Plan (program) of environmental protection activities• Industrial Environmental Control Program• Energy saving and energy efficiency activities	<ul style="list-style-type: none">• Plan (program) of environmental protection activities• Industrial Environmental Control Program• Targeted plan to preserve biodiversity in the Khauzak-Shady area and Lake Dengizkul (2012–2016)

Environmental Control

GHG reductions and minimization of environmental impact at the technically complex Karachaganak oil and gas condensate field are the key areas of environmental policy of the company.

IN 2015, THREE ENVIRONMENTAL PROTECTION ACTION PLANS WERE DEVELOPED BY KARACHAGANAK PETROLEUM OPERATING B.V. FOR THE DURATION OF THE VALIDITY PERIODS OF EACH EMISSION PERMIT.

Industrial environmental monitoring is carried out at the Karachaganak field, at the border of the sanitary-protective zone, in the nearby settlements, along the route and at facilities of the export condensate line 'Condensate Processing Complex – Bolshoi Chagan – Atyrau'. Air quality is monitored by an independent laboratory (in compliance with the Environmental Code of the Republic of Kazakhstan), which takes samples, performs analysis and takes instrumental measurements.

Introduction of modern technology

Karachaganak Petroleum Operating B.V. has partnered with leading service providers to implement a number of initiatives that aim to improve the management of facilities and pipelines. A unique system of

protection against illegal cut-ins was set up at the Karachaganak-Atyrau pipelines. It uses a fiber-optic cable for the detection of ground vibrations in the vicinity of the pipeline. Two databases on corrosion and equipment inspection were developed and commissioned. These help assess the rate of corrosion formation and determine the required frequency of inspections given the risk factor.

The entity uses advanced methods of non-destructive testing of pipelines such as ultrasonic long-range testing with "directional waves" that help reduce the number of excavations at facilities and to avoid de-insulating pipelines.

Oil sludge neutralization technology

OOO LUKOIL Uzbekistan Operating Company has successfully tested a neutralizing and hardening composition on sludges with varying concentrations of hydrocarbons. The test was conducted at the Khauzak landfill. The efficiency of the formulation used was proved by a toxicity bio-test. The neutralized oily waste was hazard class 4. The treatment received approval of the State Environmental Inspection under the Republic of Uzbekistan's State Environmental Protection Committee.

The sludge neutralization technology was put into operation and can be recommended for use in other projects. Over 370 tons of production facility oily waste was neutralized in 2014-2016. In the future, the technology can help neutralize and dispose of considerable volumes of waste produced at launched facilities in the Gissar fields and at the Kandym Gas Processing Complex.

Action plan to preserve biodiversity

In 2015, OOO LUKOIL Uzbekistan Operating Company developed the country's first action plan to preserve biodiversity at the Khauzak-Shady section in accordance with Performance Standard No 6 of the International Finance Corporation and the provisions of the Ramsar Convention. Under the Plan, power transmission lines were outfitted with bird protective structures, vehicular speed limits were introduced, personnel activities within the water protection areas were limited and bird monitoring was performed, along with other activities to preserve biodiversity. **G4-EN12**

A total of six bird monitoring stages took place. The scope of research depended on the number of bird species and the important stages in the birds' biological cycle.

At the end of 2015, during the autumn migration, the number of birds, including the great white pelican, the white-headed duck and the mute swan, exceeded 20,000, meeting the criterion of the Ramsar Convention.

The Plan was updated in 2016 and agreed upon and approved by Uzbekistan Bird Protection Society. It has been praised by executive authorities and international experts.

Relations with local communities

Karachaganak Petroleum Operating B.V. builds its relationship with the local community in compliance with the standards of the International Finance Corporation. The organization pursues an active social policy. Each year, plans are drafted to implement socially oriented projects that are initiated by local

people through advisory boards and evaluated by the organization.

Special attention is paid to supporting people with disabilities, supplying water to remote villages, supplying potable water in children's institutions and to a general improvement in sanitary conditions of schools in rural areas.

An official procedure for the consideration of grievances and appeals related to the organization's production activities was introduced. Any resident of the settlements located in the vicinity of the field can approach the community relations officer, or send a written message using dedicated forms and mailboxes installed at settlements. The organization will then consider the grievance or suggestion and offer a solution.

Karachaganak Petroleum Operating B.V. regularly puts forward environmental action plans and construction projects for public discussion and approval.

Social partnership programs

The best known social partnership programs carried out by Karachaganak Petroleum Operating B.V. were Arai (2007–2013) and its continuation Akniet (2013-2015). These represented an initiative of the subsidiary, and not part of LUKOIL's social commitments stipulated in the mining contract.

The Arai program, which began in 2007, distributed grants to Kazakhstan residents to start small businesses in rural areas. The projects of vulnerable residents, who would not be extended a bank loan, were emphasized. The program's six-year run resulted in over 600 new small businesses in the Mangystau and Aktyubinsk regions, including private entrepreneurs who provide various services in rural areas.

The Arai Program received the Paryz Award from the President of Kazakhstan as the Best Social Project, and the Tanym Award from the Kazakhstani Civic Forum, among other prizes.

A similar program called Akniet, or Good Intention, was implemented in the Kyzylordinsk Region (starting from 2013). It retains the approaches of the Arai program (awarding grants for the development of

small businesses), but they have been complemented by the development of social initiatives and social entrepreneurship in the countryside.



> 600

new
small businesses

including sole traders were established during a six-year period in the Mangystau and Aktyubinsk Regions owing to the Arai program



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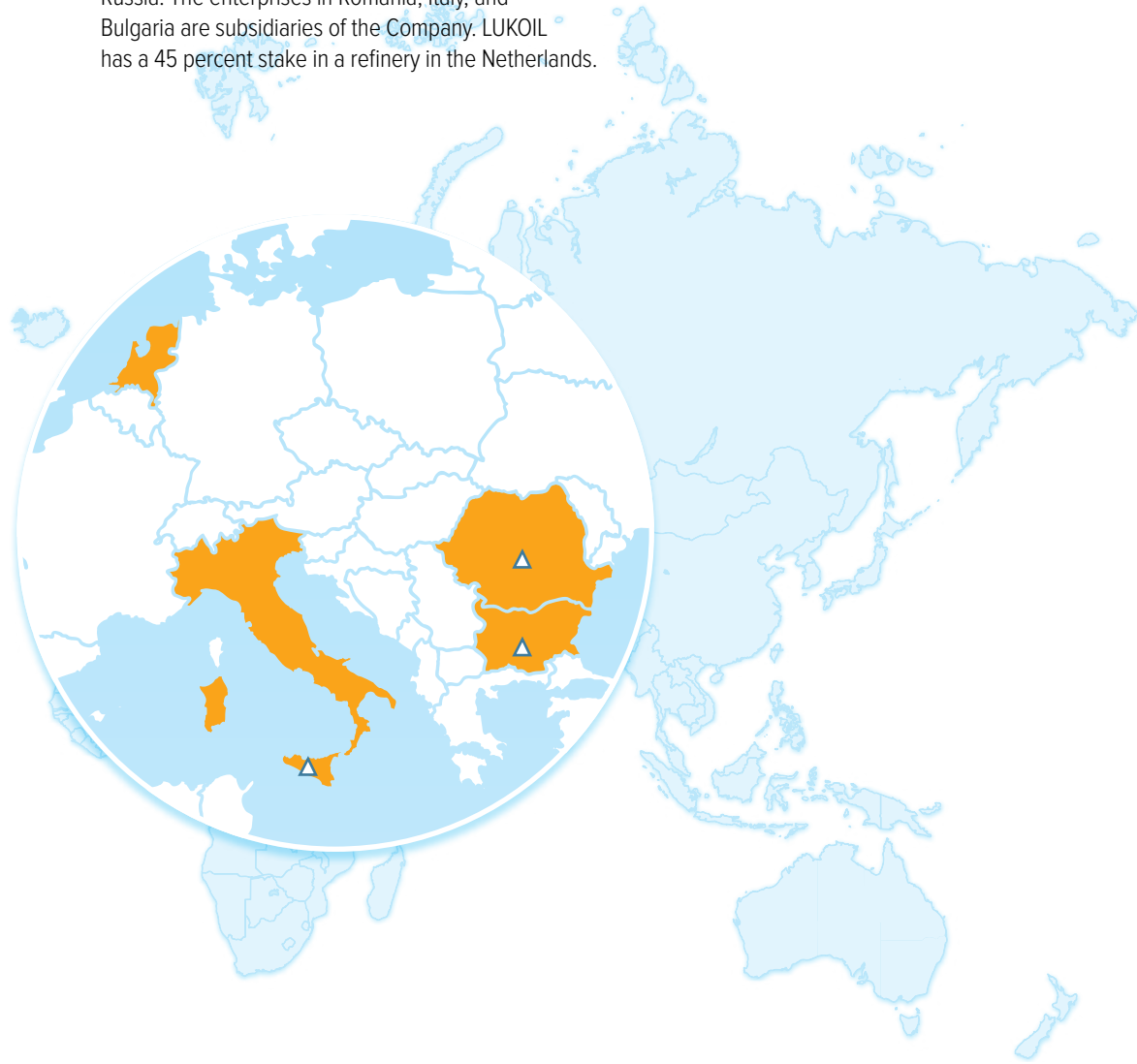


In 2015,

OOO LUKOIL Uzbekistan Operating Company developed one of the country's first action plans to preserve biodiversity at the Khauzak-Shady section in accordance with Performance Standard No. 6 of the International Finance Corporation and the provisions of the Ramsar Convention

Refining

LUKOIL Group has refineries in four countries outside Russia. The enterprises in Romania, Italy, and Bulgaria are subsidiaries of the Company. LUKOIL has a 45 percent stake in a refinery in the Netherlands.



▲ PETROTEL- LUKOIL S.A.

(Romania)

LUKOIL has been present in Romania since 1998. The Company is currently engaged in Black Sea exploration, processing gains, oil and petroleum product deliveries, fuel sales via a filling station network. PETROTEL-LUKOIL S.A. manages a refinery with nearly 100 years of history. Today it is one of the country's most advanced plants.

▲ ISAB S.r.l

(Italy)

In Italy, LUKOIL is one of the largest Russian investors. Since 2008, when LUKOIL purchased a 49-percent stake in ISAB (which has since been increased to 100 percent), the production of petroleum and petrochemical products, base oils and lubricants has grown. ISAB ranks third in Europe in terms of refining volumes.

▲ LUKOIL Neftochim Burgas AD.

(Bulgaria)

The LUKOIL Group came to Bulgaria in 1999 when it acquired the controlling stake in the country's largest refinery. By developing new businesses and upgrading production, LUKOIL has invested over USD 3 billion in the country's economy.

Refining entities beyond Russia consider rational environmental management an important component of corporate social responsibility and a key component in sustainable development. Three refineries have undergone upgrade programs using the best available technologies and leading European practices. This has resulted, for instance, in a unique conversion rate at the plant in Romania (99.5 percent).

Taking into account the legal requirements in European countries, the subsidiaries pay significant attention to atmospheric emissions, waste generation and management, sewage water quality and energy efficiency.

The plants use integrated management systems that comply with ISO 9001, ISO 14001 и OHSAS 18001, while energy management systems are certified ISO 50001.



LUKOIL Neftochim Burgas AD

The most ambitious plant upgrade project, that saw the construction of a heavy residue processing complex, was carried out in 2012–2015. The facility processes high-sulphur residual tar into light oil of the Euro 6 environmental class, with emissions significantly below normative values. Equipment is characterized by high energy efficiency and more efficient resource consumption.

Biodiversity

The only natural colony of the lesser kestrel (*Falco naumanni*), an endangered species, in the Republic of Bulgaria, was found at the area belonging to LUKOIL Neftochim Burgas AD in 2014. The bird is in the Red List of Bulgaria, Annexes 1 and 2 of EU Directive 2009/147 on conservation of wild birds, and in the annexes of a number of international conventions ratified by the Republic of Bulgaria.

LUKOIL Neftochim Burgas AD has drafted an action plan to preserve this bird species. Together with the "Green Balkans - Stara Zagora" ecological organization and the Bulgarian Society for the Protection of Birds, the kestrels are being monitored within the territory of the plant. Activities planned for 2017 are focused on stabilizing and increasing the colony's numbers. Special houses have been made for breeding pairs and the colony's birds have been ringed.



Charity projects

The main principle underlying the implementation of the LUKOIL Neftochim Burgas AD's charity program is whether the projects are needed by a majority of residents in the two cities of presence, Burgas and Kameno. For them, two playgrounds in Burgas and five in Kameno were built, and repair work that improved the educational environment in the gymnasiums of Burgas was carried out.

The LUKOIL CF is also engaged in charity work in Bulgaria where its priorities are supporting social institutions for the elderly and orphaned children, and offering targeted assistance to residents. LUKOIL's entities in Bulgaria are routinely involved in the Bulgarian President's charity initiative Bulgarian Christmas, which helps raise funds for the treatment of sick children and for the improvement of equipment at children's hospitals.

Relations with local communities

There is a "green line" dedicated to receiving phone calls from residents. The Europe-wide number for urgent and emergency assistance, 112, is also available for people and organizations to use. Grievances are registered and processed in accordance with an established procedure.

PETROTEL-LUKOIL S.A.

The upgrade program of the PETROTEL-LUKOIL S.A. refinery aims to expand production that meets European standards, improve environmental indicators and workplace safety. A Program to increase energy efficiency at processing facilities is also underway. Starting from 2015, all of the plant's processing facilities comply with BAT, or Best Available Technologies. The Action Plan established in the Comprehensive Environmental Permit was completed in 2015.

FROM 2010 TO 2015, ENVIRONMENTAL INVESTMENT TOTALED \$119.3 MILLION.

Environmental education program

Local community-targeted programs aim to develop volunteering and have a considerable focus on environmental education.

The refinery has supported the EcoAtitudine National Project, the largest environmental education campaign in Romania. The project aims to encourage over one million school teachers and students to take part in waste collection projects in order to foster a responsible attitude toward the environment by raising youth awareness about and expanding their knowledge of environmental protection.

AS OF 2016, 51,976 ROMANIAN SCHOOL-LEVEL STUDENTS TOOK PART IN THE PROJECT; 66,495 KG OF PAPER AND CARDBOARD AND 6,434 KG OF PLASTIC WASTE WERE COLLECTED. THE PROJECT WILL RUN UNTIL 2020.



ISAB S.r.l

Production is undergoing upgrades within the frameworks of investment program roadmaps. The major activities aim to:

- upgrade treatment facilities of the Southern Site;
- treat polluted soils and groundwater that accumulated previously;
- reduce waste generation;
- monitor and maintain the "hydraulic barrier system" that protects the water area for which the entity is responsible, etc.;

Charity projects

ISAB S.r.l has supported implementation of charity projects for the entity's workers and their families, and also for people living in local municipalities. These projects include:

- a project for school children in the province of Syracuse, which stages performances and games to explain road traffic rules to children;
- a summer camp for disadvantaged kids from the municipalities of Priolo and Melilli.

Petroleum product supply



- ▼

LUKOIL Bulgaria EOOD
(Bulgaria)

The company is the leader in marketing and distribution of high quality fuels and petrochemical products. The filling station network has around 200 stations, which sell high quality fuels and petrochemical products.
- ▼

Lukoil Aviation Bulgaria
(Bulgaria)

The company provides into-plane fueling at international airports in Bulgaria and in the Republic of Moldova.
- ▼

LUKOIL Eurasia Petrol
(Turkey)

In Turkey, LUKOIL supplies petroleum and gas products, aviation fuel, and lubricants and petrochemical products. The filling station network has over 600 stations.
- ▼

LUKOIL-Azerbaijan
(Azerbaijan)

Since 1995, LUKOIL has been developing its own world-standard network of filling stations. The Company has its own tank farm. It is one of main petroleum product operators on the retail market.

LUKOIL Eurasia Petrol

Short- and-medium term environmental protection programs include the following:

- installation of a Vapor Recovery Unit and the reduction of volatile organic substance emissions, the project is due to be completed in 2018;
- drainage of pure rain water through separate channels before it gets polluted at the tank farm;
- use of tank-cleaning substances with minimal environmental impact.

On- and offshore drills are carried out to prevent possible environmental incidents and accidents; corrective measures are taken as a follow-up. The entity also monitors its consumption of water, electricity and natural gas, the quality of sewage waters, and the emergence of hazardous waste. Waste is collected regularly for recycling.

The company has partnered with Turkey’s six largest football clubs to sponsor a project for football fans. They can support their favorite teams by purchasing fuel with special discount cards; a total of 400,000 consumers have joined the program. Since 2015, LUKOIL Eurasia Petrol has been implementing a social project to aid school students from all over Turkey. They have been given stationery, clothes, and sports footwear. Turkish sports clubs have also joined the project.

LUKOIL Aviation Bulgaria EOOD


The main objectives of the medium-term environmental program include the reduction of waste generation and prevention of pollution resulting from emergency situations. The entity has introduced separated collection and temporary safe storage of hazardous waste, while increasing the volume recycled each year.

LUKOIL-BULGARIA EOOD

The entity ensures the proper operation of the Burgas-Sofia main pipeline in accordance with technical requirements and standards in order to ensure the highest level of safety.


In order to achieve this, the entity annually conducts surveys of the pipeline’s operational and technical parameters, and applies corrosion protection for the underground sections of pipes and structures. The results of the survey and the required anti-corrosive measures are documented in a report, while problem areas are marked for repairs in the investment program for next year.

In the recent years, over 40 km of the main pipeline built on agricultural land has been re-insulated. Repairs have been made to 14 river crossings totaling 872 m, irrigation channels, rail and motor roads, and 82 new measurement posts and 42 benchmarks.



> 40
km

of the main oil pipeline have been re-insulated over the last few years



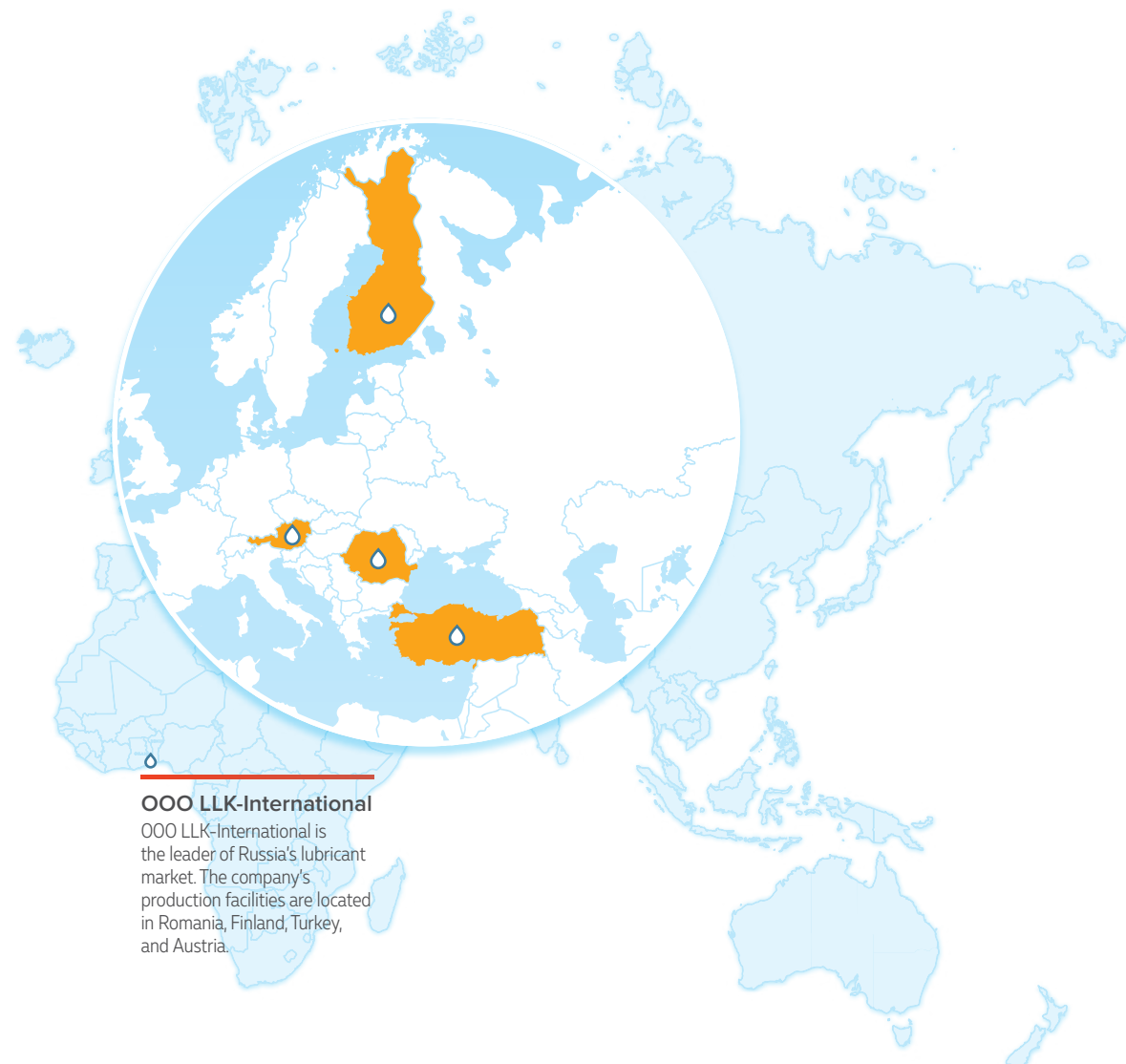
14
crossings

of rivers, irrigation channels, rail and motor roads totaling 872 m were repaired

ZAO LUKOIL-Azerbaijan

Over the past three years, trees and bushes were planted in areas around tank farms and filling stations, covering a total area of 4 hectares, and an inventory was made of hazardous emissions and pollution sources at the entity’s facilities. In 2014–2015, pressure vent valves were replaced at 75 tanks to prevent excess emissions of petroleum product vapors.

Lubricant production and sale



OOO LLK-International

OOO LLK-International is the leader of Russia's lubricant market. The company's production facilities are located in Romania, Finland, Turkey, and Austria.

LUKOIL Lubricants Middle East¹ (Turkey)

The Turkish plant is located in the city Aliaga near a major industrial area with the center in Izmir on the Aegean coast. A continuous production flow with optimum automation allows the highly flexible production of a wide range of products and ensures quality. Investment in recent years had led to an increase in the output of packaged oils and the plant's laboratory has been brought into line with new, stricter standards

of the Republic of Turkey. By providing a wide range of products and flexibility in the production of various types of packaging, including those specifically tailored to the needs of customers, the entity has seen a growth in sales both in Turkey and across the Middle East. The entity has a working relationship with technical and professional schools, providing their students with internship opportunities.

LUKOIL Lubricants Europe GmbH (Austria)

In Austria, LUKOIL owns an industrial and motor oil plant with an output of up to 80K tons of oil per year. The plant is certified with VDA 6.3, the highest standard of the German Association of the Automotive Industry, which helped it to make it into the top five of European suppliers to German carmakers.

Since the plant is situated within the Vienna oil terminal, at the heart of a environmental protection area, it must adhere to strict environmental protection requirements. The plant has implemented a system for managing industrial safety and environmental protection, keeping records of the achievement of goals and key performance indicators, and holding weekly senior management meetings.

Several million euros were spent to fit the plant out with up-to-date equipment, including:

- construction of a pier for oil unloading;
- commissioning of new tanks that meet all modern standards;
- installation of a fully automatic fire alarm;
- transition to a software-controlled storage system and the First Expired/First Out rotation method to avoid long-term storage of additives and suchlike.

In 2016, LUKOIL completed the construction of the lubricant transshipment and storage pier in Vienna, which is comprised of a tank farm and a mooring complex for tanker shipments of base oils.

LUKOIL LUBRICANTS EAST EUROPE (Romania)

One of the advantages of the plant is the flexibility to produce a large number of batches in a completely closed production stream, which ensures the quality of the final product. Raw materials and finished products are transported by way of an automated clean line (purification line), and the components are dispensed using sensors. This ensures the strict quality control of the entire process that eliminates any chance of error. Investments in the past few years to increase the automation of production processes contribute to improving both product quality and the working environment.

New formulas are used in production that were developed through research in accordance with the strictest international standards and market requirements.

LUKOIL LUBRICANTS EAST EUROPE's social responsibility program aims to build long-term youth partnerships. Assistance was provided to PETROTEL-LUKOIL S.A in the planning of the following events: a visit by 45 students of the Ploiești Carmen Sylva school to the production site, the 4th Spartakiad, and a futsal competition between several plants. Future plans include offering internships at LUKOIL LUBRICANTS EAST EUROPE production to local oil and gas institute's students.



¹ LUKOIL Lubricants Middle East Madeni Yag Sanayi ve Ticaret Limited Sirketi

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LUKOIL Company welcomes your feedback. Your feedback, suggestions and comments on the Report’s contents will help us identify the topics and indicators that are of the greatest interest, and balance properly the amount of information published, when the Company prepares the next Sustainability Report.

				
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