

# ECO LOGICAL CULTURE

2020



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## DEAR FRIENDS,

Environmental safety and sustainable use of natural resources have always been a priority for LUKOIL.

LUKOIL was the first company to implement a zero emission technology at its offshore fields in the Baltic and Caspian Seas to preserve the vulnerable ecosystems of the water areas there. The unique technology guarantees that neither industrial nor household wastes are discharged into water body.

LUKOIL is Russia's first company to have switched over to the production of motor fuels of the Euro-5 emission class exclusively. Thanks to the upgrade, the air in large cities across Russia has become cleaner.

Year over year, we keep working to build up the utilization of associated petroleum gas, reduce the discharge of waste water, raise the energy efficiency of the production processes, cut down the technological losses of our products and respond to other environmental challenges.

The company is a participant in discussions of environmental policies and an active partner of the United Nations and the World Wildlife Fund in the restoration of biodiversity. It is our conviction that a combination of technological advances and lower environmental impact is not only accomplishable but vitally essential.

President of LUKOIL  
Vagit Alekperov



Detailed information is available  
on the corporate website at:  
<http://www.lukoil.com/Responsibility>

# ENVIRONMENT PROTECTION IS A PART OF THE CORPORATE CULTURE

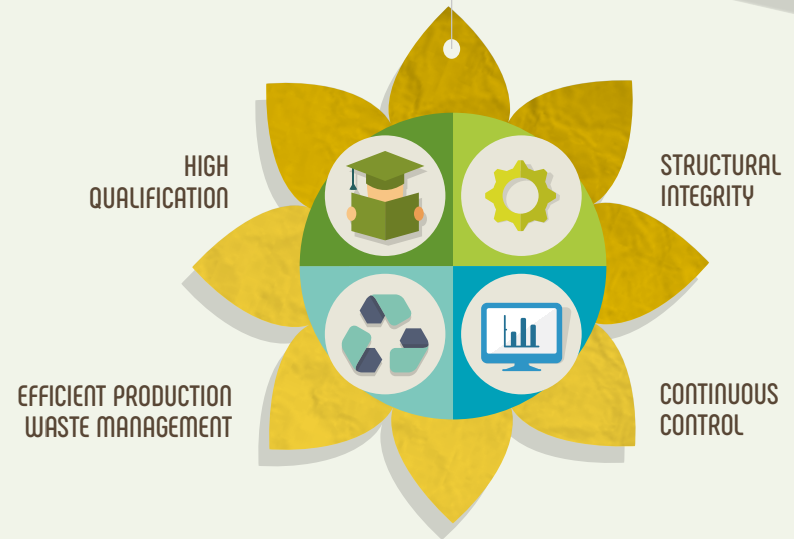
In its operations, the Company pursues the sustainable development principles and seeks to achieve a fair balance between social-economic and environmental development in the regions of its presence.

## THE COMPANY'S SUSTAINABLE DEVELOPMENT CONCEPT

- Close attention to the environmental implications of major activities, mitigation of the environmental impact and negative climatic effects;
- Introduction of technological, managerial and scientific innovations into business processes;
- Search for solutions and engineering processes to secure energy and resource saving;
- Developments and usage of alternative energy sources;
- Manufacturing of environmentally safe products.



## LUKOIL'S ECO PRINCIPLES



LUKOIL joined the Social Charter of the Russian Entrepreneurship that outlines the principles of responsible business practices developed by the business community. The Charter is a platform for the development of a corporate policy and practices in line with the sustainable development goals of the businesses based on efficient interaction with stakeholders, including shareholders, investors, trade union organizations, authorities, and civil society institutions.

While taking social responsibility for the efficient use of natural resources in all its earnestness and maintaining favorable environmental conditions in its business, LUKOIL is guided by the highest HSE standards.



# ENVIRONMENTAL MANAGEMENT SYSTEM

## ISO CERTIFICATES

The company views favorable environment and efficient environmental resources management as one of the priority principles of business conduct.

### POLICY

LUKOIL was one of the first Russian companies to adopt its own Health, Safety and Environment Program.

The Company performs unbiased assessments of potential environmental risks pertaining to its operations, and takes actions to prevent any adverse impact by adhering to the applicable environmental safety practices. The said principle is enforceable through an environmental monitoring system deployed at the LUKOIL Group companies.



In 2019, the Company successfully passed its regular certification audit, confirming compliance with the ISO 14001 and OHSAS 18001 international standards. Employees coverage was 83% of the LUKOIL Group headcount.

CERTIFICATE ISO 14001


CERTIFICATE OHSAS 18001





# ENVIRONMENTAL PROGRAMS AS A TOOL OF IMPLEMENTING THE POLICY, OUTCOMES AND OBJECTIVES

A program has been approved and is being implemented during 2019–2021 comprising over 900 actions with total cost of about RUB 106.5 billion. The goal of the Program is to prevent, mitigate or eliminate any adverse environmental impact.

## 2019 RESULTS\*

97.5%  Efficient associated petroleum gas (APG) use rate

7%  Reduction of atmospheric pollutant emissions

1.0  Ratio of annual waste disposal volume to new waste generation

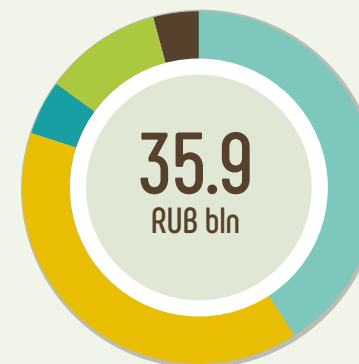
\* Data for Russian companies of LUKOIL Group

## 2019-2021 PRIORITIES

The following results are expected upon completion of the Program for 2019–2021:

- ▶ Maintenance of the efficient APG use rate at 95% and its further increase. Implementation of measures within “Zero flaring of associated petroleum gas”;
- ▶ Keeping within the established limits of waste, pollutant emissions, water consumption and wastes generation in compliance with requirements to transfer to the best available technologies;
- ▶ Complete termination of the discharge of polluted water to water surface bodies (relief);
- ▶ Utilization of waste accumulated in the period before privatization;
- ▶ Accident prevention, number of pipelines failures reduction and restoration of the lands polluted in the result of such failures;
- ▶ Minimization of the impact of LUKOIL Group operations on biodiversity in vulnerable territories, including Arctic regions of the Russian Federation.

## STRUCTURE OF SPENDING ON ENVIRONMENT PROTECTION IN 2019 (ACTUAL)



- 40.4% Air, including APG projects
- 37.2% Prevention and resolution of accidents\*\*
- 7.3% Water
- 9.3% land reclamation and waste
- 5.8% Other

\*\* Including pipeline inspections and replacement

# EFFICIENT ENVIRONMENTAL MANAGEMENT

Being fully aware of its responsibility for efficient environmental management and keeping the air clean, LUKOIL has launched a number of programs designed to boost APG utilization.

Long before the mandatory statutory requirements came into effect, LUKOIL took practical steps to cut back on APG flaring. Since 2003, it has had ongoing efficient APG use programs (the current one covers the years 2018–2020).

This caused the efficient APG use rate to rise from 77% to 97.6% from 2010 to 2019 across LUKOIL Group.

## KARACHAGANAK FIELD

**99.92%**  
stable indicator of APG utilization from 2011

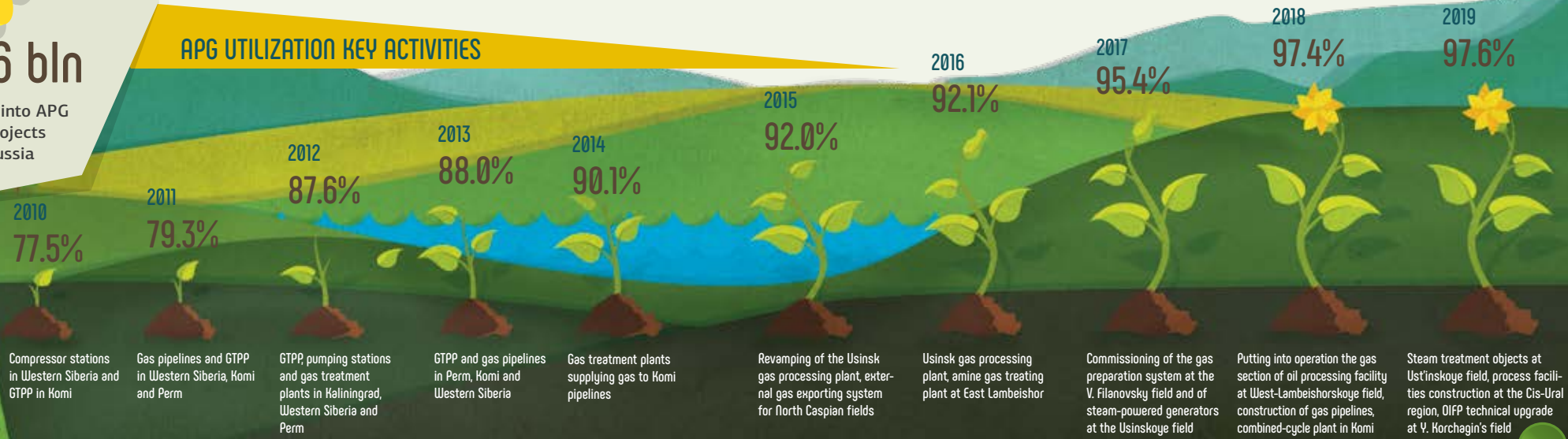
Reduction of GHG emissions and nature preservation are the key policies pursued by the Company at its Karachaganak field in Kazakhstan. As early as in 2011, the associated and natural gas utilization ratio at Karachaganak Petroleum Operation (KPO) reached an all-time high of 99.92%.

By gradually working to fit out its production facilities with recirculated water supply and water re-use systems, the Company has reduced its natural water consumption.

>RUB 6 bln

Investments into APG utilization projects in 2019 in Russia

### APG UTILIZATION KEY ACTIVITIES



# PIPELINE REVAMPING

## MONITORING OF DAMAGES BY THIRD PARTIES

We realize the negative consequences which may be caused due to pipeline failures. To prevent any future pipeline failures we are constantly monitoring the process systems and apply methods to prevent willful and accidental damages by third parties, including the leak detection system, information and awareness-rising measures, controlling procedures etc.

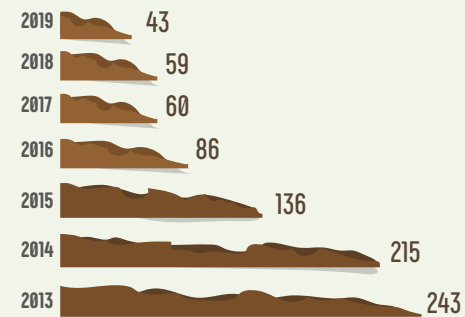
LUKOIL operates a developed field pipeline system, including the longest offshore pipeline system among Russian oil and gas companies. The Company performs systematic work to reduce the risk of pipeline failures, which resulted in reduction of the contaminated acreage by 28%\* in 2019.

\* Compared to 2018

## THE MAIN MEASURES IMPROVING THE RELIABILITY OF PIPELINES INCLUDE:

- ▶ Pipeline maintenance and repairs;
- ▶ Overhauls of field and main pipelines;
- ▶ Appraisals of industrial safety and technical diagnostics;
- ▶ Renovation of field and main pipelines, including corrosion resistant pipelines;
- ▶ Inhibitory and electrochemical protection to ensure the operation and extend the service life of pipelines.

## CONTAMINATED ACREAGE AT THE END OF THE PERIOD, HA\*\*



\*\* Data for Russian companies of LUKOIL Group

**REDUCTION OF THE RISK OF PIPELINE FAILURE IS THE PRIORITY OF LUKOIL GROUP**

# ENVIRONMENTAL SIDE OF OFFSHORE PROJECTS

LUKOIL is the first Russian company to develop in 1999 and apply the Zero Discharge technology at its offshore facilities, which means that all of the production and consumption waste is collected and taken ashore for subsequent disposal. It should be noted that the Zero Discharge technology exceeds the legislative requirements.

LUKOIL's standards of compliance with the Zero Discharge Principle in its offshore projects have formed the basis of the HELCOM (Helsinki Commission) recommendations for the countries operating on the Baltic shelf.

The Zero Discharge technology is part of the environmental safety system applied by the Company in 100% of its offshore projects (including in Russia (the Barents, Baltic, and Caspian Seas) and abroad (Norway, Romania).

## ZERO DISCHARGE – CLEAN SEA

One of LUKOIL's platforms (Korchagin OIRP) is in a point of fact a man-made reef. They turn the dead bottom into oases of subsea life. The greater biodiversity is, the higher are the chances for a sea or a water body to recover itself.

## THE WATER RESOURCES MONITORING

The Company is constantly monitoring the water resources focusing at biological, chemical and physical water properties. After use in production processes, water is sent to treatment facilities applying modern cleaning technologies. There is also identification of potential negative consequences and all efforts for prevention thereof are taken.



# EMERGENCY PREPAREDNESS

The Company pays special attention to mitigating emergency risks including risks resulting from spills of oil or petroleum products, and emergency preparedness of the LUKOIL Group entities.

The Company procures cutting-edge equipment designed for containment and elimination of oil and petroleum product spills. Employees receive special training to ensure that they are ready to take quick efficient response measures in case of accident or emergency. One of the Company's key priorities is to set up inhouse emergency rescue teams (ERT) composed from the most experienced service personnel.

15 years

LUKOIL boasts more than 15 years of accident-free operations at its offshore facilities (marine terminals, oil and gas production platforms, sub-sea pipelines, and other similar infrastructure).

Prevention and emergency response action plans were developed for all facilities that constitute a potential source of emergency oil and petroleum product spills.

Specialized emergency rescue ships carrying equipment to eliminate oil spills at sea are on duty 24/7 around the offshore facilities. Safety of the Company's offshore facilities is ensured by professional emergency and rescue teams (under contracts with Federal State Budgetary Institution "Marine Rescue Service") who have the best equipment and experience in offshore oil spill elimination.

The LUKOIL Group entities conduct annual drills and engage management bodies, professional and contract emergency rescue teams, thus keeping the equipment and personnel of the LUKOIL Group entities ready for potential emergencies.

## 2019 OUTCOMES



**200** drills of different levels, including:

- 117** were associated with oil and petroleum product spill elimination;
- 5** targeted elimination of blowouts and gas, oil and water shows.



**2,063** persons are part of the Company's emergency response force, of which:

- 5** professional emergency rescue teams were formed;
- 43** contract emergency rescue teams were formed;
- 1,808** are certified rescuers.

# GREENHOUSE GAS EMISSIONS CONTROL

As an environmentally responsible company, LUKOIL recognizes the importance of global climate change prevention efforts. The Company has vast experience in reducing greenhouse gas emissions.

In 2016, we set the first goal to reduce direct GHG emissions by 1.2% by 2020 compared to 2016. The Company annually reported its progress in the goal achievement. The actual decrease in 2019 was 3.3% compared to 2016. In 2019, it was decided to define further goals for GHG emission reductions and the more comprehensive integration into the Climate Change Adaptation Strategy.



## PARTICIPATION IN THE CDP PROJECT IN 2019

The Company continues participation in CDP (The Carbon Disclosure Project) international project on disclosures of greenhouse gas emissions volumes in the course of its business. PJSC LUKOIL was assigned D-rank in the result of participating in the CDP in 2018. The Company is actively working to expand the climate data to be disclosed within CDP.

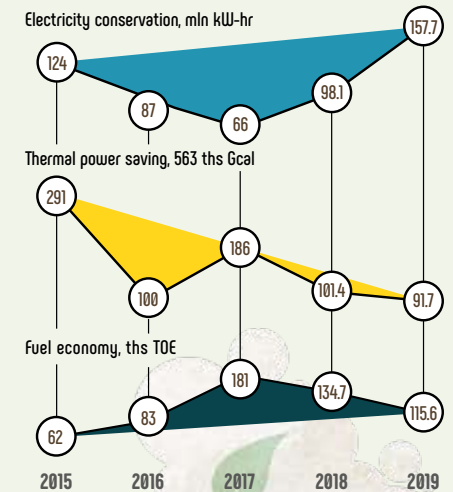
# ENERGY EFFICIENCY

Energy efficiency and energy saving measures, regardless of the area of operations are strategic and constitute an integral part of the Company's cost reduction and performance improvement processes.

## MEASURES TAKEN UNDER LUKOIL GROUP'S ENERGY SAVING PROGRAM IN 2019

Efficient management of fuel-and power (F&P) resources that account for a larger portion of OPEX, is among priorities of the LUKOIL Group entities. While introducing its environmental management system, the Company developed local regulations for the LUKOIL Group entities to make sure that its environmental management is properly integrated into respective business processes, which are in compliance with ISO 50001:2012.

Energy saving program for companies of LUKOIL Group is operating for 2019–2020 in Russia along with roadmaps to improve energy efficiency.



# RENEWABLE ENERGY

Utilization of renewable energy sources is one of the key mechanisms to ensure environmental safety, reduce environmental impact and sustain efficient use of resources. The renewable energy commercial generation rate was 6% in 2019.

## WIND POWER

- 2012–2013** Active WPPs purchased in Bulgaria and Romania.
- 2014** The newest and most powerful WPP “Land Power” constructed and commissioned in Romania.  
Midget wind power plant (wind-diesel power plant) commissioned in Russia (Tatarstan).
- 2019** Decision on wind monitoring was made – the first stage of technical and economic feasibility study of wind farm construction near the operating Tsimlyanskaya hydro power station in Rostov oblast.

For many years, Lukoil has invested in renewable energy sources (RES) and developing of new power-generation technologies.

The greater share of its output is generated by hydroelectric power plants (HPP) in Russia; in addition to that, solar and wind generation is developed. LUKOIL is using favorable conditions in the countries where the government provides support in this area, and implementing large-scale projects for the construction and operation of power plants generating electric power from renewable energy sources (Bulgaria and Romania).

## SOLAR ENERGY

- 2009** Commissioning of Russia’s first gas station equipped with a photovoltaic power plant (Krasnaya Polyana); individual gas stations in Serbia equipped with photovoltaic power systems.
- 2011** A 1.25 MW PPP was commissioned in Bulgaria.
- 2014** LUKOIL’s 9 MW PPP was commissioned in Romania (Ploiesti).
- 2018** A solar power plant in Volgograd was put into operation. The plant has a capacity of 10 MW. Commissioning of the plant enables generation of 12 million kW-h of electric energy and reduces annual CO<sub>2</sub> emissions by 10 thousand tons.
- 2019** It was decided to construct the second solar power plant in the Volgograd oil refinery plant with capacity of 20 MW.

## HYDRAULIC POWER ENGINEERING

- 2008** 4 HPP became a part of LUKOIL Group.
- 2019** Belorechensk HPP upgrading completed.

# MOTOR FUELS AND LUBRICANTS WITH ENHANCED ENVIRONMENTAL PERFORMANCE

The Company was the first in the industry to complete its large-scale investment cycle and upgraded its Russian refineries.

One out of twelve vessels worldwide uses PJSC LUKOIL's branded oil (LUKOIL oil).

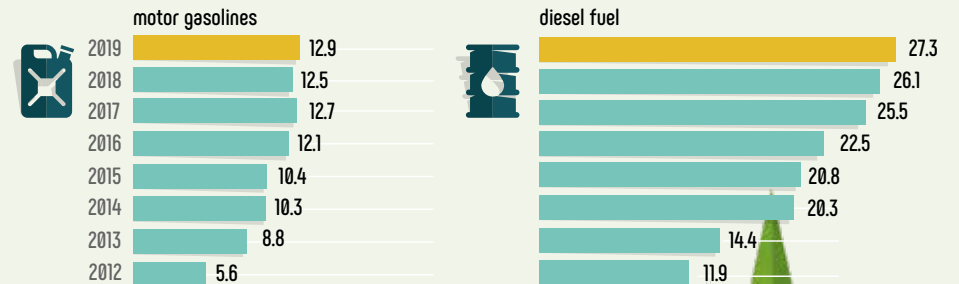
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SINCE 2012, ALL LUKOIL'S GASOLINES HAS MET THE HIGHEST EURO 5 REQUIREMENTS.

As a result of modernization, LUKOIL became the first Russian oil production company to launch Euro 5 motor gasolines and diesel fuel production. In addition to this, the Company also complies with the requirements of the Russian Refineries Upgrade Program until 2020 within the framework of the quadrilateral agreements between the Russian Government and the country's vertically integrated oil companies.

LUKOIL has been ahead of the schedule reaching compliance with the technical regulations and implementing its own plans for the launch of Euro-5 fuel production.

## OUTPUT OF EURO 5 FUELS BY LUKOIL GROUP, MLN T



## "TECHNICAL INNOVATIONS"

SeaTrade Maritime Awards

LUKOIL was declared winner in the "Technical Innovations" category at the SeaTrade Maritime Awards, a ceremony held annually to recognize top maritime performers. The SeaTrade experts noted the Company's contribution into the development of lubricants for the maritime sector. Specifically, LUKOIL developed a new line of biodegradable synthetic lubricants that meet the most stringent requirements and current safety standards, as well as iCOLube, a smart cylinder oil lubrication system.

# EFFICIENT MANAGEMENT OF WASTE PRODUCTS

One of the key environmental safety issues faced by production facilities is production or consumption waste management.

In 2013, Russia adopted its Comprehensive Consumer Waste Handling Strategy, with the primary goal of commercializing the components contained in the waste by using them as additional sources of raw stock, materials, semi-finished products, other goods, items or products, or for power generation.

Separate waste collection is the most promising way, not only to maximize commercialization of waste, but also to reduce adverse environmental impact. By collecting solid municipal waste separately the Company demonstrates how the issue can be solved at product marketing facilities.

## ABANDONMENT OF THE SLUDGE

For completing abandonment of the sludge tanks and its outstanding performance in oil waste processing, the Romania-based refinery of the Company JSC Petrotel-LUKOIL was awarded a high accolade and became Romania's first refinery to complete the project before the established deadlines and with no financial backing from the government.

The Company differentiates between environmental friendliness and seeks to resolve the pressing issue of solid waste disposal. Not only do the LUKOIL Group companies have a smooth-running separate waste collection systems in place, but they also have adopted the best practices providing environmental and financial benefits for product marketing facilities with a separate waste collection system in place.

Its introduction helps reduce the quantities of waste disposed in landfills, save substantial amounts spent for solid municipal waste (SMW) removal, lower adverse environmental impact fees, build the company's positive environmental standing, i.e. follow the principle of effective environmental management.

Starting 2015, a separate SMW collection system has been in operation in the Nizhny Novgorod and Vologda Regions. SMW fractions (paper, cardboard, etc.) are now collected as secondary raw materials that are recycled from waste into commodities, thus reducing the consumption of natural resources, including nonrenewable ones, and limiting environmental pollution.

As of today, 86 LUKOIL-Tsentrnefteprodukt's gas stations in the Nizhny Novgorod, Vologda and Vladimir Regions have separate waste collection systems in place.

The project permitted a more than 20% reduction of costs associated with SMW removal at the gas stations with separate waste collection systems and received an approval from the Ministry of Environment and Natural Resources of the Nizhny Novgorod Region.

The Company's foreign gas stations have also adopted waste separation practices, e.g. a gas station in Skopje, Republic of Macedonia.

Disposal of solid waste is a highly pressing issue faced by the Iraq-based assets. In 2.5 years that have elapsed since the first production at West Qurna-2, the Company managed to build a system of separate collection and masterly removal of waste, thus minimizing environmental exposure. It implemented a system of solid waste separation into scrap metal, plastic and wood for subsequent transportation to a processing facility. It also performs natural treatment of gray wastewater, i.e. without any chemicals, to produce water that wouldn't pose any threat to the environment. The Company has actively worked to establish acceptable ways of organic waste processing.

It seeks to reduce the environmental footprint not only for the production activities of its companies, but also for the business activities of its offices. E.g. in Macedonia, on the Company's office premises, they established a dedicated zone for used toner and paper waste storage, and dispose of their electronics by engaging companies that are duly licensed to do so.

## "ECO-CONDUCT = RESPONSIBILITY, AWARENESS RAISING AND ACTION"

The LUKOIL Group entities in Romania act as partners of a one-of-a-kind environmental initiative that has evolved into the nation's biggest environmental education campaign. The national project "ECO-CONDUCT = responsibility, awareness raising and action" is a nine-month marathon devoted to environmental protection and promotion of environmentally responsible behavior.

It is a 10-year project and is scheduled for implementation between 2010 and 2020. The project provides for selective collection of waste and is not limited to merely stating the principle of waste disposal. By engaging students and teachers of Romanian schools and holding outreach activities the Company involved about 52 thousand students in a competition of waste collection and separation. They collected a total of 66 kg of paper and cardboard, as well as 6 tonnes of plastic.



# ENVIRONMENTAL MONITORING

**The objective behind production and environmental monitoring is to assess the state of the environment in the areas exposed to production operations and establish whether it meets the applicable environmental requirements.**

To this end the production and environmental monitoring system is continuously perfected. E.g. it was recently expanded to include geodynamic and satellite monitoring. Every Company site has an environmental monitoring system in place. The research efforts are regular and cover a broad range of environmental parameters.

Particular attention is paid to the Arctic zone. Since 2008, Varandey Terminal (an oil export terminal in the Barents Sea) has regularly monitored the environmental media in the area that is presumably exposed to the operations of the onshore tank battery and export terminal, specifically controls both offshore and onshore landmarks, mammals and birds in the areas adjacent to the terminal.

## ADVANCED TECHNOLOGY APPLICATION

In 2008, the Company's Bulgarian refinery (LUKOIL Neftochim Burgas AD) introduced an Atmospheric Air Monitoring System that provides online access to the control, databases and current readings of the automatic metering stations located in the populated centers next to the production facility's main site. Monitoring makes it possible to control the atmospheric air quality in the adjacent villages.

The LUKOIL Group companies in the Middle East also use instrumental methods to measure all environmental media, spanning a wide range of activities from continuous monitoring of weather conditions, state of the atmosphere and physical effects to complex chemical water and ground testing. Employment of fully autonomous laboratories enables performance of specialized works that call for a continuous monitoring of the environment.

In addition to the standard environmental monitoring, LUKOIL Overseas Egypt (Eshpetco) jointly with the Egypt's National Center for Nuclear Safety and Radiation Control regularly monitors background radiation levels.



At present, the LUKOIL Group companies in the Middle East have built an extensive library of data on all environmental media, which, combined with the background radiation research, represents a strong basis for a conclusion that the assets have practically zero impact on the air, water or biodiversity.

# BIODIVERSITY PRESERVATION IN RUSSIA

Conservation of biodiversity is a pre-requisite for every one of LUKOIL's projects.

In 2019, LUKOIL joined the Ministry of Natural Resources and Environment of the Russian Federation working group (the Working Group) on creation and development of the "Business and Biodiversity" Initiative within the federal project "Preservation of biological diversity and development of eco-tourism" within the framework of "Ecology" National Project.

Also the Company was actively engaged in the UN Project launched in Russia entitled "Biodiversity Preservation Goals Reflected in the Russian Energy Sector Development Policies and Programs". The pilot regions under the project also include the Northern Caspian Sea and the Nenets Autonomous Area.

2015 – LUKOIL and the World Wildlife Fund (WWF) signed a Cooperation Agreement.

## WWF

The dialog between PJSC LUKOIL and WWF that involved a Russian non-profit organization "Marine Mammals Council" helped launch in 2016 an expedition to research the Atlantic walrus in the South-East Barents Sea i.e. in the areas exposed to the operations of Varandey Terminal.

In furtherance of the directive of the Russian President issued following a meeting on efficient and safe development of the Arctic regions on June 5, 2014, the Company developed its target Biodiversity Preservation Program.

Biological monitoring reports are regularly submitted to the Federal Service for Supervision of Natural Resource Usage and published on the Company's website.

The grants sponsored by the Company under its Social and Cultural Projects Competition, held by LUKOIL in 22 Russian subjects, enable local environmental organizations to launch important biodiversity preservation projects. E.g. the Bogdinsko-Baskunchaksky State Nature Reserve (Astrakhan Region) received a grant to create man-made nesting grounds for birds of prey that constitute one of the basic elements of the natural complex, and the Center for Wildlife (Kalmyk Republic) was sponsored to monitor a saiga population in the North-Western Caspian region, raising public awareness of the need to preserve the population of saiga or other endangered species and to combat poaching.

### 35 mln

juveniles of valuable fishes were raised and released into water bodies

Financing of work by the Company to regenerate fish resources was about RUB 118 million in total in 2019.



Years of marine wildlife observations revealed that LUKOIL's field operations have not affected the ecosystems in any way.



# ANIMALS RESCUE IN CASES OF ACCIDENTAL OIL SPILL

The Company shall use best practices to save bio diversity.

## TRAINING ON ANIMAL RESCUE HELD IN NARYAN-MAR.

Training to prevent damage to animals in case of accidental oil spill was held in 2017. "Varandey'sky terminal" LLC and "LUKOIL-Komi" LLC were chosen as base sites.

The event was held by the international fund "SEA ALARM" together with the Ministry of Natural Resources and Environment of the Russian Federation and the UNDP/GEF-Ministry of Natural Resources and Environment of Russia project "Mainstreaming Biodiversity Conservation into Russia's Energy Sector Policies and Operations" project. Representatives of the Federal Supervisory Natural Resources Management Service, World Wide Fund for Nature (WWF), International Union or the Protection of nature, Darvin's and Nenets wildlife sanctuaries, "Russian Arctic" national park supervised the training.

Managers in charge of environmental safety, prevention and response to emerging situations services of LUKOIL group companies and the employees directly involved into emergency response operations took both theoretical and practical training.

The main achievement of the program was incorporation of internationally recognized practices and those approaches for preservation of bio diversity which currently do not have analogues in the Russian Arctic sector into LUKOIL corporate practice.

"The Naryan-Mar training was a unique event due to participation of top managers and executives officers. It was the first time when a petroleum company could allocate a whole week for an on-the-job training to seek for solution for such a problem. "This is the only way to build a competent corporate system of oil spill response actions"

Hugo Nijkamp,  
General Manager  
of the Sea Alarm Fund.

## ANIMAL REHAB IN ASTRAKHAN

The plan for oil and oil products spill prevention and response for wildlife was developed and implemented to minimize environmental risks in Astrakhan, another strategic region for the Company's operations.

In accordance with the Plan and at the initiative and with the aid of the Company the rehab for animals harmed by oil pollution was set and equipped with all necessary equipment and medical supplies, including mobile rescue field point for stabilization and transportation of animals on the basis of Directorate for the southern specially protected natural reservation for animals care and breeding. The Directorate commands the qualified personnel including veterinary specialists experienced in wild animal capture, transportation, housing in the artificially created area, feeding, adaptation to habitat.

For many years we have been seeking in the WWF precisely this kind of cooperation between business and environmental community, said Alexey Knizhnikov, the leader of the program for business ecological liability of WWF Russia. "LUKOIL was the first Russian company, which demonstrated everybody that it reached that level of cooperation. Oil producers are working closely with specially protected natural reservations. Qualified ornithologists and veterinaries work in these areas, and the base housing rehab has a uniquely-efficient bird rescue system. As a whole we've spent a lot of time studying international experience and I can say that what LUKOIL did on the North Caspian for environmental protection meets the highest international standards".



### SAIGA

The decision was made in 2019 to enter into Agreement on cooperation between PJSC Lukoil and the Ministry of Natural Resources and Environment of the Russian Federation within the federal project "Preservation of biological diversity and development of eco-tourism" within the framework of Ecology National Project.

To comply with the signed document LUKOIL will include implementing measures aimed at recovery and protection of the Saiga population occupying mainly Kalmykia Republic and Astrakhan region of the Russian Federation into the corporate program of biological diversity preservation.

At the Company's initiative a series of panel discussions on "Preservation of Saiga population as a responsibility before future generation" were held in Kalmykia Republic and Astrakhan region as part of this effort in 2019.

A separate set of joint actions to preserve Saiga population was included into a roadmap for 2020-2021 within the framework of the Agreement on Cooperation between PJSC LUKOIL and WWF.

# INTERNATIONAL BIODIVERSITY PRESERVATION

The Company's biodiversity preservation efforts have also become international.

LUKOIL Uzbekistan Operating Company gained valuable experience in the development and implementation of biodiversity preservation plans (primarily for the bird fauna) in line with the international standards, which may prove useful to the LUKOIL Group entities seeking to introduce the requirements of ISO 14001:2015 or enforce the requirements imposed by international lending institutions providing outside financing.



Taking into account the importance of biodiversity preservation, especially for environmentally sensitive areas, the Company committed not to conduct production activities within the territories of the World Heritage and within the preserved areas of I-IV categories by the International Union for Conservation of Nature (IUCN). At each stage of a project implementation we are trying to balance the negative impact caused by the Company's activity and implement various projects and measures to protect the environment.

So in Uzbekistan, the Company developed a Biodiversity Preservation Plan for Khauzak-Shady, which is the first plan created for an area of preferential protection. The document was approved by the Uzbek Society for Bird Preservation.

## LESSER KESTREL

In 2014, when a rare endangered and red-listed bird species was spotted on the premises of the Bulgarian refinery, LUKOIL Neftochim Burgas started to monitor this particular avian species on its premises. The monitoring is performed by LUKOIL's environmentalists in conjunction with two nature conservation organizations: Green Balkans – Stara Zagora and the Bulgarian Society for Bird Protection. Lesser kestrels that use the refinery's premises as their nesting grounds are the only natural colony of the species in Bulgaria. In 2019, LUKOIL Neftochim Burgas is taking scheduled steps to stabilize the colony and increase its size.



# INTERACTION WITH INDIGENOUS PEOPLES OF THE FAR NORTH

LUKOIL companies have operated in Western Siberia and Timan-Pechora for many years, abiding by high standards in the sphere of health, safety and the environment.

The northern regions where the company carries out its production operations (Khanty-Mansi Autonomous Area — Yugra, Nenets Autonomous Area and Krasnoyarsk Territory) are home to various small indigenous peoples.

Industrial operations in these regions may significantly affect the way of life of indigenous minority peoples. As oil and gas production work expands, it encompasses territories that are of vital importance to the way of life of these national minorities. The Company is currently completing its fifth environmental program, a traditional discussion point with the representatives of the High North Peoples. Their feedback is taken into account for the development of the Program.

## PRESERVING TRADITIONS OF THE NORTH

Nature conservation activities are intended to rule out any adverse impact of oil and gas facilities on the environment of the North and habitats of the indigenous population. While conducting its production operations, PJSC LUKOIL seeks to avoid works in locations where they can affect the habitats of valuable or listed plants or animals, in highly sensitive environmental areas or during plant vegetation or wild animal breeding and migration periods.

The key channels of communication between LUKOIL and indigenous minorities of the Far North are:

- ▶ Cooperation agreements between LUKOIL and regional administrations;
- ▶ Economic agreements with the leaders of territories where traditional use of natural resources is practised;
- ▶ Social and economic development agreements with reindeer herders;
- ▶ Cooperation with non-government organizations;
- ▶ The LUKOIL social and cultural projects competition.

## RUB 72 bln

As part of its 2019 through 2021 Program, the Company plans to spend on nature conservation in the regions populated by the High North Peoples.

# RESPONSIBILITY FOR SUPPLY CHAIN AND SERVICES

**A large bulk of work is accomplished for the LUKOIL Group entities by specialized suppliers and contractors.**

In the selection process, the Company relies on its history of similar operations, availability of production capabilities and qualified personnel. According to the contract terms all Company's suppliers and contractors undertake to comply with applicable legislation requirements and the Policy of PJSC LUKOIL for Health, Safety, and Environmental Protection. Compliance of the contractors with the said requirements is regularly controlled, employees of the contractors undergo HSE training. Representatives of key contractors participate in the improving the safety culture activities including the Safety Days.

# EVENTS AND AWARDS

- 2012** LUKOIL joined the Green Office project by Greenpeace.
- 2014** LUKOIL won the highest international public award The "Environmental Tree" award for special contribution to the environmental safety of the Russian Federation. LUKOIL won the national "Green Ray" award in the area of environmental protection, the "Eco-Friendly Business" category.
- 2015** following a survey of the most environmentally friendly brands, LUKOIL was declared the winner in the category "Loyalty Brand. Green Planet".
- 2017** the company was awarded a Certificate of the Russian Ministry of Natural Resources in the nomination "Active Corporate Environmental Policy in the Year of Ecology".
- 2018** Environmental Transparency Rating of Oil and Gas Companies operating in Russia (CREON Energy together with WWF) Diploma for environmental responsibility "The first place. "Disclosure of information".
- 2019** Environmental Transparency Rating of Oil and Gas Companies operating in Russia (CREON Energy together with WWF) diploma for "Transparency Achievements".

# SUPPORT AND INVOLVEMENT WITH PUBLIC ENVIRONMENTAL EVENTS

In addition to its main environmental activities, LUKOIL is actively involved with environmental projects and volunteer events.

Personnel of the LUKOIL Group entities actively outreach to the youth, seeking to raise their environmental awareness, take part in events launched by teams of environmentalists, cleaning up of nature reserves, forests and parks.

In order to assist in the resolution of pressing environmental issues the Company renders continuous support to environmental initiatives and individually holds environmental events, including those started by volunteer personnel of production facilities in the regions of its operations.

## PUBLIC RECOGNITION

It is the 6th year running the Company has been participating in the Environmental Transparency Rating of Oil and Gas Companies Operating in Russia. LUKOIL Group was ranked the 4th among 20 oil and gas companies in the result of 2019 performance.

The Company was awarded the diploma for «Transparency Achievements».

The level of potential environmental impact of the participating companies is evaluated by the WWF Russia and CREON Energy.

The environmental performance of the fuel and energy companies is assessed by a number of criteria such as environmental management, scale of impact on the environment and transparency.

## Yamalo-Nenets Autonomous Area Ecological Initiatives

One of the most standout and large-scale events was the Company's involvement with a significant environmental project launched in 2012 and titled "Big Cleanup of Bely Island". Mr. D. Kobylkin, the governor of YNAO, kicked off the project.

LUKOIL-West Siberia, a subsidiary of the Company, sponsored environmental expeditions to the island. Starting in 2012, volunteers, including the personnel of LUKOIL-West Siberia, have cleaned the island of what is known as the heritage of the first spate of the Far North exploration.

From 2012 to 2017, the volunteers cleaned up a total of over 52 hectares of land, what is more, all was done without any heavy-duty machinery for the avoidance of damage to the Arctic environment. Of scrap metal alone they picked up and made ready for disposal over 500 tonnes.

The volunteers paved the way for scientific research of the island, which presently involves researchers who monitor the Kara population of polar bear.



## CURONIAN SPIT

The young professional community of LUKOIL-Kaliningradmorneft annually cleans up and beautifies the Curonian Spit.

## Khanty-Mansi Autonomous Area – Yugra Ecological Initiatives

Since 2010, in its traditional region of the Khanty-Mansi Autonomous Area – Yugra, PJSC LUKOIL has taken part in the International Environmental Event titled “Save and Protect”.

This is a high-profile welfare project that is an important component of the region’s environmental policies and is unrivalled worldwide for its scale and scope.

What’s more, in the last several years, the Company has been funding a unique project in Khanty-Mansiysk, which is an International Environmental Television Festival providing an insight into what’s hot and happening in both foreign and Russian environmental documentary filmmaking.

In the Area, they have held rallies of school forestries attended by over 200 school students from 25 school forestries in 6 Russian regions.

## Perm Territory Ecological Initiatives

The environmental events “Children and LUKOIL for the Environment” and “Oil Worker’s City – a City of Flowers!” have become an annual thing in the Perm Territory helping restore over 7 thousand land plots and incorporating over 3,000 environmental awareness raising events.

The said environmental events were attended by a total of 40 thousand the Perm Territory residents, with employment provided to 8 thousand teenagers aged between 14 and 18.

The Company also assisted in the organization of a cleanup effort for the Quarqush protected landscape, a regional-level area of preferential protection in the Perm Territory.

## Nizhny Novgorod Region Ecological Initiatives

In the Nizhny Novgorod Region, personnel of the Company’s subsidiary attended the All-Russia Event “Clean Shores for Our Rivers and Lakes”, cleaning the banks of the Volga of litter, they have also regularly taken part in landscape gardening, including the neighborhoods of the Nizhny Novgorod Kremlin and Pechersky Ascension Monastery.

## Astrakhan Region Ecological Initiatives

In the Astrakhan Region, LUKOIL is a partner of the “Caspian Roach” fishing festival, intended to cultivate environmental friendliness; “Clean Shores” and “Blue Patrol” events, research-to-practice conference “Preservation of the Caspian Ecosystem in the Context of Oil and Gas Field Development”.

Annually since 2007, LUKOIL has held an environmentally themed children’s drawing contest titled “Clear Vision” in the Astrakhan Region.

## International Projects

The LUKOIL Group entities outside of Russia also regularly join numerous environmental events in their countries. E.g. in Romania's Prahova County, there is an environmental project underway titled "Think Green, Think Clean", which is intended to make the school children in Ploiesti more environmentally minded.

The entities' personnel also partake in tree-planting campaigns and waste-collection exercises in nature reserves. In Macedonia, local LUKOIL Group entity's employees at gas stations, petroleum depots and headquarters regularly participate in the "Day of Trees", an event held twice a year.

The Company's Romanian refinery Petrotel-LUKOIL regularly sponsors the national initiative of the Prahova County cleaning event stirring up the community for positive feedback and ranking third for attendance. A thousand volunteers participate in the event.

## Social and Cultural Projects Competition

By holding its annual Social and Cultural Projects Competition in 22 Russia's regions, the Company supports environmental initiatives launched by local organizations. For every region where it is held the Competition maintains a permanent "Environment" category.

LUKOIL's grant money is used to regularly clean the coastline in the village of Krasny Yar in the Astrakhan Region.

In the Nizhny Novgorod Region, the Competition provided financial backing to such environmental projects as:

- ▶ "Territory of Tomorrow – Your Steps Today": engagement of volunteers to clean the lands of the Nizhny Novgorod Region of litter and the making of environmentally themed TV programs based on such activities;
- ▶ "Isle of Joy": beautification of walking areas on the premises of the residential care home SFI "Knyaginina Residential Care Home for the Elderly and Disabled";
- ▶ "AntiSwine": the annual attendance for this cleanup of outdoor pastime-favored areas of Nizhny Novgorod exceeds 500, the event itself actively promoted in the social media;
- ▶ "To Springs with Hope": the primary goals of the project were beautification of the natural springs and tourist trail in the Sokolsky District of the Vologda Region;
- ▶ "Transformations of the Old Shoe and its Friends": according to the initiators, the goal behind the project is to introduce the residents of the Vologda Region to the ideas and technologies that enable transformation of outdated items that have lost their useful properties. The project included a series of master classes where participants used items and materials that have seen service, such as textiles, leather, paper, industrial waste.



## Cooperation with the Russian Geographical Society

For years, PJSC LUKOIL represented by the Company's President V. Alekperov has been a member of the Supervisory Board of the Russian Geographical Society. Over the time of this cooperation, RGS used donations, including those made by the Company, to implement multiple projects including:

- ▶ research of the coast and littoral zone of the Northern Kola Bay and mapping of oil spill vulnerability zones for the entire bay;
- ▶ development of the Geo-Russia website;
- ▶ research of the coast and littoral zone of the Northern Kola Bay and mapping of oil spill vulnerability zones for the entire bay;
- ▶ rivers and mountains of the Urals region: history of image and geographic mapping of the region;
- ▶ grant "For Preservation of the Amur Tiger in Central Sikhote-Aline".

In 2019, the Company participated in the annual international educational event "Geographical dictation" at the initiative of the President of the Russian Federation, the Chairman of the Board of Trustees of the Russian Geographical Society, V. V. Putin

## Support of Nature Reserves

LUKOIL-West Siberia supports nature reserves and wildlife sanctuaries in Yugra. These include Malaya Sosvya and Yugansky nature reserves, Untorsky and Sorumsky wildlife sanctuaries and the natural park of Kondinskiye Lakes. From the very start of cooperation (i.e. in 2014 through 2015), for preservation of Kondinskiye Lakes alone, the Company spent over 11 mln RUB.

## "GREEN RUSSIA"

In different parts of Russia, over one thousand personnel of the LUKOIL Group entities go out to take part in the All-Russia Environmental Cleanup Day known as "Green Russia". According to the Russian Geographical Society, this is the "Best Social and Awareness Raising Project for the Preservation of Natural, Historic and Cultural Heritage".