

**Annual Report of PJSC “LUKOIL”
for 2021**

Annual Report of PJSC “LUKOIL” for 2021

Contents

1. Board of Directors report on the results of the priority business directions development	3
1.1. Financial performance	3
1.2. Exploration and production	4
Macro environment	4
Exploration and Production segment financial highlights	4
Reserves	5
Licenses	6
Exploration	7
Development and Production	7
1.3. Refining, Marketing and Distribution	10
Macro environment	10
Refining, Marketing and Distribution Financial Highlights	10
Oil refining	10
Lubricant Production and Marketing	12
Gas Processing	13
Petrochemicals	14
Power Generation	14
Wholesale and trading	16
Priority sales channels	18
2. Sustainable development	21
Sustainability management system	21
Health and safety	22
Climate change	26
Climate change management	26
Climate risks	27
Environmental protection	33
Personnel	36
Business Ethics	40
Contribution to society	43
3. Corporate governance	47
Corporate governance structure of PJSC LUKOIL as at December 31, 2021	47
Development of the corporate governance system	48
General Shareholders Meeting	49
Board of Directors	51
President and Management Committee	63
Remuneration System for Members of the Company’s Governance Bodies	64
Performance Assessment System	68
Risk management and internal control system	69
Internal audit	74
External audit	76
Subsidiary management system	78
Reference Information	81
Appendix 1. Corporate Governance Code Compliance Report (as of December 31, 2021)	85
Appendix 2. Corporate Major and Interested Party Transactions	117

1. Board of Directors report on the results of the priority business directions development

1.1. Financial performance

In 2021, LUKOIL Group posted record high financial results on the back of a more favorable market environment and production recovery after the decline recorded in 2020 due to the COVID-19 pandemic.

IFRS consolidated financial results, RUB billion

	2019	2020	2021	Change 2021/2020, %
Revenue	7,841	5,639	9,435	67.3
EBITDA	1,236	687	1,404	104.4
Profit attributable to PJSC LUKOIL shareholders	640	15	773	4,996.8
Capital expenditures	450	495	433	-12.6
Free cash flow	702	281	694	146.7
Total debt	553	660	758	14.9
Net debt	37	316	80	-74.5

Sales revenue in 2021 was RUB 9,435 billion, up 67.3 percent year-on-year, driven primarily by higher hydrocarbon prices, ruble depreciation, higher hydrocarbon production as well as higher refining volumes and trading volumes of oil and petroleum products.

EBITDA for 2021 went up by 104.4 percent year-on-year to the record high of RUB 1,404 billion. The increase was mainly due to higher hydrocarbon prices, ruble depreciation, positive inventory effect at refineries, higher refining volumes and margins, positive time lag effect of export duty and mineral extraction tax (MET), and higher production of oil in Russia and gas abroad. That said, EBITDA growth was constrained by the cancellation of tax incentives for high-viscosity oil and weaker performance of the Russian retail segment.

EBITDA structure in 2021, RUB billion

EBITDA	1,404
Exploration and Production in Russia	822
Exploration and Production outside Russia	164
Refining, Marketing and Distribution in Russia	371
Refining, Marketing and Distribution outside Russia	117
Corporate and other	-70

Profit attributable to PJSC LUKOIL shareholders was RUB 773 billion in 2021 as compared to RUB 15 billion in 2020. In addition to a higher EBITDA, the profit was driven by non-cash losses from asset impairment and foreign exchange differences in 2020.

Capital expenditures for 2021 were RUB 433 billion, down 12.6 percent year-on-year. The decrease came mainly as a result of external production restrictions imposed by the OPEC+ agreement.

Free cash flow in 2021 was RUB 694 billion, up 146.7 percent year-on-year. The increase was driven by improvements in operating margins and lower capital expenditures, while build-up of working capital restrained the increase.

Total debt as at the end of 2021 was RUB 758 billion, going up by 14.9 percent year-on-year, mostly as a result of Eurobond issue in the amount of USD 2.3 billion. Net debt as at the end of 2021 stood at RUB 80 billion, with net debt / EBITDA coming in at 0.1.

1.2. Exploration and production

Macro environment

In 2021, the oil market environment was rapidly recovering. The strong recovery in oil demand driven by lifted mobility restrictions, pick up in business activity along with concerted efforts of OPEC+ countries to cut production led to a stable decline in oil and petroleum products inventories from the record high levels of 2020. This contributed to rising oil prices, which exceeded a five-year maximum in the second half of 2021. Additional support for oil prices came from a considerable hike in gas and coal prices, which resulted in additional demand for petroleum products. Because of this, oil prices remained high as at the end of 2021 despite the risks of tighter mobility restrictions following concerns about new COVID-19 strains.

The average price of Urals crude in 2021 was up by 67 percent year-on-year to USD 69.1 per barrel, surpassing the average pre-pandemic 2019 level. However, the net price of Urals (net of MET and export duty) was up by only 35.6 percent due to the progressive scale used to calculate MET and export duty.

The ruble depreciated against the US dollar by 2.1 percent on average to RUB/USD 73.7, having a positive impact on the ruble-denominated Urals price, which was up by 70.4 percent year-on-year. The ruble-denominated Urals net price was up by 38.4 percent.

Russian oil exporter's revenue breakdown

	2019	2020	2021	Change 2021/2020, %
	USD per barrel			
Urals crude price	63.9	41.4	69.1	66.9
Mineral extraction tax	27.6	16.6	35.8	112.8
Export duty	12.9	6.3	8.1	29.0
Net oil price	23.4	18.6	25.2	35.6
	RUB per barrel			
Urals crude price	4,136	2,986	5,089	70.4
Mineral extraction tax	1,786	1,195	2,640	120.9
Export duty	832	453	597	31.8
Net oil price	1,518	1,338	1,852	38.4

Exploration and Production segment financial highlights

Exploration and Production segment EBITDA for 2021 was RUB 986 billion, up 97.2 percent year-on-year. The increase was mainly driven by higher hydrocarbon prices, positive time lag effect of the export duty and MET, higher production volumes of oil in Russia and gas abroad, and ruble depreciation. This growth was however constrained by negative effects from the cancellation of tax incentives for high-viscosity oil.

The hydrocarbon lifting costs, excluding the West Qurna-2 project, were down by 3.2 percent year-on-year and stood at USD 3.3 per barrel of oil equivalent (boe).

Exploration and Production segment capital expenditures decreased by 19.9 percent year-on-year to RUB 320 billion primarily as a result of external production restrictions imposed by the OPEC+ agreement.

Exploration and Production segment performance, RUB billion

	2019	2020	2021	Change 2021/2020, %
EBITDA	894	500	986	97.2
Profit	474	125	572	357.1
Capital expenditures	365	400	320	-19.9

Reserves

LUKOIL Group has proved hydrocarbon reserves in eight countries. The majority of the proved reserves are conventional, providing the Company with a significant competitive advantage that ensures low unit development and production costs. Moreover, LUKOIL is one of the leading international and Russian companies in terms of proved liquid hydrocarbon reserves life and volume.

As at the end of 2021, the Group’s SEC proved hydrocarbon reserves amounted to 15.3 billion boe, including 76 percent of liquid hydrocarbons and 24 percent of gas. The proved reserves replacement ratio for hydrocarbons totaled 85 percent in 2021. The Company’s proved hydrocarbon reserves life is 19 years. The Company has 61 percent of its proved hydrocarbon reserves classified as developed, i.e. the reserves that can be extracted from existing wells using currently available technologies and equipment.

Concentrated mainly in West Siberia, 90 percent of the Group’s proved hydrocarbon reserves are located in Russia. The proved hydrocarbon reserves replacement ratio for the Company’s Russian projects totaled 109 percent in 2021, including 109 percent for liquid hydrocarbons and 108 percent for gas.

Outside Russia, 46 percent of LUKOIL’s proved reserves are located in Uzbekistan, where the Group is developing major gas projects. The decrease in reserves of international projects in 2021 is attributable to the revision of reserves for projects implemented under production sharing agreements or service contracts due to the growth in the average annual oil price.

In 2021, LUKOIL added 501 million boe to its proved reserves through geological exploration and production drilling, which is 8 percent more than 2020 additions. The largest contribution was from the assets in West Siberia, Urals, Timan-Pechora, and the Baltic and Caspian seas. The conversion of contingent resources to reserves added 40 million boe to proved reserves.

Hydrocarbon reserves as at December 31¹, million boe

	2019	2020	2021	Change 2021/2020, %
Total proved reserves	15,769	15,385	15,268	-0.8
Liquid hydrocarbons	12,015	11,692	11,572	-1.0
Gas	3,754	3,693	3,696	0.1
Developed	9,531	9,260	9,373	1.2
Undeveloped	6,238	6,125	5,895	-3.8
Russia	14,195	13,722	13,784	0.5
International projects	1,574	1,663	1,484	-10.8
Probable reserves	6,217	5,581	6,057	8.5
Possible reserves	3,000	2,802	2,851	1.7

Licenses

Pursuant to the Russian legislation, hydrocarbon exploration and production operations require a subsoil license. LUKOIL continuously works to build its resource potential and drive its oil and gas assets portfolio performance by participating in auctions, acquiring equity in third-party companies, optimizing its license portfolio, amending existing license agreements, obtaining new licenses, and securing license renewals in reorganizations of its subsidiaries.

At the end of 2021, the Group held 566 licenses in Russia, with 90 percent of them granting hydrocarbon exploration and production rights. The average remaining lifespan of these licenses was around 30 years. The remaining 10 percent of the Company's licenses grant the right to prospect, explore, and appraise hydrocarbon deposits, with an average remaining lifespan of about 2.5 years.

In the reporting year, nine new licenses that cover mostly the Group's core producing regions, were added to its portfolio. New licenses in the regions with a well-developed infrastructure enable maximum synergies with existing assets, reduce exploration and development costs and speed up production launch. In 2021, the Company expanded its license portfolio through the acquisition of license areas in the Kaliningrad Region, Perm Territory, Volga region, Timan-Pechora, and the Russian sector of the Caspian Seabed.

In the reporting period, the Group's license portfolio evolved as follows: 17 licenses were renewed, 29 license amendments were registered to extend the underlying licenses, and 6 licenses were returned upon their expiry. In addition, 52 license amendments were secured to modify the time and volumes of activities underway as well as adjust license fees.

Number of LUKOIL Group's licenses in Russia as at December 31

	2019	2020	2021
Total	539	563	566
Exploration and production	367	372	379
Prospecting and appraisal	53	58	53
Geological survey, exploration and production	119	133	134

¹ An independent audit of reserves was performed by Miller & Lents based on the commercial life-of-field approach.

Exploration

LUKOIL Group carries out exploration in 12 countries, with a focus mostly on Russia.

Our exploration activities have consistently delivered good results. In 2021, LUKOIL completed 63 prospecting wells with a success rate of 89 percent. In Russia, we were able to achieve a 91 percent success rate, reaching an all-time high. By this metric, LUKOIL is a top performer among Russian oil and gas companies. Three new fields and 58 deposits were discovered. Our high efficiency is driven by advanced exploration techniques and selection of the most promising areas based on research results.

LUKOIL conducts 3D and 2D seismic surveys to prepare an inventory of prospects in its exploration areas and to better understand the geology of previously discovered deposits. In the reporting year, 3D seismic continued the trend towards increasing its share in the total volume of seismic surveys, reaching 3,456 square kilometers while 2D seismic covered 208 linear kilometers. Exploration drilling totaled 165 thousand meters, which is less than in 2020 due to the investment program optimization on the back of the COVID-19 pandemic. Exploration costs in 2021 stood at RUB 31 billion.

Exploration

	2019	2020	2021	Change 2021/2020, %
2D seismic surveys, linear km	1,247	598	208	-65.2
3D seismic surveys, square km	7,601	6,040	3,456	-42.8
Exploration drilling, km	218	179	165	-7.8
Exploration costs ² , RUB million	30,453	39,013	30,999	-20.5

Exploration drilling in 2021, %

Total	165 km
West Siberia	64
Urals	6
Volga	5
Timan-Pechora	4
International projects	21

Development and Production

LUKOIL Group produces oil and gas in seven countries. Our core operations are concentrated in four federal districts of the Russian Federation, specifically in the North-Western Federal District (the Nenets Autonomous Area, the Komi Republic and the Kaliningrad Region), the Volga Federal District (the Perm Territory and the Republic of Tatarstan), the Urals Federal District (the Yamal-Nenets Autonomous Area and the Khanty-Mansi Autonomous Area – Yugra) and in the Southern Federal District (the Volgograd Region, the Astrakhan Region and the Republic of Kalmykia).

Hydrocarbon production in 2021 totaled 2.2 million boe per day, with liquid hydrocarbons accounting for 76 percent of the total, and natural and associated petroleum gas accounting for 24 percent.

² Across subsidiaries, including non-cash items.

Excluding the West Qurna-2 project, production rose by 4.8 percent year-on-year driven by the dynamics of external oil production limitations arising from the OPEC+ agreement and higher gas production volumes.

Capital expenditures for oil and gas development and production, including non-cash items, were RUB 306 billion in 2021, down by 14.0 percent year-on-year.

Hydrocarbon production, thousand boe per day

	2019	2020	2021	Change 2021/2020, %
Total hydrocarbons	2,380	2,117	2,197	3.8
Liquid hydrocarbons	1,815	1,651	1,678	1.6
Natural gas	565	466	519	11.4
Total hydrocarbons, excluding the West Qurna-2 project	2,350	2,064	2,163	4.8

Crude oil

Excluding the West Qurna-2 project, our 2021 oil and gas condensate production totaled 79.3 million tonnes, up by 2.8 percent year-on-year. The volume and dynamics of the Company's oil production in Russia and at certain international projects were influenced by the parameters of OPEC+ agreement. LUKOIL swiftly responded to amendments in the agreement by flexibly adjusting its production.

In 2021, LUKOIL produced 75.9 million tonnes of crude oil and gas condensate in Russia, up by 3.4 percent year-on-year. This accounted for 14.5 percent of Russia's total production, as reported by the Central Dispatching Department of the Fuel and Energy Complex of Russia.

With restrained total volume of oil production, we continued to ramp up our production at priority projects as planned. In particular, we continued to increase production at fields with low-permeability reservoirs in West Siberia and added new oil production volumes at license areas subject to the tax on additional income (TAI) since 2019, including the Pyakyakhinskoye field.

In 2021, oil production was launched at 10 new fields in West Siberia, the Volga region and the Urals.

Our international oil and gas condensate production, excluding the West Qurna-2 project, was down by 8.8 percent year-on-year to 3.4 million tonnes primarily as a result of production sharing agreements amid higher oil prices in 2021 and our divestment of the Kumkol project in Kazakhstan in late 2020. Production was supported by a recovery of gas condensate output in Uzbekistan after a drop in 2020 due to a temporary decline in demand for Uzbekistan gas from China amid the COVID-19 pandemic, and development of the Shah Deniz project in Azerbaijan.

Production drilling in 2021, %

Total	3,387 km
West Siberia	77
Urals	11
Volga	2
Timan-Pechora	6
Other	1
International projects	3

Oil production structure in 2021, excluding the West Qurna-2 project, %

Total	79.3 million tonnes
West Siberia	43
Urals	19
Volga	13
Timan-Pechora	19
Other	2
International projects	4

In 2021, the Group completed 3,387 thousand meters of production drilling, down by 9.7 percent year-on-year due to external limitations on oil production. In Russia, our drilling was down by 6.1 percent to 3,287 thousand meters. We commissioned 1,030 new oil production wells, including 958 in Russia (with 35 percent of them being horizontal, up 3 percentage points year-on-year). A total of 30 thousand oil production wells were in operation as at the end of the reporting year.

Gas

Gas production structure in 2021, %

Total	32 billion cubic meters
West Siberia	34
Urals	5
Volga	5
Timan-Pechora	6
International projects	50

In 2021, gas production came in at 32.2 billion cubic meters, up by 10.9 percent year-on-year.

Overall 2021 gas production in Russia totaled 16.1 billion cubic meters, down by 8.4 percent year-on-year mostly as a result of a natural production decline at the Nakhodkinskoye field.

Gas production from our international projects rose by 40.6 percent to 16.1 billion cubic meters driven primarily by the recovery of output from Uzbekistan projects after the temporary pandemic-induced decline in Chinese demand for Uzbekistan gas in 2020. Additional growth drivers were the development of the Shah Deniz project in Azerbaijan and joining the Merged Meleiha oil and gas concession in Egypt.

1.3. Refining, Marketing and Distribution

Macro environment

In 2021, the market environment in oil refining was recovering rapidly after a sharp COVID-19-related deterioration a year earlier. As the mobility restrictions were phased out, demand for motor and jet fuels grew to drive up refining margins thanks to wider crack spreads for light products. These margins were also supported by increased discount of Urals to Brent back to historical level of USD 2 per barrel. As a result, the margin of a benchmark refinery in Europe doubled vs. 2020 having returned to the pre-crisis level by the end of 2021.

The benchmark refining margin of an average refinery in the European part of Russia increased fivefold year-on-year to roughly USD 5 per barrel, which means twofold growth vs. 2019. Apart from the European margin expansion, the similar changes in Russia were driven by increased differential between export duties for crude oil and petroleum products due to higher oil prices.

Refining, Marketing and Distribution Financial Highlights

EBITDA in the Refining, Marketing and Distribution segment more than doubled in 2021 to RUB 487 billion, driven primarily by rising refining volumes and margins, positive inventory effect at refineries as well as ruble devaluation. Meanwhile EBITDA growth was constrained by a weaker performance in the Russian retail segment.

The segment's profit rose to RUB 284 billion compared to loss in 2020 caused by asset impairment losses.

The capital expenditures of the Refining, Marketing and Distribution segment amounted to RUB 110 billion, up 17.8 percent year-on-year. The increase is attributable to payments made in the first half of 2021 for major repairs that took place at our Italian refinery in late 2020.

Refining, Marketing and Distribution segment performance, RUB billion

	2019	2020	2021	Change 2021/2020, %
EBITDA	372	243	487	100.3
Profit (loss)	191	-5	284	-
Capital expenditures	81	93	110	17.8

Oil refining

LUKOIL Group owns four refineries in Russia (in Perm, Volgograd, Nizhny Novgorod and Ukhta), three refineries in Europe (Italy, Romania and Bulgaria) and has a 45 percent interest in a refinery in the Netherlands. The aggregate capacity of these refineries is 80.2 million tonnes per year.

The throughput at the Group's own refineries was up by 7.4 percent year-on-year and amounted to 63.0 million tonnes. The growth in Russia and abroad was driven by scheduled maintenance in 2020 and higher utilization of refineries thanks to higher margins in 2021.

Throughput in 2021 amounted to 78 percent of LUKOIL's total oil production. Refineries in Russia accounted for 68 percent of total throughput volumes.

Our refineries remained focused on operational excellence amid the COVID-19 pandemic. The key activities in 2021 were aimed at increasing capacity and conversion of secondary processes, increasing feedstock and intermediate product supplies between the refineries, higher energy efficiency, as well as decreasing scheduled outages and optimization of operating expenses.

Refineries in Russia

The throughput at LUKOIL's refineries in Russia was up by 6.3 percent year-on-year and amounted to 42.6 million tonnes. Light product yield at Russian refineries was 70.4 percent in 2021 (69.8 percent in 2020), while the refining depth stood at 89.4 percent (91.4 percent in 2020), both figures excluding mini-refineries.

The capital expenditures of the Group's refineries in Russia totaled RUB 49 billion in 2021, down by 5.9 percent year-on-year due to the work and payment schedule for projects to build new units. Despite the pandemic, the Group completed the following projects in 2021 on time:

- A high-viscosity index oils production complex was launched at the Volgograd Refinery. This complex includes a de-asphalting unit with a feedstock capacity of 1.0 million tonnes per year and a fractionation unit for unconverted oil with a feedstock capacity of 0.5 million tonnes per year. The complex helps to expand the production of high-viscosity index oils and reduce unit production costs, as well as the output of fuel oil.
- We also launched an isomerization unit at the Nizhny Novgorod Refinery. With a feedstock capacity of 0.8 million tonnes per year, this unit enables us to grow the output of the high-octane component and thus achieve an increase of 400 thousand tonnes in annual gasoline production.
- Under a project to upgrade bitumen facilities at the Nizhny Novgorod Refinery, a polymer-bitumen binder production unit was launched. It has a capacity of over 150 thousand tonnes of products per manufacturing season, which enables the Group to expand its product slate with advanced modified bituminous materials and make innovative polymer-bitumen binders.

In 2021, another major project at the Nizhny Novgorod Refinery – the construction of a residue refining facility with a feedstock capacity of 2.1 million tonnes per year – was nearly completed. The facility will use heavy residues from the refining process as feedstock and produce mainly diesel fuel, straight-run gasoline and gas fractions, as well as heavy products such as vacuum gas oil and coke. Once the facility is launched and all related optimization measures are in place, the light product yield at the Nizhny Novgorod Refinery is expected to grow by more than 10 percentage points. Annual fuel oil output will likely decrease by 2.6 million tonnes. The project was 99 percent complete at the end of 2021.

Refineries in Europe

In 2021, throughput at LUKOIL's refineries in Europe expanded by 10.0 percent year-on-year to 20.3 million tonnes.

A number of projects were implemented at our European refineries to improve efficiency and optimize the feedstock mix and utilization in line with the market environment.

Change in the feedstock pool and utilization rates enabled us to improve the refining depth from 95.5 percent in 2020 to 98.0 percent in 2021.

Capital expenditures of the Group's refineries in Europe totaled RUB 26 billion in 2021, up by 59.5 percent year-on-year. The change is attributable to payments for major repairs that took place at our Italian refinery in late 2020.

Refinery throughput and output of petroleum products at LUKOIL Group refineries

	2019	2020	2021	Change 2021/2020, %
Refinery throughput, thousand tonnes	68,746	58,608	62,959	7.4
Petroleum products output, thousand tonnes	65,081	54,964	60,015	9.2
Light product yield, %	73	72	73	+1 p.p.
Fuel oil yield, %	10	7	7	-
Refining depth, %	89	93	92	-1 p.p.
Nelson Index	8.6	8.6	8.7	+1.2

Lubricant Production and Marketing

LUKOIL Group produces lubricants at eight of its own sites, two joint ventures and 25 third-party plants. In 2021, about 30 percent of total lubricants in Russia were produced at facilities operated by LUKOIL Group.

LUKOIL's production of base lubricants and components in 2021 decreased by 7 percent year-on-year to 856 thousand tonnes. Production of finished lubricants decreased by 7 percent to 646 thousand tonnes. Sales of premium lubricants for motor engines and industrial uses grew by 1 percent thanks to efforts aimed at expanding the share of premium products in the sales mix.

One of the Group's key priorities is to develop its product range in line with modern requirements. In 2021, we developed 126 formulations, including 19 for new products. We continued innovating formulations of some commercial and industrial oils, replacing Group 1 base lubricants with Group 2 hi-tech products. We had over 800 products within the lubricant category at the end of 2021.

LUKOIL greases comply with modern global industry requirements and the German Association of the Automotive Industry (VDA) standard. Original equipment manufacturers issued over 1,300 official approvals for the Company's products.

Working with automotive manufacturers is a key aspect that enables the Company to develop advanced high-performance products in line with future requirements of the world's leading companies in this industry and supply them to plants and dealerships. It helps bolster our R&D capabilities, innovate and create sophisticated greases and brings us closer to a stable sales market.

Production of base lubricants, components and finished lubricants, thousand tonnes

	2019	2020	2021	Change 2021/2020, %
Base lubricants and components production	963	923	856	-7
Finished lubricants production	697	695	646	-7

Base lubricants and components production in 2021, %

Total	856 thousand tonnes
For blending of finished lubricants	61%
For sale	39%

Finished lubricants production in 2021, %

Total	646 thousand tonnes
Russia, Perm	20%
Russia, Volgograd	12%
Russia, Tyumen	6%
Finland	4%
Austria	5%
Turkey	5%
Romania	2%
Kazakhstan	5%
Third-party facilities	41%

Gas Processing

LUKOIL Group processes gas and natural gas liquids at two gas processing plants (GPPs) in West Siberia and Timan-Pechora regions, as well as at its Perm and Volgograd refineries and Stavrolen petrochemical complex in the Stavropol Region. The Group's GPPs process the associated petroleum gas (APG) produced by LUKOIL into liquid hydrocarbons and marketable gas, and treat natural gas coming from the Group's fields.

In 2021, our gas processing and treatment volume amounted to 3.7 billion cubic meters. The negative year-on-year dynamics is associated with lower APG production.

Our 2021 output of liquefied petroleum gases and liquid hydrocarbons at the Group's GPPs was 1.4 million tonnes, and the marketable gas production – 2.0 billion cubic meters.

Gas processing and treatment in Russia, million cubic meters

	2019	2020	2021	Change 2021/2020, %
Total	4,239	3,977	3,685	-7.3
Lokosovsky GPP	1,473	1,146	1,059	-7.6
Perm Refinery's gas processing complex	1,203	1,284	1,242	-3.3
Korobkovsky GPP	357	344	249	-27.6
Usinsky GPP	153	159	174	+9.7
Stavrolen gas processing complex	1,053	1,044	961	-8.0

Petrochemicals

LUKOIL Group produces petrochemicals at two plants in Russia and at its refineries in Italy and Bulgaria. The output includes a wide range of polymers, organic synthesis products and other petrochemicals. LUKOIL meets a significant portion of domestic demand for various petrochemicals and is also a large petrochemicals exporter to more than 30 countries.

In 2021, our petrochemicals output was 1.1 million tonnes, down by 7.7 percent year-on-year, primarily due to lower utilization at Stavrolen on the back of scheduled major repairs.

Petrochemicals output, %

	2019	2020	2021	Change 2021/2020
Marketable products output, thousand tonnes	1,137	1,228	1,134	-7.7%
Polymers and monomers	39.3	40.8	40.4	-0.4 p.p.
Organic synthesis products	40.1	36.2	38.6	+2.4 p.p.
Pyrolysis products	20.3	22.7	20.9	-1.8 p.p.
Other	0.3	0.3	0.2	-0.1 p.p.

Petrochemicals output in 2021, %

Total	1.1 million tonnes
Stavrolen	58%
Saratovorgsintez	15%
Burgas Refinery	5%
ISAB Refinery	22%

Power Generation

LUKOIL's power generating facilities are located in Russia, Romania, Bulgaria, Italy and Austria. Our aggregate power generation capacity, excluding the West Qurna-2 project, is 6.1 GW, with commercial power generation accounting for 70 percent of the total, and supporting power generation for the remaining 30 percent.

Electric power generation in 2021, %

Total, million kWh	22,972
Commercial power generation	69%
Supporting power generation	31%

Commercial power generation

In the South of European Russia LUKOIL's main commercial heat and power generating facilities account for around 90 percent of electricity generation in the Astrakhan Region and around 60 percent in the Krasnodar Region. Our commercial electricity generation in 2021 totaled 15.8 billion kWh, while heat supplies totaled 10.2 million Gcal.

In 2021, LUKOIL continued the upgrade of three units at Krasnodar CHPP. The project is part of the CSA-2 program (the upgrade investments are recovered through a preferential electric capacity tariff), and it calls for full replacement of steam turbines and boiler equipment, which will improve the plant's

operating performance and extend its service life. As part of the 2021 progress, we procured some of the core process equipment and commenced construction and installation.

In 2021, LUKOIL launched a comprehensive long-term program to upgrade heat networks, replacing over 20 kilometers of the networks. We also completed pilot in-line (ultrasonic) diagnostics of heat networks, which will help considerably cut their replacement costs.

Commercial electricity output and commercial heat supplies

	2019	2020	2021	Change 2021/2020, %
Electricity, million kWh	18,307	17,138	15,801	-7.8
Including renewable power generation, million kWh	1,100	822	1,008	+22.6
Heat, million Gcal	10.1	10.0	10.2	+2.2

Commercial electricity output in 2021, %

Total, million kWh	15,801
Russia	95%
Outside Russia	5%

Commercial heat supplies in 2021, %

Total, thousand Gcal	10,241
Russia	100%
Outside Russia	0%

Renewable power generation

Renewable power generating facilities also contribute to commercial power generation. The Group's core assets comprise four hydroelectric power plants (HPPs) located in Russia with a combined capacity of 291 MW and a combined output of 790 million kWh in 2021. In 2021, LUKOIL's renewable energy output rose by 32 percent year-on-year following the reconstruction of Krasnopolyanskaya HPP in the Krasnodar Territory in 2020. The reconstruction made it possible to increase the volume of water flowing to the daily runoff pond from the mountain river of Beshenka and thus augment power generation at the HPP.

We also operate solar power plants in Russia with total capacity of 30 MW while also in Romania, Bulgaria and Austria with aggregate capacity of 11 MW. The power plants are built on unutilized industrial sites and filling stations. In 2021, their total electricity output was 27 million kWh.

The reporting year saw us complete the construction of the second 20 MW solar power plant at the Volgograd Refinery and begin supplying its green power to Stavrolen, which will help reduce the plant's indirect GHG emissions by almost 5,000 tonnes of CO₂ equivalent annually.

We continued the construction of a 2.35 MW solar power plant at Krasnodar CHPP. It is set to be included in the program of government support of renewable energy sources on the retail electricity market. In 2021, we installed supporting structures and photovoltaic modules

LUKOIL also owns the 84 MW Land Power wind power plant in Romania. The annual output of the plant totaled 204 million kWh in 2021.

Supporting power generation

Development of in-house electricity generation at fields and plants helps the Group reduce its electricity costs and achieve higher efficient APG use, for example as a fuel for gas power plants.

In 2021, supporting power generation by the Group totaled 7,171 million kWh, while its share in LUKOIL's total electricity consumption for production purposes was 36 percent.

Power consumption by the Group's production entities in 2021, %

Purchased	64%
In-house generation	36%

Wholesale and trading

LUKOIL sells crude oil, gas and petroleum products in the domestic and international markets, distributing optimized flows to suit the market environment. We own pipelines and crude oil and petroleum product transshipment facilities, thus minimizing our transportation costs. A well-developed trading arm within the Group maximizes efficient sales of our crude oil and petroleum products while generating additional income from sales of purchased hydrocarbons.

The combined sales of crude oil, petroleum products, gas products, and petrochemicals totaled 208.3 million tonnes in 2021, up by 7.2 percent year-on-year due to higher volumes of hydrocarbon production, petroleum product output and trading. Gas sales rose by 14.3 percent to 27.5 billion cubic meters on the back of production recovery in Uzbekistan.

Crude oil

In 2021, crude oil sales increased by 9.5 percent to 95.8 million tonnes primarily due to higher oil trading volumes. Markets outside of the Customs Union accounted for approximately 95.1 percent of LUKOIL's total crude oil sales volumes, while 2.8 percent was sold in Russia and 2.1 percent in countries belonging to the Customs Union.

Domestic sales of crude oil increased nearly twofold year-on-year to 2.7 million tonnes driven mainly by higher production volumes. In 2021, LUKOIL's crude oil exports were down by 3.5 percent to 31.0 million tonnes primarily due to growing supplies to its own refineries as a result of increased utilization rates. International crude oil sales rose to 93.1 million tonnes or by 8.1 percent due to higher trading volumes.

Crude oil supplies to the Group's refineries in Russia amounted to 42.6 million tonnes in 2021, up by 6.3 percent year-on-year. Crude oil supplies to the Group's refineries in Europe totaled 18.3 million tonnes in 2021, up by 8.5 percent year-on-year. Supplies of oil for processing at foreign third-party refineries came to a nearly complete halt. An increase in oil supplies to refineries was driven by the growth of utilization rates on the back of stronger demand for petroleum products and improvements in the market environment.

Oil supplies and sales, million tonnes

	2019	2020	2021	Change 2021/2020, %
Oil sales	89.6	87.4	95.8	9.5
in Russia	0.9	1.4	2.7	91.9
outside Russia	88.7	86.0	93.1	8.1
Supplies to LUKOIL's Russian refineries	44.2	40.1	42.6	6.3
Exports from Russia	37.1	32.1	31.0	-3.5
Supplies to LUKOIL's European refineries	22.7	16.9	18.3	8.5

Petroleum products

Sales of petroleum and gas products amounted to 110.7 million tonnes in 2021, up by 5.6 percent year-on-year. This increase came as a result of petroleum products demand recovery and higher utilization rates at refineries.

Sales of petroleum products in Russia accounted for approximately 21 percent of the total sales, coming in at 23.6 million tonnes. Sales in Russia were up 12.0 percent year-on-year primarily due to the revived demand for petroleum products. LUKOIL's retail sales in Russia amounted to 9.9 million tonnes, up by 9.3 percent year-on-year.

As the surplus of petroleum products produced by Russian refineries in 2021 was fully sold in the domestic market, exports of petroleum products from Russia remained flat at 17.6 million tonnes.

A total of 79 percent of LUKOIL's petroleum products were sold in the international market. Wholesales outside Russia increased by 3.7 percent to 83.1 million tonnes mostly due to higher refining volumes at own refineries. Retail sales outside Russia went up by 9.5 percent to 4.0 million tonnes.

Sales of petroleum and gas products, million tonnes

	2019	2020	2021	Change 2021/2020, %
Total	121.0	104.8	110.7	5.6
Russia	24.4	21.0	23.6	12.0
Outside Russia	96.6	83.8	87.1	4.0

Exports of petroleum and gas products, million tonnes

	2019	2020	2021	Change 2021/2020, %
Total	18.7	17.9	17.6	-1.9
Diesel fuel	10.2	9.7	9.2	-5.0
Gasoline	0.5	0.7	0.2	-74.6
Jet fuel	0.01	0.02	0.02	-15.8
Lubricants	0.6	0.6	0.6	-7.4
Gas products	0.8	0.7	0.6	-11.8
Fuel oil	2.0	1.9	3.3	70.4
Other	4.6	4.3	3.7	-13.8

Petrochemicals

In 2021, LUKOIL Group's petrochemicals sales totaled 1.9 million tonnes, down by 6.0 percent year-on-year due to lower production volumes. In 2021, we expanded our distribution markets and enhanced petrochemicals sales arrangements in Russia and abroad under long-term and spot contracts. We also

built an effective and highly diversified polymer distribution system, with approximately 200 contracts signed with end buyers and distributors to ensure supplies to small and medium-sized consumers.

Gas

In 2021, LUKOIL Group sold 27.5 billion cubic meters of gas (natural gas, APG and dry stripped gas), up by 14.3 percent year-on-year. Russia accounted for 40 percent of the Group's total gas sales volumes, at 11.1 billion cubic meters, of which 9.3 billion cubic meters were sold to Gazprom Group. International gas sales volumes totaled 16.4 billion cubic meters, up 45.3 percent year-on-year, due to gas production recovery in Uzbekistan after a temporary pandemic-induced reduction in demand from China in 2020. As a result, the share of international sales in the total gas sales volumes was up by 13 percentage points year-on-year to 60 percent.

Gas sales, million cubic meters

	2019	2020	2021	Change 2021/2020, %
Total	28,727	24,065	27,507	14.3
Russia	12,942	12,777	11,109	-13.1
To Gazprom Group	11,149	10,989	9,281	-15.5
To other consumers	1,793	1,788	1,828	2.2
Outside Russia	15,785	11,288	16,398	45.3

Priority sales channels

Retail sales

LUKOIL sells the bulk of its petroleum products in the retail market via its well-diversified retail network of 4,965 filling stations located in 19 countries.

Our main focus in retail during the year was on enhancing customer service, developing non-fuel sales, improving efficiency and maximizing free cash flow. We continued to upgrade the Group's existing filling stations and optimize their format while also building new stations on key federal highways. We also developed new corporate interior and exterior design for the filling stations.

In 2021, our retail sales of petroleum products totaled 13.9 million tonnes, up by 9.3 percent year-on-year. The growth was due to higher customer traffic at filling stations as a result of the gradual lifting of mobility restrictions and recovery of business activity earlier damaged by the COVID-19 pandemic.

Retail sales volumes of petroleum products in Russia were 9.9 million tonnes, up by 9.3 percent year-on-year. International retail sales were 4.0 million tonnes, up by 9.5 percent year-on-year.

Retail sales of petroleum products

	2019	2020	2021	Change 2021/2020, %
Number of filling stations³ as at December 31	5,044	5,005	4,965	-0.8
Russia	2,469	2,474	2,447	-1.1
Outside Russia	2,575	2,531	2,518	-0.5
Total retail sales volumes, thousand tonnes	14,129	12,699	13,886	+9.3
Russia	9,935	9,032	9,870	+9.3
Outside Russia	4,194	3,667	4,016	+9.5
Average daily sales volumes at LUKOIL's filling stations, tonnes per day	10.0	9.0	9.9	+9.7
Russia	12.7	11.5	12.6	+9.3
Outside Russia	6.8	5.9	6.5	+10.2

Breakdown of retail sales volumes of LUKOIL petroleum products in 2021, %

Total	13.9 million tonnes
Russia	71%
Europe	23%
Nearby countries	5%
USA	1%

Branded fuel

LUKOIL actively promotes sales of its fuels under the ECTO brand, which provides improved efficiency and environmental performance. In 2021, sales volumes of ECTO fuels in Russia were up by 13.5 percent year-on-year to 8.1 million tonnes and their share in total domestic retail sales increased to 82 percent from 79 percent in 2020. Sales of improved, higher performance ECTO 100 gasoline in Russia and outside Russia were up by 33 percent to 209 thousand tonnes.

Non-fuel goods and services

In 2021, we continued our efforts to develop sales of non-fuel goods and services at our filling stations. Gross profit from non-fuel sales reached RUB 11.3 billion in Russia, up by 27 percent year-on-year, and RUB 8.8 billion outside Russia, up by 23 percent year-on-year. We continue to increase our profit from sales of non-fuel goods and services by implementing the loyalty program and product range improvements and running a variety of marketing campaigns. On top of that, we develop additional services, roll out best retail practices and enhance customer service while also improving conversion and upgrading filling stations.

Marine bunkering

LUKOIL is one of the largest suppliers of bunker fuels, with bunkering operations in 25 ports across six Russian regions. LUKOIL also carries out its overseas operations in Bulgarian and Romanian ports. We operate mainly in ports on the Baltic Sea, the Barents Sea and the Black Sea, and on inland waterways.

³ Including owned, leased, franchised, and suspended stations.

In 2021, the Group sold 2.1 million tonnes of bunker fuel. The year-on-year decrease was driven by pandemic-induced weaker demand, in particular in passenger navigation.

Bunker fuel sales volumes, million tonnes

	2019	2020	2021	Change 2021/2020, %
Total	4.3	2.7	2.1	-23
including retail sales in the “ship supplies” customs regime	1.5	1.6	0.9	-42

Aircraft fueling

LUKOIL sells both its own and purchased jet fuel, mostly through aircraft fueling, at airports in Russia and Bulgaria using its own sales network or through contracts with third-party refueling companies.

In 2021, jet fuel sales exceeded 3.1 million tonnes, up by 23 percent year-on-year, and sales in the form of aircraft fueling increased by 42 percent to 1.6 million tonnes. This growth was attributable to a partial recovery of air passenger traffic and the increase in consumption of jet fuel by civil aviation companies. High-margin retail sales of aircraft fueling accounted for over a half (52 percent) of total sales in 2021. LUKOIL’s long-standing consumers of jet fuel include major Russian and international airlines and civil aviation companies.

Our network for aircraft fueling covers 35 Russian airports, in 20 of which LUKOIL operates own jet fueling complexes or participates in joint ventures.

Aircraft fueling sales volumes (including share in equity affiliates), million tonnes

2019	2020	2021	Change 2021/2020, %
2.1	1.1	1.6	+42

Bitumens

The bitumen segment is an important area of business development for LUKOIL.

In 2021, our bitumen sales totaled 907 thousand tonnes, up by 1.5 percent year-on-year. We expanded the bitumen portfolio by 25 percent to 50 items, including advanced Superpave products used to construct heavy-duty asphalt pavements and tailored to different climate conditions and traffic loads.

The Company continued to develop the bitumen cluster at the Nizhny Novgorod Refinery, having launched a polymer-bitumen binder production unit with a capacity of over 150 thousand tonnes of products per manufacturing season. The launch of the unit helped us to expand the range of bitumen products by adding advanced polymer-bitumen binders that greatly enhance pavement durability.

Bitumen sales volumes, thousand tonnes

2019	2020	2021	Change 2021/2020, %
911	894	907	1.5

2. Sustainable development

Since its incorporation, LUKOIL has conducted its business in a responsible manner, seeking to strike a balance between environmental sustainability and social and economic development. LUKOIL, as a signatory of the United Nations Global Compact, manages sustainable development aspects on a base of aligning the Company's interests and plans with universal human values, global trends, and national and regional development priorities. This assures that economic, environmental and social goals and objectives are integrated into our corporate decision-making system.

As part of enhancing its sustainability management system, in the reporting year LUKOIL Group developed the Sustainability Policy, which was approved by the Board of Directors in early 2022.

The Policy is aligned with the UN Sustainable Development Goals, principles stipulated in international treaties and agreements, Russian and foreign laws, and expectations of stakeholders.

As a high-level document, the Policy applies to PJSC LUKOIL and its subsidiaries and defines LUKOIL Group's position on sustainable development while also setting forth sustainability principles, goals, and key objectives.

LUKOIL has the following sustainability goals:

- *Maintaining an efficient corporate governance system*
- *Financial resilience and development*
- *Continued economic sustainability and development*
- *Embracing ethical business practices*
- *Decarbonizing and adapting to climate change*
- *Prioritizing environmental safety*
- *High occupational health and safety standards*
- *Providing decent working conditions*
- *Contributing to the socio-economic development of the regions and countries of the LUKOIL Group operation*

Each goal has its key objectives.

Sustainability management system

The Strategic Development Program of LUKOIL Group for 2022–2031 considers sustainability to be one of the Company's strategic goals.

The achievement of sustainability objectives is controlled strategically (by the Board of Directors and the Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors) and operationally (by the Management Committee, the Health, Safety and Environmental Committee of PJSC LUKOIL, by heads of functional and business units at PJSC LUKOIL and by heads of LUKOIL Group entities). In the reporting year, the Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors held eight meetings and the Health, Safety and Environmental Committee of PJSC LUKOIL held two meetings.

During the reporting year, as part of enhancing the sustainability management system, LUKOIL Group in addition to developing its Sustainability Policy, also focused on improving its management system of climate change, sustainable supply chain and human rights aspects.

The Company has cross-functional working groups of key executives and specialists from various business units to address sustainability issues. For example, in 2020 LUKOIL established the Working

Group on Decarbonization and Climate Change Adaptation. During the reporting year, the Working Group held four meetings. In 2017, the Working Group on preparing the Sustainability Report was organized to enhance the system of collecting, preparing, and disclosing sustainability information. In 2019, its functions were expanded to include additional sustainability issues and it was renamed into the Working Group on Sustainability. During the reporting year, the Working Group held five meetings to consider matters of enhancing the corporate sustainability management and non-financial reporting systems.

Sustainability indicators are included in the Set of KPIs used for planning, performance management, and motivation of employees and key executives of PJSC LUKOIL, and heads of LUKOIL Group entities.

Sustainability disclosure

The Company is committed to maximum transparency, publishing annual disclosures of material information on sustainable development in its sustainability reports, special booklets, press releases, and statements. LUKOIL discloses the information in accordance with international best practice – sustainability reports are prepared under GRI standards taking into account the disclosure guidelines with regard to contribution to the achievement of the UN Sustainable Development Goals and other international standards. The information and reports are also audited by third parties.

The level and quality of disclosure bolster the Company's positions in sustainability ratings. In the reporting year, the Company's sustainability ratings were upgraded by a number of international sustainability agencies: CDP, S&P Global (previously RobecoSAM), and Transition Pathway Initiative (TPI). The improvement in the rankings was driven by the Company's enhanced climate management system, including management of climate risks and opportunities and newly defined GHG emissions targets.

Health and safety

Ensuring high level of Health, Safety and Environment (HSE) compliance is one of the key elements of LUKOIL's sustainable development policy.

HSE management system

LUKOIL's HSE Management System is certified to international standards ISO 14001 and ISO 45001, and is based on principles of preventive actions and personal accountability of both managers and employees.

The Health, Safety and Environment Policy Implemented by LUKOIL Group in the Twenty-First Century (hereinafter – the HSE Policy) defines our HSE Management System. In 2020, the HSE Policy was amended by adding the priority task to minimize the impact of the Company's and other Group entities' activity on climate by using the best available technologies, as well as the commitment to continuous reduction of climate impact and assessment of climate-related risks at the planning stage. The Company also confirmed its commitment to consulting its employees with regard to industrial, fire, environmental, and occupational safety, emergency prevention and response.

To improve the HSE Management System, the Company has in place the Health, Safety and Environmental Committee chaired by its First Executive Vice President. The Committee reviews relevant HSE matters: policy development, measures for material risks management, proposals for motivating the Group entities' employees to comply with HSE requirements (including through KPI), HSE compliance performance, and activities performance analysis, as well as responses to regulatory and other changes. The Committee also prepares proposals to the Company's governance bodies for approving key HSE documents, such as the Health, Safety and Environment Policy of LUKOIL Group

in the Twenty-First Century, targeted segment-specific functional programs and the Company's local regulations. The Committee had two meetings in 2021. To implement the HSE Policy, the Company develops three-year targeted HSE programs, approved by an executive order of PJSC LUKOIL. The outcomes from ensuring HSE compliance and targeted program performance are reviewed annually at a Management Committee meeting. PJSC LUKOIL's Board of Directors also annually reviews issues on the Company's HSE status and measures to improve occupational safety, and makes decisions on the priority areas for improving the HSE Management System, including the development of leadership tools and safety culture.

Industrial safety expenditures

LUKOIL's spending under the industrial safety program totaled RUB 32.6 billion in 2021, up by 5 percent year-on-year. Around 45 percent of this was spent on the activities to improve pipeline reliability.

Industrial safety program expenditures (capital and operating) across the Group in 2021, %

Total	RUB 32.6 billion
Reliability of equipment, buildings, and structures	52
Emergency response and prevention ⁴	22
Improved working conditions and provision of personal protective equipment	17
Use of modern technologies for improving HSE and working conditions	3
Management system optimization and regulatory support	2
Other	3

Improving industrial safety, reducing work-related injuries and accident-free operation of production facilities have always been top priorities for the Company.

LUKOIL places a special focus on improving its health and safety management system. Due to the actions undertaken, the Company witnessed sustainable reduction in a number of fatalities over past five years. In addition, the accident frequency rate has been maintained at a level below the industry average.

In 2021, there were no fatalities at LUKOIL Group, while the work-related injury performance improved from the previous year. Investigations are ongoing into all the injury cases. The investigations revealed that injuries in the reporting year were mainly caused by personal contributory negligence and violation of safety requirements and workplace discipline.

⁴ Including fire safety related works and services, procurement of firefighting and protection equipment, activities to implement radiation safety standards, etc.

Work-related injury indicators at LUKOIL Group

	2019	2020	2021	Change 2021/2020, %
Number of occupational accidents	19	28	17	-39
Number of injured employees	25	28	17	-39
Fatalities	2	2	0	-100
Lost-time accident frequency rate (LTAFR) ⁵	0.19	0.28	0.17	-39
Lost-time injury frequency rate (LTIFR) ⁶	0.13	0.15	0.10	-33

Accidents at LUKOIL's production facilities

	2019	2020	2021
Accidents	2	4	3

In 2021, three accidents occurred at the Group's production facilities.

On January 3, an accident happened on a section of the heat network pipeline operated by LLC Volzhsky Heat Supply Networks, with no environmental harm being caused. The pipeline was damaged by local corrosion of a section.

On February 24, an explosion occurred during operational maintenance at LLC LUKOIL-West Siberia, which was followed by a fire at a well that killed a contractor's employee. The accident resulted from the wellhead being not hermetically sealed, which was attributable to the contractor's failure to have sufficient oversight over compliance with technological procedures and safety regulations.

On May 11, an accident occurred at LLC LUKOIL-Komi, which was associated with a loss of containment in the gathering system at a 200 meter distance from the Kolva River and the subsequent leakage of oil-containing fluids into ground and water. Most of the spill was promptly localized on ground, while quick response prevented the fluids from spreading within the water body. Following recovery from an accident 53.75 square kilometers of the Kolva River and 43.28 hectares of the contaminated banks were cleaned up. Nearly 400 employees of LLC LUKOIL-Komi and specialized contractors took part in the response operations with over 60 units of equipment used. The technical investigation revealed that the damage to pipeline was due to contractors' failures to carry out construction and installation works in a proper manner when welding a joint. To minimize risks of similar accidents, the Company developed targeted programs and changed its approach to engaging contractors.

All accidents and incidents were considered by the Strategy, Investment, Sustainability and Climate Adaptation Committee on November 30, 2021 and by the Company's Board of Directors on December 15, 2021 while the accident at LLC LUKOIL-Komi was discussed by the Board of Directors on May 18. To assess the performance of the HSE Management System, the Management Committee annually reviews the Group's HSE Report.

⁵ LTAFR is calculated as the number of work-related injuries per thousand people of the average headcount during the reporting period.

⁶ LTIFR is calculated as the number of lost-time injuries per million of total man-hours worked.

Notification system

LUKOIL Group has uniform requirements for the notification, recording and analysis procedures for all injuries, accidents and incidents. All injuries, accidents and incidents at the Group facilities, including those involving contractor employees, are promptly reported to all stakeholders, including structural units and PJSC LUKOIL's executives, to decide on further rapid response actions. The information received is registered in our RISK PB corporate information management system. The findings of the analysis of circumstances and causes following an investigation of each incident are communicated to the Group entities and contractors, and additionally discussed both at the Health, Safety and Environment Committee of PJSC LUKOIL and at Safety Days with the involvement of trade unions and key contractors. Organizational and technical measures to prevent injuries and accidents are developed, implemented and tested. The occupational accident analysis results are included in the annual report to the Management Committee and are on the agenda of Board of Directors meetings.

Leadership and a culture of safety

LUKOIL puts a particular focus on fostering leadership and a culture of safety. The Company conducts annual safety days involving LUKOIL's top management, managers of Group entities, trade union representatives and key contractors to review the root causes of injuries and best practices in health and safety. At the 2021 Safety Day, the best practices in developing a culture of safety among employees stressing occupational health were introduced.

Accident insurance

The Group's Russian entities have employee insurance agreements covering such negative consequences of accidents as temporary disability, disability of category I, II, III, or death. In 2021, the accident insurance expenditures totaled RUB 48 million.

Trainings and drills

In order to improve accident response, the Group conducts regular trainings and drills with the involvement of ad hoc teams (from the Group's employees) and professional emergency response teams. During 2021, 126 drills of different levels were conducted in the Group's Russian entities, with 78 of them dedicated to oil and petroleum product spills response. In addition, over 20 thousand on-site training sessions were held. Almost 90 thousand employees from the Group's Russian entities took part in the drills and training sessions. The Group's governance bodies and ad hoc emergency response teams were highly esteemed by the committees and official representatives of the government authorities watching the drills. To enable prompt decision-making during the drills, the Company uses mobile workstations and video surveillance tools transmitting video images to the Emergency Response Center of PJSC LUKOIL.

Assessment of working conditions

Every year, the Group's Russian entities carry out special assessment of working conditions as required by the labor laws. Employees exposed to harmful conditions are compensated depending on the class of work conditions with increased pay, additional vacation time, or a shorter work week. Such workers accounted for approximately 32 percent of the headcount at our Russian entities as at the end of 2021.

Supply chain management

All the Company's suppliers are required to carry out their operations in compliance with Russian laws and meet the Company's criteria of a bona fide counterparty and the Company's HSE standards. In 2021, the Management Committee of PJSC LUKOIL approved a number of local regulations in procurement to amend and update the requirements for suppliers and introduced a counterparty due diligence system. The system enables the Company to identify and continuously monitor the level of risk related to interaction with counterparties throughout the procurement process. Automated bidding tools are used to check and select suppliers. Suppliers are checked for compliance at all stages of interaction, from bidding to completion of interaction. If any non-compliance is identified, relevant action is taken, including contract termination.

HSE compliance for contractors

Contractor selection follows the Instruction to the Bidder during the tender and local regulations setting forth HSE requirements. Contractors are audited for HSE compliance during the prequalification process prior to taking part in competitive tender procedures, and are screened out of the tendering process upon failure to comply with the established requirements. Contractors must also ensure compliance with requirements by their sub-contractors. HSE compliance by contractors is monitored during contract performance (with HSE standards being part of the contracts), including through technical audits.

Corporate supervision and industrial control

An important tool in maintaining the proper level of health, safety and environment is high-quality compliance control. Over 5,000 inspections were conducted across LUKOIL Group as part of corporate supervision and industrial control in 2021, including over 1,000 contractor inspections. For any violations identified, disciplinary action is taken against non-complying employees, while contractors face penalties. The most typical cases identified in 2021 included non-compliance with submission requirements for permits to carry out works, failures to follow the procedures for safe use of equipment and poor workplace organization during construction, installation and repairs. To encourage employees to take an active role in identifying violations and preventing non-compliance with safety rules, a special reward system is in place.

Climate change

The oil and gas industry is faced with new challenges as the world transitions to a low-carbon economy. The world needs to reduce GHG emissions to prevent climate change, while still continuing sustainable economic growth – which inevitably will require higher energy consumption.

LUKOIL recognizes the importance of preventing global climate change, takes measures to reduce GHG emissions, and supports Russia's involvement in the global effort to reduce greenhouse gas emissions.

Climate change management

The matters relating to climate change are overseen by the Board of Directors and come under the remit of the Strategy, Investment, Sustainability and Climate Adaptation Committee. The Company set up a Working Group of PJSC «LUKOIL» on Decarbonization and Climate Change Adaptation. The

working group comprises PJSC LUKOIL’s vice presidents responsible for every area of the Company’s operations, finance, strategy, economics and planning, sustainable development, as well as heads of the key relevant departments. The Company also has a business unit responsible for the coordination and methodological support of GHG emissions management and decarbonization activities within LUKOIL Group.

SUPERVISORY LEVEL	EXECUTIVE LEVEL
<p>Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors</p> <ul style="list-style-type: none"> Defining a strategy to manage climate risks and opportunities <p>Director responsible for climate change issues</p> <ul style="list-style-type: none"> Developing recommendations of the Board of Directors for strategic target-setting in the realm of climate change 	<p>Working Group of PJSC «LUKOIL» on Decarbonization and Climate Change Adaptation</p> <ul style="list-style-type: none"> Assessing and managing climate risks and opportunities Developing the decarbonization program <p>Environmental Safety and Decarbonization Division</p> <ul style="list-style-type: none"> Monitoring greenhouse gas emissions Implementing the decarbonization program

Climate risks

The Company places special focus on climate risk management to provide reasonable assurance of achieving its strategic objectives despite uncertainties and negative impacts. LUKOIL implements a wide range of measures to manage climate risks and identify opportunities.

Risk category	Description	Management
<i>Market risks</i>	Risks associated with changes in demand and customer preferences	<p>The Company uses a scenario-based approach to macroeconomic forecasting, including various climate scenarios.</p> <p>In 2021, LUKOIL presented the key provisions of its climate strategy relying on detailed oil demand scenarios. In addition to the Evolution scenario that had been presented earlier, it also thoroughly reviewed three other scenarios: Equilibrium, Transformation, and 2 Degrees Celsius. As a result, a complete list of climate change factors was drawn up to be used as a basis for a detailed analysis of threats and opportunities. By 2030, the balancing oil price under different demand scenarios is estimated at USD 40–50 per barrel in real terms.</p>

		In addition, the Company is planned to use an internal carbon pricing mechanism based on specific regional conditions.
<i>Political, legal and regulatory risks</i>	Risks associated with the global transition to a low-carbon economy and steps taken to toughen GHG emission regulations in the countries where the Group operates	<p>LUKOIL continuously monitors developments in climate legislation and takes part in discussing relevant draft regulations to present its position on these matters, including risks and uncertainties that come with new legislative proposals.</p> <p>In the reporting year, the Company presented its opinions on 24 draft laws and regulations on climate change, including:</p> <ul style="list-style-type: none"> • Draft Federal Law On Pilot Limiting of Greenhouse Gas Emissions in Select Russian Regions; • regulations drafted as part of the round of amendments to the Federal Law On Limiting of Greenhouse Gas Emissions, including those related to the verification of GHG disclosures. <p>In response to the requests from the federal executive bodies, the Company submitted proposals on support for the export of hydrogen for power generation, EU’s Green Deal draft laws, and Russia’s draft of Low-Carbon Strategy until 2050.</p> <p>As a member of industry business associations, the Company contributed to preparing a position on climate adaptation, carbon border adjustment mechanisms, measures to reduce carbon intensity of the Russian economy, as well as the government support for climate projects.</p> <p>The Company’s representatives took part in the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow, UK, on November 11–13, 2021.</p>
<i>Reputational risks</i>	Risks associated with stakeholder perception of the Company's contribution / lack of formal commitment to a low-carbon economy	<p>The Company regularly discloses information on GHG emissions management and climate action to address stakeholder concerns. GHG disclosures are verified by an independent auditor on an annual basis.</p> <p>Since 2013, LUKOIL has been participating in the Carbon Disclosure Project (CDP), an international initiative for the disclosure of GHG emission volumes and management of climate risks and opportunities. In 2021, LUKOIL improved its CDP score to “B-” as a result of its carbon management initiatives.</p> <p>In the reporting year, the Company also managed to improve its position on the ranking of the Transition Pathway Initiative (TPI) international climate rating from level 2 to 3.</p>

		The Company maintains an active dialogue with the Climate Action 100+ global investment initiative.
<i>Technology risks</i>	Risks associated with the accelerated global transition to a low-carbon economy driven by technological advances and greater efficiency of relevant technologies	<p>LUKOIL carries out constant monitoring and develops its proprietary solutions to improve energy efficiency. The Company's carbon management is focused on increasing the energy efficiency of operations through energy conservation, energy management, and optimization of industrial processes.</p> <p>In 2021, LUKOIL developed its Decarbonization Program, which provides for the reduction of direct and indirect GHG emissions through improving energy efficiency, implementing renewables for internal needs, cutting process losses of hydrocarbons during production and transportation, and introducing solutions for carbon capture and storage. The Company is also looking into the production of low-carbon fuels, including hydrogen and biofuel.</p>
<i>Physical risks</i>	Risks associated with changing weather, climate, and other environmental conditions in the Group's regions of operation that can affect the reliability of equipment or people's health, including natural calamities and permafrost thawing	LUKOIL assesses the climate change impact when designing and constructing facilities in environmentally sensitive areas (the Arctic Zone, low-water regions, and offshore areas) and monitors these environments for changes in relevant parameters to ensure timely response when needed. In 2020, the Company evaluated the physical risks in the Arctic zone by making scenario-based forecasts of how the weather and the climatic conditions might change there in 2031–2050 compared with 1991–2010, covering a number of scenarios involving human-induced climate change.

In 2021, we developed the **Guidelines for Financial Assessment of Climate Risks** in order to establish a comprehensive approach to the identification and assessment of climate risks and opportunities. The guidelines set out:

- uniform principles for identifying and assessing risks and opportunities
- materiality criteria and scale for assessing risk probability and impact
- steps for developing measures to mitigate risk impact and seize opportunities
- key participants

Compliance with TCFD recommendations

In 2021, the Company supported the TCFD⁷ initiative by committing itself to implementing the recommendations on voluntary disclosure of its management of climate risks and opportunities and assessment of their financial impact on the business. It focused on developing a new version of the corporate risk management information system to include climate risks and opportunities pursuant to TCFD recommendations.

⁷ Task Force on Climate-Related Financial Disclosures

The Company aligned its data on climate risks covered in its disclosures for the reporting year with TCFD recommendations.

Greenhouse gas emissions

To improve its emission monitoring, in 2020, LUKOIL completed an inventory of GHG emissions sources and emissions calculations in accordance with the international GHG Protocol. Until 2020, a Russian methodology was used. The Company expanded the scope of organizations and operations covered by emission measurement and made its first disclosure relating to indirect energy and other indirect GHG emissions. Previous years' results were adjusted for the sake of comparability. In 2021, LUKOIL continued to calculate emissions under the GHG Protocol.

In 2021, Scope 1 and Scope 2 GHG emissions for the Group in accordance with the GHG Protocol amounted to 41.5 million tonnes of CO₂ equivalent, down 5.0 percent year-on-year. Such a decrease was mainly achieved thanks to measures put in place to enhance energy efficiency, use of renewable energy for own needs, and changing emission factors for calculating energy indirect emissions (Scope 2). In 2021, for Russian organizations, the GHG emission factor for grid electricity was determined based on the data of JSC "Administrator of the Trading System of the Wholesale Electricity Market". Prior, in 2017-2020, the forecast values of regional coefficients from the European Bank for Reconstruction and Development were applied.

GHG emissions from controlled sources were 18.5 percent down vs. the 2017 base.

Group-wide GHG emissions from controlled sources, million tonnes of CO₂ equivalent

	2017	2018	2019	2020	2021	Change 2021/2020, %	Change 2021/2017, %
Total	50.9	48.5	48.4	43.7	41.5	- 5.0	- 18.5
By geography							
Russia	43.5	41.3	40.5	37.0	36.3	- 1.9	-16.7
International projects	7.4	7.2	7.9	6.7	5.2	- 22.0	- 29.1
By scope							
Scope 1	40.4	39.6	39.8	36.7	36.4	- 0.9	-10.0
Scope 2	10.5	8.9	8.6	7.0	5.1	-26.5	-51.4

LUKOIL holds a leading position among the international private oil and gas companies with the lowest GHG emissions per unit (Scope 1 and Scope 2) in the Exploration and Production segment. In 2021, per unit emissions in the Exploration and Production segment amounted to 19.3 kg of CO₂ equivalent per barrel of oil equivalent, down 10.6 percent year-on-year and 19.2 percent below the 2017 base, with the reduction mainly attributed to decreased flaring and reduced energy consumption.

Per unit GHG emissions (Scope 1 and 2) in Exploration and Production segment, kilograms of CO₂ equivalent per boe

2017	2019	2021
23.9	21.0	19.3

Energy efficiency

Improving energy efficiency is one of the key tools for achieving strategic increase in LUKOIL Group's efficiency and is a key factor affecting production costs and energy intensity. It is also one of our priority tools to reduce GHG emissions from controlled sources under the Decarbonization Program.

In 2021, LUKOIL approved its Technical Policy on Energy Efficiency and Reduction of Greenhouse Gas Emissions in Russia which aims to improve energy efficiency across all our business processes by effectively managing and applying disruptive technologies and equipment where economically feasible.

The Group's Russian entities have their energy management systems aligned with ISO 50001: Energy Management System standards. As at December 31, 2021, as many as 25 LUKOIL Group entities confirmed the compliance of their energy management systems with the new version of ISO 50001:2018.

To improve energy efficiency along the value chain, in 2020 the Company introduced a KPI for LUKOIL Group entities measuring the Performance of the Approved Energy Conservation Program, which is the ratio of actual to planned savings in fuel and energy resources in value terms. In 2021, all LUKOIL Group entities achieved the planned savings.

The Company approved the Energy Conservation Program for LUKOIL Group entities for 2022 and 2023–2024. Key energy conservation initiatives in 2021 included implementing variable frequency drives, replacing and upgrading on-site equipment to boost the efficiency factor, optimizing condensate collection and return, upgrading lighting and heating solutions, and replacement and adjustment of furnaces.

Results of energy efficiency initiatives across LUKOIL Group

	2019	2020	2021
Electricity savings, million kWh	159	146	105
Heat savings, thousand Gcal	92	175	317
Savings of boiler and furnace fuels, tonnes of reference fuel	116	55	67

Energy consumption by PJSC LUKOIL

	2021 consumption	
	by volume	by monetary value (including VAT), RUB million
Electric power	21,466 thousand kWh	134
Heat energy	19,223 Gcal	38

Efficient associated petroleum gas use

LUKOIL uses APG reinjection to maintain reservoir pressure while also transporting APG to its gas processing plants (GPPs). APG is also used as a fuel for on-site gas-fired power plants, which helps reduce electricity and oil production costs.

Thanks to the Efficient APG Use Program launched in 2003, the target level of APG rational use for the Group's Russian entities exceeded 95 percent, and in 2021 amounted to 97.5 percent.

Since 2017, LUKOIL has been participating in the Zero Routine Flaring by 2030 initiative of the World Bank and delivering on its commitment to decrease flaring through a more efficient use of associated petroleum gas where technologically feasible.

Efficient APG use in Russian entities of the Group, %

	2019	2020	2021
Total	97.6	97.7	97.5
West Siberia	98.0	98.2	97.8
Urals	97.3	98.5	98.7
Volga	98.1	97.8	98.0
Timan-Pechora	95.9	95.8	94.7
Other	97.8	97.9	72.2

In the reporting year, LUKOIL commissioned five facilities under the Group's Efficient APG Use Program for 2021–2023.

Region	Field	Construction and commissioning of efficient APG use facilities in 2021
Timan-Pechora	A. Alabushin	<ul style="list-style-type: none">• Commissioning of a multiphase pumping station with gas separator
Urals	Krasnoyarsko-Kuedinskoye, Gondyrevskoye, Rostovitskoye	<ul style="list-style-type: none">• Revamping and commissioning of process units of a gas compressor station• Construction of gas pipeline
Volga	Alexeevskoye	<ul style="list-style-type: none">• Revamping of a booster pumping station with APG drying unit
Kaliningrad	Ladushkinskoye	<ul style="list-style-type: none">• Commissioning of a membrane APG treatment unit

Gross APG production across the Group, %

	2019	2020	2021
Flaring	2	2	3
Reinjection	15	18	21
Consumption for operational needs ⁸	23	21	23
Processing at GPPs	30	29	29
Supply to third parties	30	30	25

Renewable power generation

The Company develops renewable power generation projects to reduce its environmental footprint and diversify its business. LUKOIL has a large portfolio of renewable power generation assets, accounting for 6.4 percent of total commercial power generated by the Group in 2021. In the reporting year, we launched the second solar power plant at Volgograd Refinery with an installed capacity of 20 MW. In 2021, the construction of a solar power plant at Krasnodar CHPP with an installed capacity of 2.35 MW was also under way. It is planned to be completed in 2022.

⁸ Including consumption for power generation, boiler house needs, line heaters, etc.

Environmental protection

We are highly aware of our social responsibility to preserve the environment and use natural resources sustainably, conform to the highest environmental protection standards, and strictly comply with the national legislation of the countries in which we operate.

Environmental expenditures

LUKOIL's environmental spending totaled RUB 21.4 billion in 2021, of which capital expenditures were RUB 14.3 billion. The Group's Russian entities accounted for RUB 17.1 billion; international entities spent RUB 4.3 billion. The biggest item in the reporting year was ambient air protection (RUB 12.4 billion, including LUKOIL Group's Efficient APG Use Program for 2021–2023). In 2021, environmental expenditures dropped by 5 percent year-on-year due to the completion of the main activities under the program to improve APG utilization rates.

Environmental expenditures (capital and operating) in 2021, %

Total	RUB 21.4 billion
Ambient air protection	58
Protection and sustainable use of water	15
Production waste disposal	14
Other	13

Water

The Company is committed to sustainable use of water and preventing water pollution. We use circulating supply and also reuse water and build, renovate and retrofit water and wastewater treatment facilities. At the end of 2021, the withdrawal and consumption of clean water increased by 11 and 8 percent, respectively, due to an increase in production volumes driven by higher oil production volumes under OPEC+ agreement and higher electricity generation. The main increase in consumption and discharge of conditionally clean water occurred at power generation facilities, where water is used to cool equipment. Around 40 percent of our water consumption for operational needs is used in industrial processes in power and heat generation, and approximately 9 percent is utilized for formation pressure maintenance systems.

Wastewater discharge in the reporting year was up by 9 percent due to higher discharge of wastewater not requiring treatment to cool equipment at power generation facilities.

Water consumption by Group entities, million cubic meters

	2019	2020	2021	Change 2021/2020, %
Total water withdrawal	694	611	681	+11
Russia	441	395	460	+16
International projects	253	216	221	+2
Total water consumption for operational needs	609	543	588	+8
Russia	358	329	369	+12
International projects	251	214	219	+2
Total water discharge	568	485	530	+9
into seas or surface water bodies or onto land	438	350	413	+18

including contaminated (untreated and insufficiently treated) wastewater	11.6	8.8	8.9	+1
Russia	345	297	325	+9
International projects	223	188	204	+9

Ambient air protection

LUKOIL works to minimize its air pollutant emissions, the bulk of which are generated by Russian oil and gas producing entities and the power generation segment (mainly as a result of APG flaring or burning fuels to produce heat or electricity). In the reporting year, air pollutant emissions across the Group increased by 8 percent year-on-year to 425 thousand tonnes, while APG flaring by Russian entities of the Group rose by 12 percent to 291 million cubic meters driven by higher hydrocarbon production.

Air impact

	2019	2020	2021	Change 2021/2020, %
Air pollutant emissions across the Group, thousand tonnes	429	395	425	+8
Russia	402	376	403	+7
International projects	27	19	22	+16
Gas flaring by Russian entities of the Group, million cubic meters	282	260	291	+12

Preventing land pollution

LUKOIL has implemented a robust system to improve the reliability of its oilfield and trunk pipelines based on federal laws, rules, and standards and its own local regulations. This system covers all management levels from senior executives to the relevant units at LUKOIL Group entities. A higher reliability is achieved through a holistic approach encompassing technical evaluations, renovations, cleaning, major repairs, the use of corrosion inhibitors, and expert reviews to ascertain industrial safety. We also prepare our pipelines for floods and the fall–winter season, including proactive inspections to address potential oil spills, and more frequent check-ups. Sections that might become exposed to snowmelt or rain are checked most carefully. Once a year, the Company evaluates the effect of measures taken, with corporate supervision in place to ensure compliance with federal and industry requirements. Spill Prevention, Control, and Countermeasure Plans have been developed for all facilities at risk of oil spill emergencies.

Thanks to LUKOIL's efforts, the pipeline failure rate⁹ across the Group's Russian entities remained low in 2021 at 0.069 per km. In the reporting period, we recorded a significant reduction in contaminated acreage, with the rehabilitation effort mostly focused on the Komi Republic.

⁹ A pipeline failure means a failure of performance associated with a sudden total or partial shutdown of the pipeline due to compromised airtightness of the pipeline itself or shut-off and control valves or a blockage of the pipeline. Such a failure does not always entail a spill of crude oil, petroleum products, or formation water, or a gas leak. Rates are based on the total length of pipelines (oil, gas, and water pipelines).

Action by LLC LUKOIL-Komi following the investigation of the spill in the Komi Republic in May 2021:

The investigation revealed that the main cause of the spill was metal pitting corrosion of the pipeline's inverted siphon. To prevent similar incidents in 2021, the Company examined all inverted siphons at LLC LUKOIL-Komi facilities. On top of that, we developed and approved the Program to Refurbish (Retrofit and Upgrade) Oilfield and Trunk Pipelines of LLC LUKOIL-Komi in 2022–2024 and the Program to Refurbish (Retrofit and Upgrade) Inverted Siphons and Cross Drainage Facilities of LLC LUKOIL-Komi in 2022–2024.

To better control contractors in 2021, LUKOIL raised the warranty period for pipeline installation work from 12 months to five years, with contractors now required to do radiographic and ultrasonic testing of welded joints upon completing the installation.

In 2020, LUKOIL launched unmanned aerial vehicle (UAV) monitoring of pipelines, which helped promptly detect ruptures, accurately determine the contamination area, and evaluate the conditions for the mitigation effort. In 2021, UAVs surveyed 266 thousand km of pipelines, more than double the amount in 2020.

Land impact across the Group's Russian entities

	2019	2020	2021	Change 2021/2020, %
Contaminated land as at December 31, hectares	46	60	49	-18
Rehabilitated land, hectares	57	44	49	+11
Oil and petroleum products spilled, tonnes	16	43	73	+70
Number of material ¹⁰ oil and petroleum product spills	0	4	4	-
Pipeline failures per km	0.082	0.063	0.069	+10
Annually replaced pipelines, % of total length	2.4	2.3	2.5	+9
Pipelines with anti-corrosion coating, %	30	32	34	+6

Production waste management

In waste management, LUKOIL prioritizes maintaining its disposal-to-generation ratio at 1.0 to prevent waste accumulation. This approach remained unchanged in 2021. The key measures include using advanced technologies to reduce waste generation, storing waste at special up-to-date facilities, and disposing it expeditiously.

In 2021, the Company generated 5 percent less waste than in 2020 due to a reduction in drilling operations and a decrease in the oil-contaminated waste from cleaning tanks and reservoirs following the completion of scheduled maintenance at the refinery in Bulgaria.

Pre-privatization waste across the Group decreased by 5 percent year-on-year to 523 thousand tonnes thanks to the completion of a number of projects, including the oil-contaminated waste treatment facility at Perm refinery.

¹⁰ Material spill is an accident involving a spill of over 10 tonnes of oil-containing fluids (or less in case of water spill if pollution exceeds the legally established allowable standards).

Waste management at Group entities

	2019	2020	2021	Change 2021/2020, %
Waste generation, thousand tonnes	1,783	2,178	2,065	-5
Russia	1,672	1,960	1,968	-
Hazardous waste (hazard classes I to III), %	15	16	18	+13
International projects	111	218	97	-56
Waste disposal, thousand tonnes	1,751	2,217	2,020	-9
Russia	1,642	2,000	1,921	-4
International projects	109	217	99	-54
Waste disposal-to-generation ratio	1.0	1.0	1.0	-
Pre-privatization waste as at December 31, thousand tonnes	601	549	523	-5
Russia	223	184	180	-2
International projects	378	365	343	-6

Personnel

A strong and stable corporate culture and clear corporate values are at the heart of LUKOIL Group's HR policy. All elements of the HR Policy are structured to ensure best use of the workforce and to ensure maximum flexibility for the Company amid the rapidly changing market environment.

To facilitate this, there are planning and budgeting processes in place that enable the workforce to be most productive and efficiently reallocated through insourcing as well as flexible recruitment, professional training, and development of talent.

As the Strategic Development Program of LUKOIL Group for 2022–2031 is aimed, among other things, at improving the Company's operational efficiency, our talent management strategy is focused on boosting labor productivity through business process digitization and automation, as well as upgrading employee capabilities.

In 2021, we continued to develop our service model in order to improve the corporate structure and governance system of LUKOIL Group. In particular, we began transferring routine functions from PJSC LUKOIL's Corporate Center to service subsidiaries and centralizing functions of the Company's subsidiaries across regions. To further enhance efficiency of the functions transferred to the service centers, we embarked on digitization and unification of processes to avoid unnecessary paperwork.

In 2021, the Group's average headcount was 102.4 thousand employees, up 1.6 percent year-on-year as a result of changes in the reporting boundaries. Except for changes in the reporting boundaries, the average headcount was down 1 percent in the reporting year. Revenue per employee increased by 65 percent to RUB 92 million due to the higher overall revenue of the Group in 2021.

Average headcount across LUKOIL Group, people

	2019	2020	2021
Average headcount	101,374	100,768	102,424
Employee turnover, %	7.5	6.7	9.1

Revenue per employee, RUB million

2019	2020	2021	Change 2021/2020, %
77.3	56.0	92.1	+65

Personnel by gender as at December 31, 2021, %

Female	Male
41	59

Personnel by age as at December 31, 2021, %

Under 35	34
36 to 40 years	18
41 to 50 years	29
51 years and older	19

Personnel by job type as at December 31, 2021, %

Managers	12
Female	26
Specialists	27
Female	52
Workers and other personnel	61
Female	39

Personnel by education level as at December 31, 2021, %

Higher	53
Secondary vocational	24
Primary vocational, secondary, below secondary	23

Personnel by segment as at December 31, 2021, %

Exploration and Production	38
Refining, Marketing and Distribution	57
Other business	3
Corporate	2

Personnel by geography as at December 31, 2021, %

Russian entities	85
Foreign entities	15

Talent management

In December 2020, the Board of Directors approved PJSC LUKOIL's Human Capital Management Policy, which sets out the key approaches to the employee incentive and remuneration management

system. The policy is based on LUKOIL Group's business strategy and serves as a tool to manage risks and respond to current challenges. Its strategic objective is to ensure sustainable development through effective human capital management based on accelerated development of employees, care and attention to each team member and their competencies, and fostering a favorable organizational environment conducive to self-fulfillment.

To promote the approaches and provisions of the Human Capital Management Policy, LUKOIL Group made efforts in the reporting year to deploy the system of managing employee productivity and performance within its personnel management framework.

Incentive system

The Company employs various incentives to boost staff performance and productivity, as well as motivate employees to achieve corporate goals. LUKOIL accounts for each employee's contribution and makes sure to provide fair remuneration for results achieved.

Total remuneration is made up of financial and non-financial incentives. Financial incentives are split into direct (fixed component – base salary and additional payments; variable component – short-term and annual bonuses, long-term incentive program) and indirect (social benefit programs and additional benefit programs) ones. Non-financial incentives include state, ministerial and corporate awards, such as certificates of merit and letters of gratitude.

In 2021, we upgraded our financial incentive system by developing and introducing a number of provisions aimed to motivate employees towards fostering innovations and enhancing performance, including as part of implementing the continuous improvement system.

Top managers are remunerated according to the Regulations on PJSC LUKOIL Management Remuneration and Incentive System.

Staff performance assessments are carried out annually and are designed to motivate employees to improve their productivity and performance, strengthen their accountability, and encourage initiative. Performance assessments are carried out by employees' immediate supervisors based on self-assessment and an expert assessment, if applicable. Both specialists and managers are assessed.

Managing personnel amid the COVID-19 pandemic

The most important problem both in Russia and globally was the COVID-19 pandemic. During the spread of the coronavirus, LUKOIL was able to maintain production continuity while making sure to take all the required anti-virus measures. In particular, the Company swiftly responded to changes in the sanitary and epidemiological situation by moving a certain percentage of its employees to working from home. Employees were provided with personal protective gear and disinfectants. For timely identification of those infected and minimizing the spread of the infection, regular temperature checks and COVID-19 tests of employees were put in place.

For the convenience of employees, we arranged for on-site immunization using all vaccines registered in the country. It was held at first-aid facilities of the Company and other LUKOIL Group entities. The trade union assisted in providing financial support to vaccinated employees. Thanks to these efforts, as at the end of 2021, the herd immunity across the Group was virtually 90 percent, while the morbidity rate during the entire pandemic period was lower than benchmarks in respective regions of operation.

Employee development system

The Company has a continuous training system in place to provide its personnel with all the necessary knowledge and skills to meet existing and new business objectives. Employee development is based on annual professional development plans.

Professional Training Days are held on a regular basis for all managers of the Group entities to discuss the most pressing matters. In 2021, topics discussed included sustainable development of the Company amid instability and uncertainty. In order to perform its employee training, the Company uses workshops, seminars, trainings, secondments, professional development and retraining programs, as well as professional training days. In 2021, 83.9 thousand employees completed training (or 82 percent of the average headcount) for a total of 409.4 thousand person-courses.

2020 saw the Company launch the IMPULSE, a large-scale project aimed to streamline and improve LUKOIL Group's corporate governance in line with international best industry practices. In 2021, heads of LUKOIL Group entities underwent compulsory training in standard management practices as part of the project.

In the reporting year, we arranged in-house training workshop meetings for employees of Russian subsidiaries operating in the Exploration and Production business segment at the interactive Oil Pavilion of VDNH. The events were intended to train and reward employees for high performance in both production activities and community service.

LUKOIL has a distance learning system that helps to optimize compulsory training costs. The Group has over 50 entities connected to the system with more than 90 thousand users. More than 265 thousand training courses were taught in 2021, including over 70 thousand courses on health and safety. Compulsory training time exceeded 3 million hours.

Talent pool management

Building our talent pool ensures the continuity of management. The grounds for being added to the talent pool include employee performance, professional and business qualities, and potential for managerial tasks. Employees included in the talent pool undergo regular training in management and corporate skills in line with their development plans. In the reporting year, we continued working on a new succession methodology, including, among other things, talent pool management. The new methodology is going to be integrated into the personnel management framework in 2022.

Diversification

In implementing its HR Policy, LUKOIL is guided by the principles outlined in the conventions of the UN and the ILO. LUKOIL has zero tolerance for any form of discrimination and provides equal opportunities to all its employees.

To facilitate employment opportunities for people with disabilities, LUKOIL has local regulations in place on job quotas for disabled persons. The quota is on average 2 percent to 3 percent of the Company's average headcount and is set up in line with regional laws of Russian Federation. Special working conditions, benefits, and guarantees are provided for disabled employees, including shorter working hours for the full salary, and longer annual leave.

Social policy for employees

Our social policy is governed by the Social Code of PJSC LUKOIL, the Agreement between the Employer and the Trade Union Association of Public Joint Stock Company “Oil Company ‘LUKOIL’” for 2021–2023, collective bargaining agreements, and other internal regulations on social policy. LUKOIL also pursues an extensive social policy offering a variety of guarantees and privileges to which all employees of the Group entities are entitled. Collective bargaining agreements cover 99 percent of the employees at our Russian entities and 89 percent of employees at our international entities.

Total 2021 expenditures for social programs for employees, members of their families, and non-working retired employees amounted to about RUB 18.5 billion.

Expenses on internal social support for employees, RUB billion

	2019	2020	2021
Total	17.4	16.7	18.5
Social benefits from payroll ¹¹	9.3	8.7	10.0
Other social benefits and guarantees ¹²	8.1	8.0	8.5

Business Ethics

LUKOIL’s corporate values are the cornerstone of its activities and help ensure commitment to the highest ethical standards, including strict adherence to respect of human rights, full legislative compliance, and zero tolerance for any form of corruption.

Our core principles and approaches in business ethics, human rights and stakeholder engagement are set forth in the Code of Business Conduct and Ethics of PJSC LUKOIL. The Code is a compilation of individual and collective behaviour standards and rules regulating the moral and ethical aspects of the internal relations across teams and describing requirements and expectations for ethical business practices in dealing with external parties.

The provisions of the Code are aligned with the UN and ILO conventions on ethical business conduct. The Code is included into the mandatory written orientation materials for new hires. The Code compliance is also routinely reviewed at corporate events, including with top management participation, and during the Professional Training Days for managers of the Group entities. The importance of employees’ compliance with the Code is brought to the notice of HR departments at their annual meetings.

Employees can discuss business ethics and human rights matters with entity-level HR departments and with independent trade union organizations. To ensure compliance with the corporate business ethics standards, including respect for human rights, the Business Ethics Commission was set up, chaired by

¹¹ Includes one-off entitlements to annual leave, allowances for housing rental and meals, lump sum incentive payments and sick leave allowances above the statutory minimum.

¹² Includes contributions under voluntary health insurance and accident insurance agreements, coverage of travel expenses, severance payments, coverage of services provided by healthcare facilities, payments for vacation packages and compensations for treatment and leisure, one-off financial assistance, coverage of children’s gifts expenses, temporary disability, maternity, childbirth and parental leave allowances, payments to the Otkritie Non-State Pension Fund, housing expenses and financial support to non-working retirees.

LUKOIL's President. Any employee (including from international entities) can approach Company management. Other stakeholders can liaise with the Business Ethics Commission using the contact phone numbers listed in the Whistleblowing section of the Code of Business Conduct and Ethics. LUKOIL accepts anonymous reports that may be submitted via communication channels available on a 24-hour basis (email, call in hotline).

All reports are investigated, including with the involvement of the employer entity and, if necessary, a trade union representative. The reporting individual is always kept informed about the progress and the outcome of their complaint. If any breaches of the law or corporate policies are established, the incident is raised with the manager, recommendations for remediation are made, and a feedback channel is established with the reporting individual.

The Business Ethics Commission registered five reports in 2021. All of them were reviewed within two weeks. In each case, measures were taken to prevent negative situations from escalating. The reports related to working relationships with colleagues, compliance with COVID-19 prevention rules, and interaction between units as part of control procedures. In 2021, LUKOIL did not receive any complaints concerning violations of the rights of indigenous minorities of the North by the Company or violations of human rights, including with regard to human right breaches committed by contractors working at the Group's facilities.

The Company's key principles and approaches to social responsibility are described in the Social Code of PJSC LUKOIL.

Anticorruption measures

Corporate anti-corruption practices are outlined in the Anticorruption Policy of PJSC LUKOIL (the Policy) approved in 2020.

The Policy establishes the principles, key elements and activities to prevent and combat corruption and ensure compliance with anti-corruption laws by the Company and its counterparties. The Board of Directors of the Company exercises control over compliance with the Policy.

LUKOIL has a 24/7 Whistleblowing Hotline to report violations of anti-corruption laws. Any employee, counterparty and other stakeholder can report corruption-related issues via anticorruption@lukoil.com in Russian and English, as well as in any national language of the countries where LUKOIL Group operates.

In 2021, the hotline received six inquiries. All of them were reviewed, with no signs of violations of applicable anticorruption laws and/or provisions of the Anticorruption Policy of PJSC LUKOIL revealed.

Preventing abuse and fraud by Company employees

Pursuant to the Corporate Security Policy of LUKOIL Group, abuse of official position, fraud and a conflict of interest are recognized as internal threats to the security of the Company. These are defined as intentional or unintentional actions by employees causing financial, economic, material, reputational, or other damage to LUKOIL Group entities.

To ensure compliance with the requirements of the Code of Business Conduct and Ethics of PJSC LUKOIL and establish a uniform procedure for preventing conflict of interest situations, as well as eliminate the negative impact of any actual conflict of interest situation on the process and results of the Group's operations, the Management Committee adopted the Regulations on the Actions of

LUKOIL Group Entities and Their Employees in Conflict of Interest Situations. Compliance with these Regulations is mandatory for all employees at Group entities.

In line with recommendations set out in the Corporate Governance Code, the Company’s corporate governance system has been enhanced with a set of preventive and control procedures designed to prevent abuse of official positions, conflict of interest situations and other violations.

Upon discovering indications of unlawful behavior, abuse, or conflicts of interest, official investigations and, if necessary, additional measures are carried out to identify the root causes and circumstances of violations committed.

A conflict of interest situation is assessed through industry (line) and functional internal control and during audits carried out by the Internal Audit Service of PJSC LUKOIL. The facts and risks of negative implications of conflicts of interest identified through internal control and internal audit are duly reported to LUKOIL’s President and, if necessary, to the Business Ethics Commission.

To avoid conflicts of interest, members of the Management Committee need approval of the Board of Directors to be able to hold several positions.

LUKOIL’s employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct, and the Company’s management is invited to attend guidance meetings. Key executives of LUKOIL Group entities and employees of corporate security units are examined annually for the knowledge of methods to identify and respond to conflict of interest situations

The distribution of functions related to organizing preventive measures, identifying and preventing ethical standard violations, corporate fraud and corruption

Members	Functions
Business Ethics Commission	Supervision of corporate ethical business relations and implementation of the standards and rules of the Code of Business Conduct and Ethics of PJSC LUKOIL and the Regulations on LUKOIL Group Entities and Their Employees in Conflict of Interest Situations
Internal Audit Service	Audits and audit consulting which include: <ul style="list-style-type: none"> • Assessment of the reliability and efficiency of the risk management, internal control and corporate governance systems at LUKOIL Group entities • Organization and monitoring of the implementation of action plans to eliminate gaps and irregularities and enhance risk management, internal control and corporate governance systems at LUKOIL Group • Identification of the reasons, conditions and circumstances which led to such gaps and irregularities, with an assessment of their consequences and risks
Internal Control Department	<ul style="list-style-type: none"> • Overall coordination of the Company’s activities to improve and develop the Internal Control System (ICS) • Development of corporate standards of, and requirements to, the ICS, aimed at: <ul style="list-style-type: none"> — Preventing (mitigating) opportunities of corporate fraud related to the misrepresentation of financial statements, and illegal use of resources or assets, during risk identification and assessment — Providing for the separation of functions, authorities and duties in control procedure development, which should reduce the risk of ill-intentioned

	<p>avoidance of control procedures by employees in order to engage in corporate fraud or corrupt activities</p> <ul style="list-style-type: none"> • Supervision of corporate standards of, and requirements to, the ICS, through: <ul style="list-style-type: none"> — Analyzing regular reports from LUKOIL’s business units and subsidiaries on the results of internal control monitoring, identified violations and shortcomings of the internal control and response measures — Reviewing LUKOIL’s draft regulations brought up for approval by its governance bodies
Corporate Security Department	<ul style="list-style-type: none"> • Coordination of LUKOIL Group’s activities to ensure economic and internal security, and implementation of expert, analytics and inspection measures at the following stages: <ul style="list-style-type: none"> — Bidding and contract signing — Reviewing candidates for positions at LUKOIL — Rotating and appointing managers
<p>During these activities, we carry out a risk assessment to identify potential conflict of interest situations or abuse by employees. Should a risk be identified, we notify the head of the relevant business unit who will review the risk and make a decision on its mitigation.</p>	

Human rights

LUKOIL embraces and respects fundamental human rights and is committed to the fundamental principles of the Universal Declaration of Human Rights in its activities. These include employee equality and prohibiting any form of forced or child labor, discrimination, or degrading or humiliating treatment. We comply with the statutory working hours applied in our countries of operation, while being committed to promoting the development of employees, maintaining an effective employee remuneration system, offering equal pay for equal work. Our commitments under the UN Global Compact apply to all regions and activities of the Company.

We also encourage all organizations we work with to support and respect human rights. When signing agreements with contractors and during their performance of contracted works or services, the relevant units of the Company audit their compliance, including with human rights laws and regulations. If any breaches are identified, we suspend all engagements with the counterparty until these breaches are remedied, or terminate engagement if they are not.

Contribution to society

Being aware of our responsibility to the communities of which we are a part, LUKOIL maintains a regular dialogue with stakeholders and implements targeted programs taking into account cultural and historical specifics of the regions and countries where it operates.

The Company outlines the following categories of stakeholders:

- Shareholders and investors
- Employees and trade unions
- Local communities
- Suppliers and contractors
- Customers
- Federal and local legislative and executive authorities

Social and charitable initiatives are a part of our corporate strategy supporting productive cooperation with regions, the business community and society. Each initiative is tailored to its specific region and leverages the expertise and human capital available in the area. LUKOIL supports numerous social projects in its operating regions in Russia and abroad every year and helps address the economic issues of local communities while supporting their culture, sports, research, educational, environmental and health initiatives.

In selecting charity recipients, we favor civic initiatives aimed at fostering economic growth and social stability in our operating regions. LUKOIL's corporate philanthropy is structured around these values. Significant projects supported by LUKOIL are run through social partnerships with Russian regions.

We also support projects aimed at developing local communities, such as support for vulnerable groups, children, and youth, the conservation and development of cultural and historic heritage sites, funding local cultural, educational and sports organizations, supporting socially significant research and campaigns, and participating in charitable events.

We carry out social research and questionnaires, whereby local residents in our operating regions are surveyed to ensure effective project planning and then we assess project performance. We also hold meetings with the administrations of municipalities to discuss the efficient implementation of our cooperative agreements, establish joint working groups, regularly monitor the social and economic environment in these regions and survey local residents in our operating regions.

Expenses on external social support in 2021, %

Total, RUB billion	6.7
Agreements on cooperation with Russian regions and municipal entities	52
Charity	48

Our social investments focus on charitable programs in education, culture, sports, environment, and implementation of socially significant initiatives of local communities.

In 2021, LUKOIL implemented a number of projects aimed at developing culture and sports across the Company's footprint, as well as expanding the leisure and recreational opportunities for local communities.

The village of Yarega opened the Shakhtyor sports and health center with an area of over 4,000 square meters built at the Company's expense under the cooperation agreement between LUKOIL and the regional government.

LUKOIL also provided support to set up a 300-seat tennis center with four courts in Kogalym. The center was built to all the quality and safety standards and is capable of hosting competitions of various levels.

Following a large-scale refurbishment of the Company's Corporate Museum in Moscow, a public exhibition was opened to showcase unique collections and multimedia technologies illustrating the history of the Russian oil industry and LUKOIL's place in today's fuel and energy sector. Amongst the artefacts put on display at the nation's largest oil-related exhibition, visitors may find a memorial collection of the great Russian engineer Vladimir Shukhov, as well as documents and personal belongings of other prominent figures who left their mark in the development of oil industry and geology.

Responsibility to customers

LUKOIL has an extensive network of filling stations in 19 countries around the world. The Company's top priority is to ensure the highest standards of product and service quality, and maintaining our customers' loyalty. To this end, the quality of fuel sold is monitored at all stages of production, transportation and sales. Metrological performance is regularly monitored at filling station dispensers, and the required accuracy of petroleum product dispensing is ensured.

The LUKOIL filling station *Fill up with Profit* Loyalty Program and the *LUKOIL Filling Stations* mobile app are available to motorists. By the end of 2021, the number of mobile app users reached more than six million in Russia. A number of measures are being implemented to improve the quality of service, including development of feedback mechanisms in the mobile app, handling inquiries to the Unified Hotline, monthly analysis of incoming requests, control over compliance of filling station personnel with customer communication guidelines, regular training and development courses for all categories of filling station personnel and among others improvement of customer communication in the mobile app. Our *Fill up with Profit* loyalty program was named best in the Russian market at the Loyalty Awards Russia 2021 annual national contest.

LUKOIL is also developing services for its corporate clients. In 2021, we launched a mobile app for legal entities which enables cardless payments, plans routes to filling stations, displays transaction history and available limits, and offers other useful and relevant features for motorists. Contracts can now be executed online, which allows customers to skip the office visit to sign the agreement in person. The development of digital services effectively expands our geography, enabling remote contracting without the hassle of gathering necessary documents.

Health and safety of our customers amid the pandemic remain LUKOIL's overriding priorities. In order to mitigate the risk of COVID-19, our filling stations are equipped with protective screens and social distance warning tapes; premises and work surfaces are regularly treated with antiseptics. Inside, customers may find informational materials promoting the use of contactless payments and safety precautions. Filling station employees are provided with face masks, gloves and hand sanitizers. Personal protective equipment is also available at the Group's filling stations.

Interaction with local communities in the Republic of Komi

We engage with local communities in the Republic of Komi on a regular basis. In 2021, we convened five public hearings with municipal authorities and local residents. The hearings were held in the villages of Novikbozh, Zakharvan, Shchelyabozh and Ust-Tsilma and concerned design documentation for the construction and reconstruction of production facilities.

In 2021, two excursions to the Yaregskoye field facilities were organised for members of the public in Ukhta.

The local people can get in touch with the Company by sending a letter to LLC LUKOIL-Komi mailing address, or via email, social media or call in hotline, as well as during public hearings, community outreach initiatives and management meetings with local people.

In 2021, the environmental hotline of LLC LUKOIL-Komi received 251 calls. Almost all of them were not related to environmental issues. The most sensitive issues for residents of settlements and villages located near LUKOIL's production facilities are: environmental safety; social support from the Company; targeted charitable assistance; employment issues; issues of delivery of residents of hard-to-reach settlements to regional centers and back.

Government relations

LUKOIL is involved in developing a modern, robust and efficient government regulatory framework through a public consultation process on draft regulatory documents.

In 2021, the Company submitted to the federal authorities of the Russian Federation proposals on 325 draft regulations affecting the interests of LUKOIL Group.

The Company also participates in discussions on government regulations with business associations, in particular within the working bodies of the Russian Union of Industrialists and Entrepreneurs. In addition, throughout 2021, LUKOIL's representatives took part in working groups on implementing the regulatory guillotine mechanism (in particular, via developing mandatory requirements in the industry).

3. Corporate governance

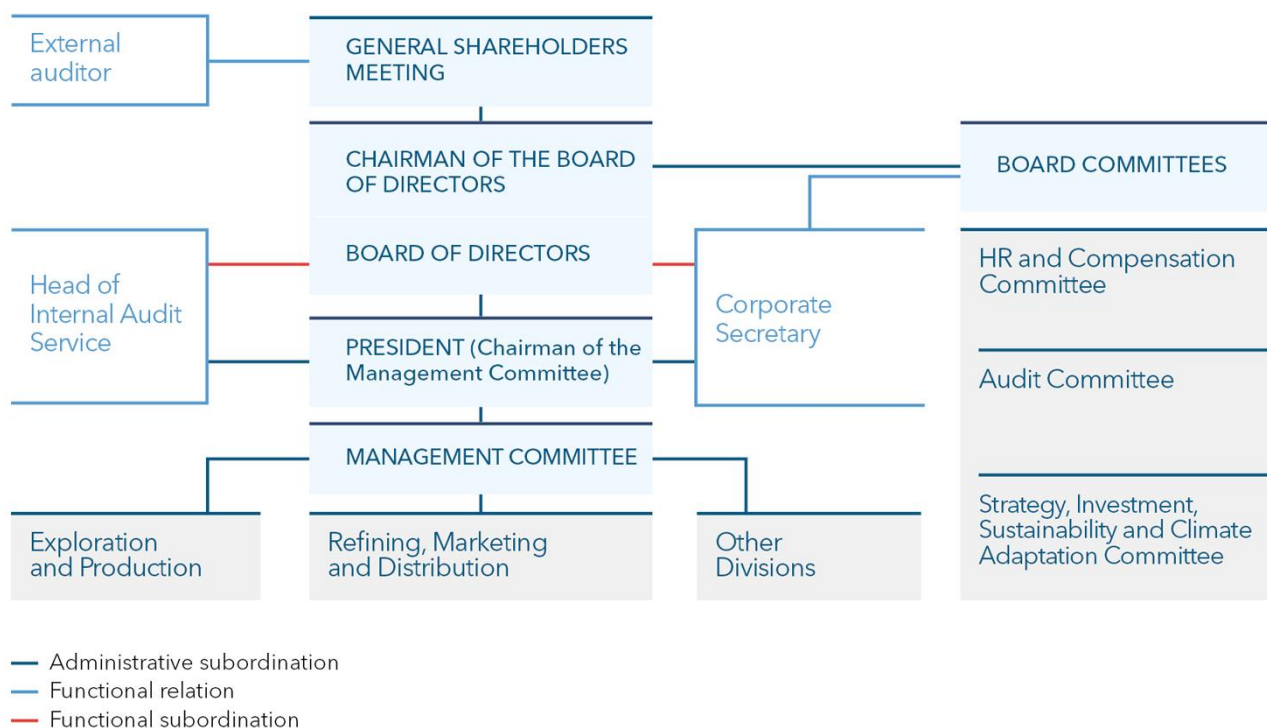
An efficiently functioning corporate governance system is an important factor for sustainable development and successful implementation of the Company’s strategy to build shareholder value.

The Company has an advanced corporate governance system based on international standards of corporate conduct and business ethics, Russian law, the Listing Rules of the Moscow Exchange and the principles of the Corporate Governance Code recommended by the Bank of Russia (hereinafter, also the “Code”).

LUKOIL’s corporate governance system is based on the following key principles:

- Observance of the rights and taking into account the interests of shareholders, investors, and other stakeholders
- Consistent and collegial decision-making
- Proactivity and professionalism of the members of governance bodies
- Stable and transparent dividend policy
- Information openness and transparency
- Prompt response to external challenges
- Zero tolerance for any form of corruption
- Adherence to ethical standards
- Corporate social responsibility

Corporate governance structure of PJSC LUKOIL as at December 31, 2021



Specific committees:

- *Health, Safety and Environmental Committee of PJSC LUKOIL*
- *Committee for Investments, Coordination of Plans and Risks in the LUKOIL Group*
- *Tender Committee of PJSC LUKOIL*
- *Major Exploration and Production Projects Committee*
- *Priority Refining and Distribution Projects Committee*

PJSC LUKOIL's corporate governance system is shaped in line with the principles and recommendations outlined in the Corporate Governance Code, recommended by the Bank of Russia. The Code regulations take into account international corporate governance practice as well as the corporate governance principles developed by the Organization for Economic Co-operation and Development (OECD).

Development of the corporate governance system

In 2021, we continued to improve our internal corporate procedures and practices and focused on the following areas.

Focus area	Activities in 2021
Improving performance of governance bodies	<ul style="list-style-type: none">• For the first time, external performance assessment of the Board of Directors in 2020 was carried out.• The updated version of the Regulations on Performance Assessment of the Board of Directors of PJSC LUKOIL was approved.• The Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL were amended and extended.
Changing and improving the internal audit system	<ul style="list-style-type: none">• Amended versions of local internal audit regulations were approved.
Strategy and sustainable development	<ul style="list-style-type: none">• The Strategic Development Program of LUKOIL Group for 2022–2031 was approved• LUKOIL Group Sustainability Policy was developed.
Insider information, information openness and transparency	<ul style="list-style-type: none">• The Insider Information Regulations of Public Joint Stock Company “Oil Company ‘LUKOIL’” were amended.

The Company endeavors to continue developing its corporate governance to improve efficiency and investment case, manage risks, and take stakeholder expectations and regulatory requirements into account.

As at the end of the reporting year, the Company fully or partially complied with all principles of the Code. The share of the Code principles that PJSC LUKOIL fully complied with rose to 82.3%¹³ from 77.2% in 2020. Accordingly, the share of the principles with partial compliance decreased to 17.7%.

Self-assessment by the Company of the corporate governance practices for compliance with the principles and recommendations of the Corporate Governance Code¹⁴

Corporate guidance principles	Number of principles recommended by the Code	2020			2021		
		Full	Partial	None	Full	Partial	None
Shareholder rights and equal opportunities for shareholders in exercising their rights	13	12	1	-	12	1	-
Board of Directors	36	27	9	-	30	6	-
Corporate Secretary of the Company	2	2	-	-	2	-	-
Remuneration system for Directors, executive bodies and other key executives of the Company	10	8	2	-	9	1	-
Risk Management and Internal Control System	6	6	-	-	6	-	-
Company disclosures and information policy	7	6	1	-	5	2	-
Material corporate actions	5	-	5	-	1	4	-
Total score	79	61	18	-	65	14	-
	100.0%	77.2%	22.8%	-	82.3%	17.7%	-

For more details on the Corporate Governance Code compliance, see Appendix 1. Corporate Governance Code Principles and Recommendations Compliance Report

General Shareholders Meeting

The General Shareholders Meeting is the supreme governance body of PJSC LUKOIL and is responsible for making decisions on matters most crucial to the Company, including: approval of the Charter and other documents regulating the Company's activities, election of the Board of Directors members, approval of the Annual report and annual accounting (financial) statements, dividend payment (announcement), approval of the auditor, decisions on consent or subsequent approval of material and interested party transactions, etc.

The full list of matters falling within the authority of the General Shareholders Meeting is set out in Federal Law No. 208 FZ On Joint-Stock Companies dated December 26, 1995.

The procedure for holding the General Shareholders Meeting ensures that all shareholders of the Company have an equal opportunity to participate in it.

¹³ Code compliance is assessed using guidelines based on comparisons between LUKOIL's practices and detailed Code recommendations. Compliance with a paragraph of the Code is considered as partial if any single detailed recommendation in the paragraph has not been complied with. If none of the detailed recommendations in a paragraph have been complied with, the Company will be considered as noncompliant with the paragraph.

¹⁴ Statistics provided based on the Corporate Governance Code Principles and Recommendations Compliance Report.

In the reporting year, the Board of Directors decided to hold the Annual General Shareholders Meeting by absentee vote in accordance with the Article 3 of Federal Law No. 17-FZ dated February 24, 2021.

The decision was taken based on the unfavorable epidemiological situation triggered by the spread of COVID-19 and the restrictions imposed on public events.

General Shareholders Meetings of PJSC LUKOIL held in 2021

<p>Annual General Shareholders Meeting June 24, 2021</p> <p>absentee voting</p>	<ul style="list-style-type: none"> • PJSC LUKOIL 2020 Annual Report and annual accounting (financial) statements were approved. • The resolution on dividend payment for 2020 was passed. • The new Board of Directors was elected. • President of PJSC LUKOIL was appointed (for a term of five years, pursuant to the Company's Charter). • A decision was made to pay remuneration to members of the Board of Directors, remuneration amounts for newly elected members of the Board of Directors were determined, and it was also established that newly elected members of the Board of Directors are compensated for expenses related to the performance of their functions as Board members. • PJSC LUKOIL's independent auditor was approved. • Amendments to PJSC LUKOIL's Charter were approved. • An interested party transaction was approved.
<p>Extraordinary General Shareholders Meeting December 2, 2021</p> <p>absentee voting</p>	<ul style="list-style-type: none"> • Resolution was passed on the interim dividend payout for nine months of 2021. • A decision was made to pay a part of the remuneration to the members of the Board of Directors for the performance of their duties starting from the date of the decision on the election of the Board members until the date of the decision taken by the Extraordinary General Shareholders Meeting.

At the General Shareholders Meetings, shareholders demonstrated strong support for each resolution on the agenda items. Votes "in favor" on all agenda items¹⁵ ranged from 95.3% to 99.9%.

Quorum at General Shareholders Meetings in 2019–2021, %

June 20, 2019 (AGM)	December 3, 2019 (EGM)	June 23, 2020 (AGM)	December 3, 2020 (EGM)	June 24, 2021 (AGM)	December 2, 2021 (EGM)
73.2%	74.2%	76.4%	74.0%	72.8%	76.7%

In 2021, although both meetings were held in the form of absentee voting, strong quorum figures were maintained, partly thanks to the development of the electronic voting system. The Extraordinary General Shareholders Meeting held in December 2021 achieved a three-year record high quorum of 76.68%, and the electronic voting system was used by 32% more shareholders than at the preceding

¹⁵ From the number of votes held by the persons who took part in the general meetings on the relevant agenda item (except for items related to the election of members of the Board of Directors of PJSC LUKOIL).

Annual General Meeting. The share of such shareholders exceeded 60% of the total number of shareholders who participated in the Extraordinary General Meeting.

The share of shareholders who used the electronic voting system in the total number of Meeting participants

June 20, 2019 (AGM)	December 3, 2019 (EGM)	June 23, 2020 (AGM)	December 3, 2020 (EGM)	June 24, 2021 (AGM)	December 2, 2021 (EGM)
35.4%	41.3%	55.2%	56.1%	55.4%	61.6%

Board of Directors

The Board of Directors is responsible for general management of the Company, except for the matters reserved to the General Shareholders Meeting. The Board of Directors plays a crucial role in designing and developing the corporate governance system, ensures the protection and exercise of shareholders rights, and supervises executive bodies.

The Board’s authority and formation process as well as procedures for convening and holding Board meetings are determined by the Charter and Regulations on the Board of Directors of PJSC LUKOIL.

The Board of Directors, in particular, is responsible for:

- Establishment of the Company’s business priorities
- Convocation of Annual and Extraordinary General Shareholders Meetings and preparations for General Shareholders Meetings
- Formation of the Management Committee, the Company’s collective executive body
- Approval of the Company’s internal documents, excluding the internal regulations to be approved by the General Shareholders Meeting and the Company’s executive bodies
- Approval of the Company’s registrar and terms of the contract with the registrar and its termination
- Consent to transactions or subsequent approval of transactions in cases stipulated by law and the Company’s Charter
- Decisions on appointment and dismissal of the Company’s Corporate Secretary and Head of the Internal Audit Service.

Consisting of 11 members, the Board of Directors is elected during the General Shareholders Meeting through cumulative voting, whereby nominees with the highest number of votes are elected to the Board of Directors.

Meetings of the Board of Directors are held in person and in absentia according to the approved plan, and when necessary, but generally at least once every two months.

Board of Directors' performance

In 2021, the Board of Directors held 19 meetings, including 9 in-person meetings and 10 meetings in absentia. Most of the matters were associated with corporate governance, strategy update, and close attention was also paid to matters of sustainable development.

We continued to use video conferencing at the Board of Directors meetings due to the COVID-19 pandemic.

Meetings

	2019	2020	2021
In person	9	8	9
In absentia	11	12	10

Matters discussed

	2019	2020	2021
In person	47	46	45
In absentia	18	17	18

Matters discussed by the Board of Directors in 2021

Corporate governance	23
Sustainable development and strategy	20
Finance	6
Transaction approval	7
Local regulations	6
Human resources	1

Key decisions of the Board of Directors in 2021

Agenda and decisions	Initial review by the Committees of the Board of Directors
<i>Corporate governance</i>	
Preparations for the Company's Annual and Extraordinary General Shareholders Meetings; specifically, nominees for election of the President and members of the Board of Directors were proposed	SISCAC, AC, HRCC ¹⁶
Functioning and improvement of the Company's Risk Management and Internal Control System	AC
Results of external performance assessment of LUKOIL's Board of Directors	HRCC – results were considered in general AC, SISCAC – performance results of the committees were considered
Approval of amended local internal audit regulations	AC
Independence of members of the Board of Directors of PJSC LUKOIL	HRCC
Amendments to the Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL	AC
Investor and shareholder relations in 2021	SISCAC

¹⁶ SISCAC – Strategy, Investment, Sustainability and Climate Adaptation Committee; AC – Audit Committee; HRCC – Human Resources and Compensation Committee

Approval of the Regulations on Performance Assessment of the Board of Directors of PJSC LUKOIL	HRCC
Approval of Program to Improve the Quality of Internal Audit at PJSC LUKOIL for 2022–2026	AC
<i>Finance</i>	
LUKOIL Group’s results for the first half of 2021 and performance of the LUKOIL Group’s Budget and the Investment Program for 2021.	
Key indicators of the LUKOIL Group Budget for 2022–2024	SISCAC
Recommendations on the amount of dividends on PJSC LUKOIL shares based on the results for full year 2020, and on the dividend payment procedure	SISCAC
Recommendations on the amount of dividends on PJSC LUKOIL shares for the first nine months of 2021, and on the dividend payment procedure	SISCAC
<i>Sustainable development, strategy, technology, innovation</i>	
The Strategic Development Program of LUKOIL Group for 2022–2031. The Strategic Development Program includes the climate strategy	SISCAC
LUKOIL Group’s preliminary results of 2020 and priorities for 2021 under the Strategic Development Program of LUKOIL Group for 2018–2027.	
The current state of the Company's preventive and proactive measures aimed at protecting employee rights and interests	HRCC
The proposals related to plastic recycling and production of second generation biofuels	SISCAC
LUKOIL Group Sustainability Report for 2020	SISCAC
LUKOIL Group Sustainability Report for 2021	SISCAC
Health and safety performance and efforts to improve occupational safety	SISCAC
Application of the Integrated management systems to support and ensure the effectiveness of business processes in the Company	SISCAC
Progress of implementation of the Human Capital Management Policy of PJSC LUKOIL, management succession, the talent pool of PJSC LUKOIL and the talent development system	HRCC
Amendments to the Insider Information Regulations of Public Joint Stock Company “Oil Company ‘LUKOIL’”	AC

Board of Directors’ performance assessment

The Board of Directors relies on the assessment procedure to identify areas of its performance improvement. PJSC LUKOIL was one of the pioneers in the Russian oil and gas industry to start assessing the performance of the Board and its Committees on a regular basis. The Company introduced this practice back in 2010.

In 2021, the annual assessment of the Board of Directors' performance was carried out in the form of self-assessment. Moreover, for the first time in the Company’s history the external independent assessment of the Board of Directors' performance was carried out.

Assessment in the form of self-assessment

The questionnaire on the annual self-assessment of the Board of Directors and its Committees included 52 questions split into several groups.

Criteria groups for the Board of Directors performance	Criteria groups for the Board of Directors' Committees performance
<ul style="list-style-type: none">• Composition of the Board of Directors• Overall efficiency of the Board of Directors• Exercise of key functions of the Board of Directors• Proceedings and awareness of the Board of Directors	<ul style="list-style-type: none">• Composition and administration of the Board of Directors' Committee• Exercising key functions of the Board of Directors' Committee• Initiatives to improve performance of the Board of Directors' Committee

The assessment results are summarized based on the questionnaires filled out by the members of the Board of Directors. As part of the assessment, the Chairman of the Board of Directors discusses the results of relevant Committees' performance assessment with the Committee Chairmen and members, and reports these results at the meeting of the Board of Directors as part of the discussion of the aggregate annual assessment results. Granular discussion with the members of the Board of Directors serves to analyze matters that require special attention from the Board of Directors, and identify possible solutions.

Following the self-assessment and performance assessment of the Board of Directors of PJSC LUKOIL as part of its external performance assessment for 2021, the Board of Directors deemed it reasonable to continue improving its performance, including the recommendations given after the external assessment.

External independent assessment

In 2021, JSC KPMG, our external independent consultant, completed an external independent assessment of performance of the Board and its Committees.

The consultant reviewed the following components of the Board's performance in 2018–2020:

- structure, composition and independence of the Board of Directors and its Committees;
- organization of activities of the Board of Directors and its Committees;
- performance of the key functions by the Board of Directors and its Committees.

The assessment included questionnaires and interviews with members of the Board and its Committees, review of PJSC LUKOIL's internal documents governing and describing the activities of the Board and its Committees. On top of that, the consultant benchmarked performance of PJSC LUKOIL's Board of Directors against the practices of Russian and global oil and gas majors, along with the Russian and international corporate governance codes and guidelines.

Key results of the independent performance assessment of the Board of Directors

1. Structure, composition of the Board of Directors and its Committees, independence of Board members

The independent consultant has concluded that the Board of Directors is a highly professional team possessing a diverse range of competencies and skills. Among the strengths, it highlighted the availability of a committee focusing on sustainable development and climate change, along with

foreign directors on the Board, which provides diversity of opinions, expertise, and high independence. It was also noted that PJSC LUKOIL is comparable with global oil and gas companies in terms of the share of foreign members on the Board of Directors, while in terms of independence — more than twice as high as Russian oil and gas companies. Furthermore, the Audit Committee and the HR and Compensation Committee are comprised entirely of independent directors, which is in line with the best corporate governance practices.

2. Organization of activities of the Board of Directors and its Committees

The organization of activities and teamwork of the Board of Directors and its Committees were highly praised. Among the strengths, the consultant spotlighted the key role of the Chairman of the Board of Directors, effective planning of and high attendance at meetings, regular performance assessment of the Board and its Committees, and quality of the Corporate Secretary's work.

On a separate note, the highly effective induction program for new members was mentioned.

3. Performance of the key functions by the Board of Directors and its Committees

The extent to which the key functions of the Board of Directors and its Committees are performed was assessed as high by the independent consultant. It was noted that the Board deals with a wide range of matters and pays special attention to such important matters for the Company as strategy development, analysis of operating results and monitoring of financial statements.

Special emphasis was placed on the Board's involvement in sustainability and climate change matters.

Areas for further development

To further streamline the processes of the Board of Directors, a list of key areas for development was drawn up based on the assessment results, including:

- establishing an informal dialog between the Board, top management, and key executives
- further developing sustainable development practices
- adjusting the strategy to meet the new challenges of a low-carbon economy
- regularly reviewing key risks at meetings of the Board of Directors.

Following the assessment, the independent consultant praised a high degree of involvement of Board members in the assessment process, each of them providing active feedback and demonstrating a strong focus on performance.

The identified areas for development were taken into account in the activity plans of the Board of Directors and its Committees for 2021/2022 and will be paid attention to going forward. Also, to take onboard the provided recommendations, a number of measures were taken, the most important of which are summarized below:

Improvement of effectiveness of the Board of Directors and its Committees

The Board of Directors approved the new version of the Regulations on Performance Assessment of the Board of Directors of PJSC LUKOIL. The new Regulations take into account the recommendations of the Corporate Governance Code, the Bank of Russia's Letter On Recommendations for Organizing and Conducting Self-assessment of the Board of Directors (Supervisory Board) of Public Joint-Stock Companies and the best global practices, and replaces the version that was in force from 2012 with amendments. The Regulations define the objectives, goals, principles, criteria and the procedure for conducting assessment (self-assessment) of the Board of Directors of PJSC LUKOIL and its

Committees, establish, among other things, the requirement to carry out external assessment of the Board of Directors at least once every three years and include the updated questionnaires for annual self-assessment of the Board of Directors and the Committees of the Board of Directors of PJSC LUKOIL.

Talent pool and talent development, corporate culture

In December 2021, the Board of Directors discussed the progress of implementation of the Human Capital Management Policy of PJSC LUKOIL, management succession, the talent pool of PJSC LUKOIL, and the talent development system. Going forward, this item will be reviewed on a regular basis.

Regular consideration of key risks, analysis of emerging exposures

As part of discussion of the progress of implementation of the Human Capital Management Policy of PJSC LUKOIL, management succession, the talent pool of PJSC LUKOIL, and the talent development system (see above), the Board of Directors also considered HR risks amid the COVID-19 pandemic.

The activity plan of the Strategy, Investment, Sustainability and Climate Adaptation Committee for 2021/2022 includes the item on the climate risk management framework.

Further improvement of sustainable development practices

As part of the work to develop the Company's sustainability management system, in December 2021, the Strategy, Investment, Sustainability and Climate Adaptation Committee considered LUKOIL Group's Sustainability Policy. The Policy was approved by the Board of Directors in January 2022.

The activity plan of the Strategy, Investment, Sustainability and Climate Adaptation Committee for 2021/2022 includes the item on the legal framework in sustainable development.

Adjustment of the strategy to meet the new challenges of a low-carbon economy

In November 2021, the Strategy, Investment, Sustainability and Climate Adaptation Committee considered the global energy development outlook until 2050.

In December 2021, the Board of Directors approved LUKOIL Group's Strategic Development Program for 2022–2031, which includes the climate strategy.

In December 2021, the Board of Directors also considered proposals related to plastic recycling and production of second generation biofuels.

A more detailed examination of the items related to internal and financial control at the Company's subsidiaries

In September 2021, the Audit Committee considered the internal control at subsidiaries. The Committee plans to review this item on a regular basis.

Board of Directors' composition

PJSC LUKOIL's Board of Directors consists of highly professional individuals. We believe that our Board of Directors has the optimal number of members, well-balanced in the share of independent, executive and non-executive directors, and well-diversified in terms of Directors' professional qualifications and sociocultural diversity.

A high share of independent directors ensures impartial consideration of matters while their independent judgements help improve the Board's performance and the Company's corporate governance system as a whole.

As at the end of 2021, the Board of Directors included three executive directors, thus enabling deep integration of the Board and PJSC LUKOIL's executive bodies, and promoting well-informed managerial decision-making based on industry knowledge. Current members of the Board of Directors at the end of the reporting year had sufficient time to perform their duties. Almost half of the directors did not hold executive positions in other companies, while executive directors held no more than two positions in total (except for positions in entities within LUKOIL Group, on boards of foundations and boards of trustees in nonprofit organisations).

Board of Directors Chairman's role

The Chairman of the Board of Directors plays the key role in ensuring strong performance of the Board of Directors and its Committees. The Chairman of the Board of Directors is elected at the first meeting of the newly elected Board of Directors. The Board of Directors is entitled to re-elect its Chairman at any time by a majority vote. The Chairman of the Board of Directors organizes the Board's work, convenes and chairs its meetings, and arranges for keeping the minutes of meetings. The Chairman proposes nominees to the Committees of the Board of Directors based on their professional and personal qualities and taking into consideration Directors' individual proposals on the Committees setup. As at the end of the reporting year, the Chairman of the Board of Directors was not a member of any Committee of the Board of Directors.

In the absence of the Chairman, the above functions are performed by the Vice Chairman.

Independent directors

Independent directors play an important role in effective implementation of the duties of the Board of Directors, particularly on the issues related to the Company's development strategy and managing risks, as well as protecting the interests of both shareholders and investors. Independent directors help develop objective and well-balanced opinions on the matters discussed at meetings.

The Company's Board of Directors comprised eleven members at the end of the reporting year, six of which were independent directors – a sufficient number for the objective and well-informed decision-making process. All independent directors are members of Committees, with three of them serving as Chairmen of Committees and two being members of two Committees simultaneously.

The independence of each director and nominee to the Board of Directors was assessed during 2021 as per the Listing Rules of the Moscow Exchange and provisions of the Corporate Governance Code, through questionnaires filled out by Board members or nominees and the analysis of available information by the Company. The HR and Remuneration Committee assessed directors' independence three times in 2021. In March 2021, the Committee analyzed the qualification and independence of all nominees, and the results of independence assessment were included into the materials provided for review in preparation for the Annual General Meeting of Shareholders. In July, the Committee assessed the independence of the newly elected Board of Directors and prepared its recommendations to the Board. Next, the independence of all members of the Board of Directors was reviewed by the Board. In November 2021, the HR and Compensation Committee reviewed the Board's independence once again, while also assessing professional qualifications of the Board.

Diversity in the Board of Directors

According to the Corporate Governance Code, nominees to the Company's governance bodies must have relevant professional qualifications, knowledge, experience, expertise and business skills.

The current version of the Code does not outline recommendations on ensuring a fair representation of gender, age or any other diversity in corporate governance bodies. Therefore, PJSC LUKOIL does not currently have policies or other local regulations approving the application of such approaches.

At the same time, we believe that the performance of the Board of Directors is positively affected by the diversity of professional qualifications and sociocultural diversity based on gender, age, nationality, social background, etc. Such diversity provides the Board of Directors with different points of view; helps avoid group think, brings new ideas to discussions, and contributes to well-balanced decision-making. The current Board of Directors is sufficiently diversified and balanced.

Length of service on the Board of Directors as at December 31, 2021

Less than 1 year	1
1 to 7 years	6
Over 7 years	4

By gender

Female	2
Male	9

Geography

Russia	8
Europe	2
USA	1

Education*

Academic degrees	8
Oil and gas	2
Economics and finance	5
Law	2
Mathematics	1
International relations	1
Geography	1

* One Board member has a double degree.

Induction of new members of the Board of Directors and information support of the Board's activities

Newly elected directors complete an induction training program no later than 30 days following their election date.

Key elements of the program:

- Personal meetings with PJSC LUKOIL's President, the elected Chairman of the Board of Directors, the Corporate Secretary, top management and/or heads of corporate business units
- Familiarization with internal documents
- Familiarization with operations, including on-site visits to the Group's production facilities.

The Corporate Secretary runs the induction training program and coordinates interaction between all involved parties with the assistance and management of the HR and Compensation Committee.

To give directors and members of the relevant committee a better understanding of the climate change agenda and its impact on the operations of oil and gas companies, at its meeting on January 12, 2021 the Board of Directors reviewed a report on the Company's comparative performance metrics over the recent years and hydrogen economy as a component of oil and gas companies' strategies, and on November 30, 2021, the Strategy, Investment, Sustainability and Climate Adaptation Committee reviewed a report on the global energy development outlook until 2050.

To ensure effective provision of information to Directors, PJSC LUKOIL uses up-to-date information and technical resources, including dedicated software in the Russian and English languages.

Liability insurance of Board members

Pursuant to the contract (policy) with IPJSC Ingosstrakh on insuring the liability of directors, officers and companies for 2021–2022, PJSC LUKOIL insures the liability of:

- The sole executive body, members of governance bodies, employees of PJSC LUKOIL and/or its subsidiaries and/or other organizations with an interest of PJSC LUKOIL and/or its subsidiaries whose candidates were elected sole executive body and/or members of the governance bodies of such organizations (Coverage A)
- PJSC LUKOIL, PJSC LUKOIL subsidiaries, other organizations with PJSC LUKOIL participation and/or its subsidiaries whose candidates were elected as sole executive body and/or members of the governance bodies of such organizations (Coverage B)
- PJSC LUKOIL and its subsidiaries against claims relating to securities (Coverage C)

The insured amount (liability limit) makes up at least USD 50 million in aggregate for Coverages A, B and C, including defence costs. The total insurance premium is up to USD 1 million.

Board Committees

LUKOIL's three Board Committees improve the effectiveness of resolutions passed by the Board of Directors and are engaged in the preliminary detailed review of the most essential matters while preparing relevant recommendations for the Board of Directors:

- Strategy, Investment, Sustainability and Climate Adaptation Committee (SISCAC)
- Audit Committee (AC)
- HR and Compensation Committee (HRCC)

Committee activities are governed by applicable regulations.

The Committees are fully accountable to the Board of Directors. Committee members are elected from among the Board members and in line with both best practice and the requirements of the Listing Rules of the Moscow Exchange. The committees include a significant number of independent directors. This approach fosters objective and well-balanced recommendations. All Committee members have an adequate combination of strong expertise and extensive experience, including hands-on experience.

As of the end of the reporting year the Audit Committee and the HR and Compensation Committee were comprised exclusively of independent directors. Independent directors made up half of the Strategy, Investment, Sustainability and Climate Adaptation Committee (two members out of a total of four were independent, including the Chairman). This made them well-positioned to contribute significantly to the decision-making process when setting strategic goals, identifying PJSC LUKOIL's

business priorities, ensuring sustainable development, or making other important decisions that may affect shareholder interests. Both LUKOIL employees and third parties may attend Committee meetings upon invitation from a Committee Chairman. However, they may not vote on agenda items.

Secretarial duties of the Board of Directors' Committees are performed by the Corporate Secretary.

78% of all matters discussed by the Board of Directors in 2021 were previewed by the Board Committees, ensuring detailed discussions on the most essential matters brought up for the Board's approval. In the reporting year, despite the COVID-19 pandemic, all committees worked as planned; 88% of all meetings were held in person.

Committee membership as at December 31, 2021, %

Independent directors	80%
Executive directors	20%

Committee meetings

	In person	In absentia
2019		
SISC	7	0
AC	8	0
HRCC	6	1
2020		
SISCAC	6	1
AC	5	3
HRCC	4	4
2021		
SISCAC	7	1
AC	9	0
HRCC	6	2

Matters discussed

	2019	2020	2021
Reviewed by the Committee only	30	25	26
Reviewed for submission to the Board	36	40	49

Strategy, Investment, Sustainability and Climate Adaptation Committee

Committee tasks	Key topics covered in 2021*
<ul style="list-style-type: none"> • Making recommendations to the Board of Directors on: <ul style="list-style-type: none"> – Defining the strategic objectives of the Company's business, including sustainability, climate change, climate adaptation, IT Strategy, and implementing them into the Company's Strategic Development Program 	<ul style="list-style-type: none"> – The progress of implementation of the Environmental Safety Program of LUKOIL Group Entities for 2019–2021 – The progress of preparation of the Strategic Development Program of LUKOIL Group for 2022–2031

<ul style="list-style-type: none"> – The Company’s business priorities – The dividend policy, the amount of dividends to shareholders, and dividend payout procedure – The distribution of the Company’s profit (losses) for the reporting year – Assessment of the Company’s long-term performance • Involvement in monitoring progress against the Company’s Strategic Development Program • Analysis of risks associated with climate change and climate adaptation 	<ul style="list-style-type: none"> – Application of the Integrated management systems to support and ensure the effectiveness of business processes in the Company – The prospects of the global energy sector development until 2050 – The Strategic Development Program of LUKOIL Group for 2022–2031 – The proposals related to plastic recycling and production of second-generation biofuels – Recommendation to the Board of Directors to approve the Sustainability Policy of PJSC LUKOIL
--	---

* The list of key decisions made by Board of Directors based on the Committee’s recommendations is provided in the Board of Directors section

Audit Committee

Committee tasks	Key topics covered in 2021*
<ul style="list-style-type: none"> • Reviewing the Company’s accounting (financial) statements for completeness, accuracy and reliability • Making recommendations on the Company’s proposed auditor and the auditor’s remuneration • Reviewing the auditor’s opinion and determining the auditor’s independence, objectivity and absence of a conflict of interest • Assessing effectiveness of the internal audit and considering proposals for improvement • Reviewing the Company’s internal audit activity plans and budget • Assessing the effectiveness of the Company’s risk management and internal control procedures and reviewing the reliability and performance of both the risk management and internal control system • Improving the Company’s corporate governance system and practices 	<ul style="list-style-type: none"> • Discussion of material accounting issues, including the Company’s accounting policy, and material matters that arose during the independent external audit • Review of consolidated financial statements of PJSC LUKOIL under IFRS (for 2020, first quarter of 2021, six months of 2021, nine months 2021) • Information on material litigations and claims related to the operations of LUKOIL or other LUKOIL Group entities • Review of the most material amendments to accounting reports following the audit results • Assessment of the opinion of the Company's Auditor to be provided to shareholders for review in preparation for the Annual General Shareholders Meeting • Recommendations to the Board of Directors regarding the Auditor selection and its subsequent approval by the General Shareholders Meeting of the Company • Recommendations to the Board of Directors regarding the amendments to the Insider

<ul style="list-style-type: none"> • Making recommendations for the Board’s possible preliminary approval of the Company’s Annual Report 	<p>Information Regulations of Public Joint Stock Company “Oil Company ‘LUKOIL’”</p> <ul style="list-style-type: none"> • Internal control system at subsidiaries • Approval of amended local internal audit regulations
---	---

* The list of key decisions made by Board of Directors based on the Committee’s recommendations is provided in the Board of Directors section

To improve the corporate governance system, in November 2021, the Board of Directors of PJSC LUKOIL approved the amendments and additions to the Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL. The Committee’s functions were adjusted and updated to enable the development of the internal control and audit system and the effective implementation of the anticorruption policy and the Bank of Russia’s recommendations.

HR and Compensation Committee

Committee tasks	Key topics covered in 2021*
<ul style="list-style-type: none"> • Assessing the performance of the Board of Directors, its members and Committees; identifying priority areas to strengthen Board composition, preliminary consideration of candidates to the Board of Directors nominated by the Board of Directors • Communicating with shareholders to prepare recommendations for voting in the election of candidates to the Board of Directors • Planning the appointments of the Management Committee members and the President, provides recommendations to the Board of Directors on nominees to the positions on the Management Committee, the President of the Company and the Corporate Secretary • Development and regular reviews of the Company’s policy on remunerating members of the Board of Directors and the Management Committee, and the President • Making recommendations to the Board of Directors on determining the remuneration of the Corporate Secretary • Pre-assessing the performance of the Management Committee members and the President throughout the year in line with the Company’s remuneration policy 	<ul style="list-style-type: none"> • Preliminary consideration of candidates to the Board of Directors nominated by the Board of Directors • Provision of recommendations to the Board of Directors on nominees to the position of the Company’s President • Recommendations to the Company shareholders on voting in the election of the Company’s Board of Directors, assessment of professional qualifications and independence of all nominees to the Company’s Board of Directors • LUKOIL Group HR management Report • Preliminary results of external assessment of LUKOIL’s Board of Directors performance • The current state of the Company's preventive and proactive measures aimed at protecting employee rights and interests • Recommendations to the Board of Directors regarding the approval of the Regulations on Performance Evaluation of the Board of Directors of PJSC LUKOIL • The procedure for remuneration and compensation of expenses to members of the Board of Directors of PJSC LUKOIL • The progress of implementation of the Human Capital Management Policy of PJSC LUKOIL • The management succession, the talent pool of PJSC LUKOIL and the talent development system

* The list of key decisions made by Board of Directors based on the Committee’s recommendations is provided in the Board of Directors section

Corporate Secretary

The Corporate Secretary functionally reports to the Board of Directors, is appointed by the Company's President based on a resolution of the Board of Directors, and acts in line with PJSC LUKOIL's Charter and Regulations on the Corporate Secretary. An office of the Corporate Secretary has been set up to assist in this work.

The Corporate Secretary's duties are to provide support to the Board of Directors and its committees, including preliminary consideration of matters to be discussed, organizing expert assessment of draft resolutions, ensuring compliance with meeting procedures, and assisting directors in obtaining necessary information, as well as performing all other functions provided for by the Regulations on the Corporate Secretary of PJSC LUKOIL.

President and Management Committee

The Company's executive bodies, the President and the Management Committee, play a key role in ensuring the timely and efficient performance of its operating and strategic tasks. According to the Company's Charter, the scope of authority of its executive bodies covers all day-to-day operations, except for matters reserved to the Company's General Shareholders Meeting or Board of Directors.

President

The President, the Company's sole executive body, is appointed by the General Shareholders Meeting for a term of five years and serves as the Chairman of the Management Committee.

The key provisions of the contract with the President are subject to preview by the HR and Compensation Committee of the Board of Directors and final approval by the Board of Directors.

The President's scope of authority covers all matters of managing the Company's day-to-day operations, except for matters reserved to the Company's General Shareholders Meeting or Board of Directors. This includes representing the Company's interests, entering into transactions on behalf of the Company, signing financial documents, approving staff and signing employment contracts, approving the Company's organization, approving internal documents regulating its day-to-day operations, save for internal documents to be approved by the Management Committee, organizing the activities of the Management Committee, and performing other functions established by the Company's Charter.

Management Committee

The Management Committee is a collective executive body in charge of PJSC LUKOIL's day-to-day operations, as well as the development and implementation of the overall development strategy of the Company's subsidiaries. The President of PJSC LUKOIL is the Chairman of the Management Committee.

The Management Committee is guided by applicable laws, the Charter of PJSC LUKOIL and the Regulations on the Management Committee of PJSC LUKOIL.

The authority of the Management Committee covers developing and implementing the Company's current business policy, developing and approving the Company's activity plans, budget, and investment program, as well as monitoring their performance, making decisions on establishment by the Company of other legal entities, a number of powers related to development and implementation

of the overall development strategy of the Company’s subsidiaries, and other powers set out by the Company’s Charter.

Following on the President’s proposals, the Management Committee is formed by the Board of Directors on an annual basis.

Meetings of the Management Committee are convened as necessary. All meetings are held in the form of joint attendance. Attendance at Management Committee meetings remained traditionally high and in 2021 was 93%.

In 2021, the Management Committee held 29 meetings and discussed 120 matters. Among others, the following key matters were discussed:

- Approval of key budget indicators for LUKOIL Group
- Taking resolutions on the operations of LUKOIL subsidiaries
- Optimizing the production capabilities and the corporate structure of LUKOIL Group
- HR decisions on key executives of LUKOIL Group entities
- Approval of business process management principles
- Discussion of matters related to industrial safety, occupational health and social policy
- Approval of the Company’s local regulations underlying the Company’s core businesses

Management Committee meetings

2019	2020	2021
28	32	29

Matters discussed

2019	2020	2021
149	111	120

Length of service on the Management Committee as at December 31, 2021, full years

1 to 7 years	5
Over 7 years	8

Remuneration System for Members of the Company’s Governance Bodies

When shaping the remuneration system and determining the particular remuneration for members of PJSC LUKOIL’s governance bodies, the actual amounts payable are expected to be sufficient to engage, motivate to work efficiently, and retain persons having skills and qualifications required by the Company.

Remuneration system for members of the Board of Directors

The guidelines on remuneration and compensation of members of the Board of Directors, including their structure and terms of payment, are formalized in the Director Compensation and Expense Reimbursement Policy of PJSC LUKOIL (hereinafter, the “Remuneration Policy”).

The Remuneration Policy has been developed based on principles and recommendations of the Corporate Governance Code and reflects the practices of remuneration and compensation accrual currently in place at the Company.

The Company believes that its preferred form of monetary remuneration payable to members of the Board of Directors is fixed annual remuneration not linked to any operational, financial or other performance of the Company. Furthermore, the Company pays additional remuneration for the higher responsibility levels and additional time spent on Directors' involvement in Committee activities, discharging the functions of the Chairman of the Board of Directors and Committee Chairmen.

Directors' remuneration does not include short- and long-term incentive payments or additional benefits, including any insurance (except for the liability insurance of members of the Board of Directors), pension and other social benefits.

The Company does not provide for any extra payments or compensations in the event of early termination of Directors' tenure.

Remunerations are determined by the General Shareholders Meeting and reflect proposals of the Board of Directors, which are based on recommendations of the HR and Compensation Committee.

The Company also compensates the costs incurred by members of the Board of Directors to perform their duties, including costs of traveling, using teleconference services, engaging advisors and experts to obtain their opinions on matters pertaining to the activities of the Board of Directors, with the total not exceeding the budget allocated by the Company.

Remuneration structure for members of the Board of Directors

Type	Amount established by the resolution of the Annual General Shareholders Meeting held on June 24, 2021 for 2021–2022 corporate year, RUB thousand
Remuneration to the member of the Board of Directors	7,600
Remuneration to the Board Chairman	5,850
Remuneration to the Board Deputy Chairman	3,000
Remuneration to the member of a Board Committee	1,200
Remuneration to the Chairman of a Board Committee	1,200
Remuneration for each in-person attendance at Board or Committee meeting requiring a transcontinental flight	400
Remuneration for each attendance at a conference or other event attended by written proxy of the Chairman of the Board of Directors	200

Members of the Board of Directors who are concurrently employed by the Company also receive other payments from the Company (salary, bonuses, additional social benefits) and, if they are members of the Management Committee, remuneration for performing the duties of Management Committee members.

Payments to the Board of Directors, RUB thousand

	2019	2020	2021
Total payments to the Board of Directors	208,784	190,495	202,913
Remuneration of members of the Board of Directors	103,075	100,675	102,625
Compensation of costs	26,478	3,331	620
Payments to Directors who are (were) employed by the Company, but are not members of the Management Committee	79,231	86,489	99,669
including: <i>salary</i>	<i>33,925</i>	<i>31,768</i>	<i>32,679</i>
<i>bonuses</i>	<i>30,372</i>	<i>35,709</i>	<i>40,435</i>
<i>other types of remuneration</i>	<i>14,934</i>	<i>19,012</i>	<i>26,554</i>

Top management remuneration system¹⁷

The Top Management Remuneration System was developed to ensure the delivery of business targets, promote strategic business activities, and support a uniform, systemic and consistent approach to financial incentives for key executives. The balance of interests of the Company's management and shareholders is key to the Top Management Remuneration System in place at the Company.

The Top Management Remuneration System is included in the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System.

Top management remuneration system consists of fixed and variable components.

The fixed component consists of a salary determined taking into account the complexity of tasks and duties to perform, the scope of work under the direct influence of a key executive, and the extent of such influence. The fixed component also includes additional payments for discharging the duties of other temporarily absent key executives. The salaries are in line with the market, which ensures the retention of key executives.

The variable component consists of annual bonuses and may also include one-off and target bonus payments and other payments.

Annual bonuses are paid as end-of-year bonuses and are intended to incentivize top managers to meet year-round targets. To determine annual bonuses, the performance against the pre-set Key Performance Indicators is analyzed and approved. There are two types of KPIs: Company-wide (team performance) and individual (key executive's performance within the business line the top manager is responsible for).

Performance indicators used for annual bonus payments to key executives

Indicator group	Indicators	Group weight, %
Company-wide*	<ul style="list-style-type: none"> • LUKOIL Group's profit for the year • LUKOIL Group's free cash flow • Hydrocarbon production volume • Ensuring HSE compliance across LUKOIL Group entities 	From 50 to 100
Individual	Personalized for each executive in accordance with targets and objectives of his or her business line	Under 50

*The Key Performance Indicators from the Set of KPIs approved by the Management Committee of PJSC LUKOIL are used as Company-wide indicators.

¹⁷ Top manager (executive employee) – President, First Executive Vice President, First Vice Presidents, Senior Vice Presidents, Vice Presidents of the Company, Chief Accountant, and executives responsible for certain business lines.

The balance of the Company-wide and individual components is determined for the functional activity for which the key executive is responsible. Annual bonuses paid to the President of PJSC LUKOIL are based on Company-wide indicators. The weighting of the Company-wide and individual component and annual salary-based bonus targets are set out in the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System. To incentivize management, the Company sets priority KPIs that have stronger impact on bonuses than others. The Company-wide priority KPIs are LUKOIL Group's profit and free cash flow.

Individual KPIs used for certain key executives also include the free cash flow of relevant business segments.

Our management remuneration system also uses long-term incentives to drive better performance in the medium and long term. The incentives are set out in the Regulations on the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2018–2022 and are intended to build an interest in the Company's long-term performance, enhance its investment case, and create shareholder value. The Program involves about 40 million PJSC LUKOIL shares.

Management Committee remuneration system

Each of the Management Committee members received remuneration for performing the duties of a Management Committee member in the reporting year, equal to the monthly official salary in their main position. The remuneration is provided for by contracts made with the Management Committee members and is paid against achievement of Company-wide KPIs over the reporting period. On top of that, the Management Committee members received:

- Base salary for performing their main position
- Annual bonuses for their year-round performance and other bonuses
- Additional social benefits.

Payments to the Management Committee*, RUB thousand

	2019	2020	2021
Total payments to the members of the Management Committee	1,684,611	1,544,080	1,564,817
Remuneration of Management Committee members	56,534	62,854	59,622
Salary	474,853	578,590	483,950
Bonuses (annual and other bonuses)	538,092	503,598	612,291
Other payments	615,132	399,038	408,954

* Including, among other things, payments to the President of PJSC LUKOIL.

Management Committee members also participate in the Long-Term Incentive Program for Key Employees of LUKOIL Group. In 2021, they acquired a total of 150 thousand shares under the Program.

Severance pay for top management

In the event of early termination of the employment contract, a key executive officer is entitled to a severance pay in the amount of the sum of his basic salary for 12 months.

The contract of PJSC LUKOIL's President has the term of five years and may be terminated early subject to giving not less than one month's preliminary notice of termination. In the event of early termination of the employment contract, the President is entitled to a severance pay equal to the sum of his basic salary for 24 months.

Performance Assessment System

The Company has in place a corporate performance assessment system based on Key Performance Indicators (KPIs) – a limited set of quantitative indicators reflecting the most important (key) factors of the Group's success and measuring achievement of the strategic goals.

The Set of KPIs contains their list and calculation methodology and is approved by the Management Committee of PJSC LUKOIL and reviewed at least once every two years. This makes it possible to adjust and update KPIs as necessary, taking into account LUKOIL's revised strategic goals and plans, changes in its asset portfolio, and the external environment. The latest amended set of KPI was approved in December 2021. LUKOIL Group's Set of KPIs has around 60 unique indicators applied across business segments, business sectors and budgetary units depending on the nature of their operation. The total number of KPIs for LUKOIL Group is around 400.

As part of the efforts to achieve the Company's goals in decarbonization and climate change adaptation, the Company considered including the KPIs for GHG emissions management in the Set of KPIs in the reporting year.

The procedure for using KPIs in individual corporate processes is governed by relevant local regulations:

- LUKOIL Group's Growth Strategy Development Regulations
- LUKOIL Group's Corporate Planning Regulations
- LUKOIL Group's Corporate Management Reporting Regulations

KPIs in planning

KPIs align goals and objectives on different planning horizons: long-term — 10 years; mid-term — 1–3 years. Furthermore, as the planning horizon becomes shorter, the set of applicable KPIs expands.

In budget planning, KPIs are used as target guides both at the stage of target development for top-down planning and at the stage of final formalization of targets and objectives as benchmark indicators against which subsequent performance assessment is carried out.

Performance management through KPIs

KPIs are crucial for managing both the overall performance of LUKOIL Group and the individual performance of its assets. Performance assessment is carried out on a regular basis and includes:

- Monitoring current results of operations on a monthly (and in some cases, weekly) basis
- Summing up the results of operations quarterly and annually

Certain indicators — first of all, financial ones — are subject to factor analysis which identifies controllable and uncontrollable factors. It helps give an objective assessment of how executives impact LUKOIL Group entities' performance.

KPIs and personal objectives in the motivation system

Key performance indicators included in the Set of KPIs are used in the motivation system by linking remuneration to the actual performance of target indicators.

A limited well-balanced range of indicators from the Set of KPIs is selected directly from the assessed employee’s area of responsibility to be used in the motivation system.

In addition, to incentivize heads of the Company’s subsidiaries towards delivering strong performance, in December 2021, amendments were made to the Company’s relevant local regulations, which provide for the establishment of personal objectives for all general directors and deputy general directors of LUKOIL Group subsidiaries.

Risk management and internal control system

LUKOIL’s risk management and internal control system (RMICS) is an integral part of its corporate governance.

The RMICS is organized and operates to provide reasonable assurance of achieving the following targets and objectives in the context of uncertainties and negative factors:

- The Company’s strategic and business goals
- Asset integrity
- Compliance of all types of reports with established requirements
- Compliance with the applicable laws and regulations of LUKOIL Group entities

The RMICS is organized and operates in accordance with the following key principles	
<ul style="list-style-type: none"> • Integration with the Group’s corporate governance system and business processes • Focus on risk • Ongoing operation continuity • Full coverage of the Group’s business • Adaptiveness through self-improvement and development • Uniform methodology 	<ul style="list-style-type: none"> • Employee responsibility for risk management and internal control performance • Sufficiency of actions to achieve goals • Economic feasibility • Division of authority, duties and responsibilities • Process formalization • Informational content

Risk management and internal control processes are interrelated continuous processes followed by governance bodies and employees while performing their functions.

Key participants of LUKOIL Group's RMICS



Risk management

PJSC LUKOIL continuously improves its risk management system, enabling the Company to promptly respond to changes (both external and internal), maintain performance, and improve its efficiency in an environment of high risks and uncertainty.

In 2021, efforts were made to:

- Identify and assess new risks, establish a single risk database and use this information to support key decision-making
- Review and prepare materials on major and priority projects and develop recommendations and proposals to improve profitability and mitigate risks
- Update and develop the Company's local regulations on risk management
- Integrate climate risks and opportunities into the corporate risk management information system.

Risk management development and improvement focus on:

- Improving internal regulations and guidelines with due consideration to changes in Russian laws and trends in global best practices
- Integrating risk management processes across key areas: growth strategy development, investment planning, budgeting, and risk management at the level of operational and financial activities
- Improving risk information quality through harmonization, standardization and making recommendations on standard risk description
- Optimizing information sharing

The Board of Directors and the Management Committee place a special focus on risk management to provide reasonable assurance of achieving objectives despite uncertainties and negative impacts. PJSC LUKOIL continuously identifies, describes, assesses, and monitors risks and develops measures to mitigate their adverse effect on its business. At the same time, the risk management forms an essential part of the Company's business and corporate governance system and involves employees across all management levels.

The Company regularly assess the aggregate risks of LUKOIL Group entities, with the risk profile included in annual reports reviewed by the Board of Directors. The Company identified categories of most material risks impacting the business operations of LUKOIL Group entities, which are consistently assessed in terms of quantity; acceptable levels for each material risk are determined; and measures to mitigate or prevent their adverse effect are developed. LUKOIL closely monitors the progress and effectiveness of its risk mitigation measures.

Taking into account the probabilistic and external nature of LUKOIL's risks, the Company cannot fully guarantee that risk management measures will reduce adverse effects to an acceptable level. That said, the Company takes all possible measures to monitor and prevent such events, and should they occur, will strive to mitigate their implications as quickly as possible in order to minimize their damage.

In October 2021, the PJSC LUKOIL Management Committee resolved to expand the remit of the Investment and Coordination Committee by transferring to it the functions of the Risk Committee (collective body under the Company's President) in order to improve the risk management framework within the Company and further integrate the systems of risk management and investment planning. The Committee's name was changed to Committee for Investments, Coordination of Plans and Risks in LUKOIL Group.

For more details on risk descriptions, see the Issuer's Report of PJSC LUKOIL for 12 months of 2021.

Internal control

In 2021, the Company developed measures to enhance the internal control system at LUKOIL Group in accordance with the standards and requirements of the Regulations on Internal Control at PJSC LUKOIL and the unified functions of units responsible for the setup and operation of internal control systems at LUKOIL Group entities. The following measures are aimed at further optimizing the use of available assets and minimizing avoidable losses through improvements in the efficiency of internal controls:

- Introduction of unified standards of, and requirements for, organization of an internal control system (ICS) into the operations of LUKOIL Group
- Prompt elimination of ICS gaps identified during monitoring activities
- Updating the internal control structure to reflect actual business processes
- Compliance with requirements of the Federal Tax Service (FTS) of Russia to ICS setup at LUKOIL Group entities that have switched or are preparing to switch to the tax monitoring regime.

As part of the review of regular internal control reporting in 2021, the Company monitored compliance with the standards and requirements for ICS organization and functioning at LUKOIL Group entities. In April 2021, information on the current status of the ICS and the immediate goals was submitted to the Audit Committee of the Company's Board of Directors and subsequently to the Company's Board of Directors.

In May 2021, when considering the matter of functioning and improvement of the Company's risk management and internal control system, the Board of Directors, based on the review of the assessment of the reliability and effectiveness of the risk management and internal control system in place at the Company, approved the submitted results of the work done and proposals for the system development.

The Company's Internal Audit Service confirmed the effective ICS operation across LUKOIL Group entities.

LUKOIL Group conducts regular, systematic work to identify violations and deficiencies at subsidiaries, which includes external and internal audits. We conduct mandatory assessment of their potential negative impact to then develop response measures, and assess the possibility of rolling them out across similar management units in LUKOIL Group for the purposes of prevention, all while monitoring the implementation of these measures.

To make ICS enhancement activities more effective, the Company has updated the Corporate Distance Learning System with a special training course for employees of LUKOIL Group entities responsible for internal controls.

To improve LUKOIL Group's corporate governance system through digitalization of the Internal Control business process and providing all ICS-related units with quality updates and effective communications in internal control, the Company continued testing and implementing specialized IT solutions:

- Process and operation control
- Control of conflicts and excessive authority in information systems.

In September 2021, the Audit Committee of the Company's Board of Directors additionally reviewed the matter of the internal control system at subsidiaries and approved the following priorities for business units regarding internal control at LUKOIL Group entities:

- reaching and maintaining a high level of internal control organization;
- increasing the number of automated and preventive control procedures;
- regular testing of control procedures as part of operating activities.

Participation of LUKOIL Group entities in the tax monitoring regime

To be able to switch to the tax monitoring regime, the taxpayer must have in place an effective ICS complying with the Requirements of the FTS of Russia for organizing and functioning of all ICS components. In 2017–2021, the Company successfully prepared and completed the transition to tax monitoring for PJSC LUKOIL and 17 largest LUKOIL Group entities.

Internal controls in preparing financial statements

The Company pays close attention to ensuring reliability of financial information. To this end, LUKOIL applies the following key procedures and methods:

• **Distribution of roles and responsibilities.** LUKOIL Group has clear distribution of responsibilities at each stage of preparing its financial statements (both at the standalone subsidiary and consolidated levels). Russian entities prepare their RAS statements independently or through the Company's accounting center; IFRS statements of Russian entities are prepared by the Accounting Service of PJSC LUKOIL. IFRS statements of the Company's foreign subsidiaries are prepared either independently or at the Company's European accounting center. Local financial statements are the responsibility of entities' top managers and chief accountants or heads of accounting centers. The Company's President and Chief Accountant are responsible for preparing its consolidated financial statements.

• **The Group's unified accounting policy.** The Company has in place the unified IFRS accounting policy approved by the President of PJSC LUKOIL which is reviewed at least once a year. It is binding on all LUKOIL Group entities that prepare their IFRS statements.

The Company's President approves, on an annual basis, the corporate RAS accounting policy and requirements to the accounting policies of the Company's Russian subsidiaries. Centralized development of RAS and IFRS accounting policies ensures application of unified principles of accounting and reporting for similar transactions and the comparability of results of LUKOIL Group entities.

• **Centralized decision-making.** The Group makes centralized decisions on the following accounting and reporting matters:

- Organizing the activities of subsidiary accounting services (independently or through a dedicated subsidiary)
- Selecting the auditor (for the Company's material subsidiaries)
- Dates of preparation of Group entities' accounting (financial) statements, end dates of their audit
- RAS and IFRS accounting policies
- Appointment of subsidiaries' chief accountants
- Accounting process automation.

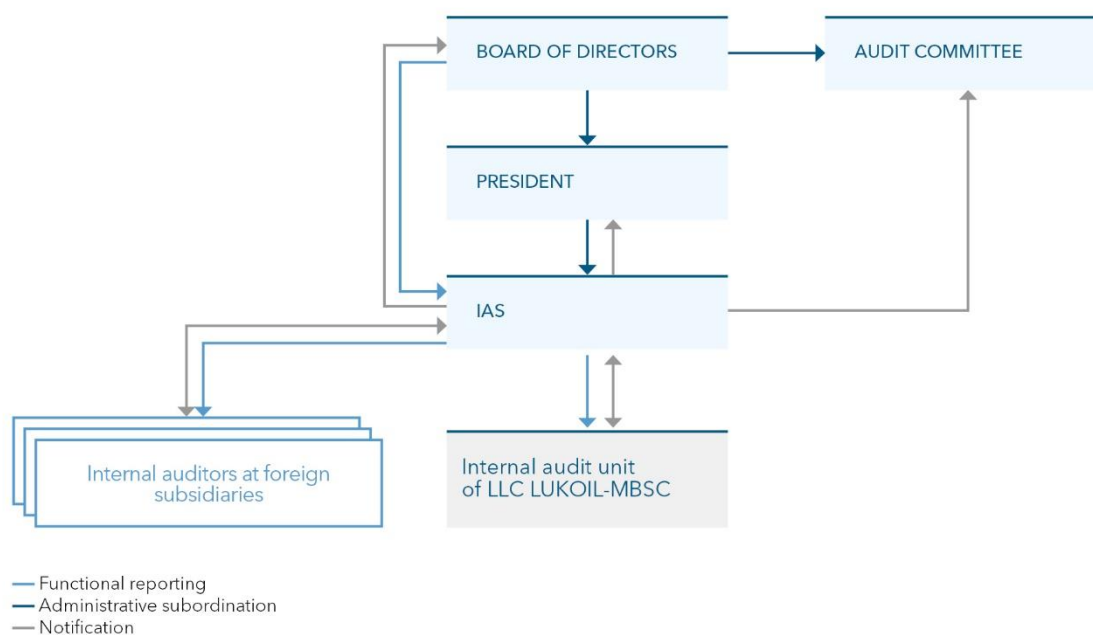
• **Business unit interaction.** Consolidated IFRS financial statements are prepared in close collaboration between the Accounting Service of PJSC LUKOIL and various business units both within the Company and Group entities. During the process stakeholders regularly exchange and additionally verify relevant information.

• **Employee training.** All employees of the Company’s Accounting Service engaged in the preparation of IFRS consolidated financial statements have a degree in accounting or finance and regularly enhance their qualifications. Many of them are certified accountants (according to Russian and international standards) and are members of professional accountants’ associations in Russia, the UK and the USA. Some employees have academic degrees in accounting and finance. In 2020-2021, even as in-person events were restricted due to the COVID-19 pandemic, our employees continued to improve their qualifications through online training events.

Internal audit

The purpose of internal audit at LUKOIL Group entities is to assist by way of audits and consulting engagements in achieving strategic goals and objectives through applying a holistic consistent approach to assessment and improvement of the risk management and internal control systems and corporate governance.

Corporate internal audit system



Within LUKOIL Group, internal audit is performed by:

- The Internal Audit Service of PJSC LUKOIL (IAS) headed by Vice President – Head of the Internal Audit Service (hereinafter, also the “Head of IAS”);
- Internal audit units of the Multifunctional Business Support Center (LLC LUKOIL-MBSC, a 100% subsidiary of the Company);
- Internal auditors at foreign subsidiaries (units or employees that, in accordance with applicable laws, perform internal audit functions at four foreign entities of LUKOIL Group).

In the reporting year, to streamline and improve corporate governance, LUKOIL Group continued to make changes to the internal audit system, which included the closing of dedicated internal audit units

at ten Russian entities of LUKOIL Group, and the task of subsidiary auditing being delegated to LLC LUKOIL-MBSC.

The IAS is responsible for internal audits and audit consulting at PJSC LUKOIL and for organizing and participating in the auditing and consulting of other LUKOIL Group entities, as well as for internal audit planning, methodological support, and development across LUKOIL Group. The IAS also supervises and coordinates internal auditors at foreign subsidiaries and internal audit units of LLC LUKOIL-MBSC.

The Head of IAS directly manages IAS activities; internal audit units of LLC LUKOIL-MBSC and internal auditors at foreign subsidiaries functionally report to the Head of IAS. The Head of IAS reports to the Board of Directors of PJSC LUKOIL (functional reporting) and the Company's President (administrative subordination). The terms of the agreement with the Head of IAS are approved by the Board of Directors.

Due to the change in LUKOIL Group's internal audit approach, as well as to improve internal audit methodological support, boost the effectiveness of LUKOIL Group auditing, comply with the Bank of Russia recommendations for public joint-stock companies on the best ways to set up risk and internal control management, as well as internal auditing and auditing committees under boards of directors (supervisory boards), the following new versions of local internal audit regulations were approved in 2021:

- May: Regulations on Internal Audit at PJSC LUKOIL and Rules of Internal Audit of PJSC LUKOIL;
- November: PJSC LUKOIL's Procedure for Organizing and Conducting Audits;
- December: Regulations on Internal Audit Assessment at PJSC LUKOIL.

PJSC LUKOIL's Procedure for Organizing and Conducting Audit Consulting was approved by the Board of Directors in November as well.

In addition, in line with the International Standards for the Professional Practice of Internal Auditing and the Regulations on Internal Audit at PJSC LUKOIL, a Program to Improve the Quality of Internal Audit at PJSC LUKOIL for 2022–2026 was approved, replacing the similar program for 2017–2021.

The new versions were prepared based on the recommendations of the 2019 independent external assessment of internal audit at PJSC LUKOIL.

We also continued efforts to keep our auditing procedures up to date and looked at abolishing, scaling up, automating or adjusting some of them, as well as developing new ones to be used in audits and consulting engagements.

The annual audit and consulting plan of the Internal Audit Service of PJSC LUKOIL is approved by the Board of Directors, taking into account material risks related to the activities of LUKOIL Group entities.

In the reporting year, LUKOIL Group entities' internal audit units conducted 70 scheduled audits, including 25 carried out by the Internal Audit Service of PJSC LUKOIL. The Internal Audit Service also carried out two scheduled audit consultations.

Post-audit and post-consultation monitoring

Internal audit units monitor progress against plans to prevent or eliminate deviations and irregularities identified in the course of audits and consulting engagements at LUKOIL Group entities.

As at December 31, 2021, the Internal Audit Service and internal audit units of LLC LUKOIL-MBSC had on their radar 171 documents containing 3,027 actions/initiatives developed to address the deviations and irregularities identified in the course of internal audits at LUKOIL Group entities.

LUKOIL Group's digital development programs in internal auditing

A project to automate internal auditing has been underway since 2019.

In 2021, we continued to implement automation for accounting, tax, and financial audit procedures, as well as in those for petroleum product sales. The project's second module is to be implemented in 2022.

Audit Committee's assessment of the Board of Directors and Board of Directors' evaluation of internal audit effectiveness

In April 2021, the Board of Directors' Audit Committee heard a report of Vice President – Head of the Internal Audit Service on performance of the Annual Audit and Consulting Plan of the Internal Audit Service of PJSC LUKOIL for 2020 and on internal audits, proceeded to recommend the Board of Directors, among other things, to:

- - approve the work of the Internal Audit Service of PJSC LUKOIL in 2020 involving assessment of the effectiveness of internal control and risk management systems, as well as of corporate governance at LUKOIL Group, which is subject to the goals and objectives set out in the Regulations on Internal Audit at PJSC LUKOIL;
- - recognize internal auditing at LUKOIL Group as congruent with the Internal Audit Mission Statement, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and Definition of Internal Auditing as adopted by the Institute of Internal Auditors (USA);
- - take note of the fact that internal auditing at LUKOIL Group is performed in accordance with the International Standards for the Professional Practice of Internal Auditing as adopted by the Institute of Internal Auditors (USA).

The respective resolution was passed by the Board of Directors in May 2021.

External audit

LUKOIL selects its auditor based on proposals made by the Audit Committee of the Board of Directors and approves the auditor at the General Shareholders Meeting on an annual basis, in line with Russian laws.

The auditor's independence is determined by the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants, the Russian Code of Professional Conduct for Auditors, the Russian Rules for the Independence of Auditors and Audit Organizations, and Federal Law No. 307-FZ On Auditing.

In June 2021, the Annual General Shareholders Meeting approved JSC KPMG as the auditor of PJSC LUKOIL. To maintain independence and comply with audit standards, the Company's auditor regularly, at least once in seven years, changes its key audit partner and did so in 2020.

The fee payable to JSC KPMG for auditing the Company's IFRS consolidated financial statements for 2021 was RUB 246,778 thousand (excluding VAT), for auditing the Company's RAS accounting (financial) statements for 2021 was RUB 10,286 thousand (excluding VAT).

The share of remuneration for the services unrelated to audits in the total fee payable to the auditor is less than 30% percent.

Insider information control

As an issuer whose securities are traded on regulated markets, both in Russia and in the UK, PJSC LUKOIL pays special attention to measures aimed at preventing the misuse of insider information.

The Company's relevant activities are regulated by:

- Federal Law No. 224 FZ "On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation" dated July 27, 2010 (as amended);
- Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation) (as amended) and this Regulation "onshored" into UK law through the European Union (Withdrawal) Act 2018 with effect from January 1, 2021 (as amended), as well as the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

In March 2021, the Board of Directors approved a new version of the Regulations on Insider Information of the Public Joint Stock Company "Oil company "LUKOIL", which were supplemented with Article 10 stipulating a special procedure for transactions in Company securities performed by Board of Directors or Management Committee members, the Company's President, or persons closely associated with them so as to formalize legal requirements and restrictions in these Regulations. In 2021, the List of Insider Information of PJSC LUKOIL was amended twice based on the Company's orders. The additions included a number of clauses related to the nature of the Company's operations and its disclosure approaches. In particular, transactions in Company securities performed by members of governance bodies or persons closely associated with them were classified as insider information.

The Internal Control Rules of PJSC LUKOIL have been approved to prevent, identify and counter the misuse of insider information and/or market manipulation, and an officer in charge has been appointed.

Information security

Information security is an integral part of LUKOIL Group's Functional Development Program for IT. The Company focuses its information security role on protecting the Company information, ensuring the accuracy, completeness and reliability of external data, and safeguarding the data provided by government authorities, personal data owners, and customer and partner data.

Information security services are rendered to LUKOIL Group entities by an internal IT service provider, LLC LUKOIL-Technologii (a wholly-owned subsidiary of LUKOIL), certified for compliance with ISO/IEC 27001.

Information security relies on:

- regulations on exercising such information security processes as managing access to information resources, processing information security incidents, managing mobile and portable devices, arranging for information security trainings, and managing keys for data encryption tools;
- regulations approved in 2021 to enable employees to safely start and set up online meetings (video conferences);
- requirements to set up software and technical data processing tools to ensure their information security;
- instructions and guidelines for administrators and operators of information security tools;
- instructions and guidelines for users to ensure information security when using computers and office equipment;

– technical regulations and regulations on providing information security services, and service level agreements.

In January 2021, the Company started regular automated checks to assess employees' ability to safely handle IT equipment and information resources.

The Company employees have a personal responsibility for taking security measures and are educated about information security on a regular basis.

All new hires undergo basic information security training as part of the orientation process. Follow-on training is arranged when courses are updated.

As the COVID-19 pandemic continued to spread in the reporting year, the Company upgraded its protection tools to guarantee secure remote access to information systems and services.

A 2021 meeting of the IT Coordination Council, chaired by the President of the Company, discussed new projects aimed at improving cybersecurity. The Coordination Council includes Management Committee members and other Company executives and meets at least once a year.

Thanks to LUKOIL systematic approach to early detection of, and prompt response to emerging information security threats, there have never been any information security incidents resulting in material financial or reputational losses for the Company.

Subsidiary management system

Being the corporate center of LUKOIL Group, PJSC LUKOIL coordinates the operations of Group subsidiaries.

The corporate governance model of subsidiaries reflects their legal status and jurisdiction and may include the general shareholders (members) meeting, the board of directors (supervisory board), collective and the sole executive body.

The Company's governance bodies at all levels are involved in managing its subsidiaries when it comes to matters that are reserved to them.

If subsidiaries or other entities in which the Company holds an interest adopt their resolutions through general shareholders (members) meetings, the President (or his/her authorized representative) shall represent the Company at such general shareholders (members) meetings and vote on relevant agenda items. This means that decisions made by the Company's governance bodies in respect of subsidiaries are subsequently implemented in resolutions adopted by the governance bodies of such subsidiaries.

Strategic subsidiary management

The Board of Directors determines the priorities in the Group's overall development.

In accordance with the Charter, the scope of authority of the Company's Management Committee covers the development and implementation of the general strategy for the Company's subsidiaries, in particular:

- Organizing the implementation of a uniform operational, technical, financial, pricing, marketing, social, and HR policy
- Preliminary approval of decisions of the Company's subsidiaries regarding stakes in other entities, as well as decisions on obtaining and terminating subsoil licenses under certain conditions
- Coordinating the operations of the Company's subsidiaries

In 2021, the Management Committee passed 28 resolutions on the operations of the Company's subsidiaries and 34 — on employment matters related to heads of the Company's subsidiaries.

In 2021, the Management Committee, among other things, approved local regulations on procurement and inventory management in the Company's subsidiaries and made amendments to local regulations governing our processing transition. The Management Committee also considered restructuring of energy assets and reorganization of entities included in the Russian Oil Product Supply business segment.

Approval of subsidiaries' material transactions¹⁸

For the purpose of enhancing control over material transactions made by its subsidiaries, the Company employs the Procedure for Approving Material Transactions Performed by Subsidiaries of OJSC LUKOIL (the "Procedure"). Such transactions are made by subsidiaries only after their consideration and approval by the Management Committee in accordance with the Procedure. The Procedure does not apply to intra-group transactions.

At the same time, material transactions made as part of investment projects affirmed by the Management Committee of PJSC LUKOIL are approved according to the procedure established by the Company's local regulations governing the Group's investment activities.

Improvement of the Group's structure

The Company consistently works to improve the structure of LUKOIL Group in order to ensure optimal conditions for achieving strategic goals. LUKOIL Group has a Restructuring Commission that previews proposed acquisitions of stakes in other entities before sending them on to the Management Committee and the Commission also reports to the Management Committee on restructuring progress within the Group. The Management Committee reviewed the progress of LUKOIL Group restructuring at a meeting held on June 21, 2021 (Minutes No. 14). The LUKOIL Group Restructuring Commission held 13 meetings in 2021, reviewing and submitting to the Management Committee 24 resolutions on LUKOIL Group entities holding stakes in other entities.

Terms, acronyms and abbreviations

References to "PJSC LUKOIL", "LUKOIL Group", "the Group," "LUKOIL", "the Company", "we", and "our" throughout this document are all equivalent for the purposes of this Report and refer to LUKOIL Group, PJSC LUKOIL and/or its subsidiaries, depending upon the context in which the terms are used.

JSC – joint stock company

boe – barrel of oil equivalent

GPP – gas processing plant

HPP – hydroelectric power plant

USD – US dollar

¹⁸ Material transactions of subsidiaries include transactions of the Company's subsidiaries (excluding transactions to which PJSC LUKOIL and/or its subsidiary was the counterparty), where they acquire, or (may) dispose of, directly or indirectly, fixed assets and/or intangible assets with a (book) value exceeding USD 20 million, or 10% of the book value of the subsidiary's assets (if the said value is below USD 20 million); provide loans, credit facilities, guarantees, sureties, and special-purpose financing for amounts exceeding USD 20 million; or receive loans and credit facilities for over USD 20 million, except for short-term (less than one year) loans and credit facilities obtained in the ordinary course of business on an arm's length basis.

AC – Audit Committee of the Board of Directors
HRCC – HR and Compensation Committee of the Board of Directors
KPI – key performance indicator
SISCAC – Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors
ILO – International Labor Organization
IFRS – International Financial Reporting Standards
TAI – tax on additional income
MET – mineral extraction tax
R&D – research and development
OJSC – open joint stock company
UN – United Nations
LLC – limited liability company
OPEC – Organization of Petroleum Exporting Countries
PJSC – public joint stock company
HSE – health, safety and environment
APG – associated petroleum gas
RAS – Russian Accounting Standards
RUB – Russian ruble
IAS – Internal Audit Service
RMICS – risk management and internal control system
CHPP – combined heat and power plant
CDP – Carbon Disclosure Project
EBITDA – earnings before interest, taxation, depreciation and amortization
SEC – Securities and Exchange Commission

About the Report

PJSC LUKOIL Annual Report (hereinafter, the “Report”) presents key information on LUKOIL Group’s overall performance in 2021 by business line, as well as corporate governance and corporate responsibility.

Feedback

You are welcome to send any comments and/or suggestions as regards the Group’s reports to email address ir@lukoil.com. Feedback from shareholders and other stakeholders helps us improve information transparency and enhance the reporting quality.

Forward-looking statements

- Some of the statements made in this Report are not statements of fact, but rather represent forward-looking statements. These statements include, specifically:
 - Plans and forecasts relating to income, profits (losses), earnings (losses) per share, dividends, capital structure, other financial indicators and ratios
 - The plans, goals and objectives of PJSC LUKOIL, including those related to products and services
 - Future economic indicators
 - The prerequisites on which the statements are based
- Words such as “believes”, “expects”, “assumes”, “plans”, “intends”, “anticipates” and others are used in those cases when we are talking about forward- looking statements. However, the proposed options for solving the problems included in the statements are neither singular nor exclusive

- Forward-looking statements inherently imply certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of the forward-looking statements will not be realized. Due to a number of different factors, the actual results may differ materially from the plans, goals, expectations, assessments and intentions expressed in such statements

Conversion factors

Percentage changes in operating results for 2021 presented in million tonnes are based on respective figures in thousand tonnes.

Oil reserves and production include oil, gas condensate and natural gas liquids.

The average RUB/USD exchange rate for 2021 (RUB 73.7 per USD) is used for converting figures in rubles into US dollars, unless otherwise indicated.

1 barrel of oil equivalent = 6 thousand cubic feet of gas.

Other information

The segment split used in the Report is in line with the information in the Group's IFRS consolidated financial statements.

Production metrics for joint projects in Russia, as well as for international projects, are included in total production of LUKOIL Group in proportion to the Company's share.

In calculations of total amounts, the Annual Report may contain discrepancies as a result of rounding.

Reference Information

About the Company

Public Joint Stock Company "Oil Company 'LUKOIL' (hereinafter, the "Company") was established in accordance with Decree No. 1403 of the President of the Russian Federation On Specific Features of the Privatization and Transformation into Joint Stock Companies of State Enterprises and Industrial and Research Industrial Associations in the Oil and Oil Refining Industries and Oil Product Supply, dated November 17, 1992 and Directive No. 299 of the Council of Ministers — Government of the Russian Federation On the Establishment of Open Joint Stock Company "Oil company 'LUKoil', dated April 5, 1993, for the purpose of industrial, economic, financial, and investment activity.

PJSC LUKOIL is the corporate center of LUKOIL Group (hereinafter, the "Group") which coordinates the operations of the Group entities. It focuses on coordination and management of subsidiaries in terms of organizational set-up, investments and financial operations.

Legal address and head office

Postal address: 11, Sretensky Blvd, Moscow, 101000, Russia

Website: www.lukoil.ru (Russian), www.lukoil.com (English)

Central Information Service

Tel.: +7 495 627 4444, +7 495 628 9841

Fax: +7 495 625 7016

Shareholder Relations

Tel.: Tel.: +7 800 200 9402 (Russia toll-free)

Email: shareholder@lukoil.com

Shareholder's personal account <https://evoting.reggarant.ru/voting/pa>

Investor Relations

Tel.: +7 495 627 1696

Email: ir@lukoil.com

Press Service

Email: media@lukoil.com

Filling Stations

Hotline Tel.: +7 800 100 0911

Email: hotline@lukoil.com

Business Ethics Commission

Tel.: +7 495 627 8259

Email: ethics@lukoil.com

Registrar

LLC Registrator "Garant"

Postal address: 8, Krasnopresnenskaya Embankment, floor 2, office 228, Moscow 123100, Russia

Tel.: Tel.: +7 495 221 3112, +7 800 500 2947

Fax: Fax: +7 495 646 9236

Email: mail@reggarant.ru

Depository in the depository receipt program

Citibank, N.A.

Russian office: 6, Gasheka St., Moscow, 125047, Russia

UK office: GB E14 5LB, London, 25 Canada Square

US offices: 10013, New York, NY, 388 Greenwich Street; NJ 07310, Jersey City, NJ, 480 Washington Boulevard, 30th Floor

Tel.: +7 495 725 6756

Email: michael.klochkov@citi.com, drdividends@citi.com

Auditor

JSC KPMG (Joint Stock Company KPMG)

Postal address: 16, Olimpiyskiy Ave., Bld. 5, 3d floor, premises 1, office 24e, Moscow, 129110, Russia

Tel.: +7 495 937 4477

Fax: +7 495 937 4499

Email: moscow@kpmg.ru

Self-Regulatory Organization of Auditors

ASSOCIATION SODRUZHESTVO

Postal address: 21 Michurinskiy Prospekt, bldg 4, Moscow 119192

Tel.: +7 495 734 2222

Fax: +7 495 734 0422

Business proposals

Postal address: 11, Sretensky Blvd, Moscow, 101000, Russia

Fax: +7 495 625 7016, +7 495 627 4999

Business proposals are to be made in writing on the official letterhead and sent by mail or fax.

Business proposals submitted by email will not be considered

**APPENDICES
TO PJSC “LUKOIL”
ANNUAL REPORT FOR 2021**

Appendix 1.
Corporate Governance Code Compliance Report (as of December 31, 2021)

This Report on compliance with the Corporate Governance Code (the “Code”), recommended by the Bank of Russia as a guidance for all publicly traded joint-stock companies, is included in the Annual Report in line with Chapter 57 of the Bank of Russia’s Regulations No. 454-P “On Information Disclosure by Securities Issuers” dated December 30, 2014.

Incorporated in Russia, PJSC LUKOIL is guided in its business operations by the corporate governance principles recommended by Russian securities market regulators, as well as by the international best practices.

The Code is the key document regulating national corporate governance standards and is available on the Bank of Russia’s website at http://www.cbr.ru/content/document/file/116462/code_21122020.pdf.

This report was considered by the Board of Directors of PJSC LUKOIL at a meeting on May 16, 2022 (Minutes No. 12) as part of the Annual Report of PJSC LUKOIL for 2021.

The Board of Directors certifies that the data in this report contains full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2021.

An overview of the core corporate governance aspects, model and practices adopted by PJSC LUKOIL is presented in the Corporate Governance section of the Annual Report of PJSC LUKOIL for 2021.

As a methodology for PJSC LUKOIL to assess compliance with corporate governance principles set forth by the Code, the Company used a report format recommended by the Bank of Russia in its Letter No. IN-06-28/102 dated December 27, 2021 “On Disclosure of the Corporate Governance Code Compliance Report in the Public Joint-Stock Company’s Annual Report” and recommendations set forth therein.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1	The company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the governance of the company.			
1.1.1	The company shall ensure the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on items on the agenda of the general meeting, coordinate their actions, and voice their opinions on items considered.	1. The company provides accessible means of communication with the company, such as a hotline, email or online forum, to enable shareholders to express their opinion and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting shall enable shareholders to properly prepare for attending the general meeting.	1. The notice of an upcoming general shareholders meeting is posted (published) on the company’s website at least 30 days prior to the date of the general meeting, unless required to do so earlier by applicable law.	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<i>Note.</i> <i>Criterion 2 may not be fully applicable, since the Annual General Shareholders Meeting was held in 2021 in the form of absentee voting due to COVID-19 pursuant to the resolution made by the Board of Directors on April 21, 2021 in accordance with Article 3 of Federal</i>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		<p>2. The notice of a meeting indicates the documents required for admission.</p> <p>3. Shareholders were given access to the information on who proposed the agenda items and nominees to the company's board of directors and the audit commission (in cases when the company's charter provides for the establishment of the same).</p>		<p><i>Law No. 17-FZ dated February 24, 2021. At the same time, criterion 2 is complied with by the Company when holding General Shareholders Meetings in person.</i></p>
1.1.3	<p>In preparation for the general meeting and during the general meeting, shareholders shall be enabled to receive information about, and all materials related to, the meeting, put questions to executive bodies and members of the board of directors, as well as communicate with each other, in an unobstructed and timely manner.</p>	<p>1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of and during the general meeting.</p> <p>2. The position of the board of directors (including dissenting opinions (if any) entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting.</p> <p>3. The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, in all instances of general meetings held in the reporting period.</p>	<p>▀ Full</p> <p>▀ Partial</p> <p>▀ None</p>	<p><u>Note.</u></p> <p><i>Criterion 1 may not be fully applicable, since the Annual General Shareholders Meeting was held in 2021 in the form of absentee voting due to COVID-19 pursuant to the resolution made by the Board of Directors on April 21, 2021 in accordance with Article 3 of Federal Law No. 17-FZ dated February 24, 2021. At the same time, criterion 1 is complied with by the Company when holding General Shareholders Meetings in person.</i></p>
1.1.4	<p>Shareholders shall not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to nominate candidates to governance bodies, and to make proposals for the agenda of the general meeting.</p>	<p>1. The company's charter states that shareholders are to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year.</p> <p>2. In the reporting period, the company did not reject proposals for the agenda or candidates to governance bodies due to misprints or other insignificant flaws in the shareholder's proposal.</p>	<p>▀ Full</p> <p>▀ Partial</p> <p>▀ None</p>	
1.1.5	<p>Each shareholder shall be enabled to freely exercise his/her voting right in the</p>	<p>1. The company's charter contains provisions stipulating that an electronic</p>	<p>▀ Full</p> <p>▀ Partial</p> <p>▀ None</p>	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	simplest and most convenient way.	ballot can be filled out on the website stipulated in the notice of the general shareholders meeting.		
1.1.6	The general meeting procedure established by the company shall equally enable all persons attending the meeting to voice their opinion and ask questions.	<p>1. During general shareholders meeting held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on and discussion of the agenda items, and shareholders were given the opportunity to voice their opinion and ask questions on agenda items.</p> <p>2. Nominees to the company's governance and control bodies were invited and all due measures were taken to make sure they participate in the general shareholders meeting at which their nominations were put to vote. Nominees to the company's governance and control bodies present at the general shareholders meeting were available to answer shareholders' questions.</p> <p>3. The sole executive body, the officer responsible for accounting, the chairman and other members of the board of directors' audit committee were available to answer shareholders' questions at general shareholders meetings held during the reporting period.</p> <p>4. During the reporting period, the company used telecommunications means to provide shareholders with remote access to general meetings, or the board of directors made a well-grounded decision that no such means were needed (could be used) in the reporting period.</p>	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<p><i>Note.</i></p> <p><i>Criteria 1–4 may not be fully applicable, since the Annual General Shareholders Meeting was held in 2021 in the form of absentee voting due to COVID-19 pursuant to the resolution made by the Board of Directors on April 21, 2021 in accordance with Article 3 of Federal Law No. 17-FZ dated February 24, 2021.</i></p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.2	Shareholders have equal and fair rights to share profits of the company by receiving dividends.			
1.2.1	The company has developed and introduced a transparent and clear mechanism for determining the dividend amount and paying dividends.	<p>1. The company's dividend policy has been approved by the board of directors and disclosed on the company's website.</p> <p>2. If the dividend policy of the company that prepares consolidated financial statements uses figures of the statements to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements.</p> <p>3. Substantiation of the proposed distribution of net profit, including for dividend payout and the company's internal needs, and its assessment for compliance with the company's dividend policy, along with explanations and economic substantiation of such distribution for internal needs, were included in the materials for the general shareholders meeting the agenda of which included an item on profit distribution (including payout (announcement) of dividends).</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
1.2.2	The company shall not resolve to pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company's performance.	1. The company's dividend policy, in addition to statutory restrictions, defines financial/economic circumstances under which the company shall not pay out dividends.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	<p>Criterion 1 is partially not complied with.</p> <p>The Regulations on the Dividend Policy of PJSC LUKOIL does not explicitly specify financial/economic circumstances under which the Company shall not pay out dividends. At the same time, the Regulations, in accordance with Recommendation 31 of the Code, specify financial and economic conditions of dividend payout, and if such conditions are not met, the Company shall not resolve to pay out dividends. These conditions are implicit indications of the financial/economic circumstances under which the Company shall not pay out dividends.</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
				Materials provided for consideration to persons entitled to take part in the General Shareholders Meeting of PJSC LUKOIL in 2021 described PJSC LUKOIL's position on the dividend amount taking into account the Regulations on the Dividend Policy of PJSC LUKOIL, absence of the need to distribute the Company's profit for other purposes, and absence of statutory restrictions on dividend payout.
1.2.3	The company shall not allow the dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	
1.2.4	The company shall strive to exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value.	1. During the reporting period, other ways for persons controlling the company to receive profit (income) from the company other than dividends (e.g. using transfer pricing, unjustified provision of services to the company at inflated prices, loans to controlling persons and/or their controlled persons to replace dividends) were not used.	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	
1.3	Corporate governance system and practices equal treatment for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.			
1.3.1	The company has created conditions for fair treatment of each shareholder by the governance bodies and the company's controlling entities, including conditions ruling out abuse of minority shareholders by major shareholders.	1. In the reporting period, persons controlling the company did not abuse the rights of the company's shareholders, there were no conflicts between persons controlling the company and the company's shareholders, and whenever there were any, the board of directors paid due attention to them.	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	
1.3.2	The company shall not perform actions which lead or may lead to artificial redistribution of corporate control.	1. Quasi-treasury shares do not exist or did not participate in voting in the reporting period.	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	
1.4	Shareholders are provided with reliable and effective methods for recording their right in shares, as well as are enabled to freely dispose of their shares without any hindrance.			
1.4.1	Shareholders are provided with reliable and effective methods for recording their	1. The processes and terms of provision of the services by the company's registrar meet	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	right in shares, as well as are enabled to freely dispose of their shares without any hindrance.	the requirements of the company and its shareholders and ensure the recording of their rights to shares and exercise of the shareholders' rights in the most effective way.		
2.1	The board of directors shall carry out the strategic management of the company, establish the basic principles of, and approaches to, setting up a risk management and internal control system in the company, control activities of the company's executive bodies, and perform other key functions.			
2.1.1	The board of directors shall be responsible for passing resolutions related to appointment and removal of executive bodies, including due to their inadequate performance. The board of directors shall also ensure that the company's executive bodies act in accordance with the approved growth strategy and along the company's core lines of business.	<p>1. The board of directors has the authority stipulated in the charter to appoint and remove members of the executive bodies and to set out the terms and conditions of their contracts.</p> <p>2. In the reporting period, the nomination (appointments, HR) committee reviewed the matter of alignment between professional qualifications, competencies and experience of members of the executive bodies and expected needs of the company in line with its approved strategy.</p> <p>3. In the reporting period, the board of directors reviewed the report(s) by the sole executive body or members of the collective executive body (if any) on the implementation of the company's strategy.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.1.2	The board of directors shall define the main long-term targets of the company's operations, assess and approve its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. In the reporting period, the board of directors reviewed at its meetings matters related to the progress in the implementation of the strategy and its updates, approval of the company's financial and business plan (budget), and consideration of the implementation criteria and performance (including interim criteria and performance) of the company's strategy and business plans.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.1.3	The board of directors shall determine the principles of, and approaches to, organizing a risk management and internal control system in the company.	1. The principles of, and approaches to, organizing a risk management and internal control system in the company are set forth by the company's internal documents that define	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		its risk management and internal control policy. 2. In the reporting period, the board of directors approved (revised) the acceptable risk exposure (risk appetite) of the company, or the audit committee and/or risk committee (if any) considered whether the matter of revising the company's risk appetite should be submitted to the board of directors for review.		
2.1.4	The board of directors shall define the company's policy on remuneration due to and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies, and other key executives of the company.	1. The company has developed and put in place the policy (policies) on remuneration and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies, and other key executives, approved by the board of directors. 2. In the reporting period, the board of directors reviewed at its meetings matters related to the said policy (policies).	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.1.5	The board of directors shall play a key role in preventing, identifying and settling internal conflicts between the company's bodies, shareholders and employees.	1. The board of directors plays a key role in preventing, identifying and settling internal conflicts. 2. The company has set up a system for identification of transactions involving a conflict of interest, and a set of measures to resolve such conflicts.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.1.6	The board of directors shall play a key role in ensuring the company's transparency, the timeliness and completeness of its information disclosure, and unhindered access to the company's documents for shareholders.	1. In its internal documents, the company has designated the persons responsible for the implementation of its information policy.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.1.7	The board of directors shall control the company's corporate governance practices and play a key role in its significant corporate events.	1. In the reporting period, the board of directors considered the results of self-assessment and/or external assessment of the company's corporate governance practices.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.2	The board of directors shall be accountable to the company shareholders.			
2.2.1	Performance of the board of directors shall be disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. ¹⁹ 2. The annual report contains key results of assessment (self-assessment) of the board of directors' work in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.2.2	The chairman of the board of directors shall be available to communicate with the company's shareholders.	1. The company has in place a transparent procedure enabling shareholders to forward inquiries to the chairman of the board of directors (and, if applicable, to the senior independent director) and receive feedback.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3	The board of directors shall manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders.			
2.3.1	Only persons with impeccable business and personal reputation, possessing the knowledge and expertise required to make decisions falling within the authority of the board of directors and to perform its functions efficiently, shall be elected to the board of directors.	1. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.2	The company's board of directors shall be elected as per a transparent procedure enabling shareholders to receive information about nominees which is sufficient to get an idea of their personal and professional qualities.	1. Whenever the agenda of the general shareholders meeting included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of assessment of their professional qualifications, experience and competencies against existing and expected needs of the company as carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

¹⁹ Compliance to this criterion was assessed with respect to PJSC "LUKOIL" Annual report for 2020.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		of the Code, as well as the information on whether there is the nominee's written consent to be elected to the board of directors.		
2.3.3	The board of directors shall be balanced, including in terms of qualifications of its members, their experience, knowledge and business qualities, and it shall have the trust of shareholders.	1. In the reporting period, the board of directors analyzed its needs in terms of professional qualifications, experience and knowledge and identified competencies that the board of directors required in the short and long term.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.3.4	The company has a sufficient number of directors to organize the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's significant minority shareholders to elect a nominee to the board of directors for whom they vote.	1. In the reporting period, the board of directors considered whether the number of members on the board of directors was in line with the company's needs and with the interests of shareholders.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.4	The board of directors shall include a sufficient number of independent directors.			
2.4.1	<p>An independent director shall be a person of sufficient professionalism, experience and self-reliance to form his/her own opinion, able to make impartial judgements in good faith independent from the company's executive bodies, particular groups of shareholders or other stakeholders.</p> <p>It should also be taken into account that in normal conditions a nominee (elected member of the board of directors) cannot be considered independent if he/she is related to the company, its significant shareholder or contractor, the company's competitor, or the government.</p>	1. In the reporting period, all independent members of the board of directors met the independence criteria set forth in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.4.2	The compliance of nominees to the board of directors with the criteria for independence shall be assessed, and a regular review of compliance of independent members of the	1. In the reporting period, the board of directors (or the nomination committee of the board of directors) formed its opinion on the independence of each nominee to the board of directors and presented	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	board of directors with such criteria shall be performed. Substance shall prevail over form in such assessments.	<p>respective opinions to shareholders.</p> <p>2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors (following their election).</p> <p>3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof.</p>		
2.4.3	At least one third of the total elected number of members of the board of directors shall be constituted by independent directors.	1. At least one third of the total number of members of the board of directors is constituted by independent directors.	<ul style="list-style-type: none"> ▶ Full ▶ Partial ▶ None 	
2.4.4	Independent directors shall play a key role in preventing internal conflicts in the company and in the performance by the latter of material corporate actions.	1. In the reporting period, independent directors (who did not have a conflict of interest) carried out a preliminary assessment of material corporate actions implying a possible conflict of interest, and the results of such assessment were presented to the board of directors.	<ul style="list-style-type: none"> ▶ Full ▶ Partial ▶ None 	<p>Criterion 1 is partially not complied with.</p> <p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions.</p> <p>In the context of absence of a uniform approach to defining "material corporate actions" in the Russian legislation, the Company intends to amend its internal documents alongside with amendments to the applicable laws.</p> <p>The Company also organizes periodical meetings of its President with Directors to brief them on the key aspects of the Company's operations, including material transactions. This enables the Directors to assess their decisions, including for possible conflicts for interest.</p>
2.5	The chairman of the board of directors shall facilitate the best performance of assigned duties by the board of directors.			
2.5.1	The board shall be chaired by an independent director, or a senior independent director shall be chosen from among the elected independent directors to coordinate the activities of independent directors and	<p>1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors.</p> <p>2. The role, rights and duties of the chairman of the board</p>	<ul style="list-style-type: none"> ▶ Full ▶ Partial ▶ None 	<p>Criterion 1 is not complied with.</p> <p>In the reporting year, the office of the Chairman of the Board of Directors was held by non-executive directors, whereas independent directors did not appoint a senior independent director.</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	enable the interaction with the chairman of the board of directors.	of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.		<p>The Chairman of the new Board of Directors was elected unanimously by all Directors in 2021. He excels in professional skills and industry expertise, having worked with the Company for a long time in management positions responsible for one of the Group's core business streams.</p> <p>As for choosing a senior independent director from among the independent directors, the Company proceeded from the fact that all Directors have equal rights and that independent directors did not propose to appoint a senior independent director. Also, independent directors account for more than 50% of the Board of Directors, which, along with the Directors' expertise, ensures that the Board is balanced and performs its functions effectively.</p> <p>Criterion 2 is complied with.</p>
2.5.2	The chairman of the board of directors shall maintain a constructive environment at meetings, enable free discussions of agenda items, and supervise the execution of resolutions passed by the board of directors.	1. The performance of the chairman of the board of directors was assessed as part of the procedure for assessing (self-assessing) the efficiency of the board of directors in the reporting period.	<ul style="list-style-type: none"> ▶ Full ▶ Partial ▶ None 	
2.5.3	The chairman of the board of directors shall take all steps necessary for the timely provision to members of the board of directors of information required to pass resolutions on agenda items.	1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to members of the board of directors of full and accurate information regarding items on the agenda of the board meeting.	<ul style="list-style-type: none"> ▶ Full ▶ Partial ▶ None 	
2.6	Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence.			
2.6.1	Members of the board of directors shall make decisions based on all information available, without conflict of interest, subject to equal treatment of the company shareholders, and assuming normal business risks.	1. The company's internal documents provide that a member of the board of directors shall notify the board of directors if he/she has a conflict of interest in respect of any item on the agenda of the board meeting or the board's committee meeting, prior to the discussion of the relevant agenda item.	<ul style="list-style-type: none"> ▶ Full ▶ Partial ▶ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		<p>2. The company's internal documents provide that a member of the board of directors shall abstain from voting on any item in connection with which he/she has a conflict of interest.</p> <p>3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.</p>		
2.6.2	The rights and obligations of members of the board of directors shall be clearly defined and set out in the company's internal documents.	1. The company has adopted and published an internal document clearly defining the rights and obligations of members of the board of directors.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.6.3	Members of the board of directors shall have sufficient time to perform their duties.	<p>1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was reviewed as part of the procedure for assessment (self-assessment) of the performance of the board of directors in the reporting period.</p> <p>2. In accordance with the company's internal documents, members of the board of directors shall inform the board of their intentions to join governance bodies of other organizations (except for entities controlled by the company), or of the relevant appointment made.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.	<p>1. In accordance with the company's internal documents, members of the board of directors are entitled to have access to information and documents required for the performance of their duties regarding the company and entities under its control, and the company's executive bodies must provide relevant information and documents.</p> <p>2. The company has in place a formalized induction program for newly elected members of the board of directors.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.7	Meetings of the board of directors, preparation for such meetings and participation of members of the board of directors shall ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors shall be held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors held at least six meetings in the reporting year.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.7.2	Internal regulations of the company shall provide a procedure for the preparation and holding of the board meetings, enabling members of the board of directors to prepare for such meetings in a proper manner.	<p>1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and sets out, in particular, that the notice of the meeting shall be given, as a rule, at least five days prior to such meeting.</p> <p>2. In the reporting period, members of the board of directors not able to be present at the board meeting venue could participate in discussing agenda items and voting remotely via audio or video conferencing.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.7.3	The format of the meeting of the board of directors shall be determined taking into account the importance of items on the agenda. The most important matters shall be dealt with at meetings of the board of directors held in person.	1. The company's charter or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be discussed at in-person meetings of the board of directors.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	<p>Criterion 1 is partially not complied with.</p> <p>The Regulations on the Board of Directors of PJSC LUKOIL list matters to be discussed only at in-person meetings of the Board of Directors.</p> <p>This list largely matches the list set out in Recommendation 168 of the Code; however, it reflects the existing practices of the Company's corporate governance and the distribution of roles among its governance bodies.</p> <p>For instance, due to the large number of the Company subsidiaries, coordination of their operations, including approvals of material transactions, are referred to the jurisdiction of the Management Committee in order to increase the efficiency of the decision-making process.</p>
2.7.4	Resolutions on most important matters relating to the company's operations shall be passed at a meeting of the board of directors by a qualified majority or by a	1. The company's charter provides for resolutions on the most important matters, including those set out in Recommendation 170 of the Code, to be passed at a	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	<p>Criterion 1 is partially not complied with.</p> <p>The Company's Charter provides for resolutions on certain material matters within the scope of authority</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	majority of all elected board members.	meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected board members.		<p>of the Board of Directors (such as an increase in the charter capital, or public offering by the Company of its bonds or other issue-grade securities) to be passed unanimously by all Directors.</p> <p>The most essential matters brought up for approval by the Board of Directors are subject to preliminary discussion by core Committees of the Board of Directors, which ensures a unanimous approach to the final decision in most cases.</p> <p>In 2021, resolutions on the matters set out in paragraphs 1, 4, 7, 10 of Recommendation 170 of the Code were passed by the Company's Board of Directors by a majority of at least three quarters of all Directors. The Board of Directors did not consider in 2021 any matters set out in paragraphs 2, 3, 5, 6, 8, 9 of Recommendation 170.</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8	The board of directors shall set up committees for preliminary consideration of the most important matters related to the business of the company.			
2.8.1	To preview matters related to controlling the Company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.	<p>1. The board of directors has set up an audit committee comprised solely of independent directors.</p> <p>2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.</p> <p>3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing and auditing accounting (financial) statements.</p> <p>4. Meetings of the audit committee were held at least once a quarter during the reporting period.</p>	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration	1. The board of directors has set up a remuneration	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<p>Criterion 1 is complied with.</p> <p>Criterion 2 is complied with.</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	committee shall be set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<p>committee comprised solely of independent directors.²⁰</p> <p>2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors.</p> <p>3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code, as well as the conditions (events) upon the occurrence of which the remuneration committee is to consider revising the company's policy on remuneration of the members of the board of directors, executive bodies and other key executives.</p>		<p>Criterion 3 is partially not complied with.</p> <p>The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors.</p> <p>The functions and tasks of the HR and Compensation Committee of the Board of Directors, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL, include the tasks listed in Recommendation 180– of the Code, save for the task specified in paragraph 5 of Recommendation 180 – selection of an independent advisor on remuneration of members of executive bodies and other key employees.</p> <p>This is due to the fact that until now the Company has never engaged an independent advisor for such purposes and does not intend to do so in the short term.</p> <p>The Company believes that such engagement will involve additional time to be spent on preparing and sending all necessary information to the advisor, as well as additional financial expenses for the Company, and will eventually affect shareholders' income. However, the Company may engage such independent advisor should any significant shareholders express their interest.</p> <p>The HR and Compensation Committee of the Board of Directors regularly considers at its meetings matters related to remuneration of members of executive bodies and other key employees, which enables the Committee to oversee the introduction and implementation of the Company's policy on remuneration of members of executive bodies and other key employees.</p>

²⁰ Compliance to this criterion was assessed as of December 12, 2021.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
				<p>The Regulation on the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL does not explicitly define the conditions (events) upon the occurrence of which the Committee is to consider revising the Company's policy on remuneration of the members of the board of directors, executive bodies and other key executives. At the same time, the Regulation sets out that the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL shall benchmark the Company's remuneration policies and programs for members of the governance bodies against those of other companies and may revise the Company's remuneration policy for members of its Board of Directors, the Management Committee and the President from time to time based on such benchmarking.</p>
2.8.3	<p>To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments, HR) committee shall be set up, predominantly comprised of independent directors</p>	<p>1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors.</p> <p>2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.</p> <p>3. In the reporting period, the nomination committee, independently or jointly with other committees of the board of directors or the company's authorized shareholder relations unit, has engaged with shareholders, not limited to the largest shareholders, with regard to selecting candidates for the company's board of directors with a view to forming the board best suiting the company's goals and objectives.</p>	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<p>Criterion 1 is complied with.</p> <p>Criterion 2 is partially not complied with.</p> <p>The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors.</p> <p>The functions and tasks of the HR and Compensation Committee of the Board of Directors, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL, include (with minor text revisions) the tasks listed in Recommendation 186 of the Code, save for the task set out in paragraph 4 of Recommendation 186 (description of individual duties of directors and the Chairman of the Board of Directors, including the time to be spent on the company's activities, both inside and outside meetings, as part of scheduled and unscheduled work).</p> <p>Time commitments of the Company's Directors considerably</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
				<p>depend on the Board of Directors' and Committees' activity plans, the number of ad hoc meetings which cannot be predicted, and on involvement of a Director with one or more committees, professional expertise, and a Director's term on the Board.</p> <p>Therefore, it was difficult in the reporting year for the Company to reliably assess time commitment to estimate general hours for all Directors in the long term.</p> <p>Criterion 3 is complied with.</p>
2.8.4	<p>Taking into account the company's scale of operations and level of risks, the company's board of directors made sure that the composition of its committees is fully in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).</p>	<p>1. In the reporting period, the board of directors considered whether its structure was consistent with the scope, nature, goals, needs and risk profile of the company and its operations. Additional committees were either set up or not deemed necessary.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.8.5	<p>Committees shall be composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.</p>	<p>1. During the reporting period, the audit committee, the remuneration committee and the nomination committee (or another relevant committee with combined functions) were headed by independent directors.</p> <p>2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee (or another relevant committee with combined functions) and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		committee.		
2.8.6	Committee chairmen shall inform the board of directors and its chairman on the work of their committees on a regular basis.	1. During the reporting period, committee chairmen reported to the board of directors on the work of committees on a regular basis.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.9	The board of directors shall ensure performance assessment of the board of directors, its committees, and members of the board of directors.			
2.9.1	The board of directors' performance assessment shall be aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's development requirements, as well as bolstering the work of the board of directors and identifying areas for improvement.	<p>1. The company's internal documents define procedures for assessment (self-assessment) of the performance of the board of directors.</p> <p>2. Assessment (self-assessment) of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual members of the board of directors, and the board of directors in general.</p> <p>3. Results of assessment (self-assessment) of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
2.9.2	Performance of the board of directors, its committees and members shall be assessed regularly at least once a year. An external advisor shall be engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
3.1	The company's corporate secretary shall ensure efficient ongoing interaction with shareholders, coordinate the company's efforts to protect shareholder rights and interests, and support the activities of the board of directors.			
3.1.1	The corporate secretary shall have the knowledge, experience and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The biographical data of the corporate secretary (including information about age, education, qualifications, experience) as well as information about the positions in the governance bodies of other legal entities	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		held by the corporate secretary for at least the last five years are published on the corporate website and in the company's annual report. ²¹		
3.1.2	The corporate secretary shall be sufficiently independent of the company's executive bodies and have the powers and resources required to perform his/her tasks.	<ol style="list-style-type: none"> The company has adopted and published an internal document – regulations on the corporate secretary. The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary. The company's internal documents stipulate the right of the corporate secretary to request and receive company documents and information from management bodies, structural divisions and officers of the company. 	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	<p><i>Note.</i></p> <p><i>In accordance with paragraph 5.1 of the Regulations on the Corporate Secretary of PJSC LUKOIL, the size of remuneration (official salary) of the Corporate Secretary is determined by the Board of Directors of PJSC LUKOIL; in accordance with paragraph 5.2 of the same, the cost of living adjustments and bonus payments for the Corporate Secretary are made in compliance with the Company's local regulations on remuneration, unless otherwise established by resolution of the Board of Directors.</i></p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1	Remuneration payable by the company shall be sufficient to attract, motivate and retain people with competencies and qualifications required by the company. Remuneration payable to members of the board of directors, executive bodies and other key executives of the company shall be in compliance with the approved remuneration policy of the company.			
4.1.1	The amount of remuneration paid by the company to members of the board of directors, executive bodies and other key executives shall create sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company shall avoid unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company employees.	1. Remuneration of members of the board of directors, executive bodies and other key executives of the company is determined based on the results of benchmarking the company's remuneration levels with those in peer companies.	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	

²¹ Compliance to this criterion was assessed as of December 12, 2021.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1.2	The company's remuneration policy shall be devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, shall ensure control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	1. During the reporting period, the remuneration committee considered the remuneration policy (policies) and/or the practical aspects of its (their) introduction, evaluated their efficiency and transparency, and presented relevant recommendations to the board of directors with regard to its (their) revision.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.1.3	The company's remuneration policy shall include transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the company, and regulate all types of expenses, benefits and privileges provided to such persons.	1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.1.4	The company shall define a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that members of the board of directors, executive bodies and other key executives of the company can claim. Such policy can make part of the company's remuneration policy.	1. The remuneration policy (policies) defines (define) the rules for reimbursement of costs incurred by members of the board of directors, executive bodies and other key executives of the company.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.2	The system of remuneration of members of the board of directors shall ensure alignment of financial interests of directors with long-term financial interests of shareholders.			
4.2.1	The company shall pay fixed annual remuneration to members of the board of directors. The company shall not pay remuneration for attending particular meetings of the board of directors or its committees. The company shall not apply any form of short-	1. During the reporting period, the company paid remuneration to members of the board of directors in line with the remuneration policy adopted by the company. 2. During the reporting period, the company did not apply any forms of short-term motivation or additional	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	term motivation or additional financial incentive for members of the board of directors.	financial incentives for members of the board of directors linked to the Company's performance results (indicators). The company did not pay remuneration for attending particular meetings of the board of directors or its committees.		
4.2.2	Long-term ownership of the company's shares shall help align the financial interests of members of the board of directors with long-term interests of shareholders to the utmost. At the same time, the company shall not link the right to dispose of shares to performance targets, and members of the board of directors shall not participate in stock option plans.	1. If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
4.2.3	The company shall not provide for any extra payments or compensations in the event of early termination of powers of members of the board of directors resulting from the change of control or any other reasons whatsoever.	1. The company does not provide for any extra payments or compensations in the event of early termination of powers of members of the board of directors resulting from the change of control or any other reasons whatsoever.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3	The company shall consider its performance and the personal contribution of each executive to the achievement of such performance, when determining the amount of remuneration payable to members of executive bodies and other key executives of the company.			
4.3.1	Remuneration due to members of executive bodies and other key executives of the company shall be determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<p>1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company.</p> <p>2. During the latest assessment of the system of remuneration of members of executive bodies and other key executives of the</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		<p>company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration.</p> <p>3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company.</p>		
4.3.2	<p>The company shall put in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company shares (options and other derivative instruments where the company shares are the underlying asset).</p>	<p>1. If the company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company shares (financial instruments based on the company shares), the program implies that the right to dispose of shares and other financial instruments used in this program shall take effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.</p>	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<p>Criterion 1 is partially not complied with.</p> <p>The Long-Term Incentive Program for Key Employees of LUKOIL Group for 2018–2022 provides for other terms and conditions for the right to dispose of the shares distributed to members of the Program during its term. The Company believes, however, that the terms of the above Program more efficiently support the interest of the Program members in achieving long-term goals.</p>
4.3.3	<p>The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, shall not exceed the double amount of the fixed part of their annual remuneration.</p>	<p>1. The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.</p>	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.1	The company shall put in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.			
5.1.1	The company's board of directors shall determine the principles of and approaches to, organizing a risk management and internal control system at the company.	1. Functions of different management bodies and units of the company in the risk management system and internal control are clearly defined in the company's internal documents/relevant policy approved by the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.2	The company's executive bodies shall ensure establishment and continuous operation of an efficient risk management and internal control system in the company.	1. The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of units and departments accountable to them.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.3	The company's risk management and internal control system ensures an objective, fair and clear representation of the current state of the company and its future prospects, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place the anti-corruption policy. 2. The company has arranged for accessible means (hotline) of notifying the board of directors or the board's audit committee about violations of the law, the company's internal procedures and code of ethics.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.4	The company's board of directors shall take necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its organization determined by the board of directors, and that the system is functioning efficiently.	1. In the reporting period, the board of directors (the board's audit committee and/or risk committee (if any)) assessed the efficiency of the company's risk management and internal control system. 2. In the reporting period, the board of directors reviewed the results of the assessment of the efficiency of the company's risk management and internal control system. The information on the key results of this assessment is included in the company's annual report.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.2	The company shall perform internal audit for the regular independent assessment of the reliability and effectiveness of the risk management and internal control system and corporate governance.			
5.2.1	The company shall set up a separate business unit or engage an independent	1. To perform internal audits, the company has set up a separate internal audit unit	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	external organization to carry out internal audits. The functional and administrative subordination of the internal audit unit shall be separated. The internal audit function shall functionally report to the board of directors.	functionally reporting to the board of directors or the audit committee, or engaged an independent external organization under the same principle of subordination.	<ul style="list-style-type: none"> ▣ None 	
5.2.2	The internal audit unit shall assess the performance of the internal control, risk management, and corporate governance systems. The company shall apply generally accepted standards of internal audit.	<p>1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure.</p> <p>2. In the reporting period, internal audit assessed corporate governance practices (individual practices), including information interaction procedures (among them those related to internal control and risk management) at all management levels of the company, as well as interaction with stakeholders.</p>	<ul style="list-style-type: none"> ▣ Full ▣ Partial ▣ None 	
6.1	The company and its business shall be transparent for shareholders, investors, and other stakeholders.			
6.1.1	The company shall develop and adopt an information policy ensuring an efficient exchange of information between the company, its shareholder, investors, and other stakeholders.	<p>1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations.</p> <p>2. The board of directors (or one of its committees) considered matters related to the effectiveness of communication between the company, shareholders, investors, and other stakeholders and feasibility (need) of revising the company's information policy in the reporting period.</p>	<ul style="list-style-type: none"> ▣ Full ▣ Partial ▣ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.1.2	The company shall disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	<p>1. The company discloses information on its corporate governance system and general principles of corporate governance applied in the company, in particular, on the corporate website.</p> <p>2. The company discloses information on the composition of executive bodies and the board of directors, independence of the board members and their membership in the board's committees (as defined in the Code).</p> <p>3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out the latter's plans for the company's corporate governance.²²</p>	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2	The company shall make timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company shall disclose information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.	<p>1. The company defines the procedure for the coordination of all of the company's business units and employees that are involved in disclosure or whose activities may result in the need to disclose information.</p> <p>2. If the company securities are traded on foreign regulated markets, the company shall ensure concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting period.</p> <p>3. If foreign shareholders hold a significant amount of the company shares, during the reporting year, information was disclosed not only in the</p>	<ul style="list-style-type: none"> ▀ Full ▄ Partial ▄ None 	

²² Compliance to this criterion was assessed as of December 12, 2021.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		Russian language, but also in one of the most widespread foreign languages.		
6.2.2	The company shall strive to avoid a formalistic approach to information disclosure and to disclose critical information about its operations even if such disclosure is not required by law.	<p>1. The company's information policy defines the approaches to identification of information that can have a material impact on the company's valuation and the price of its securities and that is not required to be disclosed by law.</p> <p>2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the official website of the company.²³</p> <p>3. The company shall disclose information on controlled legal entities that are material to it, including key areas of their operations, mechanisms for ensuring accountability of controlled legal entities, and powers of the company's board of directors to determine the strategy and assess the performance of controlled legal entities.²⁴</p> <p>4. The company discloses a non-financial report – a sustainability report, environmental report, corporate social responsibility report, or another report containing non-financial information, including factors related to the environment (including environmental factors and factors related to climate change), society (social factors), and corporate governance, except for the issuer's report and the annual report of a joint-stock company.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
6.2.3	The annual report, as one of the most important tools of information exchange with	1. The company's annual report contains information on the result of the audit	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	Criterion 1 is partially not complied with.

²³ Compliance to this criterion was assessed as of December 12, 2021.

²⁴ Compliance to criteria 2 and 3 was assessed as of December 12, 2021.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	shareholders and other stakeholders, shall contain information enabling assessment of the company's performance in the reporting year.	committee's assessment of internal and external audit effectiveness. 2. The company's annual report contains information on the environmental and social policies of the company.		<p>The Audit Committee of PJSC LUKOIL's Board of Directors assesses the effectiveness of the external audit process when considering material issues arising in the course of the independent external audit, as well as when assessing the opinion of the Company's Auditor for its presentation to shareholders in preparation for the Annual General Shareholders Meeting, based on which it makes recommendations to the Board of Directors regarding the Auditor selection and its subsequent approval by the General Shareholders Meeting.</p> <p>The Audit Committee assesses the effectiveness of the internal audit process by reviewing the report on performance of the annual audit and consulting plan of the Internal Audit Service of PJSC LUKOIL and on internal audits.</p> <p>Information on the Audit Committee's review of the above issues is available in the Company's Annual Report for 2021.</p> <p>The Audit Committee did not assess the effectiveness of the external audit process separately, and therefore the results of this assessment were not included in the Company's Annual Report, since it is outside the remit of the Audit Committee as per Section 3 of Recommendation 172 of the Code (which provides for effectiveness assessment of the internal audit function).</p> <p>Criterion 2 is complied with.</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.3	The company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.			
6.3.1	Shareholders' exercising their rights of access to the company's documents and information is not cumbersome.	1. The company's information policy (internal documents establishing the information policy) establishes non-cumbersome procedure for providing shareholders with easy access to the company's information and internal	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<p>Criterion 1 is complied with.</p> <p>Criterion 2 is partially not complied with.</p> <p>When providing information requested by shareholders, the Company is guided by Article 91 of the Federal Law "On Joint-Stock</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
		documents, as requested by shareholders. 2. The company's information policy (internal documents establishing the information policy) contains provisions stipulating that if a shareholder requests information on legal entities controlled by the company, the company shall take the necessary steps to obtain such information from the relevant legal entities controlled by the company.		Companies" that provides for no obligation of the Company to share information on legal entities controlled by it with its shareholders. The Company discloses brief information on legal entities controlled by it in the List of Affiliates and more detailed information on controlled legal entities material to the Company in issuer reports. In addition, the majority of PJSC LUKOIL subsidiaries, including those material to the Company, have their own websites which describe their operations. These websites can also be accessed via PJSC LUKOIL's official website.

6.3.2	When providing information to shareholders, the company shall ensure reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitiveness.	1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified. 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.	<ul style="list-style-type: none"> ▶ Full ■ Partial ■ None 	<p><i>Note.</i> <i>The Regulations on Information Policy of PJSC LUKOIL include a reference to the Insider Information Regulations on Provision of Information to Shareholders of PJSC LUKOIL which contain provisions prescribed by criterion 2.</i></p>
-------	--	--	---	---

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1	Actions that significantly impact or may significantly impact the share capital structure or financial condition of the company and, respectively, shareholders position (material corporate actions) shall be fairly executed providing observance of the rights and interests of shareholders and other stakeholders.			
7.1.1	Material corporate actions shall include restructuring of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or reduction of the company's charter capital, listing or delisting of the company shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests.	1. The company's charter provides for a list of transactions or other actions classified as material corporate actions. Resolutions on material corporate actions are referred to the competence of the board of directors. When execution of such corporate actions is expressly referred by law to the competence of the general shareholders meeting, the board of directors presents relevant recommendations to shareholders.	<ul style="list-style-type: none"> ■ Full ▶ Partial ■ None 	<p>Criterion 1 is partially not complied with.</p> <p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4). The decision-making procedure (procedure for referring such decisions to the competence of the Board of Directors or the General Shareholders Meeting under the Company's Charter or relevant laws) recommended by the Code is met with respect to most corporate</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
	<p>The charter of the company shall provide a list of transactions, or other actions classified as material corporate actions pertaining to the competence of the board of directors of the company.</p>			<p>actions that are deemed by the Code to be material corporate actions. Following the established practices, when addressing the matter of preparing for and holding the General Shareholders Meeting of the Company, the Board of Directors approves the Board of Directors' position and recommendations for shareholders for voting on all agenda items, including those which may be regarded as material corporate actions.</p> <p>There are inconsistencies with the Code's recommendations with respect to transactions involving controlled legal entities, which are specified in Recommendation 307 of the Code and which the Code recommends to refer to the Board of Directors.</p> <p>Due to the large number of the Company subsidiaries, coordination of their operations, preliminary approval of their decisions regarding stakes in other entities, as well as decisions on acquiring subsoil licenses, which may result in investments exceeding an amount in rubles equivalent to USD 150 million, decisions to approve material transactions by the Company subsidiaries, and decisions on acquisition and disposal of equity interests in other entities are referred by the Charter to the competence of the Management Committee.</p> <p>The Company also notes that the term "controlled legal entity material to the Company" used in Recommendation 307 of the Code is used in the applicable Russian laws only for disclosure purposes. Therefore, until this term is consolidated in the corporate law, the Company's Charter cannot refer this matter to the competence of the Board of Directors.</p>
7.1.2	<p>The board of directors shall play a key role in making decisions or working out recommendations regarding material corporate actions relying on the opinions of the company's independent directors.</p>	<p>1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.</p>	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<p>Criterion 1 is partially not complied with.</p> <p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).</p>

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
				At the same time, in accordance with procedures provided for by the Regulations on the Board of Directors of PJSC LUKOIL, all members of the Board of Directors may participate in debates, put forward proposals, make comments, and speak on the substance of the matter under discussion.

7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions shall be ensured for all shareholders of the company, and, in case of insufficient statutory mechanisms for protecting shareholder rights, additional measures shall be taken to protect the rights and legitimate interests of the company shareholders. In doing so, the company shall be guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	<p>1. Taking into account the specifics of the company's operations, the company's charter refers approval of transactions other than those stipulated by the law and deemed material for the company, to the board of directors.</p> <p>2. In the reporting period, all material corporate actions were subject to the approval procedure prior to execution.</p>	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	
-------	--	--	---	--

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
-----	-------------------------------	---------------------	-------------------	----------------------------

7.2 The company shall execute material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.

7.2.1	Information about material corporate actions shall be disclosed with explanations of the grounds, circumstances and consequences.	1. In the reporting period, if the company performed material corporate actions, the company in due time and in detail disclosed information about such actions, including the grounds for, and timelines of, such actions.	<ul style="list-style-type: none"> ▀ Full ▀ Partial ▀ None 	<p>Criterion 1 is partially not complied with.</p> <p>In the reporting period, there were no material corporate actions specified in Part A, Section VII of the Code, such as reorganization of PJSC LUKOIL; acquisition of 30% or more of voting shares in PJSC LUKOIL; increasing or reducing PJSC LUKOIL's authorized capital; listing or delisting of shares in PJSC LUKOIL; or other actions that could lead to material changes in the rights of shareholders or to violation of their interests.</p>
-------	---	---	---	---

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.2.2	Rules and procedures related to material corporate actions taken by the company shall be set out in the company's internal documents.	<p>1. The company's internal documents provide for cases and procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction.</p> <p>2. The company's internal documents provide for the procedure for engaging an independent appraiser to assess the value of the company shares at their repurchase or redemption.</p> <p>3. If there is no formal interest of a member of the board of directors, the sole executive body, a member of the collegial executive body of the company or a person who is a controlling person of the company or a person entitled to give the company instructions binding on the company, in the company's transactions, but if there is a conflict of interest or other actual interest, the company's internal documents stipulate that such persons may not participate in the voting on the approval of such transaction.</p>	<ul style="list-style-type: none"> ■ Full ■ Partial ■ None 	<p>The Company also timely disclosed information on PJSC LUKOIL's transactions worth 10% or more of the book value of its assets in line with the regulations of the Bank of Russia on information disclosure by securities issuers except for grounds for, circumstances of transactions and their consequences for shareholders.</p> <p>Criterion 1 is complied with.</p> <p>Criterion 2 is complied with.</p> <p>Criterion 3 is partially not complied with.</p> <p>The Regulations on the Board of Directors of PJSC LUKOIL instruct Directors to:</p> <ul style="list-style-type: none"> – notify the Board of Directors of any conflict of interest they may have in respect of any item on the agenda of the Board meeting or the Board's Committee meeting, prior to the discussion of the relevant agenda item; – abstain from voting on any item in connection with which they have a conflict of interest. <p>The above instructions for Directors enable the Board of Directors to make unbiased decisions, and help restrict decision-making for Directors whose stance may be affected by circumstances not formalized in the applicable law. PJSC LUKOIL's internal documents do not stipulate that if the sole executive body or a member of the collegial executive body of PJSC LUKOIL has no formal interest, but there is a conflict of interest or other actual interest, such persons may not participate in voting on the approval of such transaction.</p> <p>There are no shareholders of PJSC LUKOIL who are controlling persons of the Company or persons entitled to give the Company instructions binding on the Company.</p>

Appendix 2.
Major and Interested Party Transactions

THE LIST OF TRANSACTIONS MADE BY PJSC LUKOIL IN 2021 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH FEDERAL LAW “ON JOINT-STOCK COMPANIES”

In 2021, PJSC LUKOIL did not perform any transactions that are recognised as major transactions in accordance with the Federal Law “On Joint-Stock Companies”.

THE LIST OF TRANSACTIONS ENTERED INTO BY PJSC LUKOIL IN 2021 AND RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH FEDERAL LAW “ON JOINT-STOCK COMPANIES” IS NOT DISCLOSED IN ACCORDANCE WITH REGULATION OF THE GOVERNMENT OF RUSSIAN FEDERATION №351 DATED 12 MARCH 2022.