

**Annual Report
of PJSC “LUKOIL”
for 2022**

Annual Report of PJSC “LUKOIL” for 2022

Contents

1. Board of Directors report on the results of the priority business directions development	3
1.1. Exploration and production	3
Macro Environment.....	3
Reserves	3
Licenses	4
Exploration.....	5
Development and Production	6
1.2. Refining, Marketing and Distribution	9
Macro Environment.....	9
Oil Refining	9
Lubricant Production and Marketing	10
Gas Processing	12
Petrochemicals	12
Power Generation.....	13
Wholesale and Trading.....	15
Priority Sales Channels	17
2. Sustainable Development	20
Sustainability Management System.....	20
Health and Safety	21
Climate Change.....	25
Climate Change Management.....	25
Climate Risks	26
Environmental Protection.....	32
Personnel.....	35
Business Ethics	39
Contribution to Society	40
3. Corporate Governance	43
Corporate Governance Structure of PJSC LUKOIL as at December 31, 2022.....	43
Developments in the Corporate Governance System	44
General Shareholders Meeting	46
Board of Directors	48
The Company’s Executive Bodies.....	59
CEO	59
Remuneration System for Members of the Company’s Governance Bodies	60
Performance Assessment System	63
Risk Management and Internal Control System.....	64
Internal Audit	69
External Audit	71
Subsidiary Management System.....	73
Reference Information.....	76
Appendix 1. Corporate Governance Code Compliance Report (as of December 31, 2022).....	80
Appendix 2. Major and Interested Party Transactions.....	112

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

1.1. Exploration and production

Macro Environment

In 2022, the oil market environment was favorable. Oil inventories remained low due to further growth in global oil consumption against the backdrop of some OPEC+ countries failing to ramp up production to the quota level. This contributed to rising oil prices, which exceeded five-year highs throughout 2022. Additional support for oil prices came from a considerable hike in gas prices, which drove demand for petroleum products. The rise in oil prices was dampened by increased global recession concerns, the zero-tolerance COVID-19 policy in China, and sales of oil from strategic reserves by the USA, Japan and Australia.

Despite a significantly widened spread between Urals and Brent oil blends prices due to trade restrictions on the supply of oil from Russia, the average price of the Urals crude grew by 12 percent year-on-year in 2022, hitting USD 77.4 per barrel, the highest annual average price since 2015. However, the net price of Urals (net of mineral extraction tax and export duty) fell by 8.1 percent year-on-year due to the progressive formula used to calculate the MET and export duty rates, and negative tax lag effect.

The ruble appreciated against the US dollar by 6.9 percent on average to RUB/USD 68.55, holding back the ruble-denominated Urals price, which was up by 4.3 percent year-on-year. The ruble-denominated Urals net price was down by 14.4 percent.

Russian oil exporter's revenue breakdown under standard tax regime without incentives

	2020	2021	2022	Change 2022/2021
	USD per barrel			
Urals crude price	41.4	69.1	77.4	12.0%
Mineral extraction tax	16.6	35.8	47.4	32.4%
Export duty	6.3	8.1	6.8	-15.6%
Net oil price	18.6	25.2	23.1	-8.1%
	RUB per barrel			
Urals crude price	2,986	5,089	5,306	4.3%
Mineral extraction tax	1,195	2,640	3,252	23.2%
Export duty	453	597	469	-21.4%
Net oil price	1,338	1,852	1,585	-14.4%

Reserves

LUKOIL Group has proved hydrocarbon reserves in nine 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 2022, the Group's SEC proved hydrocarbon reserves amounted to 15.1 billion boe, including 76 percent of liquid hydrocarbons and 24 percent of gas. The proved reserves replacement ratio for hydrocarbons, excluding the effect of changes in macroeconomic factors on evaluation, totaled 144 percent in 2022. The Company's proved hydrocarbon reserves life is 18 years. The Company has 60 percent of its proved hydrocarbon reserves classified as developed. These reserves can be extracted from existing wells using currently available technologies and equipment.

Concentrated mainly in West Siberia, 92 percent of the Group's proved hydrocarbon reserves are located in Russia. The proved reserves replacement ratio for hydrocarbons at the Company's Russian projects totaled 107 percent in 2022.

Outside Russia, 41 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 2022 is attributable to the revision of reserves for projects implemented under production sharing agreements or service contracts due to higher average annual oil and gas prices.

In 2022, LUKOIL added 541 million boe to its proved reserves through geological exploration and production drilling, which is 8 percent more than 2021 additions. The largest contribution was from the assets in West Siberia, Urals and Timan-Pechora. The conversion of contingent resources to reserves added 33 million boe to proved reserves.

Hydrocarbon reserves as at December 31,¹ million boe

	2020	2021	2022	Change 2022/2021
Total proved reserves	15,385	15,268	15,109	-1.0%
Liquid hydrocarbons	11,692	11,572	11,520	-0.4%
Natural gas	3,693	3,696	3,589	-2.9%
Developed	9,260	9,373	8,991	-4.1%
Undeveloped	6,125	5,895	6,118	3.8%
Russia	13,722	13,784	13,833	0.4%
International projects	1,663	1,484	1,276	-14.0%
Probable reserves	5,581	6,057	6,159	1.7%
Possible reserves	2,802	2,851	2,938	3.1%

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.

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

At the end of 2022, the Group held 587 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 two years.

In the reporting year, 24 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 the reporting year, the Company expanded its license portfolio through the acquisition of license areas and assets in West Siberia, the Perm Territory, the Volga region and the Orenburg Region. Over the year, the Company also expanded its geographical footprint through the acquisition of a subsoil area in the Sverdlovsk Region.

In the reporting year, the Group's license portfolio evolved as follows: 23 license amendments were registered to extend the underlying licenses and 3 licenses were returned upon their expiry. In addition, 79 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

	2020	2021	2022
Total	563	566	587
Exploration and production	372	379	376
Prospecting and appraisal	58	53	58
Geological survey, exploration and production	133	134	153

Exploration

LUKOIL Group carries out exploration in 11 countries, with a focus mostly on Russia.

Our exploration activities have consistently delivered good results. In 2022, LUKOIL completed 46 prospecting wells with a success rate of 76 percent (84 percent in Russia). By this metric, LUKOIL is a top performer among Russian oil and gas companies. Forty-eight deposits and four new fields were discovered in 2022, including the major Khazri offshore gas condensate field in the Russian sector of the Caspian Sea. Our high efficiency is driven by advanced exploration techniques and selection of the most promising areas based on research results.

LUKOIL conducted 3D seismic surveys to prepare an inventory of prospects in its exploration areas and to better understand the geology of previously discovered deposits. The volume of 3D seismic surveys reached 5,831 square kilometers in 2022. Exploration drilling totaled 196 thousand meters. Exploration activities ramped up in 2022 following a decline in 2021 driven by the investment program optimization on the back of the COVID-19 pandemic. Exploration costs (across subsidiaries, including non-cash items) in 2022 stood at RUB 24 billion.

Exploration

	2020	2021	2022	Change 2022/2021
2D seismic surveys, linear km	598	208	0	-100.0%
3D seismic surveys, square km	6,040	3,456	5,831	68.7%
Exploration drilling, km	179	165	196	18.8%
Exploration costs, ² RUB million	39,013	30,999	24 190	-22.0%

Exploration drilling in 2022

Total (100%)	196 km
West Siberia	69%
Urals	4%
Volga	6%
Timan-Pechora	5%
International projects	16%

Development and Production

LUKOIL Group produces oil and gas in eight 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 2022 totaled 2.3 million boe per day, with liquid hydrocarbons accounting for 76 percent of the total, and natural and associated petroleum gas accounting for 24 percent. Excluding the West Qurna-2 project, production rose by 7.0 percent year-on-year driven by the dynamics of external oil production limitations arising from the OPEC+ agreement and the acquisition in 2022 of interests in production assets in Russia, Azerbaijan and Mexico. Excluding the acquisitions, production grew by 3.4 percent year-on-year.

Development costs (across subsidiaries, including non-cash items) were RUB 404 billion in 2022.

Hydrocarbon production, thousand boe per day

	2020	2021	2022	Change 2022/2021
Total hydrocarbons	2,117	2,197	2,333	6.2%
Liquid hydrocarbons	1,651	1,678	1,775	5.8%
Natural gas	466	519	558	7.5%
Total hydrocarbons, excluding the West Qurna-2 project	2,064	2,163	2,315	7.0%

² Across subsidiaries, including non-cash items.

Crude oil

Excluding the West Qurna-2 project, our 2022 oil and gas condensate production totaled 85.0 million tonnes, up by 7.1 percent year-on-year. The dynamics of the Company's oil production in Russia and at certain international projects were driven by the parameters of the OPEC+ agreement and the acquisition in 2022 of interests in production assets in Russia, Azerbaijan and Mexico.

In 2022, LUKOIL produced 81.0 million tonnes of crude oil and gas condensate in Russia, up by 6.6 percent year-on-year. This accounted for 15.1 percent of Russia's total production, as reported by the Central Dispatching Department of the Fuel and Energy Complex of Russia.

The reporting year saw a ramp-up in production at priority projects as planned. In particular, we continued to increase oil production at fields with low-permeability reservoirs in West Siberia and at license areas subject to the tax on additional income (TAI) since 2019. In 2022, oil production was launched at 3 new fields in Volga and Urals regions.

Our international oil and gas condensate production, excluding the West Qurna-2 project, reached 4.0 million tonnes, up by 17.2 percent year-on-year, primarily due to the acquisition of an interest in the Area 4 project in Mexico and an additional interest in the Shah Deniz project in Azerbaijan in 2022. Excluding acquisitions, production was up by 0.7 percent. Production growth was constrained by the impact from production sharing agreements amid higher oil and gas prices in 2022.

Production drilling in 2022

Total (100%)	3,632 km
West Siberia	75%
Urals	11%
Volga	2%
Timan-Pechora	5%
Other	2%
International projects	5%

Oil production structure in 2022, excluding the West Qurna-2 project

Total (100%)	85.0 million tonnes
West Siberia	44%
Urals	19%
Volga	12%
Timan-Pechora	19%
Other	2%
International projects	4%

In 2022, the Group completed 3,632 thousand meters of production drilling, up 7.2 percent year-on-year. The increase was driven by a recovery in production amid changes in external limitations under the OPEC+ agreement. In Russia, our drilling was up by 4.5 percent to 3,434 thousand meters. We commissioned 1,071 new oil production wells, including 1,018 in Russia, where 33 percent were horizontal wells. A total of 30 thousand oil production wells were in operation as at the end of the reporting year.

Gas

Gas production structure in 2022

Total (100%)	35 billion cubic meters
West Siberia	36%
Urals	4%
Volga	5%
Timan-Pechora	6%
International projects	49%

In 2022, gas production came in at 34.6 billion cubic meters, up by 7.6 percent year-on-year.

Overall 2022 gas production in Russia totaled 17.7 billion cubic meters, up by 10.0 percent year-on-year as a result of the acquisition of production assets in West Siberia.

Gas production from our international projects rose by 5.2 percent to 16.9 billion cubic meters due to the acquisition of an interest in the Area 4 project in Mexico and an additional interest in the Shah Deniz project in Azerbaijan in 2022.

1.2. Refining, Marketing and Distribution

Macro Environment

In 2022, market environment in the refining segment demonstrated unprecedented surge to new all-time highs of refining margin, which was driven by significantly stronger gasoline and diesel crack spreads in Europe due to trade restrictions on Russian-origin petroleum products, related shifts in global logistics, and low global motor fuel inventories. In addition, cheap feedstocks accounted for about half of European refining margins as the annual average Urals crude differential to Brent surged to an unprecedented USD 25 per barrel amid trade and logistical restrictions on Russian oil. As a result, in 2022, the benchmark refining margin in Europe increased eight-fold from 2021, exceeding USD 40 per barrel to hit a new all-time high.

The average benchmark refining margin in the European part of Russia was also up year-on-year at approximately USD 28 per barrel, mainly due to higher Urals differential to Brent. At the same time, Russian refining margins were dampened by lower wholesale prices in the domestic petroleum products market.

Oil Refining

LUKOIL Group owns four refineries in Russia (in Perm, Volgograd, Nizhny Novgorod, and Ukhta) and 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 (excluding mini-refineries).

In 2022, the throughput at the Group's own refineries was up by 11.3 percent year-on-year to 70.1 million tonnes, supported mainly by maximized utilization rates at the Group's foreign refineries amid record-high refining margins.

Throughput in 2022 amounted to 82 percent of LUKOIL's total oil production. Refineries in Russia accounted for 63 percent of total throughput volumes.

In 2022, the Group maintained its focus on driving operational excellence across its refineries. The key activities in this area were aimed at increasing capacity and conversion of secondary processes, driving energy efficiency gains, decreasing scheduled outages, and optimizing operating expenses.

Refineries in Russia

The throughput at LUKOIL's refineries in Russia was up by 3.3 percent year-on-year and amounted to 44.0 million tonnes. Light product yield at Russian refineries was 71.2 percent in 2022 (70.4 percent in 2021), while the refining depth stood at 90.1 percent (89.4 percent in 2021), both figures excluding mini-refineries.

In 2022, the Group completed the following projects:

- The Nizhny Novgorod Refinery completed the largest selective project within the Company's refinery modernization program, launching a 2.1 million tonne residue conversion complex. The new facility includes a delayed coker, a combined diesel fuel and gasoline hydrotreater, a gas fractionator, and hydrogen and sulfur production units. The project will increase the refinery's annual Euro 5 diesel fuel production by 1.1 million tonnes while reducing the share

of fuel oil in its product mix and driving synergies with the refinery's existing process facilities. Following the facility launch, the light product yield at the Nizhny Novgorod Refinery reached an all-time high of 70 percent in December 2022, compared with 63 percent in 2021.

- The Volgograd Refinery completed a large-scale revamp of its 3.5 million tonne CDU-VDU-5 crude distillation unit and the solvent extraction unit with an annual production capacity of 300 thousand tonnes. The CDU-VDU-5 project will increase crude refining by 400 thousand tonnes per year while growing the output of kerosene and diesel fuel fractions. The rollout of advanced technologies and digital solutions will boost the energy efficiency of operations and reduce per unit carbon dioxide emissions.

Capital expenditures of the Group's Russian refineries in the reporting year decreased by 23.7 percent to RUB 37 billion mainly due to completion of construction of residue conversion complex at our refinery in Nizhny Novgorod.

Refineries in Europe

In 2022, throughput at LUKOIL's refineries in Europe went up by 27.9 percent year-on-year to 26.0 million tonnes. The increase was due to optimized utilization of refining assets amid much stronger refining economics in Europe.

Refining depth at the Group's European refineries declined to 90.8 percent in 2022 (98.0 percent in 2021) due to higher share of Russian crude grades in the feedstock mix. In particular, for ISAB and Zeeland refineries, Russian crude is heavier than North Sea and North African crudes.

In 2022, we implemented a number of projects at our European refineries to improve efficiency, mainly by optimizing the feedstock mix and utilization in line with the market environment, as well as reducing energy consumption.

Capital expenditures of the Group's refineries in Europe totaled RUB 9 billion in 2022, down by 66.8 percent year-on-year. The change is attributable to payments made in early 2021 in relation to the planned overhauls at our refinery in Italy performed in the end of 2020.

Refinery throughput and output of petroleum products at LUKOIL Group refineries

	2020	2021	2022	Change 2022/2021
Refinery throughput, thousand tonnes	58,608	62,959	70,056	11.3%
Petroleum products output, thousand tonnes	54,964	60,015	65,766	9.6%
Light product yield	72%	73%	72%	-1 p.p.
Fuel oil yield	7%	7%	9%	2 p.p.
Refining depth	93%	92%	90%	-2 p.p.
Nelson Index	8.6	8.7	9.0	3.4%

Lubricant Production and Marketing

LUKOIL Group produces lubricants at nine of its own sites, two joint ventures, and 25 third-party plants.

The Group's production of base lubricants and components in 2022 decreased by 7 percent year-on-year to 797 thousand tonnes. Production of finished lubricants increased by 2 percent year-on-year to 661 thousand tonnes. Sales of premium lubricants for motor engines and industrial uses grew by 32 percent thanks to efforts aimed at expanding the share of premium products in the sales mix and growing Teboil sales.

In 2022, the Company continued projects at its production sites in Perm, Volgograd, and Tyumen to upgrade its facilities, further improve product quality, and enhance industrial safety. In Perm, upgrades to production facilities were completed. In Tyumen, a warehouse was built to increase storage capacity and improve the storage process.

One of the Group's key priorities is to develop its product range in line with modern requirements. In 2022, we introduced 112 new products and developed 126 formulations. We continued innovating formulations of some commercial and industrial oils, replacing Group 1 base lubricants with Group 2 high-tech products. We had over 800 products within the lubricants category at the end of 2022.

LUKOIL greases comply with modern global industry requirements and the German Association of the Automotive Industry standard.

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 for our products.

The Company has partners among some of world's leading automotive brands. One of our focus areas is cooperation with Chinese car manufacturers in Russia: the Company won a tender from Great Wall, a major Chinese car manufacturer (Haval brand), to supply fuel and lubricants for first and service fillings. As it works to expand the partnership with China's Chery Automobile, LUKOIL is testing its products for use by Chery's new brands, OMODA and EXEED.

As part of its continued digital transformation journey, LUKOIL is digitizing business processes, such as development of new formulations and quality assurance for greases, warehousing and logistics, and services around dealer engagement and relationships with corporate clients.

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

	2020	2021	2022	Change 2022/2021
Base lubricants and components production	923	856	797	-7%
Finished lubricants production	695	646	661	2%

Base lubricants and components production in 2022

Total (100%)	797 thousand tonnes
For blending of finished lubricants	56%
For sale	44%

Finished lubricants production in 2022

Total (100%)	661 thousand tonnes
Russia, Perm	19%
Russia, Volgograd	13%
Russia, Tyumen	6%
Russia, Torzhok	3%
Finland	5%
Austria	5%
Turkey	6%
Romania	2%
Kazakhstan	6%
Third-party facilities	34%

Gas Processing

LUKOIL Group processes gas and natural gas liquids at two gas processing plants (GPPs) in West Siberia and the Timan-Pechora region, as well as at its Perm and Volgograd Refineries and the Stavrolen petrochemical complex in the Stavropol Territory. 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 2022, our gas processing and treatment volume amounted to 3.5 billion cubic meters. The decline from the previous year is associated with logistical constraints and lower APG production at some of the Group's assets.

Our 2022 output of liquefied petroleum gases and liquid hydrocarbons at the Group's GPPs was 1.2 million tonnes, and the marketable gas production – 1.9 billion cubic meters.

Gas processing and treatment in Russia, million cubic meters

	2020	2021	2022	Change 2022/2021
Total	3,977	3,685	3,473	-5.8%
Lokosovsky GPP	1,146	1,059	952	-10.1%
Perm Refinery's gas processing complex	1,284	1,242	1,153	-7.1%
Volgograd Refinery's gas processing complex	344	249	192	-23.1%
Usinsky GPP	159	174	182	4.4%
Stavrolen gas processing complex	1,044	961	994	3.4%

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 20 countries.

In 2022, our petrochemicals output was 1.2 million tonnes, up by 8.2 percent year-on-year. The production growth was driven by higher utilization rates at refineries and optimized repair schedules.

Petrochemicals output

	2020	2021	2022	Change 2022/2021
Marketable products output, thousand tonnes	1,228	1,134	1,227	8.2%
Polymers and monomers	40.8%	40.4%	38.1%	−2.3 p.p.
Organic synthesis products	36.2%	38.6%	38.3%	−0.3 p.p.
Pyrolysis products	22.7%	20.9%	23.4%	2.5 p.p.
Other	0.3%	0.2%	0.2%	–

Petrochemicals output in 2022

Total (100%)	1.2 million tonnes
Stavrolen	55%
Saratovorgsintez	17%
Burgas Refinery	8%
ISAB Refinery	20%

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,³ with commercial power generation accounting for 69 percent of the total, and supporting power generation for the remaining 31 percent.

In 2022, PJSC LUKOIL acquired a controlling stake in PJSC Enel Russia (renamed to PJSC EL5-Energo). PJSC EL5-Energo includes three gas-fired power plants with a total installed capacity of 5.6 GW – Konakovskaya GRES, Nevinnomysskaya GRES, and Sredneuralskaya GRES, as well as two wind farms with a total installed capacity of 291 MW – Azovskaya and Kolskaya (including the second stage of the Kolskaya wind farm with a capacity of 31 MW and expected commissioning in 2023).

Electric power generation in 2022

Total (100%)	24,588 million kWh
Commercial power generation	68%
Supporting power generation	32%

Commercial power generation

LUKOIL's main commercial heat and power generating facilities are located in the south of European Russia, accounting for around 90 percent of electricity generation in the Astrakhan Region and about 60 percent in the Krasnodar Territory. Our commercial electricity generation totaled 16.8 billion kWh in 2022, while heat supplies totaled 9.6 million Gcal.

In 2022, 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 significantly improve the plant's operating performance and extend its service life. In 2022, most construction and installation works under the power unit No. 1 upgrade project were completed, and a boiler unit was commissioned. In addition, a turbine and a boiler unit to upgrade power unit No. 2 were manufactured.

³ Hereinafter in the Power Generation section, the data excludes the PJSC EL5-Energo acquisition.

In 2022, LUKOIL signed agreements with the State Corporation – Housing and Utilities Reform Foundation, receiving a preferential targeted loan to continue its comprehensive long-term program to upgrade heat networks in Rostov-on-Don and Volgodonsk. The agreements envisage the completion of construction and installation phase in 2023–2024.

Commercial electricity output and commercial heat supplies

	2020	2021	2022	Change 2022/2021
Electricity, million kWh	17,138	15,801	16,808	6.4%
Including renewable power generation, million kWh	822	1,008	1,057	4.9%
Heat, million Gcal	10.0	10.2	9.6	-6.2%

Commercial electricity output in 2022

Total (100%)	16,808 million kWh
Russia	83%
Outside Russia	17%

Commercial heat supplies in 2022

Total (100%)	9,606 thousand Gcal
Russia	100%
Outside Russia	0%

Renewable power generation

Renewable power generating facilities also contribute to commercial power generation. The Group’s core assets comprise five hydroelectric power plants (HPPs) located in Russia with a combined capacity of 292 MW and a combined output of 807 million kWh in 2022 (including a small HPP on the Beshenka River with a capacity of 1.5 MW, commissioned in 2020). In the reporting year, NP Market Council, an industry regulator, certified Tsimlyanskaya HPP as a renewable generator, and in September the plant began supplying green power to LLC LUKOIL-West Siberia (103 million kWh), which enabled a reduction in energy indirect greenhouse gas emissions by 51 thousand tonnes.

We operate solar power plants in Russia, with a total capacity of 32.5 MW, and also in Romania, Bulgaria, and Austria, with an aggregate capacity of 11 MW. The solar farms are built on unutilized industrial sites across refineries and filling stations. In 2022, their total electricity output was 49 million kWh.

Solar power plants at the Volgograd Refinery (with a total capacity of 30 MW) supplied green electricity to the Stavrolen petrochemical complex (12 million kWh) and the Nizhny Novgorod Refinery (26 million kWh) in the reporting year, which enabled a reduction in energy indirect greenhouse gas emissions by 6 thousand tonnes and 13 thousand tonnes respectively.

In 2022, we commissioned a 2.35 MW solar power plant at Krasnodar CHPP, constructed under the program of government support of renewable energy sources on the retail electricity market. This power plant supplies electricity at an approved tariff under a purchase and sale agreement to offset losses in the grids of PJSC Rosseti Kuban.

In 2022, we also designed and installed a 41 kW solar power plant on the observation deck of the Company’s head office in Moscow. All electricity generated is supplied to the building’s internal grid.

LUKOIL also owns the 84 MW Land Power wind farm in Romania. The annual output of the power plant totaled 214 million kWh in 2022.

Renewables made up 6.3 percent of the Group's total commercial power generation in 2022.

Supporting power generation

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

In 2022, supporting power generation by the Group totaled 7,781 million kWh, or 36 percent of LUKOIL's total electricity consumption for production purposes.

Power consumption by the Group's production entities in 2022

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.

Combined sales of crude oil, petroleum products, gas products, and petrochemicals totaled 134.1 million tonnes in 2022, down from 208.3 million tonnes year-on-year. The change in sales was caused by lower trading volumes for third-party supplies, which was partially offset by higher volumes of hydrocarbon production and petroleum product output. Gas sales totaled 25.7 billion cubic meters, down by 6.4 percent year-on-year on the back of lower gas trading volumes.

Crude oil

In 2022, crude oil sales decreased to 49.3 million tonnes due to lower oil trading volumes. Markets outside of the Customs Union accounted for approximately 95.7 percent of LUKOIL's total crude oil sales volumes, while 3.5 percent was sold in Russia and 0.8 percent in countries of the Customs Union.

In 2022, LUKOIL's crude oil exports from Russia were up by 14.1 percent to 35.4 million tonnes primarily driven by growing supplies to its own refineries in Europe as a result of increased utilization rates. Domestic sales of crude oil amounted to 1.7 million tonnes as compared to 2.7 million tonnes in 2021. The change was mainly due to growing supplies to the Company's own refineries in Russia. International crude oil sales declined to 47.6 million tonnes, or by 48.8 percent, due to lower trading volumes for third-party supplies.

Crude oil supplies to the Group's refineries in Russia amounted to 44.0 million tonnes in 2022, up by 3.3 percent year-on-year. Crude oil supplies to the Group's refineries in Europe totaled 24.8 million tonnes in 2022, up by 35.5 percent year-on-year. Supplies of oil for processing at foreign third-party refineries remained almost fully halted, same as in 2021. The increase in oil supplies to refineries was driven by record-high refining margins.

Oil supplies and sales, million tonnes

	2020	2021	2022	Change 2022/2021
Oil sales	87.4	95.8	49.3	-48.5%
in Russia	1.4	2.7	1.7	-36.7%
outside Russia	86.0	93.1	47.6	-48.8%
Supplies to LUKOIL's Russian refineries	40.1	42.6	44.0	3.3%
Exports from Russia	32.1	31.0	35.4	14.1%
Supplies to LUKOIL's European refineries	16.9	18.3	24.8	35.5%

Petroleum products

Sales of petroleum and gas products amounted to 83.1 million tonnes in 2022. The year-on-year decrease was associated with lower trading volumes for third-party supplies.

At 23.3 million tonnes, Russia accounted for approximately 28 percent of total sales of petroleum products, which was almost flat year-on-year. LUKOIL's retail sales in Russia amounted to 10.8 million tonnes, up by 9.9 percent year-on-year driven by growing sales through the core retail network, as well as due to acquisitions.

In 2022, exports of petroleum products from Russia were up by 10.5 percent to 19.4 million tonnes, supported by increasing production volumes.

A total of 72 percent of LUKOIL's petroleum products were sold in the international market. Wholesales outside Russia decreased to 55.8 million tonnes year-on-year due to lower trading volumes, which was partially offset by higher refining volumes at own refineries. Retail sales outside Russia went up by 1.6 percent to 4.1 million tonnes.

Sales of petroleum and gas products, million tonnes

	2020	2021	2022	Change 2022/2021
Total	104.8	110.7	83.1	-24.9%
Russia	21.0	23.6	23.3	-1.3%
outside Russia	83.8	87.1	59.8	-31.3%

Exports of petroleum and gas products, million tonnes

	2020	2021	2022	Change 2022/2021
Total	17.9	17.6	19.4	10.5%
diesel fuel	9.7	9.2	9.4	1.6%
gasoline	0.7	0.2	0.8	378.9%
jet fuel	0.02	0.02	0.04	175.0%
lubricants	0.6	0.6	0.5	-14.1%
gas products	0.7	0.6	0.4	-32.0%
fuel oil	1.9	3.3	3.7	13.1%
other	4.3	3.7	4.6	23.7%

Petrochemicals

In 2022, LUKOIL Group's petrochemicals sales totaled 1.6 million tonnes, down by 15.2 percent year-on-year. The decrease in export sales was partially offset by a 4.7 percent increase in domestic sales. In 2022, the Company took steps to change product qualitative parameters, which enabled us to expand both domestic and export sales channels. The set of measures taken included developing and implementing mutual supply arrangements for various petrochemicals with major oil and petrochemical companies and diversifying traditional export destinations.

Natural gas

In 2022, LUKOIL Group sold 25.7 billion cubic meters of gas (natural gas, APG, and dry stripped gas). Russia accounted for 40 percent of the Group's total gas sales volumes, at 10.3 billion cubic meters, of which 8.4 billion cubic meters were sold to Gazprom Group. International gas sales volumes totaled 15.4 billion cubic meters. The year-on-year decline was due to lower gas trading volumes. The share of international sales in the total gas sales volumes was flat year-on-year at 60 percent.

Gas sales, million cubic meters

	2020	2021	2022	Change 2022/2021
Total	24,065	27,507	25,734	-6.4%
Russia	12,777	11,109	10,308	-7.2%
to Gazprom Group	10,989	9,281	8,443	-9.0%
to other consumers	1,788	1,828	1,865	2.0%
outside Russia	11,288	16,398	15,426	-5.9%

Priority Sales Channels

Retail sales

LUKOIL sells the bulk of its petroleum products in the retail market via its well-diversified retail network of 5,278 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 filling station network and optimize the station format.

During 2022, we made deals to acquire retail networks from Shell, EKA, and Eni Nefto, fully rebranded the newly acquired Shell filling stations to the new Teboil brand, and commissioned filling stations in a new format along key federal highways (Saint Petersburg Ring Road and Moscow Ring Road).

In 2022, our retail sales of petroleum products totaled 14.9 million tonnes (including the acquired retail networks). Retail sales of petroleum products in Russia were 10.8 million tonnes in 2022, up by 9.9 percent year-on-year (including 10.4 million tonnes sold through the core retail network, excluding acquisitions, a 5.5 percent increase over 2021). The increase in retail sales volumes was due to new customers attracted by, among other things, higher service levels, federal and regional marketing campaigns to promote sales of fuel and non-fuel goods and services, and advertising campaigns to raise customer awareness. International retail sales were 4.1 million tonnes, up by 1.6 percent year-on-year.

Retail sales of petroleum products

	2020	2021	2022	Change 2022/2021
Number of filling stations⁴ as at December 31	5,005	4,965	5,278	6.3%
Russia	2,474	2,447	2,788 ⁵	13.9%
Outside Russia	2,531	2,518	2,490	-1.1%
Total retail sales volumes, thousand tonnes	12,699	13,886	14,930	7.5%
Russia	9,032	9,870	10,848	9.9%
Outside Russia	3,667	4,016	4,082	1.6%
Average daily sales volumes at LUKOIL's filling stations, tonnes per day per station	9.0	9.9	11.1	12.7%
Russia	11.5	12.6	12.8	2.2%
Outside Russia	5.9	6.5	6.6	1.4%

Breakdown of retail sales volumes of LUKOIL petroleum products in 2022

Total (100%)	14.9 million tonnes
Russia	72.6%
Europe	21.9%
Nearby countries	5.0%
USA	0.5%

Branded fuel

LUKOIL actively promotes sales of its fuels under the ECTO brand, which provides improved efficiency and environmental performance. In 2022, sales volumes of ECTO fuels in Russia were up by 8.1 percent year-on-year to 8.7 million tonnes, and their share in total domestic retail sales increased to 83.5 percent from 81.8 percent in 2021. Sales of improved, higher performance ECTO 100 gasoline in Russia were up by 12 percent to 196 thousand tonnes.

Non-fuel goods and services

In 2022, we continued our efforts to develop retail sales of non-fuel goods and services at our filling stations. Gross profit from non-fuel sales reached RUB 14.7 billion in Russia, up by 30 percent year-on-year, and RUB 8.0 billion outside Russia, flat 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 our 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, as well as on Russia's inland waterways.

⁴ Including owned, leased, franchised, and suspended stations.

⁵ Including acquisitions.

In 2022, the Group sold 1.1 million tonnes of bunker fuel. The decrease was driven by Russia’s shrinking bunker fuel market and trade restrictions.

Bunker fuel sales volumes, million tonnes

	2020	2021	2022	Change 2022/2021
Total	2.7	2.1	1.1	-47%
including retail sales in the “ship supplies” customs regime	1.6	0.9	0.7	-27%

Aircraft fueling

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

In 2022, jet fuel sales in Russia were 2.8 million tonnes. The dynamics was attributable to lower passenger traffic, including due to suspensions on a number of international flights from Russia and the ongoing temporary flight restrictions on airports in the south of Russia.

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 associates), million tonnes

2020	2021	2022	Change 2022/2021
1.1	1.6	1.3	-19%

Bitumens

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

In 2022, we expanded the bitumen portfolio by 26 percent to 63 items, including advanced Superpave products used to construct heavy-duty asphalt pavements and tailored to different climate conditions and traffic loads. We also continued to expand our branded product line, paving nine pilot road sections as part of testing branded products in road construction.

In 2022, the Company grew its sales of polymer-bitumen binders which greatly enhance pavement durability. Sales of polymer-modified bitumen materials tripled to 55 thousand tonnes.

Each year, LUKOIL Group expands the geography of bitumen supplies. In 2022, the Company developed sales of packaged products to hard-to-reach regions in the Far Eastern Federal District, growing sales volumes for packaged bitumen products by 53 percent year-on-year to 20 thousand tonnes.

Bitumen sales volumes, thousand tonnes

2020	2021	2022	Change 2022/2021
894	907	847	-7%

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 by 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.

In 2022, LUKOIL continued to deliver on all of its sustainability commitments, implement measures aligned with the previously set goals and objectives, and strive for leadership on sustainability.

The Company's position on sustainability issues, core relevant principles, goals, and key objectives are set out in a top-level document, the LUKOIL Group Sustainability Policy.

LUKOIL has the following sustainability goals:

- Maintaining an efficient corporate governance system*
- Financial resilience and development*
- Embracing ethical business practices*
- Decarbonizing and adapting to climate change*
- Securing 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 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 CEO, the Health, Safety, and Environmental Committee of PJSC LUKOIL, heads of functional and business units at PJSC LUKOIL, and 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 had two meetings.

The Company has cross-functional Task Forces of key executives and specialists from various business units to address sustainability issues. For example, since 2020, LUKOIL has had in place the Decarbonization and Climate Change Adaptation Task Force. In 2017, the Preparing and Publishing the Sustainability Report Task Force was set up to enhance the system of collecting, preparing, and disclosing sustainability information. In 2019, its functions were expanded to include additional systemic sustainability issues, and it was renamed to the Sustainability Task Force. The goal of the Task Force is to consider matters of enhancing the corporate sustainability management and non-financial reporting systems.

Sustainability indicators are included in the List of Key Performance Indicators (KPIs) used for planning, performance management, and motivation of employees and key executives of PJSC LUKOIL, as well as heads of LUKOIL Group entities.

Sustainability disclosure

The Company publishes 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 in accordance with the 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.

Over a number of years, LUKOIL’s sustainability disclosure efforts have received high scores from Russian and foreign rating agencies.

In 2022, LUKOIL retained or improved its positions in a number of Russian and foreign rankings and was also recognized among the leaders in RSPP’s ESG indices – Responsibility and Transparency and Sustainability Vector.

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

Certified to international standards ISO 14001 and ISO 45001, LUKOIL’s HSE management system is aimed at implementing the requirements of national laws and is based on principles of preventive actions and personal accountability of both managers and employees.

The Health, Safety, and Environment Policy of LUKOIL Group in the Twenty-First Century (the “HSE Policy”) sets goals and commitments to minimize the impact of the Company and other Group entities’ activities on climate and environment, as well as reduce the risks of harm to the health of employees, including contractor employees.

To improve the HSE management system, the Company has in place the Health, Safety, and Environmental Committee of PJSC LUKOIL. The Committee reviews relevant HSE matters: impact on LUKOIL Group’s activities from regulatory changes and other external factors, measures for material risk management, proposals for motivating the Group entities’ employees to comply with HSE requirements, including through KPIs and HSE compliance performance. The Committee also prepares proposals to the Company’s governance bodies for approving key HSE documents: the HSE 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 2022. 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 annually reported to top management. PJSC LUKOIL’s Board of Directors also annually reviews 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 a culture of safety.

Industrial safety expenditures

LUKOIL's spending under the industrial safety program totaled RUB 36.9 billion in 2022, up by 13 percent year-on-year. Around 50 percent of this amount was spent on the activities to improve pipeline system reliability.

Industrial safety program expenditures (capital and operating) across the Group in 2022

Total (100%)	RUB 36.9 billion
Reliability of equipment, buildings, and structures	57%
Emergency response and prevention ⁶	16%
Improved working conditions and provision of personal protective equipment	17%
Use of modern technologies for improving HSE and working conditions	4%
Management system optimization and regulatory support	2%
Other	4%

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 continuous improvement of its health and safety management system. Due to measures taken, accident frequency rates in recent years were below the industry average and are maintained at these levels.

The number of accidents remained broadly flat year-on-year, although more people were injured. The increase in the number of injuries was due to two road accidents where 10 employees were injured.

In 2022, LUKOIL Group entities registered one fatality as a result of the victim's failure to use respiratory protection when loading oil with a high hydrogen sulfide content at LLC LUKOIL-Komi. To prevent similar incidents, the circumstances and causes of the accident were communicated to employees, and unscheduled briefings on occupational safety during loading/unloading operations and knowledge checks for occupational safety requirements were conducted.

The investigations into injuries in the reporting year revealed that accidents were mainly caused by the human factor: personal contributory negligence, violation of workplace discipline, and employees' failure to use available personal protective equipment. To prevent similar incidents, the relevant details were communicated to all employees of LUKOIL Group entities and contractors.

⁶ 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

	2020	2021	2022	Change 2022/2021
Number of occupational accidents	28	17	18	6%
Number of injured employees	28	17	26	65%
Fatalities	2	0	1	100%
Lost-time accident frequency rate (LTAFR) ⁷	0.28	0.17	0.17	0%
Lost-time injury frequency rate (LTIFR) ⁸	0.17	0.10	0.15	67%

Accidents at LUKOIL's production facilities

	2020	2021	2022
Accidents	4	3	2

In 2022, two accidents occurred at the Group's production facilities.

On March 22, an accident involving a fire occurred at a truck loading rack at LLC LUKOIL-Tsentrnefteprodukt's Kstovo oil depot. The accident was caused by an unauthorized change in the design of a tank truck by the contractor, resulting in the tank having areas without a guaranteed metal-on-metal connection, which led to the accumulation of static electricity.

On December 26, a fire caused an accident in an underground working of the top landing of oil mine No. 3 operated by LLC LUKOIL-Komi's Yareganefit Oil Mining Enterprise. An investigation into the causes of the accident is under way.

All accidents and incidents were considered by the Health, Safety, and Environmental Committee of PJSC LUKOIL on December 21, 2022 and discussed at LUKOIL's Safety Day. To assess the performance of the HSE management system, the Company's management annually reviews LUKOIL Group's HSE Report.

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 Environmental Committee of PJSC LUKOIL and at Safety Days with the involvement of trade unions and key contractors. The occupational accident analysis results are included in the annual report to the CEO and are on the agenda of Board of Directors meetings.

⁷ LTAFR is calculated as the number of work-related accidents per thousand people of the average headcount during the reporting period.

⁸ LTIFR is calculated as the number of lost-time injuries per million of total man-hours worked.

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. The 2022 Safety Day focused on discussing the causes of injuries (including injuries sustained by contractor employees), best practices for building a culture of safety among employees and the role of trade union organizations in this process, introduction of professional standards and a risk-based approach in administrative controls, as well as the results of pilots to roll out mechanisms enhancing occupational safety.

Accident insurance

The Group's Russian entities have employee insurance agreements covering negative consequences of accidents, such as temporary disability, disability of category I, II, III, or death. In 2022, the accident insurance expenditures totaled RUB 44 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 2022, 120 drills of different levels were conducted across the Group's Russian entities, with 105 of them dedicated to oil and petroleum product spill response and seven – to blowout response. In addition, about 5,000 on-site training sessions were held. In aggregate, almost 100 thousand employees from the Group's Russian entities took part in the drills and training sessions. The governance bodies and ad hoc emergency response teams of the Group's Russian entities were highly praised by the committees and official representatives of the government authorities attending 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

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 31 percent of the headcount at our Russian entities as at the end of 2022.

Supply chain management

All suppliers of goods, works, and services 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.

Automated tools are used to check and select suppliers. The system for automating tender procedures maximizes the efficiency of the tender process. The counterparty due diligence system enables the Company to identify and continuously monitor the level of risk related to interaction with counterparties throughout the procurement process. 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 at the initial stage of bidding 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 2022, 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 2022 included non-compliance with submission requirements for as-built documentation and operating instructions, failures to follow the procedures for safe use of equipment and tools, 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 greenhouse gas (GHG) emissions to prevent climate change, while still continuing sustainable economic growth – which will inevitably 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 its Strategy, Investment, Sustainability, and Climate Adaptation Committee. The Company set up the Decarbonization and Climate Change Adaptation Task Force of PJSC LUKOIL to review and make coordinated decisions on the most important issues on the climate agenda. The Task Force 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 the heads of the key relevant departments. The Company also has a business unit responsible for the coordination and methodological support of GHG emissions management, decarbonization activities, and climate adaptation efforts within LUKOIL Group in line with applicable Russian and international laws.

As part of the efforts to achieve the Company's goals in decarbonization and climate change adaptation, the Company included business segments' KPIs for GHG emissions management in its List of KPIs in 2022.

SUPERVISORY LEVEL	EXECUTIVE LEVEL	
<p>Strategy, Investment, Sustainability, and Climate Adaptation Committee of the Board of Directors</p> <ul style="list-style-type: none"> Risk analysis related to climate change and climate adaptation issues 	<p>Decarbonization and Climate Change Adaptation Task Force of PJSC LUKOIL</p> <ul style="list-style-type: none"> Assessing climate risks and opportunities and developing recommendations for managing such risks Developing and assessing the results of the LUKOIL Group’s decarbonization program Developing KPIs for decarbonization and climate change adaptation 	<p>Environmental Safety and Decarbonization Division</p> <ul style="list-style-type: none"> Ensuring LUKOIL Group’s GHG emissions accounting and reporting Developing recommendations for designing and adjusting the LUKOIL Group’s decarbonization program Developing and implementing the climate change adaptation action plan

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 addition, the Company plans to use an internal carbon pricing mechanism based on specific regional conditions.</p>
<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 detail 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 more than 20 laws and regulations on climate change, including:</p> <ul style="list-style-type: none"> - Draft Action Plan for the implementation of the Strategy for Socio-Economic Development of the Russian Federation with Low Greenhouse Gas Emissions until 2050; - Draft Federal Law On Amendments to the Code of Administrative Offenses of the Russian Federation;

		<p>- Draft Federal Law On Amendments to the Forest Code of the Russian Federation and Article 9 of the Federal Law <i>On Limiting Greenhouse Gas Emissions</i>.</p> <p>In response to the requests from the federal executive authorities, the Company submitted proposals to the comprehensive plan of measures to reduce methane emissions in the Russian Federation, and the Company's position regarding mandatory verification of reporting on greenhouse gas emissions.</p> <p>As part of its participation in industry business associations, the Company contributed to the preparation of nine appeals to federal executive authorities. The appeals, inter alia, related to areas for improving climate policy, measures to support climate projects, the timing of the implementation of the Strategy for Social and Economic Development with Low Greenhouse Gas Emissions until 2050, and mandatory verification of reporting on greenhouse gas emissions.</p> <p>Representatives of the Company took part on a regular basis in meetings dedicated to carbon regulation and organized by business associations such as the Russian Union of Industrialists and Entrepreneurs, the Russian Gas Society, and the Council of Energy Producers Association.</p>
<i>Reputational risks</i>	Risks associated with stakeholder perceptions of the Company's contribution / lack of formal commitment to a low-carbon economy	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. 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 2022, CDP stopped rating Russian companies, but LUKOIL continues its membership in the project. The Company's questionnaire is available on the CDP and LUKOIL websites.
<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>As part of LUKOIL Group's Decarbonization Program for 2022-2024, the Company reduces direct and energy indirect GHG emissions by improving energy efficiency of operations, developing renewables for operational 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 biofuels.</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	<p>LUKOIL assesses the climate change impact when designing and constructing facilities, including 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.</p> <p>In 2022, the procedure for developing climate change adaptation measures was included in the corporate standard STO LUKOIL 1.6.8-2022 <i>HSE Management System. Action Planning</i>. In the reporting year, the Company also put together a list of standard climate change adaptation measures and required LUKOIL Group entities to use it as guidance when developing their own targeted functional HSE programs for 2023–2025.</p>
-----------------------	--	---

In 2021–2022, LUKOIL developed and successfully piloted the **Conceptual Framework for Financial Assessment of Climate-Related Risks** in order to establish a uniform approach to the identification and assessment of climate risks and opportunities. The guidelines set out:

- uniform principles for identifying and assessing risks and opportunities
- financial metrics to assess the impact of climate risks
- materiality criteria and scale for assessing risk probability and impact
- key participants of the process.

Following a successful pilot to test the Guidelines, the Company decided to develop a Methodology for Financial Assessment of Risks and Opportunities.

Compliance with TCFD recommendations

In 2021, the Company supported the TCFD⁹ 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. In the reporting year, the Company published a TCFD index containing references to all public sources used by the Company to post standard-compliant disclosures. In 2022, the corporate risk management information system was updated to add a climate risk index and enable the use of a predefined template to develop a climate risk/opportunity matrix. Climate risk disclosures in the Company's reporting are aligned with TCFD recommendations.

Greenhouse gas emissions

Since 2020, the Company has been calculating GHG emissions in line with the international GHG Protocol (until 2020, a Russian methodology was used).

⁹ Task Force on Climate-related Financial Disclosures.

In 2022, the Group's Scope 1 and Scope 2 GHG emissions in accordance with the GHG Protocol amounted to 46.9 million tonnes of CO₂ equivalent, up 13 percent year-on-year. The increase in emissions is largely due to the alignment of the methodology for calculating emissions with the requirements of the GHG Protocol and the legislation of the Russian Federation.¹⁰ On like-for-like basis the increase in controlled emissions in 2022, driven by the growth of production indicators, would be 6 percent.

GHG emissions from controlled sources were 8 percent down vs. the 2017 base year.

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

	2017	2019	2020	2021	2022	Change 2022/2021	Change 2022/2017
Total	50.9	48.4	43.7	41.5	46.9	13%	-8%
By geography							
Russia	43.5	40.5	37.0	36.3	38.9	7%	-11%
International projects	7.4	7.9	6.7	5.2	8.0	54%	8%
By scope							
Scope 1	40.4	39.8	36.7	36.4	41.2	13%	2%
Scope 2	10.5	8.6	7.0	5.1	5.7	12%	-46%

In 2022, emissions intensity in the Exploration and Production segment amounted to 22.1 kilograms of CO₂ equivalent per barrel of oil equivalent, down 7.5 percent below a 2017 baseline.

GHG emissions intensity (Scope 1 and 2) in Exploration and Production segment, kg of CO₂ equivalent per boe

	2017	2019	2021	2022
	23.9	21.0	19.3	22.1

In order to achieve the corporate goal of reducing controlled greenhouse gas emissions by 2030 by 20% from the level of 2017, the LUKOIL Group Decarbonization Program for 2022-2024 (the "Program") was approved in the reporting year, which includes about 500 measures.

As a result of the implementation of the Program for the reporting year, it was possible to prevent greenhouse gas emissions in the amount of 678 thousand tons of CO₂ equivalent. The largest volume of prevented emissions is attributed to measures aimed at saving electricity, heat and fuel, reducing associated petroleum gas flaring, using renewable energy sources, as well as modernizing generation facilities.

Climate change adaptation

In 2022, the Company included a procedure to develop and implement climate change adaptation measures into its Company-wide HSE management system.

¹⁰ To calculate direct GHG emissions, a refined approach based on the composition of APG and refinery gases was used.

The first stage involved identifying physical climate risks and studying relevant response practices across LUKOIL Group Russian and foreign enterprises engaged in oil and gas production and refining, as well as heat and power generation.

The most likely risks specific to all LUKOIL Group business entities include increases in average annual temperatures, manifested by prolonged heat waves and frequent temperature swings around 0 °C. The most common adaptation measures include installing systems to ensure equipment operability and workers' health, as well as promptly adjusting technological processes and equipment operation procedures.

A list of standard climate change adaptation measures was prepared, based on the analysis results and taking into account measures already in place under LUKOIL Group's industrial and environmental safety programs for 2022–2024.

Energy efficiency

Energy saving and energy efficiency are among the most important tools for achieving strategic gains in LUKOIL Group's efficiency.

The Company has in place the LUKOIL Group 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 innovative 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, 2022, as many as 24 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.

The Company approved the Energy Conservation Program for LUKOIL Group entities for 2023 and 2024–2025. Key energy conservation initiatives in 2022 included implementing energy-saving methods of enhanced oil recovery, variable frequency drives, optimizing pumping and engine equipment, replacing and upgrading on-site equipment to boost the efficiency factor, optimizing condensate collection and return, upgrading lighting and heating solutions, and replacing and adjusting furnaces.

Results of energy efficiency initiatives across LUKOIL Group

	2020	2021	2022
Electricity savings, million kWh	146	105	410
Heat savings, thousand Gcal	175	317	445
Savings of boiler and furnace fuels, thousand tonnes of reference fuel	55	67	78

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.

Under the Company’s Efficient APG Use Program launched in 2003, the target level of APG utilization rate for the Group’s Russian entities is 95 percent. In 2022, LUKOIL Russian entities’ average APG utilization rate was down by 0.7 p.p. to 96.8 percent due to higher APG production at LLC LUKOIL-Komi amid delays in commissioning APG processing infrastructure and limited volumes of APG accepted by LLC LUKOIL-PERM and LLC LUKOIL-West Siberia for processing due to trade and logistical restrictions on Russian-origin gas products.

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

	2020	2021	2022
Total	97.7%	97.5%	96.8%
West Siberia	98.2%	97.8%	97.5%
Urals	98.5%	98.7%	96.9%
Volga	97.8%	98.0%	98.0%
Timan-Pechora	95.8%	94.7%	92.7%
Other	97.9%	72.2%	96.7%

In the reporting year, LUKOIL commissioned six facilities under the Group’s Efficient APG Use Program for 2022–2024.

Region	Field	Construction and commissioning of efficient APG use facilities in 2022
Timan-Pechora	Pashninskoye, Beregovoye, Zapadno-Tebuskoye, etc.	• A gas pipeline upgrade
Urals	Gezhskoye	• Construction of a gas pipeline
Urals	Kokuyskoye	• Construction of a gas pipeline from the field
Volga	Valery Grayfer	• Construction of a pipeline (gas lift)
Volga	Alexeevskoye, Levchunovskoye, Severo-Alexeevskoye, Novo-Dmitrievskoye	• Upgrade of the APG utilization system
West Siberia	Aprelskoye	• Separator conversion to a primary water separator

Gross APG production across the Group

	2020	2021	2022
Flaring	2%	3%	3%
Reinjection	18%	21%	17%
Consumption for operational needs ¹¹	21%	23%	26%
Processing at GPPs	29%	29%	24%
Supply to third parties	30%	25%	30%

¹¹ Including consumption for power generation, boiler house needs, line heaters, etc.

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 6.3 percent of total commercial power generated by the Group in 2022. For more details, see the Power Generation section on page 14.

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 17.9 billion in 2022, of which capital expenditures were RUB 12.3 billion. The biggest item in the reporting year was ambient air protection (RUB 8.8 billion, including under LUKOIL Group's Efficient APG Use Program for 2022–2024). The expenditures were down 16.3 percent year-on-year in line with the implementation plan.

Environmental expenditures (capital and operating) in 2022

Total (100%)	RUB 17.9 billion
Ambient air protection	49%
Protection and sustainable use of water	17%
Production waste disposal	20%
Other	14%

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.

In 2022, the Company's clean water withdrawal and consumption increased by 7 percent. The increase in water consumption in the Russian entities of the Group is associated with higher oil production and use of water for reservoir pressure maintenance. The growth in water consumption in the foreign entities of the Group is due to a significant increase in the volume of oil refining at refineries. Around 22 percent of our water consumption for operational needs is used in industrial processes in power and heat generation, and approximately 46 percent is utilized for reservoir pressure maintenance systems. The 29 percent increase in water discharge into underground reservoirs was caused by higher water cuts and the growing need to remove excess produced water at some fields.

Water consumption by Group entities, million cubic meters

	2020	2021	2022	Change 2022/2021
Total water withdrawal¹²	611	681	726	7%
Russia	395	460	477	4%
International projects	216	221	249	13%
Total water consumption for operational needs	543	588	628	7%
Russia	329	369	382	4%
International projects	214	219	247	13%
Total water discharge	485	530	572	8%
into seas or surface water bodies or onto land	350	413	432	5%
including contaminated (untreated and insufficiently treated) wastewater	8.8	8.9	8.4	-5%
Russia	297	325	348	7%
International projects	188	204	224	10%

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 grew by 7 percent year-on-year to 457 thousand tonnes as APG flaring by Russian entities of the Group increased by 32 percent to 384 million cubic meters. For more details, see the Efficient Associated Petroleum Gas Use section on page 31.

Air impact

	2020	2021	2022	Change 2022/2021
Air pollutant emissions across the Group, thousand tonnes	395	425	457	7%
Russia	376	403	437	8%
International projects	19	22	20	-9%
Gas flaring by Russian entities of the Group, million cubic meters	260	291	384	32%

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. Spill prevention, control, and countermeasure plans have been developed for all facilities at risk of oil and petroleum product spill emergencies.

¹² The data is given without taking into account water produced along with hydrocarbons and subsequently used for the purpose of maintaining reservoir pressure

Thanks to LUKOIL's efforts, the pipeline failure rate¹³ across the Group's Russian entities remained low in 2022 at 0.069 per km. In the reporting period, we recorded a significant reduction in contaminated acreage, driven by our rehabilitation effort.

In 2022, one material incident was recorded at the Severo-Pokachevskoye field operated by LLC LUKOIL-West Siberia, where oil spilled from a pipeline into a water body (lake).

Land impact across the Group's Russian entities

	2020	2021	2022	Change 2022/2021
Contaminated land as at December 31, hectares	60	49	10	-80%
Reclaimed land, hectares	44	49	71	45%
Oil and petroleum products spilled, tonnes	43	73	8	-88%
Number of significant ¹⁴ oil and petroleum product spills	4	4	1	-75%
Pipeline failure rate (per km)	0.063	0.069	0.069	-
Annually replaced pipelines, % of total length	2.3	2.5	2.1	-16%
Corrosion-resistant pipelines, %	32	34	37	9%

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 2022. The Group's Russian entities generated the same amount of waste in 2022 as in 2021.

Pre-privatization waste across the Group decreased by 7 percent year-on-year to 487 thousand tonnes in 2022 thanks to the completion of a number of projects, including the oil-contaminated waste treatment facility at the Perm Refinery.

¹³ 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).

¹⁴ Material spill is an accident involving a spill of over 10 tonnes of oil-containing fluids (or less in case of spills into water bodies if pollution exceeds the legally established allowable standards).

Waste management at Group entities

	2020	2021	2022	Change 2022/2021
Waste generation, thousand tonnes	2,178	2,065*	2,056	-1%
Russia	1,960	1,968*	1,958	-1%
Hazardous waste (hazard classes I to III), %	16	18	21	17
International projects	218	97	98	1%
Waste disposal, thousand tonnes	2,217	2,020	1,997	-1%
Russia	2,000	1,921	1,897	-1%
International projects	217	99	100	1%
Waste disposal-to-generation ratio¹⁵	1.0	1.0	1.0	-
Pre-privatization waste as at December 31, thousand tonnes	549	523	487	-7%
Russia	184	180	168	-7%
International projects	365	343	319	-7%

* The value of these indicators in the Annual Report of PJSC LUKOIL is formed without taking into account the rock formations formed as a result of mine oil production at LLC LUKOIL-Komi.

Biodiversity conservation

LUKOIL is paying particular attention to biodiversity conservation, implementing a Biodiversity Conservation Program for the Company's facilities operating in the Russian Arctic, including annual environmental monitoring.

In 2022, biodiversity conservation expenditures in the Arctic zone totaled RUB 418 million.

One of the focus areas is fish stocking: in 2022, the Company released 26.6 million fry of valuable fish species into water bodies, spending a total of RUB 354 million.

The Company carries out compensatory forest restoration in a number of Russian regions, planting 742 hectares of forest in 2022.

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 Human Capital Management Policy PJSC LUKOIL are structured to ensure the best use of the workforce and to ensure maximum flexibility for the Company amid the rapidly changing market environment.

In 2022, LUKOIL Group fully automated its HR document management based on Russian software solutions. Automation helped cut the time spent by employees on routine HR procedures and deliver a combined environmental benefit by significantly reducing the consumption of paper and consumables for office equipment and generating electricity savings.

¹⁵ Here the term "waste disposal" is used in the meaning of "use, disposal, burial, transfer to specialized organizations for the same purposes."

In the reporting year, a service was implemented for employees to access current vacancies of LUKOIL Group entities, which should help retain key personnel, ensure the possibility of vertical and horizontal rotation of personnel, and minimize risks associated with the labor market.

A Russian solution was also used to implement and commission a Personnel Efficiency Management system to track employees' performance against their targets and their progress along the path of professional development.

In 2022, we continued to develop our service model in order to improve the corporate structure and governance system of LUKOIL Group. In particular, transactional functions were transferred from PJSC LUKOIL's Corporate Center to shared-service centers and functions of the Company's subsidiaries are transferred across regions' shared-service centers. To further enhance efficiency of the functions transferred to the shared-service centers, we embarked on digitization and unification of processes to avoid unnecessary paperwork.

In 2022, the average headcount of the Group entities was 104.3 thousand employees, up 1.9% year-on-year, as a result of integration of acquired assets into the Company structure.

Headcount across LUKOIL Group, people

	2020	2021	2022
Average headcount	100,768	102,424	104,323
Headcount as of December 31 of the relevant year	104,264	106,835	109,047
Employee turnover	6.7%	9.1%	9.0%

Personnel by gender as at December 31, 2022

Female	41%
Male	59%

Personnel by age as at December 31, 2022

Under 35	33%
36 to 40 years	18%
41 to 50 years	30%
51 years and older	19%

Personnel by job type as at December 31, 2022

Managers	12%
Female	25%
Specialists	27%
Female	52%
Workers and other personnel	61%
Female	39%

Personnel by education level as at December 31, 2022

Higher	54%
Secondary vocational	24%
Primary vocational, secondary, below secondary	22%

Personnel by segment as at December 31, 2022

Exploration and Production	38%
Refining, Marketing, and Distribution	56%
Other Activities	4%
Corporate Center	2%

Personnel by geography as at December 31, 2022

Russian entities	86%
Foreign entities	14%

Talent management

In 2022, employees of LUKOIL Group entities started setting SMART goals in the Personnel Efficiency Management system.

To enhance its management culture, the Company developed and approved Standard Management Practices – Main Principles and launched a large-scale corporate training program for LUKOIL Group managers on the use of management practices to boost employee motivation and build unified approaches to fostering a culture of performance across LUKOIL Group.

The Corporate Culture Rules at LUKOIL Group Entities were updated, including a capability model. To unlock employees' leadership potential, the Guidelines for Implementing the Leadership Mentoring Program were developed and approved. The Guidelines are slated to be rolled out from 2024 when transitioning to a targeted incentive system that takes into account the expectations of the new generation of employees, including young talent.

A pilot to roll out a system for setting stretch goals for 2023 was launched across 13 LUKOIL Group entities with a view to scale it up to all LUKOIL Group entities in case of positive outcomes.

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.

In order to increase production and functional efficiency, ensure continuous growth in business efficiency in 2022, an opportunity is provided for employees to receive remuneration for submitting an idea or participating in the improvement process, depending on the effect achieved.

The transition to the targeted incentive system slated for 2024 implies the introduction of an end-to-end grading system determining the ratio of constant and variable remuneration of employees, ensuring fair remuneration for each employee, taking into account his achievements and contribution to the results of the LUKOIL Group's activities.

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 2022, topics discussed included sustainable development of the Company amid instability and uncertainty. In order to perform employee training, the Company uses workshops, seminars, trainings, secondments, professional development and retraining programs, as well as professional training days. In 2022, 92.5 thousand employees completed training (or 88 percent of the average headcount) for a total of 428 thousand person-courses. Training time exceeded 9.5 million hours, including about 2.7 million hours of mandatory training.

LUKOIL has a distance learning system that helps to optimize mandatory training costs. The Group has over 50 entities connected to the system with more than 90 thousand users. More than 263 thousand training courses were taught in 2022, including over 86 thousand courses on health and safety.

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 updating the succession methodology, including, among other things, talent pool management. We also continued finetuning the career management module within the Employee Performance Management system.

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 in line with regional laws of the Russian Federation. Special working conditions, benefits, and guarantees are provided to 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 99,5 percent of the employees at our Russian entities and 93 percent of employees at the LUKOIL Group.

Total 2022 expenditures for social programs for employees, members of their families, and non-working retired employees amounted to about RUB 21.4 billion.

Expenses on internal social support for employees, RUB billion

	2020	2021	2022
Total	16.7	18.5	21.4
Social benefits ¹⁶	8.7	10.0	12.2
Other social benefits and guarantees ¹⁷	8.0	8.5	9.2

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.

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. Any employee (including from international entities) can approach the Company's 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.

The Business Ethics Commission registered nine reports in 2022. All of them were reviewed within two weeks. In each case, measures were taken to prevent negative situations from escalating. The reports related to employment relations, specifically, the interaction between employees and managers; some reports were submitted repeatedly or followed up on earlier reports. In 2022, 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 rights breaches 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.

Anti-corruption measures

Corporate anti-corruption practices are outlined in the Anti-Corruption 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 Company's Board of Directors oversees compliance with the Policy.

¹⁶ Include one-off entitlements to annual leave, allowances for housing rental and meals, lump sum incentive payments, and sick leave allowances above the statutory minimum.

¹⁷ Include 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 has a 24/7 Whistleblowing Hotline to report violations of anti-corruption laws. Any employee, counterparty, or other stakeholder can report corruption-related issues via anticorruption@lukoil.com in Russian or English, as well as in any national language of the countries where LUKOIL Group operates. In 2022, the hotline received no reports.

Preventing abuse and fraud by Company employees

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.

LUKOIL 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.

Human rights

The Company's position and commitments with regard to observing and protecting human rights are set forth in the LUKOIL Group Human Rights Policy developed in the reporting year and approved by the Company's Board of Directors on October 28, 2022.

The Policy applies to PJSC LUKOIL and its subsidiaries, formalizes the basic principles and commitments of the Company as regards observing and protecting human rights and outlines the relevant mechanisms and tools.

The Group receives and processes human rights-related reports, including from employees, customers, partners, shareholders, and local communities, in all languages used in the Group's regions of operation. Reports can be submitted via telephone, email, or public relations centers of LUKOIL Group entities.

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.

Expenses on external social support in 2022, RUB billion

Total	8.1
Agreements on cooperation with Russian regions and municipal entities	6.3
Charity	1.8

In the reporting period, LUKOIL implemented projects to upgrade social and utility infrastructure in its regions of operation, improve public and residential areas, and provide materials and supplies to education and healthcare facilities. LUKOIL supported the construction and upgrades of sports and cultural facilities and helped organize environmental events.

Sibiryak, an up-to-date sports and fitness complex with a total area of more than 5,000 square meters, was launched in Pokachi.

Funds were allocated to the construction of a rural outpatient clinic in the village of Shchelyabozh (Komi Republic); the construction of a two-family house for the clinic's medical staff was completed.

With the support of PJSC LUKOIL, two new dormitories were built and equipped in Perm for students of corporate groups of Perm National Research Polytechnic University (PNRPU). The project was implemented under the cooperation agreement between LUKOIL and the regional government.

In 2022, LUKOIL created its unified education cluster at Gubkin Russian State Oil and Gas University (National Research University), comprising a Field Development Management Center, an Academic Research Ground for oil and gas field equipment, three lecture halls named after prominent oil and gas industry experts, and curriculum offices for faculty members and students.

With LUKOIL's support, three pre-school institutions for 2,500 children opened in Uzbekistan, two of which feature Imkon rehabilitation centers for children with special needs.

In 2022, PJSC LUKOIL and the non-profit organization LUKOIL Charity Fund continued supporting the charitable and sponsorship projects traditionally supported by the Group.

Responsibility to customers

LUKOIL has an extensive network of filling stations in 19 countries around the world. 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 2022, the number of mobile app users reached about 8.5 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, as well as improvement of customer communication in the mobile app, etc.

As part of the Year of Service at LUKOIL Filling Stations program in force since 2021, the Company implements measures aimed at motivating employees to improve the Level of Service metric: a rating of filling stations, key categories of employees and oil product supply organizations is being formed, the corporate bulletin All about the service is published on the monthly basis.

In the reporting year, the active development of the LUKOIL for Business mobile app continued, with the number of users increased almost tenfold to 35.7 thousand. The development of digital services efficiently expands our geography of clients' service, enabling remote contracting without the hassle of gathering necessary documents.

Interaction with local communities in the Republic of Komi

We engage with local communities in the Republic of Komi on a regular basis. In 2022, we convened 76 public hearings (including in the outreach format) on the upgrades of existing and construction of new facilities. All the hearings were deemed to have taken place, and the outreach efforts resonated well with local communities.

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 by calling a hotline, as well as during public hearings, community outreach initiatives, and management meetings with local people.

In 2022, the environmental hotline of LLC LUKOIL-Komi received 163 calls. Almost all of them were not related to environmental issues. Two reports related to environmental safety and the state of the environment:

- On July 13, 2022, an eyewitness reported hearing a hissing sound and smelling gas on the site of the Vozeyskoye field. It was explained to the reporting individual that on that day, specialists carried out planned technical work. No concentrations of pollutants above maximum allowable limits were recorded during the monitoring*
- On October 22, 2022, an eyewitness reported a failure at a low-pressure water pipeline at the Usinskoye field. Field personnel who promptly arrived on the scene confirmed the report. The problem section of the pipeline was promptly sealed off and the environment was not contaminated*

As part of the first forum The Arctic: Breaking the Ice, environmental activists and guests were taken on tours of LLC LUKOIL-Komi's production facilities and attended spill drills to clean water bodies from oil contamination.

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 2022, the Company submitted to the federal authorities of the Russian Federation proposals on more than 500 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 2022, 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

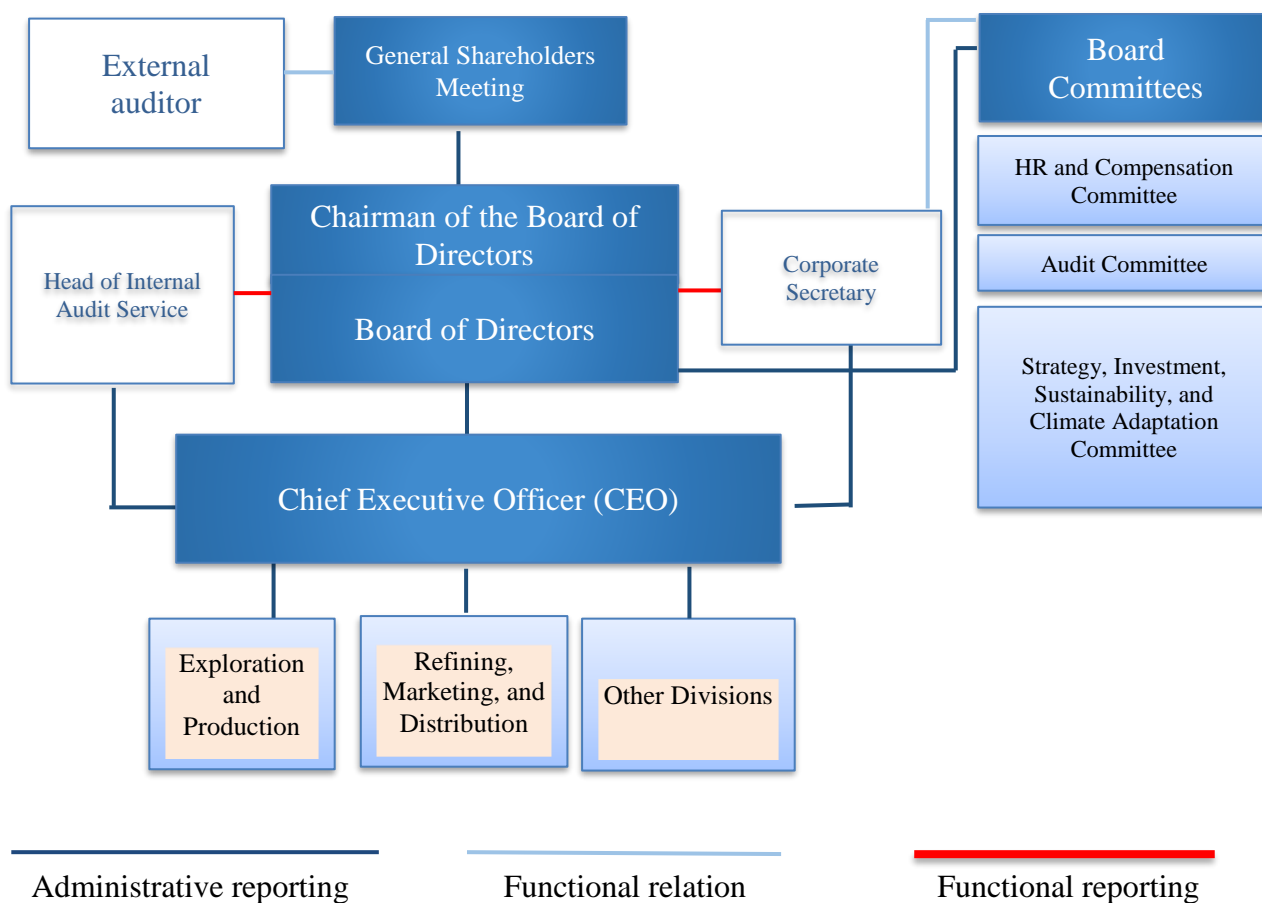
An efficiently functioning corporate governance system is an important factor for sustainable development and successful implementation of the Company’s strategy to create shareholder value.

The Company has a corporate governance system matching the scale of our business and based on international standards of corporate conduct and business ethics, Russian law, the Listing Rules of PJSC Moscow Exchange, and the principles of the Corporate Governance Code recommended by the Bank of Russia (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
- Equal opportunities for shareholders in exercising their rights
- 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, 2022



Specific committees:

- *Health, Safety, and Environment Committee of PJSC LUKOIL*
- *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 particular, 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).

Developments in the Corporate Governance System

In 2022, the Company adapted its existing system of information transparency, the structure of governance bodies, and certain corporate practices to increase resilience to emerging risks.

In December 2022, the structure of the Company's executive bodies was streamlined by forming the Company's executive body as sole executive body without the collegial executive body of the Company (Management Committee) and the matters within its remit were transferred to the sole executive body; the name of the sole executive body of the Company (President) was changed to a new name - the Chief Executive Officer (CEO); the matter of appointing the sole executive body of the Company and early termination of its powers is referred to the competence of the Board of Directors instead of the General Shareholders Meeting in order to increase the efficiency of decision-making on this issue.

In 2022, we generally focused on the following areas.

Focus area	Activities in 2022
Improving performance of governance bodies	<ul style="list-style-type: none"> • Amendments to the Charter of PJSC LUKOIL were approved, providing, inter alia, for: <ul style="list-style-type: none"> - exclusion from the Charter of all provisions on the collegial executive body of the Company (Management Committee) with the transfer of issues related to its competence to the competence of the sole executive body of the Company; - change of the name of the sole executive body of the Company (President) with a new name - Chief Executive Officer; - transfer of the issue of appointment of the sole executive body and early termination of its powers from the General Shareholders Meeting to the Board of Directors. • The Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL in terms of risk management at LUKOIL Group were amended. • The Regulations on PJSC LUKOIL's Management Remuneration and Incentive System were amended. • The Director Compensation and Expense Reimbursement Policy of PJSC LUKOIL was amended. • The Induction Training Program for Newly Elected Directors of PJSC LUKOIL was amended.

Strategy and sustainable development	<ul style="list-style-type: none"> • The LUKOIL Group Sustainability Policy was approved. • The LUKOIL Group Human Rights Policy was approved. • Interim annual and semi-annual results of the Strategic Development Program of LUKOIL Group for 2022–2031 were summarized. • Interim results of the Environmental Safety Program of LUKOIL Group for 2021–2023 were summarized. • The Decarbonization Program of LUKOIL Group for 2022–2024 was approved, and its interim results were summarized.
--------------------------------------	--

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 decreased to 74.7 percent¹³ from 82.3 percent in 2021. Accordingly, the share of the principles with partial compliance increased to 25.3 percent.

Self-assessment by the Company of the corporate governance practices for compliance with the principles and recommendations of the Corporate Governance Code¹⁹

Corporate governance principles	Number of principles recommended by the Code	2021			2022		
		Full	Partial	None	Full	Partial	None
Shareholder rights and equal opportunities for shareholders in exercising their rights	13	12	1	-	11	2	-
Board of Directors	36	30	6	-	27	9	-
Corporate Secretary of the Company	2	2	-	-	1	1	-
Remuneration system for directors, executive bodies, and other key executives of the Company	10	9	1	-	9	1	-
Risk management and internal control system	6	6	-	-	6	-	-
Company disclosures and information policy	7	5	2	-	3	4	-
Material corporate actions	5	1	4	-	2	3	-
Total score	79	65	14	-	59	20	-
	100.0%	82.3%	17.7%	-	74.7%	25.3%	-

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

¹⁸ The 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.

¹⁹ Statistics provided based on the Corporate Governance Code Compliance Report.

General Shareholders Meeting

The General Shareholders Meeting (the “Shareholders Meeting” or the “General 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 internal 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), appointment of the auditor, decisions on consent or subsequent approval of material and interested party transactions (in cases stipulated by the Federal Law On Joint Stock Companies), 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 in place at LUKOIL ensures that all shareholders of the Company have an equal opportunity to participate in it.

In the reporting year, in accordance with a federal law,²⁰ the listing of the Company’s shares outside the Russian Federation and the relevant depository receipts was terminated, and the shares recorded in the depo accounts of depository programs no longer grant voting rights, are not included in the vote count and dividends on them are not paid.

General Shareholders Meetings of PJSC LUKOIL held in 2022 and resolutions they passed

Extraordinary General Shareholders Meeting May 30, 2022 absentee voting	<ul style="list-style-type: none">• The powers of the President of PJSC LUKOIL were terminated early.• President of PJSC LUKOIL was appointed.²¹
Annual General Shareholders Meeting June 21, 2022 absentee voting	<ul style="list-style-type: none">• PJSC LUKOIL 2021 Annual Report and annual accounting (financial) statements were approved.• A resolution was passed not to distribute net profit based on the results of 2021 (with the exception of profit distributed as dividends based on the results of 9 months of 2021), not to declare or pay dividends on PJSC LUKOIL shares based on the results of 2021.• The new Board of Directors was elected.• A resolution was passed to pay remuneration to members of the Board of Directors; remuneration amounts for newly elected members of the Board of Directors were determined.• PJSC LUKOIL’s independent auditor was approved.• Amendments to the Charter of PJSC LUKOIL were approved, clarifying the scope of authority of the Company’s governance bodies.• The number of members of the Board of Directors of PJSC LUKOIL to be elected at the Annual General Shareholders Meeting in 2023 was determined as 9 members.
Extraordinary General Shareholders Meeting December 5, 2022	<ul style="list-style-type: none">• Resolutions were passed to distribute part of retained earnings of PJSC LUKOIL for 2021 as dividends on PJSC LUKOIL shares, to pay dividends from 2021 retained earnings, and to pay (declare) dividends for 9M 2022.

²⁰ Article 6 of Federal Law No. 114-FZ On Amendments to the Federal Law On Joint Stock Companies and Certain Legislative Acts of the Russian Federation dated April 16, 2022.

²¹ Amendments to the Charter of PJSC LUKOIL, approved by resolution of the Extraordinary General Shareholders Meeting on December 5, 2022, changed the title of the sole executive body from President to CEO.

absentee voting	<ul style="list-style-type: none"> • A resolution was passed to pay part of the remuneration to members of the Board of Directors for the performance of their duties between the date of the resolution to elect the Board members and the date of the resolution passed by the Extraordinary General Shareholders Meeting. • Amendments to the Charter of PJSC LUKOIL, Amendments to the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of PJSC LUKOIL, and Amendments to the Regulations on the Board of Directors of PJSC LUKOIL were approved. • The Regulations on the Management Committee of PJSC LUKOIL were invalidated.
-----------------	--

In 2022, the proportion of shareholders participating in General Meetings (in particular, foreign shareholders) decreased significantly, which created a risk that the required quorum would not be present for holding of General Meetings. To manage this risk, decisions were also made in preparation for General Meetings to convene repeat General Meetings to enable timely corporate decisions. However, a quorum was present at all General Meetings of the Company and, therefore, there was no need to convene repeat General Meetings.

The proportion of shareholders holding voting shares in the Company, who participated in General Shareholders Meetings (presence of a quorum) in 2020–2022

June 23, 2020 (AGM)	December 3, 2020 (EGM)	June 24, 2021 (AGM)	December 2, 2021 (EGM)	May 30, 2022 (EGM)	June 21, 2022 (AGM)	December 5, 2022 (EGM)
76.4%	74.0%	72.8%	76.7%	65.8%	64.3%	55.6%

The electronic voting system simplifying the procedure for shareholders’ participation in General Meetings helped achieve the quorum. At the Extraordinary General Shareholders Meeting held on December 5, 2022, the proportion of shareholders who used the electronic voting system exceeded 64 percent of the total number of Meeting participants.

The proportion of shareholders who used the electronic voting system in the total number of Meeting participants in 2020–2022

June 23, 2020 (AGM)	December 3, 2020 (EGM)	June 24, 2021 (AGM)	December 2, 2021 (EGM)	May 30, 2022 (EGM)	June 21, 2022 (AGM)	December 5, 2022 (EGM)
55.2%	56.1%	55.4%	61.6%	60.5%	58.2%	64.9%

At the General Shareholders Meetings, shareholders demonstrated strong support for each resolution on the agenda items. Votes “in favor” on all agenda items²² ranged from 88.5 percent to 99.9 percent.

²² 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).

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 shareholder 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
- appointment of the sole executive body (CEO)²³
- approval of the Company's internal documents, excluding the internal regulations to be approved by the General Shareholders Meeting and the Company's executive body
- 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.

The number of members of the Board of Directors is determined by the decision of the Shareholders Meeting and cannot be less than nine. The Board of Directors is elected annually during the Annual General Shareholders Meeting (and can be reelected during Extraordinary General Meetings) through cumulative voting, whereby nominees with the highest number of votes are elected to the Board of Directors.

By resolution of the Annual General Shareholders Meeting dated June 21, 2022 (Minutes No. 2), the Board of Directors of the Company in the amount of 11 members is elected and nine members of the Board of Directors of PJSC LUKOIL are to be elected at the Annual General Shareholders Meeting of PJSC LUKOIL in 2023.

In spring 2022, four members of the Board of Directors elected at the Annual General Shareholders Meeting on June 24, 2021 (Minutes No. 1) stepped down from the Board (including three independent directors) based on written notifications for early termination of their powers.

The membership of two directors in the Company's Board of Directors elected at the Annual General Shareholders Meeting on June 21, 2022 (Minutes No. 2) was discontinued (the number of independent directors remained unchanged).

²³ From the date of approval of the Amendments to the Articles of Association of PJSC LUKOIL by the Extraordinary General Meeting of Shareholders of the Company on December 5, 2022

The retirement of Board members led to changes in the composition of Board Committees, in particular, to ensure compliance with the requirements of the Listing Rules of PJSC Moscow Exchange for issuers' corporate governance. These changes in the composition of the Board of Directors and its Committees have had no negative impact on the work of the Board of Directors and its Committees.

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 2022, the Board of Directors held 28 meetings (up 47% year-on-year), including 12 in-person meetings and 16 meetings in absentia. Most of the matters related to corporate governance (including the activities of governance bodies), and close attention was also paid to matters of sustainable development.

Meetings of the Board of Directors

	2020	2021	2022
In person	8	9	12
In absentia	12	10	16

Matters discussed by the Board of Directors

	2020	2021	2022
In person	46	45	57
In absentia	17	18	26

Breakdown of matters discussed by the Board of Directors in 2022

Corporate governance	41
Sustainable development and strategy	26*
Finance	7
Transaction approval	6
Local regulations	2
Other matters	1

* Includes the approval of local regulations dealing with *sustainable development*.

Key decisions of the Board of Directors in 2022

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; preliminary approval of the Annual Report of PJSC LUKOIL for 2021;	SISCAC, AC, HRCC ²⁴

²⁴ SISCAC – Strategy, Investment, Sustainability, and Climate Adaptation Committee; AC – Audit Committee; HRCC – Human Resources and Compensation Committee.

determination of the list of nominees for election of members of the Board of Directors, appointment of a temporary sole executive body of PJSC LUKOIL	
Convocation of the repeat Annual and repeat Extraordinary General Shareholders Meetings, as well as cancellation of corresponding resolutions	
Functioning and improvement of the Company's risk management and internal control system	AC
Appointment of the CEO of PJSC LUKOIL; early termination of powers of all members of the Management Committee	HRCC
Performance assessment of the Board of Directors and the Board Committees for 2021/2022	HRCC, AC, SISCAC – performance assessments of the Committees were considered
Independence of the members of the Board of Directors of PJSC LUKOIL and professional qualifications of the Board of Directors	HRCC
Amendments to the Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL and local regulations of PJSC LUKOIL regulating risk management issues in the LUKOIL Group	AC
PJSC LUKOIL's investor and shareholder relations in 2022	SISCAC
Review of the report on performance of the 2022 Annual Audit and Consulting Plan of the Internal Audit Service of PJSC LUKOIL and internal audits	AC
Amendments to the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System	HRCC
Approval of the 2023 Annual Audit and Consulting Plan of the Internal Audit Service of PJSC LUKOIL and the 2023 Internal Audit Budget	HRCC
<i>Finance</i>	
Determination of the amount of payment for the services of the Company's Auditor	AC
Key indicators of LUKOIL Group's Budget for 2023–2025	SISCAC
Recommendations to the Board of Directors on the amount of dividends on PJSC LUKOIL shares for 2021 and the first nine months of 2022, and on the dividend payment procedure	SISCAC
Recommendations to the Board of Directors on the amount of dividends on PJSC LUKOIL shares from retained earnings of PJSC LUKOIL for 2021, and on the dividend payment procedure	SISCAC
Placement of bonds of Public Joint Stock Company Oil Company LUKOIL series ZO-23, series ZO-26, series ZO-27, series ZO-30 and series ZO-31	
<i>Sustainable development, strategy, technology, and innovation</i>	
LUKOIL Group's preliminary results for 2021 and priorities for 2022 under the Strategic Development Program of LUKOIL Group for 2022–2031	
The Company's comparative performance metrics over the recent years and strategies for achieving carbon neutrality	
LUKOIL Group's results for the first half of 2022 and performance of the LUKOIL Group's Budget and the Investment Program for 2022.	

Approval of LUKOIL Group’s 2021 Sustainability Report	SISCAC
The LUKOIL Group Sustainability Policy	SISCAC
LUKOIL Group HR Management Report	HRCC
The Environmental Safety Program of LUKOIL Group	SISCAC
Amendments to the Regulations on PJSC LUKOIL’s Management Remuneration and Incentive System	HRCC
Amendments to the Director Compensation and Expense Reimbursement Policy of PJSC LUKOIL	HRCC
Approval of the LUKOIL Group Human Rights Policy	SISCAC
Application of the Integrated management systems to support and ensure the effectiveness of business processes in the Company	SISCAC
Import substitution in the Exploration and Production segment as a contributor to the resilience of LUKOIL Group’s business	SISCAC
Import substitution in oil refining and petrochemicals as a contributor to the resilience of LUKOIL Group’s business	SISCAC
Implementation of LUKOIL Group’s Decarbonization Program for 2022–2024 and the results of disclosures on GHG emissions management and climate change adaptation	SISCAC

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 2022, the annual assessment of the Board of Directors’ performance was carried out in the form of self-assessment. The self-assessment was conducted in accordance with the Regulations on Performance Assessment of the Board of Directors of PJSC LUKOIL, approved by the Board of Directors in late 2021.

Assessment in the form of self-assessment

The updated questionnaire on the annual self-assessment of the Board of Directors and its Committees is more detailed than the previous version and includes 63 questions (the old version of the questionnaire contained 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"> • Structure and composition of the Board of Directors • Performance of key functions by the Board of Directors • Administration of the Board of Directors 	<ul style="list-style-type: none"> • Composition of the Board of Directors’ Committee • Committee’s functions • Administration 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 assessments with the Committee Chairmen and members and reports these results at a 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 carried out in 2022 and performance assessment of the Board of Directors of PJSC LUKOIL and its Committees carried out external independent consultant - JSC KPMG as part of its external independent performance assessment for 2021, the Board of Directors deemed it reasonable to continue improving its performance, including based on the recommendations resulting from the external assessment.

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 dialogue between the Board, top management, and key executives
- further improving sustainable development practices
- adjusting the strategy to meet the new challenges of a low-carbon economy
- regularly reviewing significant 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 2022/2023 and will be paid attention to going forward. Also, to take onboard the provided recommendations, a number of measures were taken in 2022, the most important of which are summarized below.

Increasing the motivation of members of the Board of Directors and committees for effective work

In 2022, the Annual General Shareholders Meeting of PJSC LUKOIL approved new amounts of remuneration payable to members of the Board of Directors considering indexation.

In October 2022, the Director Compensation and Expense Reimbursement Policy of PJSC LUKOIL was amended by resolution of the Board of Directors.

Talent pool and talent development, corporate culture

In March 2022, the Board of Directors reviewed the LUKOIL Group HR Management Report, which included the results of practical implementation of the talent management system at LUKOIL Group entities and summarized the results of updating the Corporate Culture Rules of LUKOIL Group Entities.

Regular consideration of significant risks

As part of the discussion of the functioning and improvement of the Company's risk management and internal control system, in April 2022, the Board of Directors also considered the risks of external limitations due to the current geopolitical situation. Subsequently, the Board of Directors reviewed such risks on a regular basis throughout 2022.

In February 2022, the Strategy, Investment, Sustainability, and Climate Adaptation Committee of the Board of Directors reviewed the climate risk management framework.

Further improvement of sustainable development practices

To improve the Company's sustainability management system, in January 2022, the Board of Directors approved the LUKOIL Group Sustainability Policy.

In February 2022, the Strategy, Investment, Sustainability, and Climate Adaptation Committee reviewed the legal framework in sustainable development.

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

In January 2022, the Board of Directors reviewed the Company's comparative performance metrics over the recent years and a strategy for achieving carbon neutrality.

In early 2022, the Company approved the LUKOIL Group Decarbonization Program for 2022–2024. In December 2022, the Board of Directors reviewed the implementation of this Program and the results of disclosures on GHG emissions management and climate change adaptation.

Internal control at the level of the Company's subsidiaries

As part of the discussion of the functioning and improvement of the Company's risk management and internal control system, in April 2022, the Board of Directors also considered internal control arrangements at subsidiaries, as well as the automation of internal control procedures.

Board of Directors' composition

PJSC LUKOIL's Board of Directors consists of highly professional individuals. We believe that our Board of Directors is both well-balanced in the proportions of independent, executive, and non-executive directors, and well-diversified in terms of directors' professional qualifications.

Independent directors ensure 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 2022, the Board of Directors included three executive^{*25} 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.

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 may 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.

²⁵ Executive directors are individuals employed by the Company.

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

Independent directors

Independent directors play an important role in effective performance of duties by 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 nine members at the end of the reporting year, three of which were independent directors – a sufficient number for the objective and well-informed decision-making process. All independent directors are members of Committees, all 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 2022 as per the Listing Rules of PJSC 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 Compensation Committee of the Board of Directors assessed directors' independence three times in 2022. In May 2022, the Committee analyzed the professional qualifications and independence of all nominees to the Company's Board of Directors, and the results of independence assessment were included into the materials provided for review in preparation for the Annual General Shareholders Meeting. In July, the Committee assessed the independence of the Board of Directors elected at the Annual General Shareholders Meeting 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 2022, the HR and Compensation Committee reviewed the Board's independence once again, at the same meeting was also assessed 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 internal 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 skills and expertise, 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 one-size-fits-all mentality and 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, 2022

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

By gender

Female	1
Male	8

Education

Academic degrees	9*
Oil and gas	3
Economics and finance	2
Law	1
Mathematics	1
Engineering	1
Geography	1

* one of the members of the Board of Directors has degrees in two different fields of science

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 CEO, Chairman of the Board of Directors, 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.

In 2022, the Induction Training Program for Newly Elected Directors of PJSC LUKOIL was updated by the HR and Compensation Committee of the Board of Directors, and relevant training was provided as per the amended Program.

To ensure effective provision of information to directors, PJSC LUKOIL uses up-to-date information and technical resources, including dedicated software.

Liability insurance of Board members

Pursuant to the contract (policy) with Ingosstrakh Insurance Company on insuring the liability of directors, officers, and companies for 2022–2023, 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 the sole executive body and/or members of the governance bodies of such organizations (Coverage A)
- PJSC LUKOIL, PJSC LUKOIL's subsidiaries, other organizations with participation of PJSC LUKOIL and/or its subsidiaries whose candidates were elected the 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 RUB 3.7 billion in aggregate for all coverages. The total insurance premium is up to RUB 74 million.

Board Committees

PJSC 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 PJSC 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, independent directors made up two-thirds of all directors on the Audit Committee and the HR and Compensation Committee. All three Committees were chaired by independent directors. 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.

68 percent of all matters discussed by the Board of Directors in 2022 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, all Committees worked as planned; 68 percent of all meetings were held in person.

Committee membership as at December 31, 2022

Independent directors	56%
Non-executive directors	33%
Executive directors	11%

Committee meetings

	In person	In absentia
2020		
SISCAC	6	1
AC	5	3
HRCC	4	4
2021		
SISCAC	7	1
AC	9	0
HRCC	6	2
2022		
SISCAC	7	1
AC	7	3
HRCC	8	8

Matters discussed

	2020	2021	2022
Reviewed by the Committee only	25	26	27
Reviewed for submission to the Board	40	49	56

Strategy, Investment, Sustainability, and Climate Adaptation Committee

Key Committee tasks	Key topics covered in 2022*
<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 in sustainability, climate change, climate adaptation, and IT strategy, and integrating them into the Company’s Strategic Development Program – the Company’s business priorities – the dividend policy, the amount of dividends to shareholders, and dividend payment 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"> • The climate risk management framework • The legal framework of sustainable development • Recommendations on corporate governance at PJSC LUKOIL to the Company’s Board of Directors • Changes in supply strategies amid trade restrictions • Preparation of LUKOIL Group’s 2022 Sustainability Report • Recommendations on the amount of dividends to the Company’s Board of Directors

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

Audit Committee

Key Committee tasks	Key topics covered in 2022*
<ul style="list-style-type: none"> • Reviewing the Company’s accounting (financial) statements for completeness, accuracy, and reliability • Making recommendations regarding the Company’s auditor selection 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 the risk management and internal control system 	<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 2021, first quarter of 2022, the first six months of 2022, and the first nine months of 2022) • Information on material litigations and claims related to the operations of LUKOIL or other LUKOIL Group entities • Recommendation to the Board of Directors of the Company on the approval of the Annual Audit and Consulting Plan of the Internal Audit Service of PJSC LUKOIL for 2022 and the Budget of Internal Audit Units for 2022. • Review of the most material amendments to accounting reports following the audit results • Proposals to improve the corporate governance system in the Company • Assessment of the opinion of the Company’s Auditor to be provided to shareholders for review in preparation for the Annual General Shareholders Meeting

<ul style="list-style-type: none"> • Developing and improving the Company's corporate governance system and practices • Making recommendations for the Board's possible preliminary approval of the Company's Annual Report 	<ul style="list-style-type: none"> • Recommendations to the Board of Directors regarding the Auditor selection and its subsequent approval by the General Shareholders Meeting of the Company • Progress report on the Regulations on Information Policy of PJSC LUKOIL • Compliance with the requirements for countering the illegal use of insider information and market manipulation
---	---

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

To improve the corporate governance system, in December 2022, the Board of Directors of PJSC LUKOIL approved amendment to the Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL, which reflects transfer of risk management functions from one of the Company's specific committees, the Committee for Investments, Coordination of Plans, and Risks in LUKOIL Group, to the Audit Committee of the Board of Directors. This decision aims to facilitate effective distribution of risk management functions and is aligned with the recommendations of the Bank of Russia.

HR and Compensation Committee

Key Committee tasks	Key topics covered in 2022*
<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; and making 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 to executive bodies, providing recommendations to the Board of Directors on nominees to executive bodies and the position of Corporate Secretary • Developing and regularly reviewing the Company's policy on remunerating members of the Board of Directors and executive bodies • Making recommendations to the Board of Directors on determining the remuneration of the Corporate Secretary • Pre-assessing the performance of executive bodies 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 • 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 • Recommendations to the Board of Directors on nominees to the Management Committee.²⁶ Preliminary performance assessment of the Management Committee members during the year in line with the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System • The Induction Training Program for Newly Elected Directors of PJSC LUKOIL

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

²⁶ The Management Committee, the Company's collective executive body functioned until December 5, 2022.

Corporate Secretary

The Corporate Secretary functionally reports to the Board of Directors, is appointed by the Company's sole executive body 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, 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.

The Company's Executive Bodies

Until December 5, 2022, the management of the current operations of the Company was carried out by the sole executive body (President) and the collegial executive body (Management Committee).

On December 5, 2022, the Extraordinary General Shareholders Meeting of PJSC LUKOIL (Minutes No. 3) approved the Amendments to the Charter of PJSC LUKOIL, providing, among other things, for the exclusion from the Charter of all provisions on the Company's collegial executive body, the Management Committee, transferring matters within its remit to the sole executive body, and renaming the sole executive body (President) to the Chief Executive Officer (CEO), transferring the matter of appointing the sole executive body and early termination of its powers to the competence of the Board of Directors.

The powers of all members of the Management Committee of the Company were prematurely terminated by the Board of Directors from December 5, 2022.

CEO

The Company's sole executive body, the CEO, plays a key role in ensuring the timely and efficient performance of its operating and strategic tasks. The CEO is the Company's sole executive body appointed by the Board of Directors²⁷ for a term of five years.

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

The CEO'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, and performing other functions established by the Company's Charter.

²⁷ Before the amendments to the Charter of PJSC LUKOIL approved by the Extraordinary General Shareholders Meeting on December 5, 2022, the Company's sole executive body was appointed by the General Shareholders Meeting.

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 individuals with the 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 (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 members of the Board 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 for the costs incurred by members of the Board of Directors to discharge their duties, including costs of traveling, using teleconferencing 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 21, 2022 for 2022–2023 corporate year, RUB thousand
Remuneration to the member of the Board of Directors	12,000
Remuneration to the Board Chairman	10,000
Remuneration to the Board Deputy Chairman	3,000
Remuneration to the member of a Board Committee	1,300
Remuneration to the Chairman of a Board Committee	1,300
Remuneration for each in-person attendance at Board or Committee meeting requiring a flight longer than eight hours	400
Remuneration for each attendance at a conference or other event attended on written instruction 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, and additional social benefits).

Payments to the Board of Directors, RUB thousand

	2020	2021	2022
Total payments to the Board of Directors	190,495	202,913	270,492
Remuneration of members of the Board of Directors	100,675	102,625	133,421
Compensation of costs	3,331	620	2,269
Payments to directors who are (were) employed by the Company but are not members of the Company's executive bodies	86,489	99,669	134,802
including: <i>salary</i>	<i>31,768</i>	<i>32,679</i>	<i>43,451</i>
<i>bonuses</i>	<i>35,709</i>	<i>40,435</i>	<i>50,532</i>
<i>other types of remuneration</i>	<i>19,012</i>	<i>26,554</i>	<i>40,818</i>

Top management²⁸ remuneration system

The top management remuneration system was developed to ensure the delivery of business targets, promote strategic business activities, and support a uniform, systematic, and consistent approach to financial incentives for key executives. The balance of interests between 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 set out in the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System.

Top management remuneration is comprised 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 the key executive in question, 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 full-year targets. To determine annual bonuses, 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).

²⁸ Top manager (key executive) – sole executive body (President/Chief Executive Officer), First Executive Vice President, First Vice Presidents, Senior Vice Presidents, Vice Presidents of the Company, Chief Accountant, and executives responsible for certain business lines.

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 key executive in accordance with targets and objectives of their business line	Under 50%

* The key performance indicators from the List of KPIs approved by the Management Committee of PJSC LUKOIL are used as Company-wide indicators.

The balance of the Company-wide and individual components is determined by the functional activity for which the key executive is responsible. Annual bonuses paid to the CEO of PJSC LUKOIL²⁹ are based on Company-wide indicators. The weighting of the Company-wide and individual components 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 specifically 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 and business sectors.

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.

Remuneration of members of the Company's Management Committee³⁰

Each of the Management Committee members received remuneration for discharging the duties of a Management Committee member in the reporting year, equal to the monthly official salary in their main role. The remuneration was provided for by contracts made with the Management Committee members and was 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 role
- annual bonuses for their full-year performance and other bonuses
- additional social benefits.

*Payments to the Management Committee of PJSC LUKOIL, * RUB thousand*

	2020	2021	2022
Total payments to members of the Management Committee	1,544,080	1,564,817	1,389,249
Remuneration of Management Committee members	62,854	59,622	63,961
Salary	578,590	483,950	468,845
Bonuses (annual and other bonuses)	503,598	612,291	539,001
Other payments	399,038	408,954	317,442

* Including, inter alia, payments to the sole executive body of PJSC LUKOIL.

²⁹ Until December 14, 2022, to the President.

³⁰ Before it was abolished in December 2022.

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 their basic salary for 12 months.

The contract of PJSC LUKOIL's CEO 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 CEO is entitled to a severance pay equal to the sum of their 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 strategic goals.

The List of KPIs enumerates KPIs, sets out their calculation methodology, and is approved by an executive order 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 List of KPIs was approved by PJSC LUKOIL's CEO in January 2023. LUKOIL Group's List of KPIs has around 70 unique indicators applied across business segments, business sectors, and budgetary units depending on the nature of their activities. 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, in the reporting year the Company began considering including the KPIs for GHG emissions management in its List of KPIs.

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 to 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 List of KPIs are used in the motivation system by linking remuneration to the actual performance against target indicators.

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

In 2022, as part of a project to streamline and improve corporate governance:

- performance assessment indicators were decomposed to lower governance levels (down to the level of PJSC LUKOIL’s department heads)
- KPIs for subsidiaries, including production and service centers, were refined
- new performance assessment indicators for business processes were developed
- the use of individual SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) goals for motivation was expanded.

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 goals 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 internal documents 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

<p>Board of Directors</p> <ul style="list-style-type: none"> • Defines Group-wide principles of, and approaches to, the RMICS organization; • Determines the Company's risk appetite; • Controls the reliability and performance of the RMICS 	<p>Audit Committee</p> <ul style="list-style-type: none"> • Analyzes and assesses compliance with the Risk Management and Internal Control Policy; • Assesses the effectiveness of the Company's risk management and internal control procedures, develops improvement proposals 	<p>Internal audit units</p> <ul style="list-style-type: none"> • Carry out independent assessment of the RMICS reliability and performance; • Develop recommendations for RMICS improvement
<p>CEO</p> <ul style="list-style-type: none"> • Creates and maintains a functional and effective RMICS; • Determines the RMICS improvement and development tasks; • Establishes guidelines and requirements for the RMICS, formalized in local regulations; • Makes decisions on the RMICS organization within the scope of its authority; • Controls the performance, improvement, and development of the RMICS 	<p>Committee for Investments, Coordination of Plans, and Risks in LUKOIL Group (formerly Risk Committee)*</p> <ul style="list-style-type: none"> • Sets the risk level for LUKOIL Group • Sets the list of strategic risks and assessment methodology • Suggests appointments of senior officers as risk owners • Gives recommendations on the implementation of the Risk Management and Internal Control Policy of PJSC LUKOIL • Considers changes in PJSC LUKOIL's risk profile 	
<p>First Vice President (Economics and Finance)</p> <ul style="list-style-type: none"> • Leads the development of proposals to improve and develop the Risk Management and Internal Control business processes; • Initiates reviews of draft improvement and development resolutions for the RMICS; • Informs the Company's governance bodies on the RMICS operation 	<p>Units that ensure the performance of the Risk Management and Internal Control business processes</p> <ul style="list-style-type: none"> • Coordinate the Company's activities to improve and develop the RMICS; • Develop and update local regulations defining the key principles, rules, and guidelines of the risk management and internal control processes, and control compliance; • Draft proposals for the RMICS development and improvement; • Develop guidelines on the risk management and internal control processes organization and development for the Company's business units and LUKOIL Group entities; • Provide training on risk management and internal control 	
<p>Heads of business units</p> <ul style="list-style-type: none"> • Organize and implement risk management and internal control processes for the business lines; • Integrate risk management and internal control into business processes under their management; • Control compliance with risk management and internal control standards and requirements (including reliability and performance) in subordinate business units 	<p>Heads of the Company's subsidiaries</p> <ul style="list-style-type: none"> • Create and maintain a functional and effective RMICS within the entity; • Control the RMICS performance 	<p>Employees of LUKOIL Group entities</p> <ul style="list-style-type: none"> • Build, maintain, and continuously monitor the RMICS within their business lines; • Identify and analyze entities' business risks; • Carry out internal control procedures and/or perform risk owner functions

*- at the end of December 2022 the Company has decided to delegate the functions of the Committee for Investments, Coordination of Plans, and Risks in LUKOIL Group related to risk management to the Audit Committee of PJSC LUKOIL's Board of Directors.

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 a high risk, uncertain environment.

In 2022, efforts were made to:

- identify and assess new risks, establish a single risk database, and use this information to support decision-making on key issues
- 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. Uniform approaches to, and principles for, financial assessment of climate risks were developed
- refine the Corporate Information System for automation of risk management processes.

Risk management development and improvement focus on:

- improving internal regulations and guidelines with due consideration to changes in Russian laws
- 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 development of recommendations on standard risk description
- optimizing information sharing.

The Board of Directors and other governance bodies of the Company 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 impact on its business. At the same time, 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 assesses 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 impact 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 impacts 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.

To improve the Company's risk management system, and taking into account the Bank of Russia's Information Letter No. IN-06-28/143 On Recommendations of the Bank of Russia for Public Joint Stock Companies to Organize Risk Management, Internal Controls, Internal Auditing, and the Work of Auditing Committees under Boards of Directors (Supervisory Boards), dated October 1, 2020, at the end of December 2022 the Company has decided to delegate the functions of the Committee for Investments, Coordination of Plans, and Risks in LUKOIL Group related to risk management to the Audit Committee of PJSC LUKOIL's Board of Directors.

Internal control

In 2022, the Company implemented 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. These measures are aimed at further optimizing the use of available assets and minimizing avoidable losses through improvements in the efficiency of internal controls. They include:

- updating the unified standards of, and requirements for, organization of the internal control system (ICS) that were incorporated into the operations of LUKOIL Group
- prompt elimination of ICS gaps identified through monitoring activities
- updating the internal control structure to reflect actual business processes
- compliance with the requirements of the Federal Tax Service (FTS) of Russia to ICS setup at LUKOIL Group entities that have switched to the tax monitoring regime
- running more tests of control procedures conducted as part of operating (production) activities, including via internal control automation tools.

As part of the review of regular internal control reporting in 2022, the Company monitored compliance with the standards and requirements for ICS organization and functioning at LUKOIL Group entities. In April 2022, 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 April 2022, when considering the functioning and improvement of the Company's risk management and internal control system, the Board of Directors, based on the review of the reliability and effectiveness assessment 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
- the alignment between the organizational structure of the Internal Control business process and the Company's business scale, goals, objectives, and development strategy.

LUKOIL Group carries out regular, systematic work to identify violations and gaps at subsidiaries, which includes external and internal audits. We assess on a mandatory basis their potential negative impact, 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 digitization of the Internal Control business process and providing all ICS-related units with quality updates and effective communications in internal control, in 2022, the Company continued testing and implementing specialized IT solutions:

- Process and operation control
- Control of conflicts and excessive authority in information systems, implementing a uniform approach to developing and naming business roles.

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 2017–2022, 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 foreign accounting centers. Local financial statements are the responsibility of entities' top managers and chief accountants or heads of accounting centers. The Company's CEO 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 CEO 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 CEO approves, on an annual basis, the corporate RAS accounting policy and requirements to the accounting policies of the Company's Russian subsidiaries.

Centralized development and approval of RAS and IFRS accounting policies ensure application of uniform principles of accounting and reporting for similar transactions and the comparability of results between 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 audit organization (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

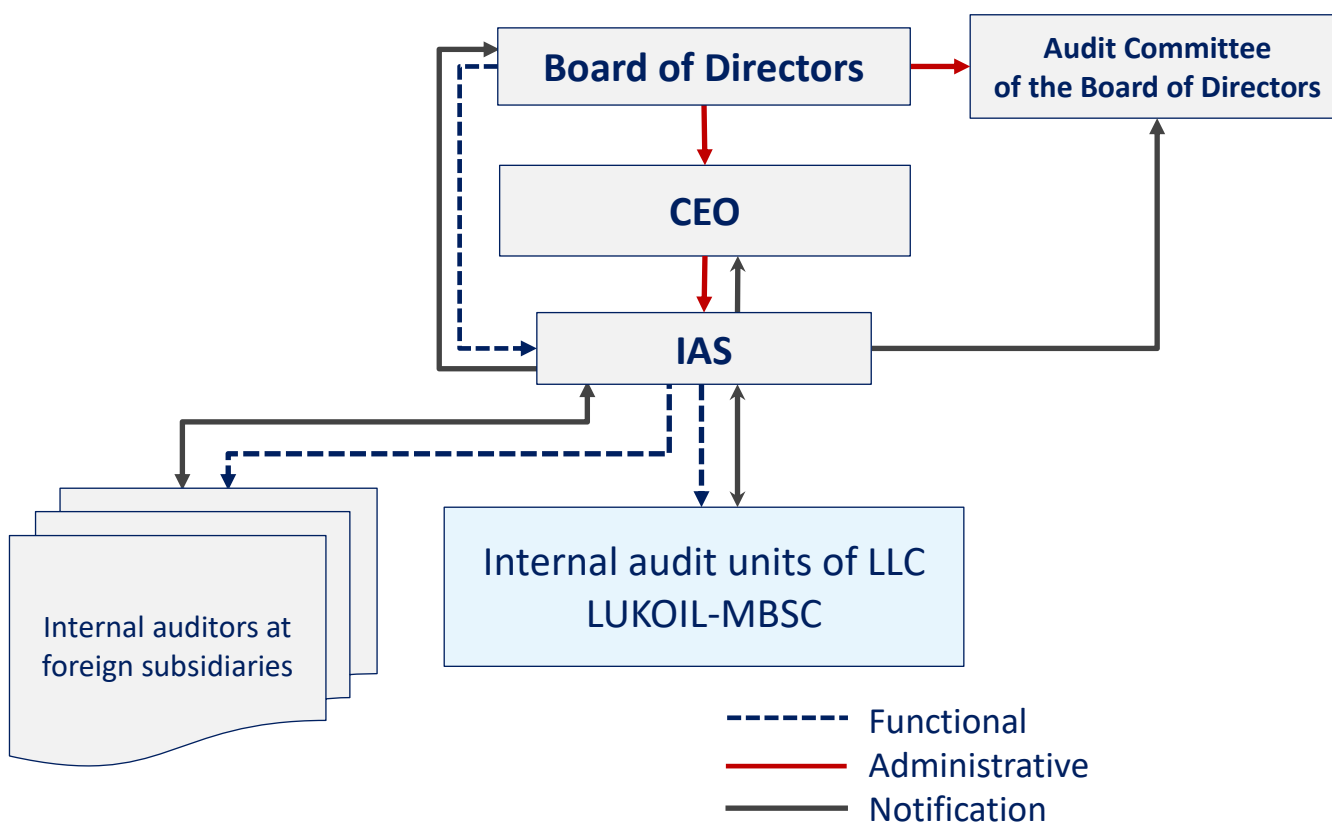
• ***Business unit interaction.*** Consolidated IFRS financial statements are prepared in close collaboration between the Accounting Service of PJSC LUKOIL and various business units both within the Company and Group entities. During the process, stakeholders regularly exchange and additionally verify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

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 system, 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 (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).

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 CEO (administrative reporting). The terms of the agreement with the Head of IAS are approved by the Board of Directors.

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 44 audits, including 32 carried out by the internal audit units of LUKOIL Group's Russian entities and 12 by internal auditors at foreign subsidiaries.

Audits and consulting engagements are conducted in line with the requirements/recommendations of applicable laws and regulators, the globally recognized Core Principles for the Professional Practice of Internal Auditing, and internal documents of PJSC LUKOIL governing the Internal Audit business process.

Methodological support

The Company implements a five-year Program to enhance internal audit quality across PJSC LUKOIL that addresses all aspects of internal audit, including its methodological support.

In 2022, we continued to enhance the methodological support of internal audit in LUKOIL Group in line with best practice.

We prepared proposals to change the audit reporting forms taking into account the requirements of the International Standards for the Professional Practice of Internal Auditing, materials of partner auditors, and recommendations of the external independent appraiser.

The Company also developed new audit procedures and continued with updating the existing ones.

The IAS also developed and approved KPIs for the Internal Audit business process.

Post-audit and post-consultation monitoring

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

As at December 31, 2022, the IAS and internal audit units of LLC LUKOIL-MBSC had on their radar 155 documents containing 2,738 actions/initiatives, of that 2,178 actions/initiatives or almost 80% were already implemented as at the end of the reporting period.

This demonstrates a sufficient level of executive discipline of LUKOIL Group entities and Company's business units in terms of compliance with internal audit recommendations.

Implementation of LUKOIL Group’s digital development programs in internal auditing

In IAS IT project “Information and Analysis System of Internal Audit” which addresses the automated identification of abnormal (non-typical) transactions subject to further audit analysis in LUKOIL Group’s production and accounting information systems has been underway since 2019.

Its goals are to expand the scope and coverage of audit samples, reduce the time required to process a significant amount of information, increase the quality of internal audit and higher confidence in its outcomes, as well as the development of new areas.

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

The Head of IAS annually submits a report on performance of the annual audit and consulting plan of the Internal Audit Service of PJSC LUKOIL and on internal audits to the Audit Committee of the Board of Directors.

In 2022, upon reviewing the 2021 report, the Audit Committee recommended that the Company’s Board of Directors, among other things:

- approve the work of the Internal Audit Service of PJSC LUKOIL in 2021 involving assessment of the effectiveness of internal control and risk management systems, as well as of corporate governance at LUKOIL Group
- 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
- 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.

The respective resolution was passed by the Board of Directors in April 2022.

External Audit

LUKOIL selects its audit organization (auditor) based on proposals made by the Audit Committee of the Board of Directors and the audit organization is approved (appointed) by the General Shareholders Meeting on an annual basis, in line with Russian laws.

The auditor’s independence is determined based on Federal Law No. 307-FZ On Auditing, dated December 30, 2008, Independence Rules for Auditors and Audit Firms, Code of Professional Ethics of Auditors, and International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants.

In June 2022, the Annual General Shareholders Meeting approved JSC KPMG as the auditor of PJSC LUKOIL. On June 8, 2022, JSC KPMG withdrew from the international KPMG network, and on July 1, 2022, the company changed its corporate name to JSC Kept.

To maintain independence and comply with audit standards, the Company’s auditor partner regularly, at least once in seven years, changes its key auditor partner and did so in 2020.

The price of JSC Kept auditor services for auditing the Company’s IFRS consolidated financial statements for 2022 was RUB 246,778 thousand (excluding VAT) and for auditing the Company’s RAS accounting (financial) statements for 2022 – RUB 10,286 thousand (excluding VAT).

The share of remuneration for the services unrelated to audits in the total fee payable by the Company to the auditor is less than 40 percent.

Insider information control

As an issuer whose securities are traded on the Moscow Exchange, PJSC LUKOIL must comply with the requirements of 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, and related regulations.

In line with the applicable requirements, the Company has in place the Insider Information Regulations of PJSC LUKOIL, approved by the Company's Board of Directors, and the Internal Control Rules of PJSC LUKOIL to prevent, identify, and counter the misuse of insider information and (or) market manipulation, approved by an executive order of PJSC LUKOIL.

Monitoring of the activities of the Company's business units, officers and employees in 2022 revealed no violations of the laws on countering the misuse of insider information and market manipulation.

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 corporate 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 PJSC LUKOIL), certified for compliance with ISO/IEC 27001.

Information security relies on:

- regulations on exercising information security processes such 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 to enable employees to safely start and set up online meetings (video conferences)
- requirements for setting 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, including when working remotely
- technical regulations, regulations on providing information security services, and service level agreements.

The Company conducts regular automated checks to assess employees' ability to safely handle IT equipment and information resources.

The Company employees have 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.

A 2022 meeting of the IT Coordination Council, chaired by the CEO of the Company, discussed new projects aimed at improving cybersecurity. The Coordination Council includes Company executives and meets at least once a year.

Thanks to LUKOIL's 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

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

Beginning December 2022 key matters related to operations of subsidiaries are reserved to the sole executive body of PJSC LUKOIL, the CEO (before December 5, 2022, these matters were reserved to PJSC LUKOIL's Board of Directors). Matters related to operations of subsidiaries may also be reviewed by the Board of Directors and the General Shareholders Meeting when discussing certain matters within their scope of authority.

If subsidiaries or other entities in which the Company holds an interest adopt their resolutions through general shareholders (members) meetings, the CEO (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 CEO covers the development and implementation of the general strategy for the Company's subsidiaries³¹, 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 2022, 32 resolutions were passed on the operations of the Company's subsidiaries and 32 – on employment matters related to heads of the Company's subsidiaries.

Approval of subsidiaries' material transactions³²

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"). In line with the amendments to the Charter of PJSC LUKOIL changing

³¹ Before the amendments to the Charter of PJSC LUKOIL approved by the Extraordinary General Shareholders Meeting on December 5, 2022, these matters were covered by the scope of authority of collegial executive body of management - PJSC LUKOIL's Management Committee.

³² 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.

the executive structure of PJSC LUKOIL and effective from December 2022, such transactions are only made by subsidiaries after they are considered and approved by the Company's CEO as per 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 CEO 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 Company's CEO and also reports to the CEO on restructuring progress within the Group (before the amendments to the Charter of PJSC LUKOIL approved by the Extraordinary General Shareholders Meeting on December 5, 2022, these matters were reviewed by PJSC LUKOIL's Management Committee). The Management Committee reviewed the progress of LUKOIL Group restructuring at a meeting held on June 14, 2022 (Minutes No. 12).

In 2022, the Management Committee of PJSC LUKOIL made 37 decisions on the stakes of LUKOIL Group entities in other organizations:

- 25 decisions were made by the Restructuring Commission of LUKOIL Group
- 12 decisions were made by Vice Presidents for various business areas, after they were approved by the Company's President/CEO

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.

AC – Audit Committee
AGM – Annual General Meeting
APG – associated petroleum gas
boe – barrel of oil equivalent
CDP – Carbon Disclosure Project
CEO – Chief Executive Officer
CHPP – combined heat and power plant
CSA – capacity supply agreement
EGM – Extraordinary General Meeting
ESG – environmental, social, governance
EU – European Union
FTS – Federal Tax Service (of Russia)
Gcal – gigacalorie
GHG – greenhouse gases
GPP – gas processing plant
GRES – state regional power plant

GW – gigawatt
HPP – hydroelectric power plant
HR – human resources
HRCC – Human Resources and Compensation Committee
HSE – health, safety and environment
IAS – Internal Audit Service
ICS – internal control system
IFRS – International Financial Reporting Standards
ILO – International Labour Organization
IT – information technology
JSC – joint stock company
kg – kilogram
km – kilometer
KPI – key performance indicator
kWh – kilowatt-hour
LLC – limited liability company
LTAFR – lost-time accident frequency rate
LTIFR – lost-time injury frequency rate
MET – mineral extraction tax
MW – megawatt
OECD – Organisation for Economic Co-operation and Development
OJSC – open joint stock company
OPEC – Organization of the Petroleum Exporting Countries
PJSC – public joint stock company
PNRPU – Perm National Research Polytechnic University
RAS – Russian Accounting Standards
R&D – research and development
RMICS – risk management and internal control system
RSPP – Russian Union of Industrialists and Entrepreneurs
RUB – Russian ruble
SEC – Securities and Exchange Commission
SISCAC – Strategy, Investment, Sustainability, and Climate Adaptation Committee
SMART – specific, measurable, achievable, relevant, and time-bound
TAI – tax on additional income
TCFD – Task Force on Climate-related Financial Disclosures
toe – tonnes of oil equivalent
UN – United Nations
USD – US dollar
VAT – value-added tax

About the Report

PJSC LUKOIL Annual Report (the “Report”) presents key information on LUKOIL Group’s overall performance in 2022 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, and other financial indicators and ratios
 - the plans, goals, and objectives of PJSC LUKOIL, including those related to products and services
 - future economic indicators
 - the assumptions 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 presented in million tonnes are based on respective figures in thousand tonnes.

The average RUB/USD exchange rate for 2022 (RUB 68.55 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’” (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 (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.: +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

Filing 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.: +7 495 221 3112, +7 800 500 2947
Fax: +7 495 646 9236
Email: mail@reggarant.ru

Audit organization

JSC Kept (Joint Stock Company Kept)
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@kept.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 2022**

Appendix 1.

Corporate Governance Code Compliance Report (as of December 31, 2022)

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. 714-P On Information Disclosure by Issuers of Issue-Grade Securities dated March 27, 2020.

Incorporated in Russia, PJSC LUKOIL is guided in its business by the corporate governance principles recommended for implementation by Russian securities market regulators.

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/publ/Vestnik/ves140418040.pdf>.

This report was considered by the Board of Directors of PJSC LUKOIL at a meeting on April 20, 2023 (Minutes No. 7) as part of the Annual Report of PJSC LUKOIL for 2022.

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 2022.

An overview of the core aspects of the corporate governance model and practice adopted by PJSC LUKOIL is presented in the Corporate Governance section of the Annual Report of PJSC LUKOIL for 2022.

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 Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company and recommendations set forth therein.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1	2	3	4	5
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 reviewed.	<p>1. The company provides accessible means of communication with the company, such as a hotline, e-mail, or online forum, to enable shareholders to express their opinion and send questions on the agenda in preparation for the general meeting.</p> <p>The above means of communication were prepared and provided by the company in advance of each general meeting held in the reporting period.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<p>1. In the reporting period, the notice of an upcoming general shareholders meeting was posted (published) on the corporate website at least 30 days prior to the date of the general meeting, unless required to do so earlier by applicable law.</p> <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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p><u>Note.</u></p> <p>Criterion 2 may not be applicable, since the Annual General Shareholders Meeting was held in 2022 in the form of absentee voting pursuant to the resolution made by the Board of Directors on May 16, 2022 in accordance with Article 3 of Federal Law No. 25-FZ dated February 25, 2022. At the same time, criterion 2 is complied with by the Company when holding General Shareholders Meetings in person.</p>
1.1.3	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>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</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p><u>Note.</u></p> <p>Criterion 1 may not be applicable, since the Annual General Shareholders Meeting was held in 2022 in the form of absentee voting pursuant to the resolution made by the Board of Directors on May 16, 2022 in accordance with Article 3 of Federal Law No. 25-FZ dated February 25, 2022. At the same time, criterion 1 is complied with by the Company when holding General Shareholders Meetings in person.</p>

		the company, in all instances of general meetings held in the reporting period.		
1.1.4	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>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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.5	Each shareholder shall be enabled to freely exercise his/her voting right in the simplest and most convenient way.	<p>1. The company's charter contains provisions stipulating that an electronic ballot can be filled out on the website stipulated in the notice of the general shareholders meeting.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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 meetings 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, or 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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p><i>Note.</i> Criteria 1–4 may not be applicable, since the Annual General Shareholders Meeting was held in 2022 in the form of absentee voting pursuant to the resolution made by the Board of Directors on May 16, 2022 in accordance with Article 3 of Federal Law No. 25-FZ dated February 25, 2022.</p>

		4. During the reporting period, the company used telecommunication 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.		
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 corporate 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 in the reporting period, 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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>The Regulations on the Dividend Policy of PJSC LUKOIL do not explicitly specify financial/economic circumstances under which the Company shall not pay out dividends. At the same time, the above 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>

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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.3	Corporate governance system and practices ensure equal opportunities 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>Since December 2022, the Company has no quasi-treasury shares, but during the year, the entities controlled by the Company held shares in the Company (quasi-treasury shares) and participated in voting at the Company's General Shareholders Meetings in the reporting year to ensure the necessary quorum.</p>
1.4 Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance.				
1.4	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance.	1. The processes and the terms of the services provided by the company's registrar meet the needs 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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 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 executive bodies and current 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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<p>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.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<p>1. The principles of, and approaches to, organizing a risk management and internal control system in the company are defined by the board of directors and set forth in the company's internal documents that define its risk management and internal control policy.</p> <p>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) reviewed whether the matter of revising the company's risk appetite should be submitted to the board of directors for review.</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is complied with.</p> <p>Criterion 2 is partially not complied with.</p> <p>According to the Risk Management and Internal Control Policy of PJSC LUKOIL, the risk appetite is determined by the Board of Directors of PJSC LUKOIL when adopting PJSC LUKOIL's strategic development program. In December 2021, the Board of Directors of PJSC LUKOIL approved the Strategic Development Program of LUKOIL Group for 2022–2031 that included, among other things, the Company's acceptable risk exposure. As the Group did not revise its development strategy in the reporting year, the specified acceptable risk exposure remained the same in 2022.</p>

2.1.4	The board of directors shall define the company's policy on remuneration 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).	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

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.	<p>1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings.</p> <p>2. The annual report contains key results of assessment (self-assessment) of the board of directors' work in the reporting period.</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is not complied with.</p> <p>PJSC LUKOIL 2022 Annual Report does not include information on individual attendance at Board of Directors and Board Committees meetings due to non-disclosure of information on the individual composition of the Board of Directors on the basis of Resolution of the Russian Government No. 351 dated March 12, 2022.</p> <p>Should the restrictions on information disclosure set forth in Resolution of the Russian Government No. 351 dated March 12, 2022 be lifted, the Company plans to resume its usual practice of disclosing relevant information.</p> <p>Criterion 2 is complied with.</p>
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, skills, 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 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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 reviewed whether the number of members on the board of directors was in line with the company's needs and with the interests of shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4	The board of directors shall include a sufficient number of independent directors.			
2.4.1	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. It should also be taken into account that in normal conditions a nominee (elected member	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 determined to be independent by resolution of the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

	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.			
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 board of directors with such criteria shall be performed. Substance shall prevail over form in such assessments.	<p>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 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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> 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</p>

				its sole executive body 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.
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 enable the interaction with the chairman of the board of directors.	<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 of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is not complied with.</p> <p>In the reporting year, the Chairman of the Company's Board of Directors was elected twice by a unanimous decision of the Board from among the non-executive directors with high professional qualifications, industry expertise, and experience in management positions in the Company.</p> <p>In the reporting year, a senior independent director was not chosen from among the independent directors, as 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.</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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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. 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. 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6.3	Members of the board of directors shall have sufficient time to perform their duties.	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.	<input checked="" type="checkbox"/> Full	

		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.	<input type="checkbox"/> Partial <input type="checkbox"/> 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.	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. 2. The company has in place a formalized induction program for newly elected members of the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	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. 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> 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. 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 Company's executive body in order to increase the efficiency of the decision-making process.</p>
2.7.4	Resolutions on the 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 majority of all elected board members.	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 meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected board members.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> 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 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 2022, resolutions on the matters set out in paragraphs 1, 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 2022 any matters set out in paragraphs 2, 3, 4, 5, 6, 8, 9 of Recommendation 170.</p>
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>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>Prior to the Annual General Shareholders Meeting of PJSC LUKOIL held on June 21, 2022, the Audit Committee of the Board of Directors was comprised solely of independent directors. The Audit Committee of the Board of Directors, formed after the Annual General Shareholders Meeting of PJSC LUKOIL held on June 21, 2022, is headed by an independent director, and independent directors make up the majority of its members (as permitted by the Listing Rules of PJSC Moscow Exchange), with a non-executive director also serving on the Committee.</p> <p>The decision to include one non-executive director on the Committee is related to the following.</p> <p>The nomination of independent candidates, including those who are foreign citizens, for election to the Board of Directors of the Company in 2022 was constrained due to objective reasons of a geopolitical nature.</p> <p>In addition, the decision to include one non-executive director on the committee was made with regard to desire of the Board of Directors to distribute the workload associated with participation in the Committees more evenly among the directors, to ensure that their professional competencies are aligned with the Committees' functions, and to make better use of the potential and experience of non-executive directors.</p> <p>Criteria 2–4 are complied with.</p>
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration 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>1. The board of directors has set up a remuneration committee comprised solely of independent directors.</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</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 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>Prior to March 21, 2022, the HR and Compensation Committee of the Board of Directors was comprised</p>

		<p>committee is to consider revising the company's policy on remuneration of members of the board of directors, executive bodies, and other key executives.</p>	<p>solely of independent directors. After March 21, 2022, the HR and Compensation Committee of the Board of Directors is headed by an independent director, and independent directors make up the majority of its members (as permitted by the Listing Rules of PJSC Moscow Exchange), with a non-executive director also serving on the Committee. The decision to include one non-executive director on the Committee was made due to the following circumstances.</p> <p>Proposing independent nominees, including foreign citizens, for election to the Board of Directors of the Company in 2022 was difficult due to objective geopolitical reasons.</p> <p>In addition, in making the decision to include a non-executive director into a Committee, intention of the Board of Directors was taken into account to distribute the workload associated with participation in the Committees more evenly among the directors, to ensure that their professional competencies are aligned with the Committees' functions, and to make better use of the potential and experience of non-executive directors.</p> <p>Criterion 2 is complied with.</p> <p>Criterion 3 is partially not complied with.</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>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 reviews 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> <p>The Regulations on the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL do 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 Regulations set 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 governance bodies against those of other companies and may revise the Company's remuneration policy for members of its Board of Directors and its sole executive body from time to time based on such benchmarking.</p>
2.8.3	<p>To preview matters related to human resources 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 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</p>	<p><input type="checkbox"/> Full</p> <p><input checked="" type="checkbox"/> Partial</p> <p><input type="checkbox"/> None</p>	<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>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>		<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 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>At the same time, the Company plans to review whether appropriate changes to the functions and tasks of the HR and Compensation Committee of the Board of Directors should be made in 2023–2024.</p> <p>Criterion 3 is complied with.</p>
2.8.4	<p>Taking into account the company's scale of operations and level of risk, 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,</p>	<p>1. In the reporting period, the board of directors reviewed 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>	<p><input checked="" type="checkbox"/> Full</p> <p><input type="checkbox"/> Partial</p> <p><input type="checkbox"/> None</p>	

	health, safety, and environment committee, etc.).			
2.8.5	Committees shall be composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	<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 committee.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.6	Committee chairmen shall inform the board of directors and its chairman on the work of their committees on a regular basis.	<p>1. During the reporting period, committee chairmen reported to the board of directors on the work of committees on a regular basis.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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 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.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>The biographical details of the Company's Corporate Secretary were available on the Company's website until April 14, 2022. The specified information is not presented in the Company's Annual Report for 2022, as well as on the Company's website on the Internet after April 14, 2022, taking into account the Company's general approach to disclosing personal information in 2022 in relation to key employees of the Company.</p> <p>In the future, the Company plans to resume its usual practice of disclosing information about the Corporate Secretary.</p>
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.	1. The company has adopted and published an internal document – regulations on the corporate secretary. 2. The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary. 3. 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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 Regulations, salary indexation and bonus payments for the Corporate Secretary are made in compliance with the Company's local regulations</i></p>

				<i>on remuneration, unless otherwise established by resolution of the Board of Directors.</i>
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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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 reviewed 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 as required.	<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	1. The remuneration policy (policies) or other internal documents of the company 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	

	policy can make part of the company's remuneration policy.		<input type="checkbox"/> None	
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 forms of short-term motivation or additional financial incentives for members of the board of directors.	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 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2.3	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.	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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.3	The company shall review 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	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	<input checked="" type="checkbox"/> Full	

	the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	members of executive bodies and other key executives of the company. 2. During the latest assessment of the system of remuneration of members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration. 3. When determining the amount of remuneration due to members of executive bodies and other key executives of the company, account is taken of the risks incurred by the company in order to avoid encouraging unreasonably risky management decisions.	<input type="checkbox"/> Partial <input type="checkbox"/> None	
4.3.2	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).	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.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>The Regulations on the Long-Term Incentive Program for Key Employees of LUKOIL Group in 2018–2022 were in place in 2022 and provided for other terms and conditions of restrictions on the sale of shares distributed to members of the Program, which the Company considered more effective for building interest among members of the Program participants in achieving long-term goals. The Long-Term Incentive Program for Key Employees of LUKOIL Group was completed in 2022. As of January, 2023, the Company had not implemented a new long-term incentive program.</p>
4.3.3	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.	1. In the reporting period, 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.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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 and internal control system 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, powers, and responsibilities 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 safe, confidential, and 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 reliability and 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 reliability and 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 efficiency 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 external	1. To perform internal audits, the company has set up a separate internal audit unit functionally reporting to the	<input checked="" type="checkbox"/> Full	

	organization to carry out internal audits. The functional and administrative subordination of the internal audit unit shall be separated. The internal audit unit shall functionally report to the board of directors.	board of directors or engaged an independent external organization under the same principle of subordination.	<input type="checkbox"/> Partial <input type="checkbox"/> None	
5.2.2	The internal audit unit shall assess the performance of the risk management and internal control system and corporate governance. The company shall apply generally accepted standards of internal audit.	<p>1. In the reporting period, the reliability and 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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> 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) reviewed matters related to the efficiency of communication among the company, shareholders, investors, and other stakeholders and feasibility (need) of revising the company's information policy in the reporting period.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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 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.</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is complied with.</p> <p>Criterion 2 is partially not complied with.</p> <p>Information on the composition of the Company's executive bodies and Board of Directors, the independence of the Board members, and their membership in the Board Committees was posted on the Company's website until April 14, 2022. After the specified date this information was not disclosed by the Company according to Resolution of the Russian Government No. 351 dated March 12, 2022.</p>

				<p>Should the restrictions on information disclosure set forth in Resolution of the Russian Government No. 351 dated March 12, 2022 be lifted, the Company plans to resume its usual practice of disclosing relevant information.</p> <p>Criterion 3 cannot be applicable as the Company does not have a controlling person.</p>
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	<p>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>	<p>1. The company defines the procedure for the coordination of all of the company's business units and employees 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 during 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 Russian language, but also in one of the most widespread foreign languages.</p>	<p><input checked="" type="checkbox"/> Full</p> <p><input type="checkbox"/> Partial</p> <p><input type="checkbox"/> None</p>	
6.2.2	<p>The company shall strive to avoid a formalistic approach to information disclosure and to disclose material information about its operations even if such disclosure is not required by law.</p>	<p>1. The company's information policy defines approaches to disclosure of information about other events (actions) 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 information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website.</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.</p> <p>4. The company discloses a non-financial report – a sustainability report, environmental report, corporate social</p>	<p><input type="checkbox"/> Full</p> <p><input checked="" type="checkbox"/> Partial</p> <p><input type="checkbox"/> None</p>	<p>Criteria 1 and 2 are complied with.</p> <p>Criterion 3 is partially not complied with.</p> <p>In accordance with Resolution of the Russian Government No. 351 dated March 12, 2022, the Company does not disclose information on controlled legal entities that are material to the Company.</p> <p>Should the restrictions on information disclosure set forth in Resolution of the Russian Government No. 351 dated March 12, 2022 be lifted, the Company plans to resume its usual practice of disclosing relevant information.</p> <p>Criterion 4 is complied with.</p>

		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.		
6.2.3	The annual report, as one of the most important tools of information exchange with shareholders and other stakeholders, shall contain information enabling assessment of the company's performance in the reporting year.	<p>1. The company's annual report contains information on the result of the audit committee's assessment of internal and external audit effectiveness.</p> <p>2. The company's annual report contains information on the environmental and social policies of the company.</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>The Audit Committee of PJSC LUKOIL's Board of Directors assesses the effectiveness of the external audit process when reviewing 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 2022.</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>
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' exercise of their rights of access to the company's documents and information is not cumbersome.	<p>1. The company's information policy (internal documents establishing the information policy) establishes non-cumbersome procedure for providing shareholders with access to the company's information and internal documents as requested by shareholders.</p> <p>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.</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> 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 Companies that provides for no obligation of the Company to share information on legal entities controlled by it with its shareholders.</p> <p>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.</p>
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.	<p>1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified.</p> <p>2. In cases defined by the company's information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p><i>Note.</i></p> <p><i>The Regulations on Information Policy of PJSC LUKOIL include a reference to the Regulations on Provision of Information to Shareholders of PJSC LUKOIL which contain provisions prescribed by criterion 2.</i></p>
7.1	Actions that significantly impact or may 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 percent 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. The company's charter shall provide a list (criteria) of transactions or other actions classified as material corporate actions pertaining to the competence of the board of directors of the company.	<p>1. The company's charter provides for a list (criteria) of transactions or other actions classified as material corporate actions. Resolutions on material corporate actions are referred by the company's charter 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.</p>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> 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> <p>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 actions that are deemed by the Code to be material corporate actions.</p> <p>Following the established practices, when addressing the matter of preparing for and holding</p>

			<p>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 classified 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 Company's executive bodies (until December 2022 – the Management Committee, after December 5, 2022 – the CEO).</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, in the Company's opinion, 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	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.	1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> 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> <p>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.</p>
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.	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. 2. In the reporting period, all material corporate actions were subject to the approval procedure prior to execution.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
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. If the company performed material corporate actions in the reporting period, the company in due time and in detail disclosed information about such actions, including the grounds for, and circumstances and consequences of, such actions.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

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 acquisition and repurchase.</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, 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 there is a conflict of interest or other factual interest, the company's internal documents stipulate that such persons may not participate in the voting on the approval of such transaction.</p>	<p><input type="checkbox"/> Full</p> <p><input checked="" type="checkbox"/> Partial</p> <p><input type="checkbox"/> None</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.</p> <p>PJSC LUKOIL's internal documents do not stipulate that if the sole executive body or a member of the collegial executive body of the Company has no formal interest, but there is a conflict of interest or other factual 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. The Company's collegial executive body functioned until December, 2022.</p>
-------	---	--	--	---

Appendix 2.

Major and Interested Party Transactions

THE LIST OF TRANSACTIONS MADE BY PJSC LUKOIL IN 2022 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

In 2022, PJSC LUKOIL did not perform any transactions that are recognized as major transactions in accordance with the Federal Law On Joint Stock Companies.

THE LIST OF TRANSACTIONS MADE BY PJSC LUKOIL IN 2022 AND RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES IS NOT DISCLOSED IN ACCORDANCE WITH RESOLUTION OF THE RUSSIAN GOVERNMENT NO. 351 DATED MARCH 12, 2022 (AS AMENDED BY RESOLUTION OF THE RUSSIAN GOVERNMENT NO. 2131 DATED NOVEMBER 24, 2022).