

ABOUT THE REPORT

PJSC LUKOIL is pleased to present the 11th Sustainability Report of the LUKOIL Group (the "Report"), summarizing performance for the period from January 1, 2020 to December 31, 2020. The previous report was published in June 2020 (for the reporting period from January 1, 2019 to December 31, 2019).

We have been publishing sustainability reports since 2005¹. They are addressed to a wide range of stakeholders and seek to provide balanced information relevant to the interests of each stakeholder group. The Company pays significant attention to the corporate governance of sustainability issues and continuously strives to improve the quality of reported information. We believe that independent audits of disclosed information and external assurance of the Report contribute to these objectives. The audit firm's opinion is published on [page 204](#). The conclusion of the RSPP Council on Non-Financial Reporting concerning the external assurance of the Report is published on [page 208](#). The Report was reviewed at the meeting of the Strategy, Investment, Sustainability and Climate Adaptation Committee and was recommended for disclosure.

In preparing this Report, we used the following non-financial reporting standards and guidelines:

- Business Reporting on the Sustainable Development Goals (SDGs)
- Global Reporting Initiative (GRI) Sustainability Reporting Standards ("Core" option) The table of standard general and specific GRI disclosures is provided in [Appendix 4](#)
- The United Nations Global Compact
- The Basic Performance Indicators and the Responsibility and Transparency and the Sustainable Development Vector indices of the Russian Union of Industrialists and Entrepreneurs (RSPP)

We also used the following reporting platforms:

- Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals, UNCTAD, 2019
- SASB (Sustainability Accounting Standards Board) reporting standards – material topics and individual indicators
- IPIECA (International Petroleum Industry Environmental Conservation Association) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, 2019

The words "LUKOIL Group," "LUKOIL," "the Company," "the Group," the pronoun "we" and its various related forms refer to PJSC LUKOIL and LUKOIL Group entities, unless specified otherwise. Some indicators in the Report are abbreviated; see [Appendix 7](#) for details. The list of abbreviations, formulas for calculating indicators, and definitions of terms can be found in [Appendix 6](#).

Previous reports are available on the PJSC LUKOIL website, at:



¹ Previous reports are available on the PJSC LUKOIL website, at: <http://www.lukoil.ru/InvestorAndShareholderCenter/ReportsAndPresentations/SustainabilityReport>.

Strategic environment

The UN annual report for 2020¹ states that after considerable progress towards the 2030 deadline (having passed one third of 2016-2030 period) for achieving the UN Sustainable Development Goals (SDGs), there was a drastic slowdown in sustainable development efforts in many countries due to the COVID-19 pandemic and "the worst peacetime recession"². Visible progress had been made in many countries on some SDGs before the COVID-19 pandemic outbreak, such as education (SDG 4) and healthcare (SDG 3), providing clean drinking water (SDG 6), access to energy (SDG 7), and reducing unemployment (SDG 8). Improvements at a global level, however, have been uneven, and stronger and more extensive efforts will need to be made in all countries.

The authors of the Report estimate that the crisis has affected every social stratum, economic sector, and geographic location of the world. As a result, the pandemic undid decades of work regarding several SDGs, with profound economic and social implications³. What needs to focus the world's attention now is how this situation can be overcome by creating economic and social systems with greater flexibility and resilience to various challenges. If this was to happen, 2021 could mark

the beginning of a decade of bold action to achieve the Sustainable Development Goals, based on the "Make it better than before" principle. The European Council, for example, has approved a new mechanism, the "Taxonomy of Sustainable Development", which will allow both companies and investors to identify economic activities that contribute to sustainable development and to channel investments accordingly. The United Nations, in turn, intends to mobilize efforts across the board in support of cooperative actions.

In 2020, the United Nations published the First Voluntary National Review of the Implementation of the 2030 Agenda for Sustainable Development in the Russian Federation⁴. The Review noted that several SDGs had already been achieved in Russia and that significant progress had been made on the remaining goals through existing government programs and national projects. Areas of greatest accomplishment include SDG 1 "No Poverty," SDG 4 "Quality Education," and SDG 8 "Decent Work and Economic Growth." At the same time, there are still issues that require increased joint efforts by the state, business, and society, most prominently in such areas as, for example, improving the efficiency of water resources management, developing models for responsible

production and consumption of goods and services, creating a modern waste management system, developing a national system for regulating greenhouse gas emissions, improving forest management, etc.). Concurrently, the Ministry of Economic Development of the Russian Federation has identified⁵ promising areas for sustainable development in the next decade, such as health care, recycling and waste management, and required changes in the industrial and energy sectors.

When the Report was drafted, LUKOIL representatives were included in 17 thematic working groups under the Analytical Center for the Government of the Russian Federation, provided materials, and took part in expert discussions throughout the year. The Report features LUKOIL's projects that best demonstrate the Company's contribution to attaining certain SDGs in Russia, specifically SDG 8.5 ("Provide full and productive employment and decent work for all"); SDG 13.2 ("Integrate climate change measures into national policies, strategies, and planning"), and SDG 14.1 ("Prevent and significantly reduce marine pollution of all kinds").

¹ Source: The Sustainable Development Goals Report. United Nations, 2020.

² Source: The Global Risk Report 2020. WEF, 2021.

³ Sources: *ibid* (footnotes 2 and 3).

⁴ Source: Voluntary National Review of the Implementation of the 2030 Agenda for Sustainable Development. Analytical Center for the Government of the Russian Federation, Ministry of Economic Development of the Russian Federation, Ministry of Foreign Affairs of the Russian Federation, Federal State Statistics Service, 2020.

⁵ Source: Global Trend for Sustainable Development: Business Opportunities. Department for Multilateral Economic Cooperation and Special Projects of the Ministry of Economic Development of the Russian Federation, 2020.