

## Appendix 2. Identification of material topics of the Report

The procedure for determining the material topics of the Report is performed in accordance with the Global Reporting Initiative (GRI) standards, with a focus on SASB standards and SDGs.

### Methodology

For the reporting purposes, a material topic is a topic that reflects the Company's significant long-term economic, environmental and social impact (positive or negative) on the countries/regions of operations and local communities, and/or affects the interests of / may affect stakeholders. Each material topic includes a number of issues that may be rather specific to a particular territory or a time period, and, accordingly, those may vary from report to report.

Our goal is to continuously improve the quality of corporate sustainability reporting and its informative value to stakeholders. To attain this goal, we use the following procedures and tools:

- stakeholder engagement during a reporting year in various formats (roundtables, responses to inquiries, surveys of customers and employees, working groups, participation in external initiatives, etc.); analysis of the results of an audit and external assurance of the report for the previous reporting period;
- participation in ratings (ESG and sustainability);
- analysis of sustainability reports of oil and gas companies;
- analysis of media publications;
- analysis of legislative requirements for non-financial information disclosures, requirements of financial platforms, monitoring of non-financial reporting systems and major initiatives in this area;
- surveys of PJSC LUKOIL unit heads, heads of LUKOIL Group entities, members of the Board of Directors and the Management

Committee (once every two years), ranking of material topics and issues based on the results (scoring is applied).

The findings of the analyses are presented as a list of relevant issues. Based on qualitative analysis (repeatability, scale, rating issued by managers of PJSC LUKOIL, etc.), material issues are identified and grouped into material topics. The Sustainability Task Force approves the list of material topics. The Non-Financial Reporting Regulations are being developed by LUKOIL Group. Material topics and issues identified for 2020 can be found in the opening section of the Report.

### Stakeholder survey

A stakeholder survey was conducted in 2020 in six regions of operation of LUKOIL Group entities in Russia (the Komi Republic, the Nenets Autonomous Area, the Kaliningrad Region, the Khanty-Mansi Autonomous Area — Yugra, the Volgograd Region, the Stavropol Territory).

#### Purpose and content of the survey.

The purpose of the survey was to analyse opinions on topics that are relevant to the regions and which should/can be reflected in the 2020 Sustainability Report. A sociological study of regional residents' opinions on current socio-economic and environmental territorial problems, as well as on

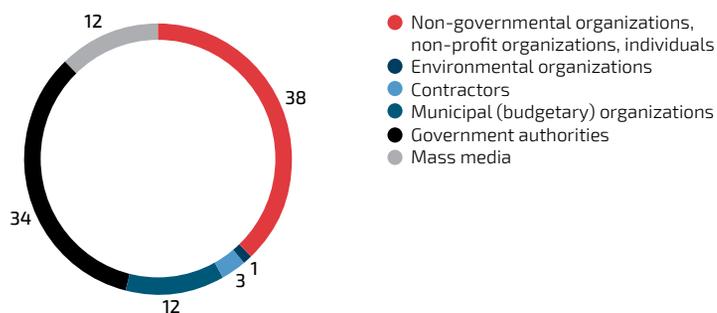
the Company's activities in those regions, was not the objective of the survey. The general request was worded as follows: "Please select and mark the topics that you consider important in connection with LUKOIL's activities for you/your region/country to be reflected in the report".

**Survey participants.** A total of 154 completed questionnaires were returned by respondents (see the chart). The largest number of responses was received from public and non-profit organizations and representatives of local authorities (the "Society" stakeholder group).

### Methodology of results processing

The questionnaire included material topics and issues reflected in the LUKOIL Group Sustainability Report 2019. The participants were given an opportunity to evaluate the degree of importance of each issue in terms of how it should be reflected in the LUKOIL Group Sustainability Report 2020: "Most important topics (mandatory reflection)", "Medium importance (desirable reflection)", and "Low importance (brief reflection)". Each answer was given a score (3 being the highest and 1 — the lowest in terms of importance). Respondents were also given the opportunity to add important topics missing from the list and to indicate their materiality. When summarizing

### Survey participants, %



the results, the generic topic "Charity" was not estimated in scores. Instead, respondents were asked to indicate projects that were relevant to the region.

According to the response analysis, the most important issues for the residents of the regions were issues of the quality of life or those that help to gain confidence in the future (the availability of jobs, environmental well-being, and prospects for the younger generation).

- The highest score was awarded to eight topics (see table below, line "Most important topics"). The fact that environmental issues are

among the most important reflects certain changes in the mood of the residents of the regions. Five years ago, environmental issues were not even included in the first half of the material issues list in similar studies.

- Of the questions in the second group (see table below, line "Medium importance"), it is noteworthy that topics "Recycling of plastic waste" as well as "Biodiversity conservation" and "Forest restoration" are highly rated. Previously (including in the surveys conducted by the Company for Sustainability

Report) these topics received single-digit votes.

- The third group included issues on which most respondents probably have not yet formed a position due to limited information or lack of personal experience (climate, COVID, Renewable Energy Sources, the Arctic). The issue of engagement with the Indigenous minorities of the North was in this group because the topic is relevant to only two of the six regions where the survey was conducted.

### Survey results in six regions of Russia

Level of Importance	1	2	3	4	5
Most important topics (mandatory reflection)	Regional expansion (422 points)	Statutory compliance	Water bodies. Emissions GHG emissions	Spills Accidents	Products and customers Opportunities for young professionals
Medium importance (desirable reflection)	Plastic waste recycling	Occupational safety	Work with contractors	Employment	Forest restoration
	Payroll		Education for young people	Biodiversity	
Low importance (brief reflection)	Safety in the Arctic Produced water spills	RES development COVID-19	Support of Indigenous Minorities of the North	Climate (282 points)	Charity (no rating in points)

- \_\_\_\_\_
- Economy
- \_\_\_\_\_
- Ecology
- \_\_\_\_\_
- Safety
- \_\_\_\_\_
- Social sector
- \_\_\_\_\_

### Consideration of the recommendations on sustainability reporting from the Russian Union of Industrialists and Entrepreneurs (RSPP)

The Report reflects wherever possible the recommendations received after the public assurance of the Sustainability Report for 2019.

- It is recommended that the results obtained be linked to the implementation of LUKOIL's

strategic goals, including measurable targets on the key areas of sustainable development and priority SDGs in the reports. It is recommended that the Company's contribution to the national projects be included, as well as

how the contents and objectives of these programs correspond to the corporate programs and the specific results obtained by them. (**Partially done** in accordance with the Company's practice of setting measurable targets. In

- particular, targets for GHG emission reduction were disclosed and the achievement of targets for key environmental impacts was shown.)
- It is recommended that more details be provided on measurable results of biodiversity conservation measures (as part of updating information on sustainable development, information on areas covered by environmental monitoring is published on the Company's website.)
  - It is recommended that reporting on contaminated land remediation be supplemented with information on the total area of land in need of remediation to provide a better understanding of the Company's objectives and results. **(Done.)**
  - It is recommended that information be disclosed on the volumes of waste buried on land, considering the importance of these issues for the current environmental agenda. (The indicator is being prepared for disclosure in Sustainability Report 2021).
- The positive practice of pipeline reliability disclosure should continue. **(Done.)**
- It is recommended that the following reports include evidence of feedback from program participants, provide examples of their assessment in relation to the development and implementation of social programs. **(Done** — quotations of diverse stakeholder groups representatives of the regions of presence are included.)

### **Appendix 3. Incidents and financial sanctions**

#### **Oil spills**

During the preparation of the Report, in May 2021, there was a significant spill of oil (oil-containing liquid) in the Komi Republic.

##### **Oshskoe field (Nenets Autonomous Area)**

On the May 11, 2021 during the overflight of the territory by employees of LUKOIL-Komi, a leakage of oil-containing liquid was identified. The leakage was caused by the depressurization of the pipeline from the multiphase pumping station of the Oshskoe field to booster pump station No. 5 of the Kharyaginskoe field on the territory of the Nenets Autonomous Area. The spill occurred at a distance of about 300 meters from the coastline of the Kolva River, and part of the liquid ran into the river. Information about the identified leak was promptly communicated to the regional bodies of the Federal Service for Environmental, Technological and Nuclear Supervision (Rostekhnadzor) and the Federal Service for Supervision of Natural Resources (Rosprirodnadzor), as well as to the unified duty and dispatch service for the Nenets Autonomous Area.

According to the classification system of Rostekhnadzor, this situation is an emergency. Thus an emergency regime at the municipal level was introduced in the region. LUKOIL delivered all necessary equipment to eliminate the consequences of the leakage to the emergency site. At the time of preparation of the Report, work was being performed to localize the spill and collect oil-containing liquid from the coastal territory and the water surface of the Kolva river.

More detailed information will be provided in the Report for 2021.

In 2020, there were four significant oil spills at the Russian entities of LUKOIL Group.

##### **Vostochno-Lambeysorskoye field (the Komi Republic)**

On September 25, 2020, while conducting a routine flight over the pipeline route using a UAV, an iridescent oil film was detected near the bank of the Laya River. The route runs through a swampy and hard-to-reach area, so prompt detection of the incident without a UAV would have been impossible. The LUKOIL-Komi employees immediately communicated the news to PJSC LUKOIL and government authorities.

Within four hours of the spill detection, rescue teams installed temporary oil traps along the route of the rainbow film, set the first three lines of booms, washed the rainbow film off the river banks, and sprayed and collected the used sorbent. In addition, two more lines of booms were deployed to prevent the oil slick from moving towards the villages of Shchelyabozh and Zakhharvan.

On September 26, a local emergency state was imposed, which was lifted on October 7 after full completion of work on mitigating the consequences of the spill. On October 14, the Investigative Committee and the Federal Service for Supervision of Natural Resources (Rosprirodnadzor) with the participation of LUKOIL-Komi employees assessed the environmental conditions and water samples were taken from the Laya River in seven locations. The analysis results showed that the maximum permissible concentration of oil products in the water was not exceeded at any of the collection points.

The reason for the depressurization of the oil collection reservoir was due to violations made during its construction. Depressurization resulted from high internal stress.