



# CARBON MANAGEMENT SYSTEM

With more than 15 years of successful experience in implementing measures to reduce GHG emissions, LUKOIL's goal is to narrow the gap between what can be done to contain global warming based on economically sound

calculations and technologically feasible solutions and what needs to be done to achieve global climate goals. The first corporate target set for the Group's Russian entities was to reduce direct GHG emissions by 1.2 percent by 2020 from the 2016

level. This goal was achieved ahead of schedule<sup>1</sup>. In 2020, another major step forward was made in GHG emission management by setting 2030 as the target date for achieving even larger cuts in GHG emissions.

## Management

Leonid Fedun, Vice President and a member of the Board of Directors of PJSC LUKOIL, is responsible for the Company's climate change activities

PJSC LUKOIL established a Decarbonization and Climate Change Adaptation Task Force

## Strategy

The target<sup>2</sup> to reduce GHG emissions by 2030 was announced based on presentations of several climate scenarios to contain global warming at 1.5 and 2 ° centigrade.

## Risks

The main risks associated with climate change are enumerated in the Company's risk management system<sup>3</sup>. Requirements for assessing the climate change impact on production facilities and infrastructure are documented in the corporate standard<sup>4</sup>

## Reporting

An extended inventory of GHG emissions

Data on GHG emissions is published in the draft CDP, Sustainability Report, Annual Report, Analyst's Handbook

<sup>1</sup>. Detailed information is provided in the LUKOIL Group Sustainability Report 2019.

<sup>2</sup>. The new target was announced by LUKOIL President V. Alekperov in March 2021 at Investor Day.

<sup>3</sup>. Information is published in the issuer's quarterly reports. <https://lukoil.ru/InvestorAndShareholderCenter/RegulatoryDisclosure/EmitentReports>.

<sup>4</sup>. The requirements are in the form of amendments to LUKOIL STO 1.6.9.2. "Pre-project and Project Documentation. Requirements to the Composition and Content of Supporting Materials".



## Our actions

Climate change issues are prioritized and decisions taken in the Strategy, Investment, Sustainability and Climate Adaptation Committee. Proposals developed at the Committee meetings are then considered by the Board

of Directors. In 2020, new management bodies were established at the operational level and were involved in the formation of a climate strategy and in activities aimed at achieving the stated goals of reducing GHG emissions.

As part of implementing the decision of the Board of Directors of PJSC LUKOIL, amendments were made to the LUKOIL Group's Health, Safety and Environment Policy for the 21st Century. We supplemented the Policy with objectives aimed at minimizing the impact of the Company's operations on the climate and a commitment to continuous improvement of the GHG emission management system.

Corporate requirements for mandatory assessment of the impact of climate change on planned production facilities and critical infrastructure that will

be located in vulnerable areas (primarily in the Arctic) have been put into effect.

To develop competencies on climate-related topics, a lecture course for employees, specialists, and managers of LUKOIL Group entities was conducted in 2020 on Global Climate Change and GHG Emissions Management at the Company level. More than 500 people were trained; at the end of the course, they were tested and certificates were issued. It is planned to continue such training activities within the framework of the corporate Distance Learning System.

The main changes in the functions of management bodies and new management bodies are presented in the table below.

Climate risk analysis is performed within the framework of the Company's risk management system. Detailed description of the risks is given in the Annual Report for 2020, page 71.

Detailed Safety measures are described in the Safety of Facilities in the Arctic Zone case study.

## Key changes in the functions of governing bodies and of new governing bodies

### MANAGEMENT LEVEL

### FUNCTIONS AND TASKS

#### The Board of Directors of PJSC LUKOIL

Leonid Fedun, Vice President for Strategic Development, Member of the Strategy, Investment, Sustainability and Climate Adaptation Committee of PJSC LUKOIL, has been given responsibility as a member of the Board of Directors for the Company's climate change activities. Further steps to adapt the Company to climate change will be planned and implemented under his supervision and with his direct participation. His functions include:

- preparing recommendations for the Board of Directors on defining strategic goals and related measures;
- assessing the impact of decarbonization projects on the Company's asset portfolio;
- building a unified corporate position on various climate change issues.

#### Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors

To ensure the effective performance of strategic goals, the name and functions of the Committee<sup>1</sup> were changed and documented in the new version of the Committee Regulations. The Committee's new responsibility is to develop recommendations for the Board of Directors on strategic climate adaptation goals and provide a roadmap to move the Company toward achieving these goals, as well as to manage risks associated with changes in global supply chains.

#### Decarbonization and Climate Change Adaptation Task Force

The Task Force was created under the leadership of Vadim Vorobyov, First Executive Vice-President of PJSC LUKOIL. It includes Vice Presidents of PJSC LUKOIL in charge of all areas of the Company's operations: finance, strategy, economics and planning, and sustainability, as well as heads of key specialized departments. The main functions of the Task Force include:

- regular assessment of climate risks and opportunities;
- drafting the LUKOIL Group's decarbonization program and monitoring its implementation;
- establishing criteria for assessing the effectiveness of investment projects aimed at reducing GHG emissions;
- improving the Decarbonization and Climate Change Adaptation business process

The first meeting of the Task Force was held in December 2020, when the standard STO LUKOIL "Regulations for the Inventory of Greenhouse Gas Emissions" was approved, and instructions were given to develop a new business process "Decarbonization and Adaptation to Climate Change."

#### The Department for Industrial Safety, the Environment and Scientific and Technical Development

The Department for Environmental Safety and Decarbonization is the center for expertise and coordination of activities of PJSC LUKOIL and Group entities in operational management of GHG emissions, including regulation, monitoring, implementation of the decarbonization program, and reporting.

<sup>1</sup> Formerly the Strategy, Investment and Sustainability Committee of the Board of Directors of PJSC LUKOIL.