

PRINCIPLES OF SUSTAINABLE DEVELOPMENT IN PRODUCTION PROJECTS OUTSIDE RUSSIA

The Group's entities operating abroad adhere to the common corporate standards and sustainability principles outlined in the Integrated Project Management System. The general approach is tailored to each country's environment and LUKOIL's license liabilities, and coordinated with the management systems of partners (project operators) and with the requirements of local legislation and other norms, such as the Directives of the European Parliament and the EU Council.

LUKOIL has international hydrocarbon production projects in Uzbekistan, Iraq, and Egypt, where it acts as the operator, and also in Azerbaijan, Kazakhstan, the UAE, and the Republic of the Congo, where LUKOIL is a project participant. Exploration and development of hydrocarbon reserves are underway in Kazakhstan, Norway, Romania, and West Africa (Ghana, Nigeria, and Cameroon). In the Gulf of Mexico, LUKOIL is an operator of one of four hydrocarbon production and exploration projects.

Sustainability principles

Respect for human rights and strict compliance with the norms of the Code of Business Conduct and Ethics and the Anti-Corruption Policy are fundamental prerequisites for LUKOIL Group entities' participation in projects outside Russia. Our priorities across all countries include ensuring worker and facility safety and choosing the best technologies to reduce GHG emissions as well as any impacts on the environment and the way of life of local communities.

LUKOIL Group entities comply with these principles and ethical standards at all stages (design, implementation, and project closure or exit). Project managers are responsible for their implementation. Regardless of its share in each project, LUKOIL informs its partners of its corporate standards during preliminary negotiations and when signing agreements, and takes part in decision-making during project implementation.

Application of Corporate Standards

Social and environmental impact assessments are carried out during project feasibility studies in all countries, and the results of these assessments are agreed upon by all project participants and state authorities. Local communities are also involved in discussions. Assessments are generally based on international standards (for example, the World Bank). Project feasibility studies always specify measures related to energy efficiency, APG utilization, and GHG emission reduction, as well as support for residents and small businesses, if the project affects their interests.

If there is a difference between standards of project participants and local legislation, the general approach is to adhere to the most stringent rules (of the country of operation, LUKOIL, or the project operator).



The main technical solutions for designing each project and the results of social and environmental assessments are reviewed for compliance with the requirements of the corporate standards by LUKOIL's Technical Support Center. For major capital projects, or when a project moves from one phase to the next, the Company's functional units conduct a comprehensive review of the documentation package to decide on further participation in project execution.

When a project is in progress, LUKOIL maintains regular contact with state authorities, partners, as well as local residents (if LUKOIL is the operator). Committees, workgroups, and other joint managing bodies are created to boost the transparency and efficiency of communications and to discuss environmental, safety, and sustainability issues.

Project operator

Projects in which LUKOIL acts as the operator are implemented in full compliance with corporate requirements and standards. Since the employees on such projects are usually local hires, they undergo mandatory orientation training on LUKOIL's Code of Business Conduct and Ethics. Specific employees or functional units of the Group's entities are responsible for ensuring this procedure is fulfilled. The document is available to all employees (via the intranet, or on information boards at facilities). Compliance with ethical standards is monitored during internal inspections and audits.

In line with the Integrated HSE (Health, Safety, Environment) Management System (IMS — [see the Safety section for details](#)), an HSE Management policy or project Plan is elaborated; in Iraq there is an HSE Observation Management System in place.

In host countries, LUKOIL is often the originator of new technology and engineering solutions, the application of which noticeably reduces the negative impacts on local communities of operations, and on ecosystems and the social environment. For example, a custom tail gas recovery unit was designed to treat gas with high hydrogen sulfide content as part of the Yamama project in Iraq.

Approaches to sustainability management and an assessment of results achieved are standard for LUKOIL Group entities.

