

Appendix No.1 to Minutes No.8
of the meeting of the Board of Directors
of PJSC "LUKOIL", 26 May 2021

I. General provisions

1.1. These *Regulations on Internal Auditing at PJSC “LUKOIL”* (hereinafter “the Regulations”) have been developed for the purpose of fulfilling obligations related to the circulation of the Company’s securities at Russian and foreign stock exchanges in accordance with the applicable requirements of Russian legislation, the Charter of PJSC “LUKOIL”, taking into account the Code of Corporate Governance¹, as well as in accordance with the *Regulations on the Corporate Governance System*

II. Terms, definitions and abbreviations

2.1. This section presents key terms, definitions and abbreviations used for the purposes of these Regulations:

Audit – a collective term that refers to an audit engagement and/or audit consulting;

Audit procedure (internal audit procedure) – a predefined course of auditors' action to obtain the required audit evidence at a specified segment (area) of the audit;

Audit consulting (consulting, consultations) – activities to give advice and recommendations to customers, with the nature and content of such advice and recommendations subject to agreement with the customer, aimed at providing support and assistance to the customer in the course of their business, improving the risk management and internal control, as well as corporate governance system. Audit consulting precludes internal auditing responsibility for management decisions made on the basis of advice and recommendations provided;

Audit Committee of the Board of Directors of PJSC “LUKOIL” (hereinafter also **“the Audit Committee”**) – a committee established by the Board of Directors of PJSC “LUKOIL” for the purpose of preliminary consideration of issues related to control over financial and business activities of the Company and LUKOIL Group

organisation. The internal control system is a sub-system of the Risk Management and Internal Control System aimed at fulfilling internal control objectives;

Internal Audit Service (IAS) – a structural division of PJSC “LUKOIL” involved in organising internal auditing at LUKOIL Group and performing internal

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management and internal control, as well as corporate governance system at PJSC “LUKOIL” and LUKOIL Group;

3.5.4.6.2. Monitoring of the progress of action plans on the elimination of deficiencies and deviations and improvement of efficiency of the risk management

3.5.8.1. Compliance of PJSC “LUKOIL” operations with the effective legislation, the Charter of PJSC “LUKOIL”, decisions of management bodies of PJSC “LUKOIL” and also effective in-house regulatory documents;

3.5.8.2. Compliance with the established corporate standards and rules governing operating, investing and financing activities;

3.5.8.3. Safeguarding and efficient use of assets;

3.5.8.4. Reliability of financial and management reporting;

3.5.8.5. Development and implementation of corrective action designed to eliminate the deviations identified.

Plan and/or directives by the Head of Internal Audit, and ensures their subordinate employees' participation;

3.5.13.3. Organises systematic, objective and independent assessments of efficiency of both individual components and the risk management and internal control system taken as a whole, as well assessments of corporate governance at LUKOIL Group organisations (except for PJSC "LUKOIL");

3.5.13.4. Further to audit engagements, organises the development of proposals and recommendations on the enhancement and improvement of efficiency of both individual components and the risk management and internal control, as well as corporate governance system taken as a whole at LUKOIL Group organisations (except for PJSC "LUKOIL");

3.5.13.5. Arranges for the monitoring of the progress of action plans developed further to audit engagements and consultations and analysis of efficiency of response measures taken;

3.5.13.6. Arranges for the compilation of reporting following audit engagements and monitoring of the progress of action plans developed further to audit engagements, including through the use of information systems;

3.5.13.7. Arranges for DIA SC involvement in the provision of other internal auditing services stipulated by contracts for the provision of services and performs quality checks;

3.5.13.8. Assesses the level of DIA SC independence and objectivity of DIA SC employees, as well as sufficiency of DIA SC sourcing, including funding and adequacy of professional staffing;

3.5.13.9. Ensures that DIA SC is involved in the development and improvement of the in-house regulatory framework and tools of methodological support to internal auditing;

3.5.13.10. Provides for the continuous professional training and development of DIA SC employees;

3.5.13.11. Bears responsibility for audit engagements performed by DIA SC employees;

3.5.13.12. Provides proposals to the Head of Internal Audit when initiating recruitment, dismissal or transfer of DIA SC employees and setting or revising their basic salary, incentive and other cash payments;

3.5.13.13. Provides proposals to the Head of Internal Audit 3(3)-384(s)4(0 0 1 70rai)

approved by the Head of Internal Audit for engagements and consultations conducted based on the Annual Internal Auditing Plan and/or directive by the Head of Internal Audit;

3.5.15.2. Preparation of proposals and recommendations on the prevention, removal or elimination of deviations and deficiencies identified in the course of audit engagements and consultations and on the improvement of the risk management and internal control system;

3.5.15.3. Monitoring over the implementation of measures developed and approved to prevent, remove or eliminate deviations identified;

3.5.15.4. In accordance with the established procedure, communication to CEOs of audited (consulted) LUKOIL Group organisations of the results of audit engagements performed and assessments of the level of efficiency of both individual components and the risk management and internal control, as well as corporate governance system taken as a whole;

3.5.15.5. Involvement in establishing and developing a corporate-wide internal auditing methodological framework, developing and revising audit procedures and also generating proposals on their automation;

3.5.15.6. Involvement in the organisation and holding of training sessions for DIA employees and also conferences and seminars on internal auditing matters;

3.5.15.7. Provision of other internal auditing services stipulated by contracts for the provision of services.

3.5.16. To achieve the goals set and to properly complete the respective objectives, DIA SC employees have the following rights in the course of audit engagements and consultations conducted pursuant to respective contracts:

3.5.16.1. The right of direct, immediate, unhindered and unencumbered access to any documents and assets, information systems and employees of a respective LUKOIL Group organisation while performing audit engagements;

3.5.16.2. To copy any documents required for conducting audit engagements

3.5.19. **Internal auditors** are part of the organisational structure of a respective overseas organisation of LUKOIL Group, are administratively subordinate and accountable to its CEO, observe in-house regulatory documents in effect in the organisation, are functionally subordinate and accountable to the Head of Internal Audit, operate in accordance with the Work Plan that is approved on an annual basis, these Regulations and regulations on respective divisions/job instruction.

3.5.20. **The CEO of an overseas organisation of LUKOIL Group where Internal auditors operate:**

3.5.20.1. Manages Internal auditors' activities and provides support in their communications with other divisions of the organisation;

3.5.20.2. Ensures that Internal auditors are organisationally independent and creates the environment to ensure their objectivity;

3.5.20.3. Based on a proposal initiated by the Head of Internal Audit, appoints Internal auditors to/removes them from office, sets the amount of basic salaries, annual bonuses and other payments in accordance with the established procedure;

3.5.20.4. In coordination with the Head of Internal Audit and in accordance with the approved 5-year Programme of Improving Internal Auditing Quality, approves the Annual Plan of Improving Internal Auditing Quality at a respective LUKOIL Group organisation and also the Internal auditors' Work Plan;

3.5.20.5. Ensures proper sourcing of Internal auditors, including sufficient funding, within the agreed DIA Budget and that of the organisation;

3.5.20.6. Sets the amount of the payroll fund for Internal auditors based on average values of basic salary ranges for respective (compatible) positions at respective LUKOIL Group organisations and provides for its indexation taking into account the base case of existing macroeconomic scenarios for LUKOIL Group approved for a 3-year period;

3.5.20.7. Hears a report by Internal auditors on the results of audit engagements and consultations performed at a respective overseas organisation of LUKOIL Group and takes organisational and/or administrative response measures and necessary decisions based on the above;

3.5.20.8. Regularly hears a report by the head of Internal auditors on the progress of the Internal auditors' Work Plan and the results of audit engagements and consultations performed.

3.5.21. **Internal auditors:**

3.5.21.1. Perform systematic, objective and independent assessments of efficiency of both individual components and the risk management and internal

3.5.21.4. Participate in the development and enhancement of an in-house regulatory framework and tools of methodological support to internal auditing;

3.5.21.5. Further to audit engagements, develop proposals and recommendations on the enhancement and improvement of efficiency of both individual components and the risk management and internal control, as well as corporate governance system taken as a whole at a respective overseas organisation of LUKOIL Group. Analyse the efficiency of response measures taken;

3.5.21.6. Bear responsibility for the performance of audit engagements and for the quality of internal auditing and its efficiency for a respective overseas organisation of LUKOIL Group;

3.5.21.7. Internal auditors are not involved in any activities beyond the scope of internal auditing.

3.5.22.

5.3.1. The special status and authorities of the DIA;
5.3.2. The obligation of DIA heads to ensure their individual objectivity;
5.3.3. The inalienable right of each DIA employee to their own well-founded and supported judgements and conclusions.

5.4. DIA heads ensure individual objectivity of employees accountable to them through:

5.4.1. The prevention of potential and existing conflicts of interests;
5.4.2. The receipt from DIA employees of information on potential conflicts of interests and bias;
5.4.3. Presumable periodical rotation of DIA employees;
5.4.4. The engagement of DIA employees in auditing those types of activities which they previously performed or for which they were previously responsible no earlier than after one year.

VI. IAS interaction with independent external auditors

6.1. Requirements of effective legislation and the Company's obligations in connection with the circulation of its securities at Russian and foreign stock exchanges provide for both internal auditing at PJSC "LUKOIL" and the appointment of external auditors.

Internal auditing at PJSC "LUKOIL":

is organised taking into account the fact that part of audit control objectives has been assigned to the competence of external auditors;

takes into account the inadmissibility of mixing competences and mutual interference of external and internal auditors in each other's professional activity;

acknowledges a specific nature of external audit in terms of its goals, target, specificity profile of the organisation and responsibility, and the periodicity of control.

6.2. The reasons for the necessity and advisability of interaction of participants in internal and external auditing are:

commonality of the subject-matter of internal and external auditing – production, business, financial and economic information;

functional independence as a prerequisite for effective professional activity;

opportunity to use internal auditing results to reduce the time needed for the audit of the Company's financial statements by external auditors and the cost of external audit services;

coordination of auditing to account for the most probable risks and those capable of causing a significant possible loss;

limitation of audits by the level of materiality.

6.3. For the beneficial use of opportunities provided by internal auditing, the Head of Internal Audit organises productive cooperation with external auditors in the following areas:

consulting on the development and implementation of practicable methodological internal auditing tools;
creation of a system for continuous evaluation (external and internal) of internal auditing at PJSC “LUKOIL”;
professional development of DIA employees;
optimisation of external audit timelines and service costs.