

## MEMORANDUM REGARDING LUKOIL

March 28, 2022

**To:** Whom It May Concern  
**From:** Akin Gump Strauss Hauer & Feld LLP  
**Re:** U.S. Restrictions on LUKOIL and Related EU and UK Sanctions

Akin Gump Strauss Hauer & Feld LLP (“Akin Gump”) advises and represents companies with respect to the complex laws and regulations governing the export of U.S., EU and UK goods and technology and the administration of U.S., EU and UK trade embargoes and economic sanctions. We are counsel to Public Joint Stock Company “Oil company “LUKOIL” (“LUKOIL” or the “Company”) and represent the Company with regard to a range of legal and compliance matters around the world, including understanding the economic sanctions laws that may apply to (or may affect the execution of) its business.

On behalf of and at the request of our client, LUKOIL, we provide written guidance to its customers, counterparties, and financial institutions to clarify how certain U.S. sanctions, and EU and UK sanctions regulations, may relate to LUKOIL following the designation of LUKOIL as a Sectoral Sanctions Identification (“SSI”) Entity pursuant to Directive 4 of Executive Order 13662 under regulations administered by the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”) and designation to the U.S. Department of Commerce, Bureau of Industry and Security’s (“BIS”) Entity List. LUKOIL has communicated its commitment to assist its finance partners to understand the scope of these sanctions measures with respect to the Company so that they can understand and make an independent assessment regarding these sanctions in reference to their business activities with LUKOIL, consistent with their independent legal obligations. Accordingly, we provide the following guidance to clarify how the aforementioned U.S. sanctions and export control measures, and the recently-imposed U.S., EU, and UK sanctions measures may relate to LUKOIL as of the date of this Memorandum.

It is important to note at the outset that neither LUKOIL nor any of its personnel, including members of the Board of Directors or Management Board, have been designated as a Specially Designated National or Blocked Person (“SDN”) (or treated as an SDN due to reasons of ownership or control), and that LUKOIL has not been included on the EU’s list of designated persons or the UK Sanctions List. Based on our understanding, LUKOIL, as a publicly-traded company, does not have a controlling shareholder. Furthermore, based on publicly available information, none of LUKOIL’s shareholders who own more than 1 percent have been designated as SDNs (or treated as blocked persons due to reasons of ownership or control), and none of these shareholders have been included on the EU’s list of designated persons or the UK Sanctions List. As of the date of this memorandum, March 28, 2022, no other U.S., EU or UK sanctions measures have been imposed specifically on LUKOIL, and we have not identified any public communication or administrative proceeding threatening to impose new sanctions specifically on LUKOIL by U.S., EU or UK regulators pursuant to U.S., EU or UK sanctions laws.

The below guidance is based on a plain reading of CAATSA, recent U.S. Executive Orders (EOs) and associated OFAC directives under such EOs, the relevant EU and UK regulations, as well as published guidance issued by OFAC, the U.S. Department of State, the Council of the EU, the European Commission, the UK Office of Financial Sanctions Implementation (“OFSI”), and the UK Export Control Joint Unit (“ECJU”), as of the date of this memorandum. The guidance provided in this memorandum could change if new laws, guidance, directives, orders, settlements or court decisions are issued after the date hereof. Accordingly, this guidance speaks only as of the date of this memorandum. We expressly disclaim any duty to update the information set forth herein.

This memorandum is provided solely for informational purposes and does not constitute legal advice to you or your company from LUKOIL or from Akin Gump or create an attorney-client relationship between Akin Gump and the reader or consumer of the information contained herein. Because substantive legal, factual and jurisdictional questions are material, and may determine how sanctions laws apply to you, you may wish to obtain independent advice of your own legal counsel. Akin Gump, in providing this guidance, makes no representations or warranties regarding the application of these laws to you.

### **Recent U.S., EU, and UK Sanctions Measures**

The U.S. has imposed additional sanctions on the Russian government, as well as Russian entities and individuals, in recent weeks. This includes full blocking sanctions on certain Russian state-owned financial institutions, as well as on certain entities and individuals, including certain Russian businesspersons and their families, and entities and individuals involved with the building and operation of the Nord Stream 2 energy pipeline. There have been restrictions put in place on the opening and maintenance of, or transacting with, certain correspondent and payable-through accounts at foreign financial institutions. There have been also new debt and equity restrictions imposed on major state-owned and private entities and restrictions on dealing Russian sovereign debt. Additionally, there have been comprehensive blocking sanctions put in place on business conducted in the Donetsk People’s Republic (DNR) and Luhansk People’s Republic (LNR) regions of Ukraine. Most recently, on March 8, 2022, the U.S. introduced sanctions that prohibit imports of certain enumerated energy products originating from the Russian Federation into the United States as well as new investment in energy sector activities located or occurring in the Russian Federation. As such, effective March 8, 2022, U.S. persons are prohibited from investing in LUKOIL “energy sector” activities (not including maintenance or repair) that are located or occurring in the Russian Federation, but not all activities or transactions involving LUKOIL or its subsidiaries are prohibited.<sup>1</sup> Furthermore, a plain language reading of the March 8, 2022 Executive Order indicates that U.S. persons may transact or conduct business with LUKOIL and its subsidiaries that involve energy sector projects outside of Russia. To date, none of these U.S. sanctions measures specifically prohibit or restrict business with LUKOIL, with the exception of investments by U.S. persons involving the energy sector in the Russian Federation.

Similarly, the UK and EU have announced additional sanctions measures in recent days. The UK and the EU have imposed blocking and asset freezing sanctions on certain Russian banks and entities operating in financial and defense sectors, as well as several individuals, including senior

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<sup>1</sup> <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1019>

business leaders, Russian government officials and military commanders. The UK and EU have also imposed prohibitions on the export of dual-use items, goods targeting Russia's military and technology sectors ('Annex VII' goods in the EU context and 'critical-industry goods' in the UK context) and aviation and space-related goods to, or for use in, Russia (the EU has gone further by restricting the export of goods suited for oil refining, as well as certain maritime navigation goods, to, or for use in, Russia). There are also new (and expanded) restrictions on capital markets, loans, and credit targeting a number of Russian entities (the UK has gone further by restricting dealing in transferable securities and money market instruments issued after 1 March 2022 by entities that are connected with Russia and certain subsidiaries, as well as the provision of new loans or credit with a maturity exceeding 30 days to entities that are connected with Russia and certain subsidiaries). The UK and EU have prohibited all transactions relating to the management of reserves and assets of the Central Bank of Russia and those affiliated with it. There are also broader aviation restrictions in terms of entry of Russian aircrafts to, or departure from, the UK/EU or passage through UK/EU airspace. The UK has also introduced restrictions on banks maintaining relationships with Sberbank and the processing of sterling payments to Sberbank.<sup>2</sup> The UK has also implemented shipping restrictions in terms of entry of Russian ships to UK ports. In terms of the EU's additional restrictions, the EU has restricted the provision of public financing or financial assistance for trade with, or investment in, Russia. The EU has also imposed comprehensive restrictions on the DNR and LNR regions. Most recently, on March 15, 2022, the EU introduced trade restrictions concerning certain iron and steel products and luxury goods, as well as restrictions on certain credit rating services. The EU introduced a prohibition on all transactions with certain listed entities, of which LUKOIL is not one. The EU also amended its trade restrictions concerning certain goods, technology and services related to the energy sector in Russia. The EU introduced measures that prohibit new investments in the energy sector in Russia. In general, these measures restrict certain new acquisitions in, the provision of new loans or credit or financing to, and the creation of new joint ventures with entities operating in the energy sector in Russia, as well as the provision of investment services directly related to these activities. To date, none of these EU or UK sanctions measures specifically prohibit or restrict business with LUKOIL, with the exception of measures containing product controls and restrictions on EU persons' activities or investments in the energy sector in the Russian Federation.

As such, and in light of the fact that LUKOIL is not a designated target of the recent prohibitions and restrictions imposed by the U.S., EU, and UK, the recent measures imposed by these jurisdictions do not prevent businesses or finance partners from engaging in current or future business with LUKOIL. The exception to this is that U.S. persons are prohibited from engaging in current or future investments in energy sector projects located in the Russian Federation. Those subject to EU sanctions jurisdiction are prohibited from engaging in transactions caught by the EU product controls and from engaging in certain activities or new investments in the Russian energy sector. UK persons are prohibited from engaging in transactions caught by the UK product controls and the UK's restrictions on dealing in new transferable securities and money market instruments issued by, and the granting of new loans and credit to, entities that are connected with Russia and certain of their subsidiaries.

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<sup>2</sup> On March 8, 2022, the UK announced it would phase out Russian oil imports by the end of the year. This would not be immediate but allow UK companies to adjust supply chains, support industry and customers.

As of the date of this memorandum, March 28, 2022, no specific U.S., EU or UK sanctions measures have been imposed on LUKOIL beyond existing Directive 4 restrictions, and we have not identified any public communication or administrative proceeding threatening to impose new sanctions specifically on LUKOIL by U.S., EU or UK regulators pursuant to U.S., EU or UK sanctions laws.

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LUKOIL has repeatedly expressed its commitment to compliance with all laws and regulations that apply to its global business operations, including applicable sanctions laws and regulations. Further, LUKOIL is committed to implementing internal measures designed to ensure compliance with applicable sanctions laws and regulations.

If you have questions, we encourage you to seek the advice of your own legal counsel, as necessary, to inform your determinations regarding compliance obligations under applicable law.