

NOVATEK

**SUSTAINABILITY
REPORT
2018**



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Letter from the Chairman of NOVATEK's Management Board

LEONID MIKHELSON

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We are honored to present NOVATEK's 12th Sustainability Report 2018. Our report provides insights in our non-financial disclosures, with the aim to help all stakeholders learn more about the NOVATEK's sustainable business principles and the Company's economic, environmental and social performance.

Dear Stakeholders!

We are honored to present NOVATEK's 12th Sustainability Report 2018. Our report provides insights in our non-financial disclosures, with the aim to help all stakeholders learn more about the NOVATEK's sustainable business principles and the Company's economic, environmental and social performance.

The past reporting year was a year of records for the Company. The Yamal LNG project launched in December 2017 reached its full design capacity in record time, within the budget and ahead of schedule. Three trains of our flagship LNG plant on the Yamal Peninsula are able to produce 16.5 mmtpa of liquefied natural gas, or LNG. We intend to commission the fourth train at Yamal LNG with the capacity of 0.9 mmtpa, bringing the project's overall design capacity to 17.4 mmtpa of LNG.

Our second LNG project, Arctic LNG 2, will be Russia's first LNG production facility on gravity-based platforms to be built at our unique LNG construction center in the Murmansk Region. New technologies applied in Arctic LNG 2 will significantly reduce the project's capital intensity along with minimizing its environmental footprint.

Natural gas delivered to the markets in the form of LNG leads the way in a world quickly transforming to a lower carbon, greener environment. We are confident

that using gas and LNG instead of coal and heavy oil products will result in reduced greenhouse gas emissions and contribute to climate change prevention, significantly mitigating its adverse effects. In the context of sustainable development and creating a safer future for younger generations, we consider the development of LNG projects as one of the most important strategic objectives of the Company. In addition, our ambitions in this field are in line with one of the Sustainable Development Goals adopted by the UN General Assembly in 2015, namely Goal 7: Affordable and Clean Energy.

Core fields and license areas owned by NOVATEK are located in the Yamal-Nenets Autonomous Region. Promoting the region's prosperity through social and environmental investment, as well as various charitable programs remains one of our key objectives.

In 2018, NOVATEK earmarked significant funds for the construction and renovation of social facilities, thus implementing educational, cultural, sports, children and youth programs, as well as supporting low-income families.

In September 2018, together with the Yamal-Nenets Autonomous Region Government, we opened an 800-student boarding school in the Gyda village. This project was fully funded by NOVATEK and represents our commitment to supporting the regions where we operate.



Our Company has traditionally participated in government programs to support indigenous people of the North. During 2018, we provided financial support to the "Yamal for Descendants Association of Indigenous Peoples" and its district branches in activities to improve the living standards of Yamal's indigenous population.

Last year, the charity project "Health Territory" was launched, created within the framework of the charity Program of PAO NOVATEK, assisting children with disabilities in the regions where the Company operates.

In the reporting year, NOVATEK allocated RR 2 bln to social projects, charity and sponsorship programs.

The NOVATEK Group has more than 13,000 employees. We provide our employees with opportunities to develop professionally and build their careers, care about their health and well-being, and support their charitable initiatives. In 2018, the "All Together" volunteer movement celebrated its 10th anniversary. The Company's volunteers are involved in a number of projects providing aid to orphans, children with various diseases, and veterans. We are proud that our employees devote part of their lives to charity.

Occupational health and ensuring a safe working environment are among the top priorities of our Company. We make every effort to mitigate risks and

prevent emergencies by implementing state-of-the-art safety and control systems. We exercise strict control in the area of safety and occupational health, train our personnel on safe working practices, provide our employees with high-quality protective clothing and personal protective equipment.

Sustainable and rational use of natural resources, preserving biodiversity, and mitigation of environmental risks are all among the unconditional priorities of NOVATEK's activities. We make every effort to consistently reduce our environmental footprint, adopt cutting-edge technology, improve monitoring system and train personnel on responsible natural resource management.

In 2018, NOVATEK spent over RR 2.4 bln on environmental protection and sustainable nature management. The majority of environmental expenses were allocated to water protection initiatives and measures to protect the environment against production and consumption waste.

Our Sustainability Report 2018 was independently audited and verified by PwC. We will continue to improve transparency with a view to enhance the confidence between the Company and its stakeholders.

Letter from the Deputy Chairman of NOVATEK's Management Board

MARK GYETVAY



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Sustainable development is integral to our corporate strategy and a cornerstone of our successful, responsible hydrocarbon resource management.

Dear Stakeholders!

Sustainable development is integral to our corporate strategy and a cornerstone of our successful, responsible hydrocarbon resource management. We take sustainable development with all its consistent parts — like transparency, corporate governance, ethics and environmental protection seriously in our day-to-day actions and our dealings with all of our stakeholders.

Environmental, Social and Governance, or ESG, has become an important topic for stakeholder engagement. We welcome this engagement as it allows us to communicate our commitment to sustainable development and environmental stewardship. Our Sustainability Report 2018 demonstrates our commitment, our transparency and our willingness to address these important questions in a thoughtful and thorough manner.

Non-financial disclosures represent one means to communicate important information to stakeholders, and portfolio managers use ESG metrics in their investment decisions. We understand that strong corporate governance and transparency has become an important prerequisite for maintaining our stellar reputation, and our long-standing commitment to sustainable development underscores our strategy formation.

We have been publishing our Sustainability Reports for 12 years, and each year we strive to improve the quality and quantity of information disclosed in line with generally accepted GRI standards. Our annual Sustainability Report is the main informational source highlighting the Company's ESG principles and practices and one of the key channels of stakeholder engagement.

In 2018, we created a multi-disciplinary Sustainable Development Working Group, which includes representatives from all NOVATEK's departments, led by the First Deputy Chairman of the Management Board. The Working Group will establish a new roadmap in the key disclosure areas, ensuring that our ESG commitments are consistent with evolving global trends in environmental, social and corporate governance performance standards. ESG factors significantly influence the stakeholders' decisions and ultimately impact the company valuations. Today, portfolio investment decisions are based not only on operational and financial results, but also on many non-financial criteria.

The issuance of our latest Sustainability Report 2018 has become more informative and provides important details on the Company's efforts in climate change risk management. In a separate chapter you can find information on climate change — one of



the key challenges facing humanity and, of course, an extremely critical topic for any global oil and gas company. We also present more indicators concerning occupational health and safety, based on the last addition to the GRI Standard called "Health and Safety in the workplace". This represents the first time we have disclosed information on our approaches to remuneration of management and key employees, as well as the KPI system used. All the work was done in close engagement with our stakeholders and as a part of the process to improve our non-financial reporting.

A big step for NOVATEK was to determine how our sustainable development efforts and our contribution to solving global and regional problems align with the UN Sustainable Development Goals adopted in 2015. We will work on the implementation of these goals, and accordingly, structure our activities to accord with the global challenges facing businesses and society as a whole. This represents part of our evolutionary process to improve the quality and depth of our sustainable reporting.

For the second consecutive year NOVATEK was the recipient of the "Change management. Visionaries" award, recognizing the high quality of our non-financial reporting. Our Sustainability Report 2017 was recognized as the winner in the category "Disclosure of Information on Corporate Governance". We have

disclosed more information on the GRI Standards recommended indicators, and presented our approaches and highlighted our performance in more detail.

NOVATEK has one of the highest ESG scores among all public Russian companies according to Thomson Reuters rating assessing more than 400 various ESG indicators and including more than 7,000 public companies globally. We are very proud of this achievement and will continue to improve our operations and disclosures in line with the best global practices and ESG standards.

We have to be proactive, not reactive. The process of ESG reporting is a journey not an endpoint. We sincerely hope that all of our efforts and commitment to sustainable development in 2018 will help us to reach new heights in the field of ESG management. At NOVATEK, we take pride in our environmental stewardship, maintaining the significant level of social and environmental investments, and contributing to a better society for future generations.



Report and Reporting Process

12

Number of non-financial reports

GRI

2018 Sustainability Report draws on the Global Reporting Initiative (GRI) Standards

20

Number of material topics





Report Preparation

102-32

The Sustainability Report 2018 is the NOVATEK's 12th non-financial report. NOVATEK is continuously improving its reporting process, striving to provide a comprehensive disclosure on all aspects of its business operations related to sustainability and focusing on the expectations of its stakeholders. NOVATEK's sustainability reports are the main source of information on the Company's economic, environmental, and social achievements, as well as on its corporate governance and ethical approach to business. They also detail interaction with stakeholders and noteworthy events and measures.

A reporting team comprising experts from various NOVATEK's business units was put together to work on this Report. The information contained in this Report is subject to confirmation by functional managers, with the final version of the document approved by Deputy Chairman of the Management Board Mark Anthony Gyetvay, who also took part in its preparation.

An independent auditor has reviewed the Sustainability Report 2018¹.

This Report draws on the Global Reporting Initiative (GRI) Standards as the core guidelines. Revised GRI Standards have been used for disclosure on two material topics: Water and Effluents (GRI 303) and Occupational Health and Safety (GRI 403).

For some topics, the Company has used other widely recognized non-financial reporting standards. Also, the Report focuses on the metrics and requirements of ESG rating and sustainability rating agencies such as Dow Jones Sustainability Index (DJSI), FTSE Russell, Sustainalytics, MSCI, Institutional Shareholder Services (ISS), and Engagement International (EI), to name a few.

102-46

Information disclosed in the Report is compliant with the key GRI principles for defining report quality.



BALANCE

The Report reflects both positive and negative aspects of the Company's performance to ensure open and transparent interactions with stakeholders.



COMPARABILITY

The information disclosed reflects the Company's approach to managing various aspects of its operations and performance for each area. The Report features indicators for a period of four to five years to enable stakeholders to analyze changes in our performance across the most relevant aspects based on historical data.



ACCURACY

The Company seeks to provide stakeholders with detailed information on all material aspects of our business operations, maximizing the extent of disclosure and publishing all the facts and figures required for a proper assessment by stakeholders. When describing approaches to various aspects, the Company relies on the current versions of its by-laws (policies, codes, regulations, etc.).



TIMELINESS

The Company publishes reports in the third quarter of each year, and plans to maintain this reporting schedule going forward.



CLARITY

The Report presents information in a manner that is clear and accessible to stakeholders without relying excessively on industry-specific terminology. It also includes a glossary for all terms, abbreviations, and units of measurement used in the Report.



RELIABILITY

The Report provides data from relevant business units that comprise the reporting team. The Company's dedicated experts and professionals verify the information for accuracy, reliability, and completeness. NOVATEK's independent auditor, PricewaterhouseCoopers, reviewed the Report.

102-1	102-45	102-46	102-50	102-51	102-52	102-54	102-56
Report title		Sustainability Report of PAO NOVATEK					
Reporting cycle		Annual					
Reporting period		1 January – 31 December 2018					
The most recent previous report issued in		Q3 2018					
The next report is expected to be issued in		Q3 2020					
Key standards applied		GRI Guidelines					
Version		GRI Standards					
“In accordance” option used		Core					
Additional standards and requirements used		<ul style="list-style-type: none"> • Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, IPIECA/API/IOGP, 2015 • Recommendations of the FSB Task Force on Climate-related Financial Disclosures (TCFD) • AA1000SES Stakeholder Engagement Standard • National GOST R ISO 26000:2012 Standard • Oil & Gas Exploration & Production Sustainability Accounting Standard of the Sustainability Accounting Standards Board (SASB) 					
Officer responsible for the Report verification and approval		Mark Anthony Gyetvay, Deputy Chairman of the Management Board					
Number of material topics		20					
Number of published reports		12					
Report boundaries		The Report covers key business units, subsidiaries, and joint ventures of PAO NOVATEK in Russia, Poland, Germany, Switzerland, Singapore, Montenegro, Lebanon, and Cyprus ² . Figures for joint ventures are given without adjustments for the share of ownership of PAO NOVATEK.					
Company names used in this Report		PAO NOVATEK, NOVATEK, Company, NOVATEK Group, and the Group					
Auditor		PricewaterhouseCoopers					

1 The independent auditor's opinion is available on p. 168.

2 Details on Report boundaries across different sections of the Report are available in Appendix No.2 on p. 172.

Defining Report Content and Material Topics

102-43 | 102-44 | 102-49

The Company identified material topics in early 2018 as part of its Sustainability Report 2017 preparation process¹.

The list of material topics and their distribution across the materiality matrix remained unchanged, as there were no significant changes that could impact the opinions of the Company and its stakeholders.

The Company is continuously improving the quality of its non-financial reporting while also seeking to meet the expectations of as many stakeholders as possible with respect to its sustainability disclosures. The Sustainability Report 2018 is the first report providing disclosure on two important topics: impact on climate; and alignment between the Company's goals and operations and the United Nations Sustainable Development Goals. In seeking to meet stakeholder expectations, the Company made additional disclosures on a range of topics, including occupational health and safety, environmental sustainability and performance, community engagement, personnel training and development, social programs, employee motivation and KPIs, as well as other matters requested by stakeholders in the reporting year.

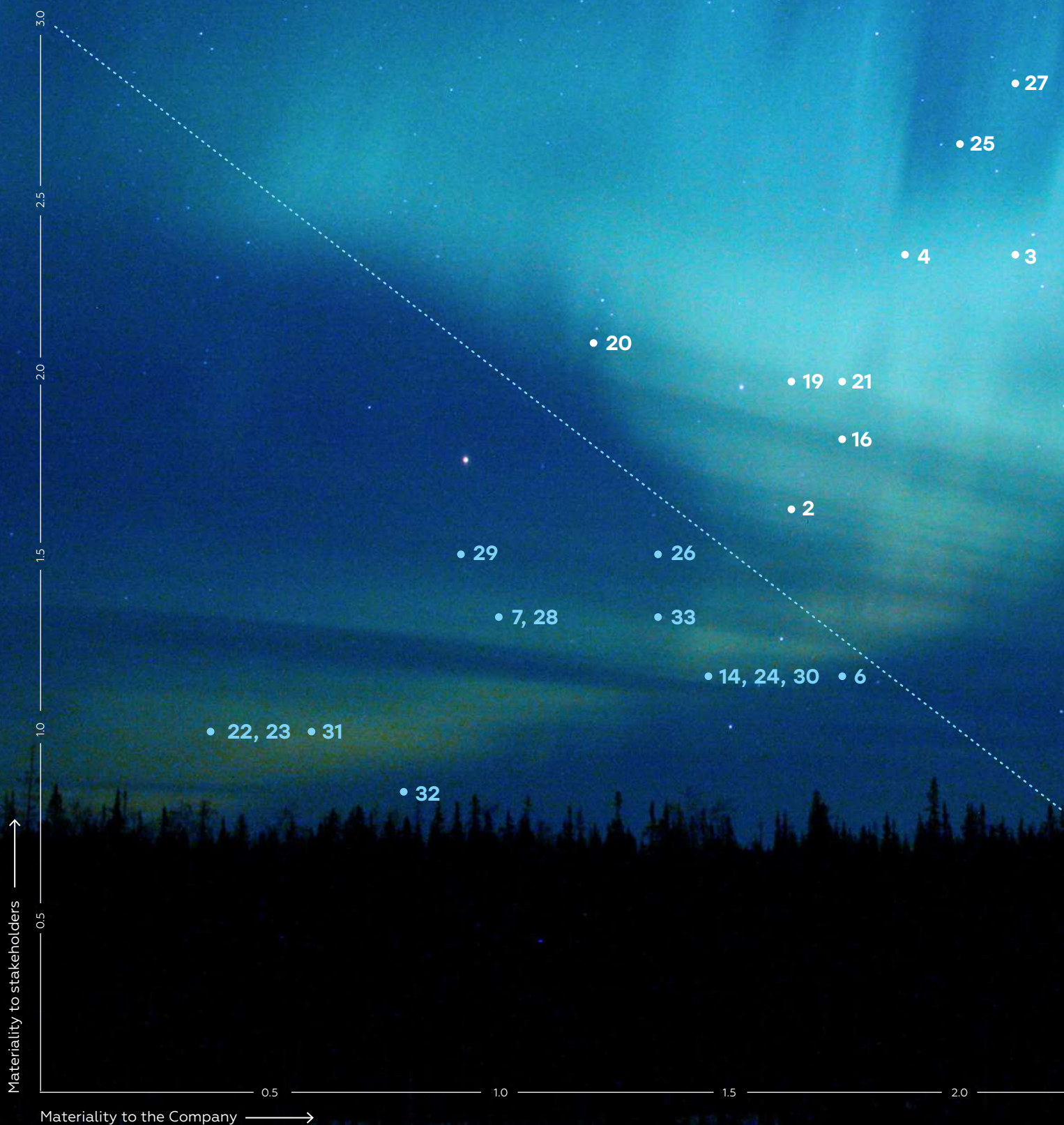
¹ Details on the identification of material topics in 2018 are available in Sustainability Report 2017 on p. 7: www.novatek.ru/ru/development/archive/



NOVATEK`s Sustainability Report 2017 won the “Change Management. Visionaries” award in the “Disclosure of Information on Corporate Governance” category.



Materiality Matrix



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List of Material Topics

Topics covered in GRI Standards	No. in the matrix
GRI 201: Economic Performance	1
GRI 202: Market Presence	2
GRI 203: Indirect Economic Impacts	3
GRI 204: Procurement Practices	4
GRI 205: Anti-Corruption	5
GRI 206: Anti-Competitive Behaviour	6
GRI 301: Materials	7
GRI 302: Energy	8
GRI 303: Water	9
GRI 304: Biodiversity	10
GRI 305: Emissions	11
GRI 306: Effluents and Waste	12
GRI 307: Environmental Compliance	13
GRI 308: Supplier Environmental Assessment	14
GRI 401: Employment	15
GRI 402: Labor/Management Relations	16
GRI 403: Occupational Health and Safety	17
GRI 404: Training and Education	18
GRI 405: Diversity and Equal Opportunity	19
GRI 406: Non-Discrimination	20
GRI 407: Freedom of Association and Collective Bargaining	21
GRI 408: Child Labor	22
GRI 409: Forced or Compulsory Labor	23
GRI 410: Security Practices	24
GRI 411: Rights of Indigenous Peoples	25
GRI 412: Human Rights Assessment	26
GRI 413: Local Communities	27
GRI 414: Supplier Social Assessment	28
GRI 415: Public Policy	29
GRI 416: Customer Health and Safety	30
GRI 417: Marketing and Labelling	31
GRI 418: Customer Privacy	32
GRI 419: Socioeconomic Compliance	33

• 8 • 11

• 9, 15 • 10, 12 • 1, 17

• 13 • 18

• 5



Company Profile





102-1 | 102-5

NOVATEK is the largest independent natural gas producer in Russia. Ranking second by proved SEC natural gas reserves, it is also one of the top 10 world's largest publicly traded oil and gas companies in terms of gas production boasting one of the industry's lowest exploration and development costs. In late 2017, NOVATEK entered the global market with the launch of LNG production at Yamal LNG.

NOVATEK's mission is to be an efficient socially responsible vertically integrated global gas business built around sustainable management of natural resources, knowledge, skills, and commitment of its employees.

102-4

NOVATEK's core operations are production and processing of gas and liquid hydrocarbons in Russia, with its key fields and license areas concentrated in the Yamal-Nenets Autonomous Region (Western Siberia). As at the end of 2018, our proved reserves totaled 15.79 billion barrels of oil equivalent, or boe. In 2018, NOVATEK produced natural gas, gas condensate and oil at 18 fields and held 56 subsoil licenses as at the year-end. The Company also entered into agreements on exploration and production of hydrocarbons on four offshore blocks in Montenegro and on two offshore blocks in Lebanon.

Gas condensate from our fields is stabilized at the Purovsky Plant, with the bulk of the resulting stable gas condensate (SGC) transported for further processing at the Ust-Luga facility. In addition to SGC, the Purovsky Plant produces light hydrocarbons used as feedstock for marketable liquefied petroleum gas (LPG). NOVATEK supplies natural gas and liquid hydrocarbons to domestic and international markets.

15.79

BLN
BOE

Total proved hydrocarbon reserves as of the end of 2018

In Q4 2017, Yamal LNG, a joint venture of NOVATEK, launched the first LNG train using the resource base of Yamal LNG's South-Tambeyskoye field in the Yamal-Nenets Autonomous Region. The second and third LNG trains were commissioned in Q3 2018 and in Q4 2018 ahead of schedule by six months and more than a year, respectively. The plant's four LNG trains will deliver an aggregate LNG capacity of 17.4 mmtpa (5.5 mmtpa each of the first three trains, and 0.9 mmtpa for the fourth train) and up to 1.2 mmtpa of stable gas condensate. NOVATEK purchases some of the LNG produced by Yamal LNG and sells this product in the international markets. NOVATEK's LNG sales are not affected by any seasonal demand fluctuations. As part of our international trading operations, we also sell and purchase natural gas in Asia and Europe under short- and long-term contracts, and engage in LNG regasification in Poland.

102-3

Company name and legal form: Joint Stock Company NOVATEK

**Headquarters:
2, Udaltsova Street,
Moscow, 119415, Russia**



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NOVATEK's Core Assets as at 31 December 2018

Upstream exploration & production (E&P) in Russia		Russian midstream & marketing		International E&P & marketing		Other	
OOO NOVATEK-Yurkharovneftegas ¹	100%	OOO NOVATEK-Purovsky ZPK	100%	NOVATEK Gas & Power GmbH	100%	OOO Sherwood Premier	100%
OOO NOVATEK-Tarkosaleneftegas	100%	OOO NOVATEK-Ust-Luga	100%	Novatek Polska Sp. z o. o.	100%	Novatek Equity (Cyprus) Limited	100%
AO Arcticgas	50%	OOO NOVATEK Moscow Region	100%	Blue Gaz Sp. z o. o. ²	100%	OOO NOVATEK-Transervice	100%
ZAO Nortgas	50%	OOO NOVATEK-Kostroma	100%	NOVATEK Montenegro B. V.	100%	OOO NOVATEK-Murmansk ³	100%
OOO Yargeo	51%	OOO NOVATEK-Chelyabinsk	100%	Novatek Gas&Power Asia Pte Ltd	100%	OOO NOVATEK-Energo	100%
OAo Yamal LNG	50.1%	OOO NOVATEK-Perm	100%	Novatek Lebanon SAL	100%	OOO Sabetta International Airport	50.1%
ZAO Terneftegas	51%	OOO NOVATEK-AZK	100%	Yamal Trade PTE. LTD	50.1%	OOO NOVATEK-Kamchatka	100%
OOO Novatek-Yarsaleneftegaz ⁴	100%	OOO Cryogas-Vysotsk	51%			OOO Maritime Arctic Transport	100%
OOO Arctic LNG 1	100%					Rostock LNG GmbH	49%
OOO Arctic LNG 2 ⁵	100%					OOO EkropromStroy	100%
OOO Arctic LNG 3	100%						
OOO Severneft-Urengoy ⁶	100%						
AO South-Khadyryakhinskoye ⁷	100%						
AO Eurotek ⁸	100%						
OOO NOVATEK Scientific and Technical Center	100%						
AO NOVATEK-Pur ⁹	100%						
OOO Chernichnoye	100%						
OOO Urengoyskaya gasovaya kompaniya ¹⁰	100%						

1 OOO NOVATEK-Yurkharovneftegas merged with OOO Severneft-Urengoy (100%) on 21 January 2019, and OOO Urengoyskaya gasovaya kompaniya (100%) on 22 January 2019.

2 Out of business since 1 April 2019, merged into Novatek Polska Sp. z o.o.

3 OOO Kola Yard before 1 February 2018.

4 Interest in OOO Novatek-Yarsaleneftegaz reduced to 0% since 29 July 2019.

5 Interest in OOO Arctic LNG 2 reduced to 60% since – 19 July 2019.

6 On 21 January 2019, OOO Severneft-Urengoy merged into OOO NOVATEK-Yurkharovneftegas.

7 Out of business since 3 May 2018, merged into OOO NOVATEK-Tarkosaleneftegas.

8 Out of business since 20 May 2019, merged into AO NOVATEK-Pur.

9 AO Geotransgas before 20 November 2018.

10 On 22 January 2019, OOO Urengoyskaya gasovaya kompaniya merged into OOO NOVATEK-Yurkharovneftegas.

CHANGES IN THE COMPANY'S STRUCTURE

102-10

Acquisition of AO Geotransgas and OOO Urengoyanskaya gasovaya kompaniya

In February 2018, NOVATEK acquired a 100% stake in Maretiom Investments Limited and 100% of Velarion Investments Limited through an auction held by AK ALROSA (PAO). These companies owned 100% participation interests in AO Geotransgas and OOO Urengoyanskaya gasovaya kompaniya, which held the licenses for exploration and production of hydrocarbons within the Beregovoy and Ust-Yamsoveyskiy license areas located in the Yamal-Nenets Autonomous Region, respectively. In November 2018, AO Geotransgas was renamed to AO NOVATEK-Pur. OOO Urengoyanskaya gasovaya kompaniya was merged into OOO NOVATEK-Yurkharovneftegas in January 2019.

Acquisition of OOO Chernichnoye

In January 2018, NOVATEK acquired a 100% participation interest in OOO Chernichnoye. OOO Chernichnoye is a holder of the license for exploration and production of hydrocarbons within the Chernichniy license area located in the Yamal-Nenets Autonomous Region.

Disposal of an ownership interest in AO Arcticgas

In Q1 2018, NOVATEK and PAO Gazprom Neft completed the final stage of the previously commenced restructuring procedures to achieve parity shareholdings in AO Arcticgas.

As at 31 December 2017, NOVATEK effectively held 53.3% in AO Arcticgas via another two of its joint ventures, OOO SeverEnergiya and OOO Yamal Development, merged with Arcticgas in January 2018. In March 2018, Gazprom Neft subscribed to Arcticgas's additional share emission, diluting NOVATEK's interest in Arcticgas from 53.3% to 50.0%.

Acquisition of Rostock LNG GmbH

In October 2018, NOVATEK and Fluxys Germany Holding GmbH established a joint venture, Rostock LNG GmbH, with 49% and 51% participation interests, respectively, to undertake a project to construct and operate a mid-scale LNG transshipment terminal with throughput capacity of approximately 300 mtpa, located in the port of Rostock in Germany.

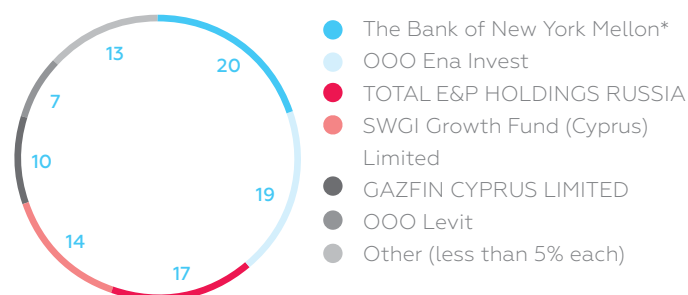
Share Capital Structure and Market Capitalization

102-7

The Company's share capital totals RR 303,630,600 divided into 3,036,306,000 ordinary shares with a par value of RR 0.1 each. NOVATEK's shares are traded in Russian roubles on the Moscow Exchange (MOEX). On the London Stock Exchange (LSE), NOVATEK's GDRs are traded in US dollars. Each GDR represents 10 ordinary shares. As at 31 December 2018, NOVATEK's GDRs were issued on 599,549,590 ordinary shares comprising 19.75% of the Company's share capital.

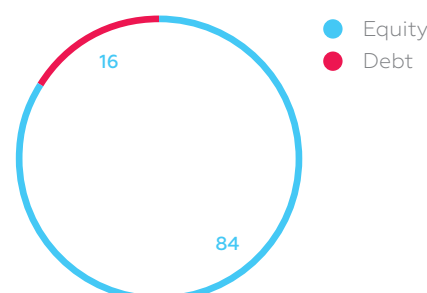
As at the end of the reporting year, NOVATEK's total capitalization (total debt plus equity) as reported under IFRS aggregated RR 1,058,758 mln.

SHARE CAPITAL STRUCTURE¹, %



* The proportion of shares traded outside the Russian Federation in the form of global depositary receipts, or GDRs.

NOVATEK'S TOTAL CAPITALIZATION AS AT 31 DECEMBER 2018²



1 According to the data contained in the list of persons entitled to participate in the General Meeting of Shareholders and holding at least 5% of ordinary shares. Record date is 16 November 2018.

2 Under IFRS.

Membership and Participation in Trade Associations

102-13

Organization	Date of enrolment	Note
V. I. Vernadsky Non-Governmental Environmental Fund	2005	One of the Founders
Russian Gas Society (NPO)	2003	
National Association for Subsoil Use Auditing	2007	
Eurasian Union of Experts on Subsoil	2016	
Society of Petroleum Engineers (SPE)	2006	
Russian National Committee of the World Energy Council	2014	
Forum-Dialog	2014	
Russian-Chinese Business Council	2015	
St. Petersburg International Mercantile Exchange	2015	Member of the Natural Gas Section; engagement in the Section Council's activities
Russian-Spanish Business Council	2016	Leonid Mikhelson is the Council's Chairman
National Association for Technology Transfer	2017	
Union of Builders of the Yamal-Nenets Autonomous Region (self-regulatory organization)	2017	
Design Engineer (Association of Oil and Gas Design Organizations)	2017	
Field Engineer (Association of Oil and Gas Engineering Survey Organizations)	2017	
SEA\LNG and SGMF (LNG bunkering associations)	2017	
Polish LPG Association (Polska Organizacja Gazu Płynnego)	2010	
Polska Platforma LNG	2018	
European Federation of Energy Traders (EFET)	2013	



Awards and Achievements

- NOVATEK was recognized by the National Environmental Award named after Vladimir Vernadsky in the Innovative Eco-efficient Technologies in Industry and Energy category for its “Arctic Cascade” natural gas liquefaction process;
- For its Sustainability Report 2017, the Company received the “Change Management. Visionaries.” award in the Social Impact Disclosure category for a second year running. The award ceremony took place on 11 April 2019;
- In the past year, the Company ranked as a top performer in the RSPP’s Responsibility and Transparency index;
- In 2018, NOVATEK retained its place in the global FTSE4Good Emerging Index designed by FTSE Russell to enable investors to assess corporate social responsibility and sustainable development of businesses;
- NOVATEK is one of the top performers among Russian public companies in Thomson Reuters’ database covering over 7,000 public companies globally, across more than 400 different metrics; and
- NOVATEK won the SKOLKOVO Trend Award 2018 for comprehensive support in promoting the energy sector.

102-12 INTERNATIONAL INITIATIVES

- **International Labor Organization's Declaration on Fundamental Principles and Rights at Work**
Company shares the universal principles and incorporates them into its internal regulations.
- **UN Sustainable Development Goals of the 2030 Agenda for Sustainable Development**
Aligns the Company's goals and programs with the UN SDGs.
- **Extractive Industries Transparency Initiative (EITI)**
The Company applied EITI's best practices in disclosing its payments to governments¹.

INTERNATIONAL STANDARDS

- **OHSAS 18001:2007**
7 out of 13 (54%) NOVATEK's subsidiaries engaged in hydrocarbons production, transportation and processing are certified under OHSAS 18001.
- **ISO 14001:2015**
7 out of 13 (54%) NOVATEK's subsidiaries engaged in hydrocarbons production, transportation and processing are certified under ISO 14001:2015.
- **ISO 45001:2018**
Certified entities of the NOVATEK Group actively incorporate an integrated occupational health and safety management system into their operations in line with ISO 45001:2018.
- **ISO 14064-1:2007**
The Company's corporate Greenhouse Gas Emissions Management System is tailored to its production processes, commodity, and equipment. The system meets ISO 14064-1:2007 and Russian Government Resolution No. 504-R dated 2 April 2014, as well as the Guidelines for Calculating GHG Emissions approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated 30 June 2015.

RATINGS AND INDICES

- **WWF**
Included in the environmental responsibility rating of oil and gas companies.
- **FTSE4Good Index**
Included in FTSE4Good Emerging Index.
- **Sustainalytics**
Independent ESG assessment.
- **MSCI**
Independent ESG assessment.
- **ISS (Institutional Shareholder Services)**
Independent ESG assessment.
- **Dow Jones Sustainability Indices (DJSI): S&P Dow Jones Indices**
Independent ESG assessment.
- **RSPP's sustainability indices**
A top performer in the Responsibility and Transparency index.
- **Fundamental Efficiency Rating for Russian and Kazakhstan companies (Interfax)**
A top 10 performer.
- **Thomson Reuters's ESG rating**
A top ESG performer among Russian public companies.
- **Engagement International (EI)**
Independent ESG assessment.

The Company applied EITI's best practices in disclosure of its payments to governments¹.

¹ The Company's reports on payments to governments: www.novatek.ru/en/development/Governments/.



Sustainable Development Strategy







Our Approach to Sustainability

In its operations, NOVATEK seeks to comply with sustainability principles and takes into account the interests of all stakeholders when making decisions.

According to a new corporate Development Strategy from 2018 up to 2030 adopted by NOVATEK in 2017, the Company not only strives to improve its financial and operational performance, but also seeks to create sustainable shareholder value. With each passing year, NOVATEK matches its higher financial and operational performances with increased dividend payments.

However, the growing market capitalization and total shareholder return is driven by the Company's sustainable development as well as its financial and operational performance. For NOVATEK, creating sustainable shareholder value means:

- providing clean and safe energy that is affordable for households and businesses;
- creating opportunities and economic value for society by paying taxes, providing new jobs, introducing innovations, developing infrastructure, and offering comprehensive support to local communities in the regions where the Company operates; and
- building long-term shareholder value.

All our new projects, like our flagship Yamal LNG and Arctic LNG 2 projects, adhere to NOVATEK's sustainable development principles. Our key projects rely on best practices of international sustainability development as well as NOVATEK's economic, environmental, and social policies, guided by a commitment to governance, business ethics, procurement transparency, and others.

OG9

Sustainable Development Goals



ENVIRONMENTAL RESPONSIBILITY

- Mitigating environmental impact
- Sustainable use of natural resources and land
- Exercising reasonable care in implementing projects
- Biodiversity protection
- Investment in low-carbon economy
- Compliance with global environmental standards



CHARITY AND SPONSORSHIP

- Systematization of charitable activities
- Targeted and efficient social investments
- Equal access to charitable support under relevant corporate programs to everyone in need of help
- Transparent charitable activities



RESPONSIBILITY TO EMPLOYEES

- Equality and non-discrimination
- Creating a safe and healthy environment
- Providing competitive salaries and career opportunities
- Personnel training and development
- Social support to employees through dedicated programs



STAKEHOLDER ENGAGEMENT

- Respect for the rights and interests of all stakeholders
- Balance between economic feasibility and stakeholder expectations
- Ongoing dialogue and partnership with stakeholders
- Transparency and information availability
- Factoring in stakeholder requests and feedback in sustainability reports



LOCAL DEVELOPMENT

- Improving living standards for local communities
- Support to local communities, including indigenous minorities of the North
- Social partnership with regional authorities
- Educational and cultural programs



ETHICAL BUSINESS PRACTICES

- Zero corruption policy
- Effective and transparent corporate governance framework
- Respect of human rights and freedoms
- Good business reputation



OCCUPATIONAL SAFETY

- Compliance with the best health and safety standards
- Innovation
- Health and safety monitoring, audits and certification
- Emergency preparedness

Integrating the United Nations Sustainable Development Goals

Adopted in 2015, the United Nations Sustainable Development Goals are a modern benchmark of how businesses, governments, and communities can and should be engaged in addressing global challenges and safeguarding the future for the next generation.

NOVATEK fully shares the approach underlying the UN's 17 Sustainable Development Goals (SDGs) and seeks to follow this approach in its operations, both in terms of governance and practice.



The priorities described in NOVATEK's sustainable development strategy are aligned with the majority of Sustainable Developments Goals (SDGs).







THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS






OG9

UN SDGs	NOVATEK's approaches to the SDGs	Programs and projects implemented in 2018
	<p>NOVATEK creates new jobs, offers decent salaries, and runs projects improving the quality of life in the regions where it operates. The Company helps local communities and the indigenous minorities of the North, providing charitable and targeted support to vulnerable groups of people.</p>	<p>In 2018, NOVATEK personnel's minimum wage in its key region of operation (the Yamal-Nenets Autonomous Region) was significantly higher than the local minimum wage.</p> <p>NOVATEK continued giving its employees special-purpose short-term loans.</p> <p>In 2018, the Company purchased equipment for people with limited mobility and provided assistance to low-income families and people in financial distress, veterans, and children with special needs in the regions where it operates.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Employment Practices section on p. 118, – the External Social Policy section on p. 106
	<p>Protecting the life and health of employees is a top priority for NOVATEK. NOVATEK ensures a safe working environment and is committed to achieving accident-free operations, while supporting a number of initiatives aimed at improving healthcare services and the health and well-being of its employees in the regions where it operates.</p> <p>The "Health Territory" charity project aims at providing medical aid to children with severe medical conditions and disorders not otherwise specified, as well as implementing medical education and professional development programs in the regions where the Company operates.</p>	<p>NOVATEK continued its programs aimed at protecting the health of employees and improving the quality of healthcare services in the regions where it operates. NOVATEK is running the following programs and initiatives:</p> <ul style="list-style-type: none"> • Special-purpose compensation and social support payments • Voluntary medical insurance for employees • Therapeutic resort treatment and rehabilitation • Vaccination campaigns for employees • Compensation for sports and recreation classes for employees • Sporting events for promoting a healthy lifestyle <p>NOVATEK also launched the "Health Territory" charity project, assisting children with medical care in the regions where the Company operates, including the Yamal-Nenets Autonomous Region.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Occupational Health and Safety section on p. 138, – the External Social Policy section on p. 106

UN SDGs	NOVATEK's approaches to the SDGs	Programs and projects implemented in 2018
 4 QUALITY EDUCATION	<p>NOVATEK has a range of training programs for employees designed to unlock their potential, and runs development programs boosting the potential of local communities.</p>	<p>In 2018, over 5,000 NOVATEK Group employees received training in various programs.</p> <p>Key training and development programs:</p> <ul style="list-style-type: none"> • Professional development program • In-house training program • Steps in Discovering Talents program • Training program for CEOs of NOVATEK's subsidiaries and joint ventures • Gifted Children • Grant programs • NOVATEK-University <p>Details are available in:</p> <ul style="list-style-type: none"> – the Employment Practices section on p. 118, – the External Social Policy section on p. 106
 6 CLEAN WATER AND SANITATION	<p>When engaging with communities in regions where it operates, NOVATEK seeks to address all problems faced by the local communities. Maintaining a clean water supply and securing necessary infrastructure is one of NOVATEK's social support priorities in the regions where it operates.</p>	<p>Since 2019, NOVATEK has provided financial support to upgrade water treatment facilities with reverse osmosis water filtration in the Seyakha village in the Yamal District. In 2018, preparatory work was carried out, and the scale of the project was determined. The total cost of these activities is RR 90 mln. The Company also plans to provide drinking water filter systems with replaceable cartridges for a total of RR 7 mln.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the External Social Policy section on p. 106
 7 AFFORDABLE AND CLEAN ENERGY	<p>NOVATEK ensures uninterrupted supply of clean, safe, and affordable energy to global markets.</p> <p>NOVATEK exercises a reasonable and responsible approach to energy consumption and efficiency, implementing energy-saving initiatives at its facilities.</p>	<p>In 2018, the Company launched a new large-scale project, Yamal LNG. Liquefied natural gas is an affordable and environmentally friendly fuel. The replacement of coal or petroleum products with LNG contributes significantly towards the goal of providing access to inexpensive, reliable and clean sources of energy.</p> <p>NOVATEK operates a total of 124 solar panel and wind generator sets installed as part of its automatic control and communication system.</p> <p>The Company uses the hydrocarbons it produces to generate electricity or heat.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Environmental Performance and Protection section on p. 150, – the Climate Change section on p. 34
 8 DECENT WORK AND ECONOMIC GROWTH	<p>NOVATEK makes a significant contribution to the economic and societal development in the regions where it operates. The Company stimulates economic growth by expanding production, creating new jobs, and paying taxes.</p>	<p>NOVATEK is one of the major employers in its key region of operation (the Yamal-Nenets Autonomous Region). In 2018, the Company hired a total of 1,840 new employees.</p> <p>NOVATEK creates and maintains a safe and secure working environment, and its stringent OHS requirements are also applied to its contractors' operations.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Occupational Health and Safety section on p. 138, – the External Social Policy section on p. 106

UN SDGs	NOVATEK's approaches to the SDGs	Programs and projects implemented in 2018
	<p>NOVATEK provides financial support for landscape improvements, social infrastructure development, innovative solutions, and creating a positive environment conducive to regional development.</p>	<p>The Company carries out high-tech LNG projects in the Arctic Circle. In 2018, the Yamal LNG project reached its full operational capacity. A new international airport, a sea port, and the town of Sabetta have been built within the license area to meet the needs of the project. The town has housing infrastructure for the construction workers, as well as facilities such as a fuel and lubricant storage depot, a boiler facility, a power supply complex, canteens, medical centers, a laundry, bathhouses, a sports complex, an administration and amenity building, a hotel, a fire station, sewage and water treatment facilities, heated parking, and food storage facilities.</p> <p>In 2018, NOVATEK patented the "Arctic Cascade" proprietary liquefaction technology for use at Train 4 of Yamal LNG.</p> <p>NOVATEK introduces cutting-edge innovations such as:</p> <ul style="list-style-type: none"> • special oil-based mud • unique recycling units for drill cuttings • large-diameter and multihole horizontal wells • turbo expanders • unique methanol production plants • stable gas condensate on-spot loading system • solar panels and wind turbines <p>Details are available in:</p> <ul style="list-style-type: none"> – the Operating Results section on p. 80, – the Environmental Performance and Protection section on p. 150
	<p>NOVATEK is committed to providing equal opportunities to all employees, respects human rights, and does not tolerate discrimination on any grounds.</p> <p>The Company's social programs aimed at local communities are designed to meet the needs of different social groups.</p>	<p>NOVATEK also supports human rights initiatives and pursues a policy aiming to build strong relationships with local communities.</p> <p>The Company implements educational, cultural, sports and social projects for the benefit of local communities and its personnel.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Employment Practices section on p. 118, – the External Social Policy section on p. 106, – the Ethics section on p. 71
	<p>The Company supports local communities and contributes to the social and cultural development in the regions where it operates.</p>	<p>NOVATEK annually enters into agreements with the regional governments across its geographical footprint.</p> <p>The Company makes a considerable contribution to the economic and social development of local communities and the preservation of the Northern peoples' national identity.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the External Social Policy section on p. 106

UN SDGs	NOVATEK's approaches to the SDGs	Programs and projects implemented in 2018
	<p>NOVATEK is committed to sustainable use of natural resources, lower energy consumption, and waste reduction, which drive the Company's operational efficiency.</p> <p>The Company carries out monitoring and operational control at its enterprises, only choosing those partners and suppliers who share its values.</p>	<p>NOVATEK is committed to sustainable water use and efficient wastewater treatment, and devotes a considerable effort to ensure sustainable use of natural resources and promote a responsible attitude among its employees and partners, including:</p> <ul style="list-style-type: none"> • constant environmental monitoring and operational control • effective pollution and waste management aimed at gradual reduction • energy-saving efforts, both administrative and technical • employee and contractor training on environmental protection and safety <p>Details are available in:</p> <ul style="list-style-type: none"> – the Environmental Performance and Protection section on p. 150
	<p>NOVATEK sees climate action as one of its top priorities. The Company is committed to making continuous improvements in technology, introducing best practices, and supporting sustainable use of resources.</p>	<p>NOVATEK is running a range of programs and activities aimed at climate change prevention, including:</p> <ul style="list-style-type: none"> • the Program for Rational Use of Associated Petroleum Gas (APG) • introducing innovative technology that helps meet de-carbonization goals • using renewable energy sources • using cogeneration technology at gas turbine power plants • developing the filling station network and transition to gas engine fuel <p>Details are available in:</p> <ul style="list-style-type: none"> – the Climate Change section on p. 34
	<p>Committed to ensuring environmental integrity, NOVATEK collaborates with research centers and carries out regular environmental monitoring, assessing the impact from its operations on water resources. The Company is working to raise awareness among its employees and contractors about the need to protect marine ecosystems.</p>	<p>In 2018, the Company conducted stationary observations to record marine mammal sightings near the Seyakha village. In order to monitor marine mammals, NOVATEK entered into an agreement with the Marine Mammal Research and Expedition Center.</p> <p>One of NOVATEK's key initiatives on aquatic biodiversity is the Sob fish-breeding farm.</p> <p>In 2018, as part of artificial propagation of marine biological resources, 4.4 mln young whitefish were released into the Ob and Irtysh rivers and 163,000 young salmon were released into the rivers of the White Sea basin.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Environmental Performance and Protection section on p. 150

UN SDGs	NOVATEK's approaches to the SDGs	Programs and projects implemented in 2018
	<p>NOVATEK takes a responsible approach to environmental protection, striving to ensure sustainable resource use and land protection. The Company educates its employees and contractors on biodiversity protection measures.</p>	<p>NOVATEK carries out constant environmental monitoring and operational control. For instance, in 2018, the Company implemented a comprehensive biodiversity monitoring program.</p> <p>Also, NOVATEK worked to increase environmental protection and safety awareness among employees and contractors. Its employee guidelines on biodiversity are regularly updated.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Environmental Performance and Protection section on p. 150
	<p>NOVATEK strictly abides by the laws of the Russian Federation and other countries in which it operates. Anti-corruption and fraud prevention, as well as managing conflicts of interests are the Company's priorities in this area.</p>	<p>All NOVATEK employees receive ongoing training in ethical conduct and taking a zero tolerance approach to illegal activities.</p> <p>All partners of the Company are made aware of NOVATEK's Anti-Corruption Policy and strict ethical business practices.</p> <p>The Company has a Security Hotline that anyone can use to report known cases of corruption or any other concerns.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Ethics section on p. 74
	<p>NOVATEK continuously works to enhance its collaboration with stakeholders, engaging in an open dialogue with partners to drive sustainable development in the regions where it operates.</p>	<p>The Company enters into cooperation agreements with local governments across its geographical footprint and invests in projects that contribute to social and economic well-being within the regions.</p> <p>NOVATEK seeks to ensure productive bilateral communication with all its stakeholders.</p> <p>Details are available in:</p> <ul style="list-style-type: none"> – the Stakeholder Engagement section on p. 44, – the External Social Policy section on p. 106



Climate Change

97.1%

APG utilization rate

347 THOUSAND KWH

Electricity from renewable sources generated

0.27 CO₂E PER TON

of LNG produced



Currently, climate change is a fundamental sustainability topic for the global business community and society as a whole, and climate change initiatives are becoming increasingly important. NOVATEK recognizes the need for climate risk strategy, energy-efficient technology, responsible greenhouse gas (GHG) emissions management, and minimizing the environmental impact of its operations in the context of climate change.

NOVATEK's business strategy published in 2017 utilized the forecasts from IHS Markit, which included scenarios accounting for the Paris Agreement in terms of reducing global CO₂ emissions. The background for the forecasts is as follows:

- Significant progress in reducing GHG emissions and air pollution;
- Improved energy efficiency;
- Active spread of renewables;
- A shift from coal to cleaner energy sources.

Climate Change Management

NOVATEK has a procedure for assessing risks and opportunities related to climate change in terms of their impact on the Company's operations when preparing surveyor's reports for risk insurance purposes.

This procedure is a standard element of NOVATEK's Environmental Management System certified according to ISO 14001:2015.

GHG emissions are a key contributor to global warming. A Greenhouse Gas Emissions Management System is a part of the Company's Integrated HSE Management System (IMS).

Issues related to GHG emissions¹ fall within the authority of NOVATEK's top management, and in particular the First Deputy Chairman of the Management Board – Head of the Integrated HSE Management System.

NOVATEK's business strategy recognizes risks and opportunities related to climate change.

In order to align itself with the Climate Doctrine of the Russian Federation, NOVATEK has developed a corporate Greenhouse Gas Emissions Management System, compiled an inventory of GHG emission sources, and developed a greenhouse gas emissions estimation module. The Company's Greenhouse Gas Emissions Management System won the National Environmental Award named after Vladimir Vernadsky in the "Science for Ecology" category.

Risks and Opportunities

201-2

NOVATEK's business strategy recognizes risks and opportunities related to climate change. The worldwide trend is to shift to cleaner energy sources, which opens up great business prospects for NOVATEK as a natural gas and LNG producer. It also offers opportunities to expand to the growing clean energy markets both in Russia and abroad. Higher natural gas demand and gas prices mean improved financial performance for the Company, driven by both existing projects and expanding opportunities to develop new LNG projects to meet the growing global gas demand.

Research firms expect that the pledges made by developed countries as signatories to the Paris Agreement and a shift to a low-carbon economy will reduce the consumption of conventional fuels and drive the demand for natural gas and LNG.

Most analysts forecast a long-term steady growth of renewables in the global energy balance, with the share of coal and oil products decreasing and the natural gas share remaining flat. Considering the volumetric growth of total energy consumption, global demand for natural gas and LNG is projected to grow.

Natural gas remains the primary back-up fuel for renewables (solar and wind) and helps reduce emissions by replacing coal, oil, and petroleum products as energy sources, which opens a strategic window for the Company.

Natural gas will serve as a bridge for the principle shift from environmentally harmful fossil fuels toward cleaner energy sources. The Development Strategy up to 2030 projects that LNG will play an important role in replacing coal for power generation, and its current, wider use as a marine fuel will continue to expand. NOVATEK's strategy also provides for promoting LNG and compressed natural gas (CNG) as motor fuel, being a more environmentally friendly alternative to diesel fuel and therefore contributing to curbing emissions.

¹ Details on GHG emissions are available in the Environmental Performance and Protection section on p. 150.

Transition risks

Strategic risk	Current long-term forecasts envision a stable growth in natural gas consumption, assuming coal and oil products as energy sources are partly replaced by natural gas. A significant portion of current power generation is based on natural gas, and such countries as China, for example, are moving away from burning coal with high environmental pollution to natural gas and increasing the share of gas-fired power generation. At the same time, lower speed of the global economy's transition towards the cleaner types of fuel is a risk to global gas demand. Should the governments cancel their clean energy programs or cut respective subsidies, or should generation capacity upgrades or other significant changes in economic and geopolitical situation slow down, the demand for natural gas may weaken, and the growth will be significantly slower. As a result, lower than expected prices for gas may have a negative impact on the Company's earnings, EBITDA, and the ability to develop new ambitious LNG projects.
Market risk	Possible decline in gas demand on the domestic (Russian) market due to changes in seasonal climate cycles.
Regulatory risk	Regulatory risks are related to the adoption of new laws governing business activities in the Arctic and GHG emissions in the Russian Federation.

Physical risks

Chronic risk	A gradual change in climate and weather conditions may affect the Company. NOVATEK considers these risks and the implications of climate change at the project design stage as its core production assets are located in the sensitive subarctic environment of Russia's Far Northern permafrost region. The permafrost conditions of the fields are vulnerable to industrial impacts. Field development plans provide for relevant actions to prevent thermal impact of the facilities on deep-frozen soil (including the thermal stabilization of permafrost soils for pile foundations).
Acute risk	Risks of lightning strikes, hurricanes, floods, earthquakes, and other natural disasters are considered both at the project design stage and the operational stage at least once every two years when identifying and assessing the risks (surveying) related to NOVATEK's core production assets. To identify and evaluate risks, NOVATEK engages an expert organization using maps of natural hazards and natural peril datasets from Munich Re reinsurance company, as well as construction standards (SNiP, GOST, and PUE).



Arc7

The Company actively uses Arc7 ice-class tankers for LNG shipping via the Northern Sea Route without icebreaker support.

The latest changes in environmental regulation also create strategic opportunities for NOVATEK. The new international environmental norms on marine fuels have a great impact on shipping and shipbuilding industries eliminating fuel oil and expanding the share of LNG used as marine fuel. LNG and CNG are also used as motor fuels, and NOVATEK's strategy provides for small-scale LNG development to fill trucks and buses.

NOVATEK is implementing a pilot project for the sale of LNG as a motor fuel. Together with industrial and commercial enterprises of the Chelyabinsk Region, NOVATEK converted a number of pilot automotive vehicles (haul trucks and highway trucks) to the dual-fuel mode (LNG + diesel). In 2018, the preliminary testing results of these vehicle types were positive. Together with NOVATEK, Chelyabinsk transport companies started trial operation of buses using LNG as a motor fuel.

The Company also actively uses Arc7 ice-class tankers for LNG shipping via the Northern Sea Route without icebreaker support. The tankers are powered by low-carbon boil-off gas emitted from the LNG cargo.

The Northern Sea Route shipping reduces the transportation time, thus reducing the climate impact (for example, shipping to Asia takes 40% less time).

NOVATEK has a strong focus on the risks related to climate change and GHG emissions. The Company has a risk management system in place, which enables taking climate change risks into account both in the executive decision-making and in day-to-day operations.





NOVATEK developed and implemented the Greenhouse Gas Emissions Management System Standard. The Standard augments the Integrated Management System to the extent that qualitative assessment of GHG emissions and GHG emissions reporting are concerned. NOVATEK assesses risks and opportunities at least once a year analyzing GHG emissions reports that subsidiaries and joint ventures submit to NOVATEK. An unscheduled assessment of risks and opportunities is carried out when the target indicators change or a stakeholder request is received.

As a short-term objective, the Company has declared its ambition to keep specific GHG emissions below the target levels. The Company has set a baseline year in terms of specific GHG emissions for each business line: 2016 for production entities, 2017 for hydrocarbon processing entities, and 2018 for LNG entities. Starting from 2019, the performance against targets for specific GHG emissions will be evaluated by comparing the actual emission levels to baseline levels.

The Company implements initiatives to introduce innovative technologies reducing GHG emissions (such as the installation of smokeless flaring systems).

298

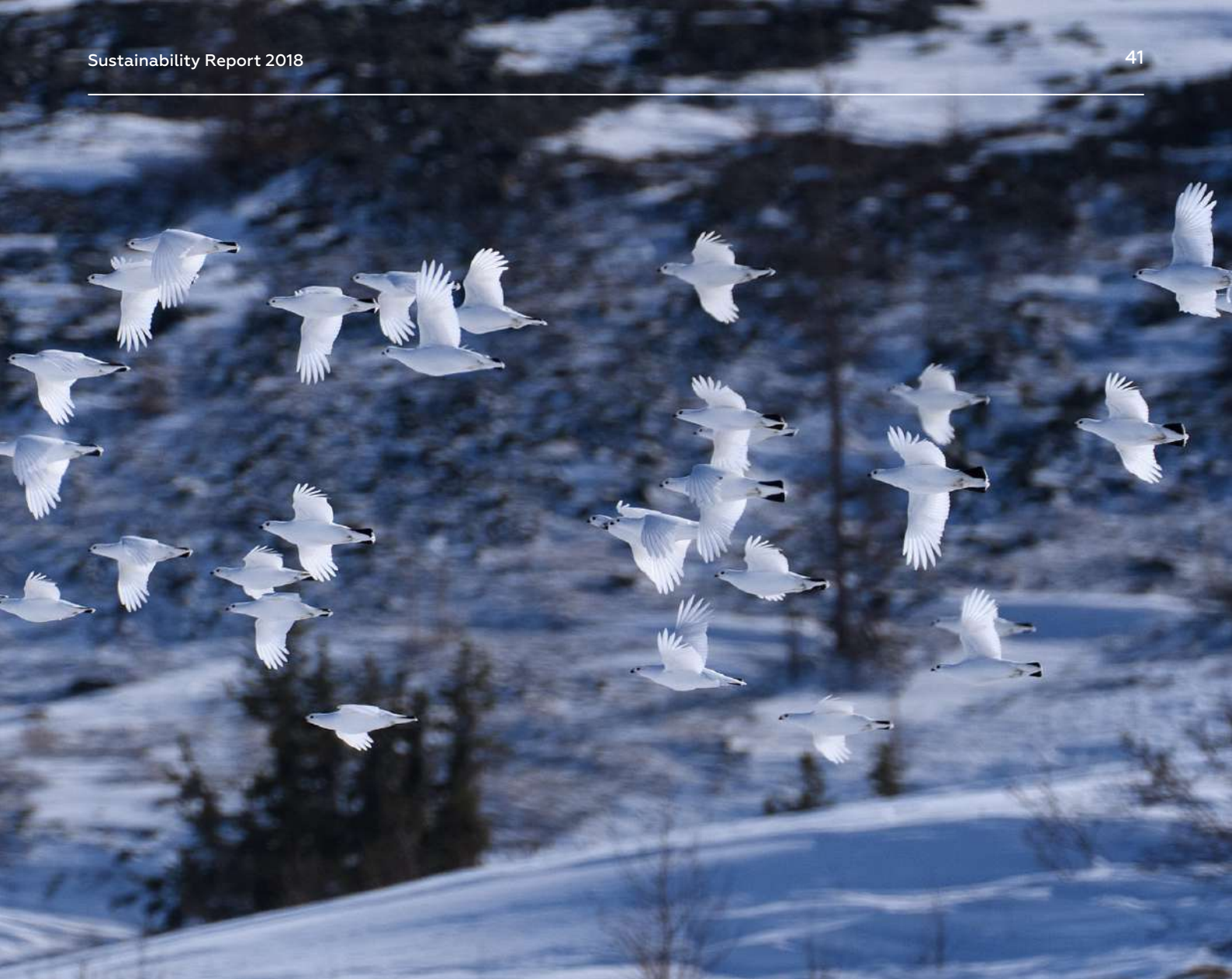
**KG OF CO₂
EQUIVALENT
PER BOE**

The GHG Intensity ratio

Climate change risks are usually categorized into transition risks (related to the transition period) and physical risks:

Transition risks can occur when moving towards a decarbonized economy including as a result of changes in stakeholder behavior, regulations, or other changes (transition risks include carbon pricing, technology advancement, or change in consumer behavior).

Physical risks can have a direct impact on assets or indirectly affect business value chains. Physical risks are categorized into acute risks (for example, storms, hurricanes, floods, and other natural disasters) and chronic risks (for example, higher temperatures leading to rising sea-levels or periods of abnormally high temperatures).



NOVATEK recognizes the risks and implications of climate changes, regularly assessing them, maintaining cryological monitoring, developing the reporting system on GHG emissions, and implementing innovative technology for reducing pollution. NOVATEK has independently and voluntarily assumed the obligations to regulate its GHG emissions and environmental impacts with regards to permafrost and implement all possible climate protection measures. To prevent potential negative effects of climate change and determine the permafrost soil and thermal conditions at its fields, NOVATEK performs thermal stabilization of permafrost soils for pile foundations.

The fields are also subject to continuous cryological monitoring, which shows that the risk of permafrost thawing and degradation is currently insignificant.

The Company implements an environmental management system according to ISO 14001:2015 standard to ensure rational use of resources and to

minimize the adverse effect the Company's operations may have on the environment. The Company adheres to the principle of responsible investment in operations, which implies that new design solutions, technologies, and equipment installed help minimize environmental impact.

To manage risks and prevent potential adverse impacts, a specific GHG emissions indicator is used.

In 2018, NOVATEK continued its participation in the Carbon Disclosure Project in line with the Reporting Guidance for companies making climate change disclosures in response to a request from an investor or a supply chain actor.

305-4

NOVATEK has calculated the carbon footprint of its products. The GHG Intensity ratio¹ was at 298 kg of CO₂ equivalent per 1 boe of products, which is below the global average and one of the top results among Russian oil and gas companies.

¹ GHG Intensity ratio is calculated by dividing the total GHG combustion emissions from total hydrocarbon production by hydrocarbon production volumes (in boe).



Climate Protection Initiatives

Program for Rational Use of Associated Petroleum Gas (APG)

The Company systematically works to decrease its pollutant emissions from APG flaring. In 2018, the Program for Rational Use of Associated Petroleum Gas enabled the Group to reach a 97.1% APG utilization rate.

NOVATEK's oil assets operated by OOO Yargeo also have their own Program for Rational Use of Associated Petroleum Gas. In 2018, NOVATEK fed more APG into trunk pipeline year-on-year, thus reducing APG flaring by 90 mt of CO₂ equivalent.

Use of renewable energy sources

Renewable energy sources are used in pipeline linear telemechanics systems, which reduce indirect emissions during power generation.

Cogeneration technology at gas turbine power plants

Nearly all of the NOVATEK Group's facilities use cogeneration technology, which ensures fuel efficiency at 85%–90% and thus reduces the volume of combustion products and in particular GHG emissions.

Development of the filling station network and transition to gas engine fuel

The Company is developing the market segment for gas motor fuel by expanding the network of its gas retail stations in various Russian regions. In 2018, NOVATEK launched a new business area, namely the construction of LNG retail stations and the subsequent use of LNG as an environmentally friendly motor fuel. Converting a vehicle to LNG enables a significant reduction of soot and carbon monoxide emissions compared to conventional fuels (gasoline and diesel). In 2018, OOO NOVATEK-AZK carried out the first refueling of medium-duty vehicles, converted to LNG for testing purposes.

NOVATEK is developing the market segment for gas motor fuel by expanding the network of its gas retail stations in various Russian regions.

0.22 ^{KWH/KG}

Energy efficiency of using innovative natural gas liquefaction technology of PAO NOVATEK

Innovative energy-efficient liquefaction technology

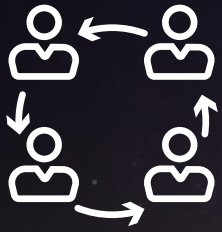
"Arctic Cascade", an innovative energy-efficient liquefaction technology capitalizing on the colder ambient temperatures in the Arctic climate, was developed and patented for use at Train 4 of Yamal LNG. High efficiency during the liquefaction is ensured through a two-stage cooling process with ethane and nitrogen as refrigerants. The Arctic climate allows using pure ethane condensed in air coolers for pre-cooling. NOVATEK's "Arctic Cascade" is approximately 20% more efficient than C3MR¹, the most widely used liquefaction process, at 0.22 kWh/kg.

NOVATEK'S PARTICIPATION IN CLIMATE CHANGE HEARINGS

NOVATEK participates in hearings and discussions on climate change. In 2018, NOVATEK took part in:

- Discussion at the Russian Ministry of Energy on government regulation of GHG emissions and amending certain laws of the Russian Federation;
- Workshop at the Russian Ministry of Natural Resources and Environment on capability building in GHG emissions control, including using best available technologies, to achieve the goals of the Paris Agreement building upon the United Nations Framework Convention on Climate Change (UN FCCC) in Russia and Sweden held within the framework of Russian–Swedish working group on Air Pollution and Climate Change.

¹ Mixed refrigerant liquefaction technology with propane pre-cooling.



Stakeholder Engagement



Stakeholder Engagement Principles

102-43

NOVATEK seeks to engage stakeholders in the most effective and efficient way by leveraging all communication channels and methods. The Company promptly responds to stakeholders' requests, is open to meaningful dialogue, and respects their interests and concerns.

102-42

NOVATEK's stakeholder universe is quite diverse given the scale of the Company's business and its impact on the economy and social environment in the regions of presence, as well as on the development of the oil and gas sector in Russia and globally. The Company places a special focus on such key stakeholder groups as shareholders, employees, and local communities, as their welfare is directly dependent on the Company's performance and sustainability.

To ensure productive communication, NOVATEK uses all the engagement tools available:

- conferences, round tables, joint working groups, panels;
- meetings;
- conference calls, telephone conversations;
- conducting and participating in surveys;
- media events;
- site visits for investors and journalists;
- letters and emails in response to queries;
- annual and sustainability reports, press releases, presentations and other information materials, social media;
- 24/7 Security Hotline;
- NOVATEK's website (www.novatek.ru).

Stakeholder engagement principles:

- openness and transparency of the Company;
- respecting the rights and interests of all stakeholders, no discrimination;
- responding to all stakeholder requests;
- readiness to dialogue;
- business integrity, no corruption.



The Company promptly responds to stakeholders' requests, is open to meaningful dialogue, and respects their interests and concerns.



The Company places a special focus on such key stakeholder groups as shareholders, employees, and local communities.

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Stakeholder Universe



Shareholders



Investors and Analysts



Employees



Federal and local authorities



Media



Local communities



Partners



Customers



Trade unions



Industrial, academic, and research community



Civil society organizations



Suppliers and contractors



GOVERNMENT RELATIONS

The development of the oil and gas industry and increased prosperity of the Russian regions are enabled by balancing business and public interests.

NOVATEK believes that dialogue with the government officials is a good tool for attracting direct investment to the economy, improving industry laws, implementing corporate social responsibility and charitable programs, and strengthening NOVATEK's market position.

Government relations at NOVATEK are based on an integrated approach, including:

- monitoring and analysis of public policy, laws, and competitive environment;
- development of a government relations strategy;
- cooperation with regional authorities on local development and the effectiveness of NOVATEK's social investments;
- interaction with federal, regional, and local authorities concerning the development of industry laws and oil and gas industry as a whole;
- proactive attitude towards government initiatives and willingness to provide information to public authorities;
- working with the expert community.

Government relations are a key area of NOVATEK's external corporate communications.

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Stakeholder Engagement Matrix

Channels	Frequency	Key events in 2018	Focus areas
SHAREHOLDERS			
Shareholder meetings	at least once a year	Annual General Meeting of Shareholders held on 20 April 2018	Profit distribution, dividend payout, annual report approval
Press releases and corporate action notices	all-year-round	Extraordinary General Meeting of Shareholders held on 28 September 2018	Appointment and remuneration of the Board of Directors and Revision Commission
Shareholder queries (via phone and mail)	all-year-round	Shareholder queries replied to; public information prepared and disclosed	Approval of external auditors
Financial disclosures	quarterly, annually		Approval of the annual report and annual financial statements (in accordance with the Russian Accounting Standards)
Annual and sustainability reports	annually		
Corporate Secretary	all-year-round		
INVESTORS AND ANALYSTS			
Press releases and corporate action notices	all-year-round	Financial disclosures and conference calls held quarterly and annually	The Company's development strategy
Financial disclosures and conference calls	quarterly, annually	More than 20 key industry investment conferences attended	The Company's operating and financial performance
Annual and sustainability reports	annually	Apart from the conferences, almost 400 meetings held in financial centers across the globe 63 press releases published	The Company's competitive position
Inclusion in leading sustainability rankings for investors	all-year-round	Investor and analyst queries replied to; public information, including Dow Jones Sustainability Index (DJSI), FTSE Russell, Sustainalytics, MSCI, Institutional Shareholder Services (ISS), Engagement International (EI) indices and ratings, prepared and disclosed	Company and industry outlook
One-on-one and group meetings, conference calls, presentations	all-year-round	NOVATEK included in the global FTSE Russell's FTSE4Good index	Sustainable development
Investor requests	ad hoc	Carbon Disclosure Project and CDP Water Disclosure questionnaires completed	
Participation in the Carbon Disclosure Project (CDP) and CDP Water Disclosure	annually	GE Oil & Gas Conference 2018 (Florence, Italy) speaker and attended European Gas Conference 2018 (Vienna, Austria) speaker and attended	
Site visits	ad hoc	World PetroCoal Congress-2018 (New Delhi, India) speaker and attended	
Information update on the corporate website	all-year-round	CERAWeek 2018 (Houston, Texas, USA) speaker and attended	
Attending conferences and summits	all-year-round		

Channels	Frequency	Key events in 2018	Focus areas
		Flame 2018 (Amsterdam, Netherlands) speaker and attended	
		Summer Gas Social (London, UK) speaker and attended	
		McKinsey Forum (London, UK) speaker and attended	
		Oil & Money conference (London, UK) speaker and attended	
		ONS Conference 2018 (Oslo, Norway) speaker and attended	
		Gastech 2018 Conference (Barcelona, Spain) speaker and attended	
		Vostock Capital Open Russia LNG Debate (Barcelona, Spain) speaker and attended	
		Global Gas Market Workshop (Riyadh, Saudi Arabia) speaker and attended	
		CWC World LNG Summit (Lisbon, Portugal) speaker and attended	
		International Arctic Shipping Seminar (Busan, South Korea) speaker and attended	

EMPLOYEES (including family members and retired employees)

In-person meetings of the management with employees	all-year-round	Implementation of social programs, pursuant to the approved Core Concept of Social Policy	Advanced training for staff
Corporate social programs	all-year-round	Occupational health and safety training and certification of employees	Social benefits and guarantees
Collective bargaining agreements	all-year-round	Issue of a corporate newspaper and magazine	Occupational health and safety
Corporate media	all-year-round	Health resort treatment for employees	Employee compensation system improvement
Educational and advanced training programs	all-year-round	The NOVATEK Group Executives Forum for sharing experience with leading Russian and international oil and gas companies	Cultural training in key art movements of the 20th and 21st centuries
"Steps in Discovering Talents" program for young specialists	all-year-round	The 13th Interregional Research-to-Practice Conference for the Company's young specialists held	Promotion of a healthy lifestyle and sports among employees and their families
Developing and improving the "Corporate Technical Competency Assessment System" program for various lines of business	all-year-round	Excursions to partner museums, lectures on the 20th and 21st century art history and attendance of theater performances and classical music concerts organized for employees and their family members	
Sustainability reports	annually	Cultural, entertainment and sports events for employees and their families held, corporate clubs for acrobatic rock'n'roll set up	
Security Hotline	annually, 24/7	Employees were given an opportunity to attend matches featuring the Russian national football team, Russian men's and women's volleyball championships, tournaments with the participation of the Student Basketball Association teams and acrobatic rock'n'roll and boogie-woogie competitions	
Cultural and sports events	all-year-round		

Channels	Frequency	Key events in 2018	Focus areas
TRADE UNIONS			
Discussion and signing of collective bargaining agreements	once every three years	Four meetings with trade unions held, attended by the Company's management	Performance under collective bargaining agreements
Discussion and signing of addenda to collective bargaining agreements	ad hoc		Occupational health and safety
Participation of the Company's management in trade union committee meetings	all-year-round		Protection of employees' rights and interests
Attendance of trade union conferences by the Company's management	all-year-round		
Participation in joint occupational health and safety committees	all-year-round		
Joint efforts as regards recreational, sports and cultural events	all-year-round		
Sustainability reports	annually		
GOVERNMENT AUTHORITIES			
Federal			
Contribution to law-making	all-year-round	Preparing proposals for supporting equipment manufacturers engaged in LNG projects	Preparation of proposals for the State Commission for Arctic Development
Participation in working groups, meetings, round-table discussions, conferences, forums	all-year-round	Preparing proposals for amending regulations, as well as developing and harmonizing specifications and standards	Developing the Arctic transport system
		Preparing proposals for finalizing the draft federal law On Amendments to the Federal Law On Priority Development Areas in the Russian Federation to allow priority development areas to include surface waterbodies	Energy efficiency and energy development
		Interaction with the State Duma and the Federation Council of the Federal Assembly of Russia, which includes taking part in commission, committee, working group and expert council meetings, and other activities	Eliminating administrative barriers in the subsoil and natural resource use
		NOVATEK has prepared and submitted information on critical business issues to the government authorities, including proposals on the Eurasian Economic Commission's Agreement on the Common Gas Market of the Eurasian Economic Union and the Common Rules for Access to Gas Transmission Systems Located in the Territories of the Member States, on the development of supporting infrastructure for NOVATEK's projects, and on the development of the Northern Sea Route	Implementation of the General Scheme for Gas Industry Development through 2030
			Detailing the Action Plan and reviewing and discussing proposals on the development of a test stand for cryogenic equipment and respective process model

Channels	Frequency	Key events in 2018	Focus areas
		NOVATEK has also participated in the working group responsible for the EAEU Common Gas Market Action Plan	Discussing issues and developing initiatives related to supporting Russian manufacturers and equipment localization
		Participation in the activities of the Marine Board under the Government of the Russian Federation	Emissions reduction
		Participation in the activities of the Russian — Asian Pacific and Russian — European intergovernmental commissions on energy, economic, industry, and R&D cooperation	Industrial safety
		Engagement with the State Commission for Arctic Development and working groups on energy development, transport system development, improvement of the legal framework, social and economic development, and with the activities of a temporary working group tasked with the Arctic shelf regulatory framework improvement	Replacement of mineral resources
		Taking part in the activities of a working group on the removal of administrative barriers at the Government Commission on the Use of Natural Resources and Environmental Protection	Implementing Draft Concept for Development of the Common Gas Market in the Eurasian Economic Union
		Participation in the activities of the working group for tariff regulation in the infrastructure sector of the Russian Ministry of Economic Development to review the draft federal law On the Principles of State Regulation of Prices (Tariffs) prepared by the Federal Antimonopoly Service of the Russian Federation	Protection of rights for indigenous peoples of the Far North
		Participation in the meetings at the Federal Antimonopoly Service of the Russian Federation for the development of Rules for Non-Discriminatory Access to Gas Transmission System	
		Participation in the Interdepartmental working group on reducing the dependence of the Russian fuel and energy sector on imported equipment, spare parts, accessories, and software, as well as services of foreign providers, and developing the Russian oil and gas industry	
		Participation in the Interdepartmental working group tasked with the preparation of the Program for Development of the Common Gas Market in the Eurasian Economic Union	
		Participation in the Interdepartmental committee on the implementation of the Northern Sea Route development project	
		Engagement with the Expert panel for the creation of a mechanism ensuring state support of consumers of import substitution products under the Russian Ministry of Industry and Trade	

Channels	Frequency	Key events in 2018	Focus areas
		<p>Participation in the activities of the working group on enhancing regulation for responsible forest management, as well as forest preservation, prosperity, and care at the Federal Forestry Agency</p> <p>Engagement with the Expert panel of the Russian Ministry of Natural Resources and Environment on the public-private partnership for the Ecology national project</p> <p>Cooperation with the Russian Gas Society</p> <p>Attending events organized by the Russian Union of Industrialists and Entrepreneurs (RSPP)</p> <p>Participation in the activities of the Committee on Environment and Environmental Management of the Chamber of Commerce and Industry of the Russian Federation</p> <p>Participation in government delegations to foreign business events</p> <p>Participation in the Interdepartmental working group on priority initiatives for the local manufacturing of critical equipment and materials required for medium- and large-scale LNG production and construction of LNG carriers</p> <p>Participation in meetings held by the Russian ministries of Industry and Trade and Energy</p> <p>Attending the St. Petersburg International Economic Forum and the Eastern Economic Forum</p> <p>Attending the International Forum on Energy Efficiency and Energy Development — Russian Energy Week, 8th Arctic: Today and the Future International Forum, 5th Arctic: Territory of Dialogue International Arctic Forum, International Legal Arctic Forum — Conservation and Sustainable Development of the Arctic: Legal Aspects, 8th St. Petersburg International Legal Forum, International Specialized Exhibition Import Substitution, Transport of Russia International Forum and Exhibition, Specialized Exhibition and Conference SevTEC-2018: Northern Fuel and Energy Complex, 5th International Geological Forum Geological Exploration, 4th All-Russian Forum of Subsurface Users, and Murmansk Business Week, as well as participation in the work of the steering committees of the forums</p>	
Local			
Interaction under cooperation agreements on the social and economic development of local communities	all-year-round	Implementation of social and economic programs pursuant to agreements with the governments of the Yamal-Nenets and Khanty-Mansiysk Autonomous Regions, as well as municipalities in the Yamal-Nenets Autonomous Region, and the governments of the Kostroma, Leningrad, Murmansk, Tyumen, and Chelyabinsk Regions	Economic development of the regions
Attending meetings, round-table discussions, conferences, forums, etc.	all-year-round	Attending the Yamal Oil and Gas 2018 exhibition and conference	Improving living standards, educational programs
Disclosure of information on the Company's activities in the local media	all-year-round	Press tours and site visits for journalists, interviews with the Company's management	<p>Utility and transport infrastructure development</p> <p>Protection of rights for indigenous peoples of the Far North</p> <p>Implementation of promising LNG projects</p> <p>Company's operations, social programs</p>

Channels	Frequency	Key events in 2018	Focus areas
LOCAL COMMUNITIES			
Cooperation agreements on social and economic development of local communities	all-year-round	Targeted programs and disbursements to indigenous peoples of the Far North (as provided for by the Agreement with Government of the Yamal-Nenets Autonomous Region)	Employment in the regions of presence
Interaction with associations of indigenous peoples	all-year-round	Financial support provided to the Russian Association of Indigenous Peoples of the Far North, Siberia, and Far East	Financing the construction and repairs of the utility and transport infrastructure
Targeted support to welfare beneficiaries	ad hoc	Financial support provided to the Yamal for Descendants Association of Indigenous Peoples in the Yamal-Nenets Autonomous Region and its district branches	Preserving the national identity of Northern peoples
Letters to public authorities	ad hoc	Financing purchases of equipment and supplies for indigenous peoples, purchasing portacabins for tundra population	Supporting low-income population
Public hearings	ad hoc	Press tours and site visits for journalists, interviews with the Company's employees, introduction of social programs	Social programs aimed at improving the quality of life for indigenous peoples
Advisory board in the Yamal District	ad hoc	Attending the 8th Arctic: Today and the Future International Forum	Interaction of industrial enterprises with indigenous peoples
Round tables in the Purovsky and Tazovsky Districts	three to four times a year	Attending the 6th International Legal Arctic Forum — Conservation and Sustainable Development of the Arctic: Legal Aspects	Ethnological expertise, methodology for calculating damages to the Russian Associations of Indigenous Peoples of the Far North, Siberia, and Far East
Disclosure of information on the Company's activities in the local media	all-year-round	Participation in the advisory board in the Yamal District and round tables in the Purovsky and Tazovsky Districts	Legal status of indigenous peoples of the Far North
Population surveys	ad hoc		
Sustainability reports	annually		
Security Hotline	24/7		
PARTNERS UNDER JOINT INITIATIVES			
Cooperation agreements	all-year-round	Effective interaction under joint initiatives and cooperation agreements	Joint initiatives
Joint initiatives	all-year-round	Attending the exhibitions and conferences: the St. Petersburg International Economic Forum, Gastech (Barcelona), Eastern Economic Forum, Russian Energy Week, Oil & Money (London), Murmansk Business Week, 5th International Geological Forum Geological Exploration 2018, 4th All-Russian Forum of Subsurface Users	Partnership prospects
Shareholder meetings	all-year-round		Import substitution
Management meetings	all-year-round		Engaging with potential contractors
Working group meetings	all-year-round		Clarifying NOVATEK's procurement policy
Security Hotline	24/7	Participation in executive meetings on Arctic LNG 2	
Briefings	ad hoc	Participation in working groups responsible for procurement for Arctic LNG 2	
Participation in exhibitions and conferences	all-year-round	Holding an open forum for contractors	

Channels	Frequency	Key events in 2018	Focus areas
SUPPLIERS AND CONTRACTORS			
Supplier selection process	all-year-round, using an electronic bidding platform (as needed)	Meetings with manufacturers of oil and gas equipment and materials organized, strategic agreements entered into with key partners Field meeting with the manufacturers of rolled products, steel structures, and pipe in Chelyabinsk on engaging Russian industry in the Company's LNG projects	Discussions on the requirement analytics for steel structures, pipe, and process equipment for LNG projects, as well as potential initiatives for localization and improving the competitiveness of Russia-made products with major Russian manufacturers
Participation in trade shows, forums, and other events	all-year-round	Field meeting with process equipment manufacturers in Nizhny Novgorod on engaging Russian industry in the Company's LNG projects	Equipment specifications, pricing, delivery terms, supply chain management
Replies to queries received via the website (Sales and Tenders page)	all-year-round as per requests	Participation in the annual NEFTEGAZSNAB-2018 conference (for procurement functions and suppliers of oil and gas companies)	Industrial safety
Qualification procedures for suppliers (including facility audits)	all-year-round	Qualification assessment for Russian and international manufacturers, including for the Arctic LNG 2 project, LNG Construction Center, and NOVATEK Group	Import substitution potential
Security Hotline	24/7	Tenders on the electronic bidding platform for selecting the NOVATEK Group suppliers Participation in Russian and international procurement conferences, exchange of experience with the largest Russian and international manufacturers and engineering companies	Participation of Russian producers and manufacturers in the Arctic LNG 2 project Relations with suppliers and contractors Best practices in procurement Preventing abusive practices when signing contracts
CUSTOMERS			
Telephone inquiry service	daily (business days)	Receipt and distribution of phone calls to NOVATEK's Help Desk number indicated on the corporate website:	Production and supply of gas, liquid hydrocarbons, and LNG (in Russia and abroad), pricing
Customer Account service on the website	24/7	<ul style="list-style-type: none"> handling queries; forwarding calls to respective business units as well as subsidiaries and JV's. 	
Contact Information	all-year-round	Meeting visitors to the Company's head office	
Security Hotline	24/7	Enhancing administrative support to facilitate business networking during official negotiations and meetings	
Counterparty Account service for business customers	24/7	Providing brief information on NOVATEK's profile during the Company's attendance at major forums and conferences (meetings visitors at the Company's stand)	
Meetings on payment discipline	all-year-round	Questions on technical support of services and proposals on improving Customer Account replied to	
Publication of information in the media	all-year-round	Daily interaction with business customers arranged	

Channels	Frequency	Key events in 2018	Focus areas
CIVIL SOCIETY ORGANIZATIONS			
Membership and cooperation	all-year-round	Cooperation with V. I. Vernadskiy Non-Governmental Environmental Fund	Preserving biodiversity and biological resources
Attending conferences, forums, and other events	all-year-round	Cooperation with the World Wide Fund (WWF)	Environmental protection
Sustainability reports	annually	Cooperation with the Marine Mammal Council on preservation and study of the Atlantic walrus in the south-eastern Barents Sea and adjacent waters (within the Yamal LNG project)	Environmental aspects of the Sabetta seaport construction in the Ob Bay
		Implementation of the next stage of the Biodiversity Program and the Marine Mammal Preservation Strategy for the Yamal LNG project as per clause 4 of Instruction of the President of the Russian Federation No. 1530 and pursuant to International Finance Corporation Performance Standard 6	Waste and water resource management in the oil and gas industry
		Cooperation with CDP on carbon emissions and water use	Sustainable development
		Supporting programs for creating and operating a monitoring system to preserve the Siberian tiger and the Far Eastern leopard	Climate change and GHG emissions
			Taxation
SOCIETY			
Interaction with leading sports and cultural institutions	all-year-round	Support of major Russian museums, theaters, and creative teams	Support and development of cultural projects
Interaction with non-profit organizations	all-year-round	Support and implementation of sports projects and programs	Sports promotion
Philanthropic efforts	all-year-round	Charitable support of children in desperate need suffering from different illnesses, patronage assistance to orphanages and elderly people	Philanthropy and sponsorship efforts
Volunteer movements	all-year-round		Provision of support and financing to orphanages and residential care facilities
			Assistance in the socialization of children deprived of parental care

Channels	Frequency	Key events in 2018	Focus areas
MEDIA			
Press releases	all-year-round	49 press releases published	The Company's LNG projects, development strategy, enhancing presence in the global gas market, active involvement in the development of the Arctic
Press tours	all-year-round	24 briefings for journalists from foreign and federal media held	
Interviews and comments from top executives	all-year-round	Two field press tours on engaging Russian industry in the Company's LNG projects	
Briefings, press conferences	all-year-round	Chairman of the Management Board Leonid Mikhelson was interviewed for Kommersant business newspaper	Media coverage of the Company's current operations and implementation of key projects
Comments and replies to media requests	all-year-round as per requests	50+ prompt comments generated on topics relevant to the Company	Comments on matters relevant to the oil and gas sector
Drafting articles and information materials for the media	all-year-round	More than 90 thousand publications issued in Russian and foreign media at 2018 year-end	
INDUSTRIAL COMMUNITY, including academic and research community			
Attending conferences, forums, round-table discussions, etc.	all-year-round	Attending the St. Petersburg International Economic Forum, International Natural Gas, LNG and LPG Gastech Conference and Exhibition in Barcelona, Eastern Economic Forum, Murmansk Business Week, Russian Energy Week, All-Russian Festival of Science NAUKA 0+, 8th Arctic: Today and the Future International Forum, 6th International Legal Arctic Forum — Conservation and Sustainable Development of the Arctic: Legal Aspects, 8th St. Petersburg International Legal Forum, 5th International Geological Forum Geological Exploration 2018, and 4th All-Russian Forum of Subsurface Users	Promising projects being implemented by the Company
Participation in joint sessions	as per requests	Participation in the Marine Gas Bunkering Association and the Marine LNG Association	Development of the fuel and energy sector and the oil and gas industry in general
Partnerships	as per events calendar		Economic performance
Cooperation with leading oil and gas universities	all-year-round		Industrial safety
Engagement with the Society for Gas as a Marine Fuel (SGMF) and SEA\LNG	all-year-round		Competition development



Corporate Governance

3

Independent Board Directors

5

Audit Committee meetings in 2018

129.7 RR MLN

Total paid on remuneration to NOVATEK's Board of Directors



Corporate Governance System

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The key documents pertaining to NOVATEK's corporate governance include:

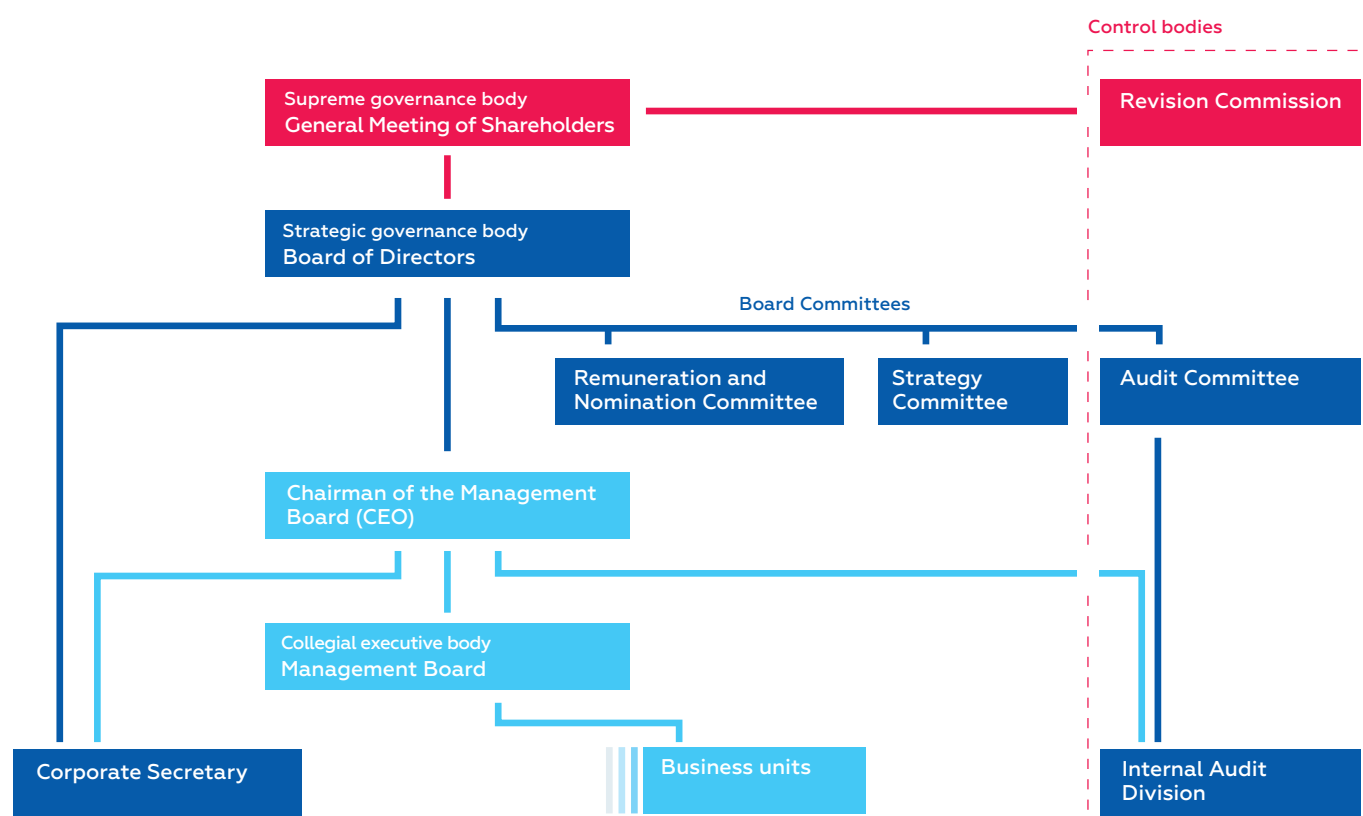
- NOVATEK's Articles of Association;
- Regulations on the General Meetings of Shareholders;
- Regulations on the Board of Directors;
- Regulations on the Management Board;
- Regulations on the Audit Committee;
- Regulations on the Remuneration and Nomination Committee;
- Regulations on the Strategy Committee;
- Regulations on Dividend Policy;
- Regulations on Information Policy;
- Corporate Governance Code;

- Code of Business Ethics;
- Regulations on the Corporate Secretary;
- Internal Audit Policy;
- Regulations on Risk Management and Internal Control System.

NOVATEK has a streamlined corporate governance structure that makes it possible to effectively manage the Company's operations. Committed to sustainable development, the Company goes beyond mandatory compliance with Russian laws and internal regulations: it adheres to a variety of standards, codes, and Russian and international best practices. NOVATEK strives to consider the principles of corporate governance outlined in the Corporate Governance Code recommended by the Central Bank of Russia, and to meet the requirements of the UK Corporate Governance Code and those of the Regulation of the European Parliament and of the Council on market abuse.

Pursuant to the Articles of Association, the General Meeting of Shareholders, the Company's supreme governing body, elects members of the Board of

PAO NOVATEK'S CORPORATE GOVERNANCE STRUCTURE



Directors and the Chairman of the Management Board (sole executive body). The Board of Directors elects members of the Management Board (collegial executive body) as proposed by the Chairman of the Management Board.

To enhance the efficiency of corporate governance and ensure compliance with the amendments to Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995 (version dated 19 July 2018), the Board of Directors approved the new version of the Internal Audit Policy on 17 December 2018.

General Meeting of Shareholders

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The General Meeting of Shareholders is NOVATEK's supreme governing body. The activity of the General Meeting of Shareholders is governed by the laws of the Russian Federation, the Company's Articles of Association, and the Regulations on the General Meetings of Shareholders.

The General Meeting of Shareholders is responsible for the following:

- approval of annual reports, annual accounting (financial) statements;
- profit distribution, including dividend payout;
- election of the Board of Directors and the Revision Commission;
- approval of the Company's Auditor.

On 20 April 2018, the Annual General Meeting of Shareholders approved the annual report, annual financial statements (in accordance with the Russian Accounting Standards), distribution of profit and the size of dividends based on the results of FY2017. The meeting also elected the Board of Directors and the Revision Commission, as well as approved remuneration to members of the Board of Directors, Revision Commission and the Company's external auditor for 2018.

On 28 September 2018, the Extraordinary General Meeting of Shareholders approved the amount of interim dividend for the first half of 2018.

Following a request made by one of our shareholders to convene the meeting of shareholders with a view to re-electing the Board of Directors, on 18 January 2019, the Extraordinary General Meeting of Shareholders was held where a new composition of NOVATEK's Board of Directors was elected.

In 2018, shareholders were able to vote during General Meetings of Shareholders by filling out an electronic form of ballots.

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The Company places special emphasis on enabling efficient communications with shareholders and keeping them up to date about the Company's activities, current matters and projects. Shareholders and other stakeholders may seek clarification of any matters or request any additional information by sending a letter to the attention of the Chairman of the Board of Directors and Chairman of the Management Board. For these purposes, the Company's website contains necessary contact details, including a separate e-mail address for shareholder queries: shareholders@novatek.ru. In 2018, shareholders were able to vote during General Meetings of Shareholders by filling out an electronic form of ballots.

The Chairman of the Management Board and his deputies in charge of various business areas take part in international forums and conferences providing stakeholders with an update on the Company's activities. In addition, during the Annual General Meetings of Shareholders attended by members of the Board of Directors and the Management Board, the meeting procedure provides for an option to ask questions about the Company's business. Another type of interaction is the Company's quarterly conference calls on its financial performance under IFRS.

BOARD OF DIRECTORS

The Board of Directors (the Board) activity is governed by the laws of the Russian Federation, the Company's Articles of Association and the Regulations on the Board of Directors. The General Meeting of Shareholders elects the members of the Board of Directors.

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NOVATEK's Board of Directors is responsible for overall management and for defining the Company's business priorities and strategy.

The Board of Directors has the following remit:

- define the Company's strategy and priority lines of business;
- approve long-term and annual business plans;

- review financial performance, internal controls, risk management, and other matters;
- approve major transactions;
- decision-making on investment projects;
- recommend the dividend per share amount and dividend payout procedure;
- convene the General Meeting of Shareholders.

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The current members of the Board of Directors were elected at the Annual General Meeting of Shareholders on 20 April 2018 and with further amendments made on 18 January 2019 at the Extraordinary General Meeting of Shareholders. The Board of Directors is comprised of nine members, of which eight are non-executive directors, including three directors who are considered to be independent. The Chairman of the Board is Alexander Natalenko, who does not serve as the Company's executive director. The Chairman is responsible for leading the Board and ensuring its effectiveness.

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Members of NOVATEK's Board have a wide range of expertise as well as professional experience in strategic, operational and oil and gas activities. These are mandatory skills and knowledge for nominees to the Board of Directors. When assessing nominees to the Board of Directors, the Company is guided by the Listing Rules of the Moscow Exchange in terms of the number of independent directors and their compliance with independence criteria.

Taking into account the importance of issues of environment, social responsibility and corporate governance, the Sustainability Report is considered at the meetings of the Board of Directors once a year starting from 2019.

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The Board members hold regular meetings with the Company's senior management to enable them to acquire a detailed understanding of the Company's business activities and strategy and the key risks impacting the business. In addition to these formal processes, Directors have access to the Company's medium-level managers for both formal and informal discussions to ensure regular exchange of information needed to participate in the Board meetings and make balanced decisions in a timely manner.

During the yearly review of the Annual Report, the Board of Directors is provided with the information on the Company's social and charitable activities in the regions where the Company operates, as well as a dedicated Corporate Governance Code Compliance Report. A separate report on the Company's social and charitable activities is reviewed at the meetings of the Remuneration and Nomination Committee. At these meetings, the Board of Directors annually reviews the report on occupational health and safety.

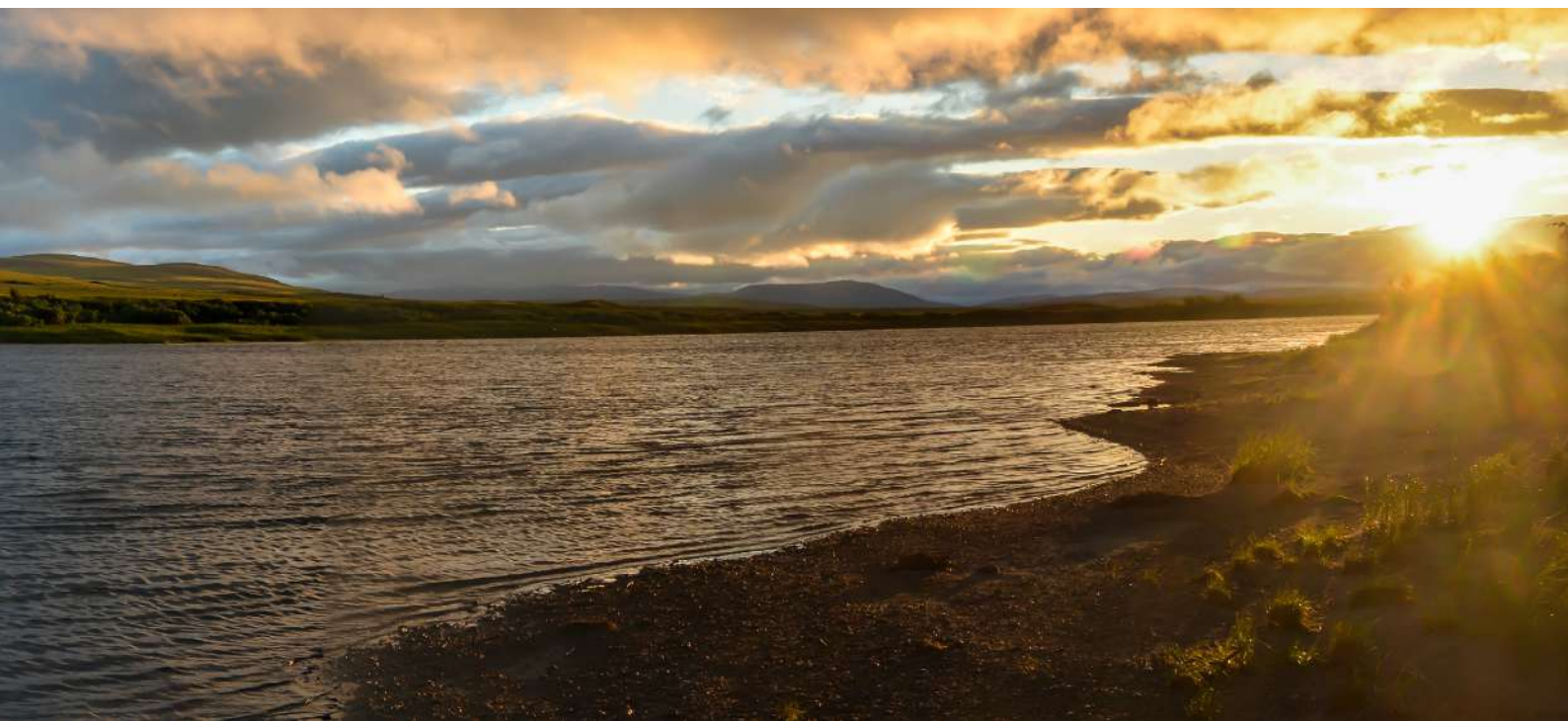


102-22 NOVATEK'S BOARD OF DIRECTORS IN CORPORATE YEAR 2018¹

Full name	Independent	Position on the Board of Directors/Board Committees
Alexander E. Natalenko		Chairman of the Board of Directors since 2004 Chairman of the Strategy Committee (up to 18.01.2019) Member of the Strategy Committee (from 18.01.2019)
Andrei I. Akimov		Member of the Board of Directors since 2006 Member of the Strategy Committee
Arnaud Le Foll (from 18.01.2019)		Member of the Board of Directors since 2019 Member of the Strategy Committee
Burckhard Bergmann	Independent (from 18.01.2019) ²	Member of the Board of Directors since 2008 Member of the Strategy Committee (up to 18.01.2019) Chairman of the Strategy Committee (from 18.01.2019) Member of the Audit Committee (from 18.01.2019) Member of the Remuneration and Nomination Committee (from 18.01.2019)
Michael Borrell		Member of the Board of Directors since 2015 Member of the Strategy Committee
Robert Castaigne	Independent	Independent Director since 2015 Member of the Remuneration and Nomination Committee Member of the Audit Committee (up to 18.01.2019) Chairman of the Audit Committee (from 18.01.2019)
Leonid V. Mikhelson	Executive	Member of the Board of Directors since 2003 Chairman of the Management Board
Victor P. Orlov	Independent	Independent Director since 2014 Chairman of the Remuneration and Nomination Committee Member of the Audit Committee
Gennady N. Timchenko		Member of the Board of Directors since 2009 Member of the Strategy Committee
Andrei V. Sharonov (up to 18.01.2019)	Independent	Independent Director since 2014 Chairman of the Audit Committee Member of the Remuneration and Nomination Committee

¹ From the Annual General Meeting of Shareholders on 20 April 2018 until the Annual General Meeting of Shareholders on 23 April 2019.

² Considered independent in accordance with the Listing Rules of the Moscow Exchange by resolution of the Board of Directors dated 18 January 2019.



Taking into account the importance of issues of environment, social responsibility and corporate governance, the Sustainability Report is considered at the meetings of the Board of Directors once a year starting from 2019.

Efficient operation of the Board of Directors is supported by the Corporate Secretary, who has sufficient independence (appointed and dismissed by the Board of Directors) and is endowed with the necessary powers and resources to carry out his or her tasks in accordance with the Regulations on the Corporate Secretary.

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The Board of Directors meets as and when required, but at least once every two months. The meeting agenda is set by the Chairman of the Board of Directors based on a request to convene the meeting, which can be initiated by the Chairman or members of the Board of Directors, Revision Commission, officer responsible for the organization and performance of internal audit (head of the business unit responsible for the organization and performance of internal audit), auditor, executive body, as well as shareholders jointly holding at least 10% of the ordinary shares.

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Pursuant to the Regulations on Performance Assessment of the Board of Directors and the Board Committees, the Company provides for conducting internal self-assessment and external assessment. Self-assessment is an in-house assessment run annually by completing questionnaires by each member of the Board of Directors, while an independent qualified advisor holds external assessment once every three years. The outcomes of both assessments are included in the Company's annual report and delivered at the reporting meeting of the Board of Directors to be considered while preparing an activity plan for the next corporate period.

BOARD ACTIVITIES DURING CORPORATE YEAR 2018¹

102-34

During corporate year 2018, the Board of Directors (BoD) met 14 times, of which five meetings were held in the form of joint attendance. The following key issues were discussed and respective decisions made:

- reviewed and approved the Company's 2018 full year operating and financial results;
- recommended an interim dividend payment for the first half of 2018, based on interim financial results for the period, and a full year dividend payment for 2018, based on full year financial results;
- made decisions to convene Extraordinary and Annual General Meetings of Shareholders. During the meetings held in 2018, telecommunications facilities were used to provide shareholders with remote access to participate and to fill out an electronic ballot forms;
- reviewed and approved NOVATEK's business plan for 2019;
- passed a number of decisions on changing and increasing the number of members in NOVATEK's Management Board to 13 persons;
- passed a resolution for NOVATEK to acquire 100% interest in OOO Maritime Arctic Transport;
- NOVATEK and Fluxys signed an agreement on joint development, design, construction, financing, ownership and operation of a mid-scale LNG transshipment terminal in the port of Rostock. In this connection, the BoD passed a resolution for NOVATEK to acquire a 49% stake in the authorized capital of ROSTOCK LNG GmbH;
- based on the estimation by the Remuneration and Nomination Committee for the compliance with Independence Criteria established by the Listing Rules of the Moscow Exchange, the BoD acknowledged Burckhard Bergmann as an independent BoD member despite the fact that he has been a member of the Board of Directors for more than seven years (but less than 12 years);
- reviewed the Company's Information Policy compliance report;
- the Company carried out a preliminary internal assessment of internal audit activities resulting in submitting the revised version of the Internal Audit Policy for the Board of Directors consideration. The Policy was aligned with International Standards for the Professional Practice of Internal Auditing and the amended Federal Law On Joint Stock Companies.

In order to improve the efficiency of corporate governance, the Company carried out an external assessment of the BoD and the BoD Committees activities. During corporate year 2018, an external assessment of the BoD activities was performed in accordance with the recommendations of the Russian Corporate Governance Code. Following the review process headed by the Chairman of the BoD and the Remuneration and Nomination Committee, the Independent Directors

¹ From the Annual General Meeting of Shareholders on 20 April 2018 until the Annual General Meeting of Shareholders on 23 April 2019.

COMMITTEES MEMBERSHIP FROM 20 APRIL 2018 TO 18 JANUARY 2019

	Audit Committee	Strategy Committee	Remuneration and Nomination Committee
Chairman	Andrei V. Sharonov	Alexander E. Natalenko	Victor P. Orlov
Members	Robert Castaigne Victor P. Orlov	Andrei I. Akimov Burckhard Bergmann Michael Borrell Gennady N. Timchenko	Robert Castaigne Andrei V. Sharonov

COMMITTEES MEMBERSHIP FROM 18 JANUARY 2019

	Audit Committee	Strategy Committee	Remuneration and Nomination Committee
Chairman	Robert Castaigne	Burckhard Bergmann	Victor P. Orlov
Members	Burckhard Bergmann Victor P. Orlov	Andrei I. Akimov Arnaud Le Foll Michael Borrell Alexander E. Natalenko Gennady N. Timchenko	Burckhard Bergmann Robert Castaigne

Association was chosen as an external appraiser, which is a recognized Russian institution in the area of corporate governance and board of directors' assessment, representing Russia in the Global Network of Director Institutes.

Assessment of the BoD activity had several stages, including a questionnaire, individual interviews with directors, as well as analysis of internal documents regulating corporate governance issues.

During the appraisal process, the key areas of the BoD and the Committees activities were analyzed, including the formation of strategy, supervisory and control functions, effectiveness of interaction with the top management, risk management, remuneration, succession and development of the key managers.

Based on the external evaluation, we determined directions for increasing the Board of Directors performance efficiency. The Board Committees conduct annual updates of the NOVATEK Group's Risk Map and determine the acceptable risk level in the Company, annual reviews of the Company's Information Policy compliance report, the report on compliance with the Anti-Corruption Policy, the Sustainable Development Report, the HSE performance report, and the report on the Company's social activity in the regions where the Company operates.

In 2018, the decision on changing and increasing the number of members in NOVATEK's Management Board to 13 persons was made.

BOARD COMMITTEES

102-18

The Company has three Board Committees: the Audit Committee, the Remuneration and Nomination Committee and the Strategy Committee. The Committees' activities are governed by the specific Committee Regulations approved by the Board of Directors and are available on our website.

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The Committees play a vital role in ensuring that the high standards of corporate governance are maintained throughout the Company and that specific decisions are analyzed and the necessary recommendations are issued prior to general Board discussions. The Board Committees conduct annual reviews of the Company's risk map and risk appetite, HR policy and personnel development, as well as occupational health and safety initiatives. Members of the Board Committees have the required professional experience for assessments and recommendations in the respective areas of the Company's activities.

The Board Committees conduct annual reviews of the Company's risk map and risk appetite, HR policy and personnel development, as well as occupational health and safety initiatives.

MANAGEMENT BOARD MEMBERS FROM 1 JANUARY 2018 TO 31 DECEMBER 2018¹

Chairman of the Management Board

Leonid V. Mikhelson

Deputy Chairman of the Management Board

Ilya V. Tafintsev

First Deputy Chairman of the Management Board

Lev V. Feodosyev

Deputy Chairman of the Management Board

(elected on 21 September 2018)

Eduard S. Gudkov

First Deputy Chairman of the Management Board

Alexander M. Fridman

Deputy Chairman of the Management

Board — Director of Communications Development Department (elected on 21 September 2018)

Denis B. Solovyev

Deputy Chairman of the Management Board for Economics and Finance

Viktor N. Belyakov

Deputy Chairman of the Management Board

Vladimir A. Baskov

Deputy Chairman of the Management

Board — LNG Director (elected on 14 December 2018 and started acting from 14 January 2019)

Evgeny A. Kot

Deputy Chairman of the Management Board

Mark A. Gyetvay

Deputy Chairman of the Management

Board — Director for Geology (the authorities were terminated on 14 November 2018)

Igor A. Plesovskikh

Deputy Chairman of the Management Board — Director of the Legal Department

Tatyana S. Kuznetsova

Deputy Chairman of the Management

Board — Operations Director

Sergey V. Vasyunin

Deputy Chairman of the Management Board

(the authorities were terminated on 12 July 2018)

Denis G. Khamov

¹ Detailed biographies information on Members of the Management Board is available in the 2018 Annual Report on p. 84

In order to carry out their duties, the Committees may request information or documents from the members of the Company's executive bodies or heads of the Company's relevant business units. The Committees may engage experts and advisors with required professional knowledge and skills to provide an unbiased view on respective matters.

AUDIT COMMITTEE

The Audit Committee controls the Company's financial and operating activities. In order to assist the Board in performing control functions, the Committee is responsible for, but not limited to, evaluating accuracy and completeness of the Company's full year financial statements, the candidature of the Company's external auditor and the auditor's report, and the efficiency of the Company's internal control procedures and risk management system. The Audit Committee has an independent member of the Board of Directors, who has strong expertise and a solid track record in finance required to carry out financial reviews.

The Audit Committee works actively with the Revision Commission, the external auditor and the Company's executive bodies, inviting NOVATEK's managers responsible for the preparation of the financial statements to attend the Committee meetings.

The Audit Committee runs an annual performance assessment and reports the results to the Board of Directors, also providing it with reports on its performance at least once a year.

In corporate year 2018, the Audit Committee met five times.

REMUNERATION AND NOMINATION COMMITTEE

102-31

The primary function of the Remuneration and Nomination Committee is to develop an efficient and transparent practice for remuneration of members of the Company's management, including members of the Board of Directors and the Management Board. The Remuneration and Nomination Committee is also responsible for building a stronger Board of Directors and enhancing its performance. The Committee holds reviews of social and HR matters twice a year. Moreover, once a year, in the framework of non-financial reporting, the Committee discusses issues of sustainable development.

In corporate year 2018, the Remuneration and Nomination Committee met six times, including three meetings *in praesentia*.

STRATEGY COMMITTEE

The primary functions of the Strategy Committee are the determination of strategic objectives of the operations and control over the implementation of the strategy, as well as recommendations on the dividend policy. The Strategy Committee is also responsible for the evaluation of the long-term effectiveness of the Company's operations.

In corporate year 2018, the Strategy Committee met five times.

MANAGEMENT BOARD

102-20

NOVATEK's Management Board is a collegial executive body responsible for the management of the Company's operations. The Management Board is governed by the laws of the Russian Federation, NOVATEK's Articles of Association, resolutions of the General Meetings of Shareholders and the Board of Directors and the Company's internal documents.

Matters reserved to the Management Board are stated in NOVATEK's Articles of Association.

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The Management Board helps achieve objectives set by the Board of Directors and implement the Company's strategy through supervision of business units in certain areas, including operational, environmental, financial and economic, social and legal. Members of the Management Board report to its Chairman. Deputy Chairmen of the Management Board are in charge of economic, environmental, social and other matters related to the Company's business.

HSE matters are the responsibility of First Deputy Chairman of the Management Board.

Economic matters fall within the remit of Deputy Chairman of the Management Board for Economics and Finance.

Social matters are the responsibility of Deputy Chairman of the Management Board — Director of the Legal Department, who delegates achievement of social objectives to the HR Department and the Social Development Department.

The members of the Management Board are elected by the Board of Directors from among the Company's key employees. The Management Board is subordinated to the Board of Directors and the General Meeting of Shareholders. The Chairman of the Management Board is responsible for leading the Board and ensuring its effectiveness as well as organizing the Management Board meetings and implementing decisions of the General

Meeting of Shareholders and the Board of Directors. The Management Board was elected by the Board of Directors on 25 August 2017 (Minutes No. 198 dated 25 August 2017) with further amendments by resolution of the Board of Directors on 12 July 2018, 21 September 2018, 14 November 2018, 14 December 2018, including with regard to the quantitative composition (increased to 13 members).

Remuneration to the Members of the Board of Directors and Management Board

102-35 102-36

The Regulations on Remuneration and Compensations Payable to the members of the Board of Directors is the key document regulating the procedure for calculating remuneration and compensations payable to the members of the NOVATEK's Board of Directors.

The Company takes a responsible and reasonable approach to remunerating members of the Board of Directors and the Management Board for their contribution to the Company's strategy and their involvement in operational matters.

Remuneration payable to the members of the Board of Directors consists of a fixed part of remuneration, remuneration for attending the Board of Directors meetings and remuneration for attending the meetings of the committees of the Board of Directors.

The fixed part of remuneration to a Board member constitutes RR 10 mln per corporate year. The Chairman of the Board of Directors is paid fixed remuneration for the performance of his or her functions in the amount of RR 20 mln per corporate year. Members of the Board of Directors are also paid remuneration for attending the meetings of the Board of Directors (in the maximum

amount of RR 3 mln per corporate year) and remuneration for attending the meetings of the Committees of the Board of Directors (limited to RR 2 mln per corporate year). The Board members are also compensated for travel and lodging expenses related to the discharge of their functions.

The procedure for, and criteria of, calculating remuneration to the Chairman and members of the Company's Management Board, as well as the compensation of their expenses, are prescribed in the Regulations on the Management Board and the employment contracts they sign with the Company. Shareholders are entitled to exercise their voting right to determine the amount of remuneration payable in accordance with the "one share, one vote" rule.

Pursuant to the Regulations, remuneration shall be paid to the members of the Board of Directors every three months, based on their performance in the corporate year, the members of the Board of Directors shall also be paid a remuneration for attending the meetings of the Board of Directors and Committees of the Board of Directors.

Internal Control and Audit

NOVATEK has a system of internal controls over financial and business operations organized taking into account the applicable requirements of the Russian Federation legislation and best international practices. The internal control system is an integral part of the risk management system and is in line with the relevant risks and strategic objectives of NOVATEK.

The system of internal control consists of the Board of Directors, the Audit Committee, the Chairman of the Management Board, the Management Board, the Revision Commission and the Internal Audit Division.

INFORMATION ON REMUNERATION OF MEMBERS OF NOVATEK'S BOARD OF DIRECTORS AND MANAGEMENT BOARD IN 2018, RR MLN

	Board of Directors ¹	Management Board
Total paid, including:	129.7	3,208.7
Salaries	—	805.5
Bonuses	—	2,346.0
Fees	127.8	—
Other property advancements	1.9	57.2

¹ Some members of NOVATEK's Board of Directors are simultaneously members of the Management Board. Payments to such members in relation to their activities as members of the Management Board are included in the total payments to members of the Management Board.

The primary objects of internal control are NOVATEK, its subsidiaries and affiliates, their business units, as well as their ongoing business processes.

In order to combat corruption, mitigate compliance, operational and reputation risks, the Company adopted the Anti-Corruption Policy and the Regulations on Risk Management and Internal Control System.

REVISION COMMISSION

The Revision Commission is an internal control body responsible for oversight of the Company's financial and business activities. The Revision Commission consisting of four members is elected at an Annual General Meeting of Shareholders for a period of one year. Federal Law No. 208-FZ On Joint Stock Companies as well as NOVATEK's Articles of Association and the Regulations on the Revision Commission govern the competence of the Revision Commission.

INTERNAL AUDIT

In order to conduct a systematic, independent evaluation of the reliability and effectiveness of the risk management and internal control system, as well as corporate governance practices, the Company and its subsidiaries and affiliates perform internal audits of their operations.

The internal audit function roles and responsibilities are assigned to the Internal Audit Division. The Internal Audit Division is functionally subordinated to the Board of Directors and administratively subordinated to the Chairman of the Management Board.



The primary function of the NOVATEK'S Internal Audit Division is the evaluation of the risk management, internal control and corporate governance system efficiency.

The Division carries out its activities on the basis of an annual plan of inspections prepared with the use of a predominantly risk-oriented approach and approved by the Board of Directors.

According to the results of audit inspections, it develops measures to eliminate the identified risks and optimize financial and business activities. Implementation of the measures is monitored on a regular basis.

Following the inspections, the Head of the Internal Audit Division prepares an annual report on the performance of the Internal Audit Division and provides an opinion on the reliability of the risk management and internal control system, which are later reviewed at a meeting of the NOVATEK's Audit Committee.

NOVATEK's Internal Audit Policy is the key document regulating the internal audit activities. The Board of Directors approved the new version of the Policy with alterations and amendments in December 2018.

EXTERNAL AUDIT

The Annual General Meeting of Shareholders approves an external auditor to conduct independent review of the NOVATEK's financial statements. The Audit Committee gives recommendations to the Company's Board of Directors regarding the candidatures of external auditors and the price of their services. Based on the Committee's recommendations, the Board

proposes the auditor's candidature to the Annual General Meeting of Shareholders for consideration and approval.

AO PricewaterhouseCoopers Audit, an internationally recognized audit firm, was chosen as the Company's external auditor to conduct the audit of the annual financial statements for 2018 under RAS, as well independent reviews of the condensed consolidated interim financial statements under IFRS.

In selecting the auditor's candidature, attention is paid to the level of their professional qualifications, independence, possible risk of any conflict of interest, terms of the contract, and the amount of remuneration requested by the candidates.

The Audit Committee oversees the external auditor's independence and objectivity as well as the quality of the audit conducted. The Committee annually provides the Board of Directors with the results of review and evaluation of the auditor's opinion regarding the Company's financial statements. The Audit Committee meets with the auditor's representatives at least twice a year.

NOVATEK's management is aware of, and accepts the recommendations on the independence of the external auditor by restricting such auditor's involvement in providing non-audit services. Remuneration paid to the principle auditors for auditing and other services is specified in Note 24 to the consolidated financial statements for 2018 prepared in accordance with IFRS standards.

In accordance with auditing standards, in order to maintain independence, the Company's external auditor

NOVATEK's internal audit is aligned with the International Standards of the Institute of Internal Auditors as confirmed by a certificate of an independent external assessment conducted by Ernst and Young – Appraisal and Consulting Services in March 2019. The certificate of compliance with International Standards for the Professional Practice is valid for five years.



regularly rotates its key audit partner, at least once every seven years. The most recent rotation of the external auditor's partner was made in 2018.

Risk Management

The Regulations on Risk Management and Internal Control System is the key document in the Company's risk management framework.

NOVATEK's activities are subject to risks inherent to the oil and gas sector.

A multilevel system of risk management has been implemented at the Company. Powers, duties and responsibilities for specific risk management procedures are delegated to different governance levels of the Company depending on the assessment of financial impact of risk. The Company's risk management policy is set out in the Regulations on Risk Management and Internal Control System guided by the following international standards: COSO Internal Control — Integrated Framework, and Enterprise Risk Management — Integrated Framework (ERM COSO). Certain elements of ISO 31000 Risk Management — Guidelines have also been integrated into NOVATEK's risk management system.

The risk management system was not based on the Risk Management Standard (RMS FERMA) developed by IRM, AIRMIC and ALARM, but its components do not contradict the above standards which were taken into account to varying degrees.

Revision of NOVATEK's Regulations on Risk Management and Internal Control System has been scheduled for 2019 to develop and maintain its relevance in line with international best practices.

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In order to ensure a uniform methodology and coordinate risk management activities, the Company has established the Risk Control Division. The risk management process involves the Company's top management, including the Board of Directors' Audit Committee. The Committee is responsible for supervising the reliability and efficiency of the risk management system and reviewing it. As part of its efforts, the Committee helps monitor identified risks and adjust risk mitigating initiatives as needed. All matters related to the risk appetite and the risk management systems are reviewed annually.

102-31

On a regular basis, at least once a year, the Audit Committee assesses the Company's risk management performance, including economic, environmental and social risks. Following the assessment in the reporting year, the Audit Committee recognized NOVATEK's risk management activities as compliant with the Company's respective policy.

In corporate year 2018¹, the Audit Committee paid great attention to risk management in the Company and during the meetings reviewed financial, operational, legal, and other risks. Furthermore, in 2018, the implementation of NOVATEK's Anti-Corruption Policy was reviewed and the action plan for the next period was approved.

On an annual basis, the Management Board discloses a list of risks and approaches to risk management in the annual report.

The section contains a list of the Company's major risks, including sustainability risks.

NOVATEK uses stress testing to assess its resilience against potential impact of the most significant risks as well as possible approaches to risk management, which may be applied to prevent or mitigate the impact of the key risks. In particular, the Company conducts stress testing by doing a simulation for the scenarios of risks of emergencies and incidents at production facilities to assess potential damage to property and gross profit losses (the data is used to provide insurance protection for NOVATEK) and develops additional initiatives to mitigate the implications of those scenarios. Moreover, the outlook of financial performance is assessed, including the outlook of revenue and expenses, cash flows, investment opportunities, financial covenants and other indicators in numerous scenarios of the key drivers, including macro parameters, prices in global energy markets, the number of investment projects being implemented, and other parameters of the Company's operations.

RISK INSURANCE

Risk insurance is an integral part of NOVATEK's risk management system. In 2018, the insurance coverage guaranteed adequate protection against the risks of damage to the Company business. Insurance coverage is provided by reputable insurance companies that have high ratings by leading rating agencies² with partial reinsurance of risks by major international insurance and reinsurance companies.

¹ From the Annual General Meeting of Shareholders on 20 April 2018 until the Annual General Meeting of Shareholders on 23 April 2019.

² Standard & Poor's, Fitch Ratings, Expert RA, A.M. Best.

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THE LIST OF THE COMPANY'S MAJOR RISKS, INCLUDING SUSTAINABILITY RISKS

Operational risks

Risks of emergencies and incidents

Monopoly risks

Competitive risks

Risks in procurement of materials, works and services

Commodity price risks

Geological risks

Risk of early termination, suspension or restriction of the right to use subsurface mineral resources

Environmental risks

Project risks

Strategic risks

Ethical risks

Social risks

Terrorism risks

Country risk

Regional risk

Risks of information technology and information security (cyber-risks)

Financial risks

Credit risk

Reinvestment risk

Interest risks

Currency risks

Liquidity risk

Inflation risk

Legal risks

Risk of law changes

Litigation risks

Risk of sanctions

The Company fully meets the requirements of the applicable laws for maintaining obligatory insurance, such as civil liability insurance of owners of hazardous production facilities and owners of vehicles.

To reduce the risk of financial losses, the Company maintains the following types of optional insurance:

- insurance of the risk of property damage/loss, including the risk of mechanical failures;
- insurance of the risk of damage from business interruption (business risks);
- construction risk insurance;
- insurance of risks related to prospecting, exploration and production (risk of loss of control over a well); and
- management liability insurance.

Since 2013, the Company implemented a comprehensive program of property and business risk insurance with respect to its key assets. The cumulative insured amount for the risks of property damage and business interruption as at the end of 2018 was RR 772 bln.

In the reporting year, no insured major accidents or incidents occurred.

For more than 13 years, the Company has maintained a management liability insurance for the top management of the Company against possible third-party claims for any losses incurred through any wrong action (or decision) made by its management bodies. The overall limit of respective insurance coverage is EUR 120 mln.

The Company fully meets the requirements of the applicable laws for maintaining obligatory insurance, such as civil liability insurance of owners of hazardous production facilities and owners of vehicles.





Ethics





102-16

NOVATEK is committed to lawful, fair, and ethical practices in all aspects of its operations. The Company respects human rights, makes every effort to prevent corruption, takes care to maintain its impeccable reputation, and seeks to implement the most stringent international ethical standards.

Within the Company, the Corporate Governance Code, Code of Business Ethics, and the Anti-Corruption Policy govern employees' conduct, ethical standards, integrity, and prevention of corruption.

Anti-Corruption Policy

NOVATEK strictly abides by the anti-corruption laws of Russia and other countries in which it operates. The NOVATEK Group is guided by unified regulatory requirements to managing anti-corruption efforts, imposing and cancelling a trade secret regime, and protecting insider information. The Company's Anti-Corruption Policy sets out the key principles that underpin its efforts to counter and prevent corruption. The document is available on the Company's website in Russian and English. All subsidiaries and joint ventures of NOVATEK have similar documents in place.

When developing its Anti-Corruption Policy, NOVATEK has taken into account the requirements of international and foreign regulations, as well as the recommendations of Russian, foreign, and international anti-corruption bodies and agencies.

International anti-corruption laws include:

- the United Nations Convention against Corruption;
- the Council of Europe Criminal Law Convention on Corruption;
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The United Kingdom Bribery Act is among foreign anti-corruption laws.

The key requirements of the above regulations include:

- prohibition to offer bribes or commercial bribes;
- prohibition to bribe foreign public officials;
- prohibition to take bribes or commercial bribes.



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All employees of the NOVATEK Group receive ongoing training in ethical conduct and zero tolerance approach to illegal activities. To this end, the Company has developed and put in place an interactive online course called "Basics of the Company's Anti-Corruption Policy and Anti-Corruption Practices for Employees". In addition, all employees may at any time seek advice on compliance with the Anti-Corruption Policy, ethical conduct, confidentiality, etc.

All partners of the Company are made aware of NOVATEK's Anti-Corruption Policy and strict standards of ethical business practices, and undertake to comply with them, in line with an anti-corruption clause incorporated into all the Company's contracts with third parties.

The Company's Security Hotline is one of the most important anti-corruption tools that any stakeholder can use to report known cases of corruption or any other concerns. The Security Hotline is available on the Company's and subsidiaries' and joint ventures' websites, information boards in the offices, production areas, and living camps of its subsidiaries and joint ventures.

The person in charge of implementing and overseeing the measures aimed at preventing corruption across the Company is the Anti-Corruption Adviser, from whom advice may be sought by any employee looking for clarifications on the Anti-Corruption Policy or other corruption-related matters. To prevent corruption, the Company develops action plans to be undertaken to implement the Anti-Corruption Policy. During the reporting year, anti-corruption initiatives were implemented as part of the 2017–2018 Action Plan. The results of anti-corruption efforts and the new 2018–2019 Action Plan were discussed and approved by the Audit Committee on 23 August 2018.

Prevention of Conflicts of Interest

102-25

NOVATEK places a special emphasis on preventing conflicts of interests to avoid potential reputational damage to its business, its trademark, and its good standing in the domestic and international business community. For effective conflict of interest risk management, certain employees in key decision making capacities are required to disclose conflicts of interest (or their absence) by filling in respective declarations.

The Company's managers and employees are expected to advocate the supremacy of corporate interests first and foremost, separating their personal interests from decision-making.

Should their personal and corporate interests become incompatible, NOVATEK's managers and employees are obliged to report such conflict immediately. They are also expected to refrain from any forms of competition with the Company in business and investment projects. The Company's employees are not allowed to pursue any property or financial interests in competitor businesses. They are advised to refrain from conducting interest-ed-party transactions. The Company also seeks to avoid conflicts of interest caused by giving/receiving gifts, services, or any other benefits.

Members of the Board of Directors shall:

- promptly give the Chairman of the Board a written notification of personal or commercial interests in all transactions, including those involving the Company's securities;
- duly disclose their jobs with other companies and third-party business interests that might prevent such members from efficient discharge of their duties and responsibilities.

Members of the Management Board shall:

- notify the Management Board of any personal interests in transactions to which the Company is or intends to be a party, before such transactions are decided upon;
- set up or manage no business entities competing with NOVATEK, except as permitted by the Board of Directors.

Human Rights

NOVATEK respects human rights, promotes equal opportunities and does not tolerate discrimination by gender, age, race, nationality, religion or on any other ground.

The Company's approach to human rights is reflected in its key corporate documents (Code of Business Ethics, Anti-Corruption Policy, Health, Safety and Environment (HSE) Policy, Collective Bargaining Agreement).

The Company shares the universal principles enshrined in:

- the Universal Declaration of Human Rights;
- the International Labor Organization's Declaration on Fundamental Principles and Rights at Work;
- the UN Global Compact;
- the Social Charter of Russian Business.

NOVATEK applies the following mechanisms to ensure the respect of human rights in its business operations:

- the Company is committed to human rights, and integrates them into internal regulations;
- the Company engages stakeholders in a dialogue on human rights;
- the Company ensures that its employees and partners respect human rights;
- the Company develops feedback channels that enable stakeholders to express their opinions or grievances on related matters (specifically, Security Hotline).

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NOVATEK conducts its Russian operations in full compliance with the Labor Code of the Russian Federation and Russian laws in general, prohibiting any discrimination or limitation of labor rights and freedoms. All HR decisions are based on qualifications and professional qualities of an employee. As a responsible employer, the Company complies with all legal requirements and adheres to best global practices. The Company does not use child or forced labor.

NOVATEK encourages its employees to form associations and organizations in recognition of their rights to protect their interests. An integral element of social partnership is a feedback provided through discussions, meetings of trade unions and trade union committees, and conferences. Open discussions of controversies and issues strengthen the foundation of the partnership and help develop the Company's capabilities, reflecting our conscientious responsibility at all levels.

The Company recognizes its responsibility towards local communities, including indigenous peoples, and guarantees that their rights will be respected whenever production operations are launched where they live.

NOVATEK also supports human rights initiatives and pursues a policy aiming to build strong relationships with local communities across its operational footprint. The Company implements educational, cultural, sports, and social projects for the benefit of local communities and its personnel.

NOVATEK is a member of the Russian Oil, Gas and Construction Workers' Union, an industry trade union association focused on protecting the professional, social, and labor rights and interests of the Union's members. In its operations, the Union is guided by the principles of social partnership. The Russian Oil, Gas and Construction Workers' Union is a member of the Association of Trade Unions of Primary Industries and the

Construction Industry of the Russian Federation and the Federation of Independent Trade Unions of Russia. The Russian Oil, Gas and Construction Workers' Union is also a member of IndustriALL Global Union¹ and the International Confederation of Oil, Gas and Construction Workers' Unions of the CIS.

The Company facilitates the development of long-term sustainable relations with its business partners. NOVATEK takes reasonable care to select partners and strives to do business only with reliable market players who operate in a lawful manner and prohibit discrimination, corruption, and abasement of human dignity.

Grievance Mechanism

NOVATEK's interaction with stakeholders is designed to avoid any violations of human rights. The Company acknowledges the need for efficient resolution of such issues and to this end has developed and introduced the Grievance Mechanism. A number of channels have been set up for stakeholders, including representatives of local communities, to file complaints and requests: by phone, post or e-mail, via feedback and suggestion boxes installed in community liaison offices in villages².

The mechanisms adopted to collect the requests and feedback help the Company ensure timely processing of complaints and resolution of conflicts, and reduce the likelihood of similar incidents recurring in the future.

In addition, the Company has established a channel for reporting violations implying bullying or harassment, or human rights breaches. Any person, including suppliers, consumers and investors, may report any known violations by e-mail at ethics@novatek.ru. NOVATEK reviews each message. In 2019, the Company intends to initiate amendments to the Code of Business Ethics to reflect the procedure for reporting violations and responding to relevant reports.

The Company recognizes its responsibility towards local communities in regions of operations.

1 IndustriALL Global Union represents 50 million workers in 140 countries in the mining, energy and manufacturing sectors and is a force in global solidarity taking up the fight for better working conditions and trade union rights around the world.

2 A full list of contact details and ways to file requests and complaints is available in the Social Media and Contact Details section on p. 205.





Operating Results

415 RR BLN

Normalized EBITDA

52 USD BLN

Market capitalization as of 31 December 2018

26.06 RR

Dividend per share



Ensuring Strong Economic Performance

In the reporting year, NOVATEK's operating and economic performance reflected its well-balanced and reasonable management approach based on a rigorous cost control and a conservative financial policy. We retained our core competitive advantage by being ranked among the lowest cost hydrocarbon producers globally, and our lifting costs remained at a very low level of USD 0.6 per boe.

In 2018, our revenue grew by 42.6% year-on-year to RR 832 bln while normalized EBITDA¹ increased by 61.9% to RR 415 bln and normalized profit² was up by 49.2% to RR 233 bln.

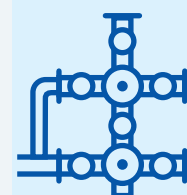
NOVATEK has steadily expanded its resource base through geological exploration and license acquisitions. Our total SEC proved reserves, including the Company's proportionate share in joint ventures, aggregated 15,789 mmboe in 2018, including 2,177 bcm of natural gas and 181 mmt of liquid hydrocarbons. At year-end 2018, our total proved reserves increased by 4% compared to the year-end 2017, representing a reserve replacement rate of 222% for the year, the addition of 1,218 mmboe, inclusive of 2018 production. At year-end 2018, the Company's reserve to production ratio (or R/P ratio) was 29 years.

Two thousand and eighteen was an incredible year for NOVATEK, culminating with the successful launch of our flagship Yamal LNG project and reaching the facilities' full design capacity in record time. The successful launch of the project demonstrated our ability to contribute in a meaningful way to the next wave of LNG projects delivering cost competitive LNG to the international markets. This year we are ready to move forward with implementing our next major LNG project, Arctic LNG 2.

Business Model³



Producing fields
Separation and treatment



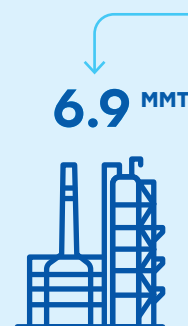
Unstable gas
condensate
by pipeline



Purovsky Plant
(nameplate
capacity – 11 mmtpa)
Stabilization of gas
condensate



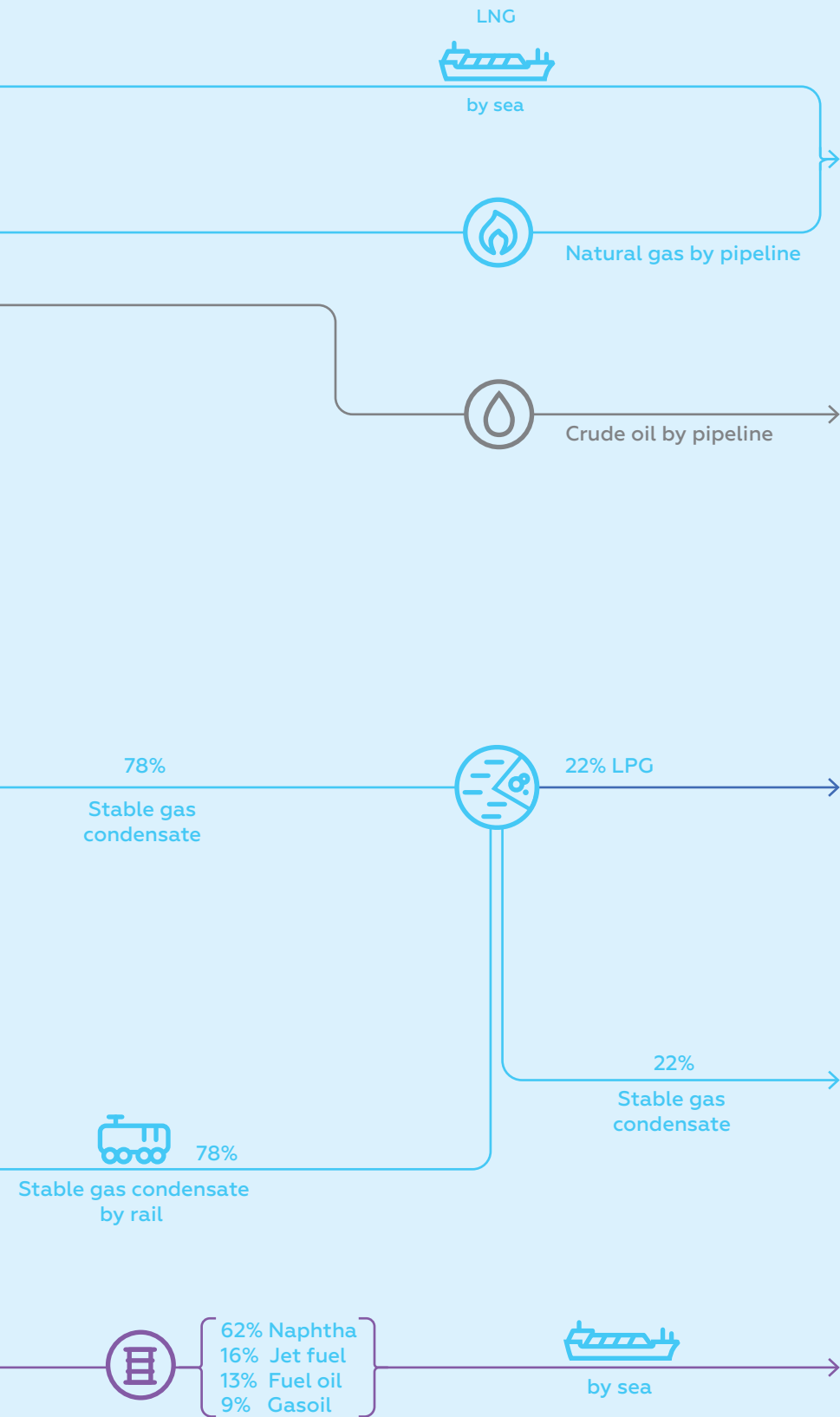
Ust-Luga Complex
(nameplate
capacity – 6 mmtpa)
Fractionation of
stable gas condensate



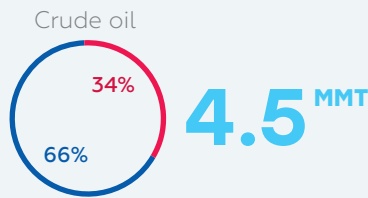
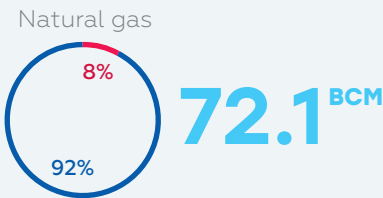
¹ Excluding the effect from disposal of interests in joint ventures.

² Excluding the effects from disposal of interests in joint ventures, as well as foreign exchange gains (losses).

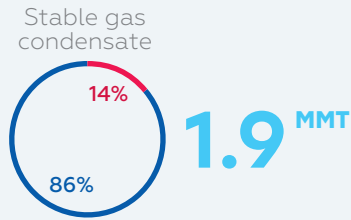
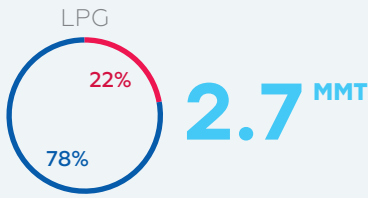
³ The data are presented for 2018, reflecting NOVATEK's sales volumes.



Sales volume



- international market
- domestic market



KEY INDICATORS IN 2015–2018

	Units	2015	2016	2017	2018	Change 2018/2017, %
Total revenues	RR mln	475,325	537,472	583,186	831,758	42.6%
Normalized EBITDA (including share in EBITDA of joint ventures) ¹	RR mln	214,466	242,407	256,464	415,296	61.9%
Normalized profit ²	RR mln	73,407	200,118	156,387	162,097	3.7%
Dividends paid to NOVATEK shareholders	RR mln	40,990	42,205	45,393	78,747	73.5%
Oil and gas revenues	RR mln	472,007	533,857	579,819	825,761	42.4%
Net cash provided by operating activities	RR mln	132,864	173,791	180,399	216,349	19.9%
Proved hydrocarbon reserves (SEC)	mmboe	12,817	13,402*	15,120*	15,789*	4.4%
Natural gas production	bcm	67.9	67.6	63.4	68.8	8.5%
Liquid hydrocarbon production	mt	9,094	12,441	11,774	11,800	0.2%
Hydrocarbon production	mmboe	521.6	547.0*	513.3*	549.1*	7.0%
Headcount ³	people	10,408	11,536	12,236	13,694	10.6%

* Hydrocarbon reserves are based on a 100% share in subsidiaries' results and our share in joint ventures' results, including fuel gas used for own purposes. Reserves and production of Yamal LNG's South-Tambeykoye field are reported at 60%.

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED IN 2015–2018, RR MLN*

	2015	2016	2017	2018
Generated economic value				
Revenues	487,947	556,204	599,058	845,761
Distributed economic value				
Operating expenditures	335,042	385,499	419,859	603,912
Salaries and other payments and benefits to employees	15,368	19,885	20,097	25,622
Payments to suppliers of financial resources	50,189	57,950	52,310	60,682
Taxes payable to the budgets of relevant countries	59,410	79,630	84,721	103,311
Social investments	1,000	1,871	2,813	2,047
Retained economic value	99,712	111,987	126,237	170,005

* Data are based on the following methodology: **revenues** — total revenues plus interest income; **operating expenditures** — operating expenses less depreciation, less impairment of assets, less salaries and other payments and benefits to employees, less taxes other than income tax, and less social investments; **payments to suppliers of financial resources** — dividends paid plus interest paid; **taxes payable to the budgets of relevant countries** — current income tax plus taxes other than income tax; **social investments** — funds voluntarily directed by the Company to charity, sponsorship, support of local communities and not directly related to the activities of the Company or its employees.

1 Excluding the effects from the disposal of interests in joint ventures, as well as foreign exchange gains (losses).

2 Adjusted for the effect from the disposal of interests in joint ventures.

3 Employees for whom NOVATEK, its subsidiaries or joint ventures were primary employers.

KEY EVENTS AND ACHIEVEMENTS IN 2018

- **The Yamal LNG project reached its full capacity** more than a year ahead of the initial schedule. **First LNG cargos were shipped** to the Asian Pacific region, Europe and Latin America. Yamal LNG carried out the first ship-to-ship LNG transshipment.
- We patented the **“Arctic Cascade”** proprietary liquefaction technology for use at Train 4 of Yamal LNG. The National Environmental Award named after Vladimir Vernadskiy in the nomination category of “Innovative Eco-efficient Technologies in Industry and Energy” recognized NOVATEK for its “Arctic Cascade” natural gas liquefaction process.
- NOVATEK and TOTAL agreed in principle on TOTAL’s entry into **Arctic LNG 2**. The deal was closed in 2019⁴.
- We signed contracts on the design and construction of gravity-based structures and on supply of turbo machinery equipment for the Arctic LNG 2 project.
- An agreement was signed with the Ministry for the Development of the Russian Far East and with the Kamchatka Region Government for the construction of an offshore LNG transshipment terminal.
- We signed **strategic cooperation agreements** on LNG projects signed with Sovcomflot, Rosatom, Siemens, and SACE, the Italian export and credit agency. **Memorandums of Understanding** were signed with Saudi Aramco, KOGAS, the Japan Oil, Gas and Metals National Corporation (JOGMEC) and Japan’s Saibu Gas.
- We discovered **the North Obskoye field** through our successful exploration efforts, which was named the world largest standalone gas field discovery in 2018. A new field called **Nyakhart-inskoye** was also discovered. While testing a prospecting well at the Utrenneye field, we discovered new gas condensate deposits and confirmed the commercial productivity of the field’s Middle Jurassic layer.
- We acquired mineral licenses for the Beregovoy, Ust-Yamsoveyskiy, Payutskiy, Palkurtoiskiy, Central-Nadoyakhskiy, South-Leskinskiy and Chernichniy license areas.

A new boarding school for 800 children was built in Gyda village on the Gydan Peninsula, in one of the most remote settlements of the Yamal-Nenets Autonomous Region.

- The Company commissioned the oil deposits at the **Yaro-Yakhinskoye** oil, gas and condensate field (Arcticgas).
- NOVATEK incorporated the OOO Maritime Arctic Transport, a wholly owned subsidiary, to manage and optimize shipping costs, and to build unique competencies in Arctic navigation.
- We created a joint venture with **Fluxys** for construction a mid-scale LNG transshipment terminal in the **port of Rostock in Germany**.
- NOVATEK remained a constituent in FTSE4Good Emerging Index published by FTSE Russell Ratings. For its Sustainability Report, the company received the “Change Management. Visionaries” Award in the Social Impact Disclosure category.
- A new **“Health Territory” charity project** was launched aimed at providing medical aid to children from the regions where we operate.
- A new boarding school for 800 children was built in Gyda village on the Gydan peninsula, in one of the most remote settlements of the Yamal-Nenets Autonomous Region.

⁴ In June 2019 NOVATEK also signed Sales and Purchase Agreements in relation to the sale of participation interests in the Arctic LNG 2 project with CNPC, CNOOC and the consortium of Mitsui and Japan Oil, Gas and Metals National Corporation. The deals were closed in July 2019.

Production

102-2

LICENSES

In 2018, NOVATEK significantly expanded its license portfolio by strategically acquiring companies and winning state-sponsored mineral license auctions. As at 31 December 2018, its subsidiaries and joint ventures held a total of 56 subsoil licenses in Russia (compared to 45 licenses in 2017). NOVATEK also entered into agreements on exploration and production of hydrocarbons on four offshore blocks in Montenegro and on two offshore blocks in Lebanon.

NOVATEK strives to strictly observe all of its license obligations and conducts continuous monitoring of license tenders in order to expand its resource base in strategically important regions.

Excluding the effect of obtaining new licenses, the organic reserve replacement rate was 121% due to successful exploration and field development.

HYDROCARBON RESERVES

OG1

As of 31 December 2018, NOVATEK's SEC proved reserves, including the Company's proportionate share in joint ventures, aggregated 15,789 mmboe, including 2,177 bcm of natural gas and 181 mmt of liquid hydrocarbons. NOVATEK's proved reserves grew by 4%, and the reserve replacement rate stood at 222%. At year-end 2018, the Company's reserve to production ratio (or R/P ratio) was 29 years.

The Company's reserves trend in 2018 was positively impacted by successful exploration at the Utrenneye, Urengoykoye (Samburgskiy license area) and Yarudeyskoye fields, production drilling at the South-Tambeyskoye, North-Russkoye and Yaro-Yakhinskoye fields, as well as acquisition of new assets (Beregovoye field and Ust-Yamsoveyskiy license area). Excluding the effect of obtaining new licenses, the organic reserve replacement rate was 121% due to successful exploration and field development.

As of 31 December 2018, the Company's total PRMS proved and probable reserves, including the Company's proportionate share in joint ventures, aggregated 29,619 mmboe, including 4,021 bcm of natural gas and 387 mmt of liquid hydrocarbons, with a total R/P ratio of 54 years.

The high quality of the reserve base enables NOVATEK to maintain its position as one of the lowest cost producers in the global oil and gas industry. Our average 2018 and five-year (2014–2018) proved reserve replacement costs amounted to RR 87 (USD 1.4) per boe and RR 83 (USD 1.5) per boe, respectively.

TOTAL PROVED AND PROBABLE HYDROCARBON RESERVES IN 2015–2018, MMBOE¹

	2015	2016	2017	2018
Proved reserves (SEC)	12,817	13,402	15,120	15,789
Proved and probable reserves (PRMS)	23,117	23,769	28,471	29,619

¹ Hydrocarbon reserves are based on a 100% share in subsidiaries' results and our share in joint ventures' results, including fuel gas used for own purposes. Reserves and production of Yamal LNG's South-Tambeyskoye field are reported at 60%.

54 YEARS

Proved and probable reserve to production ratio (PRMS)

GEOLOGICAL EXPLORATION

The Company uses a systematic and comprehensive approach to exploration and development of its fields and license areas, from the collection and interpretation of seismic data to the creation of dynamic field models for the placement of exploration and production wells. We employ modern geological and hydrodynamic modeling as well as new well drilling and completion techniques to maximize the ultimate recovery of hydrocarbons in a cost effective and environmentally prudent manner.

The Company does not conduct deep-water drilling; however, it has developed an approach to mitigating environmental risks linked to shallow-water drilling operations. The approach includes conducting an environmental impact assessment (the process providing a holistic view on all environmental impacts of a business entity) as well as developing and implementing a range of activities to prevent such negative environmental impacts. These activities include environmental monitoring and industrial control of a site causing environmental impacts, impact minimization, waste removal and disposal, and mitigating activities.

In the reporting year, we shot 2,926 linear km of 2D seismic and 4,759 square km of 3D seismic works, as well as drilled a total of 36,100 meters of prospecting and exploration wells.

The successful exploration works contributed 989 bcm of gas and 61 mmt of liquids to NOVATEK's reserves under the Russian reserves classification, as well as 164 bcm of gas and 34 mmt of liquids to our PRMS reserves.

In 2018, the percentage of hydraulically fractured wells was 27% of the total wells drilled.

47.6 RR BLN

Invested in resource base development

FIELD DEVELOPMENT

In 2018, NOVATEK continued development activities at our producing and prospective fields. Production drilling in 2018, including production drilling at our joint ventures, reached 446,000 meters, representing a 70% increase over 2017. Our drilling activities were mainly driven by the development of the Yaro-Yakhinskoye, North-Obsskoye, East-Tarkosalinskoye, North-Urengoysskoye, East-Tazovskoye and Samburgskoye fields.

A total of 67 production wells, including 40 natural gas and gas condensate and 27 oil wells, were completed and commissioned during the year.

The construction of gas and condensate pipeline links with diameters of 820 mm and 273 mm was continued at the North-Russkoye field. Construction of a pipeline crossing under the Taz River was started through directional drilling. Construction activities were ongoing on the gas treatment facility, booster compressor station, auxiliary buildings and living camp.

NEW FACILITIES COMMISSIONED AT PRODUCING FIELDS

- On the crude oil part of the Yaro-Yakhinskoye field, an oil treatment facility with a capacity of 1.4 mmtpa with an oil delivery point, an external crude oil pipeline 57 km long, well pads and oil and gas gathering systems were built and commissioned into operation.
- Ten new well pads have been put into operation at the Yaruveyskoye field. Construction has been completed and a 40 km road from the Nadym-Salekhard Federal road to the Yaruveyskoye field has been put into operation.

Hydrocarbon Reserves

102-4



15.79 BLN
BOE
Total proved
hydrocarbon reserves
(SEC)

222 %
Reserve replacement
rate



Yamal LNG



Arctic LNG 2



Purovsky Gas Condensate Processing Plant



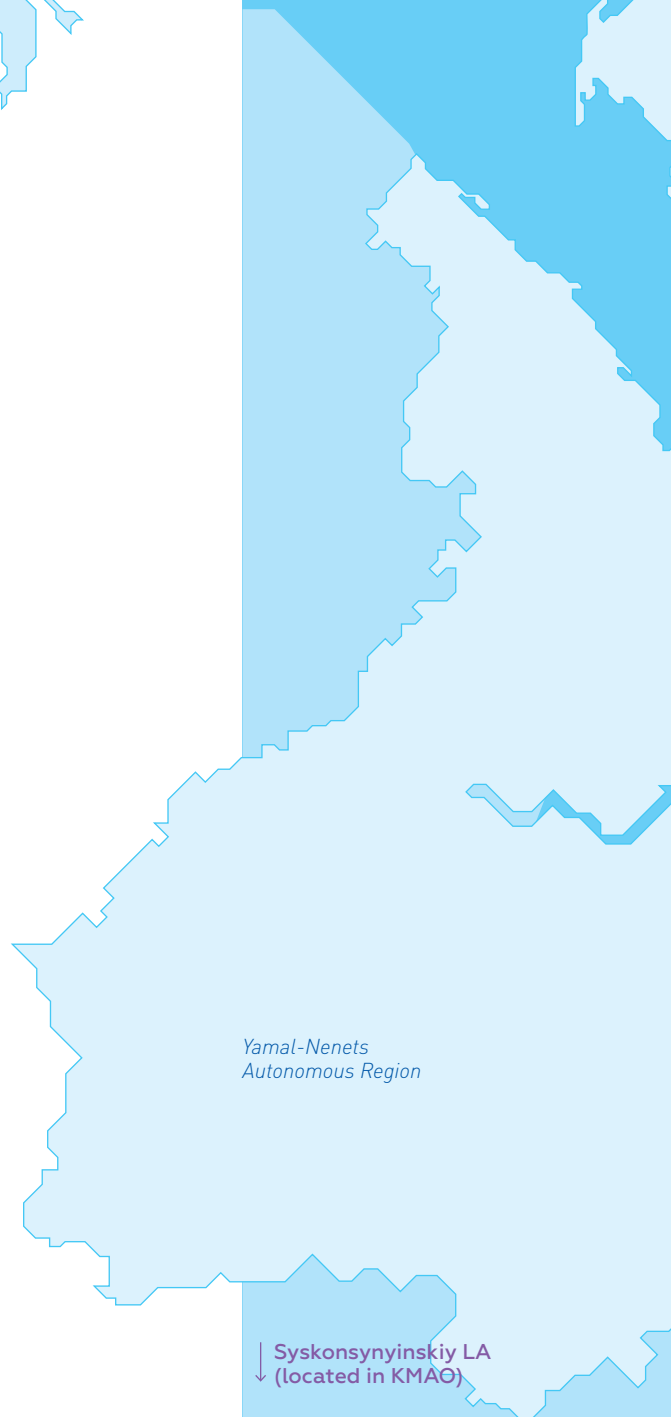
Gas condensate pipelines of NOVATEK

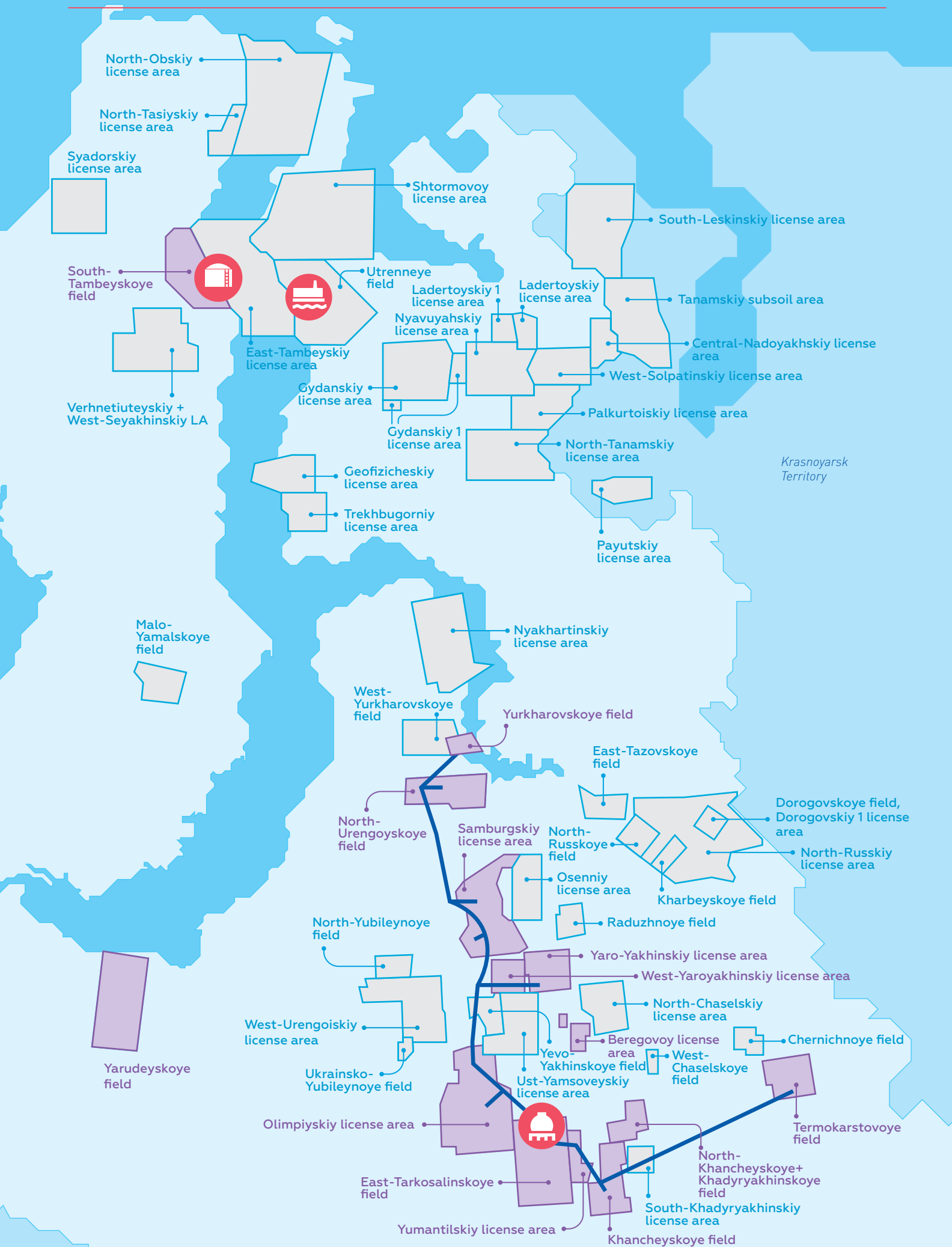
56

fields and license areas



Producing Fields

Prospective Fields and
License Areas



Hydrocarbon Production

In 2018, NOVATEK produced commercial hydrocarbons at 18 fields. The Company's production (including attributable share in the production of JV's) amounted to 549.1 mmboe, up 7% compared with 2017. The production increase was due to LNG production growth at the Yamal LNG, as well as the acquisition of new production fields at the end of 2017 and in the first quarter of 2018 — Beregovoy, West-Yaroyakhinskiy and Syskonsynynskiy license areas. The production volumes at mature fields of our subsidiaries and joint ventures decreased mainly due to natural declines in the reservoir pressure at the current gas producing horizons.

Total natural gas production including the Company's share in production of joint ventures aggregated 68.81 bcm, representing approximately 82% of our total hydrocarbon output. The share of gas produced from the gas condensate bearing layers (or "wet gas") in proportion to total gas production was 77.6%. Production of natural gas increased by 8.5% as compared to 2017 volumes.

Production of liquid hydrocarbons including the Company's share in production of joint ventures totaled 11,800 mt, of which 59.3% was gas condensate and the remaining 40.7% consisted of crude oil. Production of liquid hydrocarbons increased by 0.2% as compared to 2017, with gas condensate production amounting to 7,001 mt and crude oil production coming to 4,799 mt.

In 2018, we continued to achieve some of the lowest lifting costs in the industry. The Company's lifting costs were RR 38.5 (USD 0.61) per boe in 2018.

102-2

LNG PROJECTS YAMAL LNG PROJECT

Yamal LNG is an integrated project for the extraction, liquefaction and sales of natural gas. OAO Yamal LNG is an operator and owner of all the assets. As of the end of 2018, the shareholder structure of Yamal LNG was as follows: NOVATEK — 50.1%, TOTAL — 20%, CNPC — 20%, and the Silk Road Fund — 9.9%.

Yamal LNG was constructed and commissioned ahead of schedule and on budget, an unprecedented accomplishment in the global oil and gas industry. The commissioning of the second and third LNG trains were executed ahead of the initial schedule by 6 months and by more than a year, respectively. The first liquefaction train started production in 4Q 2017, whereas LNG trains 2 and 3 became operational in July and November 2018, respectively. The Yamal LNG project reached its full operational capacity in December 2018.

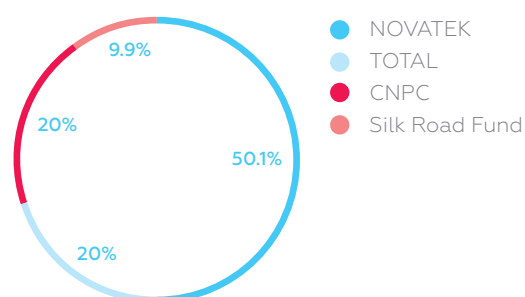
The aggregate design capacity of the three LNG trains is 16.5 mmtpa of LNG, or 5.5 mmtpa per train. We also plan to construct a fourth LNG train with the design capacity of 0.9 mmtpa, utilizing the "Arctic Cascade" liquefaction technology patented by NOVATEK.

In 2018, Yamal LNG shipped 113 LNG cargos (8.4 mmt) and 30 cargos of stable gas condensate (717 mt).

The South-Tambeyskoye field located in the North-East of the Yamal Peninsula is the resource base of the Project. The field is being developed with horizontal



YAMAL LNG SHAREHOLDERS AS AT 31 DECEMBER 2018



wells with total drilled lengths up to 5,000 meters and horizontal sections of up to 1,500 meters.

The license for exploration and production of hydrocarbons at the South-Tambeyskoye field held by Yamal LNG is valid until 2045.

As at 31 December 2018, the field's SEC proved reserves amounted to 707 bcm of natural gas and 24 mmt of liquid hydrocarbons. In 2018, the production drilling results increased the proved reserves at the field by 38 bcm of natural gas and 4 mmt of liquid hydrocarbons under the SEC reserves methodology, including production. According to the PRMS standards, the proved and probable reserves of the South-Tambeyskoye field as of the end of 2018 amounted to 1,002 bcm of natural gas and 37 mmt of liquid hydrocarbons.

A new fleet of LNG tankers designated as Arc7 ice class LNG carriers were specifically designed for Yamal LNG capable of navigating the Northern Sea Route (NSR) without icebreaker support all year round (westbound) and throughout the summer-autumn navigation period (eastbound). At the end of 2018, eight of the scheduled fifteen Arc7 ice-class carriers were in operation.

In November 2018, we started ship-to-ship LNG transshipment operations in the vicinity of the port of Honningsvåg in northern Norway in order to optimize transportation costs, shorten the travel distance for the Arc7 ice-class carriers and ensure timely loading and offtake of LNG production. The LNG is transshipped from the Arc7 ice class carriers to conventional LNG carriers delivering the cargos to the customers.

Yamal LNG inaugurated the 2018 summer navigation period along the NSR by delivering the first LNG cargos destined to China. These voyages represented the first shipment of Russian LNG along the NSR without icebreaker support. Moreover, they marked the start of regular LNG shipments via the NSR, which were only made possible by the unique ice-breaking characteristics of Arc7 carriers. The inaugural voyage from the port of Sabetta through the NSR to the destination port was completed in 19 days as compared to 35 days for the conventional route via the Suez Canal.



ARCTIC LNG 2 PROJECT

Arctic LNG 2 is the second LNG project of NOVATEK. The project includes the construction of three LNG trains, with a design capacity of 6.6 mmtpa of LNG each, or a total of 19.8 mmtpa, and at least 1.6 mmtpa of stable gas condensate. The project employs an innovative construction concept using gravity-based structures (GBS). OOO Arctic LNG 2 is the operator and owner of all the assets.

The Utrenneye field is the resource base for Arctic LNG 2. The field is located on the Gydan Peninsula in YNAO approximately 70 km across the Ob Bay from Yamal LNG. In 2018, the boundaries of the license area were expanded, and gas condensate deposits of the field's southern flank were included in the area. The license term was extended until 2120.

In 2018, the Utrenneye field exploration drilling discovered two new deposits and confirmed the commercial productivity of the Middle Jurassic layers. The discovered deposits hold total reserves of 405 bcm of natural gas and 40 mmt of gas condensate under the Russian reserve classification. As of 31 December 2018, the Utrenneye field's reserves under the Russian reserves classification totaled 1,978 bcm of natural gas and 105 mmt of liquids. OOO Arctic LNG 2 holds the LNG export license.

In 2018, we completed the front end engineering design (FEED)¹ and started site preparation, construction of early phase power supply facilities, production wells drilling and berth construction.

The GBS design concept as well as extensive localization of equipment and materials manufacturing in Russia will considerably decrease the capital cost per ton of LNG produced, ensuring the project's low cost structure and increasing its competitive advantages.

NOVATEK will build the LNG Construction Center in Belokamenka near Murmansk to provide fabrication of the GBS, assembly and installation of topside modules. The LNG Construction Center will comprise two dry docks to build GBS and facilities to manufacture topside modules. This new facility will establish a state-of-the-art LNG platform in Russia, create new jobs in engineering and production, and also contribute to regional economic development as well as manufacturing and equipment orders throughout Russia.

In December 2018, Arctic LNG 2 signed an agreement on the design and construction of three GBS platforms.

In December 2018, a contract was also signed for the supply of gas turbine compressors and gas turbine power generators for three liquefaction trains.

In May 2018, NOVATEK and TOTAL agreed in principle on the entry into the Arctic LNG 2 providing for a purchase

by TOTAL of a 10% participating interest in the project. The deal was closed in March 2019.

In April 2019, at the Belt and Road Forum for International Cooperation, PAO NOVATEK and CNOOC Ltd. (CNOOC) signed a binding agreement to enter the Arctic LNG 2 project. The agreement provides for a purchase by CNOOC of a 10% participating interest in the project. In addition, PAO NOVATEK and China National Oil and Gas Exploration and Development Company Ltd (CNODC), a wholly owned subsidiary of CNPC, signed a binding agreement to enter the Arctic LNG 2 project. The agreement provides for a purchase by CNODC of a 10% participating interest in the project. The deals were closed in July 2019.

In June 2019 in the presence of the President of Russian Federation Vladimir Putin, and the Prime Minister of Japan Shinzo Abe, NOVATEK and the consortium of Mitsui & Co and Japan Oil, Gas and Metals National Corporation signed the Sales and Purchase Agreement to purchase a 10% participation interest in the Arctic LNG 2 project. The deal was closed in July 2019.

CRYOGAS-VYSOTSK PROJECT

One of our LNG strategic initiatives is to develop small- to medium-scale LNG projects. This approach allows us to build effective marketing channels to sell our products on different markets. We see vast prospects in using LNG as marine fuel and motor fuel to substitute for diesel and fuel oil, which will also contribute to reducing emissions and improving the environment.

In July 2017, NOVATEK acquired a 51% participation interest in OOO Cryogas-Vysotsk implementing a project to construct an LNG production facility and a transshipment terminal.

Cryogas-Vysotsk, located in the port of Vysotsk on the Baltic Sea in the Leningrad Region, is NOVATEK's first medium-scale LNG project with an initial design capacity of 660 mtpa. At year-end 2018, most of the plant construction works were completed and commissioning was in progress.

The project infrastructure includes two LNG trains with a capacity of 330 mtpa each, a 42 mcm LNG storage tank and an offloading terminal designed to handle LNG carriers with a capacity of up to 30 mcm.

In 2018, NOVATEK and Fluxys established a joint venture to design, build, finance, own and operate a medium-scale LNG transshipment terminal with a capacity of about 300 mtpa in the port of Rostock, Germany. The transshipment terminal will receive LNG carriers from the Cryogas-Vysotsk liquefaction facility and further LNG deliveries to the European consumer market will be made via trucks. It will also have an option of bunkering and loading of bunkering vessels.

¹ Front End Engineering Design.



Processing of Gas Condensate

102-2

PUROVSKY PLANT

Our subsidiaries and joint ventures are producing wet gas, a mixture of natural gas and gas condensate. After being separated and de-ethanized at the field the main part of unstable (de-ethanized) gas condensate is delivered via a system of condensate pipelines owned and operated by the Company for further stabilization at our Purovsky Plant located in the YNAO in close proximity to the East-Tarkosalinskoye field.

The Purovsky Plant is the central element in our vertically integrated value chain that provides us complete operational control over our processing needs and access to higher yielding marketing channels for our stable gas condensate. The Purovsky Plant processes unstable gas condensate into stable gas condensate and natural gas liquids (NGL).

In the reporting period, the Purovsky Plant processed 11,017 mt of de-ethanized gas condensate, representing a 3.7% decrease compared to 2017. The processing capacity of the Purovsky Plant is in line with the total production capacity of the fields operated by NOVATEK subsidiaries and joint ventures. The 2018 output mix included 8,501 mt of stable gas



condensate, 2,452 mt of NGL and LPG and 15.0 mt of regenerated methanol.

The Purovsky Plant is connected via its own railway line to the Russian railway network at the Limbey railway station. Subsequent to the launch of the Ust-Luga Complex in 2013, most of the stable gas condensate volumes produced at the Purovsky Plant are delivered by railway to Ust-Luga for further processing or transshipment to exports, with the remaining volume of stable gas condensate sold directly from the plant to the domestic market.

All of the NGL volumes (feedstock for LPG production) produced at the plant are delivered by pipeline to

SIBUR's Tobolsk Petrochemical Complex for further processing.

UST-LUGA COMPLEX

The Gas Condensate Fractionation and Transshipment Complex (the "Ust-Luga Complex") is located at the all-season port of Ust-Luga on the Baltic Sea. The Ust-Luga Complex processes stable gas condensate into light and heavy naphtha, jet fuel, ship fuel component (fuel oil) and gasoil, and enables us to ship the value-added petroleum products to international markets. The Ust-Luga Complex also allows for transshipment of stable gas condensate to the export markets. After launching in 2013, the complex also allowed us to

NOVATEK GROUP'S KEY OPERATING INDICATORS IN 2015–2018

	Units	2015	2016	2017	2018	Change: 2018/2017
Hydrocarbon production (including share in production by joint ventures)						
Total production*	mmboe	521.6	547.0	513.3	549.1	7.0%
Including						
Gas	mmcm	67,905	67,647*	63,399*	68,806*	8.5%
	mmboe	444.1	442.4	414.6	450.0	
Liquid hydrocarbons	mt	9,094	12,441	11,774	11,800	0.2%
	mmboe	77.5	104.6	98.7	99.1	
Processing volumes and output of the Purovsky Plant						
Processing of de-ethanized condensate	mt	12,021	12,397	11,445	11,017	(3.7%)
Output:						
Stable gas condensate	mt	9,664	9,667	8,853	8,501	(4.0%)
NGL and LPG	mt	2,228	2,597	2,493	2,452	(1.6%)
Regenerated methanol	mt	11.3	10.2	16.5	15.0	(9.1%)
Processing volumes and output of the Ust-Luga Complex						
Stable gas condensate processing	mt	6,727	6,917	6,961	6,949	(0.2%)
Output:						
Heavy naphtha	mt	2,101	2,195	2,261	2,247	0.6%
Light naphtha	mt	1,898	2,000	1,962	1,997	1.8%
Jet fuel	mt	949	998	1,072	1,087	1.4%
Ship fuel component (fuel oil)	mt	1,183	1,147	967	843	(12.8%)
Gasoil	mt	462	443	564	633	12.2%

* Figures for natural gas production in 2016, 2017 and 2018 include the volumes consumed internally in production and development (primarily as fuel gas).

improve logistics and reduce transportation costs due to a more favorable geographical location of Ust-Luga compared to the port of Vitino, through which we had previously exported our stable gas condensate.

In the reporting year, the Ust-Luga Complex processed 6,949 mt of stable gas condensate into 6,807 mt of end products, including 4,244 mt of light and heavy naphtha, 1,087 mt of jet fuel and 1,476 mt of ship fuel component (fuel oil) and gasoil. The Ust-Luga Complex will commence constructing a hydrocracker unit in 2019 that will eventually reduce the fuel oil to produce more higher grade petroleum products. We expect this new upgrading unit will be commissioned in 2020.

High value-added petroleum products produced at the Ust-Luga Complex have a significant positive impact on the profitability of our liquid hydrocarbons sales and the Company's cash flow generation.

As the Ust-Luga Complex reached its full processing capacity we transshipped stable gas condensate to the export markets by sea.

Marketing and Sales

102-6 102-7

NATURAL GAS SALES

NOVATEK sells natural gas within the Russian Federation as well as exports natural gas in the form of LNG. The Company started exporting LNG in December 2017 when the first train at the Yamal LNG project started production. In addition, on the European market NOVATEK sells regasified liquefied natural gas arising during the transshipment of LNG (boil-off gas), as well as during the regasification of purchased LNG at owned regasification stations in Poland.

In 2018, natural gas sales volumes, including volumes of LNG sold, aggregated 72.13 bcm, representing an increase of 11% as compared to 2017. Revenues from natural gas sales in 2018 totaled RR 375.2 bln, representing a 51.5% increase compared to 2017. The revenue increase was mainly driven by the start of LNG deliveries from the Yamal LNG project and an increase in sales prices and volumes in the Russian domestic market.

SALES IN THE RUSSIAN FEDERATION

In 2018, the total volume of natural gas sales in the Russian Federation amounted to 66.07 bcm, increasing by 1.8% compared to the previous year.

NOVATEK plays an important role in ensuring supplies of natural gas to the domestic market. During 2018, the Company supplied natural gas to 40 regions of the Russian Federation. Our end customers and traders were located primarily in the following regions: the Khanty-Mansiysk Autonomous Region, Moscow and the Moscow Region, the Yamal-Nenets Autonomous Region, the Chelyabinsk, Lipetsk, Tyumen, Vologda, Nizhny Novgorod, Smolensk, Tula and Kostroma Regions, as well as Perm and Stavropol Territories. The above regions accounted for more than 92% of our total gas sales in the Russian Federation.

In order to manage seasonal gas demand, NOVATEK has entered into an agreement with Gazprom for underground storage services. Natural gas inventories are accumulated during warmer periods when demand is lower and then used to meet the increased demand during periods of colder weather. At year-end 2018, our inventories of natural gas, including LNG, amounted to approximately 2.2 bcm.

NOVATEK, through its subsidiary NOVATEK-AZK, is implementing a pilot project for the sale of LNG as a motor fuel.

Together with industrial and commercial enterprises of the Chelyabinsk Region, the Company has converted a number of pilot automotive vehicles (haul trucks and highway trucks) to the dual-fuel mode (LNG + diesel). In 2018, the preliminary testing results of these vehicle types were positive. Together with Chelyabinsk transport companies, the NOVATEK started trial operation of buses using LNG as a motor fuel. Two mobile refueling units were launched to refuel haul trucks, highway trucks and public transport in the Chelyabinsk Region.

INTERNATIONAL SALES

The successful start of LNG sales on international markets confirms NOVATEK's transformation into a global gas company. Yamal LNG is currently the largest LNG project in Russia.

In 2018, we sold 4 mmt of LNG or 57 cargos.

One of our core commercial marketing priorities is to expand our supply geography and grow our presence in the key consuming markets. In the reporting year, we shipped our first LNG cargos to Europe, the Asian Pacific region and Latin America, thus demonstrating the high commercial viability of our LNG cargos around the globe.

In June 2018, Yamal LNG shipped the first cargo of LNG under a long-term offtake agreement with Gas Natural Fenosa, a Spanish company. This represented

57

LNG cargos were sold in 2018

the first Russian gas delivered under a long-term contract to Spain, where Russian pipeline gas is not supplied.

In July, NOVATEK shipped its first cargos to China via the NSR in just 19 days compared to 35 days of delivery by the traditional eastern route via the Suez Canal. NOVATEK began using the NSR in 2010, by successfully supplying large-capacity tankers

72.13^{BCM}**Natural gas sales volumes, including LNG, in 2018**

with liquid hydrocarbons to the Asia-Pacific region. The Company has become a pioneer in supplying Russian LNG along this important navigational route. This first LNG shipment opened a new era in the supply of Russian LNG to the growing energy consuming markets of the Asia-Pacific region. The NSR ensures shorter transportation time and lower costs, playing a key role in developing hydrocarbon fields on the Yamal and Gydan peninsulas.

NOVATEK GROUP'S NATURAL GAS AND LIQUID HYDROCARBON SALES IN 2015—2018

	Units	2015	2016	2017	2018	Change: 2018/2017
Natural gas sales						
Total gas sales	mmcm	62,465	64,709	65,004	72,134	11.0%
International sales	mmcm	—	—	106	6,061	n/a
Sales within the Russian Federation, including:	mmcm	62,465	64,709	64,898	66,073	1.8%
End customers	mmcm	58,054	59,646	61,560	61,901	0.6%
Traders	mmcm	4,411	5,063	3,338	4,172	25.0%
Share of end customers in domestic gas sales	%	92.9	92.2	94.9	93.7	(1.2 p.p.)
Liquid hydrocarbon sales						
Total liquid hydrocarbon sales	mt	12,888	16,850	15,939	15,822	(0.7%)
Including:						
Petroleum products (Ust-Luga)	mt	6,693	6,662	6,743	6,683	(0.9%)
Crude oil	mt	1,090	4,650	4,616	4,542	(1.6%)
Stable gas condensate	mt	2,786	2,812	1,918	1,908	(0.5%)
Light hydrocarbons	mt	1,026	1,468	1,288	1,248	(3.1%)
LPG	mt	1,280	1,245	1,360	1,428	5.0%
Other	mt	13	13	14	13	(7.1%)

LIQUID HYDROCARBON SALES

NOVATEK sells liquid hydrocarbons (stable gas condensate, petroleum products, light hydrocarbons, LPG and crude oil) domestically and internationally. The Company strives to respond quickly to changing market conditions by optimizing the customer base and supply geography, as well as developing and maintaining logistics infrastructure.

In 2018, the liquids sales volume reached 15,822 mt, or 0.7% less than in 2017. In 2018, export sales decreased by 0.3% as compared to 2017 and amounted to 8,997 mt.

In 2018, our liquids sales revenues increased to RR 450.6 bln, or by 35.6% as compared to 2017, mainly driven by higher global oil prices and underlying benchmark prices.

High-value added petroleum products from the Ust-Luga Complex accounted for a 42% share of our overall liquids sales volumes. We sold a total of 6,683 mt of stable gas condensate products, including 4,185 mt of naphtha, 1,082 mt of jet fuel and 1,416 mt of gasoil and ship fuel component (fuel oil). The majority of petroleum products (98%) were exported. Export volumes were distributed as follows: Europe — 55.1%, Asia-Pacific — 32.2%, North America — 10.4% and Middle East — 2.3%. Most of our heavy naphtha was exported to Asia Pacific, light naphtha — to Northwest Europe and North America, jet fuel, gasoil and fuel oil — to Northwest Europe.

Export and domestic sales of stable gas condensate continued in 2018. Condensate was sold to international markets, including purchased volumes from Yamal LNG. Total stable gas condensate sales volumes amounted to 1,908 mt, representing a 0.5% decrease compared to 2017.

A portion of light hydrocarbons produced at the Purovsky Plant is processed on tolling terms at SIBUR's Tobolsk Petrochemical Complex into marketable LPG, which is then delivered to NOVATEK's customer base, while the rest of the light hydrocarbons volumes are sold to SIBUR. We sold 1,248 mt of light hydrocarbons in 2018.

Marketable LPG sales volumes totaled 1,428 mt in 2018, representing a 5% increase compared to 2017. LPG export sales volumes amounted to 593 mt or 42% of the total LPG sales volumes. Novatek Polska, our wholly owned LPG trading company in Poland, sold all of our LPG export volumes.

In the domestic market, our LPG is sold through large wholesale channels as well as through our retail network and small wholesale stations. In 2018, large wholesale supplies to the domestic market stood at 688 mt, representing 82% of domestic LPG sales. We also sold LPG via our retail network of 68 stations and seven small wholesale stations in the Chelyabinsk, Volgograd, Rostov and Astrakhan Regions. The combined sales from our retail and wholesale stations totaled 146 mt.

In 2018, sales of crude oil totaled 4,542 mt, which is 1.6%, lower compared with 2017. We sold 66% of our crude oil volumes in the domestic market, with the remaining volumes exported to international markets.

Dividends

The Company's Dividend Policy is regulated by the Regulations on Dividend Policy of PAO NOVATEK. Consolidated net profit under IFRS is applied for calculation of the dividend size.

NOVATEK's dividend policy is based on keeping the balance between the Company's business goals and shareholder's interests. A decision to pay dividends as well as the amount of the dividend, the payment deadline and form of the dividend is passed by the Annual General Meeting of Shareholders according to the recommendation of the Board of Directors. Dividends are paid twice a year. In determining the recommended amount of dividend payments to be distributed the Board of Directors considers the current competitive and financial position of the Company, as well as its development prospects, including operating cash flow and capital expenditure forecasts, financing requirements, debt servicing and other such factors as it may deem relevant to maintaining financial stability and flexible capital structure of the Company. NOVATEK is strongly committed to its dividend policy.

Considering the interim dividend of RR 9.25 per share (RR 92.50 per one GDR) paid for the first six months of 2018, the total dividend for FY2018 was RR 26.06 per ordinary share (RR 260.6 per one GDR), a 74.3% increase from the total dividend paid for FY2017 (RR 14.95 per share, or RR 149.5 per one GDR). The total dividend payout recommended for FY2018 is therefore RR 79,126,134,360, which is in line with the Company's dividend policy of distributing at least 30% of consolidated IFRS net profit adjusted for items not related to core business and non-monetary items.

35.6[%]

Increase of liquids sales revenues as compared to 2017

26.06^{RR}

Total dividend for FY2018 per ordinary share

ACCRUED AND PAID DIVIDENDS ON NOVATEK SHARES FOR THE PERIOD 2014 TO 2018

Dividend accrual period	Dividends, RR per share	Total amount of dividends accrued, RR	Total amount of dividends paid, RR
2014	10.30	31,273,951,800	31,273,942,156
2015	13.50	40,990,131,000	40,990,062,832
2016	13.90	42,204,653,400	42,204,606,373
2017	14.95	45,392,774,700	45,392,718,990
2018	26.06	79,126,134,360	78,746,563,489

Natural Gas Sales

102-4

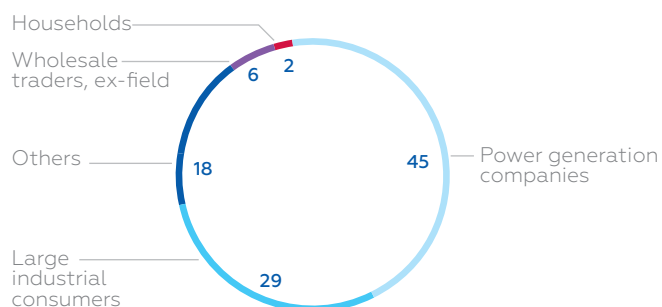
In 2018, natural gas sales volumes, including volumes of LNG sold, aggregated 72.1 bcm, representing an increase of 11% as compared with 2017.



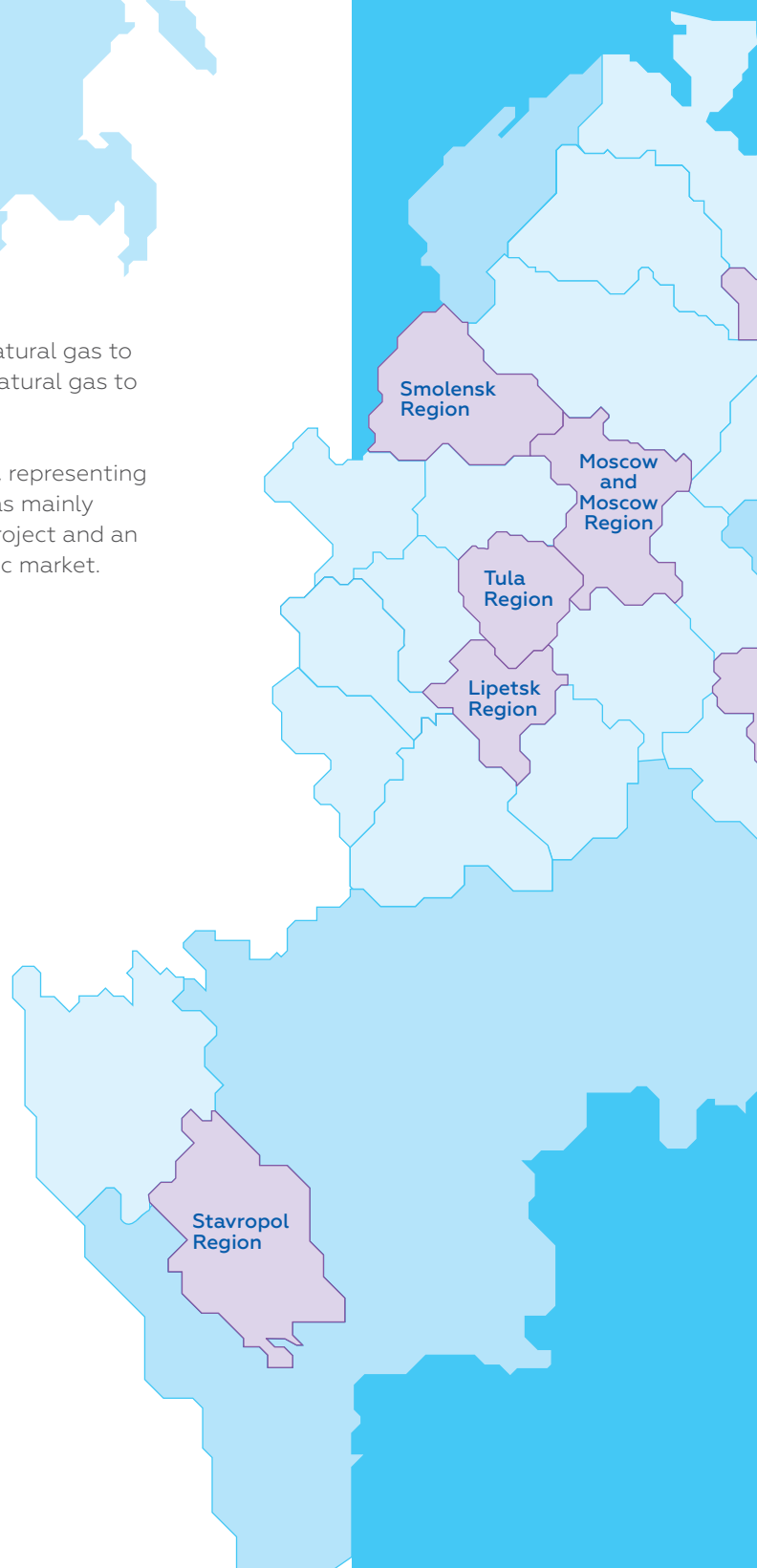
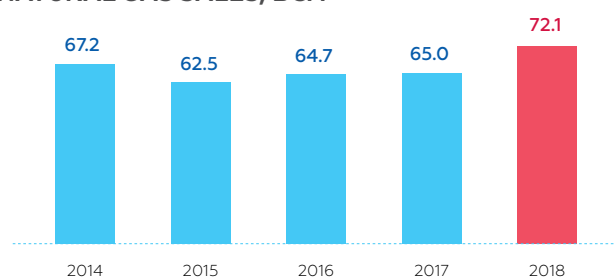
NOVATEK plays an important role in ensuring supplies of natural gas to the domestic market. During 2018, the Company supplied natural gas to 40 regions of Russia.

Revenues from natural gas sales amounted to RR 375.2 bln, representing a 51.5% increase compared to 2017. The revenue increase was mainly driven by the start of LNG deliveries from the Yamal LNG project and an increase in sales prices and volumes in the Russian domestic market.

NATURAL GAS SALES BREAKDOWN ON THE RUSSIAN DOMESTIC MARKET BY CUSTOMERS IN 2018, %



NATURAL GAS SALES, BCM



40

regions in Russia

66.1^{BCM}

Total volume of natural gas sales in Russia



14

Main regions of gas sales

26

Other regions of gas sales

LNG Sales

102-4

One of our core commercial marketing priorities is to expand our supply geography and grow our presence in the key consuming markets. In 2018, we shipped LNG cargos to Europe, the Asian-Pacific region and Latin America, thus demonstrating the commercial viability of delivering cost-competitive LNG around the globe.

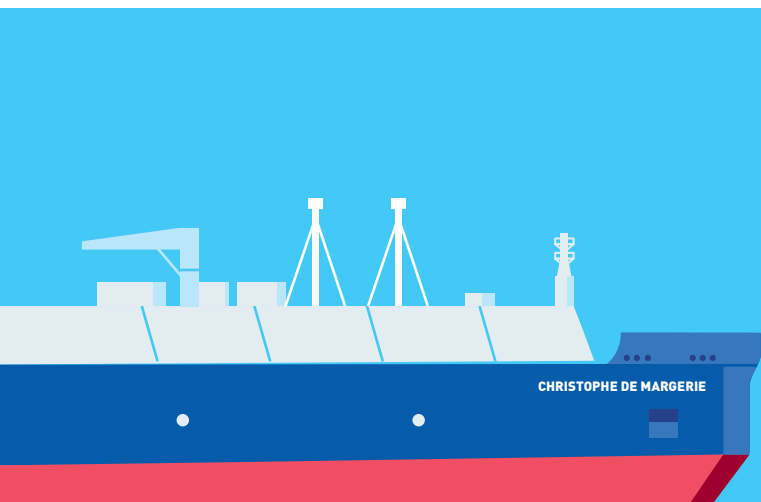
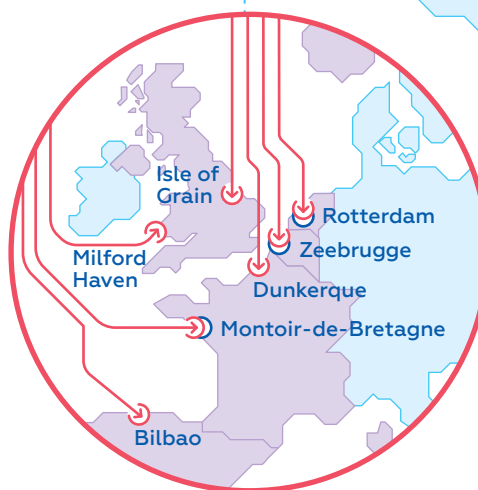
LNG TRANSPORTATION

The Arc7 ice-class carriers, designed specifically for NOVATEK's Arctic projects, enable year-round navigation without icebreaker support along westbound navigation routes and eastbound during the Arctic zones seasonal navigation period, along the Northern Sea Route.

57

LNG CARGOS

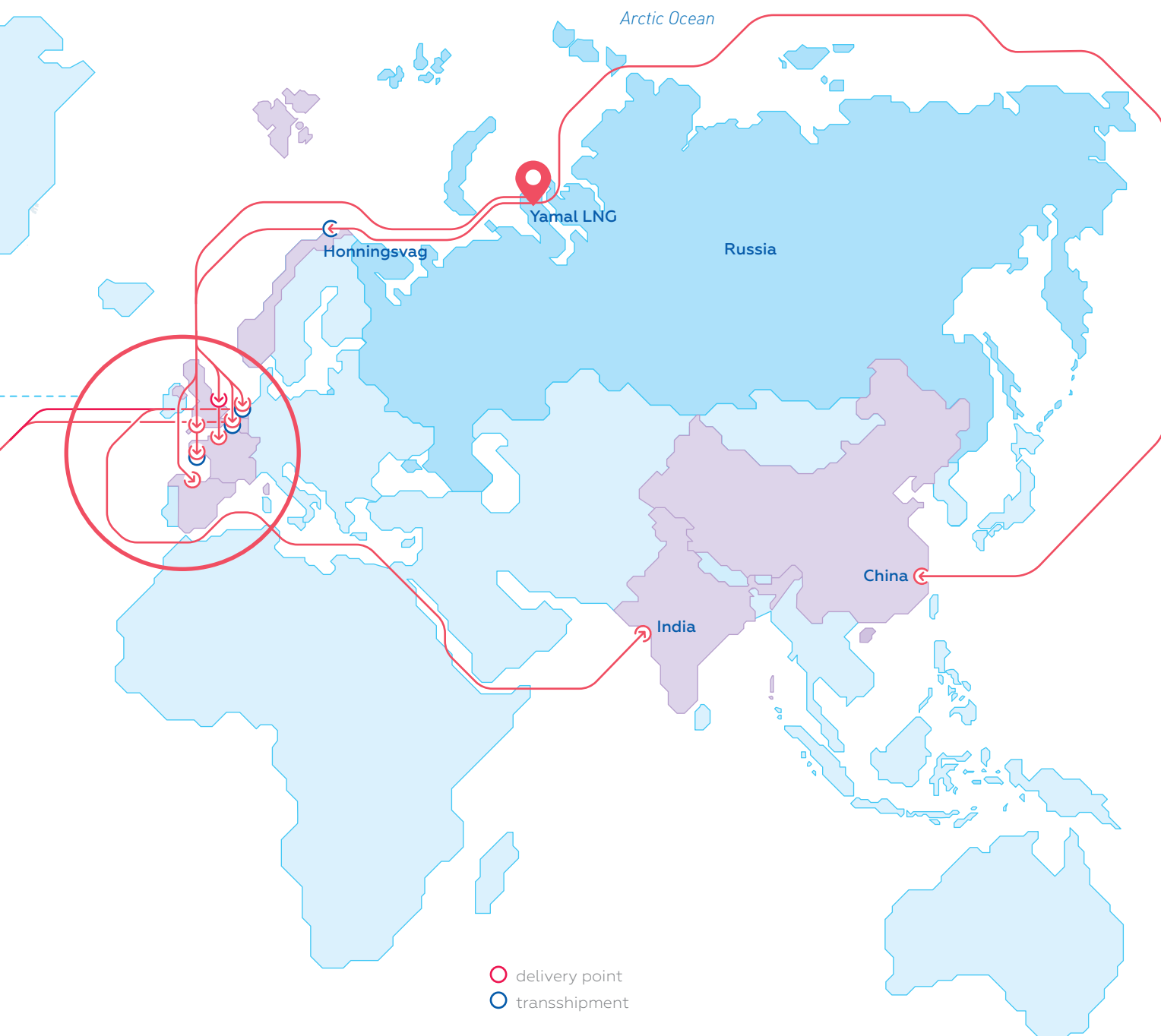
sold by NOVATEK in 2018



170 ^{MCM}
LNG tanker capacity

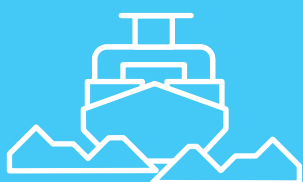


45 ^{MWt}
Vessel power



19.5 KNOTS

Speed in open water



5.5 KNOTS

Speed in ice 1.5 m thick



19 DAYS

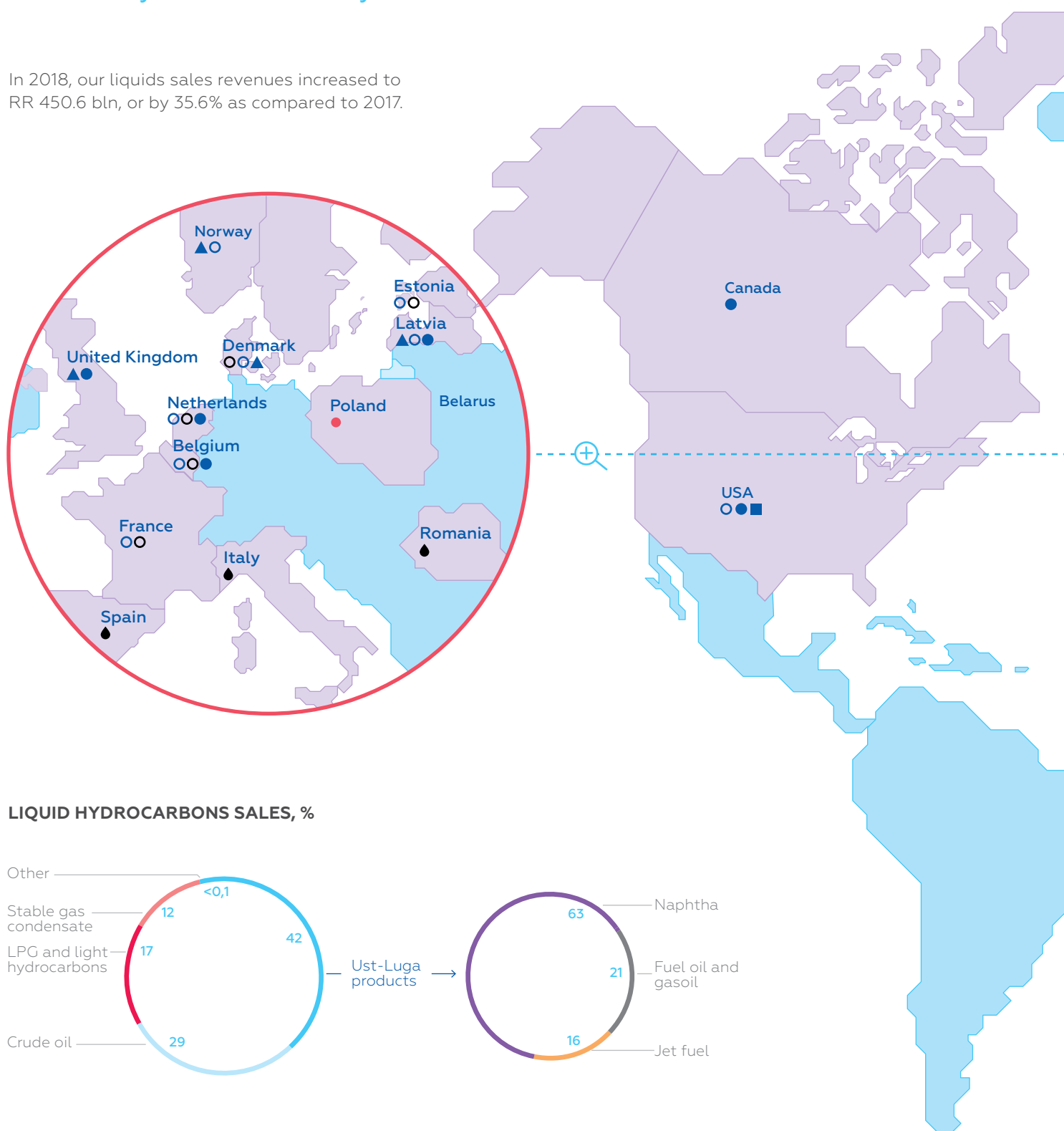
The first LNG tanker voyage from the port of Sabetta to China was completed in 19 days as compared to 35 days for the conventional route via the Suez Canal

Liquid Hydrocarbons Sales

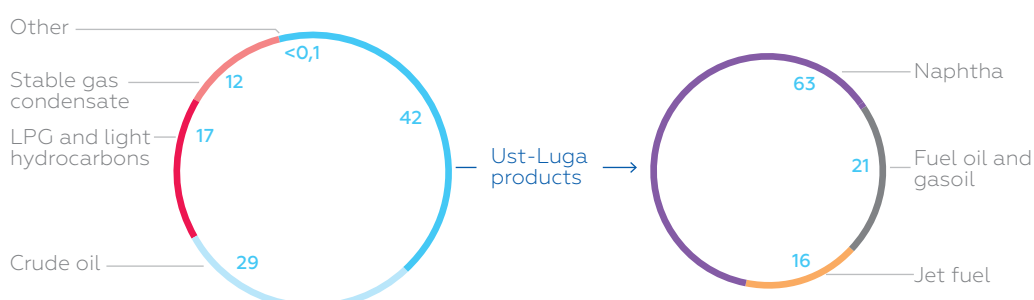
102-4

NOVATEK sells liquid hydrocarbons (stable gas condensate, petroleum products, light hydrocarbons, LPG and crude oil) domestically and internationally.

In 2018, our liquids sales revenues increased to RR 450.6 bln, or by 35.6% as compared to 2017.



LIQUID HYDROCARBONS SALES, %



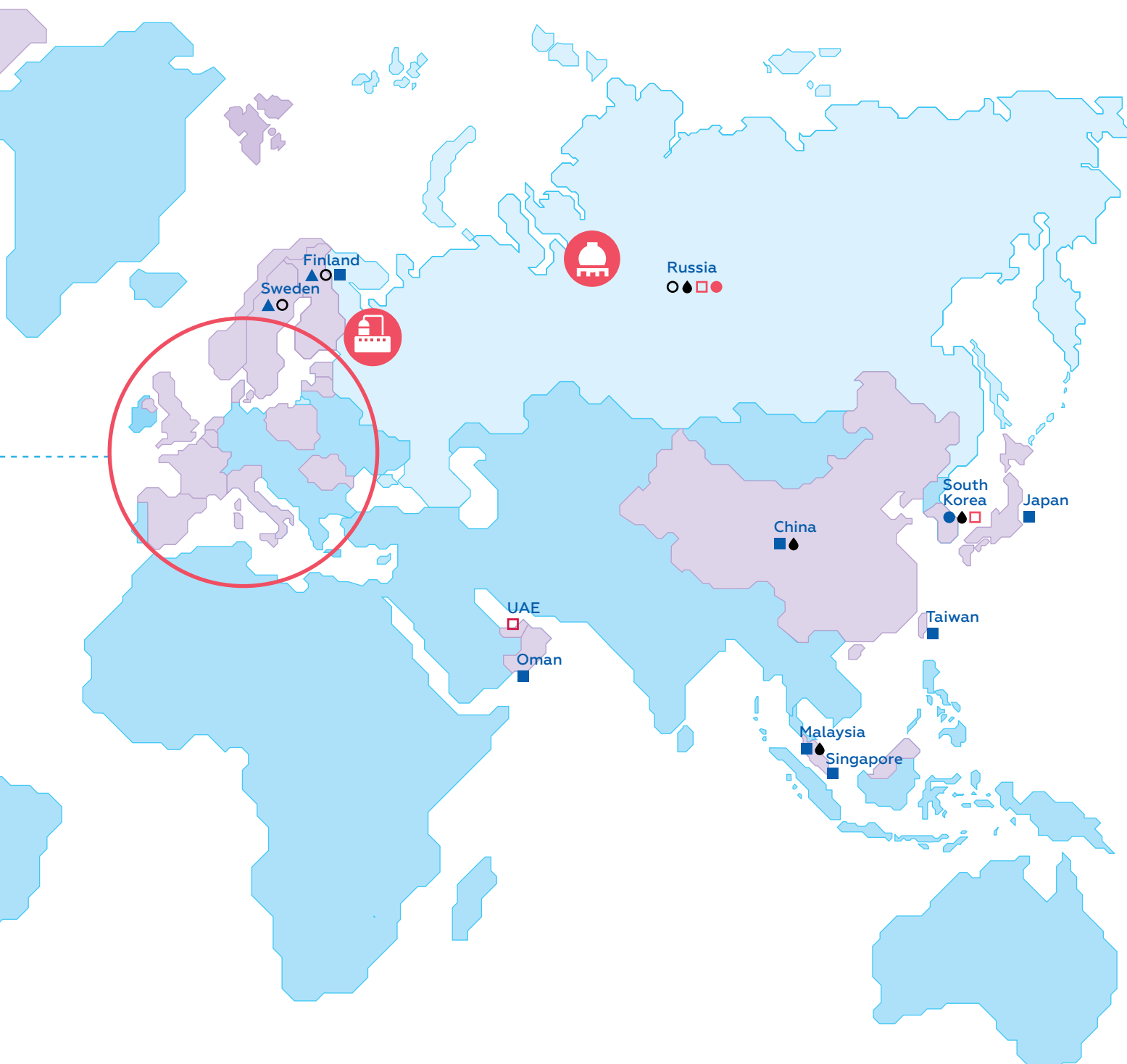
15.8^{MMT}

Liquid hydrocarbons sales volume

451^{RR BLN}

Liquid hydrocarbons sales revenues

● LPG □ Stable gas condensate ▲ Jet fuel ■ Heavy naphtha ● Crude oil ● Ust-Luga Complex ● Purovsky Plant ■ Export markets
○ Gasoil ● Light naphtha ○ Fuel oil





External Social Policy

31.5 RR MLN

The Company allocated for the NOVATEK-Veteran Social Protection Foundation's needs

800 STUDENTS

can study in boarding school, opened in 2018 by NOVATEK and the Government of the Yamal-Nenets Autonomous Region

2 RR BLN

Investments aimed at regional development, social projects, charity, and sponsorship





NOVATEK is fully committed to being a socially responsible corporation and supports local communities and the regions in which it operates through projects and programs embracing culture, sports, education, and social welfare with a particular focus on helping individuals in need.

The two business units responsible for managing corporate social responsibility matters at NOVATEK are the Public Relations Department and the HSE Department. The Company's business strategy includes development programs targeted at local communities and charitable projects.

In 2018, investments aimed at regional development, social projects, charity, and sponsorship totaled RR 2 bln.

Cooperation with Russian Regions

203-1 | 203-2

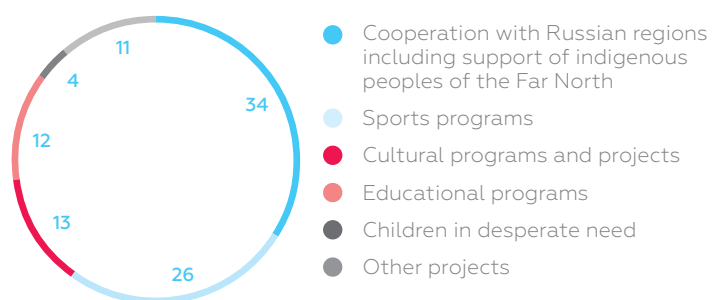
One of NOVATEK's strategic goals is to promote social and economic sustainability and develop regions of operations through social investments and various charitable programs. The Company plans and conducts all activities in acknowledgement of its responsibility to local communities.

NOVATEK always engages with stakeholders during the construction phase of new projects. This provides an opportunity to identify the project's potential negative impacts early on and propose measures to manage them. No conflicts with stakeholders from local communities were reported in 2018. Since 2019 NOVATEK has been providing financial support to upgrade the water treatment facilities with reverse osmosis water filtration in the Seyakha village, the Yamal District, in 2018, preparatory work was carried out and the scope of the project was determined. The total cost of these activities is RR 90 mln. The Company also plans to provide drinking water filter systems with replaceable cartridges for a total of RR 7 mln.

On an annual basis, the Company enters into cooperation agreements with its regions of operation, makes a considerable contribution to the economic and social development of local communities and to the preservation of the Northern peoples' national identity.

Under the agreements signed with multiple regions, a substantial portion of investments in 2018 was directed to the Yamal-Nenets Autonomous Region, the Khanty-Mansiysk Autonomous Region, and the Leningrad, Murmansk, Chelyabinsk, Tyumen, and Kostroma Regions. The funds were used to build and repair social infrastructure facilities, finance projects for education, culture, sports, and children and youth, and provide support to low-income families, veterans, and people with special needs.

SOCIAL INVESTMENTS IN 2018, %



Following investment agreements between NOVATEK's subsidiaries and the Government of the Yamal-Nenets Autonomous Region, the Company is committed to creating new jobs for the region's residents. NOVATEK strives to provide roles with flexible working hours to the indigenous peoples of the Far North. Specifically, they work as guides during exploration activities and monitor natural and cultural landmarks. The number of jobs reserved for indigenous peoples is determined to meet their needs while providing opportunities to be trained for in-demand roles.

As part of the Charity Policy, approved in 2017 to regulate the assistance of children in desperate need of medical care residing in the regions where the Company operates, NOVATEK provided substantial support to finance treatment, diagnosis, and rehabilitation for children with severe medical conditions and disabilities.

YAMAL-NENETS AUTONOMOUS REGION DEVELOPMENT

The Yamal-Nenets Autonomous Region is an important region of operation for NOVATEK, as it is home to the Company's core production operations. The Company allocates a considerable portion of its social investments to the region, annually providing assistance through developing settlements and constructing and renovating accommodation, educational, and sports facilities.

To develop the Yamal-Nenets Autonomous Region, NOVATEK focuses on the following:

- support of the indigenous peoples of the Far North;
- promotion of relevant professional education;
- promotion of sports;
- environmental initiatives;
- youth programs;
- targeted assistance to people in financial distress.

203-1 | 413-1

NOVATEK takes part in various projects and initiatives set to develop infrastructure and improve the quality of life of local communities. The Company is directly involved in funding the construction of major public infrastructure across the Yamal-Nenets Autonomous Region.

In September 2018, NOVATEK and the Government of the Yamal-Nenets Autonomous Region opened a boarding school accommodating 800 students in the village of Gyda. The project was fully funded by NOVATEK.

The new school became an important educational and cultural center of the Gydan Peninsula. It is equipped with modern equipment to ensure proper educational process and carry out cultural and sports-related activities. The school facilities include a canteen, a medical facility, workshops, a language laboratory, a reading room, a conference hall, a museum and a projection room, where students can develop their creativity and get involved in the arts. Construction of the new modern boarding school in one of the most remote settlements of the Yamal-Nenets Autonomous Region is a project aimed to improve the living standards of the Far North indigenous and minority groups. Education is a base for development of young people's vast capacities and human resources in the region in particular and in the country in general.

Additionally, construction of a facility for boxing and karate for the Contact Sports School is being completed with NOVATEK's support.

In 2018, the Company financed an upgrade of sports facilities in the Purovsky District, new equipment for sports grounds at secondary schools in the Nadymsky District, and construction of sports grounds and playgrounds in the village of Krasnoselkup.

NOVATEK's ambition is to improve the quality of education in the Yamal-Nenets Autonomous Region, running a number of programs to build up its talent pool. The Company designs programs for the education and development of gifted children and specialist training, and conduct experimental research on introducing them

NOVATEK's ambition is to improve the quality of education in the Yamal-Nenets Autonomous Region, running a number of programs to build up its talent pool. The Company is designing programs for the education and development of gifted children and specialist training.

to a professional education through project-based learning activities, lectures, and workshops.

In line with its youth policy for the Yamal-Nenets Autonomous Region, NOVATEK supports youth centers, clubs, and student groups on a regular basis.

The Company also provides targeted financial and social support to vulnerable groups of people, purchasing equipment for people with limited mobility, providing assistance to low-income families, people in financial distress, veterans, and children with special needs.

NOVATEK traditionally supports fishery management and focuses on aquatic biodiversity protection programs. In 2018, NOVATEK financed research of the whitefish population in the Taz River. In 2017, the Sob fish-breeding farm, financed by the Government of the Yamal-Nenets Autonomous Region and NOVATEK, was put into operation. In the reporting year, the Company continued to provide support to the farm.

The Company also continued funding the construction of a facility for preparing and processing deer products in Gyda, Tazovsky District. The modern facility will make a great contribution to both the preservation of traditional deer breeding on the Gydan Peninsula and the agricultural industry of the Yamal-Nenets Autonomous Region in general. Environmental initiatives are another extremely important focus area of NOVATEK's efforts to improve the quality of life in the region. They include eliminating illegal dumps, cleaning up riverbanks, ichthyologic research and monitoring, and significantly improving the environment in the territories of the Yamal and Gydan peninsulas, the Priuralsky District, and Bely Island.

NOVATEK always holds public hearings when planning projects with potential environment impact. Details on the planned public hearings and their results are shared through national and regional media. Information sheets evaluating the potential environmental impact and related plans of environmental protection activities are made available in public spaces, including local libraries, administration buildings, offices of non-governmental organizations, and the community liaison offices of NOVATEK's subsidiaries. The main conclusions and recommendations produced at the public hearings are documented and considered in the decision-making process.

SUPPORT OF INDIGENOUS PEOPLES OF THE FAR NORTH

203-1 | 203-2 | 413-1

The NOVATEK Group participates in government programs to support the indigenous peoples of the Far North under cooperation agreements.

During the reporting year, NOVATEK provided financial support to the Yamal for Descendants Association

700

RR MLN

Social investments on cooperation with Russian regions, including support of indigenous peoples of the Far North

of Indigenous Peoples and its district branches to carry out activities aimed at improving the quality of life and living standards for the indigenous peoples of the Yamal Peninsula. NOVATEK fosters social and cultural environments by supporting creative teams, purchasing musical instruments and equipment, funding participation in contests and festivals of various sizes, and financing cultural events. Every year, NOVATEK participates in events related to national and cultural traditions, and events with social impact such as Fisherman's Day, Reindeer Herder's Day, the Day of the World's Indigenous Peoples, Senior Citizens Day, and Victory Day.

The Company regularly helps local communities. In 2018, equipment and various inventories for fishermen and reindeer herders were purchased. The Company also organized helicopter flights for transporting nomads and food to hard-to-reach areas, and supplied fuel, lubricants, and firewood to nomadic families and indigenous communities. Heated portacabins were purchased for the needs of tundra population in the Tazovsky District.

NOVATEK provides targeted training to personnel from amongst the indigenous peoples of the Far North to work for fuel and energy companies and help meet the needs of the Yamal District.

NOVATEK engages local stakeholders in planning and implementing development initiatives targeted at local communities, collaborating with the Government of the Yamal-Nenets Autonomous Region to make a list of social and economic priorities for the region.

In collaboration with the Administration of the Yamal District and the District Grassroots Movement of the Indigenous Peoples of the Far North, Yamal, the Company developed the Indigenous Peoples' Development Plan, which aims to:

- prevent or reduce the Yamal LNG Project's potential negative impact on indigenous peoples in the Yamal District;
- contribute to improving the quality of life of indigenous peoples in the Yamal District through culturally-sensitive social development programs;

90

RR MLN

Expenses on preparatory work to upgrade the water treatment facilities with reverse osmosis water filtration in the Seyakha village

- help indigenous peoples of the Yamal District to unlock their potential and encouraging them to actively participate in the Development Plan.

NOVATEK recognizes the critical importance of cooperation with indigenous communities, as well as with scientific, environmental, charitable, and other non-profit organizations for ensuring continuous engagement based on trust, respect, transparency, and mutual understanding.

NOVATEK pays special attention to cooperation with indigenous peoples and supporting community-oriented programs aimed at improving their life quality.

The Company provides information in advance on its plans to carry out production and technical operations in places where indigenous peoples of the Far North live and work.

Employees of NOVATEK and its subsidiaries are informed of inclusive and acceptable behavior when working in places where indigenous peoples of the Far North have been living and working for many years.

In collaboration with the Administration of the Yamal District and the District Grassroots Movement of the Indigenous Peoples of the Far North, Yamal, an Advisory Board was created to ensure cooperation and make joint decisions on issues such as environmental protection, healthcare, culture, protection, and supporting the original environment, traditional way of life, marriage customs, and crafts of indigenous peoples of the Far North, etc. The Advisory Board held three meetings in 2018.

Roundtables are organized up to three to four times a year in the Purovsky and Tazovsky Districts that are attended by representatives of companies, local authorities, non-governmental organizations of indigenous peoples of the Far North, reindeer herding enterprises, and indigenous communities. The roundtables discuss support that can be provided to indigenous peoples and hold consultations on specific matters and problems.

Day-to-day cooperation between employees of NOVATEK's subsidiaries and indigenous people to address concerns is common practice for the Company.

Educational Programs

203-1 | 203-2

NOVATEK stays focused on programs set to bring professionals to the Company and support the most qualified and educated young people across the regions of operation.

For many years, we have been running a continuous education project that starts at schools, and is followed by specialized higher education, internships, and subsequent employment at NOVATEK.

413-1

EDUCATIONAL PROGRAMS

Title	Description	2018 highlights
"Gifted Children"	<p>Established in 1999, the "Gifted Children" program is run at secondary schools in the Samara Region, Yamal-Nenets Autonomous Region, and Tyumen. Special classes are formed on a competitive basis from the most talented grade 10 and 11 students with above-average test scores. The high-school students have a special training program. The standard curriculum is extended to include courses in applied physics, mathematical methods of physics, advanced mathematical tasks, history of world culture, and economics. The NOVATEK Group organizes vocational trips to its facilities.</p> <p>As part of the program, a resource center for industry-relevant student training — the Natural Science Center — was opened in the Purovsky District's Tarko-Sale (Yamal-Nenets Autonomous Region) in 2018.</p> <p>The Center is attended by students from the fifth to the eleventh grade from Tarko-Sale and provides distance learning for students from other schools in the Purovsky District. The curriculum includes chemistry, biology, and physics. The students' work include competition-level problems and complex tasks, as well as preparation for nationwide competitions and contests. Also, the students do research on topics relevant to the Purovsky District.</p>	<p>A total of 105 school students study at four educational institutions under this program.</p> <p>In autumn 2018, the Company for the first time organized NOVATEK Planet, a team-building festival for high-school students who participate in the program and plan to enter specialized higher education institutions and later join NOVATEK together.</p> <p>In 2018, the Company allocated RR 12.5 mln to the program, up RR 4 mln compared to 2017.</p> <p>The Center is attended by 381 students.</p> <p>In 2018, the Center signed two cooperation agreements: with AESC MSU — Kolmogorov's boarding school and the Vernadskiy State Geological Museum.</p> <p>In December 2018, the Purovsky District for the first time hosted a WorldSkills Regional Competition in the Chemical Analysis Service category for students aged 14 to 16.</p> <p>The Company spent RR 3.5 mln on the project.</p>
"Grants" programs		
The grants program consists of two programs. In 2018, the program expenditures amounted to RR 264,000 .		
"Grants for Schoolchildren"	<p>The program was launched back in 2004 to foster intellectual and creative development of schoolchildren in the Purovsky District of the Yamal-Nenets Autonomous Region. Under the program, students in grades five through eleven are awarded grants from the Company.</p>	<p>In 2018, 39 grants were awarded.</p> <p>A total of 1,612 grants were awarded since the start of the program.</p>

12.5^{RR MLN}

Expenses on "Gifted Children" program

26.8^{RR MLN}

Expenses on "NOVATEK-University" program

Title	Description	2018 highlights
"Grants for Teachers"	<p>Launched in 2008, the "Grants for Teachers" program is intended to raise the prestige of the teaching profession and create favorable conditions for developing new and talented teachers.</p>	<p>In 2018, four grants were awarded to teachers in the Purovsky District of the Yamal-Nenets Autonomous Region.</p> <p>A total of 79 grants were awarded since the start of the program.</p>
"NOVATEK-University"	<p>In an effort to create conditions for a more effective use of university and college resources in preparing students for future professional activities, the Company has developed and successfully implemented the "NOVATEK-University" program.</p> <p>The program is based at the Saint-Petersburg University of Mines, the Gubkin Russian State University of Oil and Gas in Moscow, and Tyumen Industrial University.</p> <p>The most talented graduates of the "Gifted Children" program, children of the Group's employees, and other promising graduates of schools in the Purovsky District of the Yamal-Nenets Autonomous Region, are eligible for the "NOVATEK-University" program.</p> <p>The program's participants receive the following support:</p> <ul style="list-style-type: none"> • allowance added on top of the state scholarship conditional on academic performance; • commuter allowance to travel home and to the internship site; • making arrangements for paid internships. 	<p>In 2018, 10 graduates found jobs with the Company's subsidiaries.</p> <p>A total of 24 students completed internship programs at NOVATEK's subsidiaries.</p> <p>As of 31 December 2018, 85 "NOVATEK-University" graduates were employed by the NOVATEK Group.</p> <p>In May 2018, the Moscow Region hosted the 11th student forum of the "NOVATEK-University" program. This time the forum focused on personal development trainings and effective communication tools that can be useful at school and at work. The event also featured a Q&A session with NOVATEK management.</p> <p>In 2018, the program expenditures amounted to RR 26.8 mln.</p>

Preserving Cultural Heritage

NOVATEK cooperates with Russia's leading cultural institutions — the Russian State Museum, the State Tretyakov Gallery, the Moscow Museum of Modern Art (MMOMA), the Territory contemporary art festival-school and the Gogol Center. In 2018, the Company supported art and music projects in Russia and abroad.

The following major cultural events benefited from NOVATEK's support:

- The "Nikolai Kulbin" and "Lazar Khidekel" exhibitions at the Russian State Museum. In 2018, the main theme of the exhibitions was avant-garde art. NOVATEK also supported the annual Imperial Gardens of Russia international festival of garden and park art titled "Flower Assembly". "Russian Museum. Common Stories", a book by Vladimir Gusev, director of the State Russian Museum, was published.
- In 2018, NOVATEK was involved in the implementation of the "Ilya and Emilia Kabakov. Not Everyone Will be Taken into the Future" international project. A large-scale retrospective exhibition of Ilya and Emilia Kabakov's works was available in the Tate Modern museum in London, UK, the State Hermitage in Saint Petersburg, Russia, and in the State Tretyakov Gallery in Moscow, Russia.
- The Moscow Museum of Modern Art (MMOMA) presented an exhibition of a major figure of Russian nonconformist art: "Vladimir Yankilevsky. The Mystery of Being". In 2018, NOVATEK continued supporting the MMOMA Education Center.
- The MMOMA Education Center once again delivered a course of lectures on the history of international and Russian fine arts, fashion, design, and architecture for NOVATEK's employees and their families.
- The Company also supported the preparation and holding of the Sixth Moscow International Biennale for Young Art. In 2018, the Biennale comprised 55 key events. The Moscow Museum of Modern Art, the National Center for Contemporary Arts, the MMOMA Education Center, the AZ Museum and others were the main venues.
- In the reporting year, the Multimedia Art Museum held a retrospective of Vsevolod Tarasevich.
- NOVATEK is a permanent partner of the International Festival-School of Contemporary Art TERRITORIYA. In 2018, the Festival's agenda covered dance, music, drama and art, media projects, and performance. Fifteen projects from nine countries were demonstrated as part of the Festival.

11,000

boys and girls took part in the Indoor Football competitions supported by NOVATEK in 2018

- The Company continued supporting the Gogol Center which presented six premiere plays in the reporting year.
- In 2018, NOVATEK remained a General Partner of the Moscow Soloists Chamber Ensemble under the direction of Yuri Bashmet.
- The Company acted as General Partner of an Asian tour of the Russian Youth Symphony Orchestra led by Yuri Bashmet. The tour included concerts in Moscow, Vladivostok, Singapore, Shanghai, Beijing, and Seoul.

Promotion of Sports

NOVATEK supports active lifestyles and recognizes the major role of sports and exercise in people's lives. The Company develops and implements numerous amateur programs, traditionally supports professional sports, refurbishes existing football pitches and ice hockey rinks, and builds new ones in its regions of operation. NOVATEK consistently expands upon opportunities for its employees and their families to exercise and take part in sports.

The Company's employees play in corporate sports teams and regularly take part in tournaments in the most popular and widespread participatory sports such as football (soccer), volleyball, swimming, and skiing.

NOVATEK continued supporting youth sports across its regions of operation. In 2018, the "NOVATEK — Step to Bigger Football" Indoor Football Cups among secondary school teams were held in the Chelyabinsk and Kostroma Regions. More than 11,000 boys and girls took part in the competitions. As part of the World Football Championship 2018 youth events, a match between the winning teams of the Chelyabinsk and Kostroma championships and their peers from Italy was held on Moscow's Red Square.

The Company supported the All-Russia Athletic Federation, Figure Skating and Ice Hockey federations of the Yamal-Nenets Autonomous Region, and Student Basketball Association with more than 800 teams and 10,000 boys and girls participating in competitions. The Russian Federation of Dance Sports and Acrobatic



Rock'n'Roll and the Company support corporate dance sport and acrobatic rock'n'roll clubs (established in 2016) in the regions where the Company operates. In April 2018, members of the corporate acrobatic rock'n'roll clubs participated in the 3rd Russia-wide acrobatic rock'n'roll competition Rock'n'Roll & Co.

In 2018, NOVATEK continued its cooperation with the Football Union of Russia as the General Partner of the Russian National Football Teams. The Company supported women's volleyball club Dinamo and the NOVA Volleyball Club (Novokuybyshevsk).

To promote healthy lifestyles and sports, the Company helps its employees and their families attend sports competitions.

The Company supported the All-Russia Athletic Federation, Figure Skating and Ice Hockey federations of the Yamal-Nenets Autonomous Region, and Student Basketball Association with more than 800 teams and 10,000 boys and girls participating in competitions.

Help to Children in Desperate Need

NOVATEK's Charity Policy includes several focus areas. The main focus area is providing medical care for children under 18 residing in the Company's regions of operation. The charity program of the Policy is aimed at helping children with serious illnesses, children with special needs, visually impaired children, and premature babies.

The core principles of NOVATEK's Charity Policy:

- transparent charitable activities;
- constantly active charitable programs;
- equal accessibility to charitable programs for children regardless of nationality, religion, or social status.

In addition, NOVATEK supports and provides targeted aid to children deprived of parental care and students residing at orphanages and children's homes.

In 2018, NOVATEK announced the launch of the "Health Territory" charity project. As part of this project, the leading specialists of the Russian Children's Clinical Hospital visited children of the Yamal-Nenets Autonomous Region, Murmansk, and Kostroma. From September to December 2018, the "Health Territory" project allowed 373 children to get medical help and 60 children were taken to hospital in Moscow. During these visits, research-to-practice conferences for regional medical professionals and case conferences took place.

In 2018, the Company donated the following new high-tech equipment to healthcare facilities:

- a diagnostic x-ray to Tarko-Sale Central District Hospital, with which 4,400 children from the Purovsky and Tazovsky Districts have been examined;
- a diagnostic sonography system for cardiac monitoring to Tushino Children's Hospital in Moscow (1,900 children examined);
- an epifluorescence microscope to Dmitry Rogachev National Medical Research Center of Pediatric Hematology, Oncology, and Immunology.

Also, the Company purchased a medically equipped ambulance for Kola Central District Hospital in the Kola town of the Murmansk Region. NOVATEK financed the renovation of the endoscopy department at the Kostroma Region Children's Hospital.

373

children got medical help due to the "Health Territory" project

In 2018, the Company also financed a program providing medical care for premature babies. General-purpose and maternity hospitals in Novy Urengoy, Kostroma, and Chelyabinsk received 15 pulse oximeters¹.

The Company also provided financial support to mothers of premature babies weighing less than two kilograms. NOVATEK gave 400 discharge packs with baby essentials and hygiene products to mothers on discharge from the hospital.

The Company has been providing support to visually impaired children for two years now. A total of 90 residents of the Rucheyok Nursery School for Children with Special Needs in Novy Urengoy received Braille textbooks with electronic text-to-speech devices.

Annual charitable aid is granted to the orphanage of Trinity Church in Kolomna. In 2018, 27 children aged 4 to 15 living in the orphanage were provided with a year's supply of medication.

NOVATEK is running a targeted aid project for children in the regions where it operates. Under an agreement with the Government of the Yamal-Nenets Autonomous Region, the Company provides financial support to children with cerebral palsy, physical impairment, psycho-neurological disorders, and other medical conditions. A total of 147 children received targeted support in 2018.

The Company provided financial aid to Children's homes in Chelyabinsk and Troitsk, where about 100 babies under 3 live. In 2018, the children's home in Troitsk received beds, bed linen, and lockers for its bedrooms. For the children's home in Chelyabinsk, the Company purchased equipment for a new swimming pool.

In addition, NOVATEK implemented cultural programs, inviting 260 handicapped children and children from low-income and large families to participate.

Corporate Volunteering

In 2018, the "All Together" volunteers movement attained the age of 10 since commencing operations. Over the past years, the geography of the support provided by the

¹ Special equipment for premature babies in need of oxygen therapy and breath monitoring.

Company's volunteers has expanded significantly, but it has remained focused on supporting orphans, children with various diseases, seniors and the Great Patriotic War (World War II) veterans.

The Company has developed a tradition of holding Donor Days twice a year. In 2018, 70 employees donated blood, and over 40 liters were transferred to hospitals in Moscow.

During the spring break, as part of the Children's Book Week, volunteers held a "Big-Hearted Book" campaign — the Company's employees gathered over 800 books and handed them over to libraries at orphanages.

In 2018, NOVATEK's volunteers organized the "Presents on the Victory Day" campaign, prepared presents for the veterans of the Great Patriotic War, and commemorated them on their contributions in the war.

Prior to the beginning of the new school year, NOVATEK annually holds its "Back to School" campaign. In 2018, NOVATEK volunteers donated stationery and sports equipment to orphanages. For the first time, fly-in, fly-out workers from Sabetta participated in this campaign.

In autumn 2018, volunteers visited Orphanage No. 33 in Dubasovo to meet residents and teachers. NOVATEK financed the purchase of three laundromat machines and shower repairs. Dormitories and halls were renovated and refurbished.

In 2018, jointly with the Joy of Old Age charity foundation, a campaign was conducted to render aid to bedridden pensioners in nursing homes for the elderly in the Tula, Pskov, Tver, and Ryazan Regions, experiencing a shortage of nursing staff. The raised funds went towards expanding the nursing staff.

In 2018, the first animal welfare campaign was organized at the employees' requests. Volunteers provided aid to a dog shelter in the Solntsevo District in Moscow. A modern operating table and an infusion pump for controlled fluid administration were purchased for the operating room. The dog shelter also received pet supplies and hygiene products.

In December 2018, NOVATEK's Moscow office hosted the traditional "Tree of Wonders" event to collect New Year's gifts for children at the Obninsk and Dubasovo orphanages and the Noginsk social rehabilitation center.

Aid to Veterans

In 2005, NOVATEK founded the NOVATEK-Veteran Social Protection Foundation in the Purovsky District (the Yamal-Nenets Autonomous Region) that focuses on providing social assistance to retired ex-employees of

31.5 ^{RR MLN}

Expenses on NOVATEK-Veteran Social Protection Foundation

the oil and gas sector with a considerable employment track record in the Russian Far North.

In 2018, the foundation organized concerts and events dedicated to various artists for the retirees.

The foundation's staff paid tribute to the Great Patriotic War veterans and home front workers, giving them financial support, flowers, and gifts.

During the reporting year, the foundation continued providing aid to seniors through partnerships with Tarko-Sale organizations and businesses. The Company partnered up with the Purovsky District's network of community centers to arrange the transportation of seniors to 17 cultural events. In collaboration with NOVATEK, the Avangard Olympic Reserve School offered seniors free access to a cardio gym in its sports complex. Together with the Purovsky District's Comprehensive Social Support Center, the Company established a visiting nurse service.

As at the end of 2018, a total of 844 seniors were registered by the Foundation, which provided RR 6,240 in quarterly financial support to each of them (an increase of RR 240 from 2017).

The Company allocated a total of RR 31.5 mln for the Foundation's needs in 2018.



Employment Practices

1.4

RR BLN

NOVATEK's social expenses to support employees

110

RR MLN

were allocated to employee training

13,694

employees — the headcount of NOVATEK Group



NOVATEK adheres to social partnership principles in its employment relations. Striving to be a responsible employer, the Company not only observes applicable laws, but also takes on a number of voluntary obligations to develop, train, and provide social assistance to, and incentives for, the personnel. NOVATEK's employees are its core stakeholders whose opinions and interests are highly valued.

Employee Profile

102-7

As at the end of 2018, the headcount of NOVATEK and its subsidiaries and joint ventures numbered **13,694**¹ people, the better part of whom (64%) worked in the Yamal-Nenets Autonomous Region, the Company's core region.

Most of the staff is hired under permanent employment contracts (92%) on a full-time basis (over 99%). This Report does not include part-timers, as their share is marginal to the Company (below 0.5%). NOVATEK sources minimal services from freelancers, sole proprietors, or practitioners.

The majority of NOVATEK's employees are male (76%), which is dictated by the nature of the Company's operations, i.e., Far Northern geography and rotation job arrangements. This kind of work has traditionally been carried out mostly by men, given that it requires higher endurance and mobility and hence may not always be performed by women. That said, both men and women enjoy an equal wage rate as well as equal career opportunities at NOVATEK.

401-1

In 2018, NOVATEK hired 1,840 new employees², while 145 people went on parental leaves. The Company has a low employee turnover with only 901 employees having resigned in 2018. The average employee turnover rate for the NOVATEK Group stood at 7%³.

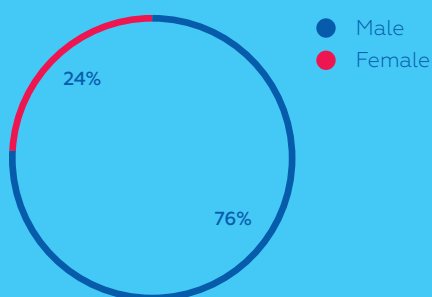
NOVATEK ensures that its employees get fair pay for their work. Under the collective bargaining agreement, the employees' monthly salary cannot be lower than the official local minimum wages. In 2018, NOVATEK personnel's minimum compensation in the key region of operation (the Yamal-Nenets Autonomous Region) was significantly higher than the local minimum wage. The Company regularly indexes salaries.

102-8

405-1

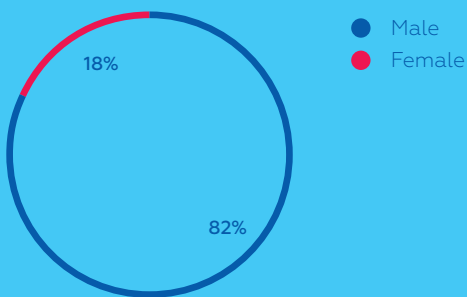
PROFILE OF THE NOVATEK GROUP'S EMPLOYEES IN 2018

Personnel structure by gender, %



13,694 people

Management breakdown by gender, %



222 people

¹ Hereinafter (in the text and calculations behind the figures reported), this number accounts for full-time employees with NOVATEK, its subsidiaries or joint ventures as their primary employer.

² The number includes only those employees who worked in the Company until the end of the reporting year.

³ The employee turnover rate is calculated as resignations divided by average headcount at the year-end. Percentage is calculated as the resulting value multiplied by 100.

All of the Company's employees got themselves acquainted with NOVATEK's local labor rules and the Code of Business Ethics, which stipulate the Company's approaches to labor organization. In particular, these regulations dwell upon industrial safety, remuneration, non-discrimination, and personal data protection. The labor rules also contain information on the working hours for the men and women working in the Far North, and the contact person to whom an employee may address any inquiries as regards the rules.

NOVATEK has in place a procedure for conducting inspections based on disciplinary offenses causing damage to, or losses for, the Company, and entailing civil or financial liability.

Inspections are conducted to ensure the comprehensive investigation of the circumstances, determine the amount of damage, identify responsible employees and the scope of their responsibility, and prevent the offense from re-occurring.

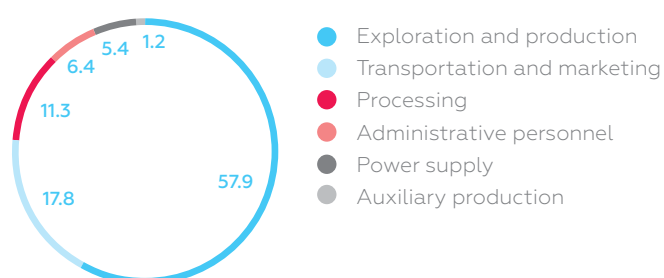
Following the inspection, the employee that violated the requirements of the Company's local regulations is subject to disciplinary and/or civil/financial liability.

202-1

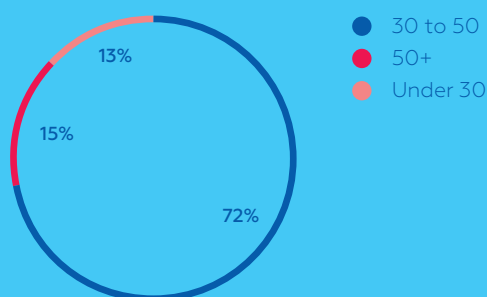
	Moscow	Yamal-Nenets Autonomous Region
NOVATEK personnel's minimum compensation in 2018, RR	39,765	29,560
Minimum wage in 2018	18,781*	16,299

* In Moscow, minimum wage until 1 November 2018 had been RR 18,742.

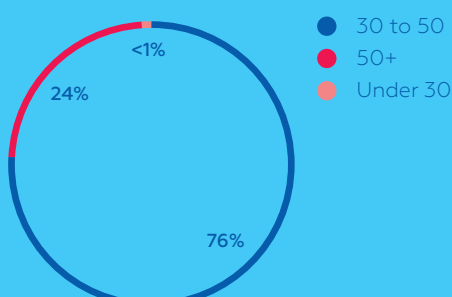
PERSONNEL STRUCTURE BY LINE OF ACTIVITY, %



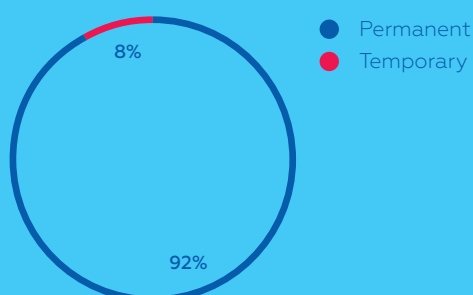
Personnel structure by age, %



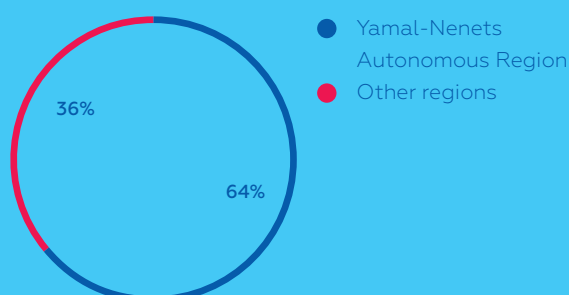
Management breakdown by age, %



Personnel structure by type of contract, %



Personnel structure by region, %





Corporate Technical Competency Assessment System

The NOVATEK Group has in place a corporate technical competency assessment system which allows to monitor the competence development of the engineering staff.

The corporate technical competency assessment system is aimed at:

- recruitment of white-collar and blue-collar workers to fill vacant positions;
- decision-making when promoting employees, increasing their salary or tariff rate;
- targeted professional development and technical training of engineers and blue-collar employees.

The results of the employee technical competency assessment are considered when making decisions on promotion or increasing salary or tariff rate. In 2018, 156 employees were tested when considered for promotion to another position (category) or grade, and over 60% got promoted.

In 2018, experts from subsidiaries and affiliates updated the test case database and developed questions on laboratory analysis of chemical products and agents.

404-3

In 2018, a total of 274 employees were tested, including 49 persons tested at recruitment and 156 persons at promotion. Another 69 persons underwent regular testing to develop the "Technical Training" program.

Employee Motivation and KPI System

The KPI system in place at NOVATEK is simultaneously aimed at maximum performance in delivering the Company's strategy and motivating respective key employees.

The key objectives of the KPI system is to assess current progress in achieving the Company's long-term goals and create drivers for efficient management decision-making.

The Company's KPI system is aimed at:

- delivering on the Company's Development Strategy;
- continuously improving financial and operational performance;
- motivating employees to achieve the Company's priority objectives.

NOVATEK's KPI system is based on financial, economic, and industry-specific drivers. It also considers the Company's performance in sustainable development. The list of ESG KPIs for the management comprises the efficiency of the HSE Management System.

The Company's KPI system includes corporate indicators based on the Company's key objectives, and individual indicators based on the strategic objectives of a certain manager.

The KPI system covers the Management Board and key executives.

KPI PROGRESS

Compliance with the corporate strategy is a fundamental principle of the remuneration system, which is based on the balance between the fixed and variable parts of remuneration. The remuneration system is based on the use of KPIs developed based on the Company's strategic objectives.

To calculate annual bonus payments for managers and employees, the Company analyzes progress against KPIs following the annual performance analysis. The Budgeting and Efficiency Management Department conducts annual audit of performance against each annual corporate and individual KPI set for calculating annual bonus payments due to the management of NOVATEK and its subsidiaries.

The remuneration of the Company's executives is aligned with its long-term performance. To determine the amount of their remuneration, NOVATEK uses

a balanced KPI system based on the Company's performance, including the impact on the long-term performance.

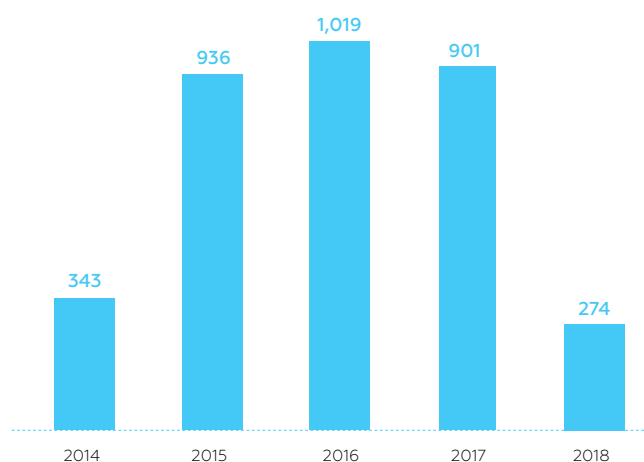
Key performance indicators adopted by the Company to assess its top management:

- EBITDA;
- market capitalization growth against the market benchmark;
- efficiency of the HSE Management System;
- profit growth;
- reserves growth;
- R/P ratio;
- fulfillment of production plans;
- liquid hydrocarbons sales volumes.

Key performance indicators adopted by the Company to assess its middle management:

- value of debt;
- net profit;
- reserve replacement rate;
- reserve replacement costs;
- output growth.

NUMBER OF PEOPLE WHO UNDERWENT PROFESSIONAL POTENTIAL TESTING IN 2014–2018



Personnel Training and Development

As a key priority of NOVATEK's HR policy, personnel training and development helps create a quality talent pool, boost loyalty, and build up knowledge and skills of staff.

In 2018, over 5,200 employees of the NOVATEK Group were trained in a variety of programs embracing over 370,000 hours in total.

Over RR 110 mln were allocated to employee training in 2018.

404-1 AVERAGE TRAINING HOURS BY GENDER IN 2018

	Male	Female
Employees ¹	10,429	3,198
Total training hours	347,299	32,491
Average training hours per employee	33.3	10.16

AVERAGE TRAINING HOURS BY POSITION IN 2018

	Average training hours per employee trained
Top managers	30.36
Middle managers	38.06
White-collar employees	45.34
Blue-collar employees	50.50

404-2 TRAINING AND DEVELOPMENT PROGRAMS

Program	Description	2018 highlights
Professional development program	The program aims to enhance employee skills and improve working conditions to ensure a healthy and safe environment at production facilities.	The program covered 40.5% of white- and blue-collar employees.
In-house training program	<p>OOO NOVATEK Scientific and Technical Center (OOO NOVATEK STC) has been running the program since 2016 to ensure knowledge transfer and professional development of the employees. The training is developed and provided by the Company's in-house experts.</p> <p>NOVATEK's corporate training is based on the 70:20:10 model:</p> <ul style="list-style-type: none"> 70% of learning is experiential and happens through real cases in the workplace; 20% of learning is social and happens through management and co-workers, mentoring, and sharing experience; 10% of learning is formal and happens through structured training courses and training in a classroom environment. 	<p>OOO NOVATEK STC's experts developed and delivered training courses on the following subjects: "Lithofacies Analyses. Depositional Environment. Theory and Practice"; "Dynamic Simulation of Multiphase Streams in Pipelines and Wells using OLGA Software: Principal Tasks and Examples of their Solution"; "Complexing Logging Methods to Address Geological Tasks. Basics of Log Interpretation and Practical Application (in the NOVATEK Group projects)"; "Basics of Geological 3D Modelling"; "Basics of Intra- and Inter-Field Hydrocarbons Transportation Engineering and Operation"; and "Application of Petroleum System Studies (Basin Analysis) during Exploration".</p> <p>The program covered 34 employees of NOVATEK's subsidiaries.</p>

¹ Topic boundaries for employment differ from those for training and education, see Appendix 1 Topic Boundaries.

Program	Description	2018 highlights
"Steps in Discovering Talents" program	The program targets young talent to help them learn their job specifics promptly, facilitate professional development and adaptation to a new job. Based on the mentoring approach, it also offers the "Mentoring Culture" course to train staff for the role.	In 2018, 112 young specialists participated in the "Steps in Discovering Talents" program. We had our sixth class, and 28 specialists graduated from the on-the-job adaptation and professional development program while 30 young specialists guided by 22 mentors completed the first step of the program. In autumn 2018, another 54 young specialists and 48 mentors assigned to them joined the program. Young specialists received the "Mentoring Culture" training courses together with their mentors. In total, 34 mentors attended the training. In 2018, the number of companies participating in the program increased to ten.
Training program for CEOs of NOVATEK's subsidiaries and joint ventures	Ongoing since 2017, the program aims to develop professional and personal competencies of top executives in a variety of areas related to NOVATEK's operations.	The CEOs studied negotiating and efficient communications. A retreat training module on the future of the gas sector also took place in Singapore.
Executives Forum	In 2018, NOVATEK held an annual forum for its executives dedicated to sharing experience with leading Russian and international companies, and a relevant Industry 4.0 topic.	A unique "Digital Road" exhibition space was organized as part of the Forum to demonstrate the opportunities of using cutting-edge technologies in the oil and gas sector.
Energy Summer School	In 2017, the SKOLKOVO Energy Center opened its Energy Summer School for students and young specialists where they can meet senior experts from leading Russian oil and gas companies.	Ten young specialists from NOVATEK's subsidiaries and affiliates attended the Energy Summer School in 2018.
Corporate resource training center in Tarko-Sale at Tarko-Sale Vocational School	The training center aims to create an environment for training qualified workers for the fuel and energy companies within the Purovsky District as part of the "Qualified Workers for the Arctic" project. The mission of the corporate resource training center is to foster continuous comprehensive professional training and retraining on multiple levels for the following trades: instrument and automation fitter, electrical equipment fitter, and oil and gas production operator.	In 2018, jointly with OOO NOVATEK-Tarkosaleneftegas, the Company developed a concept of the corporate resource training center, approved the roadmap, and determined the target trades.

Distance education is an additional component of the professional training and personal development of the Company's talent pool. NOVATEK's employees, including from remote regions, take part in webinars and online courses developed by prestigious higher education institutions.

In 2018, NOVATEK launched cooperation with the Gubkin Russian State University of Oil and Gas under the master's degree program on cryogenic technologies and gas-related equipment. This unique program is implemented by the Department of Oil Refining and Gas Processing Equipment of the Faculty of Mechanical Engineering. It is based on the interdisciplinary approach and combines the development of managerial skills with technical expertise in LNG production, storage, and regasification. Apart from the faculty staff of the university, visiting tutors from Bauman Moscow State Technical University and NOVATEK's experts with extensive practical experience are engaged in the program. The Company will consider successful graduates of the program holding a master's degree for hiring and engaging in the implementation of Russia's major LNG projects.

NOVATEK won SKOLKOVO Trend Award 2018 for comprehensive support in promoting the energy sector.

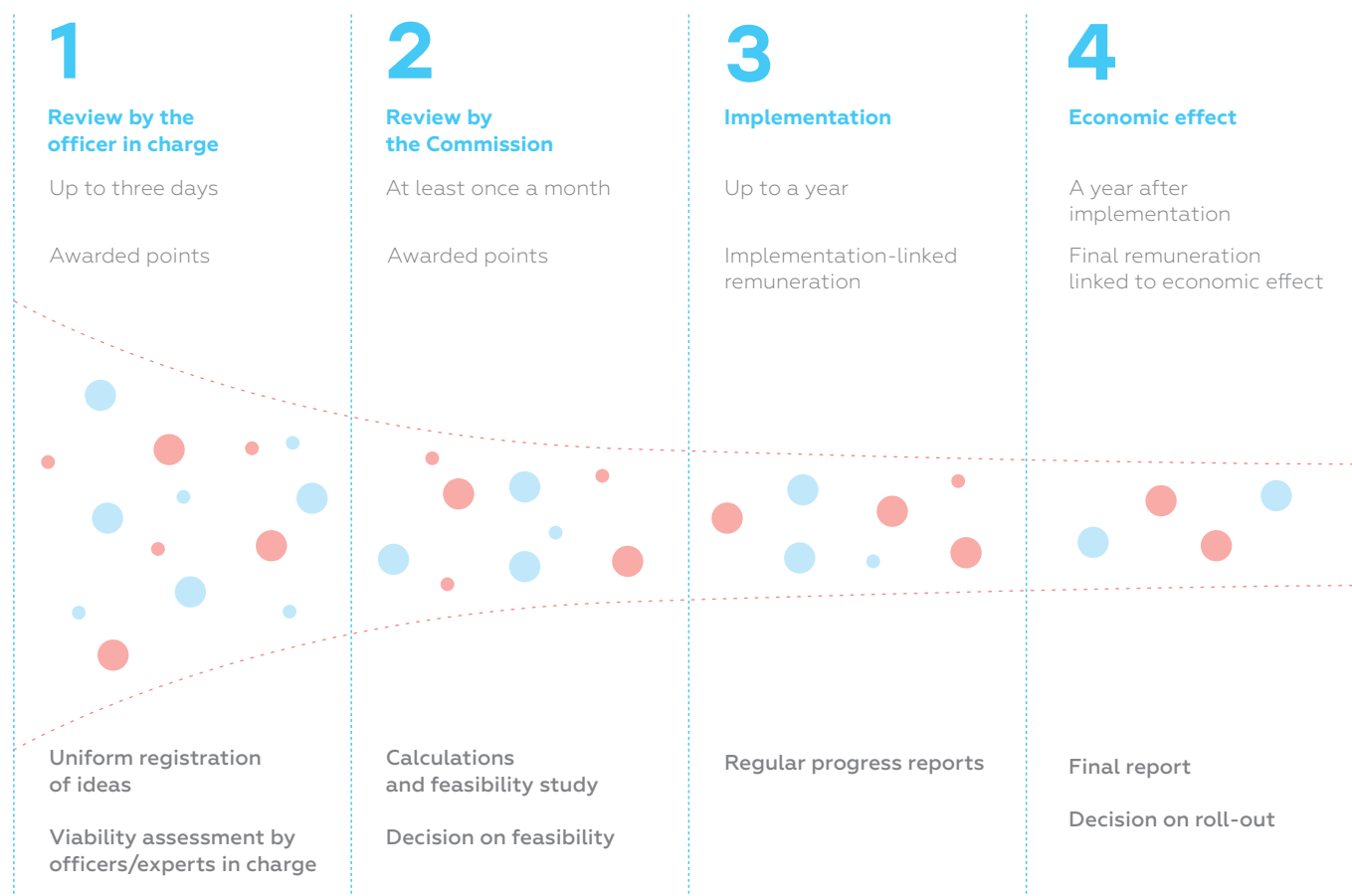
Research-to-Practice Conference for young specialists

In September 2018, Moscow hosted the 13th Interregional Research-to-Practice Conference for the Company's young specialists attended by 93 employees. All winners in the competition held as part of the event received cash awards, with 15 top performers also granted an opportunity to study at petroleum training centers in Japan.

Professional Skills Contest

In October 2018, the 4th Professional Skills Contest among blue-collar employees of the NOVATEK Group took place. A total of 77 participants from nine subsidiaries took part in the event. The Contest was

IDEA LIFE CYCLE AND REMUNERATION OF NOVATOR SYSTEM



hosted by OOO NOVATEK-Purovsky ZPK and included two stages, a theoretical and a practical part with results of both defining the winners.

Innovator Corporate Idea Management System

In 2017, the Company launched the Innovator Corporate Idea Management System to automatically collect and process employee ideas on improving and developing business processes, including labor-saving proposals. The system aims to enhance employees' intellectual potential and improve operating performance. NOVATEK started encouraging its employees to share innovative ideas quite a while ago, with only a few facilities initially involved in collecting and implementing them. Today, the most valuable ideas are rolled out company-wide in a variety of areas, including but not limited to production and management (for example, health and safety). More than 230 ideas on improving business operations, reduction of production costs, and implementation of new work methods were submitted by the employees of NOVATEK and 15 subsidiaries in 2018. More than 500 ideas have been submitted over the two years, of which 40 were approved for implementation, and 24 ideas were implemented, generating an economic effect of RR 104.7 mln.

Trade Union Relations

58.9 percent of NOVATEK employees are members of trade unions. The constructive dialogue between the Company's management and trade unions helps defuse social tensions related to labor disputes. Through regular meetings with trade unions NOVATEK has established an effective feedback loop with its personnel that enables revealing potential issues and taking response measures at early stages. As a result of this collaborative approach, the Company has never seen a single case of stoppages or strikes due to labor disputes.

58.9%

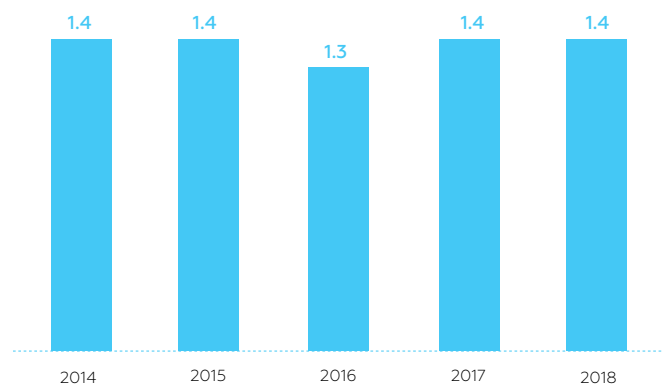
of NOVATEK employees are members of trade unions

In 2018, the Company spent a total of RR 5.2 mln to support trade unions.

Social Policy

Seeking to find an optimal solution to social issues that the employee may have in the workplace or private life, NOVATEK launched a number of comprehensive targeted programs in close cooperation with its employees and a trade union. All social programs are subject to annual review for relevance and effectiveness. In 2018, NOVATEK's social expenses to support employees exceeded RR 1.4 bln.

THE GROUP'S TOTAL EXPENSES ON TARGETED SOCIAL PROGRAMS IN 2014–2018, RR BLN



NOVATEK'S SOCIAL PROGRAMS

Program	Description	2018 highlights
403-6 Targeted compensation and social support payments	<p>The program provides for targeted free support to the Company's employees in specific personal circumstances including childbirth, surgery, rent of housing, relocation from the Far North, and others.</p> <p>To facilitate rehabilitation of temporarily disabled employees, the Company offers compensations in excess of statutory payments.</p>	<p>The Company made a decision in 2018 to provide annual support to large families. In 2018, a total of RR 31.5 mln was allocated for one-off targeted financial support to 1,002 NOVATEK employees with three or more children.</p> <p>In 2018, RR 503 mln was allocated to the program.</p>
State guarantees support	The program provides compensations for vacation travel expenses (round trip travel expenses and baggage fees) for employees living in the Far North and areas of equal status, and unemployed members of their families.	<p>In 2018, the program covered 4,184 employees and their families.</p> <p>In 2018, RR 106 mln was allocated to the program.</p>
403-6 Voluntary health insurance for employees	Provided in addition to compulsory health insurance, the program covers full outpatient care, dental care, emergencies, and scheduled hospital care.	In 2018, RR 178.2 mln was allocated to the program.
403-6 Therapeutic resort treatment and rehabilitation	The program provides funds to purchase health resort treatment packages for employees and their families at a discount. As part of the program, the Company partners with a variety of health resorts in some of the most beautiful Russian regions.	<p>In 2018, the program covered 4,587 employees.</p> <p>In 2018, RR 188.7 mln was allocated to the program.</p>
Pension program	<p>Since 2007, NOVATEK has offered its retired employees supplementary benefits in line with the Regulations on Social Benefits for Retired NOVATEK Group Employees. Employees with an employment track record of at least five years with the Company who resign at the full retirement age are entitled to monthly benefit payments from the Company (suspendable in case the retiree gets a job).</p> <p>The program represents an unfunded defined benefit plan, with payments calculated on the basis of inflation forecasts, pay growth rate, the Company's remuneration policy, and demographic assumptions.</p>	<p>As at the end of 2018, the program covered 990 people.</p> <p>In 2018, RR 87.2 mln was allocated to the program.</p>
Rehabilitation of children with special needs	<p>To support employees who have children with special needs, NOVATEK's top management resolved to form a rehabilitation program for such children. The program was launched in 2018 based on the Solntse Moyo (Sunny) specialized center in Moscow aimed at supporting children with cerebral palsy, as well as movement, speech, or genetic disorders.</p> <p>The center engages specialists from leading healthcare institutions in Russia and Europe to examine and treat children. Leading experts of the Vojta method (reflex locomotion), the Bobath concept, and the Feldenkrais method come from the Czech Republic, Montenegro, Poland, and Germany to help children restore reflex movements, improve coordination, and strengthen the muscular system.</p>	<p>201-3</p> <p>The total of employee benefits is included in other non-current liabilities in the consolidated financial statements and stands at RR 4.2 bln as at 31 December 2018.</p> <p>In 2018, the Company arranged for a two-week rehabilitation course for 22 children aged 2 to 13 from the Yamal-Nenets Autonomous Region, the Tyumen, Kostroma, and Kurgan Region, Republic of Bashkortostan, and Krasnodar Territory. The Company took on not only the rehabilitation costs, but also the travel, catering, and accommodation costs for the children and their parents.</p> <p>After the rehabilitation was complete, the Company received positive feedback from the parents. Some children were able to improve their motor skills, some made their first sounds or strengthened their talking skills, while others learned to sit with their legs crossed or even took their first steps.</p>

Program	Description	2018 highlights
	Neurologists, orthopedic doctors, ophthalmologists, speech therapists, special education teachers, and other experts holding extensive experience working with special needs children allow a tailored rehabilitation program to be developed for each child according to his or her diagnosis and individual needs.	The Company arranged for a surgery treating hearing loss for a NOVATEK Group employee's son at the Global Hearing, Inc hospital in the USA. The surgery resulted in full restoration of the boy's hearing. In 2018, RR 13.6 mln was allocated to the program.
Charity auction	Following the success of the charity auction held in 2017, the Company resolved to conduct a similar event in 2018. All employees were invited to offer their artworks for the online auction, from which all money raised was used to help children with special needs. Employees that could not participate in the online auction were able to help children by donating to their parents' bank accounts.	In 2018, the number of lots increased from 143 to 209 and employees from 20 companies offered their artworks for the auction. The aggregate amount of money raised exceeded RR 1.6 mln.
Loans		
<ul style="list-style-type: none"> Short-term special-purpose loans Special-purpose interest-free home loans 	Under the program, employees can draw special-purpose loans to pay for tuition, social and welfare needs, renovation, and to relieve the effect of having their money stolen. The program provides special-purpose interest-free home loans to employees residing in Tarko-Sale, Novy Urengoy, Nadym, Moscow, Tyumen, and Sosnovy Bor.	In 2018, the program covered 160 employees. In 2018, RR 26.2 mln was allocated to the program. In the reporting year, the program covered 32 families. In 2018, RR 155.9 mln was allocated to the program.
Corporate awards	NOVATEK's top-performing employees receive government, industry, and corporate awards, and distinctions from the Company's subsidiaries.	In 2018, 833 employees received multiple awards, including 437 corporate awards from Honored Employee of NOVATEK, NOVATEK Certificate of Merit, and NOVATEK Letter of Gratitude, among others. In 2018, RR 19.3 mln was allocated to the program.

CULTURAL AND SPORTING EVENTS PROGRAM

In 2018, RR 116.4 mln was allocated to the program.

Sporting events	The Company rents gyms, swimming pools, and playgrounds and offers its employees partial reimbursement of membership fees. In 2018, the Company hosted annual futsal, volleyball, and swimming competitions.	
Cultural events	The Company cooperates with Moscow museums, which allows hundreds of employees and their families, friends, and partners to experience unforgettable cultural events and masterpieces of international and Russian art. Throughout 2018, employees, their families, friends, and partners visited exhibitions and excursions at the Multi-media Art Museum, the Moscow Museum of Modern Art, and the State Tretyakov Gallery.	

NUMBER OF EMPLOYEES WHO RECEIVED AWARDS IN 2018

Award	Number of awardees
GOVERNMENT AWARDS	
Medal of the Order For Merit to the Fatherland, 2nd degree	7
Distinguished Employee of the Russian Oil and Gas Industry	5
Letter of Acknowledgement from the President of the Russian Federation	2
INDUSTRY AWARDS	
Certificate of Merit from the Russian Ministry of Energy	33
Letter of Acknowledgement from the Russian Ministry of Energy	7
CORPORATE AWARDS	
Honored Employee of NOVATEK	6
NOVATEK Certificate of Merit	194
NOVATEK Letter of Gratitude	237
SUBSIDIARY AWARDS	
Subsidiary Certificate of Merit	342
Total	833

INTERACTION BETWEEN MANAGEMENT AND EMPLOYEES DISCUSSING CURRENT ISSUES

The Company has in place a system allowing its employees to address management, report emerging problems, and receive feedback on their review and solution.

Employee reports are discussed at meetings of subsidiary heads with NOVATEK's Chairman of the Management Board.

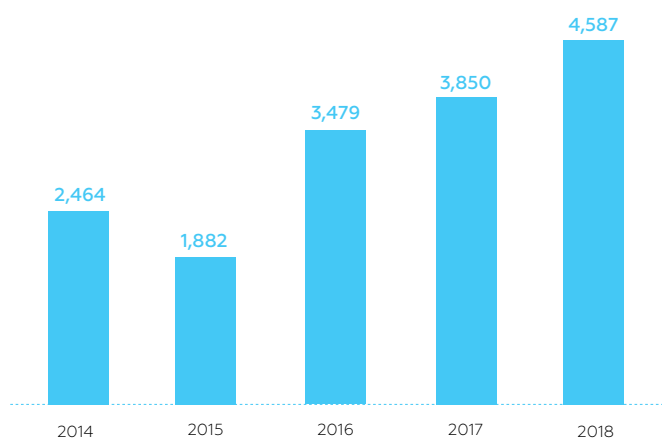
Employees' concerns are identified, studied, and reviewed during regular dedicated meetings with employees and managers. Following these meetings, a list is formed and later sent to dedicated departments to prepare informed proposals for improvement.

In 2018, NOVATEK's subsidiaries held regular dedicated meetings that resulted in proposals submitted to the Management Board. The Management Board resolved to amend the Core Concept of Social Policy, the Core Concept of Remuneration, and other local social and labor regulations. In particular, in 2018 the Management Board made several decisions that have since been added to the regulations for subsidiaries, which came into effect from 01.01.2009:

- Indexing benefits upon retirement (by 5%);
- Indexing one-off vacation payments (by 5%);
- Increasing childbirth payments (by 50%);

- Increasing the amount of monthly compensation for care of a child up to three years of age (by 88%);
- Introducing compensations for employees for sports and recreation classes (for the regions of the Far North);
- Increasing the threshold voucher cost for health resort from RR 62,000 to RR 70,000;
- Indexing monthly social assistance to retirees (by 5%).

NUMBER OF EMPLOYEES AND THEIR FAMILY MEMBERS COVERED BY THE THERAPEUTIC RESORT TREATMENT PROGRAM IN 2014–2018







Procurement Practices





Procurement Approach

102-9

NOVATEK's procurement activities comply with Russian laws and corporate by-laws.

The core procurement document is the Regulations on Organizing and Holding of Competitive Tenders at NOVATEK.

The Company purchases materials and supplies based on the following principles:

- equality of all potential bidders;
- fair competition of suppliers;
- priority of equipment and material producers over trading and procurement companies;
- long-term partnership with key manufacturers;
- optimal price/quality ratio and strict compliance with delivery deadlines.

NOVATEK's procurement framework combines centralized selection of suppliers and decentralized purchases. To effectively manage costs, the Company has centralized the procurement of strategically important materials and supplies, and items grouped into one lot, which is economically justified. In value terms, these items make up about 50% of all purchased materials and supplies. Other items are procured by subsidiaries and affiliates under the supervision and with the methodological support of NOVATEK.

The Company's procurement practices rely on open tenders. Any company may take part in a tender, as long as it is eligible and has filed a duly completed application form. All tenders are held using an electronic bidding platform.

To provide for uninterrupted quality supplies, NOVATEK reviews information on potential suppliers and carefully checks relevant documents (certificates, licenses, membership of and permits from the self-regulated organization). The bidders must meet specific procurement requirements and have technical capabilities, production capacities, and staff in place to render services or provide materials and supplies. On top of that, NOVATEK applies zero tolerance approach to illegal activities of potential suppliers (for example, corruption, collusion, unfair competition) and avoids unreliable counterparties.

As per the existing procedure, the Company selects the bid winner based on the following criteria:

- price and quality of products or services;

- delivery time;
- financial stability and business reputation;
- availability of production and technical capabilities, required equipment, along with engineering and blue-collar staff.

The supplier and contractor selection procedure that may involve collective bodies is well-regulated and ensures transparent and effective decision-making, non-discrimination, and objectivity.

The Company seeks to expand its supplier pool and carries out regular market research to attract new manufacturers and maintain the necessary level of competition.

Mutually beneficial contractor relations, competitive procurement landscape, and maximum transparency of the tendering process are of great importance for NOVATEK. In 2018, the Company held an open forum for contractors in Moscow. The team responsible for organizing the forum had an objective of facilitating the Company's procurement process for potential contractors, including through:

- notifying potential contractors about the capital construction plans;
- explaining the lot structure, the construction timeline of key facilities, and the terms of construction related to climate, logistics, and technology;
- clarifying key requirements to bidders at the tendering stage;
- engaging with potential contractors.

The forum allowed the Company to receive notable feedback from contractors:

- qualified contractors' growing interest in being engaged in the projects;
- early engagement of contractors, surveying potential counterparties, and receiving their feedback;
- meeting the Company's growing demand for partner contractors with quality equipment and strong expertise.

Supply Chain Management

The NOVATEK Group's supply chain management is a complex process that embraces a number of interrelated elements: inventory management, supplier qualification and selection, obligation management (including production quality control), incoming inspection, and movement of inventory. Supply chain management is closely linked with other processes, such as contract



management, budgeting, and planning. When procuring expensive or strategically important items, the Company sets up dedicated groups made up of technical experts with an extensive expertise in a variety of areas.

The procured items include piping, valves, Christmas trees, rotating (compressors, gas compressor units, pumps, engines, etc.) and static (heat exchangers, tanks, etc.) equipment, instrumentation, automated control systems, steelwork, various materials, etc.

The NOVATEK Group controls the quality and timing of supplies, along with procurement expenses.

APPROACH TO IDENTIFYING CRITICAL SUPPLIERS

The Company's supplier pool comprises the largest domestic and international producers and their official representatives¹.

The Company places a strong emphasis on strategic cooperation with its suppliers, especially critical suppliers, and building mutually beneficial long-term relations.

¹ NOVATEK discloses information on its suppliers accounting for at least 10% of aggregate supplies in its Q1–Q3 quarterly reports (clause 3.2.3. of each quarterly report).



NOVATEK's critical suppliers are:

- inventory manufacturers that are strategically important for the Company's operations and investment programs, including in terms of supply volumes and inventory criticality;
- suppliers appointed by the licensors of technologies used at the NOVATEK Group's facilities.

Procurement Performance

204-1

In 2018, the Group procured RR 1,029 bln worth of goods and services, most of which were from companies registered in Russia.

NOVATEK's Engineering and Investment Department compares quotes from potential suppliers with average market prices and against existing contracts.

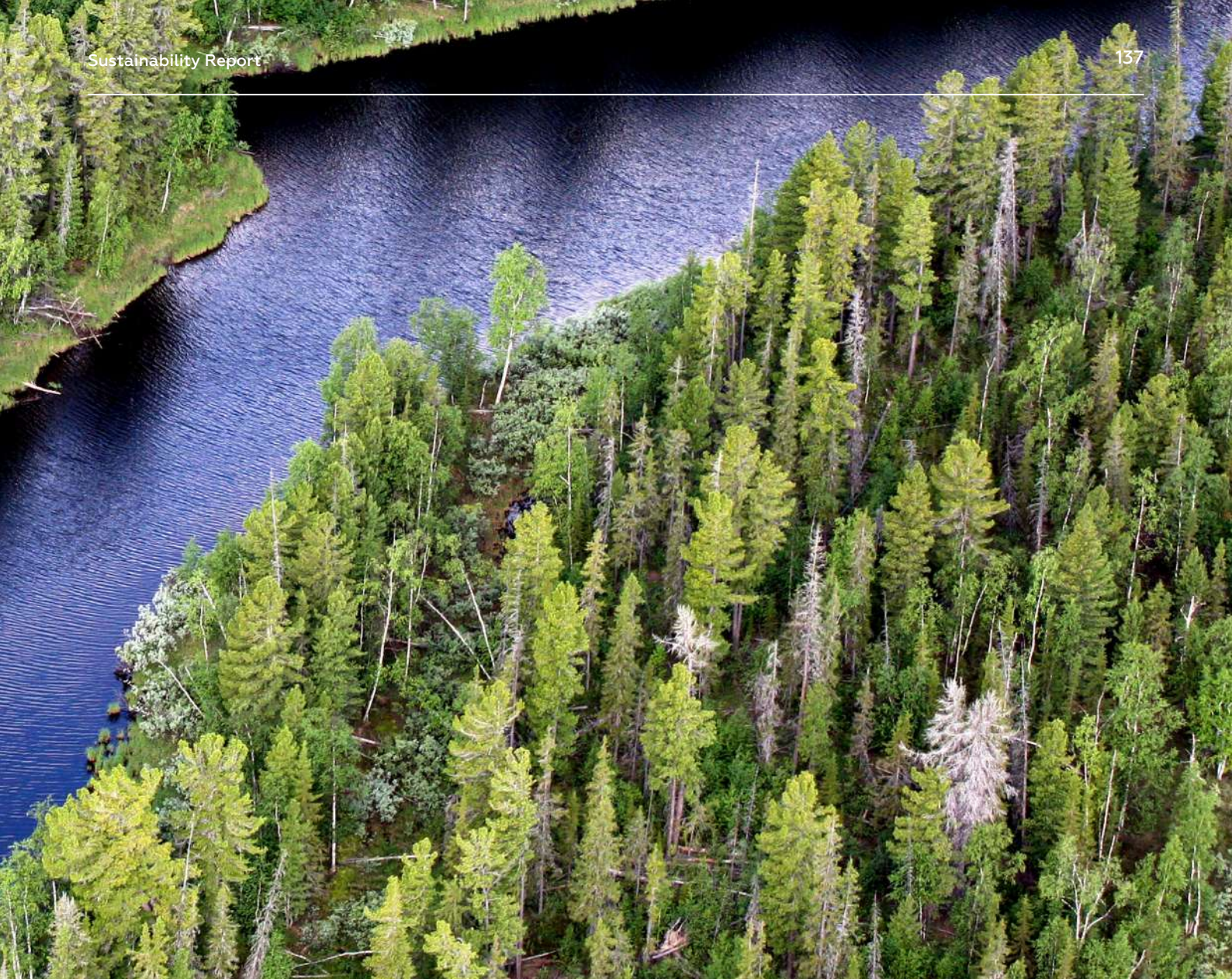
While implementing its investment projects, the Company encourages participation in tenders for

services, works, and product supplies. All tenders are based on the principle of free participation, including for the organizations registered within the regions where the Company operates (the Yamal-Nenets Autonomous Region). However, the product and service market of the Yamal-Nenets Autonomous Region is underdeveloped to satisfy a notable portion of the Company's demand and provide for its efficient operations.

Import Substitution Policy

As part of procurement management, NOVATEK pays a lot of attention to substituting imported process equipment and materials and gives preference to domestic manufacturers provided that their equipment and materials meet technical requirements and are competitively priced.

The Company's experts are working with relevant ministries to develop strategic planning documents for import substitution and are engaged in the work of respective interdepartmental working groups.



To substitute imported products, the Company invests in proprietary technology and facilities (especially LNG plants). In 2018, Yamal LNG launched the construction of Train 4 with a capacity of 0.9 mtpa based on NOVATEK's "Arctic Cascade" liquefaction technology. Also, construction of the innovative LNG Construction Center in the Murmansk Region is currently underway to manufacture gravity-based LNG trains for the Company's second LNG Project, Arctic LNG 2.

The Company's experts are working with relevant ministries to develop strategic planning documents for import substitution and are engaged in the work of respective interdepartmental working groups.

PROCUREMENT OVERVIEW





Occupational Health and Safety

38 %

Reduction of injury frequency rate

11,119

employees completed OHS training and certification

0.79

Injury frequency rate



Our Approach to Occupational Health and Safety

Occupational health and safety (OHS) goals:



Minimize risks and prevent threats of accidents and injuries to the workforce wherever achievable given the Company's current capabilities and resources;



Comply with Russian OHS laws, aim to meet relevant international standards and best practices;



Continuously improve and enhance the OHS management system based on control and monitoring results, as well as routine audits and regular reviews of the system's effectiveness;



Create comfortable working conditions aimed at reducing the occupational diseases rate and the number of work days lost;



Ensure that the management bodies, employees, and emergency rescue teams are ready to contain and respond to potential accidents, fires, and emergencies.







403-1

NOVATEK is fully committed to putting the life and health of its employees above operational results and is aware of its responsibility for ensuring accident-free operations and safe labor conditions for its employees, as well as protecting the health of the population in the areas in which it operates. The Company's OHS management system is based on full compliance with Russian laws. NOVATEK's OHS requirements apply to all employees.

403-10

No occupational diseases were identified or registered at the NOVATEK Group over the past five years.

403-8

NOVATEK has in place an integrated occupational health and safety management system (in line with OHSAS 18001¹), which is part of a wider management system and ensures risk management based on the key principle of prioritizing prevention over incident containment and response.

403-3

NOVATEK's safety-related processes are controlled by its occupational health and safety unit, which:

- monitors the OHS management system's compliance with OHSAS 18001 across the NOVATEK Group and ensures its effectiveness;
- provides organizational and methodological support to the Company's OHS activities;
- implements an effective system of responding to, and preventing injuries and accidents at the Company's facilities;
- engages with federal and local authorities, non-governmental and non-profit organizations to discuss OHS issues.

The Company is engaged in exploration, production, transportation, processing, and sales of natural gas and

¹ 7 out of 13 (54%) NOVATEK's subsidiaries engaged in hydrocarbon production, transportation, and processing are certified under OHSAS 18001: PAO NOVATEK, OOO NOVATEK-Yurkharovneftegas, OOO NOVATEK-Purovsky ZPK, OOO NOVATEK-Transservice, OAO Yamal LNG, OOO NOVATEK-Ust-Luga, and AO Arcticgas.

To reduce exposure to occupational hazards, the Company provides its employees with protective clothing, footwear, hearing and vision protection, and skin cleansing products and sanitizers.

liquid hydrocarbons, which requires technical personnel to comply with OHS rules when working with complex technological processes at flammable and explosive facilities. Works and services at these hazardous production facilities (HPF) are rendered in line with OHS laws.

To prevent accidents and incidents, and ensure accident containment and response at Class 1 and 2 hazardous production facilities, the Company implemented an industrial safety management system and developed industrial safety rules, which regulate the following processes:

- identification, assessment, and forecasting of accident risks;
- planning and implementation of accident risk mitigation measures;
- coordination of activities to prevent accidents and incidents;
- operational control procedures;
- employee participation in the development and implementation of measures to mitigate accident risks.

To prevent accidents and incidents, each year the Company implements prevention measures, including technical inspection, certification and test schedules for various types of technical equipment and structures (external and internal inspection, hydrostatic and pneumatic tests, and industrial safety audits) to perform analysis and ensure safe operation.

To reduce exposure to occupational hazards, the Company provides its employees with protective clothing, footwear, hearing and vision protection, and skin cleansing products and sanitizers.

NOVATEK also ensures that its potential contractors uphold OHS standards. OHS requirements form an integral part of agreements between subsidiaries and contractors. The agreements provide for penalties in case of breach of OHS rules by contractors.

The Company participates in OHS-promoting initiatives and works on an ongoing basis to raise employees' awareness in this area.

403-4

Working conditions and OHS issues are included in collective bargaining agreements, which regulate labor relations with assistance from trade union committees. Also, NOVATEK's subsidiaries and joint ventures hold meetings attended by both managers and blue-collar workers to discuss OHS issues and ways to improve working conditions.

NOVATEK also contributes to improving relevant legislation and takes an active part in assessing the impact of various draft regulations related to OHS.

OHS issues are monitored by NOVATEK's senior management, and the Company's OHS performance is reviewed by its Board of Directors. The Remuneration and Nomination Committee of the Board of Directors annually reviews the HSE performance report and the Sustainable Development Report, which give a clear picture of the Company's approaches and performance in the field. In 2019, the Company plans to establish a remuneration and sustainable development committee that will perform the functions of the Remuneration and Nomination Committee and also attend to sustainable development issues.

Operational Control

OG13

In line with the applicable OHS laws, each of the Company's subsidiary has in place a commission to perform operational control at the existing hazardous production facilities (HPF).

Key operational control objectives at HPFs:

- ensure compliance with industrial safety requirements at the entity operating the HPF;
- review the current status of industrial safety at the operating entity, including by organizing necessary expert reviews;
- design initiatives to improve industrial safety and prevent environmental damage;
- follow up compliance with industrial safety requirements set out in federal laws and other regulations;
- coordinate efforts aimed at preventing accidents at HPFs and ensuring readiness to contain and respond to accidents;
- follow up compliance with certification and test schedules for various types of equipment used at the HPF, as well as schedules for repairing and calibrating instrumentation and controls;
- follow up compliance with process specifications.

403-7 | 403-9

In 2018, the commissions conducted a total of 365 audits for compliance with industrial safety requirements, including integrated and targeted audits, special workplace certification and assessment of working conditions, and operational control. Based on their findings, operational control reports were produced. All violations identified by the audits were remedied within defined timeframes.

Integrated and targeted audits of subsidiaries are conducted to monitor compliance with occupational health, industrial, fire, and environmental safety requirements. In the reporting year, the Company conducted integrated audits of four subsidiaries, and targeted audits of eight subsidiaries. Based on their findings, relevant reports were produced, and remedial measures were developed.

To protect the rights of employees to an occupational health-compliant workplace, special assessments of working conditions and OHS operational control are regularly performed to cover all workplaces. Mitigating measures are implemented to reduce the impacts of all hazardous factors identified. Our subsidiaries and joint ventures have in place OHS control programs to ensure operational control in this area. In the reporting year, 7,050 workplaces were certified. No workplaces with hazardous working conditions were identified.

However, we are conscious of the hazards that exist at our production facilities, including microclimate, static electricity, electromagnetic radiation, exposure to noise at workplace, chemicals, physical exertion, and eye strain.

The Company applies a consistent approach to ensure safe and accident-free operations.

Irrespective of the special assessment of working conditions and the presence of excessive hazardous workplace factors, NOVATEK's subsidiaries monitor compliance with sanitary and epidemiological regulations. The main objective of our operational control is to monitor hazardous factors at workplaces. If concentrations of pollutants are identified that exceed the permissible limits, the Company puts in place programs to eliminate or reduce their harmful impact on human health to a permissible level.

365

audits for compliance with industrial safety requirements were conducted by commission

Accidents and Incidents

The Company applies a consistent approach to ensure safe and accident-free operations.

The Company assesses the risks to the health and safety of its employees and accident risks during the early design phase of projects.

Design documents¹ provide for measures to prevent and contain accidents (including injuries to employees) that occur on-site or as a result of accidents at adjacent facilities.

The initiatives cover hazard sources, risk factors, accident causes and scenarios, and the number and location of operating personnel.

Accident prevention and containment initiatives include organizational and engineering solutions to:

- prevent leakages and emissions of hazardous substances in amounts harmful for operating personnel and the environment;
- install monitoring systems and identify explosive concentrations of hazardous substances;
- prevent and contain accidents related to emission (discharge) of hazardous substances;
- ensure the safety of operating personnel;
- install automatic controls, safety trips, alarm and safety shutdown systems;
- ensure accident-proof operation of production control units and systems, safety of their personnel, and process controllability during accidents;
- set up back-up power supply, ventilation, and water supply sources, communications systems, and materials for on-site accident response;
- to ensure safety and security at hazardous production facilities against unauthorized interventions, construct and install checkpoints to ensure rapid emergency

¹ The list of design documents is prepared under Resolution of the Russian Government No. 87 dated 16 February 2008, On the List of Design Documentation Sections and Requirements to their Content.

0.79

Injury frequency rate

evacuation of personnel with different wind directions, as well as accident alert systems;

- ensure free access and movement of rescue crews and teams across the site.

According to a resolution by NOVATEK's Management Board, the Company has been preparing a business continuity plan since 2018 for major scenarios of emergencies and incidents.

Our planning efforts deliver meaningful results:

- detailed understanding is obtained for all business lines from the production continuity standpoint;
- the most effective measures to achieve faster production recovery are identified;
- potential risk-related expenses are reduced;
- business line owners are appointed and their course of action and cooperation between structural units in case of accidents are defined.

The business continuity plan also outlines our relations with government authorities, counterparties, and society to maintain the Company's good standing.

Each subsidiary and joint venture of the Company have in place emergency spill response plans (for linear facilities) and emergency response plans (for non-linear facilities) designed as part of construction projects and approved by the Main Department of State Expertise. These plans cover all spill-related interventions and responses for each specific facility. Additionally, all production facilities undergo annual preventive maintenance, as well as conduct diagnostics of their equipment and pipelines to prevent accidents related to hydrocarbon spillage and leakage.

Four entities of the Company have their own professional emergency response and rescue teams, while other entities have signed agreements with licensed contractors.

NOVATEK conducts theory and practice courses for crew members of these teams to enhance its emergency response and rescue capabilities. Emergency response and rescue team leaders are trained (upskilled) at professional development institutions of federal executive authorities, regional civil defense and emergency training centers, and at municipal civil defense courses.



50

Severity rate

Emergency response and rescue crews enhance their hands-on skills during relevant drills. Drill topics are selected based on a comprehensive assessment of existing risks inherent to the operations of our facilities (fire explosive facilities) and their geographic location (the Far North).

Drills run in 2018 demonstrated that NOVATEK's facilities have sufficient capabilities to respond to potential accidents and emergencies and confirmed that our emergency response and rescue teams are fully competent.

In 2018, the NOVATEK Group recorded one incident at a hazardous production facility, which did not affect our feedstock reception or production and shipping processes. The incident did not cause any environmental damage or injuries.

No other accidents were recorded across the NOVATEK Group during the year.

Workplace Injury Rate

403-2 | 403-9

NOVATEK identifies hazards and assesses injury risks to meet the requirements of OHSAS 18001 and applicable Russian laws. We promote risk awareness among our employees and design risk management initiatives, including for risk prevention and mitigation. If a risk cannot be prevented, the time-driven principle of

employee protection is applied: employees are allowed to stay in a dangerous area only for a short period of time.

In line with the Russian Labor Code, employees have the right to abstain from performing their duties if their performance involves risks of injury or ill health.

403-4

The risk assessment process involves the Company's employees, including blue-collar employees. Additionally, employees involved in production processes on a daily basis monitor their working conditions, including inspection of their workplaces, tools, accessories, protective clothing, and collective protective equipment. If any incompliance or hazard is identified, employees notify their supervisor and measures are taken to remedy the breach and provide safe working conditions.

All work-related incidents (injuries or ill health) are timely recorded in line with the Company's internal procedures. Occupational health laws and guidelines applicable at NOVATEK's subsidiaries and joint ventures provide that every employee must report all situations that threaten lives and health, including those that may result in ill health, to their supervisor or employer.

Work-related injuries are investigated in accordance with applicable laws: injury causes are identified, and relevant measures are designed and taken to prevent similar injuries in the future.

403-9

In 2018, the NOVATEK Group recorded ten work-related injuries, all of them were minor injuries (seven related to stumbling and falling, and three to careless use of tools and equipment). All accidents occurred in the Yamal-Nenets Autonomous Region; and all of the injured were males.

In 2018, the injury frequency rate across the NOVATEK Group was 0.79 (down 38% year-on-year), and the severity rate was 50¹.

DETAILS ON THE 2018 INCIDENTS ACROSS THE NOVATEK GROUP

Date of incident	Facility	Description	Consequences
14 August 2018	OOO NOVATEK-Purovsky ZPK	Power supply to the 110/10 kV substation in the entry system of 110 kV Kirpichnaya — Pur and Kirpichnaya — Purovsky Plant power lines was interrupted, which triggered the built-in emergency shutdown system causing a complete shutdown of the process equipment. The interruption was due to a power cut at the substation caused by adverse weather, strong wind with gusts of up to 21–26 m/s, and lightning overvoltage on the grid followed by successful automatic reclosing.	The process equipment was restarted after 20 minutes of downtime. Equipment shutdown did not affect feedstock reception or production and shipping processes. The incident did not cause any environmental damage or injuries.

¹ Lost day rate (LDR) was not applied. Absentee rate was not applied.

All accidents were investigated in accordance with the applicable laws and local regulations. A dedicated commission comprised of the Company's health and safety officers, trade union representatives, injured persons' attorneys, and other subsidiary employees investigated every accident. The commissions identified direct and indirect causes of the accidents and developed respective prevention measures. All employees guilty of violations were held liable and accountable for their actions.

OHS divisions of the Company's subsidiaries track contractors' workplace injury statistics in line with contractual procedures.

The Company has in place procedures to collect information on work-related injuries. All information on injuries, including those occurred to employees of our contractors, is reported to the Company for review. A summary overview of the injuries is distributed to all subsidiaries and contractors to take preventive measures. The results of measures taken are reported to NOVATEK, which are also reviewed and later used in the annual review of the injury rate.

Accident records are submitted to the government statistical services annually.

OHS Training

403-5

The Company has in place a procedure for briefing and training managers and specialists on occupational health and safety basics in line with Russian laws. Blue-collar

According to a resolution by NOVATEK's Management Board, the Company has been preparing a business continuity plan since 2018 for major scenarios of emergencies and incidents.

employees undergo regular mandatory briefings, including introductory, initial, refresher, unscheduled, and ad hoc briefings. Briefings are held in line with approved programs, including skill and knowledge tests. Ad hoc briefings are provided to employees assigned an ad-hoc job outside their respective scopes of duties. Additionally, blue-collar workers are trained in providing first aid that may be needed in emergencies and accidents. All amendments to OHS regulations and the results of accident investigations are notified to employees at unscheduled briefings and team meetings.

OG13

OHS training is mandatory for all categories of employees and is offered at all subsidiaries. Business unit leaders, including top managers, take courses in training centers, while specialists are offered in-house training opportunities. For that, training programs were developed, and occupational health knowledge testing commissions were set up.

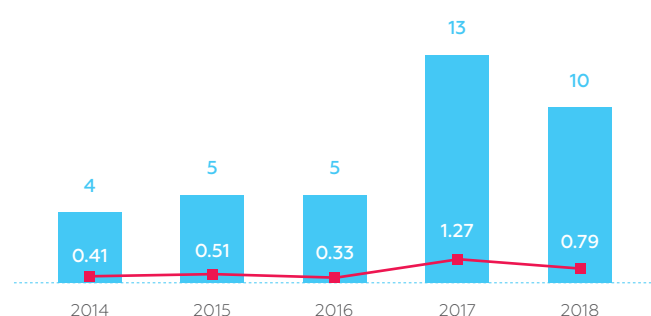
On top of that, all the Company's subsidiaries hold working meetings where management and employees discuss OHS issues.

NUMBER OF EMPLOYEES WHO COMPLETED OHS TRAINING IN 2018

Type of training	Number of employees
OHS training	8,153
First aid training	7,757
OHS training and certification	2,966

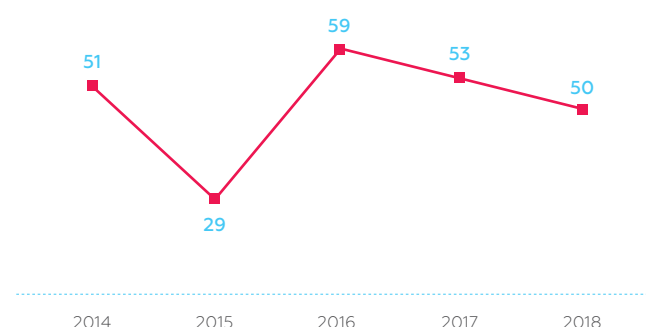
403-9 INJURY FREQUENCY RATE*

* Number of injuries divided by the average headcount.



SEVERITY RATE*

* Working days lost divided by the number of injuries.



Fire Safety, Civil Defense and Emergencies

Since the Company's business directly involves operation of facilities exposed to fire and explosion risks, fire safety is a top priority for NOVATEK. The Company operates a fire safety system compliant with Russian laws. The system's objective is to prevent fires and protect people and property in case of a fire or an emergency.

In 2018, seven NOVATEK's subsidiaries had licenses to service firefighting equipment, four subsidiaries — to perform firefighting as well as emergency response and rescue operations. We also outsource fire safety services and engage licensed contractors. Subsidiaries operating hazardous industrial facilities that produce, collect, process, and manufacture explosives and flammable substances are protected by 24 professional emergency response and rescue teams. In addition, we have decided to build fire stations and establish emergency response and rescue teams within prospective field development and construction projects.

In 2018, the total headcount of fire and emergency brigades serving the facilities on a 24-hour basis stood at 733 people. 36 engineers of the Company directly monitored and supervised the fire safety and emergency response environment at our facilities.

OG13

Fire safety, civil defense, and emergency response training, as well as fire and emergency drills, are an important element of the overall safety system. In 2018, the Company organized 30,718 fire safety briefings that featured guidance materials and visual aids, as well as hands-on presentations. Basic fire safety training was provided to 6,808 people, with 898 evacuation drills held. In the reporting year, the emergency response and rescue teams performed 24,310 safety control procedures as regards high-hazard operations, including those related to fire and gas hazards, at production

facilities. As part of the training, they also arranged 1,012 fire tactical exercises and training under the emergency response plan and the emergency spill response plan. The emergency response and rescue teams are made up of 620 certified rescue workers.

Inspections are regularly carried out at the subsidiary facilities to assess the emergency response capability of the Company's subdivisions and personnel, and evaluate the resources of in-house and external professional emergency response and rescue teams. In 2018, we made 18,600 patrols and tested 561 external water supply sources used for firefighting. The Company's facilities implement a full-scale program to respond to oil, oil product, and other hydrocarbon spills. Materials and equipment available to the emergency response and rescue teams comply with all existing requirements. The Company ensures timely re-equipment of both basic and specialized fire vehicle fleets.

NOVATEK fully complies with fire safety, civil defense, and emergency response regulations: all facilities are equipped with automatic fire detection, alarm, and extinguishing systems.

Production facilities of the NOVATEK Group are ready for containing and responding to potential emergencies and disasters.

In 2018, the NOVATEK Group recorded one fire (sauna), which was not related to its core operations and had no significant effect on NOVATEK's sustainable development. Based on the fire investigation findings, the Company took a number of *ad hoc* fire prevention measures to ensure fire safety in saunas.

Production facilities of the NOVATEK Group are ready for containing and responding to potential emergencies and disasters.

DETAILS ON THE 2018 FIRE ACCIDENTS ACROSS THE NOVATEK GROUP

Date of fire	Facility	Description	Consequences
12 May 2018	ZAO Nortgas	A fire took place in a sauna at VZhK 200 living camp. The fire was caused by a physical and chemical process involving combustible gas produced by hot wood (wood pyrolysis) resulting in spontaneous ignition of the sauna's finishing materials. The fire cause was unrelated to ZAO Nortgas' operations.	The fire did not result in any victims, while the financial damage was RR 136,000.

1 Lost day rate (LDR) was not applied. Absentee rate was not applied.

7

subsidiaries had licenses on firefighting equipment

561

tests of external water supply sources used for firefighting in 2018





Environmental Performance and Protection

2,384 RR MLN

Environmental expenses

4.4 MLN YOUNG
WHITEFISH

were released into the Ob and Irtysh
rivers

23 %

Reduction of atmospheric emissions



Environmental Vision

The Company's sustainable development effort is focused on preventing and reducing the environmental footprint of its facilities.

The Company's key environmental protection and sustainability initiatives include:

- constant environmental monitoring and industrial control;
- effective management of pollution and waste;
- lower energy consumption, higher efficiency, use of alternative energy sources;
- sustainable use and protection of water resources, maintaining a water disposal system;
- compensation of damage to aquatic bioresources;
- protection of biodiversity across the Company's footprint;
- disturbed area reclamation;
- use of best available technology to ensure environmental safety;
- training and education for employees and contractors in matters of environmental protection and safety.

102-11 201-2

NOVATEK exercises reasonable care in all of its operations. Based on its assessment of environmental risks across the entire production chain, the Company takes preventive measures and incorporates potential threats in the decision-making process. For example, global warming risks are on NOVATEK's agenda because its core production assets are located in the sensitive subarctic climate of Russia's Far Northern permafrost region. Apart from that, the Company arranges public hearings on environmental aspects of its operations. In 2018, over 30 hearings with stakeholders were held on environmental impact assessments of new construction projects and reconstruction.

The Company's engineers have worked out special initiatives to use in field development projects to minimize the thermal impact of the facilities on permafrost soils. For the purpose of preventing potential negative effects and determining permafrost soil and temperature conditions, NOVATEK's fields are subject to continuous cryological monitoring.

The cryological monitoring includes gauging soil temperature under all (production and non-production) facilities, from dormitories to tanks. Sensors are installed under the facilities and at reference sites to measure temperature at set intervals and digitally track the temperature data. The data analysis and subsequent identification of causes (either natural or man-made) are used to inform initiatives enabling prevention of soil thawing. Such prevention measures include thermal stabilization of soil and pile foundations.

Geocryological monitoring shows that risks related to thawing of the permafrost are currently minor.

In order to prevent hazardous waste from negatively impacting the environment, the Company outfits all of its waste disposal sites such as mud pits and solid domestic and industrial waste landfills with screens, which effectively shield subsoil and groundwater from pollutants. Such screens are included in these sites' projects at the earliest design stages.

The Company engages in extensive cooperation with scientific and non-governmental environmental organizations such as the World Wide Fund (WWF), Marine Mammal Council, and V. I. Vernadskiy Non-Governmental Environmental Fund. Apart from that, NOVATEK cooperates with local communities through organizing public hearings as part of the state appraisal procedure before starting new construction projects and existing production well workovers.

102-12

NOVATEK annually reports on GHG emissions, energy efficiency, and use of water resources (Water Disclosure) to the global Carbon Disclosure Project (CDP).

Its core subsidiaries use the Integrated HSE Management System (IMS) compliant with ISO 14001:2015¹ and OHSAS 18001:2007. 7 out of 13 (54%) NOVATEK's subsidiaries engaged in hydrocarbon production, transportation, and processing are certified under ISO 14001:2015 and OHSAS 18001:2007 as at 2018. Certified entities of NOVATEK Group actively incorporate an integrated occupational health and safety management system in their operations in line with ISO 45001:2018.

1 PAO NOVATEK, OOO NOVATEK-Yurkharovneftegas, OOO NOVATEK-Purovsky ZPK, OOO NOVATEK-Transservice, OAO Yamal LNG, OOO NOVATEK-Ust-Luga, and AO Arcticgas.



Environmental protection: achievements

NOVATEK'S "ARCTIC CASCADE" PROPRIETARY NATURAL GAS LIQUEFACTION TECHNOLOGY

The technology is based on pre-cooling natural gas in ethane vaporizers at different pressures and using gas turbine powered nitrogen refrigerant cycle to supercool the gas. This ensures enhanced liquefaction performance with lower power consumption and reduced equipment costs. The development of this unique technology has been made possible by the unique Arctic climate, which allows using pure ethane condensed in air coolers for pre-cooling.

USE OF RENEWABLE ENERGY SOURCES

Renewable energy sources are used in pipeline linear telemechanics systems, which helps reduce indirect GHG emissions during power generation.

WASTEPAPER COLLECTION

The Company organized wastepaper collection initiatives in 2018 and collected six thousand kilograms of old documents and cardboard for recycling.

DEVELOPMENT OF THE FILLING STATION NETWORK AND TRANSITION TO GAS ENGINE FUEL

NOVATEK is an active contributor to the national objective of converting vehicles to natural gas and LPG as fuel. The Company is developing the market segment for natural gas as a motor fuel by expanding the network of its natural gas retail stations in various Russian regions. The Company launched a new business area, namely the construction of LNG retail stations and the subsequent use of LNG as an environmentally friendly motor fuel. Converting a vehicle to LNG enables a significant reduction of soot and carbon monoxide emissions compared to conventional fuels (gasoline and diesel).

Together with industrial and commercial enterprises of the Chelyabinsk Region, the Company has converted a number of pilot automotive vehicles (haul trucks and highway trucks) to the dual-fuel mode (LNG + diesel). In 2018, the preliminary testing results of these vehicle types were positive. Together with Chelyabinsk transport companies, the Company started trial operation of buses using LNG as a motor fuel. Two mobile refueling units were launched to refuel haul trucks, highway trucks, and public transport in the Chelyabinsk Region.



ENVIRONMENTAL SAFETY AND OFFSHORE DRILLING¹

NOVATEK's first offshore well was drilled in the Gulf of Ob in 2018. In 2018, OOO Arctic LNG 3, NOVATEK's subsidiary, successfully finished drilling a prospecting well with a target depth of 2,800 m within the North-Obskiy license area — NOVATEK's first well in the Ob Bay (Russia's inland waters). A marine self-lifting drilling rig was used to drill the well. The well design and technologies used in its drilling are similar to the ones used for drilling wells on the continental shelf. The well drilling project included a series of geologic surveys, including tests in the cased hole. The well was decommissioned as all the set goals were achieved after 86 days of drilling. The drilling resulted in the discovery of the North-Ob-skoye field.

Environmental safety was a major priority during all drilling activities. The environmental monitoring was carried out at three phases of operations: before the drilling, during the drilling, and after the drilling. The monitoring of the site was carried out from all geographical directions and at two distances as per the permits: 250 meters (set as the standard

distance to monitoring sections) and 500 meters (safety zone pursuant to the waterbody use permit). Monitoring of background concentrations was carried out separately. Environmental monitoring and industrial control were carried out at all phases of operations: waste and wastewater were separately recorded, collected, transported, and disposed of (all drilling waste including drilling wastewater was stored in watertight tanks both at the rig and at the transportation vessels), continuous laboratory testing of wastewater was carried out in a laboratory located at the onshore supply base. All water pumps were equipped with fish screens approved by the Federal Agency for Fishery of the Russian Federation. Apart from that, the Company carried out mitigation measures by releasing muksun fish into rivers of the Ob-Irtysh river basin.

SEWAGE AND WATER-METHANOL MIXTURE THERMAL DISINFECTION UNIT

The Company built a sewage and water-methanol mixture thermal disinfection unit at the Purovsky Plant. In terms of pollutants content in effluents, this unit uses state-of-the-art technologies and meets the stringent requirements of Russian and international standards for air protection.

¹ Pursuant to Federal Law No. 188-FZ On Amendments to the Law of the Russian Federation On Subsoil dated 26 July 2017, only companies in which the government holds a stake larger than 50% may act as Russia's offshore subsoil users. NOVATEK is not such a company and does not engage in related operations.



Environmental Monitoring

Annual environmental monitoring is a key tool for environmental assessment at production sites, identification of challenges, and timely adjustment of the environmental policy. The Company runs its annual environmental monitoring program across its production footprint. The monitoring is carried out by independent environmental auditors (hiring qualified experts) as per applicable programs and methodologies.

It involves examining the condition of environment components, taking soil, ground, water and seabed sediment samples, checking the condition of the local flora, animals and microorganisms, and estimating air pollution. The status of fish stock and fodder resources in water areas is studied as are hydrologic and hydro-chemical parameters. Samples are studied in certified laboratories. Based on the study results, the condition of the environment components is evaluated as well as its dynamic pattern over the year.

The visual part of the monitoring involves inspection and photographing of the areas along the cross-country vehicle and walking routes. To run the environmental monitoring in the tundra zone, we use transport with low-pressure tires to preserve the fragile topsoil.

In general, in 2018 the studies showed that the conditions of environmental components in the target areas were stable. In all areas outside the production footprint, the environmental condition has been classified as stable and corresponding to the baseline level.

In 2018, the NOVATEK Group spent RR 132.4 mln to arrange and run environmental monitoring in its license areas.

To reduce the negative impact on the environment, a multi-stage system of Environmental Monitoring and Industrial Control (EMIC) operates at the Company's enterprises. The majority of large production entity of NOVATEK has a chemical laboratory fully equipped for prompt operational analysis. The EMIC feeds data to analyze and streamline our core processes.

Environmental Protection – Government Control

In 2018, the Federal Service for Supervision of Natural Resources (Rospirodnadzor), municipal authorities and the Public Prosecution Office held scheduled and ad hoc audits at major production entities of NOVATEK with respect to environment protection and sustainable management of

NUMBER OF AUDITS BY SUPERVISORY AUTHORITIES WITH RESPECT TO ENVIRONMENT PROTECTION AND SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES

No.	Supervisory authority	2017	2018
1	Public Prosecution offices of the constituent of the Russian Federation	25	43
2	Federal Service for Supervision of Natural Resources	9	22
3	Russian regional executive authorities	10	16
4	Municipal authorities	2	0
5	Federal Agency for Fishery	2	0
TOTAL		48	81

POTENTIAL GHG EMISSIONS*

Hydrocarbons	UoM	SEC proved reserves as at 31 December 2018	Potential GHG emissions (mmt CO ₂)
Natural gas	bcm	2,177.013	4,108
Oil	mmt	133.402	401
Gas condensate (de-ethanized gas condensate)	mmt	47.324	135
TOTAL			4,644

* The calculation is based on the methodology of World Resources Institute.

natural resources. Following the audits, measures were taken to eliminate the deficiencies identified.

307-1

In 2018, the Company was fined for a total of around RR 1.1 mln for environmental breaches, avoiding any administrative punishments such as project or manager suspensions.

Emissions and Waste

AIR EMISSIONS

305-6

The level of air emissions decreased as compared to the previous reporting period and reached 84.3 mt due to the implementation of the Program for Rational Use of Associated Petroleum Gas and commissioning of the LNG plant and ramping it up to production. The Company does not emit highly toxic or ozone-depleting substances.

Company strives to minimize emissions and ensures that accidental release risks are accounted for at the earliest stages of project design. Accidental release prevention is included in FEED and detailed documentation for field development and construction of hazardous

84.3

THOUSAND TONS

Air pollutant emissions

production facilities. All projects are submitted to the Main Department of State Expertise for approval before construction is allowed to commence. All projects must contain provisions for prevention of accidental releases, fires, spills, and other emergencies through the utilization of various safety systems such as emergency protection, automatic fire suppression, and gas detection systems. Additionally, all subsidiaries and joint ventures undergo annual preventive maintenance, as well as conduct diagnostics of their equipment and pipelines to prevent accidents related to hydrocarbon spillage and leakage.

The Company's key products include natural gas and LNG with respective production operations resulting in less emissions than oil production. The Company has calculated its potential emissions based on its SEC proved reserves (as at 31 December 2018) with a breakdown by type and related emission factors.

305-7 AIR EMISSIONS BY THE NOVATEK GROUP IN 2014–2018, TONS

	2014	2015	2016	2017	2018
Air pollutant emissions, total	51,479	66,242	121,232	108,936	84,296
including major pollutants:					
solids	2,353	3,609	2,568	7,682	4,410
carbon oxide	32,858	44,466	86,022	68,668	45,935
nitrogen oxide (NO ₂ equivalent)	6,663	8,225	10,448	11,097	11,350
sulfur dioxide	6.74	82.77	20.14	29.76	33
hydrocarbons (incl. methane)	2,900	4,872	8,993	8,490	8,868
VOCs	6,685	8,950	10,219	12,951	13,683
Other	—	—	2,962	17.8	17



GHG EMISSIONS

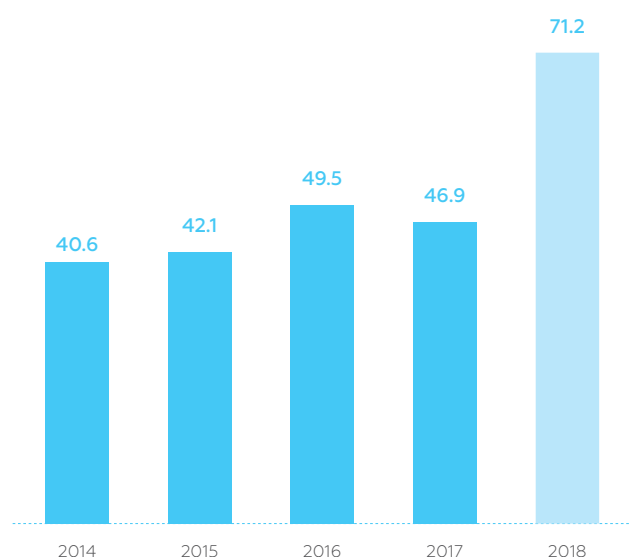
NOVATEK recognizes the risks and implications of climate changes, regularly assessing them, maintaining cryological monitoring, developing the reporting system on GHG emissions, and implementing innovative technology for reducing pollution.

The Company's subsidiaries have in place the Greenhouse Gas Emissions Management System Standard, which establishes key principles and requirements to GHG emissions management. The Company's corporate Greenhouse Gas Emissions Management System is tailored to its production processes, commodity, and equipment. The system meets ISO 14064-1:2007 and Russian Government Resolution No. 504-R dated 2 April 2014, as well as the Guidelines for Calculating GHG Emissions approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated 30 June 2015.

Since 2008, NOVATEK has been supporting the Carbon Disclosure Project (CDP) to collect relevant data from large businesses.

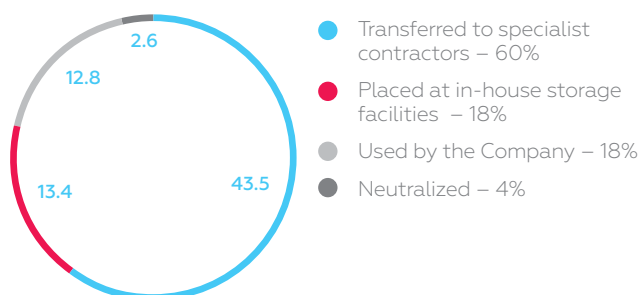
Cogeneration technology is implemented at the NOVATEK Group's facilities, which almost doubles the fuel efficiency resulting in lower fuel gas consumption and a significant reduction of GHG emissions.

PRODUCTION AND CONSUMPTION WASTE GENERATION IN 2014-2018, MMT PER ANNUM



- 1 A total of 72,276 tons of waste were processed in 2018, including 1,091 tons of waste generated in 2017.
- 2 The calculation includes CO₂ and CH₄.
- 3 GHG emissions per barrel of oil equivalent.
- 4 The increase is due to inclusion of OAO Yamal LNG GHG emissions.

306-2 WASTE STRUCTURE BY ENVIRONMENTAL IMPACT IN 2018, MT, %

306-2 WASTE MANAGEMENT IN 2018, MT,%¹

OG6 305-1 305-2 TOTAL GREENHOUSE GAS EMISSIONS IN 2014-2018, MT OF CO₂

	2014	2015	2016	2017	2018
Direct emissions (fuel combustion and operation of production entities)	3,980.0	4,402.6	6,571.8*	4,849.3*	7,737.1 ¹⁴
Indirect emissions (purchased energy)	115.6	184.5	181.9	191.5	199.7

* According to the Guidelines for Calculating GHG Emissions approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated 30 June 2015.

Linear telemechanics systems for controlling pipeline valves are outfitted with solar panels and wind turbines.

Production entities generated 4.74 mmt of CO₂ equivalent in 2018. Processing entities generated 0.67 mmt of CO₂ equivalent. LNG entities generated 2.32 mmt of CO₂ equivalent in 2018².

Production assets generated 8.76 tons of CO₂e per mboe³ with processing assets generating 0.037 CO₂e per ton of processed hydrocarbons, and LNG production assets generating 0.27 CO₂e per ton of LNG produced. The Company strives to keep specific GHG emissions below target levels.

ASSOCIATED PETROLEUM GAS

The Company implements the Program for Rational Use of Associated Petroleum (APG). The level of APG utilization marginally grew to 97.1% in 2018 (96.9% in 2017).

WASTE
OG7

In 2018, the NOVATEK Group's production generated 71,185 tons of waste, representing an increase year-on-year by approximately 50%. The growth in waste generation is mostly attributable to an increase in production drilling meterage, which was 446,000 meters

in 2018 (including joint ventures), up 70% year-on-year, and also to construction and commissioning of new facilities. Class 1–4 hazardous waste amounted to 69,418 tons, including 3.3 tons (Class 1 – extremely hazardous), 32 tons (Class 2 – highly hazardous), 3,830 tons (Class 3 – moderately hazardous), 65,553 tons (Class IV – low-hazardous). Non-hazardous waste amounted to 1,767 tons (Class V – virtually non-hazardous). The bulk of that waste (about 95%) was low-hazardous and virtually non-hazardous (mainly drill mud).

The share of high-hazardous waste materials (classes 1 and 2) was insignificant (0.05% or 35 tons), found mainly in mercury lamps and luminescent tubes containing mercury, as well as used lead-acid batteries.

The Company takes a responsible approach to waste disposal by sticking to approved instructions and generally accepted safety practices, as well as exercising environmental control in the process of waste treatment. More than half of the total waste is transferred to specialist contractors for disposal, 18% is disposed via NOVATEK's own landfills. NOVATEK employs state-of-the-art waste recycling and neutralization technologies.

Water Use and Disposal

303-1 303-2 303-3 303-4

The Company is committed to sustainable water use and efficient wastewater treatment. The Company runs no risks related to lack of water as NOVATEK does not operate in water-scarce areas¹, but it does consider the sparse consumption of water resources among the priorities of its environmental protection policy. Moreover, the Company does not discharge hydrocarbon contaminated water to waterbodies.

303-5

In 2018, our water consumption grew to 2.993 mmcm (less produced water re-injected to maintain reservoir pressure), mostly (75%) used for production needs.

In 2018, the water consumption rate stood at 5.1 cubic meters per mboe of gross production for production entities and at 1.3 cubic meters per mboe for processing entities.

The 7% year-on-year increase in water consumption is associated with water withdrawal during the operation of a marine self-lifting drilling rig to ensure the cooling of technological equipment.

WATER DISPOSAL

The Company uses the following wastewater disposal methods:

- reinjection for maintaining reservoir pressure;
- burning at horizontal gas flaring systems;
- injection into intake beds after preliminary purification at full-service treatment plants;
- channeling to surface water bodies after a thorough treatment.

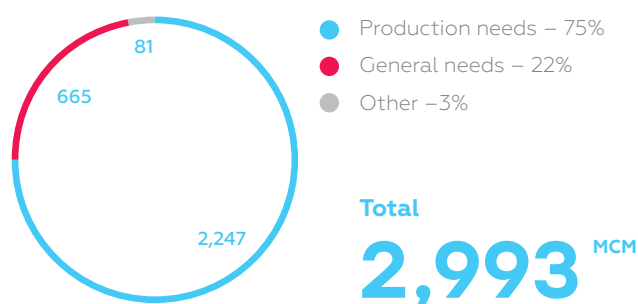
303-1 303-2

The wastewater channeled into the Ob Bay in the Kara Sea and the Luga Bay in the Gulf of Finland qualifies as treated to standard quality. The Company makes use of mechanical, membrane, and biological treatment technologies, as well as UV disinfection.

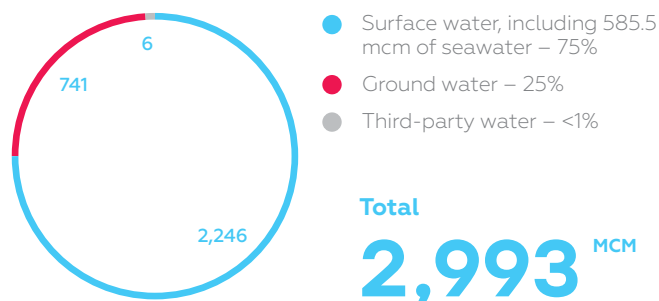
Treatment facilities for stormwater and residential sewage were completed and commissioned at the Integrated Facility for Natural Gas Production, Treatment and Liquefaction with Off-Loading Facilities for LNG and Gas Condensate of the South-Tambeyskoye gas condensate field for

3,600 cubic meters per day and 1,500 cubic meters per day respectively. The wastewater is treated to meet regulatory statutory norms and then once treated is discharged into the Ob Bay basin. The treatment process employs mechanical, biological, physical, and chemical methods. Treated wastewater is disinfected with ultraviolet irradiation. Chemically and oil contaminated industrial effluents are treated in a standalone treatment plant with a daily throughput capacity of 2,450 cubic meters to bring them in line

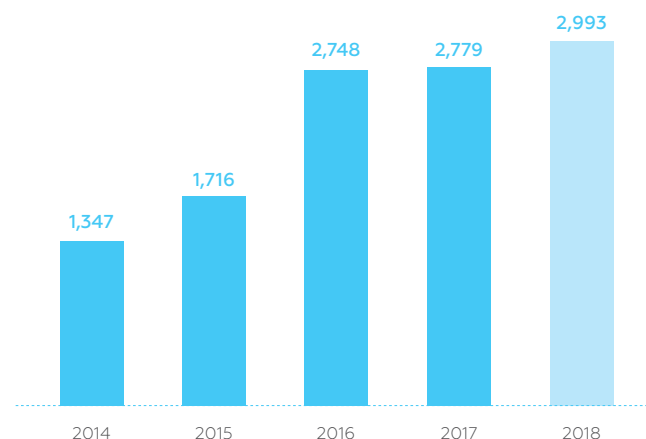
303-5 WATER CONSUMPTION IN 2018 BY DESTINATION, MCM, %



303-3 WATER WITHDRAWAL BY SOURCE TYPE, MCM, %



WATER CONSUMPTION IN 2013–2018, MCM



¹ The International Water Management Institute describes Russia as a "sodden" region abundant in water resources.

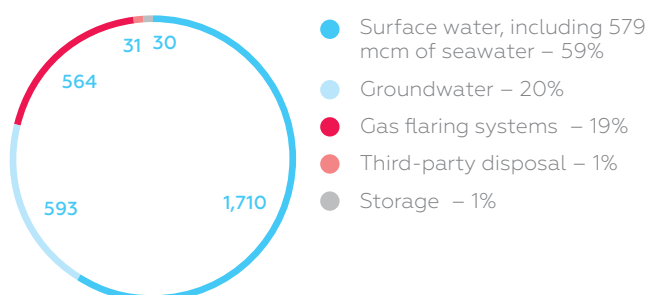
with quality standards, thus enabling injecting them into absorbing formations. Before being injected, the wastewater undergoes separation, two-stage flotation, and post-treatment in a pressure sand filter.

Analysis of samples shows that hydro-chemical parameters of discharged water and concentrations of pollutants fall within permissible limits. The Company does not discharge hydrocarbon contaminated water to waterbodies.

303-4

306-1

TOTAL WATER DISCHARGE BY TYPES OF DESTINATION, MCM, %



The Company's subsidiaries operating pipelines conduct regular hydrological, hydro-chemical, and organoleptic examinations to assess the quality of water resources.

306-1

In 2018, NOVATEK's water discharge totaled 2.928 mmcm while its subsidiaries discharged a total of 1.71 mmcm of wastewater treated to standard quality to surface waterbodies.

1.796 mmcm of water was re-injected to maintain reservoir pressure.

303-1

306-1

Authorized state regulators examine NOVATEK's water withdrawal and discharge volumes when following up compliance with law and regulations on waterbody protection at intervals selected under a risk-oriented approach with enterprises ranked by their respective environmental footprint. Additionally, a system of Environmental Monitoring and Industrial Control operates at the Company's enterprises.



Energy Consumption and Efficiency

NOVATEK cares about future generations and therefore exercises a reasonable and responsible approach to energy consumption and efficiency.

Electricity consumed by NOVATEK is mostly generated by our auxiliary cogeneration power plants using secondary energy resources (heat from flue gases) to generate heat.

Our demand for heat is fully covered by in-house sources of the NOVATEK Group. The Company's major heat sources are waste heat exchangers (waste heat boilers) installed at auxiliary power plants and gas compressor units of booster compression stations.

The internally generated (in boilers) heat and electricity come from own-produced hydrocarbons.

We also use alternative, environmentally safe, renewable sources of electricity based on solar panels (1.5 kW of installed capacity per panel) and wind turbines (1 kW of installed capacity). The telemechanics systems for controlling valves at trunk pipelines and well drilling pads of our gas condensate fields run on renewable energy. A total of 124 renewable energy sources were used by NOVATEK in 2018. The efficiency of new renewable energy sources built for greenfield projects is assessed during the early design phase as part of a comparative feasibility study between power supply options (two options are assessed: renewable energy and construction of an overhead power line).

124

renewable energy sources

OG3

In 2018, we generated about 347,000¹ kWh of electricity from renewable sources in 2018 (including 202,000 kWh by solar modules and 145,000 kWh by wind turbines), representing 0.02% of NOVATEK's total electricity generation.

The principles for efficient energy management are embedded into the design of our greenfield projects. Design pre-requisites include the use of energy-efficient cogeneration equipment and technology.

302-4

A number of NOVATEK's subsidiaries have built energy-saving programs to improve the energy efficiency of their operations. Technical and organizational energy-saving initiatives implemented by NOVATEK in 2018 enabled an overall reduction in energy consumption by 33,900 GJ due to a 9.4 mln kWh reduction in electricity consumption (1.3%² of the total electricity consumption).

Our demand for heat is fully covered by in-house sources of the NOVATEK Group.

302-1 ENERGY CONSUMPTION BY NOVATEK'S PRODUCTION SUBSIDIARIES AND JOINT VENTURES IN 2014–2018³

Metric	UoM	2014	2015	2016	2017	2018
Total consumption of heat and electricity	thousand GJ	3,060	3,864	4,200	4,215	10,337
Consumption from non-renewable sources (natural gas) to produce heat and electricity	thousand GJ	4,332	6,614	7,485	5,877	35,560
Aggregate electricity consumption	mln kWh	449	588	658	675	1,862
Aggregate heat consumption	thousand GJ	1,442	1,746	1,830	1,782	3,632

¹ Partially estimates. Some of our renewable energy sources lack generation metering equipment.

² Excluding electricity consumption by OAO Yamal LNG.

³ Energy consumption for 2018 includes the following companies: OOO NOVATEK-Yurkharovneftegas, OOO NOVATEK-Tarkosaleneftogas, OOO NOVATEK-Purovsky ZPK, OOO NOVATEK-Ust-Luga, OOO NOVATEK-Transervice, AO Arcticgas, ZAO Nortgas, OOO Yargeo, ZAO Terneftegas, and OAO Yamal LNG.

The increase in energy consumption in 2018 was due to OAO Yamal LNG's data having been included in the calculations since 2018.

145

THOUSAND
KWH

Power generation by wind turbines

202

THOUSAND
KWH

Power generation by solar modules



302-3 ENERGY CONSUMPTION BY PROCESS, 2017–2018

Process	Consumption ⁴	
	2017	2018
Gas production	2.5 kWh/mcm	2.1 kWh/mcm
Condensate production	12.4 kWh/ton	10.7 kWh/ton
Oil production	24 kWh/ton	21.4 kWh/ton
Condensate processing	7.1 kWh/ton	6.5 kWh/ton
Gas liquefaction, including shipments of LNG and gas condensate (OAO Yamal LNG)	—	107.6 kWh/ton

⁴ Energy consumption by gas and condensate production processes excluding OAO Yamal LNG.



Biodiversity Protection

304-1 304-2 OG4

NOVATEK operates in various Russia's regions — both untapped areas of the Extreme North and regions with a developed infrastructure in place — contributing to the advancement of those regions where we operate, relentlessly adhering to sustainable natural resource management principles. The Company monitors biodiversity in the areas where it conducts its production activities and takes proactive and compensatory measures under a Biodiversity Preservation Program. In the reporting year, we paid a particular attention to monitoring and preserving the biodiversity in the north of the Yamal Peninsula, around the South Tambeiskoye license area as well as in the Ob Bay basin that is within the Yamal LNG potential impact zone.

Also, in 2018, NOVATEK developed a program for conserving biodiversity in the Baltic Sea's Gulf of Finland and the adjacent land areas. The program will be implemented in 2019 and add new information to the overall picture of biodiversity protection after the first results of the monitoring are obtained.

The Biodiversity Program is part of the Company's drive to integrate sustainable development principles into its operations. It is a strategic, high-level planning document that lays the foundation for NOVATEK's biodiversity protection management. The Biodiversity Program included development and implementation of a framework action plan for biodiversity protection, which complies with International Finance Corporation's Performance Standard 6 (Biodiversity Protection and Sustainable Management of Living Natural Resources).

The aim is to collect information on functioning of the seafloor ecosystems exposed to human activity and make accurate assessment of the impact of dredging on the benthos¹. Specifically, in 2018, the Program focused on verifying baseline data on benthos communities, drawing a lithological map and a map showing the distribution of benthos communities across the Ob and maritime channels and disposal sites in the Ob Bay, and developing a field research program aimed at validating the results of baseline material processing.

Comprehensive mapping of benthos communities using in situ (dredging survey and sampling) and remote methods is slated for 2019. Also, the Company monitors biodiversity, which includes a marine mammal research program and a comprehensive land ecosystem biodiversity monitoring program.

MARINE MAMMAL RESEARCH PROGRAM

In 2018, the Company analyzed data obtained from aerial surveys of seals on ice in the Ob Bay that used special equipment. Seal population density varied considerably between 0.2 and 0.77 species per square km. Analysis of historical survey data for the previous years showed that the main factor influencing seal population density was ice conditions: when fast ice covered about 50% of the water areas surveyed, seal density reached its maximum on young ice (ice fields of grey ice), and was much lower when fast ice densely covered the whole area.

No dead animals were sighted. The distribution is due to the environmental conditions that animals are adapted to when moving to geographic areas where they feel comfortable. A conclusion was made that annual fluctuations in the size of seal populations in the northern part

¹ Benthos is the community of organisms that live on or in the seabed.



of the bay are largely due to changes in ice conditions, specifically, the percentage of area covered with fast ice and the formation of polynya openings with young ice on the edges of the fast ice. Surveys of the size and density of seal populations continue.

COMPREHENSIVE BIODIVERSITY MONITORING PROGRAM

In 2018, the Company implemented a comprehensive biodiversity monitoring program.

Flora monitoring is done on 15 permanent test sites established for assessing phytodiversity protection progress and identifying dynamic processes stimulated by both technogenic and zoogenic factors. No significant changes in the types of plants and their abundance were detected in 2018. The slight changes that have been identified are in most cases due to annual fluctuations. Almost all the sites surveyed within the disturbed areas are showing signs of positive changes towards recovery.

Anthropogenic impacts on birds within the South-Tam-beyskoye field were either not manifest or negligible. This is primarily due to the lack of indirect impacts (such as hunting, collection of eggs, disturbing of nests, etc.) It is also possible that some of the species (the greater white-fronted goose, the long-tailed duck and the king eider) have adapted to the Project's anthropogenic impacts: the birds nest, look for food and rest in the immediate vicinity of the industrial sites.

Ichthyological and hydrobiological research in 2018 showed marginal anthropogenic impacts on the watercourses under study. This was evidenced by the types and number of species (phytoplankton, zooplankton, and macrozoobenthos).

In general, baseline assessment results obtained in 2018 and compared with historical data show that the majority

of the ecosystems had not been significantly disturbed. The biodiversity of species and communities has not seen any significant changes associated with the Company's operations in recent years. Survey results show that the ranges of species are expanding northwards, which is confirmed by experts from all over the world as well.

One of the key priorities in biodiversity protection is to raise awareness among employees involved in the Project and the Company's contractors.

The Company's biodiversity protection policy is communicated to employees as part of on-site induction briefings; specifically, the ban on hunting, fishing, feeding wild animals and collecting wild plants. Employees are made aware of the risks associated with wildlife encounters, including the risk from Arctic fox bites. The Company informs its contractors about the bans by including ban clauses into contracts, distributing leaflets and speaking about them at induction briefings. NOVATEK's environmental and sustainable development teams monitor compliance with the bans and give talks to employees explaining the reasons behind them.

The Company's employee guidelines on biodiversity are regularly updated and include:

- safety rules for a polar bear encounter;
- warnings that Arctic foxes are potential rabies carriers;
- rules of correct interaction with marine mammals.

Availability of leaflets on brochure displays in offices, canteens and accommodation areas is regularly monitored. Leaflets on safety rules for a polar bear encounter are distributed to employees along with emergency notification in case polar bears are sighted on the site. One case of a short polar bear visit to the

area adjacent to the Company's facilities within the South-Tambeyskoye license area was recorded in the reporting year. Measures were taken to notify employees working at the facilities of the bear.

ENVIRONMENTAL DAMAGE COMPENSATION

304-3

In 2018, as part of artificial propagation of marine biological resources, 4.4 mln young whitefish were released into the Ob and Irtysh rivers and 163,000 salmon fingerlings were released into the rivers of the White Sea basin.

NOVATEK also supported the Sob fish-breeding farm, which is a key initiative on aquatic biodiversity.

Disturbed Area Reclamation

304-3

Reclamation of disturbed land and remediation of contaminated areas is a system of land improvement, agricultural, and hydraulic measures to reclaim land for future use. The Company's reclamation activities usually include a few stages: soil rehabilitation, revegetation, and construction (if needed). The stages are interconnected and carried out one after another. Soil rehabilitation is needed to make unsuitable soils ready for revegetation.

This stage includes earthwork (filling ditches, trenches, pits, hollows, and sinkholes, spoil tip leveling and terracing), construction of hydraulic and reclamation structures, and covering with a layer of fertile soil. The revegetation stage includes agricultural work aimed at soil restoration and improvement, as well as higher soil productivity.

In 2018, a total of 178.4 ha of land was reclaimed within the Company's license areas, including 111.67 ha of forests and 66.73 ha of agricultural land.

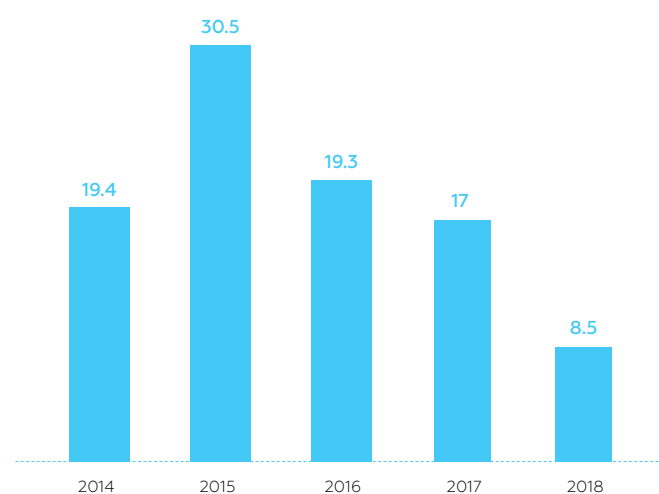
Environmental Protection Training

The Company organizes ongoing training on matters of sustainable use of resources and environmental safety, which also includes production safety. In 2018, 257 people attended environmental trainings on various topics (depending on their line of work).

Environmental Costs

In 2018, NOVATEK spent approximately RR 2.4 bln on environmental protection and damage compensation, with negative environmental impact charges for 0.4% of all costs. The better part of environmental investments was allocated to water protection initiatives (52.5%), environment protection from production and consumer waste (29%), and environmental monitoring (6%).

NEGATIVE ENVIRONMENTAL IMPACT CHARGES IN 2014–2018, RR MLN



Sob fish-breeding farm

The Sob fish-breeding farm was built in the Arctic, on the Sob River, which is a spawning area, at the foothills of the Polar Urals, near the traditional feeding ground of whitefish. The Sob fish-breeding farm is the only facility in the Arctic region engaged in reproduction of rare and endangered whitefish (muksun, broad whitefish).

Its main purpose is to replenish endangered fish populations by using best-in-class technology. The farm currently uses a modified version of a Norwegian approach, which is the most environmentally friendly option. It has never been used in Russia before. The

facility grows whitefish fingerlings with a high survival rate in units with recirculating aquaculture systems all year round.

The farm does not use natural water bodies for artificial fish breeding: all the stages of the process, from incubation to growing fingerlings, take place at the farm's facilities.

The Sob fish-breeding farm uses modern recirculating aquaculture systems that enable growing fingerlings in a fully controlled environment of reservoirs, before releasing them, which helps avoid natural risks.

THE NOVATEK GROUP'S 2018 COSTS ASSOCIATED WITH ENVIRONMENTAL AND SUSTAINABLE NATURE MANAGEMENT INITIATIVES, RR THOUSAND*

Environmental protection and sustainable nature management	RR thousand
Atmospheric air protection and climate change prevention	66,319
Water protection	1,251,429
Environment protection from production and consumer waste, hazardous waste treatment	696,358
Land and soil protection	97,838
Subsoil protection (for production facilities)	18,174
Protection of flora, fauna and habitats, biodiversity preservation	73,802
Environmental management	27,636
Environmental monitoring	132,408
Negative environmental impact charges	8,523
Other costs	11,335
TOTAL OPERATING COSTS	2,383,822

* Costs associated with sustainable nature management initiatives are not accounted for independently any more. They have been distributed across the items listed above. Changes in cost accounting have been made after reviewing the cost accounting methodology.

NUMBER OF PEOPLE TRAINED IN ENVIRONMENTAL MANAGEMENT IN 2014–2018

Subjects	2014	2015	2016	2017	2018
Environmental safety for managers and general business management personnel	20	8	17	17	96
Environmental safety and hazardous waste treatment	28	50	35	40	89
Environmental safety for managers and experts of environmental departments and environment control systems	10	14	28	14	28
Professional training of persons entitled to work with class 1–4 hazardous waste	36	88	110	57	26
Other environmental programs	13	0	11	0	18
Total	51	160	201	128	257



APPENDIX 1. Independent Limited Assurance Report to Management of PAO NOVATEK

Introduction

We have been engaged by management of PAO NOVATEK (hereinafter – the “Company”) to provide limited assurance on the Selected Information described below and included in the Sustainability Report for the year ended 31 December 2018 (hereinafter – the “Sustainability Report”). The Sustainability Report represents information of PAO NOVATEK, its subsidiaries and joint ventures.

Selected information

We assessed the qualitative and quantitative information that is disclosed in the Sustainability Report and included in the «APPENDIX 4. Compliance with GRI Standards». Information is prepared according to the Sustainability Reporting Guidelines of the Global Reporting Initiative, GRI 2016 and includes standard disclosures in environmental, workforce, safety and socio-economic areas in the reporting scope of the Sustainability Report (hereinafter – the “Selected Information”). The scope of our assurance procedures was limited to Selected Information for year ended 31 December 2018.

Reporting criteria

We assessed the Selected Information using the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI, 2016) (hereinafter – the “GRI Standards”). We believe that these reporting criteria are appropriate given the purpose of our limited assurance engagement.

PAO NOVATEK’s responsibilities

Management of the Company’s is responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- accuracy, completeness and fair presentation of the Selected Information.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of the Company.

This report, including our conclusions, has been prepared solely for the management of the Company in accordance with the agreement between us, to assist the management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Company's Sustainability Report for the year ended 31 December 2018, to assist the management in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the management of the Company for our work or this report except where terms are expressly agreed between us in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our assurance procedures over Selected Information in the Russian Federation.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Company's management, including the Sustainability Reporting team and those with responsibility for sustainability reporting management and sustainability reporting;
- conducted interviews of personnel responsible for sustainability reporting data collection;
- performed analysis of the relevant policies and basic reporting principles, gaining an understanding and evaluating the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- reviewed the Selected Information for compliance of the disclosures with the requirements of the GRI Standards.

Reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The reporting criteria used as a basis of the Company's sustainability reporting should therefore be read in conjunction with the Selected Information and associated statements reported on the Company's website¹.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained:

- nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with the requirements of the GRI Standards; and
- nothing has come to our attention that causes us to believe that the Selected Information does not meet the Core requirements in accordance with the Guidelines of the GRI Standards.

21 August 2019

Moscow, Russian Federation



M.E. Timchenko, certified auditor (licence no. 01-000267),

AO PricewaterhouseCoopers Audit

The entity subject to the limited assurance engagement: PAO NOVATEK

Record made in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1026303117642 issued by the Inspectorate of the Russian Ministry of Taxes and Levies of Novokuybyshevsk, Samara Region on 20 August 2002.

Location of the Company according to the Charter:
Russian Federation, Yamalo-Nenetski state, Purovsky region, Tarko-Sale.

Mailing address: 2, Udaltsova street, Moscow, 119415, Russian Federation.

Audit organisation: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations — 11603050547

¹ The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

APPENDIX 2. REPORT BOUNDARIES

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	Occupational health and safety	Charity	Training and education	Ensuring strong economic performance	Local development	Human resources	Atmospheric emissions	Waste	Water consumption	Water disposal
NOVATEK	+	+	+	+	+	+		+		
NOVATEK-Yurkharovneftegas	+	+	+	+	+	+	+	+	+	+
NOVATEK-Tarkosaleneftegas	+	+	+	+	+	+	+	+	+	+
NOVATEK-Transervice	+	+	+	+		+		+		
NOVATEK-Purovsky ZPK	+		+	+		+	+	+	+	+
Sherwood Premier	+		+	+		+		+		
NOVATEK-AZK	+		+	+		+		+	+	
NOVATEK STC	+	+	+	+		+				
Yargeo	+	+	+	+	+	+	+	+	+	+
NOVATEK-Perm			+	+		+				
NOVATEK-Chelyabinsk	+	+	+	+	+	+		+		
NOVATEK-Energo	+	+	+	+		+		+		
NOVATEK-Yarsaleneftegas			+	+		+				
NOVATEK-Ust-Luga	+	+	+	+		+	+	+	+	+
Novatek Equity (Cyprus) Limited			+	+		+				
NOVATEK Moscow Region			+	+		+				
NOVATEK-Kostroma	+	+	+	+	+	+				
EkropromStroy				+						
Arctic LNG 1	+		+	+	+	+			+	+
Arctic LNG 2	+		+	+	+	+			+	+
Arctic LNG 3	+		+	+		+		+	+	+
NOVATEK-Murmansk	+	+	+	+		+		+		
Urengoyskaya gasovaya kompaniya				+						

	Occupational health and safety	Charity	Training and education	Ensuring strong economic performance	Local development	Human resources	Atmospheric emissions	Waste	Water consumption	Water disposal
Chernichnoye				+						
NOVATEK-Pur			+	+	+	+	+	+	+	+
Eurotek	+		+	+	+	+	+	+	+	+
NOVATEK-Kamchatka			+	+		+				
Severneft-Urengoy	+		+	+	+	+	+	+	+	+
Maritime Arctic Transport				+						
Maretiom Investments Limited				+						
Velarion Investments Limited				+						
Novatek Gas & Power GmbH			+	+		+				
NOVATEK Montenegro B.V.		+	+	+		+				
Novatek Polska Sp. z o.o.			+	+		+				
NOVATEK Lebanon SAL				+		+				
Novatek Gas & Power Asia PTE. Ltd			+	+		+				
Blue Gaz Sp. z o.o				+						
Terneftegas	+		+	+		+	+	+	+	+
Arcticgas	+		+	+		+	+	+	+	+
Yamal LNG	+		+	+		+	+	+	+	+
Nortgas	+		+	+		+	+	+	+	+
Cryogas-Vysotsk	+		+	+		+				
Rostock LNG GmbH				+						
Sabetta International Airport	+			+		+		+		
Yamal Trade Pte. Ltd.				+		+				

APPENDIX 3. PERSONNEL STRUCTURE

405-1 PERSONNEL STRUCTURE BY GENDER AND AGE, AS AT 31 DECEMBER 2018

Employees	Female	%	Male	%	Total	%
Under 30	484	15	1,331	13	1,815	13
30 to 50	2,430	73	7,426	71	9,856	72
50+	389	12	1,634	16	2,023	15
Total	3,303		10,391		13,694	

PERSONNEL STRUCTURE BY LINE OF WORK AND GENDER, AS AT 31 DECEMBER 2018

Employees	Total headcount	% of total headcount	Female	Male	Female, %	Male, %
Exploration and production	7,926	57.9%	1,463	6,463	18.5%	81.5%
Transportation and marketing	2,441	17.8%	1,107	1,334	45.4%	54.6%
Processing	1,545	11.3%	260	1,285	16.8%	83.2%
Administrative personnel	878	6.4%	359	519	40.9%	59.1%
Power supply	734	5.4%	52	682	7.1%	92.9%
Auxiliary production	170	1.2%	62	108	36.5%	63.5%
Total	13,694	100%	3,303	10,391		

102-8 PERSONNEL STRUCTURE BY TYPE OF EMPLOYMENT CONTRACT AND GENDER, AS AT 31 DECEMBER 2018

	Fixed-term	Permanent
Female	378	2,925
Male	722	9,669
Total	1,100	12,594

**102-8 PERSONNEL STRUCTURE BY GENDER AND REGION,
AS AT 31 DECEMBER 2018**

Region	Female	Male	Total
Yamal-Nenets Autonomous Region	1,193	7,622	8,815
Moscow and Moscow Region	771	995	1 766
Chelyabinsk Region	614	356	970
St. Petersburg and Leningrad Region	175	628	803
Tyumen Region	101	199	300
Rostov Region	81	123	204
Kostroma Region	113	84	197
Volgograd Region	91	95	186
Murmansk Region	62	110	172
Khanty-Mansi Autonomous Region	11	56	67
Perm Territory	13	9	22
Astrakhan Region	8	10	18
Krasnodar Territory	0	4	4
Samara Region	0	3	3
Arkhangelsk Region	0	3	3
Kamchatka Territory	2	0	2
Poland	33	56	89
Switzerland	18	21	39
Singapore	11	15	26
Montenegro	2	1	3
Cyprus	3	0	3
Lebanon	1	1	2
Total	3,303	10,391	13,694

**102-8 PERSONNEL STRUCTURE BY TYPE OF EMPLOYMENT CONTRACT
AND REGION, AS AT 31 DECEMBER 2018, EMPLOYEES**

Region	Fixed-term	Permanent
Yamal-Nenets Autonomous Region	523	8,292
Moscow and Moscow Region	299	1,467
Chelyabinsk Region	58	912
St. Petersburg and Leningrad Region	39	764
Tyumen Region	18	282
Rostov Region	9	195
Kostroma Region	25	172
Volgograd Region	1	185
Murmansk Region	64	108
Khanty-Mansi Autonomous Region	0	67
Perm Territory	3	19
Astrakhan Region	0	18
Krasnodar Territory	0	4
Samara Region	0	3
Arkhangelsk Region	1	2
Kamchatka Territory	1	1
Poland	31	58
Switzerland	9	30
Singapore	13	13
Montenegro	3	0
Cyprus	3	0
Lebanon	0	2
Total	1,100	12,594

102-8 PERSONNEL BY TYPE OF EMPLOYMENT AND GENDER, AS AT 31 DECEMBER 2018

	Part-time	Full-time
Female	41	3,262
Male	11	10,380
Total	52	13,642

401-1 PERSONNEL HIRED IN 2018 BY GENDER AND REGION, EMPLOYEES

Region	Female	Male	TOTAL
Yamal-Nenets Autonomous Region	122	804	926
Moscow and Moscow Region	120	148	268
Chelyabinsk Region	99	74	173
St. Petersburg and Leningrad Region	28	171	199
Tyumen Region	25	63	88
Rostov Region	17	19	36
Kostroma Region	10	7	17
Volgograd Region	21	25	46
Murmansk Region	12	31	43
Khanty-Mansi Autonomous Region	0	2	2
Perm Territory	1	0	1
Astrakhan Region	1	1	2
Krasnodar Territory	0	2	2
Samara Region	0	0	0
Arkhangelsk Region	0	0	0
Kamchatka Territory	2	0	2
Poland	8	8	16
Switzerland	3	3	6
Singapore	5	7	12
Montenegro	0	0	0
Cyprus	0	0	0
Lebanon	1	0	1
Total	475	1,365	1,840

401-1 PERSONNEL HIRED IN 2018 BY GENDER AND AGE

Age	Female	Male	Total
Under 30	125	336	461
30 to 50	327	922	1,249
50+	23	107	130
Total	475	1,365	1,840

401-1 **EMPLOYEE TURNOVER IN 2018 BY GENDER AND REGION**

Gender/region	Average headcount	Resignations	Employee turnover rate, %*
Female	2,934	325	11
Male	10,102	576	6
Total	13,036	901	7
Yamal-Nenets Autonomous Region	8,543	409	5
Moscow and Moscow Region	1,616	99	7
Chelyabinsk Region	917	180	20
St. Petersburg and Leningrad Region	713	34	3
Tyumen Region	261	22	8
Rostov Region	201	57	23
Kostroma Region	186	5	3
Volgograd Region	181	65	36
Murmansk Region	155	11	7
Khanty-Mansi Autonomous Region	74	14	19
Perm Territory	20	0	0
Astrakhan Region	18	2	11
Krasnodar Territory	1	0	0
Samara Region	3	0	0
Arkhangelsk Region	3	0	0
Kamchatka Territory	1	0	0
Poland	81	0	0
Switzerland	37	1	3
Singapore	17	2	12
Montenegro	3	0	0
Cyprus	3	0	0
Lebanon	2	0	0
Total	13,036	901	7

* The employee turnover rate is calculated as resignations divided by average headcount at the year-end. Percentage is calculated as the resulting value multiplied by 100.

401-3

EMPLOYEES WHO WENT ON, OR RETURNED FROM, A PARENTAL LEAVE IN 2018

	Employees who went on parental leave in 2018	Employees who returned from parental leave in 2018
Female	140	106
Male	5	2
Total	145	108

405-1

MANAGEMENT BREAKDOWN BY GENDER AND AGE AS AT 31 DECEMBER 2018

Top managers	Female	%	Male	%	Total	%
Under 30	0		1		1	0.4
30 to 50	31		137		168	75.7
50+	10		43		53	23.9
Total	41	18.5	181	81.5	222	100

APPENDIX 4. Compliance with GRI Standards

102-55

Indicator index	Indicator description	Section of the Report	Notes
GENERAL DISCLOSURES			
1. Organizational profile			
102-1	Name of the organization	Company Profile, p. 18 Report and Reporting Process, p. 11	
102-2	Activities, brands, products, and services	Company's Results, p. 86, 90, 94	The Company does not produce goods or provide services prohibited in any market.
102-3	Location of headquarters	Company Profile, p. 18	
102-4	Location of operations	Company Profile, p. 18 Company's Results, p. 88, 100, 102, 104	
102-5	Ownership and legal form	Company Profile, p. 18	
102-6	Markets served	Company's Results, p. 96	
102-7	Scale of the organization	Company Profile, p. 19–20 Company's Results, p. 96 Employment Practices, p. 120	
102-8	Information on employees and other workers	Employment Practices, p. 120 Appendix 3. Personnel Structure, p. 174–179	d. Workers who are not employees do not perform a significant portion of the Company's activities. e. There are no seasonal or other variations in headcount.
102-9	Supply chain	Procurement Practices, p. 134	
102-10	Significant changes to the organization and its supply chain	Company Profile, p. 20	
102-11	Precautionary principle or approach	Environmental Performance and Protection, p. 152	
102-12	External initiatives	Company Profile, p. 23 Environmental Performance and Protection, p. 152	
102-13	Membership of associations	Company Profile, p. 21	
2. Strategy			
102-14	Statement from senior decision-maker	Letter from the Chairman of the Management Board, p. 4	

Indicator index	Indicator description	Section of the Report	Notes
102-15	Key impacts, risks, and opportunities	Corporate Governance, p. 72	Detailed information about key risks is available in the Annual Report 2018 on pp. 73–80
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Ethics, p. 76	
102-17	Mechanisms for advice and concerns about ethics	Ethics, p. 77	
4. Governance			
102-18	Governance structure	Corporate Governance, p. 60, 61, 66	
102-19	Delegating authority	Corporate Governance, p. 67	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance, p. 67	
102-21	Consulting stakeholders on economic, environmental, and social topics	Corporate Governance, p. 61	
102-22	Composition of the highest governance body and its committees	Corporate Governance, p. 63	
102-23	Chair of the highest governance body	Corporate Governance, p. 62	
102-24	Nominating and selecting the highest governance body	Corporate Governance, p. 62	
102-25	Conflicts of interest	Ethics, p. 77	
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance, p. 61	
102-27	Collective knowledge of the highest governance body	Corporate Governance, p. 62	
102-28	Evaluating the highest governance body's performance	Corporate Governance, p. 64	
102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance, p. 66, 71	

Indicator index	Indicator description	Section of the Report	Notes
102-30	Effectiveness of risk management processes	Corporate Governance, p. 71	
102-31	Review of economic, environmental, and social topics	Corporate Governance, p. 67, 71	
102-32	Highest governance body's role in sustainability reporting	Report and Reporting Process, p. 11	
102-33	Communicating critical concerns	Corporate Governance, p. 64	
102-34	Nature and total number of critical concerns	Corporate Governance, p. 64	
102-35	Remuneration policies	Corporate Governance, p. 68	
102-36	Process for determining remuneration	Corporate Governance, p. 68	The Company does not engage consultants on remuneration matters, which fall within the remit of the Remuneration and Nomination Committee made up of independent directors.
5. Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder Engagement, p. 46	
102-41	Collective bargaining agreements		Collective bargaining agreements cover 97% of the Company's employees.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, p. 46	
102-43	Approach to stakeholder engagement	Report and Reporting Process, p. 12 Stakeholder Engagement, p. 46	
102-44	Key topics and concerns raised	Report and Reporting Process, p. 12 Stakeholder Engagement, p. 49	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Company Profile, p. 11 Report and Reporting Process, p. 19	
102-46	Defining report content and topic boundaries	Report and Reporting Process, p. 10–11 Appendix 2. Report Boundaries, p. 172	
102-47	List of material topics		
102-48	Restatements of information		No restatements of information to report.
102-49	Changes in reporting	Report and Reporting Process, p. 12	
102-50	Reporting period	Report and Reporting Process, p. 11	

Indicator index	Indicator description	Section of the Report	Notes
102-51	Date of most recent report	Report and Reporting Process, p. 11	
102-52	Reporting cycle	Report and Reporting Process, p. 11	
102-53	Contact point for questions regarding the report		Alexander Nazarov, Head of IR +7 495 730-6013 ir@novatek.ru
102-54	Claims of reporting in accordance with the GRI Standards	Report and Reporting Process, p. 11	
102-55	GRI content index	Appendix 4. Compliance with GRI Standards, p. 180	
102-56	External assurance	Report and Reporting Process, p. 11	
TOPIC-SPECIFIC STANDARDS			
Category: Economic			
201 Economic performance			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Company's Results, p. 82 Climate Change, p. 36	
	103-3 Evaluation of the management approach	Company's Results, p. 82	
201-1	Direct economic value generated and distributed	Company's Results, p. 82 Climate Change, p. 36	
201-2	Financial implications and other risks and opportunities due to climate change	Climate Change, p. 36 Environmental Performance and Protection, p. 152	
201-3	Defined benefit plan obligations and other retirement plans	Employment Practices, p. 128	
202 Market presence			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Employment Practices, p. 120–121	
	103-3 Evaluation of the management approach	Employment Practices, p. 120–121	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employment Practices, p. 120–121	b. The proportion of workers compensated based on wages subject to minimum wage rules is insignificant.

Indicator index	Indicator description	Section of the Report	Notes
203 Indirect economic impacts			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	External Social Policy, p. 109–111	
	103-3 Evaluation of the management approach	External Social Policy, p. 109–111	
203-1	Infrastructure investments and services supported	External Social Policy, p. 109, 110, 111, 112	
203-2	Significant indirect economic impacts	External Social Policy, p. 110, 111, 112	
204 Procurement practices			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Procurement Practices, p. 134–137	
	103-3 Evaluation of the management approach	Procurement Practices, p. 134–137	
204-1	Proportion of spending on local suppliers	Procurement Practices, p. 136	
205 Anti-corruption			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Ethics, p. 76–78	
	103-3 Evaluation of the management approach	Ethics, p. 76–78	
205-1	Operations assessed for risks related to corruption		No operations were assessed for risks related to corruption.
205-2	Communication and training about anti-corruption policies and procedures	Ethics, p. 77	100% of employees, governance body members and business partners are informed of the Company's Anti-Corruption Policy, which is available to all stakeholders on the Company's website. Information on the document is also disclosed in sustainability reports.
205-3	Confirmed incidents of corruption and actions taken		The Company identified no cases of corruption in the reporting period.

Indicator index	Indicator description	Section of the Report	Notes
Category: Environmental			
302 Energy			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 152	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 152	
302-1	Energy consumption within the organization	Environmental Performance and Protection, p. 162	
302-2	Energy consumption outside of the organization		All energy is consumed within the NOVATEK Group.
302-3	Energy intensity	Environmental Performance and Protection, p. 163	
302-4	Reduction of energy consumption	Environmental Performance and Protection, p. 162	
302-5	Reductions in energy requirements of products and services		The indicator is not applicable.
303 Water			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 160–161	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 160–161	
303-1	Interactions with water as a shared resource	Environmental Performance and Protection, p. 160	
303-2	Management of water discharge related impacts	Environmental Performance and Protection, p. 160	
303-3	Water withdrawal	Environmental Performance and Protection, p. 160	The data on the Company's water withdrawal are obtained based on the state statistic reporting by the NOVATEK Group's subsidiaries available from form 2TP-Water approved by Order No. 230 of the Federal State Statistics Service dated 19 October 2009.
303-4	Water discharge	Environmental Performance and Protection, p. 160–161	

Indicator index	Indicator description	Section of the Report	Notes
303-5	Water consumption	Environmental Performance and Protection, p. 160	The data on the Company's water consumption are obtained based on the state statistic reporting by the NOVATEK Group's subsidiaries available from form 2TP-Water approved by Order No. 230 of the Federal State Statistics Service dated 19 October 2009.
304 Biodiversity			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 164–165	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 164–165	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental Performance and Protection, p. 164	
304-2	Significant impacts of activities, products, and services on biodiversity	Environmental Performance and Protection, p. 164	
304-3	Habitats protected or restored	Environmental Performance and Protection, p. 166	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		<p>IUCN Red List species:</p> <ol style="list-style-type: none"> 1. critically endangered – 0; 2. endangered – 1 (Siberian sturgeon); 3. vulnerable (VU) – 7 (white bear, long-tailed duck, Steller's eider, snowy owl, black-legged kittiwake, yellow-billed loon); 4. near threatened – 2 (Eurasian oystercatcher, common eider); 5. least concern – 25 (grey seal, Eurasian teal, great black-backed gull, common gull, black guillemot, glaucous gull, great cormorant, common scoter, king eider, white-tailed eagle, European herring gull, black-headed gull, purple sandpiper, common raven, mallard, Eurasian wigeon, long-tailed duck, common shelduck, common eider, common merganser, red-breasted merganser, European shag, little gull, Arctic tern, grey plover). <p>Total species – 35.</p>

Indicator index	Indicator description	Section of the Report	Notes
305 Emissions			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 157–159	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 157–159	
305-1	Direct (Scope 1) GHG emissions	Environmental Performance and Protection, p. 159	<p>a. By production facilities: 4.74 mmt of CO₂ equivalent. By hydrocarbon feedstock processing facilities: 0.67 mmt of CO₂ equivalent. By LNG production facilities: 2.32 mmt of CO₂ equivalent.</p> <p>b. CO₂, CH₄.</p> <p>c. 253 tons of CO₂ equivalent.</p> <p>d. Base year by type of facilities: 2016 – for production facilities; 2017 – for hydrocarbon feedstock processing facilities; 2018 – for LNG production facilities. Emissions by production facilities in the base year: 15.85 tonnes of CO₂ equivalent per 1 mboe. Emissions by processing facilities in the base year: 0.041 tonnes of CO₂ equivalent per 1 tonne of processed hydrocarbon feedstock. Emissions by LNG production facilities in the base year: 0.27 tonnes of CO₂ equivalent per 1 tonne of LNG.</p> <p>e. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.</p> <p>f. Operational control method.</p> <p>g. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.</p>
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Performance and Protection, p. 159	<p>a. Facilities located in the Yamal-Nenets Autonomous Area (Ural Interconnected Power System, Tyumen Region): 168,459 tons of CO₂ equivalent. Facility in the Leningrad Region (North-West Interconnected Power System): 31,211 tons of CO₂ equivalent.</p>

Indicator index	Indicator description	Section of the Report	Notes
			b. 100% Russian market. c. CO ₂ . e. Revised Guidelines for National Greenhouse Gas Inventories. IPCC, 2006. Module 1, Energy. f. Operational control method. e. Revised Guidelines for National Greenhouse Gas Inventories. IPCC, 2006. Module 1, Energy.
305-3	Other indirect (Scope 3) GHG emissions		Indirect emissions from the combustion or biodegradation of biomass amounted to 253 tons of CO ₂ equivalent in the reporting year.
305-4	GHG emissions intensity	Climate Change, p. 41	c. Direct (Scope 1) emissions. d. CO ₂ , CH ₄ .
305-5	Reduction of GHG emissions		a. By processing facilities: 78 mt tons of CO ₂ equivalent. b. CO ₂ , CH ₄ . c. Base year by type of facilities: 2016 – for production facilities (based on maximum GHG emissions calculation in accordance with the IPCC methodology); 2017 – for hydrocarbon feedstock processing facilities (the year of introduction of the corporate accounting method for GHG emissions); 2018 – for LNG production facilities (the year of commissioning of the Company's first LNG plant). d. Reduction of direct (Scope 1) emissions: in processing – 78 mt tons of CO ₂ equivalent. e. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.
305-6	Emissions of ozone-depleting substances (ODS)	Environmental Performance and Protection, p. 157	
305-7	NO _x , SO _x and other significant air emissions	Environmental Performance and Protection, p. 157	a. No emissions of persistent organic pollutants (POP) or emissions of hazardous air pollutants (HAP). c. Methods are specified in Letter of the Russian Ministry of Natural Resources and Environment No. 05-12-47/4521 dated 20 March 2012.

Indicator index	Indicator description	Section of the Report	Notes
306 Effluents and waste			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 157–159	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 157–159	
306-1	Water discharge by quality and destination	Environmental Performance and Protection, p. 161	b. Actual waste water discharge (measured by flow meters).
306-2	Waste by type and disposal method	Environmental Performance and Protection, p. 159	
306-3	Significant spills		An oil spill caused by illegal tapping took place on the land plot adjacent to the central oil gathering facility–Purpe booster station pipeline in the Purpe Area Forestry of the Tarko-Sale Forestry within the Purovsky District. Exact spill volumes cannot be determined. The impact of the spill: contamination of a forest plot with oil.
306-4	Transport of hazardous waste		The Company does not transport, import, export or treat waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and does not ship waste internationally.
306-5	Water bodies affected by water discharges and/or runoff		There are no water bodies or related habitats materially affected by water discharge and/or runoff.
307 Environmental compliance			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 156–157	The Company operates in accordance with the legislation of the Russian Federation ¹ .
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 156–157	
307-1	Non-compliance with environmental laws and regulations	Environmental Performance and Protection, p. 157	

¹ Hereinafter NOVATEK's management approach in this area is primarily based on, although may not be limited to, the legislation of the Russian Federation.

Indicator index	Indicator description	Section of the Report	Notes
Category: Social			
401 Employment			
103 Mana- gement approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Employment Practices, p. 120–123	
	103-3 Evaluation of the management approach	Employment Practices, p. 120–123	
401-1	New employee hires and employee turnover	Employment Practices, p. 120 Appendix 3. Personnel Structure, p. 177–178	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		The benefits are provided to all employees.
401-3	Parental leave	Appendix 3. Personnel Structure, p. 179	
402 Labor/management relations			
103 Mana- gement approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components		The Company operates in accordance with the legislation of the Russian Federation.
	103-3 Evaluation of the management approach		
402-1	Minimum notice periods regarding operational changes		Under the Russian law, the minimum notice period as regards the Company's significant operational changes is eight weeks (incorporated into the collective bargaining agreement).
403 Occupational health and safety			
103 Mana- gement approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Occupational Health and Safety, p. 140, 142–143	The Company operates in accordance with the legislation of the Russian Federation.
	103-3 Evaluation of the management approach	Occupational Health and Safety, p. 140, 142–143	

Indicator index	Indicator description	Section of the Report	Notes
403-1	Occupational health and safety management system	Occupational Health and Safety, p. 142	
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety, p. 146	
403-3	Occupational health services	Occupational Health and Safety, p. 142	
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety, p. 143, 146	
403-5	Worker training on occupational health and safety	Occupational Health and Safety, p. 147	
403-6	Promotion of worker health	Occupational Health and Safety, p. 128	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety, p. 144	
403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety, p. 142	
403-9	Work-related injuries	Occupational Health and Safety, p. 144, 146, 147	
403-10	Work-related ill health	Occupational Health and Safety, p. 142	
404 Training and education			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Employment Practices, p. 124–125	
	103-3 Evaluation of the management approach	Employment Practices, p. 124–125	
404-1	Average hours of training per year per employee	Employment Practices, p. 124	
404-2	Programs for upgrading employee skills and transition assistance programs	Employment Practices, p. 124	
404-3	Percentage of employees receiving regular performance and career development reviews	Employment Practices, p. 122	

Indicator index	Indicator description	Section of the Report	Notes
405 Diversity and equal opportunity			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	The Company operates in accordance with the legislation of the Russian Federation.
	103-2 The management approach and its components	Employment Practices, p. 120–121	
	103-3 Evaluation of the management approach	Employment Practices, p. 120–121	
405-1	Diversity of governance bodies and employees	Employment Practices, p. 130 Appendix 3. Personnel Structure, p. 172	
405-2	Ratio of basic salary and remuneration of women to men		Wage rates for women and men are based on equal pay structures at NOVATEK for the specific type of work performed.
406 Non-discrimination			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	The Company operates in accordance with the legislation of the Russian Federation.
	103-2 The management approach and its components	Employment Practices, p. 120 Ethics, p. 76–78	
	103-3 Evaluation of the management approach	Employment Practices, p. 120 Ethics, p. 76–78	
406-1	Incidents of discrimination and corrective actions taken		The Company identified no incidents of discrimination in the reporting period.
407 Freedom of association and collective bargaining			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	The Company operates in accordance with the legislation of the Russian Federation.
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		

Indicator index	Indicator description	Section of the Report	Notes
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		The Company identified no operations in which the right to exercise freedom of association or collective bargaining may be violated or put at significant risk.
408 Child labor			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Ethics, p. 76–78	The Company operates in accordance with the legislation of the Russian Federation.
	103-3 Evaluation of the management approach	Ethics, p. 76–78	
408-1	Operations and suppliers at significant risk for incidents of child labor	Ethics, p. 78	The Company identified no operations at risk for incidents of child labor.
409 Forced or compulsory labor			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Ethics, p. 76–78	The Company operates in accordance with the legislation of the Russian Federation.
	103-3 Evaluation of the management approach	Ethics, p. 76–78	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Ethics, p. 78	The Company identified no operations at risk for incidents of forced or compulsory labor.
411 Rights of indigenous peoples			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	External Social Policy, p. 109–111	The Company operates in accordance with the legislation of the Russian Federation.
	103-3 Evaluation of the management approach	External Social Policy, p. 109–111	
411-1	Incidents of violations involving rights of indigenous peoples		There were no incidents of violations involving rights of indigenous peoples.

Indicator index	Indicator description	Section of the Report	Notes
413 Local communities			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	External Social Policy, p. 109–111	
	103-3 Evaluation of the management approach	External Social Policy, p. 109–111	
413-1	Operations with local community engagement, impact assessments, and development programs	External Social Policy, p. 110, 112	
413-2	Operations with significant actual and potential negative impacts on local communities		There was no significant negative impact in the reporting year.
415 Public policy			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 10-12 Appendix 2. Report Boundaries, p. 172-173	
	103-2 The management approach and its components	Stakeholder engagement, p. 46	
	103-3 Evaluation of the management approach	Stakeholder engagement, p. 46	
415-1	Total value of political contributions by country and recipient/beneficiary		NOVATEK does not participate directly or indirectly in political parties, organizations and foundations associated with them, including not making sponsorship or other payments in support of them.
Sector Disclosures			
OG1	Volume and type of estimated proved reserves and production	Company's Results, p. 82	
OG2	Total amount invested in renewable energy		The Company does not invest in renewable energy directly. Renewable capacities based on solar modules and wind generators are built as part of greenfield construction investment projects.

Indicator index	Indicator description	Section of the Report	Notes
OG3	Total amount of renewable energy generated by source	Environmental Performance and Protection, p. 162	
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environmental Performance and Protection, p. 164	
OG5	Volume and disposal of formation or produced water		In 2018, production wells produced 2.4 mmt of water while sourcing wells produced 1.8 mmt. 3.1 mmt of water were used in the reservoir pressure maintenance system.
OG6	Volume of flared and vented hydrocarbon	Environmental Performance and Protection, p. 159	
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Environmental Performance and Protection, p. 159	
OG8	Benzene, lead, and sulfur content in fuels		Produced natural gas and LNG do not contain benzene, lead, or sulfur.
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Sustainable Development Strategy, p. 27, 29	
OG10	Number and description of significant disputes with local communities and indigenous peoples		There were no disputes with local communities.
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned		No sites have been, or are being decommissioned.
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process		The Company did not engage in operations that caused involuntary resettlement.
OG13	Number of process safety events, by business activity	Occupational Health and Safety, p. 143, 147, 148	
OG14	Volume of biofuels produced and purchased meeting sustainability criteria		The Company does not produce or purchase biofuel.

Social Media and Contact Details

To post interesting facts and up-to-date information about the Company and receive feedback from stakeholders, NOVATEK uses social media pages on



Contact details for queries about the Yamal LNG project:

- Tel: +7 495 775-0480, +7 495 228-9850 (calls are transferred to the Company's designated representatives)
- E-mail: yamalspg@yamalspg.ru
- Security Hotline: +7 499 941-1445, hotline@yamalspg.ru
- HSE: vopros@yamalspg.ru
- Feedback and suggestion boxes installed in community liaison offices in the villages of Seyakha and Mys Kamenny
- Community liaison offices in Salekhard, Yar Sale, and Sabetta

Contact details for queries about the Arctic LNG 2 project:

- Tel: +7 495 720-5053
- Mikhail Lapsui, representative of Arctic LNG 2 in the Tazovsky District

Queries to NOVATEK:

- Central Information Service: +7 495 730-6000, novatek@novatek.ru
- Security Hotline: +7 495 232-3959, security_hotline@novatek.ru
- Sustainable development: Alexander Nazarov, Head of IR: + 7 495 730-6013, ir@novatek.ru
- Press Service: Maria Dokuchaeva, Press-Secretary, +7 495 721-2207, press@novatek.ru
- Investor Relations: Mark Gyetvay, Deputy Chairman of the Management Board; Alexander Nazarov, Head of IR: + 7 495 730-6013, ir@novatek.ru
- Ethics and human rights: ethics@novatek.ru
- Customer Account service on the Company's website: <http://www.novatek.ru/ru/business/marketing/>

Glossary

ABBREVIATIONS

APG – associated petroleum gas

CNG – compressed natural gas

EMIC – Environmental Monitoring and Industrial Control

FZ – federal law

GBS – gravity-based structure

GDR – Global Depositary Receipt

GHG – greenhouse gas

HPF – hazardous production facility

IFRS – International Financial Reporting Standards

IMS – Integrated HSE Management System

LNG – liquefied natural gas

LPG – liquid petroleum gases

NGL – natural gas liquids

RAS – Russian Accounting Standards

RR – Russian rouble

SGC – stable gas condensate

CDP – Carbon Disclosure Project

EBITDA – earnings before interest, taxes, depreciation and amortization

GRI – Global Reporting Initiative

ISO – International Organization for Standardization

LSE – London Stock Exchange

OHSAS – Occupational Health and Safety Management Systems

PRMS – Petroleum Resources Management System

SEC – US Securities and Exchange Commission

UNITS

bcm – billion cubic meters

bln – billion

boe – barrels of oil equivalent

Gcal – gigacalorie

GJ – gigajoule

ha – hectare

kWh – kilowatt hour

mln – million

mmcm – million cubic meters

mmt – million metric tons

mt – thousand metric tons

MWh – megawatt hour

t – ton