

Sustainability forms the basis for development. Solid **Growth** allows reaching new heights. **Transformation** opens new horizons



20
15

SUSTAINABILITY
REPORT

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DEAR STAKEHOLDERS,



THE CONTINUOUS AND UNINTERRUPTED GROWTH IN NOVATEK'S OPERATIONAL AND FINANCIAL RESULTS WOULD HAVE BEEN IMPOSSIBLE WITHOUT OUR STRONG COMMITMENT TO SUSTAINABILITY, UNDERLYING AN INTEGRAL PART OF OUR LONG-TERM STRATEGY

A balanced business model, low cost structure, high-quality resource base, and efficient management are the fundamental pillars enabling NOVATEK to be a leader in its industry and continue developing steadily in any macroeconomic environment.

In the reporting year, amid the volatility in the commodity and foreign currency markets, NOVATEK maintained a high level of stability but also achieved a big step forward in its business development without reducing expenses or efforts into

our social and environmental programs. In 2015, we achieved exceptional operational and financial performance and reinforced the foundation for the Company's future development.

It is my pleasure to bring to your attention NOVATEK's Ninth Sustainability Report for the year 2015.

Two thousand and fifteen was a challenging, yet a successful year for NOVATEK. Despite a very difficult external environment, our financial performance improved and demonstrated resiliency – our revenues grew by 33%, our normalized EBITDA reached a record-high of RUB 214 billion, our free cash flow increased by 1.7 times. We maintained one of the lowest finding and development cost as well as production cost structures among the industry's listed companies globally, which is a testament to the efficiency of our management and the prolific nature of our resource base.

We continued to deliver according to our long-term strategy and launched a series of major fields in 2014 and 2015. As a result, our natural gas production grew by 9% as well as demonstrating a record-high growth in liquid hydrocarbons production, up by 51% compared to 2014. For the first time in the Company's history, our revenues from liquid hydrocarbon sales exceeded those generated by the sale of natural gas.

In 2015, we fulfilled all of our capital construction plans – we launched three major fields: the Yaro-Yakhinskoye, Termokarstovoye, and Yarudeyskoye. The start-up of the Yarudeyskoye field is worth a special mention as it is the largest crude oil project in the Company's portfolio and its launch marked the completion of the mid-stage of NOVATEK's long-term development strategy.

Now is the opportune time to look back at what we achieved relative to our strategic goals and objectives. Over the past five years, our share in the Russian natural gas market went up twofold to approximately 20%, and the share of end consumers in our total gas sales volumes increased from 64% to 93%, our proved hydrocarbon reserves grew by 58%, production of natural gas rose by 82%, while the production of liquid hydrocarbons increased by 2.5 times. The accelerated growth of liquid hydrocarbon production led to a significant transformation of our business in terms of sales structure, customer base, and cash flows.

We are now moving to the next stage of the Company's transformation, which envisages entering the international LNG market by implementing our flagship Yamal LNG Project. We successfully completed all of the activities related to the project scheduled for 2015, confirming the effectiveness of the Company's efforts in this area. In particular, 15 new production wells were drilled, the Sabetta airport was commissioned, long-lead items and the LNG plant modules began arriving to the site. The initial start of LNG production is planned for 2017, which is completely in line with the approved schedule.

Speaking of successful implementation of our plans and the good operational and financial performance, it is very important to emphasize that a vast role in our success belongs to the Company's employees. Their professionalism and commitment to the interests of NOVATEK allow us to overcome

the challenges we face and successfully progress in accordance with our long-term strategy. We consider human capital to be one of our most important assets and, in 2015, we implemented our comprehensive human resource policy oriented at training our employees and further improving their professionalism, as well as giving them full support and protection.

Throughout our history, NOVATEK has adhered to sustainable development principles and the most stringent standards in this area. We realize that business development must not contradict public interest or disrupt the ecosystems of the regions where we do our business. We acknowledge that our operations involve environmental risks and we see environment protection as one of our core priorities. We pursue a systematic approach that includes environmental monitoring and supervision of operations, implementing comprehensive and targeted actions to protect the environment, surveying and taking into account all actual and potential environmental risks, as well as delivering environmental safety training to our staff.

Geographical and industry specifics of our business also require that we pay particular attention to preserving the biodiversity of the Far North. In particular, in 2015, we undertook a set of actions to preserve the biodiversity in the area where Yamal LNG operates, including a study of marine mammals in the south-eastern Kara Sea.

NOVATEK continues its voluntary participation in international information



THE YAMAL LNG PROJECT IS COMPLETELY IN LINE WITH THE APPROVED SCHEDULE, THE INITIAL START OF LNG PRODUCTION IS PLANNED FOR 2017

disclosure on greenhouse gas emissions and energy efficiency – the Carbon Disclosure Project, and on the use of water resources – the CDP Water Disclosure Project.

By harnessing the energy of the Far North, NOVATEK shows utmost consideration for indigenous communities, strives to interact with them on a permanent basis, and works actively to help resolve issues they face and create favorable conditions for indigenous peoples to live and uphold their traditions.

The Company has traditionally engaged in charity activities in three areas, namely, sports, culture and education. In 2015, we increased the total size of our charity work in monetary terms by more than one third.

On behalf of the Company, we welcome our continuous and productive dialogue on sustainability issues with our relevant stakeholders. We hope that our sustainability report gives you a comprehensive view of NOVATEK as a socially responsible and transparent business.

**CHIEF EXECUTIVE OFFICER, OAO NOVATEK
LEONID MIKHELSON**

REPORT AND REPORTING PROCESS



THE REPORT WAS DRAFTED AS PER THE
SUSTAINABILITY REPORTING GUIDELINES OF
THE GLOBAL REPORTING INITIATIVE (G4)

NOVATEK'S SOCIAL REPORTING DEVELOPMENT

NOVATEK deems it necessary to regularly disclose information on its sustainable development practices demonstrating transparency and an ambition for having a responsible dialogue with stakeholders on a wide selection of matters. As one of the acknowledged leaders of the oil and gas industry, the Company is conscious of the importance its long-term sustainable development has for the regions where it operates.

In this Report, the Company discloses information on the direct/indirect economic and environmental impact on the regions within its geographical footprint, HR and social policies, workplace health and safety measures and engagement with stakeholders, including industry partners, government authorities, NPOs and local communities.

NOVATEK seeks to constantly improve its non-financial reporting procedures: this year's Report is the second one prepared pursuant to the new version of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI G4, 2014). We can state with confidence that the Company is fully complied with the GRI G4 requirements and has improved its sustainability-reporting framework based on the requirements.

This is the ninth Sustainability Report prepared by NOVATEK. Our previous report was published in Q3 2015, and our next report will be published in the Q3 2017.

PRINCIPLES FOR DEFINING REPORT CONTENT

For the purposes of this Sustainability Report, the Company formed a dedicated interdisciplinary task team. Mindful of the principles for defining the report content (as stipulated by the GRI G4 guidelines) and key stakeholder opinions, the task team members and the Company's management identified several material matters and topics with a considerable economic, environmental and social impact on stakeholders' opinions and decisions. In order to map out these material topics and make adjustments as needed, the team analyzed the mass media content over the reporting period and factored in the GRI industry recommendations on key oil and gas matters*.

* Global Reporting Initiative. Research and Development Series, 2013, «Sustainability Topics for Sectors: What do stakeholders want to know?», Amsterdam.

Pursuant to the GRI G4 requirements, the Report provides an extensive coverage of corporate governance, business ethics, procurement and anti-corruption practices.

The Report drew on the following standards and documents as core regulatory guidelines:

- ▶ Sustainability Reporting Guidelines (GRI G4)
- ▶ Oil and Gas Industry Protocol
- ▶ AA1000 Stakeholder Engagement Standard
- ▶ Social Charter of Russian Business
- ▶ National GOST R ISO 26000:2012 Standard
- ▶ Specialized ISO 14001 and ISO 9001:2008 Standards
- ▶ OHSAS 18001:2007 Standard

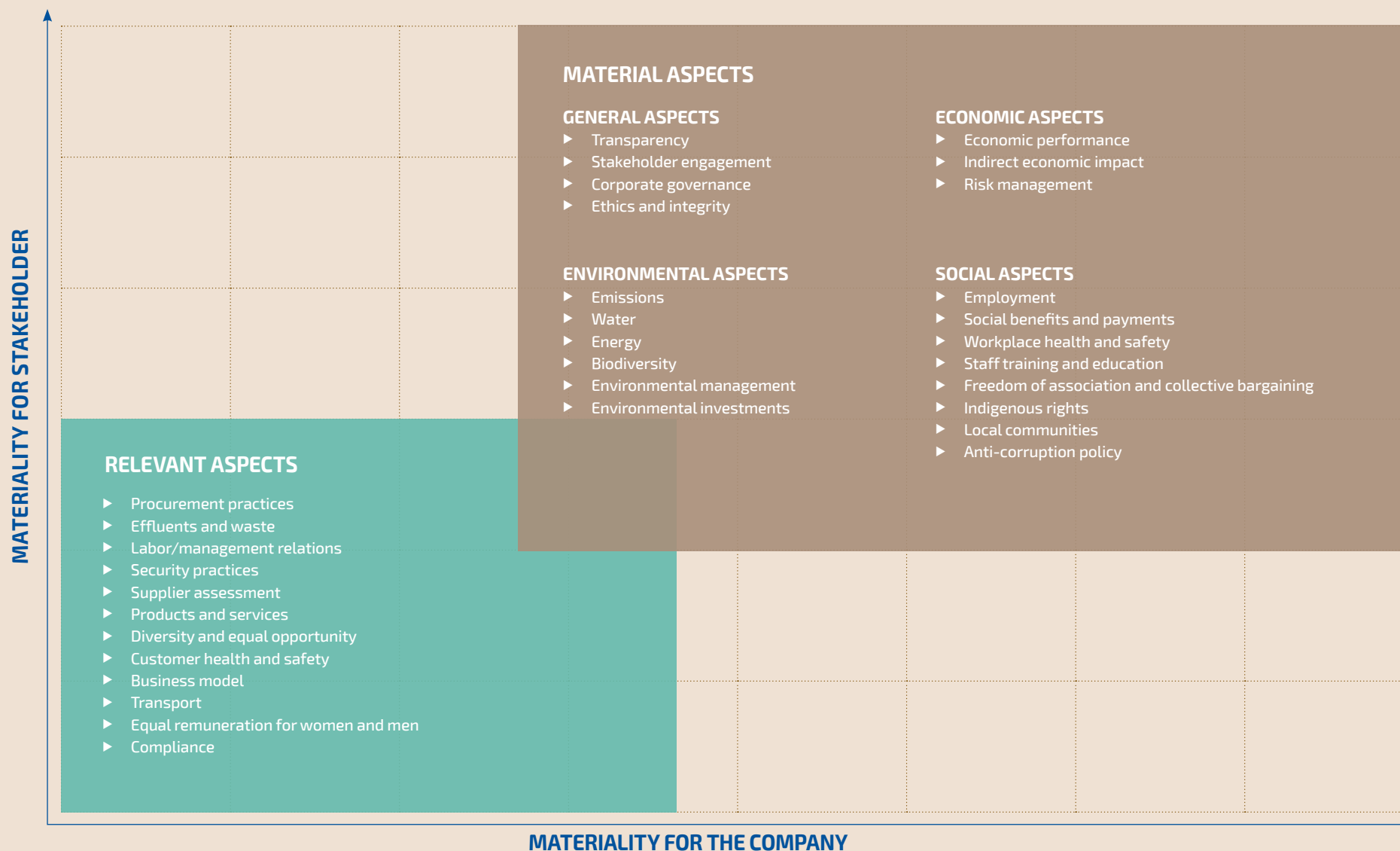
NOVATEK'S 2015 SUSTAINABILITY REPORT HIGHLIGHTS

- ▶ This Report is the ninth annual non-financial report.
- ▶ The Report was drafted as per the Sustainability Reporting Guidelines of the Global Reporting Initiative (G4) and the GRI Oil and Gas Sector Supplement for oil and gas companies.
- ▶ This Report features 4 new indicators not disclosed previously.
- ▶ The Report meets the Core Disclosure requirements.

PRINCIPLES FOR ENSURING REPORT QUALITY

- ▶ Balance
- ▶ Comparability
- ▶ Accuracy
- ▶ Clarity

MATERIALITY MATRIX OF SUSTAINABILITY ASPECTS



REPORT BOUNDARY

NOVATEK's 2015 Sustainability Report describes the Company's key economic, social and environmental activities within the sustainable development framework. The Report discloses operations of the NOVATEK Group, including those of its subdivisions, subsidiaries and joint ventures based in Russia (the majority), Poland, Cyprus, Switzerland and Singapore. To highlight the Company's historical performance, maintain consistency in sustainability reporting and ensure data comparability, the Report provides indicators for the 2013–2015 time period. To ensure comprehensive disclosure herein, the Report may also refer to certain events that occurred before or after the reporting period.

The Report was prepared based on the consolidated IFRS financial statements for the fiscal year ended 31 December 2015.

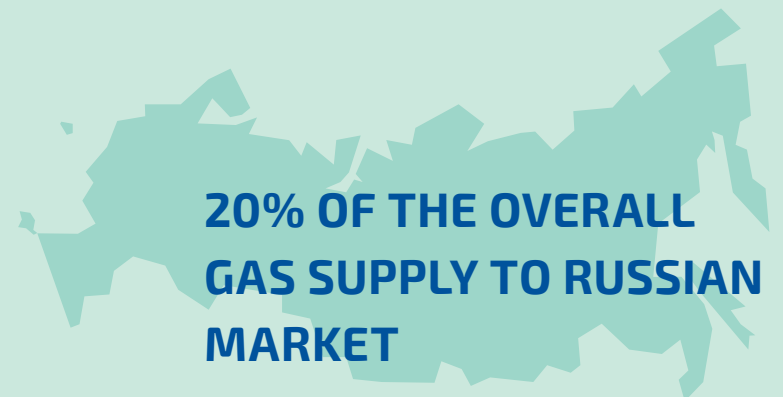
The Report may also contain forward-looking statements on the NOVATEK Group's mid- and long-term business plans. As these plans are contingent upon a number of external factors beyond the Company's reasonable control, the actual performance achieved in the following reporting periods may differ materially from the estimates or targets provided herein.

NOVATEK GROUP'S STRUCTURE CHANGES

In the reporting year, the NOVATEK Group's structure saw no changes that could have an impact on the strategic and economic performance of the Group.

COMPANY PROFILE

20%



**20% OF THE OVERALL
GAS SUPPLY TO RUSSIAN
MARKET**

COMPANY PROFILE

THE COMPANY'S SCOPE AND KEY LINES OF BUSINESS

NOVATEK is Russia's largest independent private natural gas producer and the nation's second largest natural gas producer. Our core operations are exploration, production, processing, transportation and marketing of natural gas and liquid hydrocarbons.

We are ranked number three among public companies worldwide in terms of proved natural gas reserves (the SEC methodology) and number six in terms of natural gas production.

NOVATEK plays a major role in Russia's energy sector: in 2015, the Company accounted for approximately 10.8% of Russia's total natural gas production (up 1.1 p.p. from 9.7% in 2014) and some 20% of total natural gas supply to the domestic market.

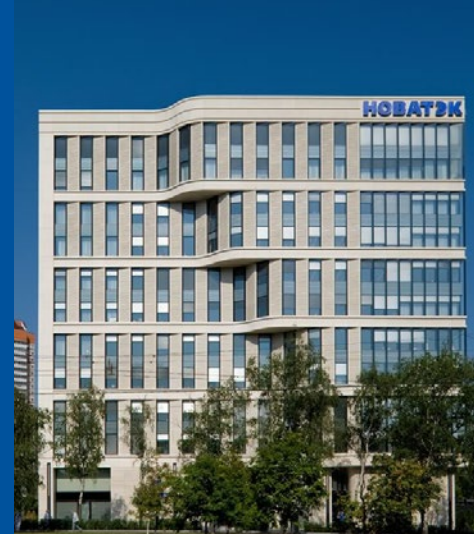
The majority of our natural gas production is geologically classified as wet gas, or natural gas containing gas condensate. The Company operates a vertically integrated production chain that includes transportation, processing and marketing capacities for gas condensate and gas products. The value chain embraces a network of condensate pipelines linking the Company's fields with the Purovsky Gas Condensate Stabilization Plant (the Purovsky Plant), which produces stable gas condensate and light hydrocarbons; the Stable Gas Condensate Fractionation and Transshipment Complex at the port of Ust-Luga producing naphtha, jet fuel, gasoil and fuel oil, and enabling the Company to ship its products to global markets.

The Company also produces crude oil. The end of the reporting year saw us boost our average daily output of crude oil due to the launch of the Yarudeyskoye oil field.

The Company's name :
OAO NOVATEK

Hereinafter referred to as:
NOVATEK, Company and NOVATEK Group

Head office located at :
**2 Udaltsova St., Moscow,
119415, Russia**



GEOGRAPHY

NOVATEK's production facilities are located in the Russian Federation.

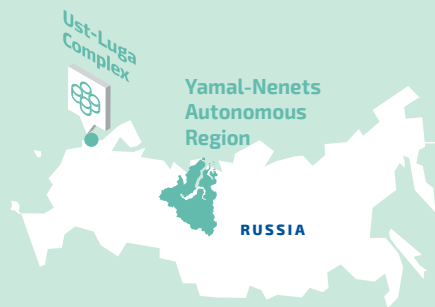
The Company's core production and processing assets are concentrated in the Yamal-Nenets Autonomous Region (YNAO), one of the world's largest natural gas producing regions by both reserves and production volumes. Geographically, the YNAO is the Company's core region.

EXPLORATION AND PRODUCTION

As at the end of the reporting year, the Company, its subsidiaries and joint ventures held a total of 31 subsoil licenses in the YNAO. Over the reporting year, the Company produced natural gas, gas condensate and crude oil at 13 fields.

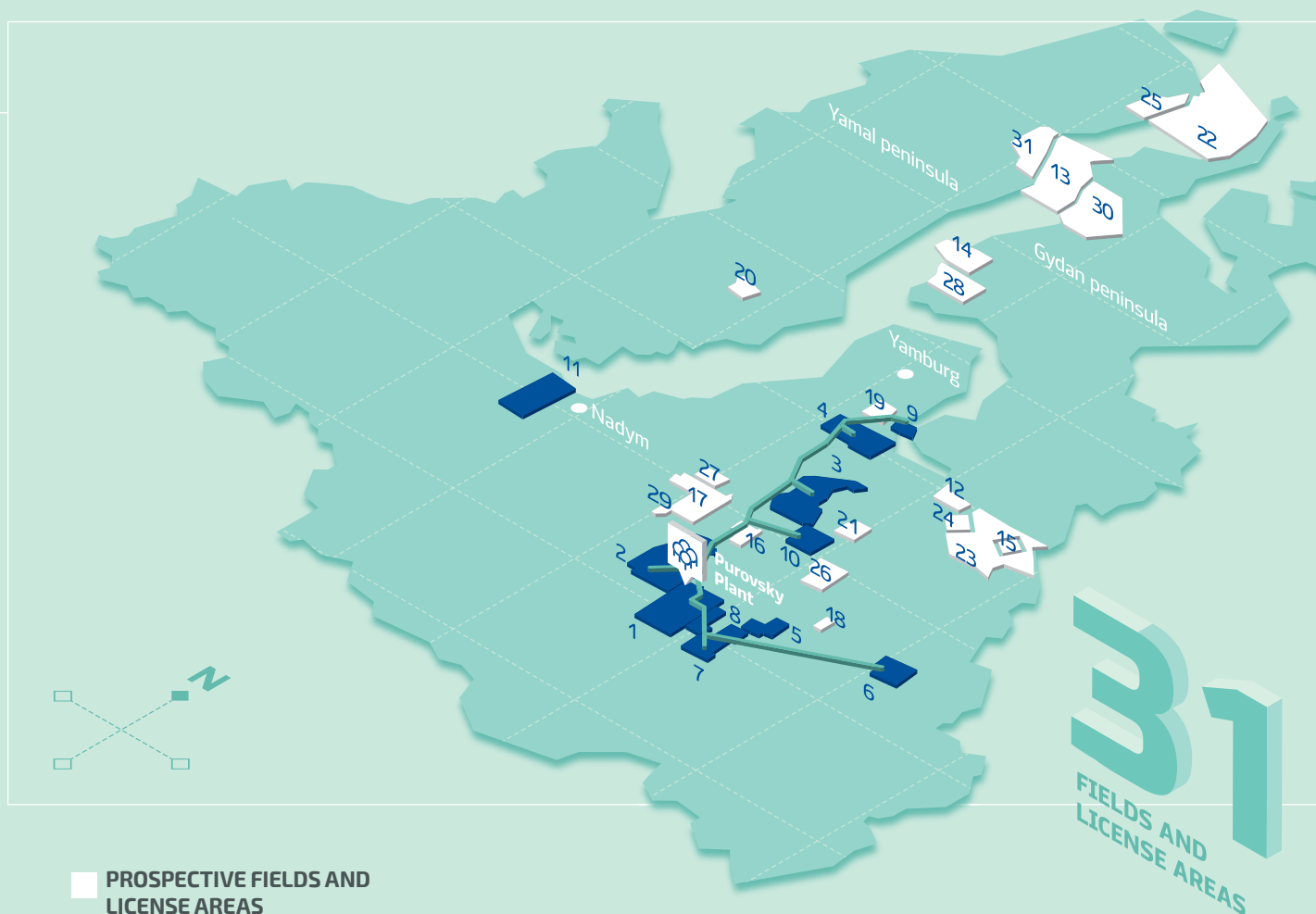
TRANSPORTATION AND PROCESSING

The gas condensate produced at the fields is subsequently delivered through the Company's condensate pipelines to the Purovsky Plant located in the producing region. The Purovsky Plant produces stable gas condensate, with the bulk of it transported by rail to be further processed at the Stable Gas Condensate Fractionation and Transshipment Complex located at the Baltic port of Ust-Luga. Since the Q2 2014, all of NOVATEK's light hydrocarbons (used as feedstock for marketable LPG) have been transported by pipeline to SIBUR's Tobolsk Petrochemical Complex for further processing.



Our production assets are located in Russia's YNAO, one of the world's largest natural gas producing regions.

The Company has an extensive conventional resource base with strong concentration reserves and a huge geological potential.



FIELDS AND LICENSE AREAS WITH COMMERCIAL PRODUCTION

1. East-Tarkosalinskoye field
2. Olimpiyskiy license area
3. Samburgskiy license area
4. North-Urengoykoye field
5. North-Khancheykoye field¹
6. Termokarstovoye field
7. Khancheykoye field
8. Yumantilskiy license area
9. Yurkharovskoye field
10. Yaro-Yakhinskiy license area
11. Yarudeyskoye field

PROSPECTIVE FIELDS AND LICENSE AREAS

12. East-Tazovskoye field
13. East-Tambeyskiy license area
14. Geofizicheskoye field
15. Dorogovskoye field
16. Yevo-Yakhinskiy license area
17. West-Urengoykiy license area
18. West-Chaselskoye field
19. West-Yurkharovskoye field
20. Malo-Yamalskoye field
21. Raduzhnoye field
22. North-Obsskiy license area
23. North-Russkiy license area
24. North-Russkoye field
25. North-Tasiyskiy license area
26. North-Chaselskiy license area
27. North-Yubileynoye field
28. Trekhubugorniyy license area
29. Ukrainsko-Yubileynoye field
30. Utrenneye field
31. South-Tambeyskoye field

¹ North-Khancheykoye plus Khadyryakhinskoye fields since October 2014

LEGEND



Purovsky Gas Condensate Stabilization Plant, key link in the production chain producing stable gas condensate.



Ust-Luga Complex processing stable gas condensate into high value added products.



NOVATEK's gas condensate pipelines connecting production fields with the Purovsky Plant.

Marketing and sales

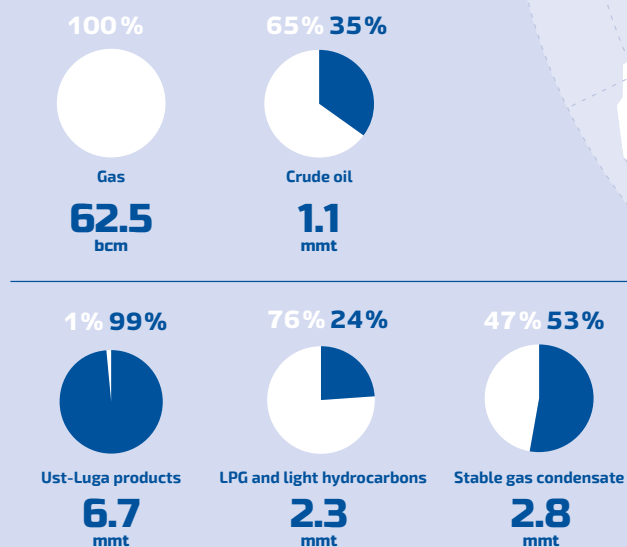
The Company sells all the natural gas it produces in the domestic market, supplying it to 33 Russian regions in the reporting year.

LPG and stable gas condensate are delivered to both domestic and international consumers, whereas substantially all of the petroleum products are exported (naphtha is shipped to Asia Pacific, and jet fuel, gasoil and fuel oil to North Western Europe).

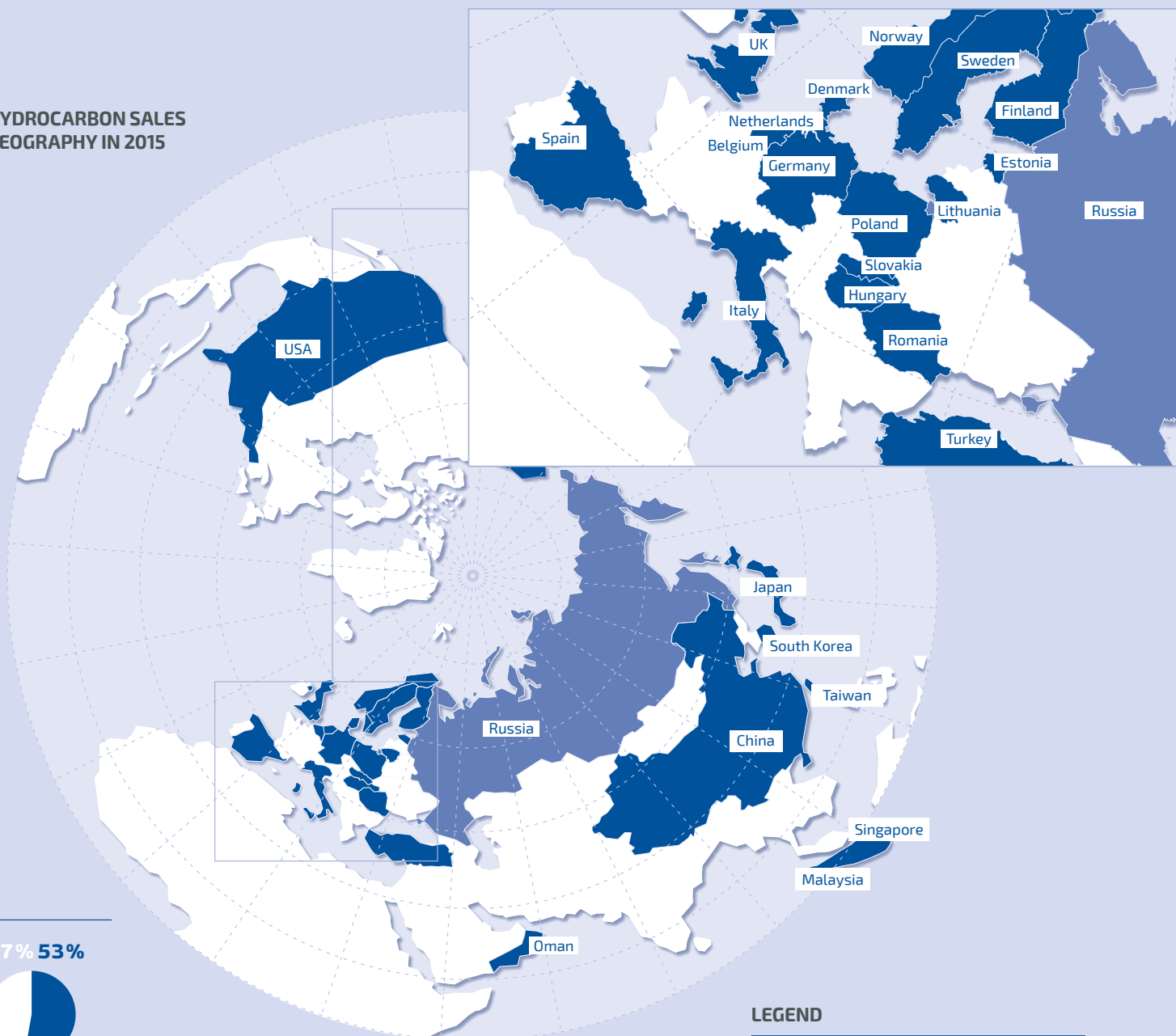
Crude oil is sold both domestically and internationally.

SALES BREAKDOWN IN 2015, %

Domestic market Export



HYDROCARBON SALES GEOGRAPHY IN 2015



LEGEND

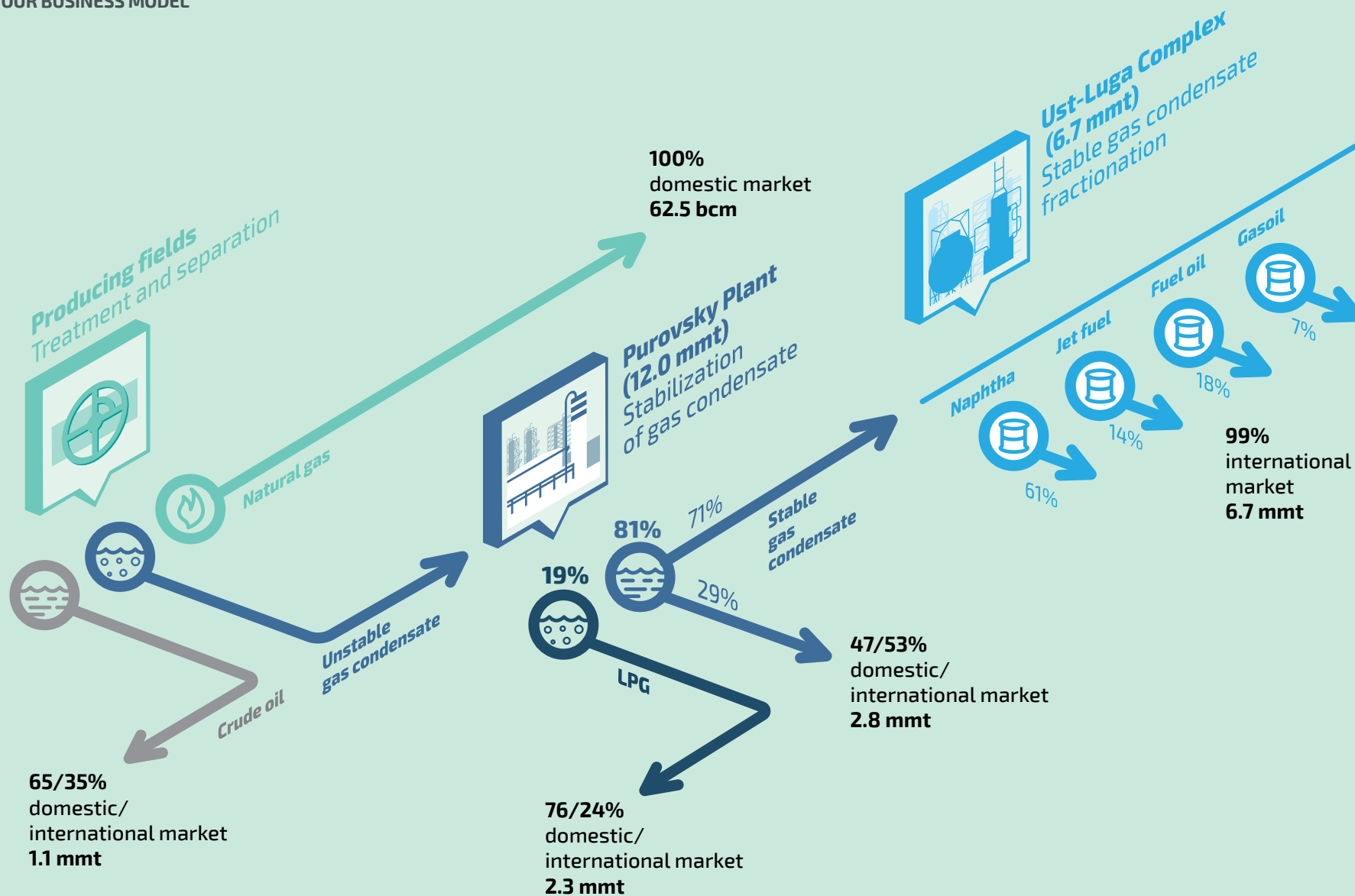
Export countries
Russia

THE COMPANY'S STRUCTURE AS AT 31 DECEMBER 2015

UPSTREAM	DOWNSTREAM IN RUSSIA	OVERSEAS UPSTREAM AND DOWNSTREAM	OTHER
NOVATEK-Yurkharovneftegas 100%	NOVATEK-Purovsky Plant 100%	NOVATEK GAS & POWER GmbH 100%	Sherwood Premier 100%
NOVATEK-Tarkosaleneftegas 100%	NOVATEK-Ust-Luga 100%	Novatek Polska Sp. z o.o. 100%	NOVATEK R&D Centre 100%
Arcticgas 53,3%	NOVATEK-AZK 100%		NOVATEK EQUITY (CYPRUS) LIMITED 100%
Nortgas 50%	NOVATEK-Transervice 100%		
YARGEO 51%	NOVATEK Moscow Region 100%		
Yamal LNG 60%*	NOVATEK-Kostroma 100%		
Terneftegas 51%	NOVATEK-Chelyabinsk 100%		
Novatek-Yarsaleneftegaz 100%	NOVATEK-Perm 100%		
Arctic LNG 1 100%			
Arctic LNG 2 100%			
Arctic LNG 3 100 %			

* In December 2015, the Company signed binding definitive agreements to sell a 9.9% stake in the Yamal LNG project to China's Silk Road Fund.

OUR BUSINESS MODEL



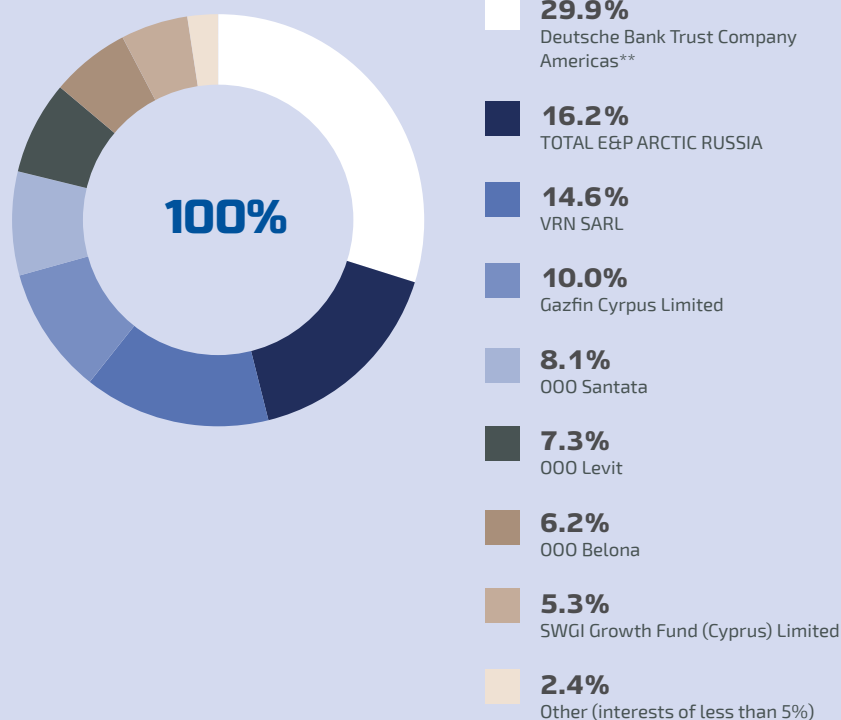
OUR BUSINESS MODEL

EXPLORATION AND PRODUCTION	PROCESSING AND TRANSPORTATION	MARKETING AND SALES	SUSTAINABLE DEVELOPMENT
<p>NOVATEK Group has subsoil and production licenses for the fields located in the Yamal-Nenets Autonomous Region, which is extremely rich in hydrocarbon resources. We rank third globally by proved natural gas reserves and our reserve to production (R/P) ratio is 25 years, constituting the basis for our production growth.</p> <p>Most of the Company's reserves are located onshore or can be developed from onshore locations and are attributed to conventional hydrocarbons (recoverable via conventional technologies, in contrast to unconventional gas deposits such as shale gas or coal-bed methane).</p> <p>We have one of the lowest Finding & Development and Lifting costs among publicly traded oil & gas companies.</p> <p>The Company is running commercial production at 13 fields, working to launch production at a number of new fields, and implementing the Yamal LNG project (the first LNG project in the Russian Arctic).</p>	<p>NOVATEK produces mostly wet gas, or natural gas containing gas condensate. After separation at the field, de ethanized gas condensate is transported by the Company's gas condensate pipeline to the Purovsky Plant to be stabilized.</p> <p>The plant's primary products are stable gas condensate and light hydrocarbons.</p> <p>The bulk of stable gas condensate is transported by rail to the Stable Gas Condensate Fractionation and Transshipment Complex located at the port of Ust-Luga.</p> <p>The complex produces naphtha, jet fuel, gasoil and fuel oil, and provides transshipment capacities to ship stable gas condensate to global markets.</p> <p>NOVATEK's products are supplied to customers by pipeline, rail, and sea.</p>	<p>The Company sells all the natural gas it produces in the domestic market, delivering the commodity to 33 Russian regions. NOVATEK accounts for almost one fifth of total domestic shipments via the Unified Gas Supply System.</p> <p>The Company sells liquid hydrocarbons (stable gas condensate and petroleum products, light hydrocarbons, LPG, and crude oil) both locally and globally (Asia Pacific, Europe, and North America).</p>	<p>We adhere to the sustainable development principles and consider the welfare of our employees and their families, environmental and industrial safety, creation of a stable and favorable social environment, and contributing to overall economic development as top corporate priorities and responsibilities.</p> <p>NOVATEK has implemented a Health, Safety and Environment (HSE) Policy, and all of the Company's core subsidiaries and joint ventures operate an Integrated Management System (IMS) for Environmental Protection, Occupational Health and Safety.</p> <p>The Company provides financial support to the indigenous minorities of the North.</p> <p>NOVATEK's HR management framework is centered around fair and equitable treatment (including as regards professional growth), mutual respect, and an ongoing dialogue between the management and employees.</p>
<p>Strategic objectives:</p> <ul style="list-style-type: none"> - expand the resource base and efficiently manage reserves - increase hydrocarbon production - maintain low-cost structure 	<p>Strategic objectives:</p> <ul style="list-style-type: none"> - maintain low-cost structure - ensure high quality of products 	<p>Strategic objectives:</p> <ul style="list-style-type: none"> - streamline and expand existing and create new marketing channels - enter into the international LNG market - maintain low-cost structure 	<p>Strategic objectives:</p> <ul style="list-style-type: none"> - maintain increased social responsibility - ensure environmental and industrial safety

SHARE CAPITAL

Our share capital totals RR 303,630,600 split into 3,036,306,000 ordinary shares with a par value of RR 0.1 each. NOVATEK shares trade in Russian rubles on the Moscow Exchange, while its GDRs trade in US dollars on the London Stock Exchange (LSE). Each GDR represents ten ordinary shares. As of 31 December 2015, NOVATEK's GDRs were issued on 906,782,300 ordinary shares comprising 29.9% of the Company's share capital.

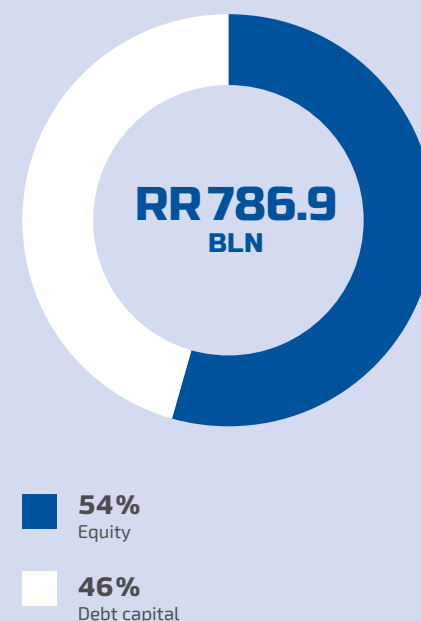
SHARE CAPITAL STRUCTURE*, %



* 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 7 July 2015.

**GDRs.

BREAKDOWN OF NOVATEK'S MARKET CAPITALIZATION AS OF 31 DECEMBER 2015



At the end of the reporting year, the Company's total market capitalization (total debt plus equity) stood at RR 786,876 mln.

MEMBERSHIP IN TRADE ASSOCIATIONS

- ▶ Since 2003, NOVATEK has enjoyed membership of the Russian Gas Society, an NPO seeking to promote development in the gas industry.
- ▶ Since 2010, NOVATEK has been a member of the Association of Gas and Oil Complex Builders.
- ▶ In 2014, NOVATEK joined the Russian National Committee of the World Energy Council.

AWARDS

- ▶ In 2015, NOVATEK was awarded with a certificate of merit for its long-standing cooperation with V.I. Vernadsky Non-Governmental Environmental Fund.
- ▶ By Russian President's decree, NOVATEK's six officers received the honorary title of the Distinguished Employee of the Russian Oil and Gas Industry.
- ▶ At the 10th Oil Terminal 2015 congress, NOVATEK-Ust-Luga won the Public Opinion nomination.
- ▶ NOVATEK-Chelyabinsk became the winner of the MediaTEK, the first national contest among communications departments of fuel and energy sector companies.

KEY PERFORMANCE INDICATORS

	Unit	2014	2015	Change,%
Total revenues	RR mln	357,643	475,325	32.9%
Normalized EBITDA (including share in EBITDA of JVs)*	RR mln	159,631	214,466	34.4%
Return on average capital employed (ROACE)	%	18.2%	20.1%	1.9 P.P.
Proved hydrocarbon reserves (SEC)	mmboe	12,643	12,817	1.4%
Marketable production of natural gas	bcm	62.1	67.9	9.3%
Marketable production of liquid hydrocarbons	mmt	6.04	9.09	50.5%

* Excluding the effect from the disposal of interest in joint ventures.

NOVATEK's business exerts an impact on the frail ecosystem within the Company's footprint (YNAO). It also has an influence on many of its stakeholders, including the Group's employees, local communities, end consumers, shareholders and investors. On top of that, the Company's performance affects international and domestic oil and gas markets and impacts the entire Russian economy.

That is why the Group's management puts great emphasis on the respect of sustainable development principles and stakeholder interests. Striking the right balance between the environmental, social and economic performance would ensure NOVATEK's sustainable development in the long run.

Increased social responsibility is NOVATEK's strategic objective and operating benchmark. The Company has adopted a consistent approach seeking to create safer workplaces, provide social support to its

employees and their families, sustainably reduce accident rates, workplace injuries, occupational diseases, and create favorable social and environmental conditions across its footprint.

NOVATEK GROUP'S SUSTAINABILITY FOCUS AREAS

CHARITY AND SPONSORSHIP

SUPPORT OF OUR
PEOPLE, TALENT POOL
DEVELOPMENT

WORKPLACE HEALTH
AND SAFETY

INCREASED
PERFORMANCE
IN CORE LINES OF
BUSINESS

CONTRIBUTIONS TO LOCAL
DEVELOPMENT AND
INDIGENOUS POPULATION
PROGRAMS

ENERGY AND RESOURCE
EFFICIENCY

REDUCTION OF
ENVIRONMENTAL IMPACT

NOVATEK has set its sustainable development objectives as follows:

- ▶ complying with applicable law and adopting international best practices
- ▶ respecting stakeholder interests
- ▶ improving corporate governance
- ▶ enforcing ethical business conduct
- ▶ maintaining a good business reputation
- ▶ developing and implementing advanced technologies
- ▶ factoring in the regional context
- ▶ protecting environment
- ▶ ensuring workplace safety
- ▶ respecting human rights
- ▶ ensuring information transparency

EMBEDDING SUSTAINABLE DEVELOPMENT OBJECTIVES INTO NOVATEK BUSINESS ACTIVITY

ECONOMIC PERFORMANCE	ENVIRONMENTAL RESPONSIBILITY	SOCIAL RESPONSIBILITY
		
Contributing to the development of domestic gas market, national oil and gas industry and the entire russian economy	Mitigating the environmental impact	Assuming responsibility for workplace safety and health
	Ensuring sustainable subsoil use	
Contributing to the development of global oil and gas market	Ensuring resource efficiency	Ensuring staff development
	Complying with global environmental standards	Creating social and economic benefits for people within the company's footprint
Striking the balance between economic feasibility and stakeholder expectations		Supporting local communities
		Supporting charity

BASICS OF STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a strategic mission within the NOVATEK Group's sustainable development practices designed to improve our social responsibility performance.

STAKEHOLDER IDENTIFICATION

The Company identifies stakeholders based on the extent to which they interact, share interests and communicate, and to do so we use the criteria suggested by the Institute of Social and Ethical Accountability and included in the AA1000 Stakeholder Engagement Standard (AA1000SES).

To deliver this report, we made a survey among NOVATEK's departments to identify stakeholders and analyze ways of engagement.

The Company's key stakeholders are:

- ▶ shareholders, investors and broader financial community
- ▶ federal and local authorities
- ▶ industrial and academic community
- ▶ civil society organizations
- ▶ employees and trade unions
- ▶ business partners and suppliers
- ▶ customers
- ▶ local communities across the Company's footprint
- ▶ media.

STAKEHOLDER ENGAGEMENT PRINCIPLES

As provided for by AA1000SES, NOVATEK's stakeholder engagement policy is based on the principles of materiality, inclusivity and responsiveness. We recognize our stakeholders' opinions, interests, expectations and concerns and use a consistent response approach to address them.

To meet our sustainable development objectives, in engaging with key stakeholder groups we pay close attention to their varying interests. We focus on aligning the Company's activities with stakeholder expectations, comments and feedback, while remaining committed to our strategic priorities.

STAKEHOLDER IDENTIFICATION CRITERIA

Criterion	Purpose and scope of engagement
Dependency	Groups or individuals who are directly or indirectly dependent on the Company's activities, products or services, or on whom the Company's operations are dependent
Responsibility	Groups or individuals to whom the Company has, or in the future may have, legal, commercial, operational or ethical/moral responsibilities
Tension	Groups or individuals who need, or in the future may need, immediate attention from the Company with regard to financial, wider economic, social or environmental issues
Influence	Groups or individuals who can have impact on the Company's decision-making
Diverse perspectives	Groups or individuals whose views and opinions may lead to a new understanding of the situation and open up new opportunities for the Company

To mitigate non-financial risks related to our stakeholders, the Company does the following:

- ▶ identifies stakeholders
- ▶ identifies and monitors risk situations
- ▶ performs scenario analysis as regards the Company's behavior and stakeholder engagement
- ▶ works on projects to ensure reasonable stakeholder engagement
- ▶ maintains regular contact with stakeholders

NOVATEK adheres to transparency principles and ensures timely disclosure of complete and accurate information on its core activities to stakeholders.

KEY WAYS OF ENGAGEMENT

The Company's stakeholder engagement is managed through a variety of ways and methods of communication.

To align our interests with those of our stakeholders on particular matters, we hold a direct dialogue and talks. Conventional ways of stakeholder engagement are:

- ▶ face-to-face meetings
- ▶ telephone conversations
- ▶ letters and emails
- ▶ industry conferences
- ▶ joint working groups and standing committees
- ▶ meetings, workshops and round-table discussions
- ▶ public hearings arranged or attended
- ▶ surveys and questionnaires
- ▶ non-profit organizations
- ▶ press conferences and press tours
- ▶ disclosure: corporate website, annual reports, sustainability reports, press releases, booklets, articles and other information materials

0AO NOVATEK CODE OF BUSINESS CONDUCT AND ETHICS:

STAKEHOLDER ENGAGEMENT PRINCIPLES

Key stakeholder engagement principles are set out in the Company's Code of Business Conduct and Ethics and include the following:

- ▶ The Company facilitates competitive behavior, promotes mutual respect among market players, and avoids unfair competition practices and abuse of market position. The Company strictly complies with the local antitrust laws of where it operates, and abstains from unethical practices.
- ▶ 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 the abasement of human dignity.
- ▶ One of the Company's priorities is to maintain consumer confidence, improve product quality, use cutting-edge technologies, and ensure timely delivery.
- ▶ NOVATEK strives to maintain an active and open dialogue with its shareholders, prospective investors and other stakeholders. The Company endeavors to mitigate the risks the investors and stakeholders are exposed to through the implementation of a strong corporate governance framework and timely, complete, fair and transparent disclosure of information regarding the Company's financial position and operations.
- ▶ NOVATEK avoids unlawful efforts to influence the decisions of governmental and/or local authorities.
- ▶ The Company does not, directly or indirectly, participate in political movements, parties or organizations.
- ▶ NOVATEK views cooperation with local communities as a key element of its corporate strategy, which is based on mutually beneficial and effective partnerships.
- ▶ The Company adheres to the policy of fostering social responsibility to its employees, their family members, local communities in the regions where the Company operates, and society as a whole.

STAKEHOLDER ENGAGEMENT MATRIX

STAKEHOLDERS	CHANNELS	FREQUENCY	KEY EVENTS IN 2015	FOCUS AREAS
SHAREHOLDERS	Shareholder meetings	at least once a year	An Annual General Meeting of Shareholders held on 24 April 2015	Profit distribution, dividend payout, annual report approval
	Press releases and corporate action notices	all-year-round	An Extraordinary General Meeting of Shareholders held on 25 September 2015 to decide on dividend payout	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	Introduction of amendments to the Charter and other internal regulations
	Financial disclosures	quarterly		Approval of major transactions and related-party transactions
	Annual and sustainability reports	annually		
	Corporate secretary	all-year-round		
INVESTORS AND ANALYSTS	Press releases and corporate action notices	all-year-round	Financial results disclosure and conference calls held quarterly 30 key industry investment conferences attended	The Company's operating and financial performance The Company's competitive position Company and industry outlook Sustainable development
	Financial results disclosure and conference calls	quarterly	Apart from the conferences, over 340 meetings held in financial centers across the globe 36 press releases published	
	Annual and sustainability reports	annually	Investor and analyst queries replied to; public information prepared and disclosed	
	One-on-ones and group meetings, conference calls, group presentations	all-year-round	A site visit for investors and analysts arranged	
	Investor requests	all-year-round	Carbon Disclosure Project and Water Disclosure questionnaires completed	
	Participation in the Carbon Disclosure Project (CDP) and CDP Water Disclosure survey	annually		
	Site visits	ad hoc		
	Information update on the corporate website	all-year-round		

STAKEHOLDERS	CHANNELS	FREQUENCY	KEY EVENTS IN 2015	FOCUS AREAS
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 Fundamental Concept of Social Policy	Advanced training for staff
	Corporate social programs	all-year-round	Workplace health and safety training and appraisal of employees	Social benefits and guarantees
	Collective bargaining agreements	all-year-round	Cultural and sports events held	Workplace health and safety
	Corporate media	monthly	Health resort treatment for employees arranged	Employee compensation system improvement
	Educational and advanced training programs	all-year-round	NOVATEK's top managers trained in the Project Management program at Moscow School of Management SKOLKOVO	
	Steps in Discovering Talents program for young specialists	annually	Managing Changes forum held for the NOVATEK Group's managers	
	Developing and improving the Corporate Technical Competency Assessment System program for various lines of business	annually	The 10th Interregional Research-to-Practice Conference for the Company's young specialists held	
	Sustainability reports	all-year-round		
	Security Hotline	daily round-the-clock		
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		

STAKEHOLDERS	CHANNELS	FREQUENCY	KEY EVENTS IN 2015	FOCUS AREAS
GOVERNMENT AUTHORITIES			Participation in meetings of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security	Fuel and energy sector development
			Participation in a meeting of the Government Commission on the Fuel and Energy Complex, the Reserve Replacement and Improving the Economy's Energy Efficiency	Preparation of the draft Energy Strategy of Russia Through 2035
Federal	Contribution to law-making	all-year-round	Participation in a meeting of the Government Commission on the Use of Natural Resources and Environmental Protection	Preparation of the draft General Scheme for the Gas Industry Development Through 2035
	Participation in working groups, meetings, round-table discussions, conferences, forums, etc.	all-year-round	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	Energy efficiency and energy development
			Participation in working groups of the State Commission for Arctic Development	Eliminating administrative barriers in the subsoil and natural resource use
			Participation in working groups implementing the General Scheme of the Gas Industry Development through 2030 and amending the program to set up the unified gas production, transportation and supply system in Eastern Siberia and the Far East factoring in potential exports to China and other Asia Pacific countries	Atmospheric emissions
			Cooperation with the Russian Gas Society	Industrial safety
			Taking part in the activities of the Interdepartmental Commission on Eliminating Administrative Barriers in Subsoil Use	Replacement of mineral resources
			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	Taxation
			Attending meetings of the Russian-Asian Pacific and Russian-European intergovernmental commissions on economic, industry and scientific-technical cooperation	Amending the Water and Forest Codes of the Russian Federation
			Participation in the working group on monitoring financial and economic performance of strategic oil and gas companies	Amending the production and consumption waste laws
			Attending meetings of the interdepartmental working group drafting proposed amendments to the laws pertaining to land property relations with respect to linear and infrastructure facilities	Preparation of the draft Concept for Development of the Common Gas Market in the Eurasian Economic Union
			Participation in the events organized by the Russian Union of Industrialists and Entrepreneurs	Promoting domestic R&D
			Cooperation with the Expert Council on the Tax Law Improvement of the Chamber of Commerce and Industry of the Russian Federation	Arctic development
			Participation in the ENES 2015, the 4th International Forum on Energy Efficiency and Energy Development, 5th Arctic: Today and the Future International Forum, 3rd International Legal Arctic Forum 2015, Arctic Days in Moscow 2015 forum	Developing the Arctic transport system
				Protection of Northern indigenous peoples rights

STAKEHOLDERS	CHANNELS	FREQUENCY	KEY EVENTS IN 2015	FOCUS AREAS
Local			Participation in the activities of the Committee on Environment and Environmental Management of the Chamber of Commerce and Industry of the Russian Federation	
			Participation in public hearings organized by the Civic Chamber of the Russian Federation	
			Signing the Protocol to the Agreement between the Government of the Russian Federation and the Government of the People's Republic of China on Cooperation in Implementing the Yamal LNG Project	
Local	Participation in meetings, round-table discussions, conferences, forums, etc.	all-year-round	Participation in a meeting supported by the Yamal-Nenets Autonomous Region Government on LNG production development based on the resources of the Yamal and Gydan Peninsulas	Economic development of the regions Living standards improvement
	Interaction under cooperation agreements on social and economic development of local communities	all-year-round	Signing of a voluntary commitment memorandum on environmental safety in the Yamal-Nenets Autonomous Region between the local government and NOVATEK	Utility and transport infrastructure development Protection of Northern indigenous peoples rights
	Disclosure of information on the Company's activities in the local media	all-year-round	Social and financial programs implemented under the agreements with the YNAO Government and Municipal Councils (in the Yamal, Tazovsky, Nadym, Purovsky and Krasnoselkupsky Districts), and Administrations of the Chelyabinsk, Samara, Tyumen and Leningrad Regions	Reparation of the environmental damage, depollution and other remedial actions to offset the environmental footprint of legacy business operations
LOCAL COMMUNITIES	Participation in public hearings	ad hoc	Financial support provided to the Russian Association of Indigenous Peoples of the North, Siberia and Far East	Employment
	Cooperation agreements on social and economic development of local communities	pursuant to strategic development plans	Financial support provided to Yamal for Descendants Association and its district branches	Financing the construction and repairs of the utility and transport infrastructure
	Targeted support to welfare beneficiaries	all-year-round	Participation in public hearings of the Civic Chamber of the Russian Federation on the importance of land in developing native minority communities of the Far North, Siberia and the Far East residing in remote rural areas	Supporting low-income population Preserving the national identity of Northern peoples
	Disclosure of information on the Company's activities in the local media	all-year-round		
	Population surveys	ad hoc	Participation in a working group meeting of the Association of Managers on amending the regulatory framework pertaining to the interaction of industrial enterprises with the indigenous peoples of the North	Financing purchases of equipment and supplies for the indigenous minorities
	Interaction with associations of indigenous and minority peoples	all-year-round		Indigenous peoples rights
	Sustainability reports	annually		Land use in the areas populated by indigenous minorities
	Security Hotline	daily round-the-clock		Interaction of industrial enterprises with indigenous minorities

STAKEHOLDERS	CHANNELS	FREQUENCY	KEY EVENTS IN 2015	FOCUS AREAS
PARTNERS UNDER JOINT INITIATIVES	Cooperation agreements	all-year-round	Effective interaction under joint initiatives and cooperation agreements	Joint initiatives
	Joint ventures	ongoing		Partnership prospects
	Shareholder meetings	all-year-round		
	Management meetings	all-year-round		
	Working group meetings	all-year-round		
	Security Hotline	round-the-clock		
SUPPLIERS AND CONTRACTORS	Tenders	ad hoc all-year-round	Meetings with oil and gas equipment producers	Equipment specifications, pricing, delivery terms, supply chain management
	Participation in trade shows, forums and other events	all-year-round	Participation in the 7th Integrated Safety and Security Exhibition 2015	
			Participation in the Neftegazsnab 2015 conference	Industrial safety
	Replies to queries received via the official website (see Sales and Tenders page)	all-year-round as per requests	Participation in the Neftegazstroy 2015 conference	Import substitution
			Participation in the Sales Technologies in the Oil and Gas Industry 2015 conference	Relations with suppliers and contractors
	Security Hotline	round-the-clock	Participation in national and global conferences on occupational health and safety	Industrial safety Preventing abusive practices when signing contracts
CUSTOMERS	Telephone enquiry service	daily	Queries received via the telephone enquiry service processed	Service quality improvement
	Customer Account service and Contact Us forms on the website	daily round-the-clock	Questions on technical support of services and proposals on improving Customer Account replied to	Customer support
	Contact Information	all-year-round	Daily interaction with business customers arranged	Tariff regulation
	Security Hotline	daily round-the-clock		Payment calculations
	Counterparty Account service for business customers	daily round-the-clock		Payment discipline
				Connection agreements
	Meetings on payment discipline	all-year-round		Gas supply agreements

STAKEHOLDERS	CHANNELS	FREQUENCY	KEY EVENTS IN 2015	FOCUS AREAS
CIVIL SOCIETY ORGANIZATIONS	Membership and cooperation	all-year-round	Cooperation with V.I. Vernadsky Non-Governmental Environmental Fund Cooperation with the World Wide Fund for Nature (WWF). NOVATEK included in WWF-Russia's environmental responsibility rating of Russian oil and gas companies	Preserving biodiversity and biological resources Environmental protection
	Participation in conferences, forums and other events	all-year-round	Cooperation with the Marine Mammal Council on preservation and study of the Atlantic walrus in the south-eastern Barents Sea and adjacent waters Participation in the Waste and Water Resource Management in the Oil and Gas Industry 3rd annual national forum Participation in the Global Climate Challenge: Dialogue of the Government, Community and Business international conference Participation in UN Agreement on Climate Change: The Role of Business In the Shaping of Climate Policy, a round-table discussion organized by the Russian National Committee of International Chamber of Commerce – the World Business Organization (ICC Russia)	Environmental aspects of the Sabetta seaport construction in the Gulf of Ob Waste and water resource management in the oil and gas industry Sustainable development
	Sustainability reports	annually	Participation in the Enhancing Efficiency in Preserving Water Resources national conference Participation in the working group meetings on biodiversity preservation at the UN House in Moscow Participation in Socially Responsible Business as a Basis for Sustainable Economic Development: Experience of the Most Successful Corporations and Business Schools and Cooperation Prospects, the 4th annual international forum	
SOCIETY	Philanthropic efforts	all-year-round	Support of children deprived of parental care	Provision of support and financing to orphanages and residential care facilities
	Interaction with non-profit organizations	all-year-round	Two blood donation drives organized for the Blood Center of the Federal Medical and Biological Agency of Russia	Philanthropy and sponsorship efforts
	Interaction with leading sports and cultural institutions	all-year-round	Support of Russian museums, theaters and creative teams Support to sports projects: title sponsorship of the Russian national football team	Sports promotion Support and development of cultural projects
	Volunteer movements	all-year-round	Support of foster homes with orphaned children	Assistance in socialization of children deprived of parental care

STAKEHOLDERS	CHANNELS	FREQUENCY	KEY EVENTS IN 2015	FOCUS AREAS
MEDIA	Press releases	all-year-round	36 press releases published	Key corporate highlights
	Press tours	all-year-round	Three press tours of the Yamal LNG project site organized for Russian (including local) and international media	Progress of the Yamal LNG project
	Interviews and comments from top executives	all-year-round	Three briefings for Russian and international media held (Davos, Paris, Tokyo)	Company and industry outlook
	Briefings	all-year-round	Participation in press conferences as part of joint events with museums, creative and performance teams	
	Comments and replies to media queries	all-year-round as per requests	Five articles and information materials, including those from the corporate paper, drafted for media publication	
	Press conferences	all-year-round		
	Articles and information materials for the media	all-year-round		
INDUSTRIAL COMMUNITY, INCLUDING ACADEMIC AND RESEARCH COMMUNITY	Participation in conferences, forums, round-table discussions, etc.	all-year-round	Sponsorship of the St Petersburg International Economic Forum	Development of the fuel and energy sector, along with the oil and gas industry in general
	Participation in joint sessions	as per request	Participation in meetings held by relevant ministries and agencies	
	Partnerships	as per events calendar	Participation in the 26th World Gas Conference and the WGC 2015 exhibition, the Gastech 2015 conference and exhibition in Singapore	Economic performance
	Cooperation with leading oil and gas universities	all-year-round	Participation in organizing major events as part of the R&D Contest for Young Employees of Fuel and Energy Companies	Industrial safety
			Participation in the meetings held by the Competition and Health and Safety Committees of the Russian Union of Industrialists and Entrepreneurs	Competition development
			Supporting studies of gas shows on the Yamal Peninsula, causes and mechanisms of crater formation	Staff training
	Participation in the Association of Gas and Oil Complex Builders	all-year-round	NOVATEK-VUZ program implementation: 15 graduates found jobs with the Company's subsidiaries	Amending the Health and Safety Regulations for the Oil and Gas Industry
			Membership in the Association of Gas and Oil Complex Builders	Combating counterfeit and fake products

CORPORATE GOVERNANCE PRINCIPLES

To ensure maximum operating efficiency NOVATEK seeks to adopt best corporate governance practices. Governance quality does not only impact the economic performance, but also sustainable development, social and environmental policy dimensions, as well as the Company's reputation.

We have established an effective and transparent system of corporate governance complying with both Russian and international standards.

The Company's corporate governance draws heavily on the principles and approaches set forth in the following documents:

- ▶ Russian legislation
- ▶ Corporate Governance Code (as recommended by the Central Bank of Russia)
- ▶ Combined Code on Corporate Governance published by the UK Financial Reporting Council
- ▶ NOVATEK's Corporate Governance Code
- ▶ NOVATEK's Code of Business Conduct and Ethics
- ▶ NOVATEK's Charter.

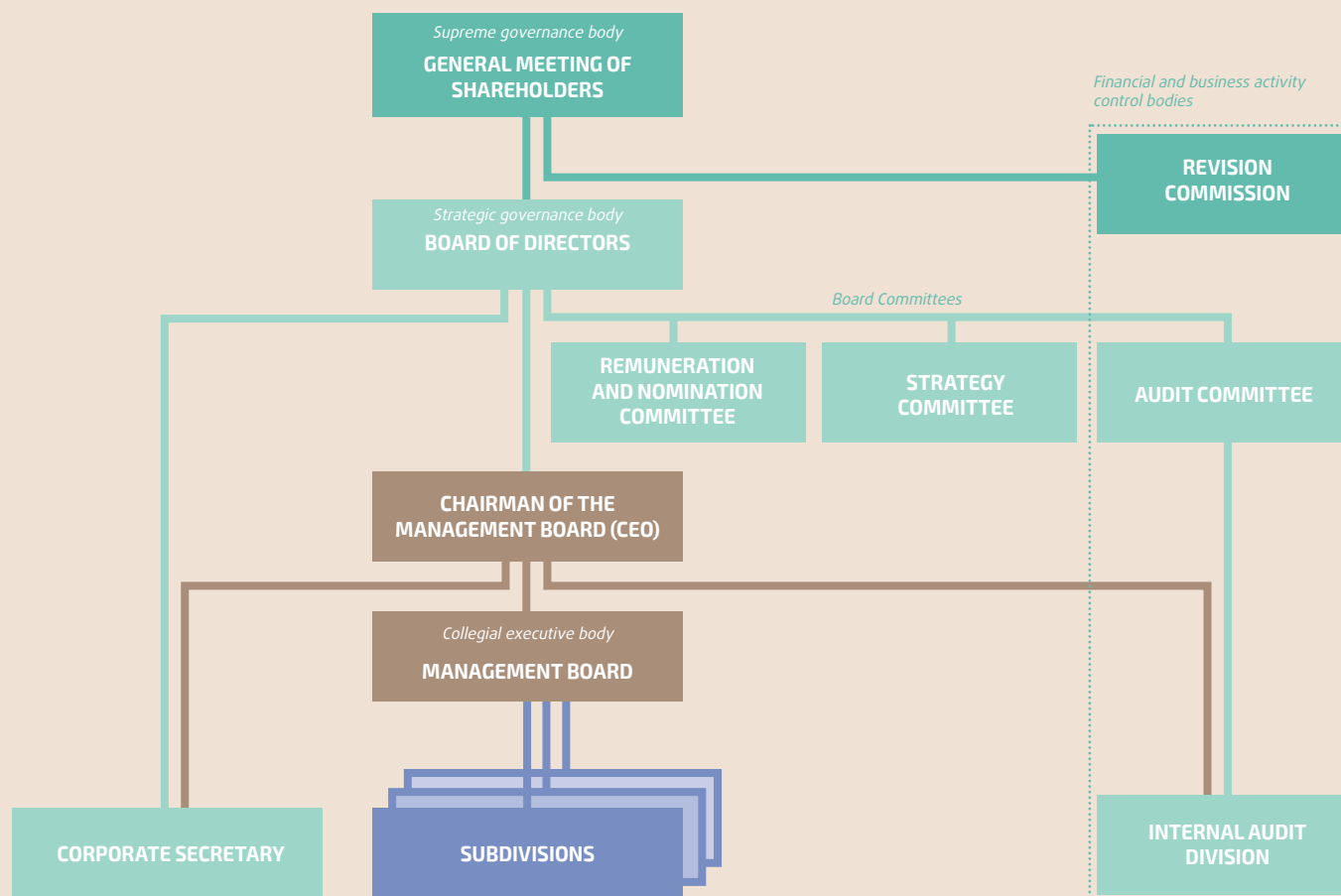
NOVATEK's corporate governance practices make it possible for its executive bodies to effectively manage ongoing operations in a reasonable and good faith manner and solely to the benefit of the Company and its shareholders.

Placed on an equal footing with the other lines of business, sustainable development and corporate social responsibility are viewed as strategic and operational management focus areas.

CORPORATE GOVERNANCE STRUCTURE

NOVATEK's corporate governance system includes the Board of Directors, Board Committees, Management Board, internal control and audit bodies.

NOVATEK'S CORPORATE GOVERNANCE SYSTEM



GENERAL MEETING OF SHAREHOLDERS

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 Charter, and the Regulations on the General Meetings approved by NOVATEK's General Meeting of Shareholders in 2005 (Minutes No. 95 of 28 March 2005) with further alterations and amendments.

The General Meeting of Shareholders is responsible for the approval of annual reports, annual financial statements, the distribution of profit, including dividends payout, the election of the Board of Directors and the Revision Commission, approval of the Company's Auditor and other corporate and business matters.

On 24 April 2015, 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 FY2014, the amended version of the Regulations on Remuneration and Compensations payable to members of NOVATEK's Board of Directors. The meeting also elected the Board of Directors (comprising eight (8) members due to exclusion of one of the candidates nominated by shareholders following withdrawal by this candidate of his consent to be elected) 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 2015.

On 25 September 2015, the Extraordinary General Meeting of Shareholders approved the amount of interim dividend for the first half of 2015, early terminated the authority of the Board of Directors, elected a new Board of Directors and approved interested-party transactions.

BOARD OF DIRECTORS

The Board of Directors (the Board) activity is governed by the laws of the Russian Federation, the Company's Charter and the Regulations on the Board of Directors approved by NOVATEK's General Meeting of Shareholders in 2005 (Minutes No. 96 of 17 June 2005) with further alterations and amendments.

The Board carries out the overall strategic management of the Company's activity on behalf of and in the interests of all its shareholders, and ensures the Company's efficient and effective performance in order to increase shareholder value in a prudent and responsible manner.

The Board determines the Company's strategy and priority lines of business, endorses long-term and annual business plans, reviews financial performance, internal control, risk management and other matters within its competence, including optimization of corporate and capital structure, approval of major transactions, making decisions on investment projects and recommendations on the size of dividend per share and its payment procedure, and convening General Meeting of Shareholders. The General Meeting of Shareholders elects the members of the Board.

The current members of the Board were elected at the Extraordinary General Meeting of Shareholders on 25 September 2015. The Board of Directors is comprised of nine (9) members, of which eight (8) are non-executive directors. Three (3) directors are considered to be independent in accordance with the Corporate Governance Code recommended by the Central Bank of Russia and the UK Combined Code on Corporate Governance. The Board Chairman is Alexander E. Natalenko. The Chairman is responsible for leading the Board and ensuring its effectiveness.

The members of NOVATEK's Board have a wide range of expertise as well as significant experience in strategic, operational, financial, commercial and oil and gas activities. The Board members hold regular meetings with NOVATEK's senior management to enable them to acquire a detailed understanding of NOVATEK'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 the regular exchange of information needed to participate in the Board meetings and make balanced decisions in a timely manner.

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 endowed with the necessary powers and resources

to carry out its tasks in accordance with the Regulations on the Corporate Secretary (Minutes No. 168 of 28 April 2014 with further alterations and amendments).

BOARD COMMITTEES

The Company has three (3) Board Committees: the Audit Committee, the Strategy Committee and the Remuneration and Nomination Committee. The Committees' activities are governed by the specific Committee Regulations approved by the Board of Directors and are available on our website.

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 minutes of the Committees meetings are circulated to the Board members and are accompanied by necessary materials and explanatory notes.

In order to carry out their duties, the Committees may request information or documents from members of the Company's executive bodies or heads of the Company's relevant departments. For the purpose of considering any issues being within their competence, the Committees may engage experts and advisers having necessary professional knowledge and skills.

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.

In carrying out its responsibilities and assisting the members of the Board in discharging their duties, the Strategy Committee is responsible for but not limited to:

- ▶ evaluating the effectiveness of the Company's operations in the long-term;

- ▶ preliminarily reviewing and making recommendations on the Company's participation in other organizations;
- ▶ assessing voluntary and mandatory offers to acquire the Company's securities;
- ▶ considering the financial model and business valuation of the Company and its business segments in order to

COMMITTEE MEMBERSHIP:

Chairman:

- ▶ **Alexander E. Natalenko**

Members:

- ▶ **Andrei I. Akimov**
- ▶ **Burckhard Bergmann**
- ▶ **Michael Borrell**
- ▶ **Gennady N. Timchenko**

BOD MEMBERS AS AT 31 DECEMBER 2015

DIRECTORS / INDEPENDENCE AND FIRST ELECTION TO THE BOD

ALEXANDER E. NATALENKO

Board Chairman
2004

OTHER IMPORTANT JOBS AND TITLES

Board member at Rosgeologia. Recipient of the State Award of the Russian Federation, Distinguished Geologist of Russia. Former Deputy Minister of Natural Resources.

ANDREI I. AKIMOV

2006

Chairman of the Management Board at Gazprombank. Member of the Board of Directors / Supervisory Board at Gazprom, Gazprombank, Rosneft, Rosneftegaz, etc.

BURCKHARD BERGMANN

Independent 2008

Member of the Board of Directors / Supervisory Board at Contilia GmbH and Telenor ASA. Chairman / Deputy Chairman / member of the Advisory Board at Jaeger Beteiligungsgesellschaft mbH & Co KG, Accumulatorenwerke Hoppecke GmbH, Dana Gas International and IVG Immobilien AG. Member of the Board of Trustees at RAG AG. Foreign member of the Russian Academy of Technological Sciences, Honorary Consul of the Russian Federation in the German State of North Rhine-Westphalia. Holds multiple honorary titles and distinctions, including Commander of the Royal Norwegian Order of Merit, Order of Merit of the State of North Rhine-Westphalia, Officer's Cross of the Order of Merit of the Federal Republic of Germany, Russian Order of Friendship for significant contribution to the development of the Russian-German relations.

make recommendations to the Board of Directors in making decisions on the definition of business priorities of the Company;

- ▶ providing recommendations to the Board of Directors on transactions subject to approval by the Board of Directors; and
- ▶ providing recommendations to the Board of Directors with respect to the Company's policy on the use of its non-core assets.

In corporate year 2015, the Strategy Committee met four (4) times.

REMUNERATION AND NOMINATION COMMITTEE

The primary functions of the Remuneration and Nomination Committee is the development of an efficient and transparent compensation practice of members of the Company's management, enhancement of the professional expertise and

COMMITTEE MEMBERSHIP:

Chairman:

► **Victor P. Orlov**

Members:

► **Robert Castaigne**

► **Andrei V. Sharonov**

improvement of the Board of Directors' effectiveness.

In order to assist the Board, the Committee performs the following functions:

- develop and regularly review the Company's policy on remuneration of the members of the Board of Directors,

members of the collective executive body and the sole executive body of the Company, oversee its implementation and realization;

- preliminarily assess the work of the executive body of the Company for the year in accordance with the Company's remuneration policy;
- assess the Board of Directors in terms of professional expertise, experience of independence and involvement of its members in the work of the Board of Directors, determine the priority areas for strengthening the Board of Directors;
- interact with shareholders in order to form the Board of Directors that best meets the goals and objectives of the Company;
- analysis of professional qualifications and independence of the candidates to the Board of directors;
- plan appointments of members of the executive body and the sole executive body on the base of continuity principles; and
- supervision over disclosure of information on the Company's shares owned by the members of the Board of Directors and Management Board, and other key management employees.

In corporate year 2015, the Remuneration and Nomination Committee met four (4) times.

BOD MEMBERS AS AT 31 DECEMBER 2015

DIRECTORS / INDEPENDENCE AND FIRST ELECTION TO THE BOD

OTHER IMPORTANT JOBS AND TITLES

MICHAEL BORRELL

2015

Since 1995, he held a number of senior management positions in TOTAL.

ROBERT CASTAIGNE

Independent 2015

Member of SANOFI, VINCI и Societe Generale Boards of Directors Chevalier of the National Order of the Legion of Honor.

LEONID V. MIKHELSON

Executive director
2003

Chairman of the Management Board at NOVATEK (CEO) and Board of Directors at SIBUR Holding. Holder of the Russian Order of the Badge of Honor, II Degree Order for Merits and Dedicated Service to the Country and honorary title of the Honorary Employee of the Gas Industry.

AUDIT COMMITTEE

The primary function of the Audit Committee is control over financial and operating activities of the Company. 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.

COMMITTEE MEMBERSHIP:

Chairman:

► **Andrei V. Sharonov**

Members:

► **Robert Castaigne**

► **Victor P. Orlov**

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.

In corporate year 2015, the Audit Committee met five (5) times.

BOD MEMBERS AS AT 31 DECEMBER 2015

DIRECTORS / INDEPENDENCE AND FIRST ELECTION TO THE BOD

OTHER IMPORTANT JOBS AND TITLES

VICTOR P. ORLOV

Independent
2014

Professor, Post-Doc in economics, PhD in geological-mineralogical sciences, Distinguished Geologist of Russia. Previous stints: Chairman of the Russian Committee on Geology and Mineral Resources, Russian Minister of Natural Resources and First Deputy Chairman of the Federation Council Committee on Natural Resources and Environmental Protection.

Recipient of the State Award of the Russian Federation for Research and Development. Holds IV Degree Order for Merits and Dedicated Service to the Country and 18 awards, including three letters of acknowledgement from the President and a certificate of merit from the Government of the Russian Federation.

GENNADY N. TIMCHENKO

2009

Member of the Board of Directors at SIBUR Holding, Chairman of the Board of Directors and President at the SKA St Petersburg Ice Hockey Club, Chairman of the Board of Directors at the Kontinental Hockey League, member of the Board of Trustees at the Russian Geographical Society, Chairman of the Russian delegation to the Russian-Chinese Business Council, Vice-President of the Russian Olympic Committee, Chairman of the Economic Council under the Franco-Russian Chamber of Commerce and Industry (CCIFR).

ANDREI V. SHARONOV

Independent 2014

Dean of the Moscow School of Management SKOLKOVO. Adviser to the mayor of Moscow. Member of the Supervisory Board at ALROSA, Board of Directors at the Bank of Moscow and Sovkomflot, Chairman of the Board of Directors at NefteTransService and Ekosistema.

Held various positions (including Deputy Minister) in the Russian Ministry of Economic Development and Trade, worked as Deputy Mayor of Moscow for Economic Policy.

PhD in sociology, Distinguished Economist of the Russian Federation. Holds multiple distinctions, including the Order of Honor.

MANAGEMENT BOARD

NOVATEK's Management Board is a collegial executive body responsible for the day-to-day management of the Company's operations. The Management Board is governed by the laws of the Russian Federation, NOVATEK's Charter, decisions of the General Meetings of Shareholders and the Board of Directors and by other internal documents. More information regarding the Management Board's competence is provided in the Regulations on the Management Board approved by NOVATEK's General Meeting of Shareholders in 2005 (Minutes No. 95 of 28 March 2005) with further alterations and amendments.

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 acting as of 31 December 2015 is comprised of nine (9) members elected by the Board of Directors on 30 August 2012 (Minutes No. 150 of 30 August 2012) and 12 March 2015 (Minutes No. 173 of 12 March 2015).

MANAGEMENT BOARD MEMBERS AS OF 31 DECEMBER 2015

LEONID V. MIKHELSON
Chairman

ALEXANDER M. FRIDMAN
First Deputy Chairman

VLADIMIR A. BASKOV
Deputy Chairman

MARK A. GYETVAY
Deputy Chairman

TATYANA S. KUZNETSOVA
Deputy Chairman – Director of Legal Department

IOSIF L. LEVINSON
Advisor on Geology

LEV V. FEODOSYEV
Deputy Chairman – Commercial Director

SERGEY V. PROTOSENYA
Deputy Chairman

KIRILL N. YANOVSKIY
Director for Finance

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

The procedure for calculating the remuneration and compensations to members of NOVATEK's Board of Directors is governed by the Regulations on Remuneration and Compensations payable to members of NOVATEK's Board of Directors approved by the Annual General Meeting of Shareholders (Minutes No. 122 of 24 April 2015). According to the Regulations the remuneration consists of the following types:

- ▶ 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 million per corporate year. The Chairman of the Board of Directors is paid a fixed remuneration for the performance of its functions in the

amount of RR 20 million 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 million per corporate year and remuneration for attending the meetings of the committees of the Board of Directors in the maximum amount of RR 2 million per corporate year. The Board members are also compensated for travel and lodging expenses related to implementation of their functions as NOVATEK Board of Directors members.

The procedure for and criteria of calculating remuneration to the Chairman and members of NOVATEK's Management Board, as well as the compensation of their expenses, are prescribed in the Regulations for the Management Board and the employment contracts they sign with the Company.

INFORMATION ON REMUNERATION OF MEMBERS OF NOVATEK'S BOARD OF DIRECTORS AND MANAGEMENT BOARD IN 2015, RR MLN

	Board of Directors*	Management Board
Total paid, including:	148.9	2,053.2
Salaries	–	625.5
Bonuses	–	1,416.1
Fees	147.0	–
Other property advancements	1.9	11.6

* 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.

INTERNAL CONTROL AND AUDIT

The Company has a system of internal control over financial and business operations in accordance with international best practices. The process of internal control is an integral part of the risk management process.

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.

The primary objects of internal control are OAO NOVATEK, its subsidiaries and joint ventures, and their subdivisions, 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 Regulation on NOVATEK Risk Management and Internal Audit System approved by the Board of Directors on 1 September, 2014 (Minutes No. 170 of 1 September 2014).

Throughout the reporting year, the Company maintains a Security Hotline in accordance with the Anti-Corruption Policy. All necessary inspections have been promptly made in response to the complaints reported to the Hotline.

REVISION COMMISSION

The Revision Commission consisting of four (4) members who are elected at the Annual General Meeting of Shareholders for a period of one year. The competence of the Revision Commission is governed by the Russian Federation Law On Joint Stock Companies No. 208-FZ dated 26 December 1995 as well as the Company's Charter and the Regulations on the Revision Commission approved by the General Meeting of Shareholders in 2005 (Minutes No. 95 of 25 March 2005).

The Revision Commission is an internal control body responsible for oversight of the Company's financial and business activities. The Revision Commission performs audits of the Company's financial and business performance for the year as well as any other period as may be decided by its members or other persons authorized in accordance with Russian Federation law and the Company's Charter. The results of these audits are presented in the form of findings by the Revision Commission.

In March 2016, the Revision Commission completed the on-site audit revision of financial and business activity of the Company for the year 2015. As a result, the conclusions about the reliability of the data contained in the Company's 2015 Financial Statements (under the Russian accounting standards) and Annual Report were prepared and submitted to the Annual General Meeting of Shareholders.

INTERNAL AUDIT DIVISION

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 performs internal audits of the Company's operations. The internal audit function is implemented by the independent Internal Audit Division, which has operated continuously since 2005.

The Internal Audit Division is functionally subordinate to the Board of Directors and is guided by International professional internal audit standards of Institute of Internal Auditors. The Division also adheres to the principles and rules of conduct stated in internal auditor's Code of Business Conduct of the Institute of Internal Auditors.

The Division carries out its activities on the basis of an annual plan of inspections approved by the Audit Committee and uses a combination of risk-based and cyclic approaches. According to the results of inspections it develops measures to eliminate identified risks and optimize financial and business activities. Implementation of the measures is monitored on a regular basis.

The Internal Audit Division regularly interacts with the external auditor by exchanging information on action plans, audit results and other matters of significance to ensure the effective discharge of their responsibilities.

To improve the efficiency and optimize the costs the Internal Audit Division employees serve on the revision commissions of subsidiaries and joint ventures.

EXTERNAL AUDITOR

The Annual General Meeting of Shareholders appoints an external auditor to conduct independent review of 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 for the consideration and for approval by the Annual General Meeting of Shareholders.

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 2015 under RAS, as well as independent reviews of the Company's quarterly financial statements and audit of the annual financial statements under IFRS.

In selecting the auditor's candidature, attention is paid to level of their professional qualifications, independence, possible risk of any conflict of interest, terms of the contract, and an 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 to the Board of Directors the results of review and evaluation of the audit opinion regarding the Company's financial statements. The Audit Committee meets with the auditor's representatives at least twice per year.

NOVATEK's management is aware of and accepts 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 the Note 23 to the consolidated financial statements prepared in accordance with IFRS standards for 2015.

RISK MANAGEMENT SYSTEM

The Company's activities are subject to risks inherent only to the Company or associated with the Company's core business.

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 laid out in the Regulations on NOVATEK Risk Management and Internal Control System approved by the Board of Directors on 1 September 2014 (Minutes No. 170 of 1 September 2014) with amendments.

The Board of Directors' Audit Committee is responsible for the supervision over the reliability and efficiency of the risk management framework and review of the risk management policy. In the reporting year, the Audit Committee after careful review and analysis of the information provided, recognized NOVATEK's risk management activities as compliant with the risk management policy of the Company.

Below is the list of risks and approaches to risk management applied by the Company. The risks described herein are not exhaustive and reflect the opinion on the most material risks based on the estimates of the Company's management.

Operational risks

- Risks of emergencies and incidents
- Monopoly risks
- Competitive risks
- Commodity price risks
- Geological risks
- Risk of early termination, suspension or restriction of the right to use subsurface mineral resources
- Environmental risks
- Project risks
- Ethical risks
- Social risks
- Terrorism risks
- Country risk
- Regional risk

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

RISK INSURANCE

Risk insurance is an integral part of NOVATEK's risk management system. In 2015, the insurance coverage guaranteed adequate protection against the risks of damage to the business of the Company or its subsidiaries and joint ventures. Insurance is provided by reputable insurance companies that have high ratings by leading rating agencies (Standard & Poor's, Expert RA, A.M. Best) with partial reinsurance of risks by major international insurance and reinsurance companies.

Obligatory Risk Insurance

The Company and its subsidiaries and joint ventures fully meet the requirements of the applicable laws for maintaining obligatory insurance, such as civil liability insurance of:

- ▶ owners of hazardous production facilities; and
- ▶ owners of transport vehicles.

Optional Risk Insurance

To reduce the risk of financial losses, the Company and its subsidiaries and affiliates maintain 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;
- ▶ 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 and its subsidiaries' and joint venture's key assets. The cumulative insured amount for the risks of property damage and business interruption as at the end 2015 was RR 482 billion. The implemented program is viewed by the Company's management as an efficient measure for mitigating the consequences of potential accidents and provides additional guarantees for the attainment of the expected net profit and key indicators of the Company's performance.

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

For more than ten (10) years the Company has maintained a management liability insurance for the top management of the Company and its subsidiaries against possible third-party claims for any losses incurred through any wrong action (or decision) made by its management bodies. The overall limit of all insurance coverage is Euro 120 mln.

ETHICS AND INTEGRITY

NOVATEK puts great emphasis on ethics and fair play. The Company has adopted three key documents, Corporate Governance Code (adopted in 2005), Code of Business Conduct and Ethics (adopted in 2011), and Anti-Corruption Policy (adopted in 2014).

CORPORATE GOVERNANCE CODE

Corporate governance is viewed as a means of enhancing the Group's performance, developing a uniform corporate culture, bolstering reputation and reducing the cost of capital. The Corporate Governance Code is a body of corporate conduct principles.

CODE OF BUSINESS CONDUCT AND ETHICS

The Code of Business Conduct and Ethics sets out business ethics guidelines for the Company's employees providing recommendations on prescribed behavior in ethically challenging and non-standard situations.

ANTI-CORRUPTION POLICY

NOVATEK strictly abides by the anti-corruption laws of Russia and other countries of presence. With NOVATEK's shares traded on the London Stock Exchange, the Company complies with the requirements of the UK Bribery Act 2010. In order to promote the Group's credibility, improve compliance of its practices with applicable anti-corruption laws, and minimize corruption risks, in 2015 the Company continued creating a unified mechanism to prevent corruption and corporate fraud.

In accordance with the Company's Anti-Corruption Policy adopted in 2014 and Anti-Corruption Action Plans for 2014–2016, a set of measures was undertaken in 2015 aimed at preventing potential corrupt practices that involve employees of the Company, its subsidiaries and joint ventures, counterparties, government and municipal authorities and NGOs, and other persons.

Anti-corruption policies have been adopted by all subsidiaries and joint ventures, with dedicated employees and subdivisions in charge of their implementation.

All managers and employees of the Company, its subsidiaries and joint ventures were informed about the adoption of the policies by signing them. They also signed commitments to refrain from any actions that can be deemed an act of corruption. Anti-corruption requirements and limitations are included in the employment contracts and job descriptions of all employees.

In its corporate newspaper, the Company published an article that sets out the Policy's main provisions, and limitations and also contains information for further reading and contact details.

The management of the Company's independent structural subdivisions provided training to their employees to make sure the personnel are aware of the Policy's provisions and zero tolerance to any acts of corruption.

An interactive online course called Basics of the Company's Anti-Corruption Policy and Anti-Corruption Practices for Employees was developed to train employees of the Company, its subsidiaries and joint ventures.

On a regular basis, employees can obtain advice on how the Anti-Corruption Policy is implemented in practice, including gift giving and receiving, making charitable contributions, engaging in sponsorship programs, and handling confidential information.

An anti-corruption clause is included into all contracts with counterparties to inform them about the Company's Anti-Corruption Policy and make sure they undertake to comply with all applicable anti-corruption laws when performing their contractual obligations.

The Company's official website contains the Anti-Corruption Policy in both Russian and English for all stakeholders to access.

The Company has a Security Hotline in place 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 other 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, its subsidiaries and joint ventures is the Anti-Corruption Adviser.

The anti-corruption efforts were discussed and approved by the Audit Committee on 24 August 2015.

PREVENTION OF CONFLICTS OF INTEREST

NOVATEK's internal policies seek to eliminate any potential conflict of interest. The Company's managers and employees are expected to advocate the supremacy of corporate interests separating their personal interests (interests of their family, friends, etc.) from decision-making.

Should their personal and corporate interests become incompatible, NOVATEK's managers and employees are obliged to report on that straight away. They are also supposed to refrain from all forms of competition with the Company in business and investment projects. The Company's officers are not allowed to pursue any property or financial interests in competitor businesses. They are advised to refrain from conducting related-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 effective discharge of their duties and responsibilities.

MEMBERS OF THE MANAGEMENT BOARD SHALL:

- ▶ notify the Management Board of 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 allowed by the Board of Directors.

CONFIDENTIALITY

NOVATEK treats information confidentiality as one of its key stability factors. Disclosures are made in full compliance with the applicable law, the Company's Charter and internal regulations.

INSIDER INFORMATION

NOVATEK has strict insider information regulations in place enacting effective compliance controls in line with the Russian Federal Law *On Preventing Misuse of Insider Information and Market Manipulation and Amending Select Legislative Acts of the Russian Federation*.

PROTECTION OF PROPERTY AND ITS APPROPRIATE USE

Embezzlement, mala fide practices and squander have a direct negative impact on NOVATEK's profitability and reputation. The employees are hence obliged to make an efficient and reasonable use of the Company's property, capacities and financial resources.

ECONOMIC PERFORMANCE AND SUSTAINABILITY

+34%

INCREASE IN OUR
NORMALIZED EBITDA BY
34% TO A RECORD HIGH
OF RR 214 BLN

ECONOMIC PERFORMANCE

ECONOMIC STABILITY

NOVATEK strives to ensure the highest business integrity and performance and to elaborate its development strategy based on economic feasibility, optimization of production processes and dynamically changing economic situation in Russia and the world.

The main competitive advantage of the Company is the high quality of its hydrocarbon resource base. Together with efficient reserve management and use of cutting edge technologies it enables NOVATEK to maintain its low Finding & Development and Lifting cost structure resulting in high profitability of the Company's operations.

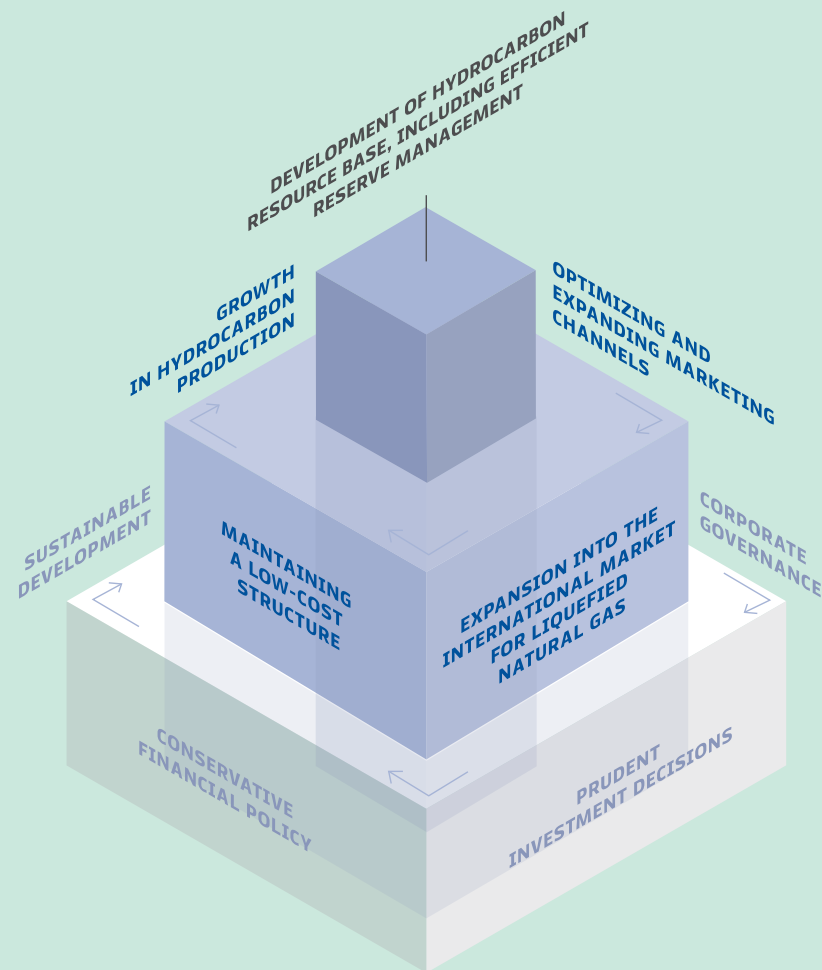
NOVATEK's other key competitive advantages include:

- ▶ size and structure of its hydrocarbon resource base;
- ▶ close proximity of core producing fields to existing infrastructure;
- ▶ well-developed customer base for natural gas sales;
- ▶ own facilities for gas condensate processing and product exports;
- ▶ well-developed marketing channels for liquefied petroleum gases (LPG);
- ▶ high level of operational flexibility;
- ▶ consistent and efficient use of leading edge technologies in production and processing practices.

In 2015, the Company achieved another milestone in the ongoing transformation of its business by considerably expanding the share of liquid hydrocarbons in production and growing the volumes of stable gas condensate processing into high value-added products, which drove a strong increase in cash flow generation. The reporting year was a challenging year for the oil and gas industry struggled during the reporting year, with, due to a number of negative factors including the precipitous drop in hydrocarbon prices and the significant volatility in foreign exchange rates as some of the major challenges. NOVATEK was able to mitigate and offset the negative impact of these factors thanks to its balanced financial policy, rapid liquid hydrocarbons production growth and full utilization of the vertically integrated gas condensate production chain. The Company reported growth in its major financial metrics as total revenues increased by 33% to RR 475 bln, and normalized EBITDA (including proportionate share in EBITDA of joint ventures) increased to a record high of RR 214 bln, or by 34%.

The Company considers the sustainable development as one of the major factors contributing to the growth of its economic efficiency.

NOVATEK'S STRATEGIC PRIORITIES



KEY EVENTS AND ACHIEVEMENTS OF 2015:

- Launch of the Yaro-Yakhinskoye oil and gas condensate field in April. The field is developed by our Arcticgas joint venture and ramped up to its full production capacity in June 2015.
- Launch of the Termokarstovoye gas condensate field in May. The field is developed by our Terneftegas joint venture and ramped up to its full production capacity in June 2015.

- Launch of the Yarudeyskoye oil field at the beginning of December. The field is developed by our Yargeo joint venture and ramped up to its full production capacity at the end of 2015.
- Signing of binding definitive agreements with China's Silk Road Fund on the sale of a 9.9% equity stake in the Yamal LNG project; the receipt of a 15-year loan for the purpose of financing Yamal LNG.

- Record year-on-year growth in our marketable liquid hydrocarbon production of 51% to over 9 mmt.
- Record growth in our liquid hydrocarbon sales volumes by 82%, contributing to an increase in its respective share in total revenue to 53%.
- Conclusion of a number of long-term contracts for domestic natural gas sales and international LNG sales.

- Increase in our normalized EBITDA by 34% to a record high of RR 214 bln.
- Organic proved reserve replacement ratio of 148% despite much lower hydrocarbon price environment.
- Growth in our natural gas production by 9% to 68 bcm.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED, RR MLN*

	2013	2014	2015
Created economic value			
Revenues	300,499	362,706	487,947
Distributed economic value			
Operating expenditures	142,919	177,497	262,035
Salaries and other payments and benefits to employees	10,903	12,009	15,632
Payments to suppliers of financial services	30,561	38,278	50,189
Taxes payable to the countries' budgets	45,037	45,587	59,410
Social investments	1,180	727	970
Retained economic value	69,899	88,608	99,712

* Data are based on the following methodology:

Revenues — total revenues plus interest income

Operating expenditures — operating expenses minus depreciation minus impairment of assets minus salaries and other payments and benefits to employees minus taxes other than income tax, minus social investments

Payments to suppliers of financial resources — dividends paid plus interest paid

Taxes payable to the countries' budgets — 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 and its employees

EXPLORATION, DEVELOPMENT AND PRODUCTION

LICENSES

Exploration and production of hydrocarbons in Russia is subject to state licensing regulations. As of 31 December 2015, NOVATEK's subsidiaries and joint ventures held 31 licenses for fields and license areas in the YNAO, of which 29 are classified as either production or combined exploration and production licenses and two are classified as exploration licenses. The duration of licenses for our core fields exceeds 15 years.

HYDROCARBON RESERVES

As at 31 December 2015, NOVATEK's SEC proved reserves, including the Company's proportionate share in joint ventures, aggregated 12,817 mmboe, including 1,775 bcm of natural gas and 143 mmt of liquid hydrocarbons. Despite the continued price decline for benchmark crude oil prices on the international hydrocarbon market, the Company's proved reserves increased by 1.4% compared to year-end 2014, and our reserve replacement ratio was 133%. At year-end 2015, the Company's reserve to production ratio (or R/P ratio) was 25 years.

The reserves growth during the reporting period was affected by the decrease in the Company's proportional share in the Arcticgas joint venture from 54.9% as at year-end 2014 to 53.3% as at 31 December 2015 resulting from the execution of an agreement with Gazprom Neft on the gradual alignment of the ownership structure in Arcticgas to parity. Excluding this effect, the proved reserves grew by 2%, with

an organic reserve replacement ratio of 148% due to successful exploration works and drilling, which amounted to reserves addition of 774 mmboe, inclusive of 2015 production. The increase in proved reserves was primarily driven by the Utrenneye, North-Russkoye and South-Tambeyskoye fields, and the Urengoyenskoye field within the boundaries of the Samburgskiy license area of Arcticgas.

GEOLOGICAL EXPLORATION

NOVATEK uses a systematic and comprehensive approach to exploration and development of its fields and license areas to maximize the ultimate recovery of hydrocarbons in a cost effective manner.

In 2015, we continued full-scale exploration works at our license areas located on the Gydan Peninsula and offshore in the Gulf of Ob to properly assess the resource potential of this strategically important region. We started three-dimensional (3D) seismic studies at the North-Obskiy offshore license area and also conducted 3D seismic and exploration drilling works at the Utrenniy license area.

As a result, nine new gas deposits was discovered at the Utrenneye, North-Russkoye and North-Chaselskoye fields and wet gas reserves were added at the Achimov deposits (very rich in gas condensate) of the Urengoyenskoye field within the Samburgskiy and Yevo-Yakhinskiy license areas.

TOTAL PROVED AND PROBABLE HYDROCARBON RESERVES, MMBOE*

	2013	2014	2015
Proved (SEC)	12,577	12,643	12,817
Proved and probable (PRMS)	23,266	23,069	23,117

* Proved reserves as at the end of 2014 have been adjusted to include 100% of the Yarudeyskoye field reserves (previously accounted for on a 51% basis).

FIELD DEVELOPMENT

During 2015, NOVATEK's subsidiaries spent RR 56.6 bln on the development of hydrocarbon reserves as part of our capital investment program in order to achieve sustainable hydrocarbon production growth.

A total of 107 wells were commissioned into operations, including 49 gas and gas condensate wells and 58 oil wells.

In April 2015, we commissioned the Yaro-Yakhinskoye field, which in June 2015 achieved its design capacity of 7.7 bcm of gas and over 1.3 mmt of gas condensate. Natural gas and gas condensate is produced from the field's Valanginian layers. As of the end of 2015, a total of 38 wells with horizontal sections of up to 1 km long were drilled at the field. The initial daily flow rate of some wells exceeds 1.2 mmcm of gas and 270 tons of gas condensate.

In May 2015, the Termokarstovoye field was launched, reaching its design capacity of approximately 2.4 bcm of natural gas and 0.8 mmt of de-ethanized gas condensate as early as June. Natural gas and gas condensate is produced from the Jurassic layers, which were developed by horizontal wells with horizontal lengths of up to 2.0 km. By the end of 2015, a total of 22 wells were drilled at the Termokarstovoye field.

In early December 2015, we launched the Yarudeyskoye field, developed by Yargeo (NOVATEK holds a 51% share). The field ramped up to its full production capacity of approximately 3.5 mmt of gas, or 9,700 tons per day by the end of 2015, which is a very short period of time for full ramp up of a crude oil project. Only 21 wells were required to achieve these production flow rates. By the end of 2015, a total of 39 wells were drilled at the field.

YAMAL LNG PROJECT

Yamal LNG is the flagship project in NOVATEK's asset portfolio and is considered a transformational move for the Company into the international gas market. Yamal LNG envisages the construction of an LNG liquefaction plant with annual capacity of 16.5 mmtpa, utilizing the prolific feedstock resources of the South-Tambeyskoye field located in the Northeast of the Yamal Peninsula. The launch of the first LNG train is planned for 2017. As of 31 December 2015, the field was estimated to contain 522 bcm of proved natural gas reserves and 15 mmt of proved liquid hydrocarbon reserves, under the SEC reserves methodology.

The field development plan provides for the drilling of 208 wells at 19 well drilling pads, with production potential exceeding 27 bcm of natural gas and one million tons of stable gas condensate per annum.

At year-end 2015, 41 production wells were drilled at the South-Tambeyskoye field, representing approximately 70% of the well stock required to launch the first production train of the LNG plant.

The LNG plant will consist of plant modules with the weight ranging from 85 tons to 6,400 tons. The modules are built at contractor's yards and delivered to the Sabetta construction site by sea.

The plant's first module was delivered to the site in September 2015, and delivery of other long-lead items also started during the past year. Among the items delivered to the Sabetta construction site by the end of the year there were seven LNG plant modules, a cryogenic heat exchanger and the full equipment package for compressor lines of the plant's first and second trains, boil-off gas compressors, a backup heater, 46 packages of steel work pipe racks, six packages of piping spools, power plant turbines and other equipment. The unloading operations for oversized equipment in the Sabetta port and its transportation to the installation site were successfully streamlined.

By the end of 2015, over 20,000 foundation piles for the LNG plant were installed, over 2,000 pile caps were installed on the piles, and more than 17,000 cubic meters of concrete was poured for the foundation. Compressor equipment for the first train, seven modules and the backup heater were installed on the prepared concrete foundations, as well as over 6,000 tons of steel work pipe racks. The construction of a power plant with a rated capacity of 376 MW was underway: four gas turbine units with a capacity of 47 MW each were installed on the concrete foundations. The outer concrete walls were completed, as well as the installation of the roof on the project's four LNG tanks, and the work on installing the internal multi-layer walls was underway.

HYDROCARBON PRODUCTION

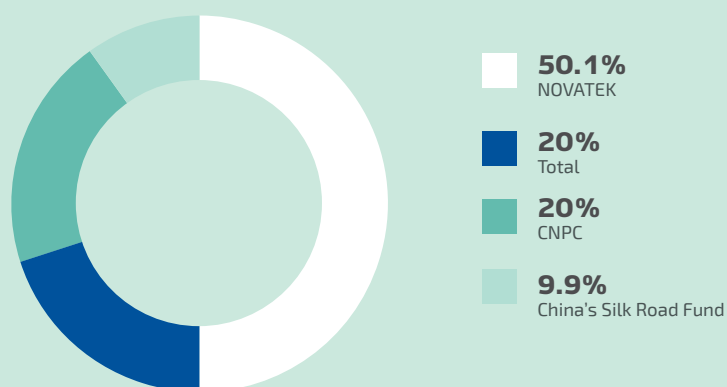
In 2015, NOVATEK carried out commercial hydrocarbon production at 13 fields. Marketable production from all fields (including the Company's share in production of joint ventures) amounted to 521.6 mmboe, representing an increase of 14.2% over the prior year.

Total marketable production of natural gas including the Company's share in production of joint ventures aggregated 67.9 bcm, representing 85.1% 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 82.5%. As a result, our marketable natural gas production increased by 9.3% or by 5.8 bcm, as compared to 2014 volumes.

Marketable production of liquid hydrocarbons, including the Company's share in production of joint ventures, totaled 9,094 mt, of which 83% was gas condensate and the remaining 17% consisted of crude oil. Marketable production of liquids increased by 50.7%, or by 3,058 mt as compared to 2014, with gas condensate production demonstrating a 54.6% increase to 7,526 mt and crude oil production growing by 34.2% to 1,568 mt. The share of liquid production in our overall production increased by 4 p.p. as compared to 2014 and amounted to 15%.

We continued to achieve some of the lowest lifting costs in the industry. The Company's lifting costs were RR 30.1 (USD 0.49) per boe in 2015.

YAMAL LNG SHAREHOLDING STRUCTURE AFTER CLOSING THE TRANSACTION WITH CHINA'S SILK ROAD FUND IN MARCH 2016



* In December 2015, the Company signed binding definitive agreements to sell a 9.9% equity stake in the Yamal LNG project to China's Silk Road Fund.

HYDROCARBON PROCESSING

PUROVSKY GAS CONDENSATE STABILIZATION PLANT

The Purovsky Gas Condensate Stabilization Plant (Purovsky Plant) is the central element in our vertically integrated production value chain. The Purovsky Plant produces stable gas condensate and light hydrocarbons.

As a result of launches of the Termokarstovoye and the Yaro-Yakhinskoye fields, in June 2015 the Purovsky Plant reached full utilization of its processing capacities amounting to more than 12 mmt of unstable gas condensate on an annualized basis. The Purovsky Plant's processing capacity matches the overall gas condensate production capacity of the Company's fields in operation as of the second half of 2015.

During the reporting year, the de-ethanized gas condensate processing volumes at the Purovsky Plant increased by 82.1% to 12,021 mt. The structure of this output included 9,664 mt of stable gas condensate, 2,228 mt of light hydrocarbons and LPG, and 11 mt of regenerated methanol. Our feedstock composition changed following the launches of new fields in 2015 resulting in a higher share of stable gas condensate in the total output of the plant, which increased from 78.5% in 2014 to 81.2% in 2015.

UST-LUGA STABLE GAS CONDENSATE TRANSSHIPMENT AND FRACTIONATION COMPLEX

The Stable Gas Condensate Transshipment and Fractionation Complex (Ust-Luga Complex) launched in 2013 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 market.

Due to growth in stable gas condensate production at the Purovsky Plant, in March 2015, the Ust-Luga Complex reached full utilization of its processing capacity of approximately 7 mmt on an annualized basis. In 2015, the Ust-Luga Complex processed 6,727 mt of stable gas condensate into 6,593 mt of end products, including 3,999 mt of light and heavy naphtha, 949 mt of jet fuel and 1,645 mt of ship fuel component (fuel oil) and gasoil. The share of heavy fractions like jet fuel, fuel oil and gasoil increased from 26% in 2014 to 39% in 2015 due to the change in the feedstock composition following launches of new fields.

NOVATEK GROUP'S KEY OPERATING INDICATORS IN 2014–2015

	Units	2014	2015	Change
MARKETABLE HYDROCARBON PRODUCTION (including share in production by joint ventures)				
Total production	mmboe	456.7	521.6	14.2%
Including:				
Gas	bcm	62,129	67,905	9.3%
	mmboe	406.3	444.1	
Liquid hydrocarbons	mt	6,036	9,094	50.7%
	mmboe	50.4	77.5	
PROCESSING VOLUMES AND OUTPUT OF THE PUROVSKY PLANT				
Processing of de-ethanized condensate	mt	6,600	12,021	82.1%
Output:				
Stable gas condensate	mt	5,049	9,664	91.4%
Light hydrocarbons and LPG	mt	1,371	2,228	62.5%
PROCESSING VOLUMES AND OUTPUT OF THE UST-LUGA COMPLEX				
Stable gas condensate processing	mt	4,706	6,727	42.9%
Output:				
Light naphtha	mt	1,425	1,898	33.2%
Heavy naphtha	mt	2,006	2,101	4.7%
Jet fuel	mt	472	949	101.1%
Gasoil	mt	179	462	158.1%
Ship fuel component (fuel oil)	mt	542	1,183	118.3%

MARKETING AND SALES

NATURAL GAS SALES

During the past year, we supplied natural gas to 33 key consuming regions of the Russian Federation. Our customers were located primarily in the following regions (with natural gas sales of more than 1 bcm per annum per region): Chelyabinsk, Perm, Stavropol, Moscow, Kostroma, Orenburg, Vologda, Sverdlovsk and Tyumen regions, Khanty-Mansiysk and Yamal-Nenets Autonomous Regions, and the cities of Moscow and St Petersburg. These regions accounted for more than 95% of our total gas sales. NOVATEK's 2015 natural gas sales volumes totaled 62.5 bcm, representing a decrease of 7.1% as compared to 2014 sales volumes of 67.2 bcm. Lower natural gas sales volumes resulted from one of our major customers temporarily not taking its full contracted volumes due to technical reasons and warmer weather in the Russian Federation in 2015 as compared to 2014. The proportional share of natural gas sales to end-customers remained practically unchanged compared to 2014 and amounted to 93% of our total natural gas mix.

Our total revenues from natural gas sales totaled RR 222.2 bln, which is 3.6% lower as compared to 2014. The negative effect from the lower sales volumes on our total revenues was partially offset by the growth in regulated domestic tariffs by 7.5% effective from 1 July 2015. Our net revenues from gas sales (excluding transportation costs) demonstrated a minor decline of 1.3% as gas transportation tariff for independent producers increased from 1 July 2015 by only 2%.

During the reporting year, we concluded several major domestic natural gas supply contracts. In particular, we signed five-year contracts with NLMK Group and a three-year contract with Enel Russia. We also extended the contract with Mosenergo for a period of four years.

LIQUID HYDROCARBON SALES

Total sales volumes of liquid hydrocarbons in 2015 aggregated 12,888 mt, representing an 82% increase over 2014 volumes. The record high growth rate is due to higher gas condensate production volumes and higher processing volumes at the Purovsky Plant and the Ust-Luga Complex, as well as to increase in crude oil production. Our export sales of liquids grew by 70% year-on-year to 9,004 mt.

NOVATEK GROUP'S NATURAL GAS AND LIQUID HYDROCARBON SALES IN 2014–2015

	Units	2014	2015	Change
NATURAL GAS SALES				
Total gas sales	bcm	67,231	62,465	(7.1)%
LIQUID HYDROCARBON SALES				
Total liquid hydrocarbon sales	mt	7,089	12,888	81.8%
Including:				
Petroleum products (Ust-Luga)	mt	4,438	6,693	50.8%
Stable gas condensate	mt	303	2,786	819.5%
LPG	mt	930	1,280	37.6%
Crude oil	mt	903	1,090	20.7%
Light hydrocarbons	mt	504	1,026	103.6%
Other	mt	11	13	18.2%

Petroleum products from the Ust-Luga Complex accounted for 52% of our overall liquids sales volumes. Export sales of stable gas condensate were resumed in March 2015 after reaching full capacity utilization at the Ust-Luga Complex.

Our liquids sales revenues increased to RR 249.8 bn, or by 2 times as compared to 2014, mainly driven by much higher sales volumes as well as the growth in average prices in ruble terms due to higher US dollar to Russian ruble exchange rate and lower export duty rates. Liquid revenues exceeded revenues derived from natural gas for the first time in our corporate history.

DIVIDEND POLICY

The Company's Dividend Policy is regulated by the Regulation on Dividend Policy of OAO NOVATEK approved by the Board of Directors on 28 April 2014 (Minutes No. 168 of 28 April 2014). According to the regulations, consolidated net income under IFRS is applied for calculation of the dividend size.

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 consider 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 and debt servicing.

NOVATEK is strongly committed to its dividend policy.

The Annual General Meeting of Shareholders of NOVATEK held on 22 April 2016 resolved to pay dividends for FY 2015 in the amount of RR 13.5 per ordinary share or RR 135.0 per Global Depositary Receipt (GDR) (including interim dividends of RR 6.6 per ordinary share for 1H 2015).

ACCRUED AND PAID DIVIDENDS ON NOVATEK SHARES FOR THE PERIOD 2010 TO 2015

Dividend accrual period	Amount of dividends, RR per share	Total amount of dividends accrued, RR	Total amount of dividends paid, RR
2010	4.00	12,145,224,000	12,144,967,156
2011	6.00	18,217,836,000	18,217,661,063
2012	6.86	20,829,059,160	20,829,058,569
2013	7.89	23,956,454,340	23,956,347,687
2014	10.30	31,273,951,800	31,273,843,933
2015	13.50	40,990,131,000	40,990,015,901

NOVATEK places considerable emphasis on social policy and charity. The Company implements projects aimed at supporting education, culture, preserving and reviving Russian national values and cultural heritage, promoting and integrating Russian art into the world's culture, developing mass and high-level amateur sports. NOVATEK enters into agreements with regional governments across the Company's footprint and implements social programs to improve living standards.

In 2015, the NOVATEK Group donated approximately RR 1 bln to charity, cultural and educational projects and initiatives, and provided financial support to indigenous minorities of the North. Most of the funding (39.1%) was spent on supporting indigenous peoples of the North.

COOPERATION WITH THE REGIONS

NOVATEK contributes significantly to the social and economic development of Russian regions as a major taxpayer, employer, and a partner in large-scale federal and local projects.

The Company is involved in the development of its regions of presence and treats its contribution as a social partnership, the principles of which NOVATEK follows in its business operations.

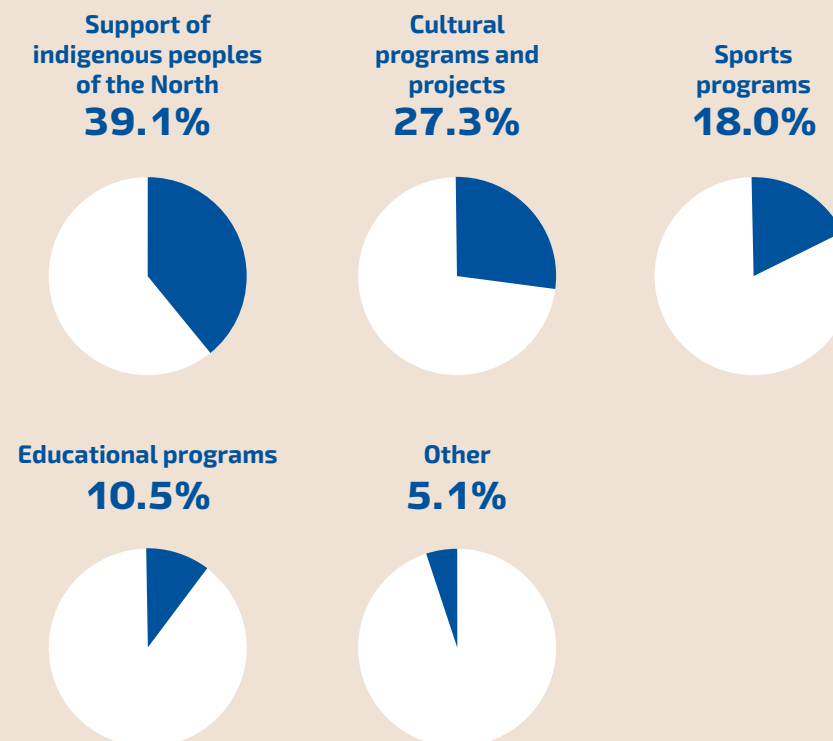
The Company's social investments are aimed at improving living standards and establishing favorable social conditions across its footprint.

NOVATEK works in cooperation with the YNAO government and municipal councils (Yamal, Tazovsky, Nadym, Purovsky, and Krasnoselkupsky Districts, Novy Urenгой) and authorities of Novokuybyshevsk, Kingiseppsky District, and Chelyabinsk, Tyumen, and Leningrad Regions based on relevant agreements.

In the reporting year, the Company allocated funds for repairs and upgrades of social infrastructure facilities, financing of educational, cultural and children and youth

programs and projects, and provided support to low-income families, disabled and elderly people.

SOCIAL INVESTMENT STRUCTURE IN 2015, %



SUPPORT OF INDIGENOUS PEOPLES AND MINORITIES OF THE NORTH

The support of indigenous minorities of the North is mainly provided under agreements with the regions within the Company's footprint.

In the reporting year, we assisted the native population in purchasing fishing and reindeer herding equipment. NOVATEK financed fuel purchases for air delivery of the nomadic population and food to remote areas.

In 2015, the Company provided the following financial assistance:

- ▶ event financing for the Association of Indigenous Peoples of the North of the YNAO «Yamal for Descendants»;
- ▶ sponsoring the Open Reindeer Herders Contest for the Yamal-Nenets Autonomous Region Governor's Cup and other events in the Nadym District, as well as construction of a kindergarten for 50 kids in the village of Nori;
- ▶ construction of a modular heated gym and a ski lodge in the village of Gyda (Tazovsky District);
- ▶ healthcare and financial support for distressed indigenous minority individuals, air transportation of the nomadic population and delivery of food to remote intersettlement areas, and targeted training programs for indigenous peoples (Yamal District);
- ▶ equipment, supplies, fuel and other purchases for supporting fishing and reindeer herding at the district's agricultural facilities, and contributions to the local indigenous peoples' rights movement (Purovsky District);
- ▶ support in resolving social problems and implementing local programs (Krasnoselkupsky District).

EDUCATIONAL PROGRAMS

For many years, the Group has been developing a lifelong learning project intended to ensure an inflow of properly qualified young specialists from the regions where the Company operates. The project starts at schools, and is followed by specialized higher education, internship, and subsequent employment. This traditional staff training system is of great importance for the Company.

In 2015, the Company spent RR 44.5 mln on the Gifted Children, Grants, and NOVATEK-VUZ educational programs.

THE GIFTED CHILDREN PROGRAM

The *Gifted Children* program is implemented at Secondary School No. 8 Educational Center in Novokuybyshevsk, Samara Region, and Secondary School No. 2 in Tarko-Sale, Purovsky District, YNAO, and, since 1 September 2015, School No. 81 in Tyumen. Under the program, specialized classes comprising the best talents of 10th and 11th grades are organized on a competitive basis. The standard learning program is extended to include courses in applied physics, mathematical methods of physics, advanced mathematical tasks, history of world culture, and economics.

In 2015, 77 school students were trained under this program.

THE GRANTS PROGRAM

The Company runs two Grants programs.

The Grants Program for Schoolchildren

Under the program launched as early as 10 years ago, 5 through 11-grade students of the Purovsky District, YNAO, receive the Company's grants on a competitive basis. The program supports their intellectual and creative development, encouraging responsible and proactive attitude.

Since the program's start, the students have received 1,499 grants, including 57 grants in 2015.

The Grants Program for Teachers of the Purovsky District, YNAO

The Grants program for teachers is aimed at improving the attractiveness of the profession and establishing conditions for discovering new talents.

Since the program's launch, the teachers have received 67 grants, including 6 grants in 2015.

THE NOVATEK-VUZ PROGRAM

The program focuses on dedicated high-quality undergraduates' training in key areas of the Company's operations to meet the Company's demand for young specialists.

The Program covers the following universities:

- ▶ National Mineral Resources University (University of Mines) in St Petersburg;
- ▶ Gubkin Russian State University of Oil and Gas (Moscow), and
- ▶ Industrial University of Tyumen (Tyumen).

The most motivated and talented graduates of the Gifted Children Program, the children of those employed by NOVATEK subsidiaries and joint ventures, and other gifted graduates of the Purovsky District schools are eligible for the NOVATEK-VUZ program.

As of 31 December 2015, 73 students were undergoing training under this program. Students with good progress receive additional monthly payment apart from the state scholarship. Besides, each student receives commuter allowance. In the course of the training program, the students are offered paid internship within the Company. In 2015, 35 students of the NOVATEK-VUZ Program undertook an internship at the Company's subsidiaries.

Based on their academic and internship performance, the best NOVATEK-VUZ program graduates are selected. In the reporting year, 15 graduates found jobs with the Company's subsidiaries. As of 31 December 2015, 63 NOVATEK-VUZ graduates are employed by the NOVATEK Group.

PRESERVING CULTURAL HERITAGE

In 2015, NOVATEK continued cooperation with Russia's leading cultural and educational institutions, charity funds, and creative teams. The Company traditionally lays great emphasis on supporting and taking part in cultural projects, as well as partnering up with the best Russian cultural centers and creative teams.

In the reporting year, NOVATEK sponsored and participated in the following major cultural events:

- ▶ The Company was a partner of the State Russian Museum's annual Imperial Gardens of Russia Festival. The theme of the 2015 festival, dubbed Gardens of the Silk Road, was the culture of the counties that had been located near the ancient route. NOVATEK also sponsored the State Russian Museum's exhibition titled Russia. Realism. 21st century, which showcased various contemporary Russian schools of the Realist movement.
- ▶ Supported by NOVATEK, the Multimedia Art Museum hosted exhibitions titled Russia. The twentieth century in photos. 1946–1964 and Antarctic. History. Antrec-tomy.

- ▶ Peter Weibel, an Austrian artist and media art theorist, had his solo exhibition organized at the Moscow Museum of Modern Art, with NOVATEK's support.
- ▶ In 2015, the Company became a first-time partner of the Jewish Museum & Tolerance Center and supported the exhibition of one modern sculptor Anish Kapoor, who presented his works at the Sixth Moscow Biennale of Contemporary Art.
- ▶ NOVATEK also continued as a General Partner of the Moscow Soloists Chamber Ensemble led by Yuri Bashmet.
- ▶ In 2015, NOVATEK became a partner of the Arctic Days in Moscow, a federal Arctic forum organized by the Russian Ministry of Natural Resources and Environment. The forum hosted the 2nd International scientific conference "The Open Arctic", "The Business Climate in the Arctic" business session, as well as multi-media exhibition "The Arctic", presented at the Museum of Moscow.

SPORTS

Mass and high-level amateur sport programs are of major importance for NOVATEK.

In 2015, the Company was the General Partner of the Russian national football team and continued its long-term partnership with the NOVA Volleyball Team (Novokuybyshevsk). It also worked in cooperation with the Tyumen Region Volleyball Federation and Amateur Sports Foundation. In 2015, NOVATEK–Chelyabinsk continued providing support to the Metal-lurg Hockey Club and sponsored an indoor soccer tournament for schoolchildren titled A Step towards Big Football.

In the same year, NOVATEK collaborated with the Russian Federation of Acrobatic Rock 'n' Roll, helping to organize the following events:

- ▶ Acrobatic Rock 'n' Roll & Boogie Woogie World Masters
- ▶ Russian National Acrobatic Rock 'n' Roll Games
- ▶ Acrobatic rock 'n' roll federal championships and games in Rostov-on-Don, Obninsk, Yekaterinburg and Kaliningrad
- ▶ Acrobatic Rock 'n' Roll World Cup (Kazan)
- ▶ Acrobatic Rock 'n' Roll Russian Cup (Moscow)

NOVATEK also provides assistance to the Student Basketball Association, an umbrella organization bringing together sports teams from nearly all Russian universities. In 2015, the Company helped organize various games between more than 800 student teams that represented almost 70 Russian regions.

In the reporting year, NOVATEK extended financial support to the YNAO Figure Skating and Ice Hockey Federations.

VOLUNTEERING

NOVATEK promotes and highly prizes employee contributions to support low-income social groups. Founded in 2008, the Company's All Together Volunteer Movement went on with its charitable work relying heavily on the enthusiasm of its most distinguished members who raise funds and stage charitable events. The volunteers primarily focus on assistance to orphaned children, children suffering from various illnesses, and elderly people.

In 2015, the volunteers went on regular visits to Orphanage No. 2 in Vyshny Volochok to socialize with the kids and arrange various festivals, tours, outings and sports events. They were also bringing to the orphans clothes, homeware and gifts donated by the Company's employees. In December, one of the Company's offices hosted the Tree of Wonders event seeking to collect New Year gifts for children: every employee would pick up a letter of wishes and provide a gift for the kid. The event also offered an opportunity to raise funds for children's needs.

In December 2015, NOVATEK volunteers partnered with the Enjoyable Aging charity foundation on the Firewood initiative to collect money on wood for the elderly people living in rural areas.

On the occasion of the Donor Day Events (May and November 2015), the volunteers also raised funds to help treat children with severe diseases. The above events are held regularly in cooperation with the Gift of Life Foundation.

The volunteers continue to support the Home of ROST Initiative (Ivanovo Region, Petrovsky Town) seeking to prepare orphaned children for life in adoptive families and provide comprehensive development opportunities for them.

NOVATEK-VETERAN PROGRAM

The NOVATEK-Veteran Social Protection Foundation was founded in 2005 to provide social assistance to ex-employees of the oil and gas sector with a considerable employment track record in the Russian Far North. As of the end of 2015, the Foundation provided support to over 900 people. Its key focus area is financial and moral assistance to veterans.

In the reporting year, the Company organized activities to celebrate the 70th Anniversary of the WW II Victory Day and provided financial assistance to the veterans and home front workers. A group of NOVATEK's employees visited Tarko-Sale veterans to give them flowers and memorable gifts. Out-of-town veterans received greeting messages.

In Q4 2015, the district's local history museum organized the traditional Gifted Hands exhibition of retirees' artistic works, marking the foundation's 10th anniversary.

The Company organized multiple cultural events on occasion of holidays (including industry-specific ones), with veterans participating in concerts and festivals devoted to the 70th Anniversary of the WW II Victory Day.

In the reporting year, the quarterly financial allocations to veterans amounted to RR 3,915 per person. The assistance amount was increased by 7% on 1 January 2015. In 2015, the Company spent a total of RR 23.3 mln to fund the NOVATEK-Veteran program.

EMPLOYMENT PRACTICES

10,408

10,408 PEOPLE — THE HEADCOUNT
OF NOVATEK, ITS SUBSIDIARIES
AND JOINT VENTURES

PERSONNEL

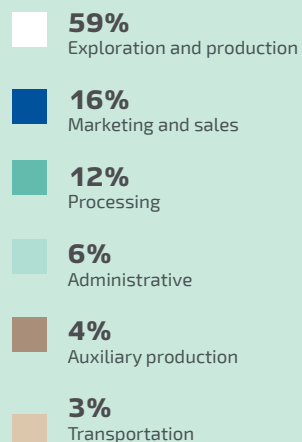
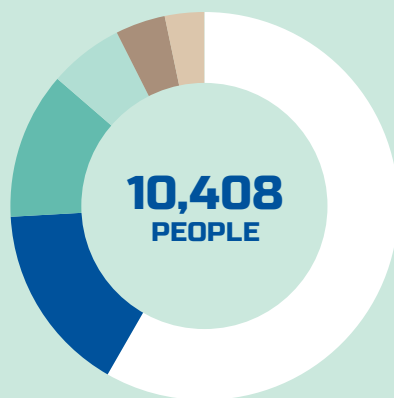
NOVATEK emphasizes responsible and equitable treatment of employees as a key element of sustainable development. Our human resources are our vital asset ensuring growth and advancement of our competitive positions. The Company's staff make an immense contribution to its current and future business through their intellectual, physical and creative effort.

NOVATEK's HR management framework is centered around fair and equitable treatment, mutual respect, and a constant dialogue between management and employees. We care about professional growth of our people, which is manifested by our effective training and development system.

As at the end of 2015, the headcount of NOVATEK, its subsidiaries and joint ventures amounted to 10,408 people*. The majority of our people are employed full-time, with NOVATEK as their primary employer. This Report does not include part-timers, as their share is marginal to the Company (below 0.5%). We source practically no services from freelancers, sole proprietors or practitioners.

* 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.

PERSONNEL BREAKDOWN AS AT 31 DECEMBER 2015 (NOVATEK, ITS SUBSIDIARIES AND JOINT VENTURES), %



PERSONNEL BREAKDOWN BY SEX AND LOCATION

LOCATION	FEMALE	MALE	TOTAL
YNAO	984	5,525	6,509
Moscow	593	898	1,491
Moscow Region	2	6	8
St Petersburg	26	13	39
Leningrad Region	96	398	494
Volgograd Region	100	97	197
Astrakhan Region	11	10	21
Kostroma Region	101	79	180
Perm Territory	10	9	19
Tyumen Region	74	130	204
Samara Region	0	1	1
Stavropol Territory	2	6	8
Chelyabinsk Region	610	310	920
Rostov Region	70	119	189
Murmansk Region	11	13	24
Arkhangelsk Region	0	3	3
Cyprus	3	0	3
Singapore	2	5	7
Poland	20	40	60
Switzerland	16	15	31
Group's total	2,731	7,677	10,408

As at the end of the reporting year, over half of the Company's staff (63%) were located in the Yamal-Nenets Autonomous Region (YNAO), with the Group's Moscow-based entities (including joint ventures) accounting for about 14% of the staff. NOVATEK's global subsidiaries employed some 100 people.

The majority of the staff are male (74%) due to the specific nature of our core business. That said, male and female employees enjoy equitable treatment and equal opportunities.

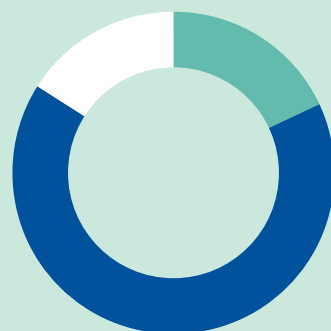
Our team is mainly (66%) in the most active age of 30 to 50.

PERSONNEL BREAKDOWN BY SEX AND AGE AS AT 31 DECEMBER 2015 (NOVATEK, ITS SUBSIDIARIES AND JOINT VENTURES), %



74%
Male

26%
Female



18%
Up to 30

66%
30-50

16%
Above 50

MANAGEMENT BREAKDOWN BY SEX AND AGE AS AT 31 DECEMBER 2015

Top managers	Female	Male	TOTAL
up to 30	0	0	0
30-50	31	108	139
above 50	7	34	41
TOTAL:	38	142	180

In 2015, we hired 2,326 new people. In the reporting year, 129 employees took their maternity and child care leaves.

Most of our staff (92%) are hired based on open-term employment contracts.

A small share of our staff (8%, or 785 employees) are employed under fixed-term contracts.

In 2015, NOVATEK personnel's minimum compensation in the key regions of operation (Moscow and YNAO) was significantly higher than the local official minimum wages.

OPEN-TERM CONTRACT PERSONNEL BREAKDOWN BY SEX AS AT 31 DECEMBER 2015, %



75%
Male

25%
Female

FIXED-TERM CONTRACT PERSONNEL BREAKDOWN BY SEX AS AT 31 DECEMBER 2015, %



57%
Male

43%
Female

MINIMUM WAGE, RR

	Moscow	YNAO
NOVATEK personnel's minimum compensation in 2015	RR 28,500	RR 21,900
Official minimum wage as at 1 January 2015	RR 14,500	RR 12,431
Official minimum wage as at 1 April 2015	RR 15,000	
Official minimum wage as at 1 June 2015	RR 16,500	
Official minimum wage as at 1 November 2015	RR 17,300	

CORPORATE TECHNICAL COMPETENCY ASSESSMENT SYSTEM

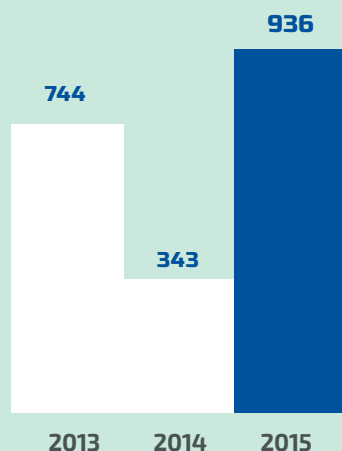
In 2011, OAO NOVATEK and its core subsidiaries introduced the Corporate Technical Competency Assessment System designed for testing professional potential of their engineers and technical specialists. The system helps monitor the growth of employees' technical competencies and assess them when employing people or promoting them to higher positions.

In 2015, 189 Arcticgas employees were tested in accordance with the 100 qualification lists developed in 2014 for production positions at the company.

In the reporting year, the assessment system was implemented at NOVATEK – Ust-Luga, which saw the development of 103 qualification lists for production positions, 120 new competencies, and 1,920 test questions, as well as the testing of 104 production employees. The tests are set to continue in 2016.

A total of 936 people were tested under the system during the reporting year, including 43 people engaged to fill vacant positions and 80 employees promoted to higher jobs.

NUMBER OF PEOPLE WHO UNDERWENT PROFESSIONAL POTENTIAL TESTING IN 2013–2015



PERSONNEL TRAINING AND DEVELOPMENT

Personnel training and development programs are key to enhancing our performance and fostering operational excellence, particularly amid the rapid expansion of technology and management systems.

In 2015, over 9,000 employees of the NOVATEK Group were trained in a variety of programs embracing almost 157 thousand hours in total.

The gender structure of employees trained is generally on par with the overall gender composition of our team. Training for blue-collar workers took twice as much time as that for others on average.

EMPLOYEE PROFESSIONAL DEVELOPMENT PROGRAM

In 2015, NOVATEK continued its efforts to enhance employee skills and improve working conditions to ensure a safe environment at its production facilities. During the reporting year, 35.5% of our specialists and line workers upgraded their respective qualifications.

AVERAGE TRAINING TIME BY SEX IN 2015

	Male	Female
People	7,647	2,683
Total training hours	137,669	18,989
Average training hours per person	18.00	7.08

AVERAGE TRAINING TIME BY TITLE IN 2015

Average training hours per person	
Top managers	31.03
Middle managers	40.84
White-collar workers	43.54
Blue-collar workers	52.81

IN-HOUSE TRAINING PROGRAM

To ensure targeted professional upgrade, an In-house Training program started in 2015.

The Head of NOVATEK's Supervising Department organized training for 34 of the Group's employees in well workover emergency operations and equipment.

Subsidiaries' employees provided training to their colleagues in penetrating and testing producing horizons while drilling, complications and emergencies while drilling, gas and gas condensate wells equipment, well logging, structural geology, turbo-expander maintenance (for the Arcticgas staff at NOVATEK-YURKHAROVNEFTEGAS), etc. The courses were authored by subsidiaries' employees.

In 2015, 236 employees received training under the program.

STEPS IN DISCOVERING TALENTS PROGRAM

In 2015, we had our third class of graduates of the Steps in Discovering Talents program, with 33 young specialists taking part in the onboarding sessions and on-the-job training. By autumn 2015, 29 new young specialists had joined the program.

In 2015, both young specialists and mentors participated in the Mentoring Culture training courses. In total, 22 mentors attended the training.

RESEARCH-TO-PRACTICE CONFERENCE FOR YOUNG SPECIALISTS

The 10th Interregional Research-to-Practice Conference for the Company's Young Specialists attended by 70 employees was held in Moscow in September 2015. All the competition winners received cash prizes, while 9 prize-winners, including the winner in the Best Implemented Project category, were offered education at international oil and gas training centers in China.

PROFESSIONAL SKILLS CONTEST

In November 2015, Novy Urengoy hosted the 1st Interregional Professional Skills Contest among field workers. Over 30 NOVATEK Group employees competed to be recognized the most skilled in their jobs. NOVATEK-YURKHAROVNEFTEGAS provided its facilities for the contest to take place. The participants competed in four professional categories, namely, oil and gas production operator, process unit fitter, electrical equipment fitter, and instrument and automation fitter. All participants received valuable gifts, and the winners were awarded cash prizes and personal salary allowances for their professional skills.

TRADE UNION RELATIONS

Nearly half of NOVATEK's workforce are trade union members. The constructive dialogue between the Company's management and trade unions helps defuse social tensions related to labor disputes. Regular talks with trade unions have contributed to the establishment of an effective workforce feedback, which allows the Company to identify potentially challenging issues and respond to them at short notice. The long-standing application of this policy has ensured that the Company has never seen a single case of stoppages or strikes due to labor disputes.

In 2015, the Company spent a total of RR 4.6 mln to support trade unions.

SOCIAL POLICY

NOVATEK's social policy is being implemented in line with the Concept adopted in 2006, which provides for a comprehensive and coherent approach to addressing social challenges.

TARGETED COMPENSATION AND SOCIALLY IMPORTANT PAYMENTS PROGRAM (RR 386.3 mln spent in 2015)

The program provides targeted free support to the Company's employees in specific life circumstances, including those related to childbirth, funerals, childcare (ages 0–3), disabled children care, etc.

STATE GUARANTEES SUPPORT PROGRAM (RR 74.2 mln spent in 2015)

The program covers employees working in the Far North and equal-status localities, providing compensation for vacation travel expenses (including luggage transportation to/from the respective vacation destinations) for the employees and unemployed members of their families. In 2015, 3,343 people received compensation under the program.

WORKFORCE VOLUNTARY MEDICAL INSURANCE (RR 80.2 mln spent in 2015)

The program includes full outpatient care, dental care, and emergency and scheduled hospitalization.

HEALTH RESORT TREATMENT AND REHABILITATION PROGRAM (RR 67 mln spent in 2015)

The Company's employees and their families can purchase health resort vouchers at a discount.

In 2015, a total of 1,825 people purchased vouchers under this program to spend their vacations in 45 health resorts located in Russia's most picturesque settings.

The program is an unsecured pension scheme with fixed benefit amounts calculated on the basis of inflation forecasts, pay raise rate analysis, the Company's remuneration policy and demographic assumptions. In the Consolidated Statement of Financial Position, the current value of fixed pension liabilities is recognized as "Other long-term liabilities" and stands at RR 1.9 bln as at 31 December 2015.

The 2015 average monthly benefit amount (following a 7% annual increase on 1 January 2015) was as follows:

- ▶ RR 6,708 in Moscow, St Petersburg, Far North and equal-status localities;
- ▶ RR 2,266 in Perm and other cities.

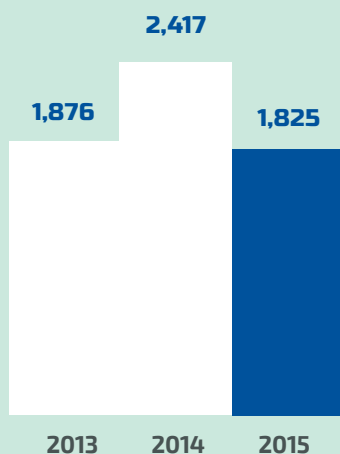
As at 31 December 2015, a total of 661 people participated in the program.

REPAYABLE FINANCIAL AID PROGRAM (RR 649.3 mln spent in 2015)

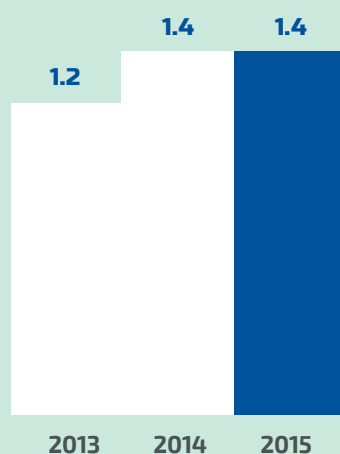
The program has two focus areas:

- ▶ short-term special-purpose loans intended for employees who experience economic hardship. A total of 76 employees applied for loans under this program in 2015;
- ▶ special-purpose interest-free home loans to employees residing in Tarko-Sale, Novy Urengoy, Moscow, Sosnovy Bor and Tyumen. In 2015, a total of 111 families took out special-purpose interest-free home loans under the program. On top of that, in 2015 the construction of four apartment houses (156 apartments) in Tarko-Sale was completed.

NUMBER OF EMPLOYEES AND THEIR FAMILY MEMBERS WHO PURCHASED HEALTH RESORT VOUCHERS UNDER THE NOVATEK'S PROGRAM



NOVATEK GROUP'S TOTAL SPENDING ON DEDICATED SOCIAL PROGRAMS, RR BLN



PENSION PROGRAM (RR 39.8 mln spent in 2015)

Since 2007, NOVATEK has undertaken to pay supplementary benefits to the retired employees in line with the Regulations on Social Benefits for Retired NOVATEK Group Employees. Employees with an employment track record of at least five years who leave work at a full retirement age are entitled to monthly benefit payments from the Company (suspendable in case of the retiree's employment). The benefit amount is subject to the employee's average salary, employment track record and geographical location.

CORPORATE AWARDS PROGRAM

(RR 9.7 mln spent in 2015)

NOVATEK's top-performing employees are entitled to government, industry and corporate awards, and distinctions from the Company's subsidiaries.

The Company's corporate awards include Honored Employee of NOVATEK, NOVATEK

NUMBER OF EMPLOYEES WHO RECEIVED AWARDS IN 2015

Award	Number of recipients
Government awards	6
Distinguished Employee of the Russian Oil and Gas Industry	6
Industry awards	33
Certificate of Merit from the Russian Ministry of Energy	17
Letter of Acknowledgement from the Russian Ministry of Energy	16
Corporate awards	229
Honored Employee of NOVATEK	5
NOVATEK Certificate of Merit	102
NOVATEK Letter of Gratitude	122
Subsidiary awards	180
Subsidiary Certificate of Merit	180
TOTAL:	448

Certificate of Merit and NOVATEK Letter of Gratitude. The Honoured Employee of NOVATEK is the highest corporate distinction that can be conferred on a maximum of five employees each year.

CORPORATE CULTURAL AND SPORTING EVENTS PROGRAM

(RR 64 mln spent in 2015)

The program is an essential element of the Company's corporate culture.

Sports

NOVATEK has traditionally laid great emphasis on regular physical exercises. To promote sports among its staff, the Company rents gyms, swimming pools and playgrounds, and offers its employees partial reimbursement of gym membership fees. In addition, the Company frequently holds corporate sports competitions, including annual indoor soccer matches, volleyball and swimming competitions.

NOVATEK is committed to traditional values and sees sports and physical culture as a unifying phenomenon that fosters friendship and understanding among employees and their families.

Corporate cultural events

The Company has a special focus on corporate culture and communal leisure activities, as they contribute to a favourable working environment within the Company. NOVATEK's subsidiaries stage festive events to mark the International Women's Day, Defender of the Fatherland Day, Oil and Gas Industry Employee's Day, and New Year.

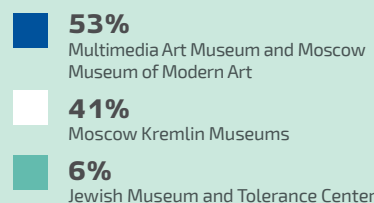
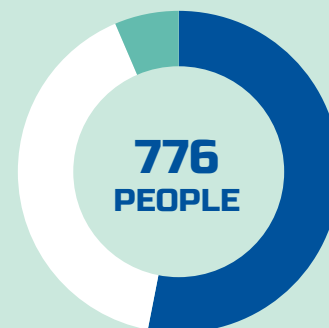
On 5 September 2015, the Company hosted the NOVATEK – New Traditions event in Tarko-Sale on the occasion of Oil and Gas Industry Employee's Day. The event featured a photo exhibition devoted to the Company's subsidiaries. At a special function, the Company gave awards to the best employees and, for the first time, celebrat-

ed the facilities that excelled in sports and innovation, as well as the best mentor. In December, the Company arranged a traditional concert by Yuri Bashmet's Moscow Soloists Chamber Orchestra for its partners, employees and their families.

The Company is in partnerships with the Moscow Kremlin Museums, Multimedia Art Museum, Museum of Modern Art, and Jewish Museum and Tolerance Center to enable its employees, their families and friends to admire the masterpieces of Russian and world art. In 2015, 776 employees, their families, friends and partners of the Company visited exhibitions and museums under the corporate program.

The majority of the sports and cultural events of the year were devoted to the 70th Anniversary of the WWII Victory Day.

MUSEUM ADMISSIONS UNDER NOVATEK'S CORPORATE PROGRAM



KEY APPROACHES

Materials and equipment procurement in the NOVATEK Group is based on the principles of fair competition among suppliers, priority of equipment manufacturers over trading and procurement companies, long-term partnership with major producers, and strict control over quality and delivery terms.

The Company's procurement is in line with its internal policies and regulations. The main document governing the NOVATEK Group's procurement is Regulations on the Organization of Competitive Tendering.

NOVATEK has a decentralized supply structure. The tenders are mostly organized by subsidiaries and joint ventures of the Company, while NOVATEK controls the procurement process. This approach increases responsibility of subsidiaries and joint ventures for the outcome.

Capital intensive purchases (particularly oil and gas equipment) are made through public tenders, allowing the Company to diversify its suppliers, keep an up-to-date supplier register, and ensure optimal delivery terms and conditions.

The Company treats all prospective suppliers equally. Any company may take part in a tender, as long as it is eligible and has filed a duly completed application form. Counterparties are selected on the basis of their pricing, delivery terms, quality of their products or services, financial stability and business reputation. The Company also places much importance to the weighted average cost of equipment ownership. Suppliers are required to have production and technical capabilities, the necessary equipment along with engineering and blue-collar staff, and the relevant business focus. A successful track record of operating the supplier's equipment in the Far North is preferred. All things being equal, preference is given to Russian suppliers.

SUPPLY CHAIN MANAGEMENT

If the supplied complex equipment's operational quality and reliability are affected materially by its components, the supply chain management approach is used.

In most cases, this approach is required when modular equipment is supplied by providers of shut-off and control valves and automation and control equipment. In that case, NOVATEK, its subsidiaries and joint ventures are the ones to select sub-suppliers, and they do so in accordance with the competitive procedure. The principal supplier under the relevant contract is then informed of the results.

The same procedure applies to the procurement of materials and equipment by contractors. In that case, the suppliers of expensive materials, namely pipe products and components, shut-off valves, cables, cable support and cable heating systems, are pre-selected based on the competitive procedure.

IMPORT SUBSTITUTION POLICY

NOVATEK pays great attention to import substitution and local manufacturing of process equipment in Russia.

NOVATEK prioritizes domestic products with the same price-quality ratio as foreign ones but with a lower total cost of ownership. NOVATEK's experts are actively involved in oil and gas companies' meetings under the Russian Ministry of Industry and Trade. The Company cooperates closely with the leading Russian oil and gas equipment manufacturers, joining forces to identify foreign equipment to be primarily substituted with Russian counterparts.

OCCUPATIONAL HEALTH AND SAFETY



**RR 665 MLN — EXPENSES ON
OCCUPATIONAL HEALTH AND
SAFETY IN 2015**

OCCUPATIONAL HEALTH AND SAFETY GOALS AND OBJECTIVES

NOVATEK's primary goal as regards occupational health and safety (OHS) is to protect human life and health, and we take every effort to become a responsibility leader in the field through compliance with the highest safety standards, monitoring, use of advanced technologies, and staff training.

Since 2005, NOVATEK has implemented its Health, Safety and Environment (HSE) Policy. Since 2009, the Company has used the Integrated Management System for Environmental Protection, Occupational Health and Safety (IMS) compliant with ISO 14001:2004 and OHSAS 18001:2007. In 2015, NOVATEK successfully passed IMS compliance audit.

OHS expenditures in 2015 amounted to RR 664.7 mln.

SPECIAL ASSESSMENT OF WORKING CONDITIONS

Special assessment of working conditions includes workplace certification to evaluate the impact of hazardous workplace factors. Based on the assessment results, measures to improve working conditions are developed and implemented. In the reporting year, 1,078 workplaces were assessed, with no workplaces with unacceptable working conditions identified.

OPERATIONAL CONTROL

Pursuant to the Federal Law On Industrial Safety of Hazardous Production Facilities and Rules on the Organization and Implementation of Industrial Controls over Compliance with Industrial Safety Requirements at Hazardous Production Facilities, all our subsidiaries have developed regulations on the organization and implementation of such industrial controls. We also established industrial control compliance commissions to run regular audits of OHS compliance.

In 2015, we kept running OHS due diligence checks on our subsidiaries and joint ventures to measure their compliance with occupational health, industrial, fire and environmental safety requirements. The Company has a three-step due diligence framework involving occupational health engineers, management of subdivisions and plants, and NOVATEK's management and staff, to make sure that hazardous production facilities are compliant with federal OHS regulations, and workwear and other personal protection equipment is properly used.

OHS due diligence checks are done to mitigate the risk of accidents and incidents, and improve the Company's OHS control system.

In the reporting year, we conducted OHS due diligence checks at six subsidiaries and joint ventures. Based on their findings, relevant reports were produced, and remedial and preventive measures were developed.

The inspections included HSE management system audits for compliance with OHSAS 18001:2007 and ISO 14001:2004 (pursuant to the Company standard ISU-0-10/V2). Six audits were carried out and reports produced with recommendations on remedial actions.

In addition to internal control, NOVATEK's facilities are regularly inspected by government authorities: Federal Environmental, Industrial and Nuclear Supervision Service of Russia (Rostekhnadzor, Russian environmental body) and Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor, Russian consumer protection body). In the reporting year, 12 external inspections were conducted, with remedial actions taken based on their findings.

FIRE SAFETY, CIVIL DEFENCE AND EMERGENCIES

Since fire and explosion risks are inherent in the Company's operations, fire safety is NOVATEK's priority. The Company's IMS includes a fire safety system compliant with the Russian law. The system's objective is to prevent fires and protect people and property in case of a fire or an emergency.

In 2015, five NOVATEK's subsidiaries and joint ventures had licenses to service firefighting equipment and perform firefighting operations, and we also engaged contractors with relevant licenses. Subsidiaries and joint ventures operating hazardous industrial facilities that produce, collect, process and manufacture explosives and flammable substances are protected by 16 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 2015, the total headcount of fire and emergency brigades serving the facilities on a 24-hour basis stood at 508 people. Twenty-five engineers of the Company directly monitored and supervised the fire safety and emergency response environment at our facilities.

Fire safety, civil defence and emergency response training, as well as fire and emergency drills, are an important element of the fire safety and emergency response system. In 2015, the Company organized around 30,000 fire safety briefings that featured guidance materials and visual aids, as well as hands-on presentations. Basic fire safety training was provided to 3,761 people and 435 people evacuation drills were conducted. In the reporting year, the emergency response and rescue teams performed 23,499 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 890 fire tactical exercises. The emergency response and rescue teams are made up of 328 certified rescue workers.

Inspections are regularly carried out at our subsidiary and joint venture 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 2015, we made 14,5 thousand patrols and tested 266 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. In 2015, it purchased seven fire trucks outfitted for operations in the Far North.

In the reporting year, NOVATEK's fire prevention activities boosted the implementation of fire safety measures by 30%.

NOVATEK fully complies with fire safety regulations, with all of its facilities equipped with automatic fire detection, alarm and extinguishing systems. In 2015, there were no fires at the Company's facilities.

ACCIDENTS AND INCIDENTS

In 2015, NOVATEK's subsidiaries and joint ventures recorded two incidents related to partial shutdowns of core and auxiliary equipment, with no severe consequences for the Company and neither injuries nor environmental damage caused.

The Company's subsidiaries and joint ventures saw no accidents in the reporting year.

WORKPLACE INJURY RATE

In 2015, the Company's subsidiaries and joint ventures recorded five minor workplace injuries. They were mainly caused by workplace discipline breaches, procedure violations, and personal negligence of the injured.

CONTRACTOR ENGAGEMENT

Contractor engagement is an important aspect of NOVATEK's operations. The work begins with selecting contractors through tender procedures; so, relevant criteria were added to the assessment sheets. Annexes containing OHS requirements constitute an integral part of contracts. In addition, we instruct our contractors on the Company's standards, conduct joint drilling and other activities.

OHS TRAINING

All NOVATEK's subsidiaries and joint ventures provide training on safe operating procedures, including briefings, personnel training and development, and regular qualifying tests, including those arranged at specialized training centers.

In 2015, 4,324 people received OHS training.

Additional training included the following courses:

- ▶ occupational health, industrial and fire safety management systems;
- ▶ transport safety;
- ▶ construction rules and procedures;
- ▶ risk assessment.

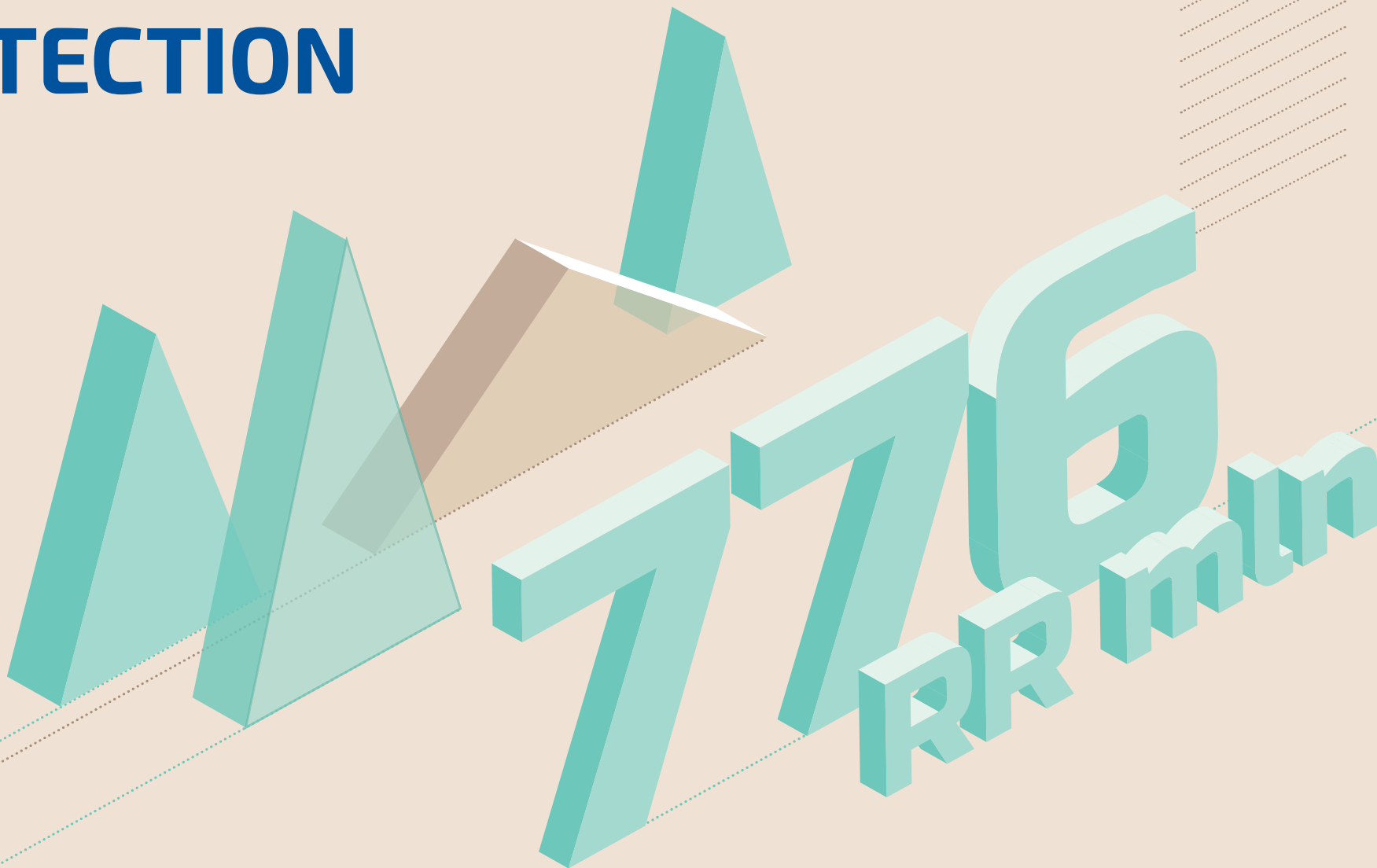
In the reporting year, the Company organized unscheduled Working at Height courses to comply with new federal regulations.

At some subsidiaries and joint ventures, we have been practising work breaks to hold preventive workshops with both in-house staff and contractors. In addition to compulsory OHS training, the Company's subsidiaries and joint ventures held additional workshops on:

- ▶ safety measures for working near power lines;
- ▶ safe driving in adverse road and weather conditions.

NOVATEK regularly organizes Safety Days, The Best OHS Poster contests and other events aimed at promoting workplace safety among employees.

ENVIRONMENTAL PROTECTION



**RR 776 MLN — ENVIRONMENTAL
EXPENDITURES IN 2015**

ENVIRONMENTAL VISION

The Company is aware of its responsibility for environmental protection and sustainable use of natural resources. As with any industrial operations, production and processing of gas and liquid hydrocarbons at NOVATEK have certain environmental impact and make environmental protection one of our top priorities. Environmental considerations are central to any production-related decisions. NOVATEK is committed to the following environmental goals:

- ▶ reducing and preventing negative environmental footprint;
- ▶ complying with Russian environmental laws and international standards;
- ▶ ensuring sustainable management of natural resources and energy, rolling out modern non-waste and low-waste technologies and technologies for safe accumulation, storage and disposal of production and consumer waste;
- ▶ improving and enhancing our environmental performance, including the environmental management system;
- ▶ engaging all of the Company's personnel, suppliers and contractors in achieving its environmental policy objectives;
- ▶ keeping up personnel's environmental awareness and responsibility.

To achieve the objectives stated in the Health, Safety and Environment Policy, prior to any operations associated with potential environmental impact, the Company conducts environmental impact assessments and informs the public and other stakeholders of their results via the mass media, public hearings and meetings, community liaison offices and the Company's website.

In addition, the Company regularly monitors the key environmental aspects of its production operations. The monitoring results are documented and analyzed to be able to develop adequately funded dedicated initiatives and environmental action plans aiming to:

- ▶ reduce emissions and discharges of pollutants;
- ▶ control waste disposal and protection of water resources;
- ▶ ensure sustainable use of land and high-quality land reclamation.

NOVATEK follows the reasonable precautionary principle. The Company aims to timely identify sources of danger, assess inherent risks, and duly respond to environmental risks.

NOVATEK upgrades its core process equipment and technologies to stand to the latest environmental requirements and industrial safety rules and uses the most environmentally friendly materials. The Company smoothly switches to the pit-free, directional and horizontal drilling, injection of industrial and consumer water waste to the intake beds, closed technological cycle of water supply, recycling and other advanced environmentally friendly technologies.

The Company engages in extensive cooperation with scientific and non-governmental environmental organizations such as the World Wide Fund for Nature (WWF), Marine Mammal Council, and V.I. Vernadsky Non-Governmental Environmental Fund.

NOVATEK representatives are members of an advisory group for preservation and study of the Atlantic walrus in the south-eastern Barents Sea and adjacent waters, and a task force focusing on environmental aspects of the Sabetta seaport construction in the Gulf of Ob.

The Company regularly reports on greenhouse gas emissions and energy efficiency (Carbon disclosure project, CDP) and use of water resources (Water Disclosure, CDP).

ENVIRONMENTAL MONITORING AND INDUSTRIAL CONTROL

Annual environmental monitoring program 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 condition of fish population and nutritive base are

studied in water areas, with hydrological and hydro-chemical properties analyzed as well. Samples are studied in certified laboratories to assess the condition of environmental components and their annual changes.

The monitoring also involves visual 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 2015 the studies showed predominantly unharmed conditions of environmental components in the target areas. At all areas outside the production footprint, the environmental condition has been classified as stable and corresponding to the background level.

In 2015, the NOVATEK Group spent RR 70 mln to arrange and run environmental monitoring in its license areas.

To reduce the negative impact on the environment, a multistage system of Environmental Monitoring and Industrial Control (EMIC) operates at the Company's enterprises. Every major 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 2015, the Federal Service for Supervision over Natural Resource Management (Rosprirodnadzor), local branches of the Federal Fisheries Agency, municipal authorities, the Public Prosecution Office and other government agencies held scheduled and ad hoc field audits at major production entities of NOVATEK with respect to environment protection and sustainable management of natural resources. In total, 37 audits were conducted at 11 entities of the Group.

Following the audits, measures were taken to eliminate the shortages identified.

EMISSIONS AND WASTE

ATMOSPHERIC EMISSIONS

Expansion of operations and commissioning of new industrial facilities in 2015 created new sources of atmospheric emissions. The intensity of atmospheric emissions grew by 29% as compared to the previous reporting period and reached 66,242 tons.

GREENHOUSE GASES

Given the overall output increase, greenhouse gas emissions in 2015 increased to 4.9 million tons of CO₂ equivalent (the calculation includes CO₂, CH₄, NO₂). The increase was driven mainly by wider use of gas as a compressor station fuel and by the larger number of well pads and flare facilities.

Indirect emissions having impact on the climate include motor fuel sold via the Company's network of gas filling stations. However, the same factor contributed to a 62.3 thousand ton reduction in emissions in 2015 as this volume substituted gasoline used as a motor fuel.

NOVATEK is developing a corporate GHG emissions management system to comply with the requirements of ISO 14064-1:2007 and Russian Government Resolution No. 504-R dated 02 April 2014.

Since 2008, NOVATEK has been taking part in the Carbon Disclosure Project (CDP) aimed at collecting GHG emissions data from large businesses. In 2015, the Company received a score of 54E, ranking second among Russian oil and gas companies.

The decrease in methane emissions from natural gas production and transportation is achieved by rational design solutions (as regards the number and variety of valves and flanges used) and implementation of relevant maintenance regulations.

The Yamal LNG project provides for an innovative technology of methane-containing emissions recovery to be used. After liquefaction, LNG products emit methane fumes (boil-off gas). For boil-off gas recovery, a tank fumes removal system is used. The boil-off gas can then be re-liquefied or used as a fuel gas for internal consumption.

Currently, NOVATEK facilities are actively implementing the cogeneration technology, which almost doubles the fuel efficiency resulting in a significant reduction of GHG emissions.

ASSOCIATED PETROLEUM GAS (APG)

Greater utilization of associated petroleum gas (APG) is an important target for the Company. The Company systematically works to decrease its air pollutant emissions from APG flaring. In 2015, the Program for Rational Use of Associated Petroleum Gas enabled the Company to reach a 96% APG utilization rate at the Samburskoye and East-Tarkosalinskoye fields.

ATMOSPHERIC EMISSIONS BY NOVATEK GROUP, TONS

	2014	2015
Air pollutant emissions, total	51,479	66,242
incl. priority pollutants:		
solids	2,353	3,609
carbon oxide	32,858	44,466
nitrogen oxide (NO ₂)	6,663	8,225
sulphur dioxide	6.74	82.77
hydrocarbons (incl. methane)	2,900	4,872
VOCs	6,685	8,950

TOTAL GREENHOUSE GAS EMISSIONS IN 2013–2015, THOUSAND TONS OF CO₂ *

	2013	2014	2015
Direct emissions (fuel combustion and operation of production entities)	2,576.1	3,980.0	4,402.6
Indirect emissions (purchased energy for internal consumption)	90.4	115.6	184.5
Other indirect emissions	273.1	315.7	344.8
TOTAL	2,939.6	4,413.3	4,931.9

* 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

WASTE

In 2015, the overall amount of waste generated by NOVATEK facilities was 42,040 tons, which is 3.5% higher than in 2014.

Most of the waste materials produced (approximately 99%) are non-hazardous or low-hazardous and generally consist of drill mud.

The share of high-hazardous waste materials (classes I and II) is insignificant, cumulatively comprising hundredths of a percent. They are mainly found in mercury lamps and luminescent tubes containing mercury.

Production and consumption waste management is carried out in accordance with the approved guidelines. Environmental monitoring and industrial control is exercised

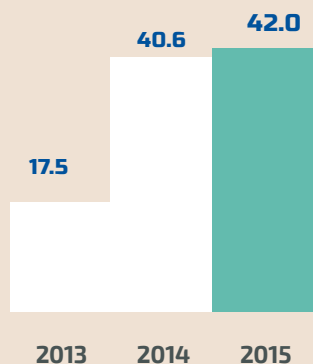
at our waste disposal and temporary waste storage facilities. We employ innovative eco-efficient waste recycling and neutralization technologies.

Part of the waste is transferred for disposal to specialized contractors. The remaining waste, including water separated from crude oil during its treatment and gas condensate bearing oil products, is used for our own needs and is re-injected to maintain reservoir pressure.

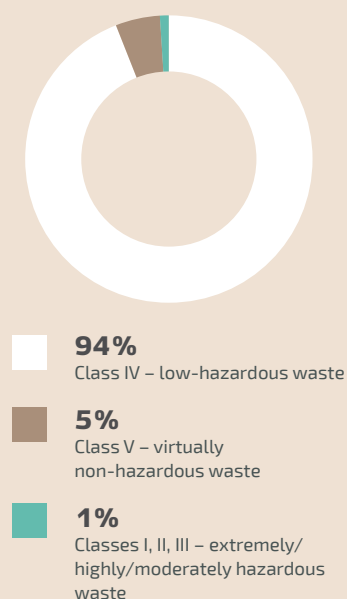
In 2015, most of the drilling waste (73%) was re-processed into gravelat and burolit construction mix and then used to reinforce road slopes and well pads, and to restore artificial cavities. The work was carried out by specialized contractors using advanced technologies with all necessary approvals from the state environmental expert review. The quality of the materials so produced is confirmed by a certificate of compliance.

A drilling mud thermal desorption plant has been in operation at the Yurkharovskoye oil and gas condensate field since 2008. The technology employed allows us to separate and reuse water and drilling mud. The drilling cuttings separated in the process are stored at a specialized landfill. In 2015, 5,320 tons of drilling waste was re-processed.

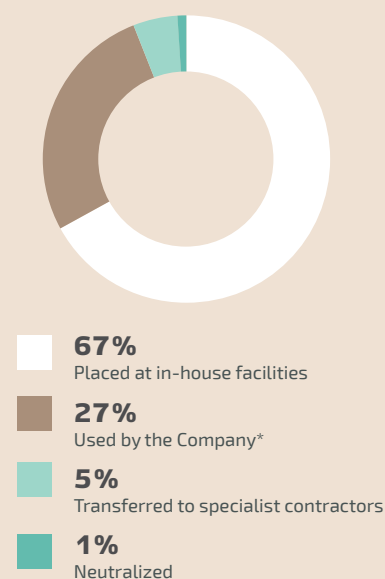
PRODUCTION AND CONSUMER WASTE GENERATION IN 2013–2015, THOUSAND TONS A YEAR



WASTE STRUCTURE IN 2015, %



WASTE MANAGEMENT IN 2015, %



* For re-injection to maintain reservoir pressure and restoration of artificial cavities

WATER USE AND DISPOSAL

The Company is committed to sustainable water use and efficient wastewater treatment.

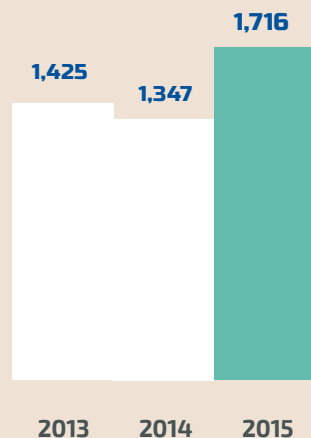
Consumption of water increased in 2015 by 27% year-on-year to 1,716 thousand cubic meters, including 1,270 thousand cubic meters for production needs and 446 thousand cubic meters for general and drinking needs. Both surface and ground water is used.

In 2015, the water consumption rate stood at 2.93 cubic meters / thousand boe for production entities and at 10 cubic meters/thousand tons of finished products for processing entities.

The Company uses multiple wastewater disposal methods, including burning at horizontal gas flaring systems and injection into intake beds after preliminary purification at full-service treatment plants. After thorough treatment, wastewater is also channelled to surface water bodies such as the Gulf of Ob in the Kara Sea and the Luga Bay in the Gulf of Finland.

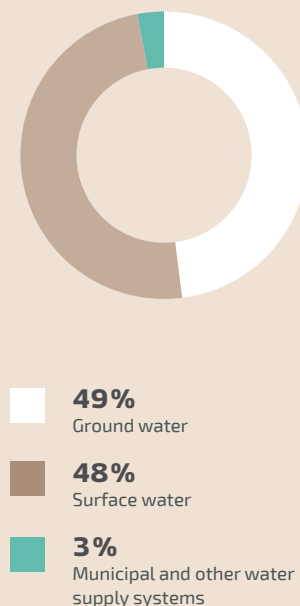
The quality of wastewater so channelled qualifies as treated to standard quality. No admissible discharge limits were exceeded over the reporting year. Analysis of samples shows that hydro-chemical parameters and concentrations of pollutants in the seawater near discharge points fall within the limits for commercial fishing waters.

WATER CONSUMPTION, MCM



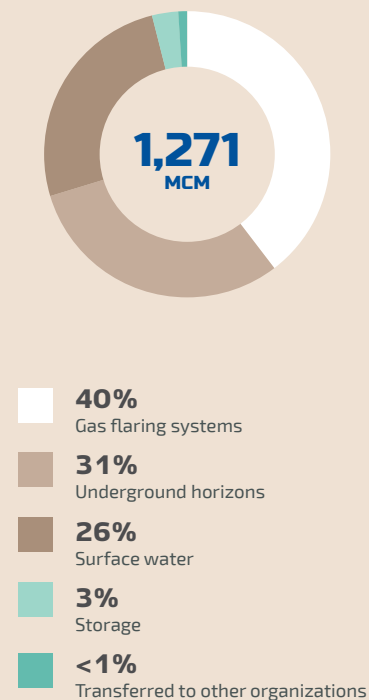
Water protection initiatives were implemented at the South-Tambeyskoye field of the Yamal LNG project in 2015. New facilities were commissioned to clean the domestic, production and storm waste-

WATER INTAKE BY SOURCE TYPE IN 2015, %



water for its subsequent channelling to the Gulf of Ob. The sewerage system was reconstructed and new treatment facilities commissioned.

WATER DISPOSAL STRUCTURE IN 2015



The Company's subsidiaries operating pipelines carried out hydrological, hydro-chemical and organoleptic examinations to assess the quality of water resources.

ENERGY CONSUMPTION AND EFFICIENCY IMPROVEMENT

NOVATEK embraces a lean approach to consumption of heating energy and electricity.

Part of internally generated heating power and electricity is produced using hydrocarbons of own production. Also, part of electricity was produced from the renewable sources of energy (solar panels and wind power generation). NOVATEK operates a total of 54 solar panel and wind generator sets installed on its feed pipelines as part of the automatic control and communication system. The main sources of heating power are waste heat boilers and heat exchangers at cogeneration power plants.

The increased consumption of energy resources in 2015 was mainly caused by the launch of new facilities and fields of Yargeo. In the reporting year, the overall reduction of energy consumption enabled by energy-saving and efficiency initiatives comprised: 5,698 thousand kWh of electricity, 347 toe of fuel.

ENERGY CONSUMPTION BY NOVATEK'S PRODUCTION SUBSIDIARIES AND JOINT VENTURES IN 2015*

Indicator	UoM	
Total consumption of heating energy and electricity	thousand GJ	3,864
Consumption from non-renewable sources (natural gas) to produce heating energy and electricity	thousand GJ	6,614
Aggregate electricity consumption	million kWh	588
Aggregate heating energy consumption	thousand GJ	1,746

* Energy consumption for 2015 includes the following companies: NOVATEK-YURKHAROVNEFTEGAS, NOVATEK-TARKOSALENEFTEGAS, NOVATEK – PUROVSKY GAS CONDENSATE PROCESSING PLANT; NOVATEK – UST-LUGA, NOVATEK-TRANSERVICE, Arcticgas, NORTGAS, YARGEO, TERNEFTEGAS

BIODIVERSITY PRESERVATION

Industrial development in the Far North imposes a great responsibility for ecosystem preservation on NOVATEK. To minimize damage to unique natural resources and preserve biodiversity, the Company takes particular care in studying and preserving the northern flora and fauna.

STUDY OF MARINE MAMMALS IN THE SOUTH-WESTERN KARA SEA

Under the Yamal LNG project, the Gulf of Ob's waters will be actively used for transportation and handling operations. In 2015, the Company continued dredging operations to enable passage of vessels. Taking into account the specific nature of the project, NOVATEK deems it necessary to consider the risks of negative impact on marine mammals and their key habitats in the Gulf of Ob's waters, as well as along vessel routes. Across the prospective footprint, several species of marine mammals exist: ringed seals, bearded seals, white whales, Atlantic walruses and polar bears.

The Company is conducting studies in the vicinity of the Yamal peninsula and in the Gulf of Ob to obtain up-to-date information on marine mammals in the area of the project.

In 2015, NOVATEK carried out ship observations of the marine mammals in the south-western Kara Sea. In line with the Biodiversity Preservation Program, the findings are used to manage and mitigate the impact of the Yamal LNG project. On top of that, the Company conducted laboratory toxicity studies of fat and muscular tissue samples from a ringed seal caught near the Seyakha village (the Gulf of Ob). It was the first time information on the composition and concentration of pollutants in marine mammal organisms in the region was obtained.

In 2015, under the Biodiversity Preservation Program within the Yamal LNG project the Company monitored biodiversity and marine mammals, as well as disturbed lands. Based on the results of the monitoring and studies, the Company implements initiatives to reduce its impact on biodiversity, with relevant audits conducted by contractors.

In 2015, the Biodiversity Preservation Program and the framework action plan were discussed in public hearings. At the Advisory Board meeting on the development and implementation of the Yamal LNG project, where indigenous minorities and the Yamal district government were present, representatives of the tundra population of the South-Tambeyskoye license area took part in a biodiversity poll.

IDENTIFICATION AND STUDY OF VALUABLE HABITATS OF BIRDS AND PLANT COMMUNITIES

NOVATEK continuously works on identifying and studying valuable habitats of birds and plants communities within the South-Tambeyskoye license area. It is inhabited by six species of birds included in the Red Book of the Russian Federation, two species of birds included in the Red Book of the YNAO, and two species with the IUCN conservation status. Before 2015, out of the ten species only three were known to nest in the area (snowy owl, long-tailed duck and Steller's eider). In 2015, Bewick's swan was added to the list.

ENVIRONMENTAL DAMAGE COMPENSATION

To compensate for damages to aquatic bioresources, the Company had approximately 1,790 thousand muskuns and 880 thousand peleds grown and released into the rivers of the Ob-Irtysh basin in 2015.

DISTURBED AREA RECLAMATION

The Company monitors disturbed and contaminated lands to track accumulated (past and present) environmental damage at the South-Tambeyskoye license area, as well as to assess Yamal LNG's environmental remedial actions.

Disturbed land mapping and registering is most effective and cost-efficient if based on high-resolution satellite images confirmed by field observations. Monitoring of the accumulated environmental damage is performed by Aerogeologia (Federal State Unitary Research and Production Enterprise) and is to be completed in Q1 2016. In the reporting year, Aerogeologia provided two batches of satellite imagery of the license area.

In 2015, NOVATEK remediated approximately 1,668 hectares of disturbed lands within license areas and transferred 1,543 hectares of remediated and idle lands to the major land user.

ENVIRONMENTAL PROTECTION TRAINING

Consistent with the Company's environmental policy, we annually implement employee training and development programs with further assessment of the acquired knowledge in order to increase their HSE skills and responsibility. In 2015, 159 employees underwent training to improve their qualifications and skills, which is 1.6 times more than in 2014.

NUMBER OF PEOPLE TRAINED IN ENVIRONMENTAL MANAGEMENT

Training programs	2013	2014	2015
Environmental safety for managers and general business management personnel	12	20	8
Environmental safety and hazardous waste treatment	6	28	50
Environmental safety for managers and experts of environmental departments and environment control systems	3	10	14
Professional training of persons entitled to work with class I–IV hazardous waste	24	36	88
Other environmental programs	6	13	0
Total	51	107	160

ENVIRONMENTAL COSTS

In 2015, NOVATEK's overall environmental costs reached RR 776 mln.

Land protection and environment protection from production and consumer waste accounted for the major part of the costs (RR 238 mln and RR 213 mln, respectively). Considerable costs of RR 72 mln were associated with the protection and sustainable management of water resources. The biggest part of these costs was incurred in the construction of water treatment facilities.

Charges for negative environmental impact amounted to RR 35,028 thousand.

The growth in payments for negative environmental impact in 2015 compared to 2014 was mainly driven by the increase in water disposal by Yamal LNG due to the launch of numerous social infrastructure facilities, and higher headcount in the license area. Charges for drilling waste disposal at in-house facilities (NOVATEK-YURKHAROVNEFTGAS, Yamal LNG) grew as well.

NOVATEK GROUP'S 2015 ENVIRONMENTAL COSTS, RR TH.

Land protection	238,979
Environment protection from production and consumer waste	213,351
Environmental damage compensation	127,910
Water protection and rational use	72,674
Air protection	10,424
Monitoring and environmental impact assessment	69,580
Subsoil protection	37,780
Environmental management	4,807

CHARGES FOR NEGATIVE ENVIRONMENTAL IMPACT IN 2013–2015, RR MLN

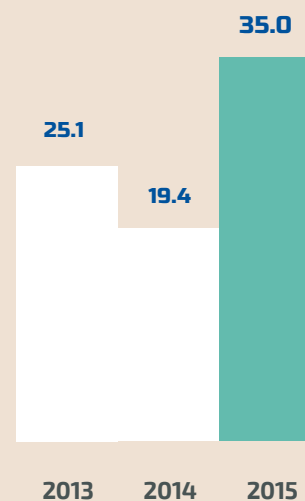


TABLE OF GRI G4 GUIDELINES AND INDUSTRY PROTOCOL INDICATORS

Level of disclosure External assurance

● Fully
● Partially
○ Not applicable

× none

Indicator index ↓	Section of the Report ↓	Comments ↓	Level of coverage ↓	External assurance ↓
DISCLOSURES, CHARACTERISTICS				
Strategy and Analysis				
G 4.1	Letter from the Chief Executive Officer		●	×
G 4.2	Sustainability Strategy		●	×
Organization Profile				
G 4.3	Company Profile		●	×
G 4.4	Company Profile		●	×
G 4.5	Company Profile		●	×
G 4.6	Company Profile Report and Reporting Process		●	×
G 4.7	Company Profile		●	×
G 4.8	Company Profile		●	×
G 4.9	Company Profile Employment Practices Economic Performance and Sustainability	At the beginning of the reporting period, NOVATEK Group included 38 entities (subsidiaries and joint ventures). At the end of the reporting period, the number of entities decreased to 37 due to reorganization.	●	×
G 4.10	Employment Practices		●	×
G 4.11	Employment Practices		●	×
G 4.12	Procurement Practices		●	×
G 4.13	Report and Reporting Process		●	×
G 4.14	Environmental Protection		●	×
G 4.15	Environmental Protection		●	×
G 4.16	Company Profile		●	×
Identified Material Aspects and Boundaries				
G 4.17	Report and Reporting Process		●	×
G 4.18	Report and Reporting Process		●	×
G 4.19	Report and Reporting Process		●	×
G 4.20	Report and Reporting Process		●	×
G 4.21	Report and Reporting Process	Boundaries of all material Aspects identified are reported within the organization.	●	×
G 4.22	Economic Performance and Sustainability	The Report contains no restatements of information provided in the 2014 report.	●	×
G 4.23		In the reporting year, there were no significant changes from 2014 in the Scope and Aspect Boundaries.	●	×

Indicator index ↓	Section of the Report ↓	Comments ↓	Level of coverage ↓	External assurance ↓
Stakeholder Engagement				
G 4.24	Stakeholder Engagement		●	×
G 4.25	Stakeholder Engagement		●	×
G 4.26	Stakeholder Engagement		●	×
G 4.27	Stakeholder Engagement		●	×
Report Profile				
G 4.28	Report and Reporting Process	Reporting period: 1 January 2015 – 31 December 2015	●	×
G 4.29	Report and Reporting Process		●	×
G 4.30	Report and Reporting Process		●	×
G 4.31	Contact Information	Investor Relations: ir@novatek.ru	●	×
G 4.32	Report and Reporting Process Table of GRI G4 Guidelines Indicators	There was no external assurance.	●	×
G 4.33		Since 2014, the Company has not sought external assurance, with the Report internally audited by highly skilled specialists.	●	×
Governance				
G 4.34	Corporate Governance		●	×
G 4.36		The Company has appointed such positions.	●	×
G 4.38	Corporate Governance	In accordance with the corporate governance structure, the General Meeting of Shareholders is the Company's highest governance body. Details are provided on the Board of Directors, which acts on behalf of the shareholders.	●	×
G 4.39	Corporate Governance		●	×
G 4.40	Corporate Governance	Details are provided on the members of the Board of Directors.	●	×
G 4.41	Corporate Governance		●	×
G 4.42	Corporate Governance		●	×
G 4.48		The Report is officially approved by Mark Anthony Gyetvay, Deputy Chairman of the Management Board.	●	×
G 4.51	Corporate Governance		●	×
G 4.52	Corporate Governance		●	×
Ethics and Integrity				
G 4.56	Corporate Governance		●	×
G 4.58	Corporate Governance		●	×

Indicator index ↓	Section of the Report ↓	Comments ↓	Level of coverage ↓	External assurance ↓
CATEGORY: ECONOMIC				
Economic Performance				
G 4-EC1	Economic Performance and Sustainability		●	×
G 4-EC2		NOVATEK faces risks and implications of climate changes, as the Company's key production sites are located in the permafrost region of the Far North. To prevent potential negative effects of climate changes and determine the permafrost soil and temperature conditions, NOVATEK Group's fields are subject to continuous cryological monitoring, which shows that permafrost thaw risks are currently minor and have no impacts on the Company's operations.	●	×
G 4-EC3	Employment Practices		●	×
Market Presence				
G 4-EC5	Employment Practices Company Profile	The Company does not pay variable wages by gender.	●	×
Indirect Economic Impacts				
G 4-EC7	External Social Policy		●	×
Procurement Practices				
G 4-EC9	Procurement Practices	In 2015, NOVATEK Group purchased local products and services for a total amount of RR 300 bln. Approximately 35% of those were purchased from YNAO-based suppliers.	●	×
CATEGORY: ENVIRONMENTAL				
Energy				
G 4-EN3	Environmental Protection	Resolution of the Russian Federal State Statistics Service No. 46 dated 23 June 1999 On Approval of Methodological Guidelines for Calculating Fuel and Energy Balance of the Russian Federation in Accordance with International Practices.	●	×
G 4-EN4		All energy is consumed by NOVATEK entities internally.	●	×
G 4-EN6	Environmental Protection		●	×
Water				
G 4-EN8	Environmental Protection	Actual water intake (according to flow meters).	●	×
Biodiversity				
G 4-EN11		The Company does not operate within protected areas.	●	×
G 4-EN12	Environmental Protection		●	×
G 4-EN13	Environmental Protection		●	×

Indicator index ↓	Section of the Report ↓	Comments ↓	Level of coverage ↓	External assurance ↓
G 4-EN14		Snowy owl: Red Data Book of YNAO — Category 2 (rare species with decreasing population) Conservation status IUCN — LC (Least Concern) Long-tailed duck: Conservation status IUCN — VU (Vulnerable) Steller's Eider: Conservation status IUCN — VU (Vulnerable) Bewick's swan: Red Data Book of Russian Federation — Category 5 (rehabilitating) Red Data Book of YNAO — Category 5 (rehabilitating) Conservation status IUCN — LC (Least Concern)	●	×
Emissions				
G 4-EN15	Environmental Protection	Direct CO2 emissions from biomass burning or decomposition amount to 1.259 million tons of CO2 equivalent. Please, see NOVATEK's annual disclosure report on GHG emissions and energy efficiency as part of the Carbon Disclosure Project at www.cdproject.net (the report is available for registered users).	●	×
G 4-EN16	Environmental Protection	Please, see NOVATEK's annual disclosure report on GHG emissions and energy efficiency as part of the Carbon Disclosure Project at www.cdproject.net (the report is available for registered users).	●	×
G 4-EN17	Environmental Protection	Indirect CO2 emissions from biomass burning or decomposition amount to 218 tons of CO2 equivalent. Please, see NOVATEK's annual disclosure report on GHG emissions and energy efficiency as part of the Carbon Disclosure Project at www.cdproject.net (the report is available for registered users).	●	×
G 4-EN18		Please, see NOVATEK's annual disclosure report on GHG emissions and energy efficiency as part of the Carbon Disclosure Project at www.cdproject.net (the report is available for registered users).	●	×
G 4-EN19		GHG emissions were reduced by 2.639 million tons of CO2 equivalent. Please, see NOVATEK's annual disclosure report on GHG emissions and energy efficiency as part of the Carbon Disclosure Project at www.cdproject.net (the report is available for registered users).	●	×
G 4-EN20		The Company does not produce ODS emissions.	●	×
G 4-EN21	Environmental Protection	Methodologies are stated in Letter of the Russian Ministry of Natural Resources and Environment No. 05-12-47/4521 dated 29 March 2012. Guidelines for calculating pollutant concentrations in enterprises' emissions (All-Union Regulatory Document OND-86). Please, see NOVATEK's annual disclosure report on GHG emissions and energy efficiency as part of the Carbon Disclosure Project at www.cdproject.net (the report is available for registered users).	●	×

Indicator index ↓	Section of the Report ↓	Comments ↓	Level of coverage ↓	External assurance ↓
Effluents and Waste				
G 4-EN22	Environmental Protection	Actual waste water (according to flow meters).	■	×
G 4-EN23	Environmental Protection		■	×
G 4-EN24		There were no significant spills in the reporting year.	●	×
G 4-EN25	Environmental Protection	The Company does not transport hazardous waste.	●	×
COMPLIANCE				
Transport				
G 4-EN30	Environmental Protection		■	×
Overall				
G 4-EN31	Environmental Protection		●	×
LABOR PRACTICES AND DECENT WORK				
Employment				
G 4-LA1	Employment Practices		■	×
G 4-LA2	Employment Practices Company Profile		●	×
Labor/Management Relations				
G 4-LA4		Under the Russian law, the minimum notice period as regards the Company's significant operational changes is 8 weeks. Incorporated into the collective bargaining agreement.	●	×
Occupational Health and Safety				
G 4-LA5		There are no joint management-worker health and safety committees.	●	×
G 4-LA6	Occupational Health and Safety		■	×
G 4-LA7		There are no records of occupational illnesses. There are no employees with high incidence.	●	×
G 4-LA8	Employment Practices		■	×
Training and Education				
G 4-LA9	Employment Practices		●	×
G 4-LA10	Employment Practices		■	×
G 4-LA11	Employment Practices		●	×
Diversity and Equal Opportunity				
G 4-LA12	Employment Practices		■	×
Equal Remuneration for Women and Men				
G 4-LA13		Basic salary and remuneration of women and men are equal at NOVATEK.	●	×

Indicator index ↓	Section of the Report ↓	Comments ↓	Level of coverage ↓	External assurance ↓
Labor Practices Grievance Mechanisms				
G 4-LA16		There were no grievances about labor practices filed.	●	×
Non-discrimination				
G4-HR3		There were no incidents of discrimination identified during the reporting period.	●	×
G 4-HR4		There were no operations identified in which employee rights to exercise freedom of association or collective bargaining may be violated or at significant risk.	●	×
Child Labor				
G 4-HR5		The Company does not use child labor. There were no operations identified as having significant risk for incidents of child labor.	●	×
Forced or Compulsory Labor				
G 4-HR6		There were no operations identified as having significant risk for incidents of forced or compulsory labor.	●	×
Indigenous Rights				
G 4-HR8		There are no records of incidents of violations involving the rights of indigenous peoples.	●	×
Human Rights Grievance Mechanisms				
G 4-HR12		There were no grievances about human rights impacts filed.	●	×
SOCIETY				
Local Communities				
G 4-S01	External Social Policy Stakeholder Engagement Environmental Protection		●	×
Anti-corruption				
G 4-S03		No operations were assessed for risks related to corruption.	●	×
G 4-S04	Corporate Governance		●	×
G 4-S05		There were no confirmed incidents of corruption.	●	×
Public Policy				
G 4-S06		NOVATEK does not make political contributions.	●	×
Oil & Gas sector specific disclosures				
OG1	Economic Performance and Sustainability		●	×
OG2	Environmental Protection	The Company did not invest in renewable energy.	●	×
OG3		There is no record of generated renewable energy.	●	×
OG4	Environmental Protection		●	×
OG5		The volume of formation or produced water amounted to 337 thousand cubic meters.	●	×
OG6	Environmental Protection		●	×

Indicator index ↓	Section of the Report ↓	Comments ↓	Level of coverage ↓	External assurance ↓
OG7	Environmental Protection		●	×
OG8		There are no benzene, lead, or sulfur in produced fuels.	●	×
OG9	External Social Policy		●	×
OG10		There were no disputes with local communities.	●	×
OG11		No sites are being decommissioned or have been decommissioned.	●	×
OG12		The Company was not engaged in operations where involuntary resettlement took place.	●	×
OG13	Occupational Health and Safety Environmental Protection		●	×
OG14		The Company does not produce or purchase biofuels.	●	×

AZK	fuel filling complex
GDR	Global Depositary Receipt
IMS	Integrated Management System for Environmental Protection, Occupational Health and Safety
IFRS	International Financial Reporting Standards
APG	associated petroleum gas
RAS	Russian Accounting Standards
LNG	liquified natural gas
LPG	liquid petroleum gases
FZ	Federal Law
NGL	natural gas liquid
NGO	Non Government Organisation
YNAO	Yamal-Nenets Autonomous Region

CDP	Carbon Disclosure Project
GRI	Global Reporting Initiative
ISO	International Organization for Standardization
OHSAS	Occupational Health and Safety Management Systems
PRMS	Petroleum Resources Management System
SEC	US Securities and Exchange Commission
WWF	World Wildlife Fund

UNITS OF MEASUREMENT

boe	barrels of oil equivalent
GJ	gigajoule
Gcal	gigacalorie
kWh	kilowatt hour
cu. m	cubic meter(s)
mln	million
bln	billion
t	ton(s)
toe	ton of oil equivalent
th.	thousand

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SUSTAINABILITY
REPORT