

APPROVED  
by the Resolution of the Board of  
Directors  
of OAO "NOVATEK"  
Minutes No. 133 as of 24 March 2011

## **OAO NOVATEK CODE OF BUSINESS CONDUCT AND ETHICS**

OAO NOVATEK (hereinafter referred to as "NOVATEK" and/or the "Company") recognizes that laws and market values are necessary but not sufficient business guidelines and that the fundamental principles and responsibilities governing business activities and policies should include respect of human dignity and the interests of all stakeholders. Therefore, NOVATEK hereby commits to the following standards established by this Code of Business Conduct and Ethics.

### **1. General Provisions**

- 1.1. In addition to requirements established by applicable laws and the Company's existing internal regulatory documents, this Code of Business Conduct and Ethics sets out basic principles to guide the conduct of the members of the Company's Board of Directors, Management Board and Revision Commission, as well as all of the Company's managers and employees, and has been developed on the basis of ethical values and professional standards.
- 1.2. The Code of Business Conduct and Ethics covers relationships within the Company and its subsidiaries as well as relationships with shareholders and investors, government, society, consumers, suppliers, other individuals and organizations.
- 1.3. NOVATEK shares the basic standards and principles of ethics of the Russian Code of Business Ethics (Russian Chamber of Commerce and Industry, 1998), the Charter of Corporate Business Ethics (Russian Union of Industrialists and Entrepreneurs, 2003) and the CRT's Principles of Business (COUX Round Table, 1994).
- 1.4. The primary objectives of this Code of Business Conduct and Ethics include the following:
  - Strengthening the Company's reputation as an open, transparent and honest participant in market relations;
  - Preventing legal violations and ensuring the Company conducts business in accordance with transparency standards as well as the laws and rules applicable to the Company's activities; and
  - Identification and prevention of conflicts of interest; and
  - creation of a corporate spirit within the Company (including employee loyalty and common goals and aspirations).

- 1.5. The Code of Business Conduct and Ethics is an internal document that is applicable to all areas of NOVATEK's and its subsidiaries' and associates' business activities regardless of their location.

## **2. Basic Terms and Definitions**

- 2.1. **"Code"** – this Code of Business Conduct and Ethics
- 2.2. **"Management"** – persons holding the positions of Chairman of the Management Committee and Deputy Chairmen of the Management Committee.
- 2.3. **"Employees"** – individuals having labor relations with the Company.
- 2.4. **"The Company's Supervisory Bodies and Employees"** – Members of the Company's Board of Directors, Management Committee, Revision Commission, Management and Employees.
- 2.5. **"Business Partners"** – individuals and organizations (suppliers, contractors, customers and others) engaged in commercial activities with the Company.
- 2.6. **"Conflicts of Interest"** – any situations or circumstances where personal, social, material, financial or political interests or activities of the Management or Employees interfere or may interfere in any way with the interests of the Company and affect, or may affect, their objectiveness and effectiveness when making decisions in relation to the Company's business.
- 2.7. **"Insider Information"** – any accurate and precise information, which has not been disseminated or announced (including commercial secrets), the disclosure of which may have a significant impact on the market price of the Company's shares and other securities.
- 2.8. **"Insiders"** – individuals having access to Insider Information on the basis of agreements concluded by the Company with them, including auditors, appraisers (including legal entities who have entered into labor agreements with the appraisers), professional participants of the securities market, credit institutions, insurance companies, entities and individuals having not less than 25% of the votes in the Company's supreme management body, as well as entities and individuals who, by virtue of their equity stakes (participation interests) in the share capital of the Company have access to the Insider Information under the federal laws or charter documents, members of the Board of Directors and collegial executive body, a person exercising the functions of the sole executive body, members of the Company's revision commission, information agencies disclosing or providing information regarding the Company, entities providing credit ratings to the Company and its securities and individuals having access to the Company's Insider Information on the basis of labor and (or) civil-law contracts concluded with them.
- 2.9. **"Confidential Information"** – Commercial secrets (information concerning scientific research, technology, production, business, finance, including the results of intellectual activities that may have actual or potential commercial value due to non-disclosure to third parties, that is protected by law and in relation to which special rules of access have been established) and any other information the disclosure of which might be of use to competitors, or harmful to the Company or its suppliers and customers, if disclosed.

### **3. Basic Principles of Business Ethics**

The Company's Supervisory Bodies and Employees must follow the principles of business ethics stated in items 3.1-3.6 of the Code without any preferences and/or priorities.

#### **3.1. Compliance with Laws, Rules and Regulations**

The Company, in its activities, complies in good faith with the requirements of all applicable laws, rules and regulations, and receives all permits and licenses required to conduct its activities.

The Company strives to comply with the letter and spirit of the law and avoids applying different interpretations that do not meet these standards. Additionally, the Company does not have any formal procedures in place for conducting business activities that are not consistent with the Code's standards of corporate ethics.

#### **3.2. Fairness, Openness, Respect and Reliability**

The Company adheres to the principles of fair and transparent business conduct and executes these guiding principles through timely and transparent financial reporting, maintaining an open dialogue with stakeholders and implementing corporate governance best practices.

The Company strives to fulfill its contractual obligations fairly and consistently, treat its competitors with respect and avoid illegal competition practices.

The Company values its business reputation, and that of Russian business as a whole, and avoids participating in the circulation of misleading and unverified information.

#### **3.3. Respect of Property Rights**

The Company supports the basic principles of property rights, seeks mutually beneficial outcomes in the settlement of transactions and avoids the unauthorized use of another's property, including intellectual property rights violations.

#### **3.4. Social Responsibility**

The Company supports human rights initiatives through corporate policies and projects that create long-term relationships with indigenous peoples and local communities in the areas where the Company operates, including the support of educational, cultural, sport and social projects.

The Company understands and values rational methods of management which it has employed in the development of its resource base and that comply with socially responsible and sustainable development best practices.

The Company conducts its operations in full compliance with environmental standards in Russia, and the environmental standards in the countries where it operates, and has implemented a state-of-the-art environmental management system in accordance with ISO14001:2004 standards. The Company supports initiatives to increase awareness of important environmental issues and is committed to timely and transparent disclosure of environmental protection measures.

The Company organizes social events and cultural programs for Employees and their families and pays salaries, taxes and makes other obligatory payments in a timely manner.

### **3.5. Expertise and Competence**

The Company strives to provide high quality products and services, make competent decisions in its business activities and expects that Management and Employees will competently fulfill the duties of their respective positions.

### **3.6. Respecting the Rights of Employees and Providing Equal Opportunities**

The Company respects employee rights and is committed to treating all Employees with trust and respect. The Company provides equal opportunities to all persons and does not tolerate harassment, whether sexual, racial, religious, or of some other type.

## **4. Business Conduct Standards**

The standards of business conduct, specified in this section of the Code, represent conduct norms and recommendations that establish an effective behavior model for difficult or non-standard situations, which may arise during the Company's day-to-day operations, so that the right decision can be made in a responsible and professional manner.

### **4.1. Interaction within OAO NOVATEK's Group of Companies**

The Company is a dynamically developing holding company which adheres to high standards and principles of both corporate governance and human resources management.

High standards of corporate governance are essential for maintaining an integral and effective means of carrying out the Company's operations and are the foundation for managing the Company in a socially responsible manner and increasing shareholder value.

#### **4.1.1. OAO NOVATEK's Interaction with Subsidiaries and Associates**

The Company's relationship with subsidiaries and associates takes into account the interests of the subsidiaries' and associates' other shareholders, Employees and

partners. The relationship is based on transparency, trust, mutual support and respect for one another's professionalism. The Company and its subsidiaries are committed to the following;

#### **4.1.1.1. The Company:**

- Provides financial, managerial and other assistance to its subsidiaries and associates in order to improve their efficiency, profitability and competitiveness;
- Promotes teamwork between highly qualified staff and creates the conditions for success in the workplace;
- Maintains an atmosphere of cooperation and respect when carrying out managerial activities; and
- Develops the managerial, technological and reputational potential of its subsidiaries and associates.

#### **4.1.1.2. The Company's Subsidiaries and Associates:**

- Improve efficiencies;
- Consistently implement the Company's strategy and follow all of the Company's respective policies; and
- Provide the Company with accurate and appropriately documented operational data and financial results.

#### **4.1.2. Relationships Within the Company**

Relationships within the Company are based on mutual responsibility, respect for the individual, the timely delivery of results and the pursuit of effective business solutions.

The Company, Management and Employees are mutually responsible for the Company's success which means that all parties share basic principles and beliefs and faithfully fulfill their joint obligations.

#### **4.1.2.1. The Company's Responsibilities and Obligations:**

- The Company recruits Employees in strict compliance with applicable laws, without any discrimination, violation of labor rights and freedoms or providing any preferences that are not related to the professional qualities of applicants;
- The Company complies with the labor laws of the Russian Federation, and those of the countries and regions where it operates, and provides Employees with regular and stable salaries as well as social benefit packages in accordance with internal regulatory documents;
- The Company ensures that its Employees have all the necessary resources to fulfill their duties and that all worksites have adequate levels of safety;
- The Company encourages Employees to take on leadership roles and promotes their professional development and continuing education to help them raise their professional qualifications;

- The Company treats the personal data of its Supervisory Bodies and Company personnel in strict accordance with the law; and
- The Company maintains an atmosphere of cooperation, mutual understanding and stability.

#### 4.1.2.2. **Employee Responsibilities and Obligations:**

- Proactive and good faith approach to the fulfillment of duties and personal responsibility for the execution of assigned tasks;
- Compliance with the legislative and other regulatory documents of the countries and regions where the Company operates, the Company's internal rules, regulatory and administrative documents including the rules of the Internal Labor Order;
- Compliance with the Code, including; the exchange of information and work experience between Employees; the provision of mutual assistance in the workplace to achieve higher performance results; and contribution to an atmosphere of cooperation and mutual understanding within the Company as well as respectful and civil relations with colleagues and Business Partners;
- Rational use of working hours, arriving on time and fulfilling their obligations to the Company and to their colleagues; and
- Avoiding actions or inactions that could lead to Conflicts of Interest in business relations and addressing potential conflicts on a balanced basis, taking into consideration the interests of all participants.

#### 4.1.2.3. **Additional Management Responsibilities:**

- Ensuring Employees' safety in the workplace;
- Ensuring open and continuous access to information required by Employees to accomplish their work;
- Observing standards of exemplary personal behavior in line with the Company's principles and values; and
- Maintaining an appropriate level of professionalism in the decision making process.

#### 4.1.3. **Confidentiality**

The Company considers the security of Confidential Information a key element of corporate sustainability and competitiveness.

Confidential Information will be disclosed only in cases when it is required by law, the Company's charter or other internal regulations.

Any information received by Supervisory Bodies and Employees during the fulfillment of their duties and related to the Company or Business Partners is considered confidential according to the Company's Information Policy.

The Company guarantees that Supervisory Bodies and Employees who have access to Confidential Information, the disclosure of which could harm any stakeholders, are properly instructed in the applicable rules and regulations on Confidential Information and are obliged not to disclose such information and also, that the Company has

mechanisms and procedures in place to prevent the disclosure of Confidential Information.

Supervisory Bodies and Employees who have access to Confidential Information:

- May use Confidential Information only for the purposes of performing their duties and exercising their powers; and
- Shall not convey (even after leaving the Company) such information to any third party, including other Supervisory Bodies and Employees, and members of their families, except when disclosure is explicitly authorized or required by law.

#### 4.1.4. **Using Insider Information**

The use of Insider Information is prohibited in the following situations:

- For consummating transactions with the Company's shares or other securities to which the Insider Information is used for one's own benefit or at the expense of a third party, excluding those transactions performed as part of an outstanding obligation to purchase or sell the Company's shares or other securities, if such obligation results from a transaction consummated before the Insider Information became known to such person;
- Its transfer to another person, excluding instances when the transferring of such information is to persons included in the Insider List or in connection with the performance of duties governed by federal law and in the performance of employment duties or agreements; and
- Its use in providing recommendations to third parties, binding them or otherwise causing them to acquire or sell the Company's shares or other securities.

The Insiders included in the Company's Insider List shall notify the Company and, in the cases provided by applicable law, the Federal Financial Market Service regarding any transactions involving the Company's shares or other securities.

The control over the use of Insider Information, including the compliance with requirements of the Federal Laws on Counteracting the Unlawful Use of Insider Information and Market Manipulation and on Introducing Amendments to Certain Enactments of the Russian Federation is exercised in accordance with current legislation and internal documents.

#### 4.1.5. **Conflicts of Interest and Competition**

The Company strives to avoid any instances of Conflicts of Interest. The Company's Supervisory Bodies and Employees, in their professional activities, shall avoid situations that lead or may lead to a conflict of interest, specifically:

- The Company's Supervisory Bodies and Employees shall perform their work for the Company on the sole basis of what is in the best interests of the Company and its shareholders and guarantee that their own and their family's interests, friends and other relationships will not affect their decision-making process in the course of the Company's activities;

- If the personal interests of the Company's Supervisory Bodies and Employees interfere, or appear to interfere, with the interests of the Company they shall immediately inform the Company;
- The Company's Supervisory Bodies and Employees shall abstain from competing with the Company, including, but not limited to, any business transaction or investment project, and they shall not have any financial interests in the Company's competitors' activities;
- The Company's Supervisory Bodies and Employees shall abstain from participation in the decision making process of the Company in such cases where they, or an affiliated entity of theirs, have a personal interest in the outcome of the decision; and
- The Company's Supervisory Bodies and Employees should avoid situations where the receiving or giving of presents or any other benefits may create a conflict between personal and corporate interests.

The Company allows the receiving or giving of business gifts or any other benefits by the Company's Management and Employees only when the following conditions are met:

- a) They comply with adopted business practices and do not violate any applicable laws or ethical standards;
- b) They do not imply any obligations owed to the giver of the gift; and
- c) The value of the gift should be commensurate with the occasion and the business relations.

**The members of the Board of Directors shall:**

- Immediately inform the Chairman of the Company's Board of Directors in writing of any personal, commercial or other interest (direct or indirect) in any transactions, agreements or projects concerning the Company, in particular, of any intentions to effect transactions with the Company's securities, and duly disclose the information on any transactions affected by him/her; and
- Duly disclose information about their positions in other organizations and any other business interests that may detract from their responsibilities to the Company.

**The members of the Management Committee shall:**

- Notify the Company about their interest in a transaction where the Company is or intends to become a party, prior to passing a resolution on such transaction; and
- Not establish or become members of commercial organizations competing with the Company, except for as may be allowed by the Company's Board of Directors.

This Code may not specifically address every potential conflict, so the Supervisory Bodies and Employees should rely on their conscience and common sense and, when questions arise, seek guidance.

**4.1.6. Protection and Proper Use of Company Assets**



Theft, carelessness, and waste have a direct impact on the Company's profitability. It is prohibited to use the Company's assets for any illegal and/or inappropriate purposes.

The Company uses its best efforts to protect and effectively use the Company's assets while balancing its mutual interests by recognizing and respecting the legitimate rights of other participants in civil transactions.

Supervisory Bodies and Employees shall:

- use the Company's assets properly and not abuse them;
- Treat the Company's property, materials, equipment and financial resources with care and respect; and
- Immediately inform the Company about all actual or possible cases of theft or fraud.

#### 4.1.7. **Environmental, Health and Safety**

The Company recognizes that its operating activities in the exploration, production, transportation and processing of natural gas and liquid hydrocarbons represents a potential threat to the environment, the Company's Employees and the communities in which it operates and therefore strives to minimize and prevent any negative impact on the environment. In order to ensure the safety of the Company's operations,

##### **The Company shall:**

- Comply with the applicable Russian laws or the laws of any other country where it operates governing environmental, health and safety (EHS) issues and with the applicable Guidelines and Rules of the International Finance Corporation and European Bank for Reconstruction and Development as well as with other recognized international standards for EHS;
- Provide safe and comfortable working conditions for Employees as well as stable employment; and
- Use its best efforts to reduce accidents and job-related injuries.

##### **The Employees shall:**

- Follow health and safety rules and best practices and maintain a safe and healthy workplace; and
- Report accidents, injuries and unsafe equipment, practices or conditions.

#### 4.2. **Relations With Third Parties**

The Company is interested in continuously improving its reputation and abstains from actions that may, directly or indirectly, impact its reputation in a negative way. All of the Company's relations with third parties (specifically with Business Partners) shall be guided by the principles of mutual respect, cooperation, transparency and fairness.

In its relationship with third parties, the Company shall be represented by Authorized Persons who shall fully comply with the business ethics norms set out in this Code.

#### **4.2.1. Competition and Fair Dealing**

The Company encourages the development of open markets for trade and investments and facilitates competitive behavior, avoids unfair competition practices and abuse of market position.

The Company shall strictly comply with the antitrust laws of the countries where it operates and abstain from unethical practices. The Company facilitates the development of long-term and stable relations with its Business Partners and adheres to the principles of free economic activity and free movement of goods, services and financial assets. Accordingly, the Company strives to:

- Do business only with reliable Business Partners who operate in a lawful manner and prohibit discrimination, corruption and the abasement of human dignity;
- Take reasonable care with respect to the business practices and the quality of goods (works or services) of potential Business Partners;
- Build relations with suppliers of goods (works and services) on a mutually beneficial basis and where possible select them primarily via competitive tender using procedures established by the Company;
- Maintain the confidence of its consumers, increase the quality of its products through the use of modern technologies, and ensure on-time deliveries;
- Perform its obligations to Business Partners in good faith and seek the same in return; and
- Resolve all disputes arising from its activities by means of negotiation in order to find a mutually acceptable solution for all parties.

#### **4.2.2. Relations With Stakeholders and Investors**

The Company strives to maintain an active and open dialogue with its shareholders, potential investors and other stakeholders and endeavors to minimize the risks to investors and stakeholders through the implementation of a highly efficient system of corporate governance.

The Company's Management shall ensure the timely, complete, objective and transparent disclosure of information regarding the Company's financial position and operations through reports and other documents submitted to the Federal Financial Market Service of the Russian Federation, the UK Financial Services Authority and other stakeholders in accordance with the requirements of applicable laws.

No persons other than Authorized Spokespersons can speak on behalf of the Company to securities analysts, broker-dealers, shareholders, members of the press and certain other individuals.

The Company shall maintain an efficient system for control over its financial flows, engage independent auditors to conduct reviews and preserve the independence of the Revision Commission and the Internal Audit Division.

The Company conducts its accounting in accordance with the generally accepted accounting principles in the countries where it operates, as well as in accordance with the requirements and principals of International Financial Reporting Standards.

#### 4.2.3. Relationships with Local and Government Authorities

The Company communicates with governmental and local authorities in accordance with the applicable laws and on the basis of mutual independence. To this end the Company;

- Complies with all applicable laws and requirements;
- Pays taxes and other mandatory payments in full and in a timely manner;
- Avoids unlawful efforts to influence the decisions of governmental and/or local authorities; and
- Avoids in its activities and the activities of its subsidiaries, associates, the Supervisory Bodies and Employees any corrupt and other unlawful practices.

The Company does not, directly (or indirectly), participate in political movements or organizations.

The Supervisory Bodies and Employees, as individuals, may participate in political activities or religious and non-governmental organizations as they see fit, provided that this is done on their own time and at their own expense, and does not contradict the applicable laws or this Code. However, the participation of Supervisory Bodies and Employees in political activities shall not lead to Conflicts of Interest with the Company.

The Company 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 among its Employees, their family members, the local communities in the regions where the Company operates and society as a whole.

As a part of the Company's Policy on Social Responsibility various programs have been developed and successfully implemented that are intended to: a) create social infrastructure; b) promote environmental conservation; c) support indigenous minorities of the Far North and d) facilitate the development of science, culture and sport.

The Company supports charitable activities, acts as a sponsor, and also encourages Employees' suggestions for sponsorship, of charitable causes.

The Company adheres to the principles of sustainable development and prepares reports in accordance with the international standards promulgated by the Global Reporting Initiative – GRI.

## **5. Compliance with the Code of Business Conduct and Ethics**

5.1. The Chairman of the Company's Management Board shall organize and ensure the compliance with this Code of Business Conduct and Ethics and inform the Board of Directors about its application inside the Company.

5.2. The Company's Internal Audit Division shall exercise control over the fulfillment of the Code's requirements within its competence.

5.3. Strict observance of this Code is mandatory by all Supervisory Bodies and Employees, irrespective of their status and job title.

5.4. Supervisory Bodies and Employees who violate the provisions of this Code may be held liable, as the case may be, in accordance with the applicable laws of the Russian Federation.

The Company considers violations by Employees of the Code of Business Conduct and Ethics as non-performance/improper performance of their duties. The disciplinary sanctions provided for by the Russian Federation Labor Code (reprimand, rebuke or dismissal on relevant grounds) will be applied to the Employees who violate the Code of Business Conduct and Ethics through their own fault.

5.5. In the event the employee has questions regarding the application of the norms and rules of this Code and/or they are not sure if their actions and decisions comply with this Code, they shall consult with their immediate superior and/or the Company's Legal Department or Internal Audit Department.

5.6. Employees are encouraged to inform their immediate superior or the Company's Internal Audit Division of all cases of observed Code violations.

Their reporting will be kept confidential and there will be no retaliation against them.

The person receiving such information shall check its reliability independently, or with the involvement of the relevant sources, and in the event such facts are confirmed, initiate investigation procedures and hold the faulty person liable.

However, if an Employee reports false information purposely, or if misconduct by the informant is established, then respective punitive measures may be applied to the informant in accordance with the laws of the Russian Federation.

5.7. Any stakeholder (in particular, a supplier, customer, investor etc.) is also encouraged to make known any violation of this Code of Business Conduct and Ethics on the part of the members of the Company's Supervisory Bodies and Employees. Such statement may be made via e-mail to the following address: [ethics@novatek.ru](mailto:ethics@novatek.ru). The Company guarantees that any such report will be investigated.

5.8. This Code of Business Conduct and Ethics shall become effective at the time of its approval by the Company's Board of Directors, unless otherwise resolved by the Company's Board of Directors.

Any amendments hereto shall be mandatory for Authorized Persons when approved by the Company's Board of Directors.