Sustainability Report

2019

NOVATEK

Contents

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Letter from the Chairman of NOVATEK's Management Board

We are delighted to release NOVATEK's Thirteenth Sustainability Report 2019 where we present our Company's economic, environmental and social performance, as well as our contribution to the UN Sustainable Development Goals.

Leonid MIKHELSON

Dear stakeholders,

We are delighted to release NOVATEK's Thirteenth Sustainability Report 2019 where we present our Company's economic, environmental and social performance, as well as our contribution to the UN Sustainable Development Goals. As climate change impacts the entire global community, its role in our operations also has an important place in this Report.

NOVATEK celebrated its 25th anniversary in 2019. Over the quarter of a century, our Company has transformed from a Russian domestic natural gas supplier into a global LNG market player with natural gas delivered to 28 countries. NOVATEK today is Russia's major independent gas producing company and ranks third globally among public companies in terms of proved natural gas reserves. Our key competitive advantage is our high-quality, long life resource base combined with low operating costs, as well as our commitment to excellence.

The past year was no exception. Our revenues grew by 3.7% to RR 863 billion, our normalized EBITDA increased by 11% to RR 461 billion while our normalized profit rose by 5.2% to RR 245 billion. Our flagship project Yamal LNG demonstrated exceptional efficiency and unprecedented success on the global market. Two thousand and nineteen represented the first full year of simultaneous operation of all three liquefaction trains, whereby Yamal LNG operated above the combined facility's nameplate capacity of 16.5 million tons per annum. As a result, the plant shipped 18.4 mmt of LNG, representing 5% of the global LNG production, as well as 1.2 mmt of gas condensate.

We progressed towards our goal of becoming one of the world's largest LNG producers and in 2019, we successfully launched commercial production at Cryogas-Vysotsk, the Company's first medium-scale LNG project, in the port of Vysotsk in the Leningrad Region. We see strong prospects in using LNG as marine and motor fuels to substitute for fuel oil and diesel as a contribution to curbing transport emissions and improving the environment.

The reporting year also saw the final investment decision, or FID, made on our second large-scale LNG project – Arctic LNG 2. The project envisages the construction of three liquefaction trains each producing 6.6 mmt of LNG per annum, or 19.8 mmt per annum, and capacity of up to 1.6 mmt of stable gas condensate per annum.

We are extremely proud of our success at Yamal LNG and see big opportunities to develop a world class LNG platform on the Yamal and Gydan peninsulas. We will evolve our Company's strategy to meet the global challenges – economic and environmental alike. Our business objective responds to the demands for a future where everyone can get access to clean-burning, affordable energy resources in a sustainable way.

Although global markets are going through many challenges caused by the COVID-19 pandemic we believe a period of relatively lower gas prices will spur opportunities for additional demand growth as this pandemic will eventually pass. Key importing countries will transition from using coal to natural gas as part of the Energy Transition. Natural gas will play a vital role towards an environmentally sustainable future with LNG as a key driver in future global gas demand growth. Our focus is to become a leader during this energy transition by implementing our future LNG projects.

Our corporate strategy favors cleaner-burning natural gas and already accounts for 83% of NOVATEK's hydrocarbons production. We intend to further grow this share as we increase our LNG production up to 70 mmt per annum by 2030.

We laid the foundation for a resolute transition to a low carbon business model in our corporate strategy presented in 2017. As climate change affects everyone and all the companies globally, the transition to natural gas decreases emissions and lessens the carbon footprint. It is one of the top global issues impacting society today. Understanding and recognizing the need to prevent a climate scenario with temperatures growing by more than 2 degrees Celsius, we have defined our corporate strategy that provides for maximum operational resilience in progressive decarbonization scenarios. Our corporate goals are consistent with Paris Climate Agreement ratified by the Russian Federation in 2019.

Sustainable development is a key element of our corporate strategy through 2030. It is embedded in our operational decisions and testifies to our commitment to sustainability and a greener environment. Our corporate position is consistent with the Sustainable Development Goals set by the UN General Assembly in 2015 by implementing our ecological and social programs. This year, we have chosen five priority goals among the Sustainable Development Goals that we will do our best to achieve. Among them are following goals: Good health and well-being, Quality education, Affordable and clean energy, Decent work and economic growth, and Climate action.

We are convinced that natural gas via pipeline or LNG can meet most of the world's growing energy needs. It's the lowest-carbon fossil fuel and a viable energy source for substituting coal, fuel oil and diesel in the energy mix. We need to meet the challenges of modern society's call for conscious energy consumption and clean energy.

Besides climate change, we treat other environmental aspects of our activities with utmost responsibility. Our key

goals are sustainable use of natural resources and mitigation of environmental risks. We put much effort into reducing our environmental footprint and strive to preserve land, water resources and biodiversity.

NOVATEK understands our social responsibilities and challenges in the main region of our operation. The Company's core operating assets are located within the Yamal-Nenets Autonomous Region. NOVATEK acknowledges its responsibility for the Region's well-being and renders significant assistance to local communities contributing to their advancement as well as the construction and renovation of sporting, educational and cultural facilities.

We also pay particular attention to our relationships with indigenous communities and to support social programs aimed at improving the indigenous population's living standards. Throughout 2019, NOVATEK provided financial support to the Yamal for Descendants Association of indigenous peoples of the North. This support has been our tradition over the years.

In 2019, our investments into regional development, social projects, charity, and sponsorship totaled RR 2.0 billion.

The NOVATEK Group has more than 15,400 employees. We have grown significantly as a company over the past 25 years since our founding. NOVATEK values its employees' health and well-being above business performance and is fully aware of its responsibility to ensure accident-free operation, safe working conditions and population health across the Company's footprint. Despite the COVID-19 pandemic causing instability and uncertainty we continue to accomplish our social and ecological projects and prioritize the care and health of our employees.

We put much effort into improving our health and safety measures. The Group's management is closely monitoring the situation with the virus pandemic and have implemented necessary measures to ensure the Company's personnel health and safety which is our priority. The requirements and precautions mandated by the authorities have been met and implemented.

We work closely with our personnel and trade union and develop comprehensive targeted programs to find an optimal solution to social issues that our employees may face at work or at home. In 2019, we spent a total of more than RR 1.7 billion on social programs for our personnel.

We have always cared and will care for our employees providing them with career and personal development opportunities and offering them multiple social support programs. Training and professional development help us build a high-quality succession pool, improve employee loyalty and enable advancing of the Company's team skills and experience. In 2019, about 6,000 employees completed various training programs.

Our Sustainability Report 2019 was independently audited and verified by PwC. We prepare our sustainability reports to maximize transparency and honesty and make disclosures on the topics that are most relevant for our stakeholders and the entire global community. We will work to further improve our non-financial reporting system and our annual sustainability reports.

NOVATEK values its employees' health and well-being above business performance and is fully aware of its responsibility to ensure accident-free operation, safe working conditions and population health across the Company's footprint. Despite the COVID-19 pandemic causing instability and uncertainty we continue to accomplish our social and ecological projects and prioritize the care and health of our employees.

Letter from the Deputy Chairman of NOVATEK's Management Board

Mark GYETVAY

Dear Stakeholders,

It is with great pleasure that we present NOVATEK's Sustainability Report 2019 that introduces our approaches and vision on all key sustainable development topics and areas, and brings transparent, unbiased and full disclosures on the Company's performance. We have built our non-financial reporting based on GRI Standards, the most respected international standard in the industry, adhering to all procedural, quality assurance and content guidelines from the GRI Institute. In addition, we take other standards and recommendations in our reporting, especially the FSB Task Force on Climate-related Financial Disclosures (TCFD) and the Oil & Gas Exploration & Production Sustainability Accounting Standard of the Sustainability Accounting Standards Board (SASB) guidelines. We attempt to accommodate requests from our stakeholders received over the course of the year by trying to meet the stakeholder's community's demand for information about the Company's activity during the year.

COVID-19 exposed how critical health and safety matters are to sustain our operations, and why every aspect of ESG really matters. Health, safety and social measures became fundamental tasks during this period of uncertainty and instability caused by the pandemic and economic lockdowns. We took swift and appropriate actions in response to this pandemic to ensure the safety of our employees and contractors. We will become stronger as we improve our ESG performance and implement our social and ecological programs.

During the reporting year, we worked to streamline our sustainability management process in NOVATEK. The Company's Board of Directors introduced sustainable development as an area of direct oversight. Environmental, social and economic topics were reviewed previously, but in 2019 sustainable development oversight responsibilities were directly incorporated in the Remuneration and Nominations Committee scope of authority. This Committee's key objective is to prepare recommendations for the Company's Board of Directors to make priority decisions in the areas of sustainable development, industrial safety, environmental protection, climate control, corporate governance and social responsibility. We also established a Sustainability Working Group within the Company that addresses ongoing tasks, builds the sustainability agenda for decisions to be made at the top management and Board of Directors levels as well as manages stakeholder relations.

At NOVATEK, sustainable development is integral to our corporate strategy and is embedded in our decision-making process. When we consider field development initiatives, such as our large-scale LNG projects, a complete environmental impact assessment and environmental reviews are undertaken, and measures are developed to mitigate negative consequences. We engage all of our stakeholders in the review process.

Climate change is the defining topic of our generation, and ultimately impacts everyone and all the companies globally. While climate change initiatives remain to be adopted at the national level, NOVATEK has already set the maximum permissible value for GHG emissions as well as defined the baseline year for unit GHG emissions in each of its business areas. With a large share of natural gas in our energy production mix, our below-world-average carbon intensity and one of the lowest GHG emissions in the oil & gas industry, NOVATEK is one of the leading oil & gas companies globally in terms of carbon efficiency of its production. Addressing the question of climate change is still critical as COVID-19 is having a positive impact on carbon emissions. As an affordable, secure and reliable energy source, we must promote the benefits of natural gas and position ourselves as one of leaders in this energy transition movement.

NOVATEK's broader strategy as a natural gas and LNG producer implies greater involvement in further development of natural gas as a motor fuel both in Russia and abroad. In 2019, in the Chelyabinsk Region, we commissioned Russia's first full range refueling station that offers all types of motor fuels. Besides the conventional diesel and gasoline, the station also sells three types of natural gas-based fuels, namely liquefied petroleum gas (LPG, or propane-butane mixture), compressed natural gas and LNG. Additionally, our subsidiary NOVATEK Green Energy[1] built a network of LNG filling stations in Europe to provide clean-burning fuel for cargo trucks in Germany and Poland. Natural gas brings about a 30% reduction in CO_2 and other GHG emissions compared to gasoline and diesel facilitating the conversion of both public and cargo transportation to natural gas and thus reducing transport's carbon footprint.

One of the top priority tasks for all participants in the oil & gas industry is to decrease their environmental footprint. Reducing methane leaks to the atmosphere is the single most important and cost-effective way for the industry to bring down these emissions. There are other broad opportunities to cut emissions intensity in oil and gas production that include APG flaring reduction as well as introduction of renewable energy sources and low-carbon power generation. NOVATEK has successfully incorporated environmentally friendly renewable energy sources based on solar panels and wind generators. Renewable energy provides electricity generation for valve control tele-mechanics, sensors and equipment at the Company's intra-field pipelines, allowing to avoid power lines construction along pipelines, optimize capital costs and minimize environmental impact in the region. We have been successfully used such systems on our projects in the area of United Gas Supply System, and we plan to use them further when implementing our new projects.

Our sustainability initiatives do not go unnoticed by our stakeholders as we led our peers in various rating lists and indices. In 2019, NOVATEK was ranked among the leaders on the Sustainable Development Vector rating by the Russian Union of Industrialists and Entrepreneurs (RSPP) that assesses the dynamics of socio-economic and environmental performance indicators. Consistent with previous years, the Company remains a leader on another RSPP sustainability rating, Responsibility and Openness, which testifies to the quality and in-depth nature of disclosures in our sustainability reporting.

In addition, the NOVATEK Sustainability Report 2018 received awards in two international prestigious competitions in the area of marketing and communications. Our report was selected Gold Winner in Writing category and Platinum Winner in Design (Print) by MarCom Awards 2019 as well as received the LACP Inspire 2019 Corporate Publishing Gold Award in the Print category.

We are proud of these achievements but what matters most to us is our commitment to sustainability that implies disclosures with full transparency, honesty and openness in stakeholder relations. We strive to improve our non-financial reporting to maintain the consistently high quality of our sustainability reports, review actions that we take to secure the sustainability of our business and make disclosures on new areas that are of relevance for our stakeholders and the global community in general.

Although we are confronted with many unforeseen challenges caused by the COVID-19 pandemic we are still resolved to maintain our focus on sustainable development. We control what we can and focus our attention where we can make an impact to our business and minimize the external events that are non-controllable by management. We will emerge from the COVID-19 pandemic in a very strong position operationally, financially and with sustainability as always as our top priority.

> **"Climate change is the defining topic of our generation, and ultimately impacts everyone and all the companies globally. While climate change initiatives remain to be adopted at the national level, NOVATEK has already set the maximum permissible value for GHG emissions as well as defined the baseline year for unit GHG emissions in each of its business areas."**

1. Novatek Polska was renamed to Novatek Green Energy on 3 February 2020.

Report And Reporting Process

13

Number of non-financial reports

20

Number of material topics

Report Preparation

The Sustainability Report 2019 is NOVATEK's 13th publication of its non-financial report. This Report is the most comprehensive, core document describing NOVATEK's efforts to ensure sustainable development and disclosing information about the Company's economic, social and environmental performance as well as its approaches to corporate governance and economic, social and environmental dimensions.

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The information contained in this Report is subject to confirmation by functional managers, with the final version of the document approved by Deputy Chairman of the Management Board Mark Gyetvay.

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This Report draws on the Global Reporting Initiative (GRI) Standards as the core guidelines. This Report has been prepared in accordance with the GRI Standards: Core option, and has been externally assured by an independent auditor[1].

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

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When drafting the Report, the Company was guided by the GRI Reporting Principles for defining report quality: accuracy, balance, clarity, comparability, reliability, and timeliness.

Accuracy

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

Balance

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

Clarity

The Report presents information in a manner that is clear and accessible to stakeholders without relying excessively on industry-specific terminology. It also includes a glossary for all terms, abbreviations, and units of measurement used in the Report. GRI Compliance Table is prepared strictly in accordance with the standards' requirements.

Comparability

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

Reliability

The Report provides data from relevant business units of the Company. The Company's dedicated experts and professionals verify the information for accuracy, reliability, and completeness. The Report is approved by Deputy Chairman of the Management Board Mark Gyetvay and is externally assured by PwC, an independent auditor.

Timeliness

The Company discloses all relevant information and publishes its Sustainability Report in the third quarter of each year.

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Report title	PAO NOVATEK's Sustainability Report
Reporting cycle	Annual
Reporting period	1 January–31 December 2019
The most recent previous report issued in	Q3 2019
The next report is expected to be issued in	Q3 2021
Key standards applied	GRI Standards
"In accordance" option used	Core
Additional standards and requirements used	• Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, IPIECA/API/IOGP, 2015 • Recommendations of the FSB Task Force on Climate-related Financial Disclosures (TCFD) • AA1000SES Stakeholder Engagement Standard • National GOST R ISO 26000:2012 Standard • Oil & Gas Exploration & Production Sustainability Accounting Standard of the Sustainability Accounting Standards Board (SASB)
Officer responsible for the Report verification and approval	Mark Gyetvay, Deputy Chairman of PAO NOVATEK's Management Board
Number of material topics	20
Number of published reports	13
Report boundaries	The Report covers key business units, subsidiaries, and joint ventures of PAO NOVATEK in Russia, Poland, Germany, Switzerland, Singapore, Montenegro, Lebanon, and Cyprus[1].
Company names used in this Report	PAO NOVATEK, NOVATEK, the Company, the NOVATEK Group, and the Group
Auditor	PricewaterhouseCoopers

1. The independent auditor's opinion is available on p. 182.

1. Details on Report boundaries across different sections of the Report are available in Appendix 1 on p. 162.

Defining Report Content and Material Topics

102-43 102-44 102-49
The Company identified material topics in early 2018 as part of its Sustainability Report 2017 preparation process[1].

The list of material topics and their distribution across the materiality matrix remained unchanged, as there were no significant changes that could impact stakeholder views or the Company's assessment.

The GRI Reporting Principles have been applied for defining the Report content.

Stakeholder inclusiveness

The Company takes into account stakeholder views both when preparing the materiality matrix (through surveys) and collecting feedback from stakeholders.

Sustainability context

The Report presents NOVATEK's strategic vision for sustainability in a separate chapter. NOVATEK's sustainability strategy and vision are also covered in letters from NOVATEK's top executives. All our sustainability reports detail the Company's economic, environmental and social performance to the fullest extent possible and give attention to the global agenda items such as climate change issues.

Materiality

We periodically conduct materiality assessments in accordance with the GRI Reporting Principles and prepare a materiality matrix. In addition, industry sector-specific issues are also taken into account.

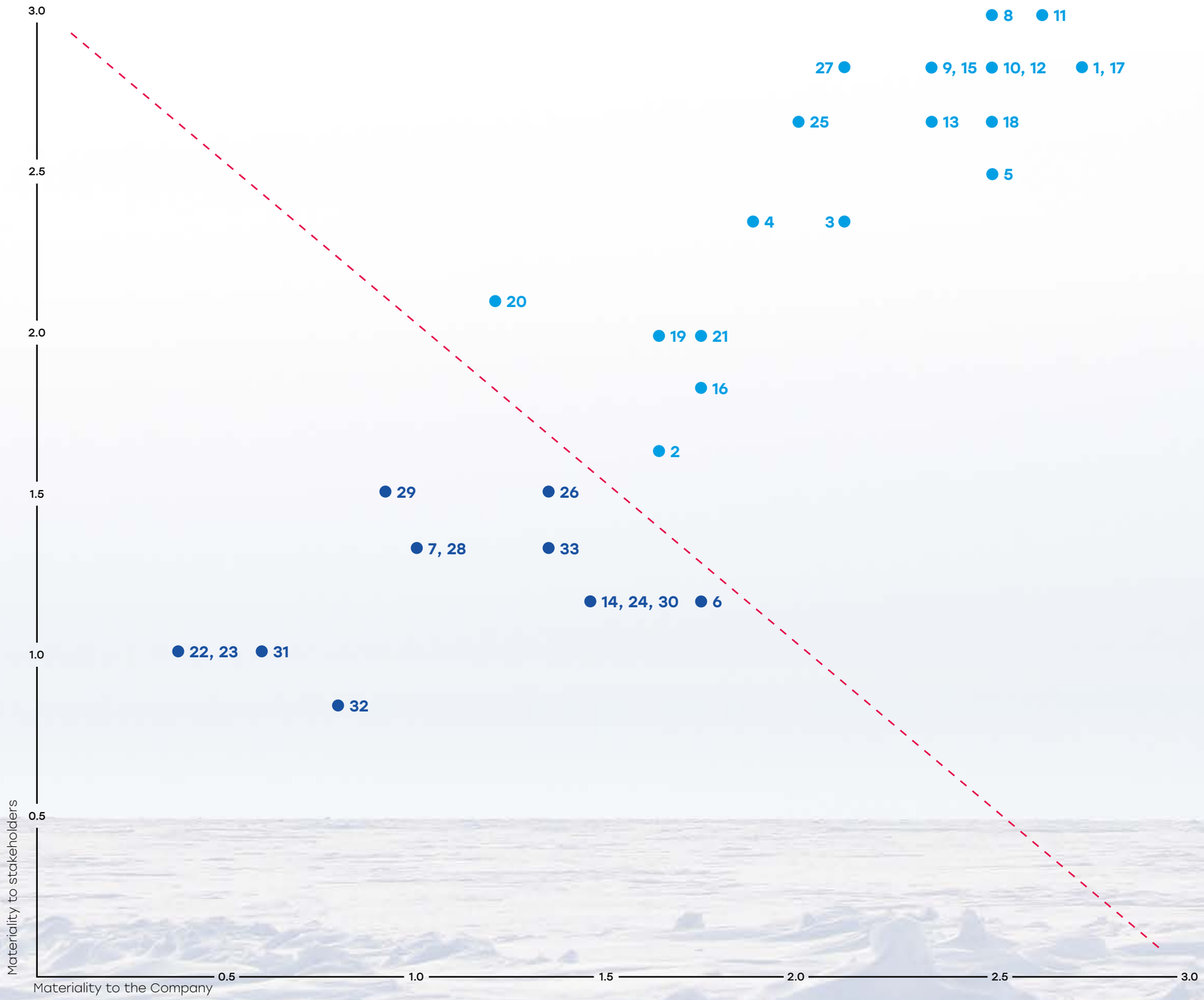
Completeness

For all material topics, the information is disclosed to the fullest extent possible and comparable data is provided to previous periods.

The NOVATEK Sustainability Report 2018 won awards at two international marketing and communications competitions: MarCom Awards and LACP. The Report won a gold award in the "Best Writing" category and a platinum in the "Best Design" category at the 2019 MarCom Awards, as well as a gold award at the LACP INSPIRE 2019 in the "Print" category.

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

Materiality Matrix



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List of Material Topics

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

Company Profile

16,265 mmboe

Total proved hydrocarbon reserves (SEC) as of 31 December 2019

66

Subsoil licenses

102-1 102-5 102-3

Company name and legal form:
Joint Stock Company NOVATEK

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

NOVATEK is one of Russia's largest independent natural gas producers. The Company is ranked 3rd globally among publicly traded companies in proven natural gas reserves under the Security and Exchange Commission (SEC) reserves methodology and is ranked among the top-10 companies globally in natural gas production. The Company is also considered one of the lowest-cost producers in the global oil and gas industry in key industry metrics regarding finding and development, reserve replacement and lifting costs. In December 2017, NOVATEK entered the global gas market with the successful launch of LNG production at Yamal LNG.

NOVATEK plays a significant role in Russia's energy sector: in 2019, the Company accounted for 10% of total Russian natural gas production. NOVATEK sells its natural gas on the Russian market through the Unified Gas Supply System (UGSS) and on international markets mainly in the form of liquefied natural gas (LNG) since December 2017.

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

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NOVATEK's core operations are the production and processing of gas and liquid hydrocarbons in Russia, with its key fields and license areas concentrated in the Yamal-Nenets Autonomous Region (Western Siberia). As at the end of 2019, our proved SEC reserves totaled 16,265 mmboe. In 2019, NOVATEK produced natural gas, gas condensate and crude oil at 20 producing fields and held 66 subsoil licenses as at the year-end.

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

Yamal LNG remains one of our key projects, demonstrating strong operational performance and efficiency throughout the entire period of its operation, including a strong set of operational and financial results in 2019. In 2019, all three liquefaction trains at Yamal LNG operated above the nameplate capacity of 16.5 mmtpa, highlighting the exceptional performance of Yamal LNG relative to global LNG projects. The facility loaded and dispatched 253 cargos or 18.4 mmt of LNG, representing approximately 5% of the global LNG output, as well as 42 shipments of gas condensate totaling 1.2 mmt.

We are committed to continuous development and high efficiency. NOVATEK's main strategic priorities are:

- Ensuring development of the Company's hydrocarbon resource base and efficient reserves management;
- Increasing its hydrocarbon production;
- Maintaining a low-cost structure;
- Optimizing marketing channels;
- Building low cost, scalable LNG platform; and
- Operating according to sustainable development principles.

NOVATEK's Core Assets as at 31 December 2019

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Upstream exploration & production (E&P) in Russia		Russian midstream & marketing		International E&P & marketing		Other	
OOO NOVATEK-Yurkharovneftegas[1]	100%	OOO NOVATEK-Purovsky ZPK	100%	Novatek Gas & Power GmbH	100%	OOO Sherwood Premier	100%
OOO NOVATEK-Tarkosaleneftegas	100%	OOO NOVATEK-Ust-Luga	100%	Novatek Polska Sp. z o.o.[2]	100%	Novatek Equity (Cyprus) Limited	100%
AO Arcticgas	50%	OOO NOVATEK Moscow Region	100%	NOVATEK Montenegro B.V.	100%	OOO NOVATEK-Transervice	100%
ZAO Nortgas	50%	OOO NOVATEK-Kostroma	100%	Novatek Gas & Power Asia Pte. Ltd.	100%	OOO NOVATEK-Murmansk	100%
OOO Yargeo	51%	OOO NOVATEK-Chelyabinsk	100%	NOVATEK Lebanon SAL	100%	OOO NOVATEK-Energo	100%
OAO Yamal LNG	50.1%	OOO NOVATEK-Perm	100%	Yamal Trade Pte. Ltd.	50.1%	OOO Sabetta International Airport	50.1%
ZAO Terneftegas	51%	OOO NOVATEK-AZK	100%			OOO NOVATEK-Kamchatka	100%
OOO Arctic LNG 1	100%	OOO Cryogas-Vysotsk	51%			OOO Maritime Arctic Transport	100%
OOO Arctic LNG 2	60%					Rostock LNG GmbH	49%
OOO Arctic LNG 3	100%					OOO EkopromStroy	100%
OOO Chernichnoye	100%					OOO NOVATEK – Western Arctic	100%
OOO NOVATEK Scientific and Technical Center	100%					OOO NORDPORT	100%
AO NOVATEK-Pur[3]	100%					OOO SMART LNG	50%
OOO Obskiy LNG	100%					OOO Arctic Transshipment	100%
OOO North-Chaselskoye	100%					Novatek Asia Development Holding Pte. Ltd.	100%
OOO Yevo-Yakhinskoye	100%						

1. OOO NOVATEK-Yurkharovneftegas merged with OOO Severneft-Urengoy (100%) on 21 January 2019, and OOO Urengoyskaya gasovaya companiya (100%) on 22 January 2019.
2. Novatek Polska Sp. z o.o. merged with Blue Gaz Sp. z o.o. on 1 April 2019. In 2020, the combined company was named Novatek Green Energy Sp. z o.o.
3. AO Eurotek is out of business since 20 May 2019, merged into AO NOVATEK-Pur.

CHANGES IN THE COMPANY'S STRUCTURE

102-10

NOVATEK's participation interest in Arctic LNG 2 decreased to 60%

In March 2019, NOVATEK closed the sale of a 10% participation interest in Arctic LNG 2 to TOTAL. In July 2019, we closed the sale of 30% participation interests to new participants: a subsidiary of China National Petroleum Corporation (CNPC), a CNOOC subsidiary and Japan Arctic LNG, a consortium of Mitsui&Co and JOGMEC.

As at the end of 2019, the project's participants were PAO NOVATEK (60%), TOTAL (10%), CNPC (10%), CNOOC (10%), and Japan Arctic LNG (10%).

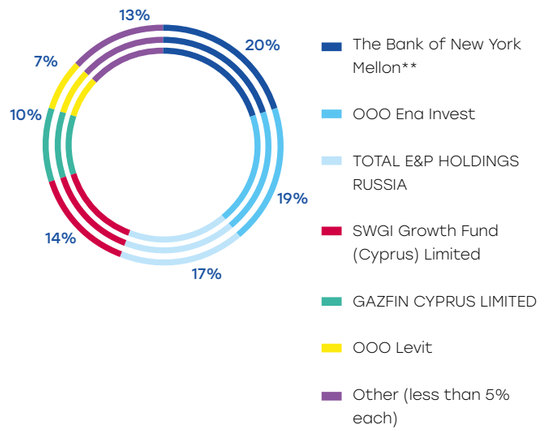
New subsidiaries

In 2019, the NOVATEK Group registered the following subsidiaries: OOO Arctic Transshipment (100%), OOO NOVATEK – Western Arctic (100%), OOO Obskiy LNG (100%) and Novatek Asia Development Holding Pte. Ltd. (100%). In addition, OOO North-Chaselskoye[1] (100%), OOO Yevo-Yakhinskoye[1] (100%) and OOO NORDPORT (100%) joined the Group in 2019.

Discontinued companies

In the reporting year, the NOVATEK Group discontinued the following subsidiaries[2]: AO Eurotek[3], OOO Severneft-Urengoy[4], OOO Urengoyskaya gasovaya companiya[6] and Blue Gaz Sp. z o.o.[6] OOO NOVATEK-Yarsaleneftegas was discontinued in 2019[1].

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 the share capital/ordinary shares. Record date is 6 September 2019.

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

As at the end of the reporting year, NOVATEK's total capitalization (total debt plus equity) as reported under IFRS aggregated RR 1,819,174 mln.

Share Capital Structure and Market Capitalization

The Company's share capital totals RR 303,630,600 divided into 3,036,306,000 ordinary shares with a par value of RR 0.1 each. NOVATEK's shares are traded in Russian roubles on the Moscow Exchange (MOEX). On the London Stock Exchange (LSE), NOVATEK's Global Depositary Receipts (GDR) are traded in US dollars. Each GDR represents 10 ordinary shares. As at 31 December 2019, NOVATEK's GDRs were issued on 586,183,910 ordinary shares comprising 19.31% of the Company's share capital.

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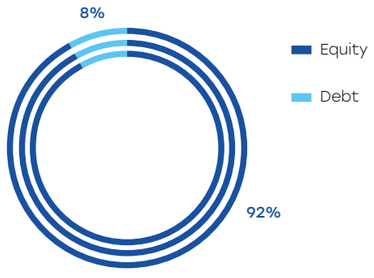
NOVATEK's total capitalization as at 31 December 2019



1. Due to AO Arcticgas reorganization.
2. Records of winding-up were made in the Unified State Register of Legal Entities.
3. Merged with AO NOVATEK-Pur.
4. Merged with OOO NOVATEK-Yurkharovneftegas.
5. Merged with OOO NOVATEK-Yurkharovneftegas.
6. Merged with Novatek Polska Sp. z o.o. In 2020, the combined company was named Novatek Green Energy Sp. z o.o.

Membership and Participation in Trade Associations

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Organization	Year of joining	Note
V. I. Vernadsky Non-Governmental Environmental Fund	2005	One of the Founders
Russian Gas Society (NPO)	2003	
National Association for Subsoil Use Auditing	2007	
Eurasian Union of Experts on Subsoil	2016	
European Association of Geoscientists and Engineers (EAGE)	2017	
Society of Petroleum Engineers (SPE)	2006	
Expert Council of the State Reserves Commission	2016	
Advisory Council of the Central Development Commission	2017	
Russian National Committee of the World Energy Council	2014	
Forum-Dialog (NPO)	2014	
Russian-Chinese Business Council (NPO)	2015	
St. Petersburg International Mercantile Exchange	2015	Member of the Natural Gas Section; engagement in the Section Council's activities
Russian-Spanish Business Council	2016	Leonid Mikhelson is the Council's Co-chairman
National Association for Technology Transfer	2017	
Union of Builders of the Yamal-Nenets Autonomous Region (self-regulatory organization)	2017	
Design Engineer (Association of Oil and Gas Design Organizations)	2017	
Field Engineer (Association of Oil and Gas Engineering Survey Organizations)	2017	
The Society for Gas as a Marine Fuel (SGMF)	2017	
Polish LPG Association (Polska Organizacja Gazu Płynnego)	2010	
Polish LPG Chamber (Polska Izba Gazu Płynnego, PIGP)	2018	
Polska Platforma LNG	2018	
The Future of Natural Gas Association (Zukunft ERDGAS e.V), Germany	2019	
Natural Gas Vehicles Association	2019	

Awards and Achievements

- In 2019, the Company ranked as a top performer in the RSPP's Responsibility and Transparency and Sustainable Development Vector indices.
- In 2019, NOVATEK was again included in the global FTSE4Good Emerging Index compiled by FTSE Russell to enable investors to assess corporate social responsibility and sustainable development of businesses.
- NOVATEK is one of the top performers among Russian public companies in Refinitiv's database covering over 7,000 public companies globally, across more than 400 different metrics.

INTERNATIONAL INITIATIVES

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Initiative	Company engagement
International Labor Organization's Declaration on Fundamental Principles and Rights at Work	The Company shares the Declaration's principles and incorporates them into its internal regulations.
UN Sustainable Development Goals (UN SDGs)	The Company aligns its goals and programs with the UN SDGs.
Extractive Industries Transparency Initiative (EITI)	The Company has applied EITI's best practices in disclosure of its payments to governments[1].
International standards	
Standard	Compliance by the Company
OHSAS 18001:2007 (or ISO 45001:2018)	10 out of 23 (43%) NOVATEK's subsidiaries engaged in hydrocarbon production, processing and transportation are certified under OHSAS 18001 (or ISO 45001:2018). Entities of the NOVATEK Group actively migrate their OHSAS 18001-compliant occupational health and safety management systems to ISO 45001:2018.
ISO 14001:2015	9 out of 23 (39%) NOVATEK's subsidiaries engaged in hydrocarbon production, processing and transportation are certified under ISO 14001:2015.
ISO 14064-1:2007	The Company's corporate Greenhouse Gas Emissions Management System is tailored to its production processes, feedstock and equipment. The system meets ISO 14064-1:2007 and Russian Government Resolution No. 504-R dated 2 April 2014, as well as the Guidelines for Calculating GHG Emissions approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated 30 June 2015.
Rankings and indices	
Ranking/index	Company engagement
Environmental transparency ranking of oil and gas companies by WWF	Included in the ranking.
FTSE4Good Emerging Index	Included in the index.
Sustainalytics	Independent ESG assessment.
MSCI	Independent ESG assessment and inclusion in the MSCI Emerging Markets ESG Leaders Index.
ISS (Institutional Shareholder Services)	Independent ESG assessment.
Dow Jones Sustainability Indices (DJSI): S&P DJI ESG Scores	Independent ESG assessment.
RSPP's sustainability indices	A top performer in the Responsibility and Transparency and Sustainable Development Vector indices.
Interfax-ERA's Fundamental Efficiency Rating 2019, Gas Production and Transportation category	A top-10 performer.
Refinitiv's ESG Index	A top ESG performer among Russian public companies.
Engagement International (EI)	Independent ESG assessment.

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

Sustainable Development Strategy

5

UN Sustainable Development Goals were prioritized by the Company

Our Approach to Sustainability

NOVATEK's operating model is focused on sustainability: we take into account the interests of all stakeholders and the global climate agenda, consistently run ongoing social programs, care for our employees and local communities, and strive to minimize our environmental footprint.

NOVATEK's Corporate Strategy adopted in 2017 for the period covering 2018 to 2030 recognizes sustainable development as an integral part of our business and a key driver of the Company's future success.

The Company not only strives to improve its financial and operational performance but also seeks to create sustainable shareholder value. With each passing year, NOVATEK endeavors to increase dividend payments commensurate with the Company's strong financial and operational performance.

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

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

As a major natural gas and LNG producer, NOVATEK is making a significant contribution to the systemic transition towards clean energy by reducing carbon emissions and increasing global resilience to climate change, which is currently a global challenge.

OG9 SUSTAINABLE DEVELOPMENT GOALS

Environmental responsibility	Responsibility to employees	Local development	Charity and sponsorship	Stakeholder engagement	Ethical business practices	Occupational safety
Mitigating environmental impact	Equality and non-discrimination	Improving living standards for local communities	Systematization of charitable activities	Respect for the rights and interests of all stakeholders	Zero corruption policy	Compliance with the highest health and safety standards
Sustainable use of natural resources and land	Creating a safe and healthy environment	Support to local communities, including indigenous peoples of the Far North	Targeted, high-impact social investments	Balance between economic feasibility and stakeholder expectations	Effective and transparent corporate governance framework	Technology innovation
Exercising reasonable care in implementing projects	Providing competitive salaries and career opportunities	Social partnership with regional authorities	Equal access to charitable support under relevant corporate programs to everyone in need of help	Ongoing dialogue and partnership with stakeholders	Respect for human rights and freedoms	Health and safety monitoring, audits and certification
Biodiversity conservation	Personnel training and development	Educational, sports and cultural programs	Transparent charitable activities	Transparency and information availability	Good business reputation	Emergency preparedness
Investment in a low-carbon economy	Social support to employees through dedicated programs			Taking into account stakeholder views and requests when preparing sustainability reports		
Compliance with global environmental standards						

Integrating the United Nations Sustainable Development Goals

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Adopted in 2015, the United Nations Sustainable Development Goals (UN SDGs) are the blueprint for global development to 2030, guiding and driving businesses to join forces around a common global agenda.

NOVATEK's Corporate Strategy and sustainability priorities are aligned with the UN SDGs.

In 2019, the Company started aligning the UN SDGs in accordance with its strategic goals and priorities. This alignment supports the positive contributions that NOVATEK has already made to sustainable development over the years. The Company has established a Working Group involving all functional departments to define its sustainable development strategy, including a roadmap for achieving the UN SDGs by 2030. First Deputy Chairman of the Management Board Alexander Fridman is the leader of the Working Group. In 2019, NOVATEK examined the UN SDGs relevant to the Company, essentially NOVATEK's goals that contribute to the UN SDGs. The Working Group identified 14 UN SDGs that the Company is already committing significant efforts and resources. Following a thorough review, five UN SDGs were prioritized by the Company in accordance with its strategy and industry specifics. NOVATEK places maximum effort into achieving these goals.

The Company does not limit its efforts to the prioritized UN SDGs and pursues initiatives across a number of areas to ensure sustainable development initiatives are implemented. NOVATEK makes significant contributions to the UN SDGs by implementing the following social and environmental programs.

OG9 NOVATEK'S PRIORITY UN SDGS

UN SDGs	NOVATEK's approaches to the UN SDGs	Programs and projects implemented in 2019
	Protecting the life and health of employees is a top priority for NOVATEK. NOVATEK ensures a safe working environment and is committed to achieving accident-free operations, while supporting a number of initiatives aimed at improving healthcare services and the health and well-being of its employees in the regions of operation. The Health Territory, Rehabilitation Center and Targeted Therapy charity projects aim at providing medical aid to children with disabilities, severe medical conditions and disorders not otherwise specified, as well as implementing medical education and professional development programs in the regions of operation.	NOVATEK continued its programs aimed at protecting the health of employees and improving the quality of healthcare services in the regions of operation. NOVATEK is running the following programs and initiatives: • Targeted compensation and social support payments • Voluntary medical insurance for employees • Therapeutic resort treatment and rehabilitation • Compensation for sports and recreation classes for employees • Sports events for promoting a healthy lifestyle The Rehabilitation Center, a new charity project for children with disabilities in the Yamal-Nenets Autonomous Region, was launched by NOVATEK in 2019. Assistance was provided to 266 children from Novy Urengoy, the Purovsky District and the Tazovsky District. In April 2019, the Company launched a new project, Targeted Therapy, aimed at helping children with brain tumors undergoing treatment at Dmitry Rogachev National Medical Research Center of Pediatric Hematology, Oncology and Immunology. In 2019, assistance was extended to 70 children. In the reporting year, NOVATEK continued its Health Territory project, under which 668 children received professional medical assistance. A new Telemedical Center project was launched in 2019 to establish a telemedical hotline to connect partner pediatric clinics in the Company's regions of operation and the Russian Children's Clinical Hospital. **Details are available in:** • **the Occupational Health and Safety section on p. 132** • **the Employment Practices section on p. 112** • **the External Social Policy section on p. 100**
	NOVATEK has a range of training programs for employees designed to unlock their potential and runs development programs boosting the potential of local communities.	In 2019, over 5,900 NOVATEK Group employees received training in various programs. Key training and development programs: • Professional development program • In-house training program • Steps in Discovering Talents program • Training program for CEOs of NOVATEK's subsidiaries and joint ventures • Gifted Children program • Grants program • NOVATEK-University The Company continued its "Innovator" project to collect and process employees' ideas on improving and developing business processes and activities. In 2019, employees from across NOVATEK and its 18 subsidiaries submitted more than 300 ideas. **Details are available in:** • **the Employment Practices section on p. 112** • **the External Social Policy section on p. 100**
	Energy is crucial in creating opportunities for all people. NOVATEK plays an important role in meeting the global energy demand by facilitating access to energy, improving energy efficiency, and supporting sustainable energy solutions. NOVATEK ensures uninterrupted supply of clean, safe, and affordable energy to global markets. NOVATEK exercises a reasonable and responsible approach to energy consumption and efficiency, implementing energy-saving initiatives at its facilities.	NOVATEK continued implementing its large-scale Yamal LNG project in 2019. Liquefied natural gas is an affordable and environmentally friendly fuel. The replacement of coal or petroleum products with LNG contributes significantly towards the goal of providing access to inexpensive, reliable and clean sources of energy. The Company plans to increase its LNG production up to 70 mmtpa by 2030. Cogeneration technology is used at the NOVATEK Group's facilities, which almost doubles the fuel efficiency, resulting in lower fuel gas consumption and a significant reduction of GHG emissions. **Details are available in:** • **the Environmental Performance and Protection section on p. 144** • **the Climate Change section on p. 36**

UN SDGs	NOVATEK's approaches to the UN SDGs	Programs and projects implemented in 2019
8 DECENT WORK AND ECONOMIC GROWTH	NOVATEK makes a significant contribution to the economic and social development in the regions of operation. The Company stimulates economic growth by expanding production, creating new jobs and paying taxes.	NOVATEK is one of the major employers in its key region of operation (the Yamal-Nenets Autonomous Region). Following investment agreements between NOVATEK's subsidiaries and the Government of the Yamal-Nenets Autonomous Region, the Company is committed to creating new jobs for the region's residents. In 2019, the Company hired a total of 2,818 new employees. NOVATEK creates and maintains a safe and secure working environment, and its stringent OHS requirements are also applied to its contractors' operations. **Details are available in:** • **the Occupational Health and Safety section on p. 132** • **the External Social Policy section on p. 100**
13 CLIMATE ACTION	The Company is developing the LNG industry, facilitating the global transition to cleaner burning natural gas instead of coal and petroleum derivatives and thus contributing to the reduction of GHG emissions. NOVATEK sees climate action as one of its top priorities. The Company is committed to making continuous improvements in technology, introducing best practices, and supporting the sustainable use of resources. The Company achieves its emission reduction goals by keeping specific GHG emissions below the target levels. We are committed to cutting GHG emissions.	NOVATEK is running a range of programs and activities aimed at climate change prevention, including: • using renewable energy sources • using cogeneration technology at gas turbine power plants • developing the filling station network and transition to gas motor fuel • innovative energy-efficient liquefaction technology • LNG transportation by sea **Details are available in:** • **the Climate Change section on p. 36**

OG9 NOVATEK'S CONTRIBUTION TO THE RELEVANT UN SDGS

UN SDGs	NOVATEK's approaches to the UN SDGs	Programs and projects implemented in 2019
1 NO POVERTY	NOVATEK creates new jobs, offers decent salaries, and runs projects improving the quality of life in the regions of operation. The Company helps local communities and the indigenous peoples of the Far North, providing charitable and targeted support to vulnerable groups of people.	In 2019, as in the previous years, NOVATEK personnel's minimum wage in its key region of operation (the Yamal-Nenets Autonomous Region) was significantly higher than the local minimum wage. The Company provided targeted financial and social support to vulnerable groups in 2019, purchasing equipment for people with limited mobility, providing assistance to low-income families, people in financial distress, veterans, and children with disabilities. In the reporting year, NOVATEK commenced the Plan to Promote the Sustainable Development of Indigenous Peoples through the Yamal LNG Project for 2019–2023. The Plan aims to improve the quality of life for indigenous peoples residing around the Yamal LNG project area through social and economic development initiatives tailored to the lifestyle and culture of indigenous people living in the modern environment. NOVATEK continued giving its employees special-purpose short-term loans. **Details are available in:** • **the Employment Practices section on p. 112** • **the External Social Policy section on p. 100**
6 CLEAN WATER AND SANITATION	When engaging with communities, NOVATEK seeks to address various problems faced by the local communities. Maintaining a clean water supply and securing necessary infrastructure is one of NOVATEK's social support priorities in the regions of operation.	In 2019, NOVATEK provided financial support to upgrade water treatment facilities with reverse osmosis water filtration in the Seyakha village in the Yamal District. The total cost of upgrades was RR 90 mln. The Company also provided drinking water filter systems with replaceable cartridges for a total of RR 6.3 mln. **Details are available in:** • **the External Social Policy section on p. 100**
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	NOVATEK provides financial support for landscape improvements, social infrastructure development, innovative solutions, and creating a positive environment conducive to regional development.	The Company undertakes state-of-the-art LNG projects in the Arctic Circle. Unique Arc7 ice-class LNG tankers were specifically designed and built for our Yamal LNG project, capable of navigating the Northern Sea Route without icebreaker support. In 2019, the Company launched the construction of a fourth train with a nameplate capacity of 0.9 mmtpa, based on NOVATEK's patented proprietary Arctic Cascade gas liquefaction technology. NOVATEK introduces cutting-edge innovations such as: • special oil-based drilling fluid • unique recycling units for drill cuttings • large-diameter and multihole horizontal wells • turboexpanders • unique methanol production plants • stable gas condensate on-spot loading system • solar panels and wind turbines **Details are available in:** • **the Operating Results section on p. 76** • **the Environmental Performance and Protection section on p. 144**

UN SDGs	NOVATEK's approaches to the UN SDGs	Programs and projects implemented in 2019
10 REDUCED INEQUALITIES	NOVATEK is committed to providing equal opportunities to all employees, respects human rights, and does not tolerate discrimination on any grounds. The Company's social programs aimed at local communities are designed to meet the needs of different social groups.	NOVATEK supports human rights initiatives and pursues a policy aimed at building strong relationships with local communities. The Company implements educational, cultural, sports and social projects for the benefit of local communities and its personnel. All social programs are subject to an annual review for relevance. **Details are available in:** • **the Employment Practices section on p. 112** • **the External Social Policy section on p. 100** • **the Ethics section on p. 70**
11 SUSTAINABLE CITIES AND COMMUNITIES	The Company supports local communities and contributes to the social and cultural development in the regions of operation.	NOVATEK annually enters into agreements with the regional governments across its geographical footprint. NOVATEK promotes social and economic sustainability and develops the regions of operation through social investments and various charitable and sports programs. **Details are available in:** • **the External Social Policy section on p. 100**
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	NOVATEK is committed to sustainable use of natural resources, lower energy consumption, and waste reduction, which drive the Company's operational efficiency. The Company carries out monitoring and operational control at its enterprises, only choosing those partners and suppliers who share its values.	NOVATEK is committed to sustainable water use and efficient wastewater treatment. The Company devotes considerable efforts to ensure sustainable use of natural resources and promotes a responsible attitude among its employees and partners, including: • constant environmental monitoring and operational control; • effective pollution and waste management aimed at gradual reduction; • energy-saving efforts, both administrative and technical; • employees and contractors training on environmental protection and safety. **Details are available in:** • **the Environmental Performance and Protection section on p. 144**
14 LIFE BELOW WATER	Committed to ensuring environmental integrity, NOVATEK collaborates with research centers and carries out regular environmental monitoring, assessing the impact from its operations on water resources. The Company is working to raise awareness among its employees and contractors about the need to protect marine ecosystems.	In 2019, the Company decided to develop and implement a comprehensive program for environmental monitoring of the Ob Bay within the area affected by Yamal LNG. The program is based on historical scientific data, studies of last decades and the project's own engineering and environmental surveys, and accounts for assessment of cumulative impacts in the Ob Bay in case of simultaneous works under the existing and prospective projects of the Company. NOVATEK continued supporting an aquatic biodiversity protection program. In 2019, the Company funded the research of juvenile muksun and broad whitefish stocking efficiency. In the reporting year, as part of artificial propagation of marine biological resources, 8.89 mln juvenile whitefish were released into the Ob and Irtysh district rivers of the Northwestern (White Sea) basin. **Details are available in:** • **the Environmental Performance and Protection section on p. 144**
15 LIFE ON LAND	NOVATEK takes a responsible approach to environmental protection, striving to ensure sustainable resource use and land protection. The Company educates its employees and contractors on biodiversity protection measures.	NOVATEK conducts constant environmental monitoring and operational control. In 2019, a multi-year project was launched to monitor arctic fox population as an indicator of the natural habitat status in the Yamal LNG project area. Bird and mammal fauna in the Yurkharovskoye oil, gas and condensate field was monitored in 2019. NOVATEK conducted flora monitoring on 15 permanent test sites established for assessing phytodiversity protection progress across all habitats and identifying dynamic processes stimulated by both anthropogenic and zoogenic factors. **Details are available in:** • **the Environmental Performance and Protection section on p. 144**
17 PARTNERSHIPS FOR THE GOALS	NOVATEK continuously works to enhance its collaboration with stakeholders, engaging in an open dialogue with partners to drive sustainable development in the regions of operation.	The Company enters into cooperation agreements with local governments across its geographical footprint and invests in projects that contribute to social and economic well-being within the regions. NOVATEK seeks to ensure productive bilateral communication with all its stakeholders. NOVATEK always holds public hearings when planning projects with potential environmental impact. Details on the planned public hearings and their results are shared through national and regional media. **Details are available in:** • **the Stakeholder Engagement section on p. 44** • **the External Social Policy section on p. 100**

Climate Change

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Renewable energy sources

0.26

tons of CO_2 E per ton of LNG

Specific GHG emissions at LNG production facilities

The question of climate change is a fundamental sustainability topic impacting the global business community and society as a whole. Climate change initiatives are becoming increasingly important topics that impacts all facets of life. NOVATEK recognizes the need for climate risk strategy, energy-efficient technology, responsible greenhouse gas (GHG) emissions management, and minimal environmental impact of its operations in the context of climate change. NOVATEK supports the Paris Agreement and makes every effort to curb GHG emissions.

NOVATEK's Corporate Strategy published in 2017 utilized the forecasts from IHS Markit, which included scenarios accounting for the Paris Agreement in terms of reducing global CO_2 emissions. The forecasts were based on the following key assumptions:

- significant progress in reducing GHG emissions and air pollution;
- improved energy efficiency;
- active spread of renewables;
- a shift from coal to cleaner energy sources.

Climate Change Management

NOVATEK has a procedure for assessing climate change-related risks and opportunities relating to its impact on the Company's operations when preparing surveyor's reports for risk insurance purposes. This procedure is a standard element of NOVATEK's Environmental Management System certified to ISO 14001:2015.

A Greenhouse Gas Emissions Management System designed in accordance with the "Climate Doctrine of the Russian Federation" is an integral part of the Company's Environmental Management System. NOVATEK has compiled an inventory of GHG emissions sources and developed a greenhouse gas emissions estimation module within the Greenhouse Gas Emissions Management System, defining specific GHG emission targets for each business line (hydrocarbon production and processing, and LNG production).

Issues related to GHG emissions[1] fall within the authority of NOVATEK's top management, and in particular the First Deputy Chairman of the Management Board, who is responsible for the Integrated HSE Management System.

Risks and Opportunities

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

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

According to the International Energy Agency (IEA), coal-to-gas switching can provide "quick wins" for global emissions reductions. Theoretically, up to 1.2 gigatons (Gt) of CO_2 could be avoided using existing infrastructure in the power sector, allowing the global power sector to cut its emissions by nearly 10%[2].

Most analysts forecast that the shares of coal and petroleum products in the energy mix will decline, while the share of natural gas will see steady growth. Subject to the volumetric growth of total energy consumption, global demand for natural gas and LNG is projected to grow.

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

Natural gas will serve as a bridge for the fundamental shift from environmentally harmful fossil fuels toward cleaner energy sources. The Company's Corporate Strategy up to 2030 projects that LNG will play an important role in replacing coal for power generation, and its current, wider use as a marine fuel will continue to expand.

For example, 57 mmt of LNG annually could replace up to 139 mmt of bituminous coal, preventing emissions of about 159 mmt of CO_2 and contributing to global carbon footprint reduction. NOVATEK's strategy also provides for promoting LNG and compressed natural gas (CNG) as motor fuels, being a more environmentally friendly alternative to diesel fuel and therefore contributing to lower emissions.

The recent changes in environmental regulation also create strategic opportunities for NOVATEK. The new international environmental regulations on marine fuels (IMO 2020) will have a large impact on shipping and shipbuilding industries, eliminating fuel oil and expanding the share of LNG used as a marine fuel. LNG and CNG are also used as motor fuels, and NOVATEK's strategy provides for small-scale LNG supplies development to provide cleaner-burning natural gas to commercial transport, buses, haul trucks and locomotives.

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

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

Shipping LNG eastbound via the Northern Sea Route significantly cuts the transportation time to the Asian-Pacific markets, thus reducing the climate impact from transportation (for example, shipping times to Asia are accelerated by over 40%).

NOVATEK has a strong focus on the risks related to climate change and GHG emissions. NOVATEK's risk management system enables integrating climate change risks into both executive decision-making and day-to-day operations.

NOVATEK has developed and is implementing its Greenhouse Gas Emissions Management System Standard. The Standard augments the Integrated Management System to the extent that qualitative assessment of GHG emissions and GHG emissions reporting are concerned. NOVATEK assesses risks and opportunities at least once a year, reviewing GHG emissions reports that are submitted to the Company by subsidiaries and joint ventures. An unscheduled assessment of risks and opportunities is conducted when the target indicators change, or a stakeholder request is received.

As a short-term objective, the Company has declared its ambition to keep specific GHG emissions below the target levels. NOVATEK has set a base year in terms of specific GHG emissions for each business line: 2016 for production facilities, 2017 for hydrocarbon processing facilities, and 2018 for LNG production facilities. The performance against targets for specific GHG emissions is evaluated by comparing the actual emission levels to baseline levels. The Company strives to curb specific GHG emissions below baseline levels, with GHG emissions in 2019 kept below baselines.

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

- Transition risks can occur when moving towards a decarbonized economy including as a result of changes in stakeholder behavior, regulations, or other changes (transition risks include carbon pricing, technology advancement, or change in consumer behavior).
- Physical risks can have a direct impact on assets or indirectly affect business value chains. Physical risks are categorized into acute risks (for example, storms, hurricanes, floods, and other natural disasters) and chronic risks (for example, higher temperatures leading to rising sea-levels or periods of abnormally high temperatures).

SPECIFIC GHG EMISSIONS BY FACILITIES IN 2019

	Specific emissions in the base year	Specific emissions in 2019
Production facilities, tons of CO_2 equivalent per 1 mboe	15.85	12.58
Processing facilities, tons of CO_2 equivalent per 1 ton of processed hydrocarbon feedstock	0.041	0.034
LNG production facilities, tons of CO_2 equivalent per 1 ton of LNG	0.27	0.26

12.58 tons of CO_2 E per mboe

Specific GHG emissions at production facilities

0.22 kWh/kg

Energy efficiency of using innovative natural gas liquefaction technology "Arctic Cascade"

1. Details on GHG emissions are available in the Environmental Performance and Protection section on p. 150.
2. World Energy Outlook 2019, IEA.

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

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

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

The fields are also subject to continuous cryological monitoring, which shows that the risk of permafrost thawing, and degradation is currently insignificant and does not affect the Company's operations.

NOVATEK operates an environmental management system certified to ISO 14001:2015 to ensure sustainable use of resources and minimize the adverse impact the Company's operations may have on the environment.

The Company adheres to the principle of responsible investment in operations, which implies that new design solutions, technologies, and equipment installed help minimize environmental impact.

In 2019, NOVATEK continued its participation in the Carbon Disclosure Project in line with the Reporting Guidance for companies making climate change disclosures in response to a request from an investor or a supply chain member.

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NOVATEK has calculated the carbon footprint of its products. The GHG Intensity ratio[1] was at 298 kg of CO_2 equivalent per 1 barrel of oil equivalent (boe) of products, which is below the global average and one of the top results among Russian oil and gas companies.

298

kg of CO_2 equivalent per 1 boe

The GHG Intensity ratio

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

Climate Protection Initiatives

Program for Rational Use of Associated Petroleum Gas (APG)

In 2019, APG utilization rate across the NOVATEK Group was at 83.3%. The Company makes every effort for the rational use of APG. For example, a technology for injecting APG into reservoirs is being implemented at the Yarudeyskoye field in 2020, which will result in reduced APG flaring and lower absolute emissions of pollutants and GHG emissions. NOVATEK plans to achieve APG utilization rate of at least 95% in 2020.

Use of renewable energy sources

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

Cogeneration technology at gas turbine power plants

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

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

NOVATEK is developing the market segment for natural gas as a motor fuel by expanding the network of its gas retail stations in various Russian regions. In 2019, Novatek Polska[1], a NOVATEK subsidiary, launched an LNG filling station for cargo trucks in Rostock, Germany. The LNG filling station can refuel up to 120 vehicles per day.

This LNG filling station is NOVATEK's first in Europe, as the Company plans to build a network of stations in Germany and Poland within the next few years at key transport connecting points. NOVATEK's strategy as a natural gas and LNG producer implies greater involvement in further developing natural gas as a motor fuel both in Russia and abroad. Converting a vehicle to LNG enables a significant reduction of soot and carbon monoxide emissions compared to conventional fuels (gasoline and diesel).

Innovative energy-efficient liquefaction technology

Yamal LNG is constructing a 900 thousand ton per annum liquefaction train (Train 4) using "Arctic Cascade", an innovative energy-efficient liquefaction technology patented by NOVATEK. High efficiency during the liquefaction process is ensured through a two-stage cooling process with ethane and nitrogen as refrigerants. The Arctic climate allows using pure ethane condensed in air coolers for pre-cooling. At 0.22 kWh/kg, "Arctic Cascade" is approximately 20% more efficient than C3MR[2], the most widely used liquefaction process. Yamal LNG's Train 4 will be launched in 2020.

LNG transportation by sea

The Yamal LNG project utilizes a fleet of 15 Arc7 ice-class LNG tankers that use Wartsila 12V50DF and Wartsila 9L50DF engines with a combined power of 39.6 MW (a 172,845 cubic meters Christophe de Margerie, the lead ship in the series). The technology enables the engine to be operated on either heavy fuel oil (HFO) or boil-off gas from an energy recovery system with Cryostar LNG boil-off gas compressors. The use of LNG as a marine fuel leads to reduced air emissions of combustion products, including greenhouse gases, from engines compared to heavy marine fuels (fuel oil).

up to

120

Cargo trucks per day can be refueled at LNG filling station in Rostock

1. Novatek Polska was renamed to Novatek Green Energy on 3 February 2020.
2. Mixed refrigerant liquefaction technology with propane pre-cooling.

Stakeholder Engagement

25

Briefings for Russian and international media

more than

30

Key industry investment conferences

Stakeholder Engagement Principles

102-43
NOVATEK seeks to engage stakeholders in the most effective and efficient way by leveraging all communication channels and methods. The Company promptly responds to stakeholders' requests, is open to meaningful dialogue, and respects their interests and concerns.

102-42
NOVATEK's stakeholder universe is quite diverse given the scale of the Company's business and its impact on the economy and social environment in the regions of presence, as well as on the development of the oil and gas sector in Russia and globally. The Company places a special focus on such key stakeholder groups as shareholders, employees, and local communities, as their welfare is directly dependent on the Company's performance and sustainability.

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

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

Stakeholder engagement principles:

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

102-40
Stakeholder Universe:

- Shareholders
- Investors
- Analysts
- Employees
- Trade unions
- Federal and local authorities
- Local communities
- Partners
- Suppliers and contractors
- Customers
- Civil society organizations
- Industrial, academic, and research community
- Media

Investor and analyst relations

Investor and analyst engagement is a key tool to enhance NOVATEK's investment case and build sustainable shareholder value.

The Company seeks to provide investors and analysts with full and transparent information. To this end, all data about the Company is consolidated, processed and duly verified by both employees and external auditors.

The Investor Relations function is headed by Deputy Chairman of the Management Board Mark Gyetvay is a regular speaker at major industry conferences and forums, such as meetings by GE Oil & Gas in Florence, International Petroleum (IP) Week and Oil & Money in London, CERAWeek in Houston, Flame in Amsterdam and many others. He also attends and speaks annually at major industry exhibitions, for example, the Gastech international exhibition.

NOVATEK incorporates best international practices in fostering and communicating with its investor and analysts. The communication includes all kinds of channels from participating in industry events and organizing conference calls to responding to requests via e-mail and phone.

NOVATEK holds four earning conference calls per year, following the publication of financial statements under IFRS – three quarterly financial information and a full-year audited set of financial statements. Among the participants of the conference calls are Mark Gyetvay, who presents the Company's financial and operating results, the Chairman of the Management Board and heads of major business units.

Key information is available in the Investor Relations section on our website: **http://www.novatek.ru/en/investors/**.

Other important channels to communicate with investors and analysts include one-on-one meetings and investment conference calls held by banks or upon request from institutional investors. At these meetings, NOVATEK's representatives can talk to investors and analysts in person, provide all the necessary information and answer the most urgent questions about the Company and its performance.

The second annual open Suppliers and Contractors Forum in Moscow

During the COVID-19 pandemic in 2020, the Company organized over 50 audio and video conference calls with investors and analysts, including 11 online investor conferences.

NOVATEK places a high emphasis on ESG disclosure as an important aspect of investor and analyst engagement. Responsible Investment focus is gaining traction worldwide. The demand for the information on sustainable development by investors and analysts has grown exponentially for companies, rating agencies require more detailed disclosures, and investment funds have established dedicated teams to assess ESG scores. Many investors are only willing to invest in highly sustainable and transparent companies that meet certain ESG thresholds.

NOVATEK has incorporated many aspects of ESG practices for several years. The information on the Company's sustainable development and ESG performance is published in the annual sustainability reports, quarterly financial information under IFRS, annual reports, and all corporate documents (policies, regulations), available on the Company's website: **http://www.novatek.ru/en/about/management/doc/**. The Company also processes requests and questionnaires sent throughout the year by rating agencies and investment banks.

The Company also discloses its ESG scores and/or receives an independent assessment based on open sources, primarily sustainability reports.

NOVATEK is included in the following rankings and indices:

- FTSE4Good ESG index;
- Indices of corporate governance, social and environmental responsibility (ESG) by Refinitiv and Bloomberg;
- Environmental transparency ranking of oil and gas companies by WWF;
- The Responsibility and Transparency and Sustainable Development Vector indices by RSPP;
- Fundamental Efficiency Rating, "Gas Production and Transportation" category;
- Sustainalytics;
- MSCI Emerging Markets ESG Leaders Index;
- Institutional Shareholder Services (ISS) ;
- S&P Dow Jones Indices ESG Scores;
- Engagement International (EI).

Stakeholder Engagement Matrix

102-44

Channels	Frequency	Key events in 2019	Focus areas
SHAREHOLDERS			
Shareholder meetings	at least once a year	Annual General Meeting of Shareholders held on 23 April 2019 Extraordinary General Meeting of Shareholders held on 30 September 2019 Shareholder queries replied to; public information prepared and disclosed	Profit distribution, dividend payout, annual report approval Appointment and remuneration of the Board of Directors and Revision Commission Approval of external auditors Approval of the annual report and annual financial statements (in accordance with the Russian Accounting Standards)
Press releases and corporate action notices	All year		
Shareholder queries (via phone and mail)	All year		
Financial disclosures	quarterly, annually		
Annual and sustainability reports	annually		
Corporate Secretary	All year		
INVESTORS AND ANALYSTS			
Press releases and corporate action notices	All year	Financial disclosures and conference calls held quarterly and annually Participation in more than 30 key industry investment conferences More than 300 one-on-one meetings via phone and at industry and investment conferences, forums and exhibitions at various financial centers of the world 70 press releases published Annual Report 2018 and Sustainability Report 2018 published Investor and analyst queries replied to; public information, including for S&P Dow Jones Indices, FTSE Russell, Sustainalytics, MSCI, Institutional Shareholder Services (ISS), Engagement International (EI) indices and rankings, prepared and disclosed Carbon Disclosure Project (CDP) and CDP Water Disclosure questionnaires completed Participation in various industry events (conferences, exhibitions, forums): The 2019 BHGE Annual Meeting in Florence (Italy), European Gas Conference 2019 in Vienna (Austria), Annual Credit Suisse Energy Summit 2019 in Vail (USA), International Petroleum Week 2019 in London (UK), Credit Suisse's LNG Mini Conference 2019 in New York (USA), Allianz Global Investors' Asia Conference 2019 in Berlin (Germany), CERAWeek 2019 in Houston (USA), Brussels Forum 2019 in Brussels (Belgium), LNG2019 in Shanghai (China), Flame 2019 in Amsterdam (the Netherlands), Scotia Howard Weil's 2019 Annual Energy Conference in New Orleans (USA), Global Natural Gas Roundtable 2019 at the School of International and Public Affairs (SIPA, Columbia University) in New York (USA), Roundtable for Oil & Gas Cooperation 2019 in Beijing (China), CEE Small-Scale LNG Forum 2019 in Vilnius (Lithuania), G20 Natural Gas Day 2019 in Tokyo (Japan), Oil & Money 2019 in London (UK), Gastech 2019 in Houston (USA), CWC World LNG & Gas Series: 11th Asia Pacific Summit in Singapore, CWC World LNG Summit in Rome (Italy), Budapest LNG Summit 2019 in Budapest (Hungary), USRCC Senior Executive Leadership Speaker Series in Houston (USA), LNGgc in London (UK)	The Company's development strategy The Company's operating and financial performance The Company's competitive position Company and industry outlook Sustainable development
Financial disclosures and conference calls	quarterly, annually		
Annual and sustainability reports	annually		
Inclusion in leading sustainability rankings for investors	All year		
One-on-one and group meetings, conference calls, presentations	All year		
Investor requests	ad-hoc		
Participation in CDP and CDP Water Disclosure	annually		
Site visits	ad-hoc		
Information update on the corporate website	All year		
Participation in conferences and summits	All year		
EMPLOYEES (including family members and retired employees)			
In-person meetings of the management with employees	All year	Implementation of social programs, pursuant to the approved Core Concept of Social Policy Occupational health and safety training and certification of employees Issue of a corporate newspaper and magazine Health resort treatment for employees The NOVATEK Group Executives Forum, dedicated to capabilities of a modern company and skills of a modern manager The 14th Interregional Research-to-Practice Conference for the Company's young specialists Excursions to partner museums, attendance of theater performances and classical music concerts organized for employees and their family members Cultural, entertainment and sports events for employees and their families held, corporate clubs for acrobatic rock'n'roll set up Weekly futsal trainings at the Luzhniki Stadium organized for employees Participation of the Company's volleyball team in the Business Champions League's competitions Employees were given an opportunity to attend matches featuring the Russian national football team, Russian men's and women's volleyball championships, tournaments with the participation of the Student Basketball Association teams, and competitions organized by the All-Russian Federation of DanceSport and Acrobatic Rock'n'Roll	Advanced training for staff Social benefits and guarantees Occupational health and safety Employee compensation system improvement Cultural training in key art movements of the 20th and 21st centuries Promotion of a healthy lifestyle and sports among employees and their families
Corporate social programs	All year		
Collective bargaining agreements	All year		
Corporate media	All year		
Educational and advanced training programs	All year		
Steps in Discovering Talents program for young specialists	All year		
Developing and improving the corporate technical competency assessment system program for various lines of business	All year		
Sustainability reports	annually		
Security Hotline	24/7		
Cultural and sports events	All year		
TRADE UNIONS			
Discussion and signing of collective bargaining agreements	once every three years	Participation of the Company's management in four trade unions meetings	Performance under collective bargaining agreements Occupational health and safety Protection of employees' rights and interests
Discussion and signing of addenda to collective bargaining agreements	ad-hoc		
Participation of the Company's management in trade union committee meetings	All year		
Attendance of trade union conferences by the Company's management	All year		
Participation in joint occupational health and safety committees	All year		
Joint efforts as regards recreational, sports and cultural events	All year		
Sustainability reports	annually		

Channels	Frequency	Key events in 2019	Focus areas
GOVERNMENT AUTHORITIES			
Federal			
Contribution to law-making	All year	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 Participation in meetings held by the Russian Ministries of Energy, Industry and Trade, Economic Development, Natural Resources and Environment, Transport, Federal Agency for Maritime and River Transport, and other federal authorities Participation in the activities of the Marine Board under the Government of the Russian Federation Participation in the activities of the Russian–Asian Pacific and Russian–European intergovernmental commissions on energy, economic, industry, and R&D cooperation Participation in government delegations to foreign business events Participation in the events organized by the Russian Union of Industrialists and Entrepreneurs (RSPP) Participation in the working group responsible for the Eurasian Economic Union Common Gas Market Action Plan Taking part in the activities of a working group on the removal of administrative barriers at the Government Commission on the Use of Natural Resources and Environmental Protection 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 Engagement with the Expert panel for the creation of a mechanism ensuring state support of consumers of import substitution products under the Russian Ministry of Industry and Trade Proposals on government`s support for industrial enterprises prepared Proposals for developing, amending, and harmonizing regulations to implement LNG projects prepared Participation in the interdepartmental working group on priority initiatives for the local manufacturing of critical equipment and materials required for medium- and large-scale LNG production and construction of LNG carriers Participation in the working groups of the Ministry of Natural Resources and Environment of the Russian Federation on entrepreneurship, biodiversity conservation, and urgent forest management matters Participation in the working groups on energy, environment and nature management, occupational, fire, sanitary and epidemiological safety, forestry, land use, real estate, and water transport to apply the “regulatory guillotine” concept	Detailing the Action Plan and reviewing and discussing proposals on the development of a test stand for cryogenic equipment and respective process model Discussing issues and developing initiatives related to supporting Russian manufacturers and equipment localization Fuel and energy sector development in the current and future conditions Developing the Arctic transport system Energy efficiency and energy development Eliminating administrative barriers in the subsoil and natural resource use Air emissions reduction Industrial safety Replacement of mineral resources Implementing Draft Concept for Development of the Common Gas Market in the Eurasian Economic Union Protection of rights for indigenous peoples of the Far North Biodiversity matters Subsoil resource development in forests, reforestation and reafforestation matters Developing initiatives related to supporting Russian manufacturers and equipment localization
Participation in working groups, meetings, round-table discussions, conferences, forums	All year		

Channels	Frequency	Key events in 2019	Focus areas
		Participation in the activities of the Committee on Environment and Nature Management of the Chamber of Commerce and Industry of the Russian Federation Participation in the activities of the working group of the Federal Forestry Agency (Rosleskhoz) on enhancing regulation for responsible forest management, as well as forest preservation, prosperity, and care Participation in the Scientific and Technical Council of the Federal Service for Supervision of Natural Resources (Rosprirodnadzor) Participation in the St. Petersburg International Economic Forum, Eastern Economic Forum, Arctic: Territory of Dialogue International Arctic Forum, international forums Transport of Russia and Arctic: Today and the Future, as well as engagement with the forums’ steering committees. Participation in the Russian Energy Week international forum on energy efficiency and development, and Russia Health and Safety Week 2019.	
Local			
Interaction under cooperation agreements on the social and economic development of local communities	All year	Engagement with local authorities on engaging industrial enterprises in project implementation Implementation of social and economic programs pursuant to agreements with the governments of the Yamal-Nenets and Khanty-Mansiysk Autonomous Regions, as well as municipalities in the Yamal-Nenets Autonomous Region, and the governments of the Kostroma, Leningrad, Murmansk, Tyumen, and Chelyabinsk Regions Participation in conferences and forums involving local industrial enterprises and authorities Participation in the meeting on compliance with the Forest Code of the Russian Federation in terms of reforestation and restrictions on hydrocarbon assessment and development in the forest reserves of the Yamal-Nenets Autonomous Region Participation in the Expert Council on Nature Management of the Yamal-Nenets Autonomous Region Participation in the Yamal Oil and Gas 2019 exhibition and conference Press tours and site visits for journalists, interviews with the Company’s management	Implementation of promising LNG projects Engagement of local manufacturers Economic development of the regions Improving living standards, educational programs Improving urban infrastructure and social infrastructure facilities Protection of rights for indigenous peoples of the Far North Reforestation and reafforestation
Participation in meetings, round-table discussions, conferences, forums, etc.	All year		
Disclosure of information on the Company’s activities in the local media	All year		

Channels	Frequency	Key events in 2019	Focus areas
LOCAL COMMUNITIES			
Cooperation agreements on social and economic development of local communities	All year	Press tours and site visits for journalists, interviews with the Company's employees, introduction of social programs Participation in the exhibition of the Arctic: Territory of Dialogue conference and the 9th Arctic: Today and the Future international forum Programs and disbursements to indigenous peoples of the Far North (as provided for by the Agreement with the Government of the Yamal-Nenets Autonomous Region) Financial support provided to the Yamal for Descendants Association of Indigenous Peoples in the Yamal-Nenets Autonomous Region and its district branches Financing the purchase of equipment, machines and materials for indigenous peoples, purchasing mobile housing units and technical facilities for tundra population, clans and trading posts Purchasing medical devices for people with disabilities, financing of treatment, financial assistance to people in financial distress	Employment in the regions of operation Social programs aimed at improving the quality of life for indigenous peoples Financing the repairs of urban infrastructures Preserving the national identity of Northern peoples Supporting low-income population Social programs aimed at improving the quality of life for indigenous peoples Interaction of industrial enterprises with indigenous peoples Legal status of indigenous peoples of the Far North
Interaction with associations of indigenous peoples of the Far North	All year		
Targeted support to welfare beneficiaries	ad-hoc		
Letters to public authorities	ad-hoc		
Public hearings	ad-hoc		
Advisory board in the Yamal District	ad-hoc		
Round tables in the Purovsky and Tazovsky Districts	three to four times a year		
Disclosure of information on the Company's activities in the local media	All year		
Population surveys	ad-hoc		
Sustainability reports	annually		
Security Hotline	24/7		
PARTNERS under joint initiatives			
Cooperation agreements	All year	Effective interaction under joint initiatives and cooperation agreements A number of executive meetings between companies Participation in exhibitions and conferences: St. Petersburg International Economic Forum, 5th Arctic: Territory of Dialogue International Arctic Forum, Eastern Economic Forum, Tyumen Oil and Gas Forum, International Commercial Vehicle Show COMTRANS, Russian Energy Week, Oil & Money conference (London), 12th Eurasian Economic Forum (Verona), Murmansk International Business Week, 9th International Forum Arctic: Today and the Future	Joint initiatives Perspectives and areas of cooperation Import substitution and local manufacturing of equipment in Russia
Joint initiatives	All year		
Shareholder meetings	All year		
Management meetings	All year		
Working group meetings	All year		
Security Hotline	24/7		
Briefings	ad-hoc		
Participation in exhibitions and conferences	All year		

Channels	Frequency	Key events in 2019	Focus areas
SUPPLIERS AND CONTRACTORS			
Supplier selection process	all-year-round, using an electronic bidding platform (as needed)	Meetings with manufacturers of oil and gas equipment and materials organized, strategic agreements entered into with key partners Organizing the Suppliers and Contractors Forum to inform on plans for implementing promising and capital construction projects and engaging with potential partners Qualification assessment for Russian and international manufacturers to participate in the NOVATEK Group's projects Tenders on the electronic bidding platform for selecting the NOVATEK Group suppliers Participation in Russian and international procurement conferences, exchange of experience with the largest Russian and international manufacturers and engineering companies	Equipment specifications, pricing, delivery terms, supply chain management Industrial safety Import substitution potential Relations with suppliers and contractors Discussions with major manufacturers on the needs for process equipment, pipe, and steel structures for NOVATEK's projects, including LNG projects, as well as potential initiatives for improving the competitiveness of Russia-made products and creating the environment to enhance import substitution and production localization in Russia Best practices in procurement Preventing abusive practices when signing contracts
Participation in trade shows, forums, and other events	All year		
Replies to queries received via the website (Sales and Tenders page)	All year as per requests		
Qualification procedures for suppliers (including facility audits)	All year		
Security Hotline	24/7		
CUSTOMERS			
Telephone inquiry service	daily (business days)	Receipt and distribution of phone calls to NOVATEK's Help Desk number indicated on the corporate website: • handling queries • forwarding calls to respective business units as well as subsidiaries and joint ventures Meeting visitors to the Company's head office Enhancing administrative support to facilitate business networking during official negotiations and meetings Providing brief information on NOVATEK's profile during the Company's participation in major forums and conferences (meetings visitors at the Company's stand) Questions on technical support of services and proposals on improving Customer Account replied to Daily interaction with business customers arranged Publications to inform customers on gas supply terms, running campaigns, and events	Production and supply of gas, liquid hydrocarbons, and LNG (in Russia and abroad), pricing
Customer Account service on the website	24/7		
Contact Information	All year		
Security Hotline	24/7		
Counterparty Account service for business customers	24/7		
Meetings on payment discipline	All year		
Publication of information in the media	All year		

Channels	Frequency	Key events in 2019	Focus areas
CIVIL SOCIETY ORGANIZATIONS			
Membership and cooperation	All year	Cooperation with V. I. Vernadskiy Non-Governmental Environmental Fund, participation in its Ecological Culture. Peace and Harmony contest and the Russian national environmental campaign Green Spring Cooperation with the World Wildlife Fund (WWF) Cooperation with the Marine Mammal Council on preservation and study of the Atlantic walrus in the south-eastern Barents Sea and adjacent waters (within the Yamal LNG project) Cooperation with CDP on carbon emissions and water use Supporting programs for creating and operating a monitoring system to preserve the Siberian tiger and the Amur leopard Supporting long-term programs for preserving the Siberian tiger and the Amur leopard Participation in the Climate and Responsibility national contest Participation in the Ecologist's Day 2019 national campaign	Biodiversity and biological resources conservation Environmental protection Waste and water resource management in the oil and gas industry Sustainable development Climate change and GHG emissions Taxation
Participation in conferences, forums, and other events	All year		
Sustainability reports	annually		
SOCIETY			
Interaction with leading sports and cultural institutions	All year	Support of major Russian museums, theaters, and creative teams, promotion of joint programs in the regions of the Company's operation Support and implementation of sports projects and programs on the federal and local level Assistance to children in desperate need in the regions of the Company's operation, under NOVATEK's charity program: projects for children with severe medical conditions, disabilities, cancer, as well as visually impaired children and extremely low birth weight babies Assistance to children deprived of parental care, patronage assistance to orphanages, children suffering from various illnesses, as well as elderly people and veterans	Philanthropy and sponsorship efforts Support and development of cultural projects Promoting sports, organizing and supporting competitions for schoolchildren, students, and professional sports teams Targeted assistance to ill children, development of healthcare and medical education programs in the regions of the Company's operation. Promoting new technologies in the Russian healthcare Provision of support and financing to orphanages and boarding schools, development and implementation of corporate volunteering programs
Interaction with non-profit organizations	All year		
Philanthropic efforts	All year		
Volunteer movements	All year		

Channels	Frequency	Key events in 2019	Focus areas
MEDIA			
Press releases	All year	70 press releases published and sent to media 25 briefings for Russian and international media held 19 site visits for journalists, including to the Company's regional production facilities involved in the implementation of NOVATEK's projects Meeting between the Chairman of the Management Board Leonid Mikhelson and editors-in-chief of leading Russian media (Interfax, TASS, Rossiya Segodnya, Kommersant, Vedomosti, and other) TV spots on engaging Russian industrial enterprises in NOVATEK's LNG projects, featuring representatives of Russian companies, for federal and local TV channels More than 80,000 publications issued in 2019, including 10,000 issued in foreign media	Strengthening the Company's position in the global LNG market, development of existing LNG projects, engaging new partners, and expansion into new markets Media coverage of the Company's current operations, engagement of Russian industrial enterprises in the implementation of NOVATEK's LNG projects Comments on urgent matters concerning the development of the LNG market in Russia and globally
Press tours	All year		
Interviews and comments from top executives	All year		
Briefings, press conferences	All year		
Comments and replies to media requests	All year as per requests		
Drafting articles and information materials for the media	All year		
INDUSTRIAL COMMUNITY, including academic and research community			
Participation in conferences, forums, round-table discussions, etc.	All year	Participation in St. Petersburg International Economic Forum, 5th Arctic: Territory of Dialogue International Arctic Forum, Eastern Economic Forum, Tyumen Oil and Gas Forum, International Commercial Vehicle Show COMTRANS, Russian Energy Week, Murmansk International Business Week, 9th International Forum Arctic: Today and the Future Participation in the activities of the Russian Gas Society, St. Petersburg International Mercantile Exchange, self-regulatory organizations and non-profit partnerships in the Company's lines of business (projects, engineering, construction, subsoil use, and other)	Promising projects being implemented by the Company Development of the fuel and energy sector and the oil and gas industry in general Economic performance Industrial safety Competition development
Participation in joint sessions	as per requests		
Partnerships	as per events calendar		
Cooperation with leading oil and gas universities	All year		
Participation in industry organizations	All year		

Corporate Governance

10

Board of Directors meetings held in corporate year 2019

3

Independent Board Directors

Corporate Governance System

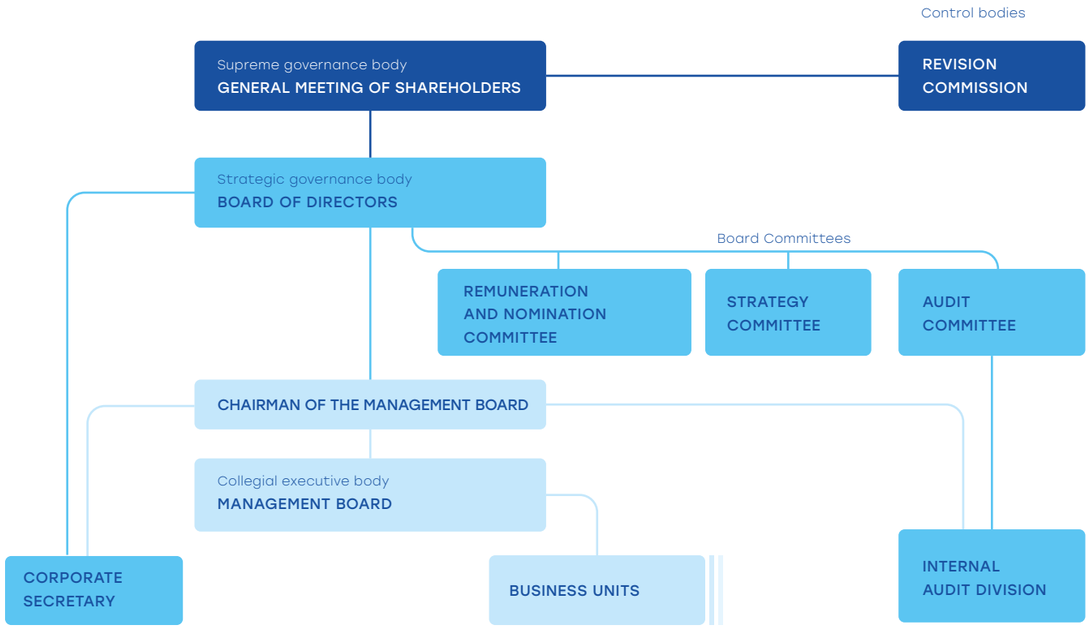
The key documents pertaining to NOVATEK's corporate governance include:

- NOVATEK's Articles of Association;
- Regulations on the General Meetings of Shareholders;
- Regulations on the Board of Directors;
- Regulations on the Management Board;
- Regulations on the Audit Committee;
- Regulations on the Remuneration and Nomination Committee;
- Regulations on the Strategy Committee;
- Regulations on Dividend Policy;
- Regulations on Information Policy;
- Corporate Governance Code;
- Code of Business Ethics;
- Regulations on the Corporate Secretary;
- Internal Audit Policy;
- Regulations on Risk Management and Internal Control System;
- NOVATEK Group's Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy.

102-18
NOVATEK has a streamlined corporate governance structure that makes it possible to effectively and efficiently manage the Company's operations. Committed to sustainable development, NOVATEK goes beyond mandatory compliance with Russian laws and internal regulations: we adhere to a variety of standards, codes, and Russian and international best practices. NOVATEK strives to consider the principles of corporate governance outlined in the Corporate Governance Code recommended by the Central Bank of Russia, and to meet the requirements of the UK Corporate Governance Code and those of the Regulation of the European Parliament and of the Council on market abuse.

Pursuant to the Articles of Association, the General Meeting of Shareholders, the Company's supreme governing body, elects members of the Board of Directors and the Chairman of the Management Board (sole executive body). The Board of Directors elects members of the Management Board (collegial executive body) as proposed by the Chairman of the Management Board.

102-18 NOVATEK'S CORPORATE GOVERNANCE STRUCTURE



GENERAL MEETING OF SHAREHOLDERS

102-18
The General Meeting of Shareholders is NOVATEK's supreme governing body. The activity of the General Meeting of Shareholders is governed by the laws of the Russian Federation, the Company's Articles of Association, and the Regulations on the General Meetings of Shareholders.

The General Meeting of Shareholders is responsible for the following:

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

On 23 April 2019, 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 FY2018. The meeting also elected the Board of Directors and the Revision Commission, made amendments to the Regulations on Remuneration and Compensations Payable to Members of Board of Directors, approved remuneration to members of the Board of Directors and Revision Commission, as well as approved the Company's external Auditor for 2019.

On 30 September 2019, the Extraordinary General Meeting of Shareholders approved the amount of interim dividend for the first half of 2019 and made amendments to NOVATEK's Articles of Association.

102-21
The Company places special emphasis on enabling effective communications with shareholders and keeping them up to date about the Company's activities, current matters and projects. Shareholders and other stakeholders may seek clarification of any matters or request any additional information by sending a letter to the attention of the Chairman of the Board of Directors and Chairman of the Management Board. For these purposes, the Company's website contains necessary contact details, including a separate e-mail address for shareholder queries: **shareholders@novatek.ru.**

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

BOARD OF DIRECTORS

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

102-26
NOVATEK's Board of Directors is responsible for overall management and for defining the Company's business priorities and strategy.

The Board of Directors has the following remit:

- define the Company's strategy and priority lines of business;
- approve long-term and annual business plans;
- review financial performance, internal controls, risk management, and other matters;
- approve major transactions;
- make decisions on investment projects;
- recommend the dividend per share amount and dividend payout procedure;
- convene the General Meeting of Shareholders.

102-23 102-24
The current members of the Board of Directors were elected at the Annual General Meeting of Shareholders on 23 April 2019. The Board of Directors is comprised of nine members, of which eight are non-executive directors, including three directors who are considered to be independent. The Chairman of the Board is Alexander Natalenko, who does not serve as the Company's executive director. The Chairman is responsible for leading the Board and ensuring its effectiveness.

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

102-27
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 regular exchange of information needed to participate in the Board meetings and make balanced decisions in a timely manner.

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

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

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

102-33
The Board of Directors meets as and when required, but at least once every two months. The meeting agenda is set by the Chairman of the Board of Directors based on a request to convene the meeting, which can be initiated by the Chairman or members of the Board of Directors, Revision Commission, officer responsible for the organization and performance of internal audit (head of the business unit responsible for the organization and performance of internal audit), Auditor, executive body, as well as shareholders jointly holding at least 10% of the ordinary shares.

102-28
Pursuant to the Regulations on Performance Assessment of the Board of Directors and the Board Committees, the Company provides for conducting internal self-assessment and external assessment. Self-assessment is an in-house assessment run annually by completing anonymous questionnaires by each member of the Board of Directors, while an independent qualified advisor holds external assessment once every three years. The outcomes of both assessments are included in the Company's annual report and delivered at the reporting meeting of the Board of Directors to be considered while preparing an activity plan for the next corporate period.

During corporate year 2019, an external assessment of the Board of Directors performance in corporate year 2018 was conducted as well as a self-assessment of the Board activities was performed in accordance with the recommendations of the Russian Corporate Governance Code. Self-assessment of the Board of Directors performance based on the results of the corporate year is carried out by filling out a questionnaire for each member of the Board of Directors.

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

Based on the evaluation, the directions for increasing the Board of Directors performance are determined.

BOARD ACTIVITIES DURING CORPORATE YEAR 2019[1]

102-34
During corporate year 2019, the Board of Directors met 10 times, of which four meetings were held in person. The following key issues were discussed, and respective decisions made:

- reviewed and approved the Company's 2019 full year operating and financial results;
- recommended an interim dividend payment for the first half of 2019, based on interim financial results for the period, and a full year dividend payment for 2019, based on full year financial results;
- made decisions to convene Extraordinary and Annual General Meetings of Shareholders. During the meetings held in 2019, telecommunications facilities were used to provide shareholders with remote access to participate and to complete electronic ballot forms;
- reviewed and approved NOVATEK's business plan for 2020;
- approved changes to the Regulations on the Remuneration and Nomination Committee of NOVATEK's Board of Directors and included sustainable development functions in the Committee's scope of control;
- reviewed and approved PAO NOVATEK's Sustainability Report 2018;
- passed a resolution to acquire 100% interest in OOO NORDPORT to ensure transport security and protect the NOVATEK Group's transport infrastructure facilities under construction and in operation;
- passed a resolution to acquire 100% interest in OOO Arctic Transshipment to implement LNG transshipment terminal projects;
- passed a resolution to acquire 50% interest in OOO SMART LNG to lease ice-class LNG tankers fleet for the Arctic LNG 2 project;
- approved the activity plan of NOVATEK's Internal Audit Division for 2020.

1. From the Annual General Meeting of Shareholders on 23 April 2019 until the Annual General Meeting of Shareholders on 24 April 2020.

The launch of Cryogaz-Vysotsk project

102-22 NOVATEK'S BOARD OF DIRECTORS IN CORPORATE YEAR 2019[1]

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

1. From the Annual General Meeting of Shareholders on 23 April 2019 until the Annual General Meeting of Shareholders on 24 April 2020.
2. Considered independent in accordance with the Listing Rules of the Moscow Exchange by resolution of the Board of Directors dated 18 January 2019.

BOARD COMMITTEES

102-18
The Company has three Board Committees: the Audit Committee, the Remuneration and Nomination Committee and the Strategy Committee. The Committees' activities are governed by committee-specific regulations approved by the Board of Directors and available on our website.

102-29
The Committees play a vital role in ensuring that high standards of corporate governance are maintained throughout the Company and that specific decisions are analyzed, and the necessary recommendations are issued prior to general Board discussions. The Board Committees conduct annual reviews of the Company's risk map and risk appetite, HR policy and personnel development, as well as occupational health and safety initiatives. Members of the Board Committees have the required professional experience for assessments and recommendations in the respective areas of the Company's activities.

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

AUDIT COMMITTEE

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

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

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

In corporate year 2019, the Audit Committee met four times, including two meetings in person, where:

- held two meetings with the Company's external Auditor to discuss the Audit Plan and review the audit report of the Company's activities in 2019;
- reviewed the risk register of the NOVATEK Group and determined the acceptable and maximum permissible levels of risks;
- reviewed the reports on compliance with the Information Policy and Anti-Corruption Policy;
- reviewed quarterly financial performance of the Company;
- approved the reports on the activities of the Company's Internal Audit Division for the first six months and full year;
- made recommendations to the Board of Directors on approval of the Company's annual report and Internal Audit Plan;
- made recommendations on the Company's Auditor candidate and amount of remuneration;
- considered the conclusion of the Internal Audit Division on assessing the reliability and effectiveness of the risk management, internal control and corporate governance systems;
- considered other issues within the competence of the Audit Committee.

COMMITTEES MEMBERSHIP FROM 23 APRIL 2019 TO 24 APRIL 2020

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

REMUNERATION AND NOMINATION COMMITTEE

102-31
The primary function of the Remuneration and Nomination Committee is to develop an efficient and transparent practice for remuneration of members of the Company's management, including members of the Board of Directors and the Management Board. Moreover, once a year, in the framework of non-financial reporting, the Committee discusses matters of sustainable development, and twice a year – social and HR matters. The Remuneration and Nomination Committee is also responsible for building a stronger Board of Directors and enhancing its performance.

In 2019, sustainable development was included in the scope of the Committee's responsibility. The Committee prepares recommendations to the Board of Directors for decision-making on sustainable development, particularly on priorities in sustainable development, occupational and environmental safety, climate-related activities, and social policy.

In corporate year 2019, the Committee met four times, including two meetings in person, where:

- advised the Board of Directors to introduce amendments to the Regulations on the Remuneration and Nomination Committee of NOVATEK's Board of Directors in terms of expanding the Committee's functions related to sustainable development;
- reviewed PAO NOVATEK's Sustainability Report 2018 and recommended it for approval by the Board of Directors;
- reviewed the NOVATEK Group's HSE performance report 2018;
- made recommendations on approval of the NOVATEK Group's Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy;
- reviewed NOVATEK's HR management policy performance report 2019;
- reviewed the report on NOVATEK's social performance in the regions where the Company operated in 2019;
- made recommendations to the Board of Directors to form the Board of Directors' Committees in accordance with recommendations of the Corporate Governance Code as well as information about members of the Board of Directors;
- made recommendations to the General Meeting of Shareholders on remuneration to the Board of Directors members;
- reviewed the report on self-assessment of NOVATEK's Board of Directors and Board of Directors' Committees;
- considered other issues within the competence of the Committee.

STRATEGY COMMITTEE

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

In corporate year 2019, the Committee met four times, including three meetings in person.

MANAGEMENT BOARD

102-20
NOVATEK's Management Board is a collegial executive body responsible for the management of the Company's operations. The Management Board is governed by the laws of the Russian Federation, NOVATEK's Articles of Association, resolutions of the General Meetings of Shareholders and the Board of Directors, and the Company's internal documents.

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

102-19 102-20
The Management Board helps achieve objectives set by the Board of Directors and implements the Company's strategy through supervision of business units in certain areas, including operational, environmental, financial and economic, social and legal. Members of the Management Board report to its Chairman. Deputy Chairmen of the Management Board are in charge of economic, environmental, social and other matters related to the Company's business.

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

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

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

The members of the Management Board are elected by the Board of Directors from among the Company's key employees. The Management Board is subordinated to the Board of Directors and the General Meeting of Shareholders. The Chairman of the Management Board is responsible for leading the Board and ensuring its effectiveness as well as organizing the Management Board meetings and implementing decisions of the General Meeting of Shareholders and the Board of Directors. The Management Board was elected by the Board of Directors on 25 August 2017 (Minutes No. 198 dated 25 August 2017) with further amendments by resolution of the Board of Directors on 12 July 2018, 21 September 2018, 14 November 2018, 14 December 2018, 19 March 2019, including with regard to the quantitative composition (increased up to 13 members).

MANAGEMENT BOARD MEMBERS FROM 1 JANUARY 2019 TO 31 DECEMBER 2019[1]

Leonid V. Mikhelson – Chairman

Lev V. Feodosyev – First Deputy Chairman

Alexander M. Fridman – First Deputy Chairman

Vladimir A. Baskov – Deputy Chairman

Viktor N. Belyakov – Deputy Chairman for Economics and Finance

Sergey V. Vasyunin – Deputy Chairman – Operations Director

Eduard S. Gudkov – Deputy Chairman

Mark A. Gyetvay – Deputy Chairman

Evgeny A. Kot – Deputy Chairman – LNG Director (elected on 14 December 2018 and started acting from 14 January 2019)

Tatyana S. Kuznetsova – Deputy Chairwoman – Director of the Legal Department

Denis B. Solovyov – Deputy Chairman – Director of the Communications Development Department

Sergey G. Solovyov – Deputy Chairman – Director for Geology (elected on 19 March 2019 and started acting from 1 April 2019)

Ilya V. Tafintsev – Deputy Chairman

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

102-35 102-36

The Regulations on Remuneration and Compensations Payable to the Members of the Board of Directors is the document regulating the procedure for calculating remuneration and compensations payable to the members of the NOVATEK's Board of Directors. In 2019, the NOVATEK Group's Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy was adopted. In line with the Policy, the remuneration is linked to KPIs, including ESG scores[2].

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

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

The fixed part of remuneration to a Board member constitutes RR 15 mln per corporate year. The Chairman of the Board of Directors is paid fixed remuneration for the performance of his or her functions in the amount of RR 30 mln per corporate year. Members of the Board of Directors are also paid remuneration for attending the meetings of the Board of Directors (in the maximum amount of RR 4.5 mln per corporate year) and remuneration for attending the meetings of the Committees of the Board of Directors (limited to RR 3 mln per corporate year). The Board members are also compensated for travel and lodging expenses related to the discharge of their functions.

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

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

INFORMATION ON REMUNERATION TO THE MEMBERS OF NOVATEK'S BOARD OF DIRECTORS AND MANAGEMENT BOARD IN 2019, RR MLN

	Board of Directors[1]	Management Board
Total paid, including:	167.8	4,239.4
Salaries	–	1,105.3
Bonuses	–	3,028.6
Fees	165.8	–
Other compensations and property advancements	2.0	105.5

Internal Control and Audit

NOVATEK has a system of internal controls over financial and business operations aligned the Russian Federation legislation and best international practices. The internal control system is an integral part of the risk management system and it is aligned with the relevant risks and strategic goals of NOVATEK.

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

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

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

REVISION COMMISSION

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

INTERNAL AUDIT

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

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

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


Certificate

EY was engaged to conduct an external independent quality assessment of the internal audit function for compliance with the International Standards for Professional Practice of Internal Auditing at

NOVATEK

and confirms that as at 22 March 2019,

the activities of the Internal Audit Division of NOVATEK generally comply with the Institute of Internal Auditors' International Standards for Professional Practice of Internal Auditing and the Code of Ethics

March 2019

EY
Building a better working world

1. Detailed biographies information on members of the Management Board is available in the Annual Report 2019 on p. 83.
2. ESG – environmental, social and corporate governance standards.

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

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

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

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

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

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

EXTERNAL AUDIT

The Annual General Meeting of Shareholders approve 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 potential external auditors and the price of their services. Based on the Committee's recommendations, the Board proposes an auditor candidate to the Annual General Meeting of Shareholders for consideration and approval.

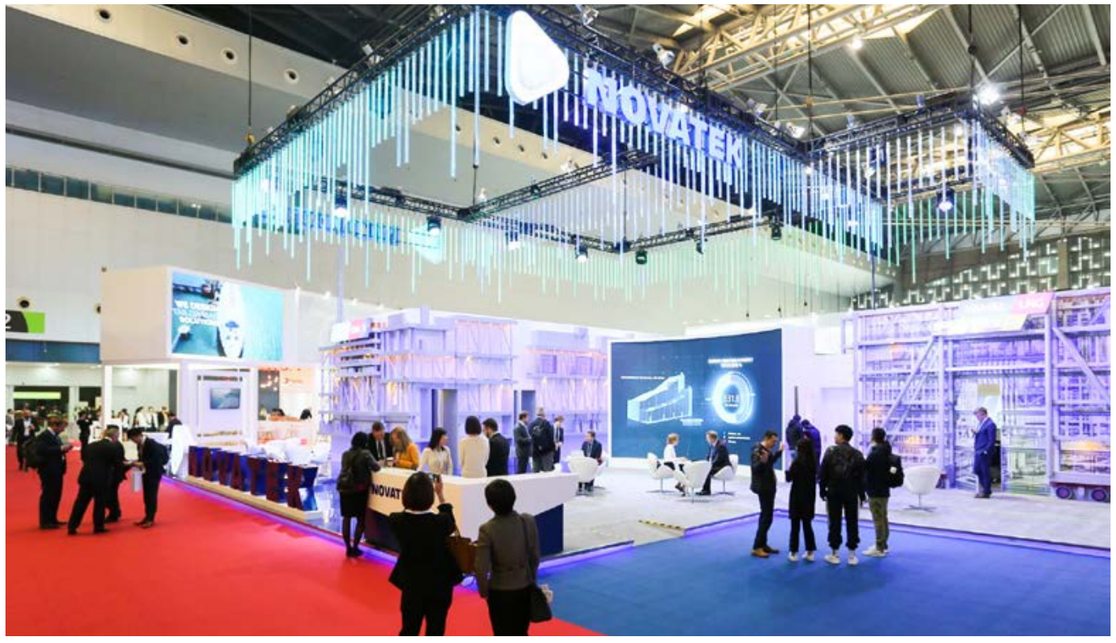
AO PricewaterhouseCoopers Audit, an internationally recognized audit firm, was chosen as the Company's external Auditor to conduct the audit of the annual financial statements for 2019 under RAS and IFRS, including independent reviews of the condensed consolidated interim financial statements under IFRS, and assure our Sustainability Report 2019.

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

The Audit Committee oversees the external Auditor's independence and objectivity as well as the quality of the audit conducted. The Committee annually provides to the Board of Directors the results of review and evaluation of the Auditor's opinion regarding the Company's financial statements. The Audit Committee meets with the Auditor's representatives at least twice 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 Note 23 to the consolidated financial statements for 2019 prepared in accordance with IFRS standards.

In accordance with auditing standards, in order to maintain independence, the Company's external Auditor regularly rotates its key audit partner, at least once every seven years. Last time, the Auditor's partner was rotated in 2018.



Risk Management

102-15

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

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

NOVATEK operates and continuously develops a multi-level system of risk management and internal control. The Company's risk management and internal control system is aimed at protecting shareholder and other stakeholder rights and interests, timely adjusting to internal and external changes, ensuring the achievement of the Company's goals, and implementing its sustainable development strategy.

Powers, duties and responsibilities for specific risk management procedures are delegated to different governance levels of the Company depending on the assessment of financial impact of risk. The Company's risk management policy is set out in the Regulations on Risk Management and Internal Control System guided by the following international standards: COSO Internal Control – Integrated Framework, and Enterprise Risk Management – Integrated Framework (ERM COSO). Certain elements of ISO 31000 Risk Management – Guidelines have also been integrated into NOVATEK's risk management system. The risk management system was not based on the Risk Management Standard (RMS FERMA) developed by IRM, AIRMIC and ALARM, but its components do not contradict the above standards which were taken into account to varying degrees.

102-29 102-30

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

102-31

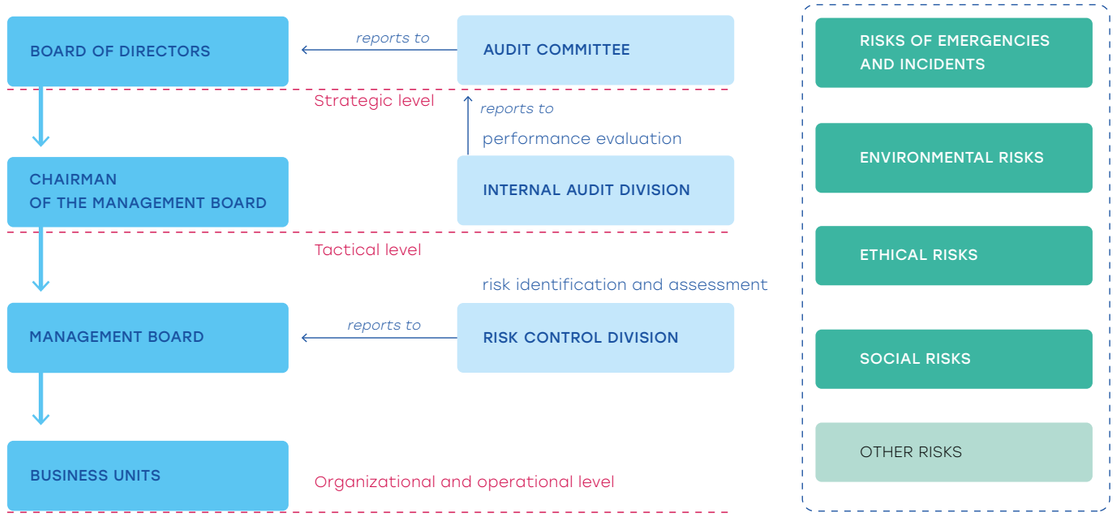
On a regular basis, at least once a year, the Audit Committee evaluates the Company's risk management performance, including economic, environmental and social risks. Following the assessment in the reporting year, the Audit Committee recognized NOVATEK's risk management activities as compliant with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

In corporate year 2019[1], the Audit Committee paid significant attention to risk management policies and processes in the Company and reviewed financial, operational, legal, and other risks during the meetings. Furthermore, in 2019, the implementation of NOVATEK's Anti-Corruption Policy was reviewed and the activity plan for the next period was approved.

The Management Board discloses a list of risks and approaches to risk management in an annual report.

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

SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL



1. From the Annual General Meeting of Shareholders on 23 April 2019 until the Annual General Meeting of Shareholders on 24 April 2020.

102-15
THE COMPANY'S MAJOR RISKS, INCLUDING SUSTAINABILITY RISKS

Operational risks
Risks of emergencies and incidents
Monopoly risks
Competitive risks
Risks in procurement of materials, works and services
Commodity price risks
Geological risks
Risk of early termination, suspension or restriction of subsoil use rights
Environmental risks
Project risks
Strategic risks
Ethical risks
Social risks
Terrorism risks
Country risk
Regional risk
Risks of information technology and information security (cyber-risks)
Epidemic risks
Financial risks
Credit risk
Reinvestment risk
Interest risks
Currency risks
Liquidity risk
Inflation risk
Legal risks
Risk of law changes
Litigation risks
Risk of sanctions

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

RISK INSURANCE

Risk insurance is an integral part of NOVATEK's risk management system. In 2019, the insurance coverage guaranteed adequate protection against the risks of damage to the Company business. Insurance coverage is provided by reputable insurance companies that have high ratings by leading rating agencies[1] with partial reinsurance of risks by major international insurance and reinsurance companies.

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

The Group also fully complies with legislated insurance requirements in the countries where it operates.

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

- insurance of the risk of property damage/loss, including the risk of mechanical failures;
- insurance of the risk of damage from business interruption (business risks);
- construction risk insurance;
- insurance of risks related to prospecting, exploration and production (risk of loss of control over a well);
- transport insurance;
- cargo insurance;
- directors', officers' and companies' liability insurance (D&O insurance);
- charterers' liability insurance;
- employees voluntary health insurance as a part of the social benefits package.

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

In 2019, Cryogas-Vysotsk project was launched

In 2013, the Company implemented a comprehensive program of property and business risk insurance with respect to its key assets. The cumulative insured amount for the risks of property damage and business interruption as at the end of 2019 was RR 910 bln. 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. Beyond the scope of the comprehensive program, given the project's scale, Yamal LNG is insured against property damage and business interruption.

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

For more than 14 years, NOVATEK has maintained the directors', officers' and companies' liability insurance (D&O insurance) covering the Group, top management of the Company against possible third-party claims for any losses incurred through any wrong action (or decision) made by its governance bodies as well as in connection with claims against the Company under its securities. The overall limit of respective insurance coverage is EUR 120 mln. The existing insurance coverage is in line with international insurance standards in terms of the scope of risk cover and limits of indemnity.

Ethics

102-16
NOVATEK is committed to lawful, fair, and ethical practices in all aspects of its operations. The Company respects human rights, makes every effort to prevent corruption, takes care to maintain its impeccable reputation, and seeks to implement the most stringent international ethical standards.

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

Anti-Corruption Policy

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

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

International anti-corruption laws include:

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

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

The key requirements of the above regulations include:

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

205-2 102-17
All employees of the NOVATEK Group receive ongoing training in ethical conduct and zero tolerance approach to illegal activities. To this end, the Company has developed and put in place an interactive online course "Basics of the Company's Anti-Corruption Policy and Anti-Corruption Practices for Employees" which is available on the Company's intranet portal at the starting page and in the special section for new employees. The employees of NOVATEK's subsidiaries and affiliates also have access to the course via a hyperlink. In addition, all employees may at any time seek advice on compliance with the Anti-Corruption Policy, ethical conduct, confidentiality, etc.

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

102-17
The Company's Security Hotline is one of the most important anti-corruption tools that any stakeholder can use to report known cases of corruption or any other concerns. The Security Hotline is available on the Company's and subsidiaries' and joint ventures' websites, information boards in the offices, production areas, and living camps of its subsidiaries and joint ventures.

The person in charge of implementing and overseeing the measures aimed at preventing corruption across the Company is the Anti-Corruption Adviser, from whom advice may be sought by any employee looking for clarifications on the Anti-Corruption Policy or other corruption-related matters. To prevent corruption, the Company develops action plans to be undertaken to implement the Anti-Corruption Policy. During the reporting year, anti-corruption initiatives were implemented as part of the 2018–2019 Action Plan. The results of anti-corruption efforts and the new 2020 Action Plan were discussed and approved by the Audit Committee on 11 December 2019.

Prevention of Conflicts of Interest

102-25
NOVATEK places a special emphasis on preventing conflicts of interests to maximize its performance and protect shareholder interests. For effective conflict of interest risk management, certain employees in key decision-making capacities are required to disclose conflicts of interest (or their absence) by filling in respective declarations.

The Company's managers and employees are expected to perform their duties putting corporate interests first and foremost and separating their personal interests from decision-making.

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

Members of the Board of Directors shall:

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

Members of the Management Board shall:

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

Human Rights

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

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

The Company shares the universal principles enshrined in:

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

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

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

408-1 409-1
NOVATEK conducts its Russian operations in full compliance with the Labor Code of the Russian Federation and Russian laws in general, prohibiting any discrimination or limitation of labor rights and freedoms. All HR decisions are based on the qualifications and professional qualities of an employee. As a responsible employer, NOVATEK complies

with all legal requirements and adheres to best global practices. The Company does not use child or forced labor.

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

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

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

NOVATEK is a member of the Russian Oil, Gas and Construction Workers' Union, an industry trade union association focused on protecting the professional, social, and labor rights and interests of the Union's members. In its operations, the Union is guided by the principles of social partnership. The Russian Oil, Gas and Construction Workers' Union is a member of the Association of Trade Unions of Primary Industries and the Construction Industry of the Russian Federation and the Federation of Independent Trade Unions of Russia. The Russian Oil, Gas and Construction Workers' Union is also a member of IndustriALL Global Union[1] and the International Confederation of Oil, Gas and Construction Workers' Unions of the CIS.

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

GRIEVANCE MECHANISMS

NOVATEK's interaction with stakeholders is designed to avoid any violations of human rights. The Company acknowledges the need for efficient resolution of such issues and to this end has developed and introduced a grievance mechanism. A number of channels have been set up for stakeholders, including representatives of local communities, to file complaints and requests: by phone, post or e-mail, via feedback and suggestion boxes installed in community liaison offices in villages[2].

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

In addition, the Company has established a channel for reporting violations implying bullying, harassment, or human rights breaches. Any person may report any known violations by e-mail at **ethics@novatek.ru**. NOVATEK reviews each message.

SECURITY HOTLINE

security_hotline@novatek.ru

GRIEVANCE MECHANISMS

ethics@novatek.ru

1. IndustriALL Global Union represents 50 mln workers in 140 countries in the mining, energy and manufacturing sectors and is a force in global solidarity taking up the fight for better working conditions and trade union rights around the world.
2. Full list of contact details and ways to file requests and complaints is available in the Social Media and Contact Details section on p. 186.

Operating Results

18.4 mmt of LNG

Yamal LNG produced in 2019

863 RR bln

Total revenues in 2019

Opening of the multi-fuel filling station in the Chelyabinsk region

Ensuring Strong Economic Performance

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

In 2019, our revenues grew by 3.7% year-on-year to RR 863 bln, while our normalized EBITDA[1] increased by 11% to RR 461 bln. Normalized profit[2] was up by 5.2% to RR 245 bln.

NOVATEK has steadily expanded its resource base through geological exploration and license acquisitions. Our total SEC proved reserves, including the Company's proportionate share in joint ventures, aggregated 16,265 mmboe in 2019, including 2,234 bcm of natural gas and 193 mmt of liquid hydrocarbons. At year-end 2019, our total proved hydrocarbon reserves increased by 3% compared to the year-end 2018, representing a reserve replacement rate of 181% for the year, with the addition of 1,065 mmboe, inclusive of 2019 production. At year-end 2019, the Company's reserve to production ratio (or R/P ratio) was 28 years.

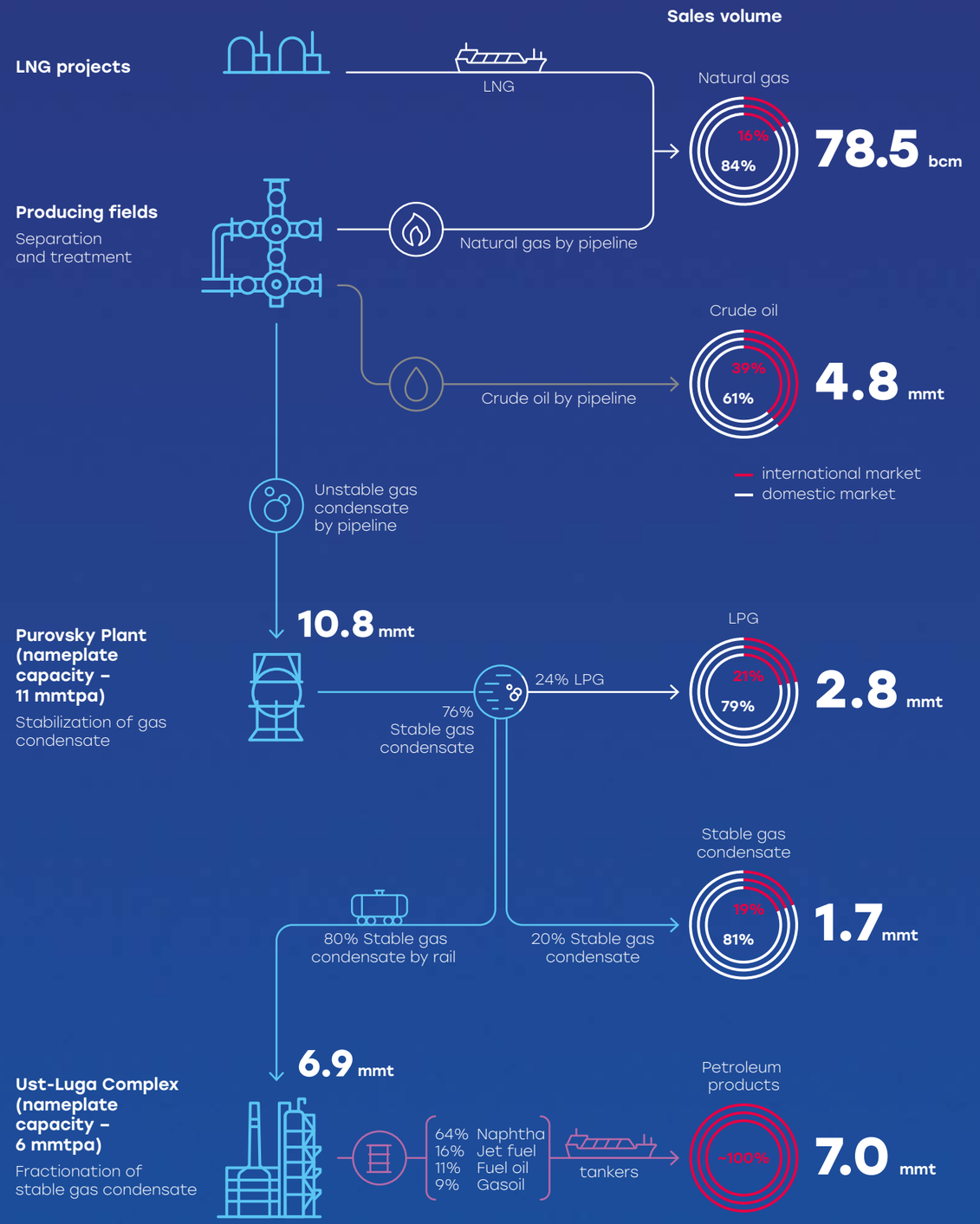
Yamal LNG delivered outstanding operational and financial performance in 2019. All three liquefaction trains at Yamal LNG operated above the nameplate capacity, allowing the facility to load and dispatch 18.4 mmt of LNG, representing 5% of the global LNG output, as well as 1.2 mmt of gas condensate. The reporting year witnessed exceptional success of the Yamal LNG project, which represents the Company's key achievement in recent years.

Global markets have experienced financial and economic disruptions caused by the spread of COVID-19, and the shutdowns mandated by many governments. This negative economic impact has lowered demand for oil, natural gas and petroleum products, which combined with the increase in the supply of oil due to the cancellation of the OPEC+ production agreement in the first quarter 2020, resulted in a decline in global hydrocarbon prices. As at 31 March 2020, the Russian rouble was significantly depreciated against the US dollar and the Euro, which resulted in the recognition of substantial foreign exchange effects on foreign currency denominated loans by the Group's subsidiaries and joint ventures. Many of these events are out of the control of the Group's management.

Despite the economic instability on the global markets, the Group continues to achieve strong operating results and implement its main investment projects in accordance with the Group's approved corporate strategy. The Group's management continues to assess the current situation and present macro-economic environment and take appropriate actions if deemed necessary.

1. Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration).
2. Excluding the effects from the disposal of interests in subsidiaries and joint ventures, as well as foreign exchange gains (losses).

Business Model [1]



1. The data is presented for 2019, reflecting NOVATEK's sales volumes.

KEY PERFORMANCE INDICATORS IN 2016–2019

	Units	2016	2017	2018	2019	Change 2019/2018, %
Total revenues[1]	RR mln	537,472	583,186	831,758	862,803	3.7%
Normalized EBITDA (including share in EBITDA of joint ventures)[2]	RR mln	242,407	256,464	415,296	461,157	11.0%
Normalized profit attributable to shareholders of PAO NOVATEK[2] excluding the effect of foreign exchange gains (losses)[3]	RR mln	133,759	156,166	232,930	245,002	5.2%
Dividends paid to NOVATEK shareholders	RR mln	42,205	45,393	78,747	97,208[4]	23.4%
Oil and gas revenues	RR mln	533,857	579,819	825,761	852,232	3.2%
Net cash provided by operating activities	RR mln	173,791	180,399	216,349	307,433	42.1%
Proved hydrocarbon reserves (SEC)[5]	mmboe	13,402	15,120	15,789	16,265	3.0%
Natural gas production[5]	bcm	67.6	63.4	68.8	74.7	8.6%
Liquid hydrocarbon production[5]	mt	12,441	11,774	11,800	12,148	2.9%
Hydrocarbon production[5]	mmboe	547.0	513.3	549.1	589.9	7.4%
Headcount[6]	people	11,536	12,236	13,694	15,445	12.8%

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED IN 2016–2019, RR MLN*

	2016	2017	2018	2019
Generated economic value				
Revenues	556,204	599,058	845,761	883,502
Distributed economic value				
Operating expenses	385,499	419,859	603,912	640,463
Salaries and other payments and benefits to employees	19,885	20,097	25,622	29,178
Payments to suppliers of financial resources	57,950	52,310	60,682	102,580
Taxes payable to the budgets of relevant countries	79,630	84,721	103,311	159,813
Social investments	1,871	2,813	2,047	1,990
Retained economic value	111,987	126,237	170,005	75,019

* Data is based on the following methodology:
revenues – total revenues plus interest income
payments to suppliers of financial resources – dividends paid plus interest paid
taxes payable to the budgets of relevant countries – current income tax plus taxes other than income tax
social investments – funds voluntarily directed by the Company to charity, sponsorship, support of local communities and not directly related to the activities of the Company or its employees.

1. In this Report, total revenues are given net of VAT, export duties, excise and fuel taxes, as well as excise and fuel taxes incurred on LPG sales in Poland.
2. Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration).
3. Excluding the effect of foreign exchange gains (losses) of subsidiaries and our proportionate share in foreign exchange gains (losses) of our joint ventures.
4. Dividends paid in 2019 are as at 30 June 2020.
5. Hydrocarbon production and reserves are calculated based on 100% of production and reserves of our subsidiaries and our proportionate share in the production and reserves of our joint ventures including fuel gas. Production and reserves of the South-Tambeyskoye field of Yamal LNG are reported at 60%.
6. Employees for whom PAO NOVATEK, its subsidiaries or joint ventures were primary employers.

KEY EVENTS AND ACHIEVEMENTS IN 2019

Development of LNG business

- NOVATEK closed the sales of participation interests (10% each) in the Arctic LNG 2 project to TOTAL, CNODC, CNOOC and the consortium of Mitsui and JOGMEC.
- Final Investment Decision taken on the Arctic LNG 2 project.
- Arctic LNG 2 and the consortium of TechnipFMC, SAIPEM and NIPIgas signed the contract on engineering, equipment, materials and components supply, construction and commissioning of an integrated liquefied natural gas facility.
- Cryogas-Vysotsk, our first medium-scale LNG project in the Baltic region, was launched.
- The Yamal LNG project produced 18.4 mmt of LNG, exceeding the plant's nameplate capacity by 11%.
- All 15 Arc7 ice-class tankers for the Yamal LNG project were received and in operation.
- Yamal LNG commissioned into operation a transshipment tank at the Zeebrugge LNG terminal.
- NOVATEK opened its first LNG filling station in Europe to provide clean burning fuel for cargo trucks in Rostock, Germany.
- NOVATEK and Sovcomflot launched SMART LNG, a shipping joint venture to lease an ice-class LNG tanker fleet for the Arctic LNG 2 project.
- NOVATEK, Mitsui O.S.K. Lines, Ltd. (MOL) and Japan Bank for International Cooperation (JBIC) signed a cooperation agreement for the construction of marine LNG transshipment terminals in Kamchatka and the Murmansk Region.

Expanding the resource base

- We acquired mineral licenses for the Khalmeriakhinskiy, Dorofeevskiy, West-Dorofeevskiy, South-Khalmeriakhinskiy and South-Dorofeevskiy license areas in Krasnoyarsk Territory, and the Soletsko-Khanoveiskoye field, East-Ladertoyskiy, South-Yamburgskiy and Bukharinskiy license areas in the Yamal-Nenets Autonomous Region.
- We launched our North-Russkoye, East-Urengoyskoye+North-Esetinskoye and West-Yurkharovskoye fields.
- We confirmed the Jurassic development prospects at the Urengoyskoye field by completing and testing horizontal wells and multi-stage hydro-fracturing.

Cooperation

- NOVATEK signed a Heads of Agreement with Sinopec and Gazprombank on establishing a joint venture to market LNG and natural gas to end customers in the People's Republic of China.
- NOVATEK signed a Heads of Agreement with Saibu Gas on establishing a joint venture to develop bunkering and gas-fired power generation in Japan and the Asian region, as well as constructing and operating a new LNG storage tank at the Hibiki LNG terminal.
- NOVATEK signed MOUs with Ninh Thuan Province in Vietnam and TOTAL, Siemens and Zarubezhneft to develop an energy-generating project with the use of LNG in Vietnam.
- NOVATEK signed MOUs with India's H-Energy Global Ltd and Petronet LNG on LNG supplies, including developing a network of filling stations and a fleet of LNG-fueled trucks in India.
- NOVATEK signed memorandums on strategic partnership and cooperation on LNG projects with TMK and Severgroup.
- NOVATEK signed memorandums with Atomenergomash and HMS Group on localizing the manufacturing of compressors, pumps and other equipment for NOVATEK's LNG projects.
- NOVATEK signed a cooperation agreement with the Government of the Chukotka Autonomous Region to provide LNG as a fuel for distributed power generation, as well as a motor fuel for maritime, automotive transport and mining equipment in Chukotka.

Sustainable development

- NOVATEK remained a constituent in the FTSE4Good Emerging Index published by FTSE Russell.
- The NOVATEK Sustainability Report 2018 won two top awards at the 2019 MarCom Awards – a gold in the "Best Writing" category and a platinum in the "Best Design" category – and a gold award at the LACP INSPIRE 2019 in the "Print" category.

Production

102-2 102-4
LICENSES

In 2019, NOVATEK significantly expanded its license portfolio by winning state-sponsored mineral license auctions.

As at 31 December 2019, NOVATEK's subsidiaries and joint ventures held 66 licenses for subsoil use in Russia. NOVATEK also has agreements on the exploration and production of hydrocarbons on four offshore blocks in Montenegro and on two offshore blocks in Lebanon.

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

HYDROCARBON RESERVES

OG1
As at 31 December 2019, NOVATEK's SEC proved reserves, including the Company's proportionate share in joint ventures, aggregated 16,265 million barrels of oil equivalent (mmboe), including 2,234 bcm of natural gas and 193 mmt of liquid hydrocarbons. The Company's proved reserves grew by 3% (excluding 2019 production), representing a reserve replacement rate of 181% for the year, with the addition of 1,065 mmboe, inclusive of 2019 production. At year-end 2019, the Company's reserve to production ratio (or R/P ratio) was 28 years.

The organic reserve replacement rate (SEC), excluding the effect from acquisitions and disposals, which mainly related to the disposal of a 40% participation interest in the Arctic LNG 2 project, amounted to 252%, with the addition of 1,487 mmboe, inclusive of 2019 production.

As at 31 December 2019, the Company's total PRMS proved and probable reserves, including the Company's proportionate share in joint ventures, aggregated 28,725 mmboe, including 3,901 bcm of natural gas and 373 mmt of liquid hydrocarbons, with a total R/P ratio of 49 years.

The organic proved plus probable reserve replacement rate under the PRMS standards, excluding the effect from acquisitions and disposals, which mainly related to the disposal of the 40% participation interest in the Arctic LNG 2 project, amounted to 200%, with the addition of 1,177 mmboe, inclusive of 2019 production.

The Company's reserves were positively impacted by successful exploration at the Geofizicheskoye, Utrenneye and Kharbeyskoye fields, production drilling at the Urengoyskoye, East-Urengoyskoye+North-Esetinskoye (Samburgskiy license area), East-Tazovskoye, North-Russkoye and South-Tambeyskoye fields, as well as the discovery of the Nyakhartinskoye field and new Achimov deposits in the Gydanskiy license area. The Soletsko-Khanaveyskoye field acquired in 2019 was included into our reserve appraisal. The Company's reserve appraisal under the PRMS standards also includes the new North-Obskoye field discovered in 2018.

The Company significantly increased its exploration activities in 2019 as well as acquired new license areas on the Gydan Peninsula. The inclusion of large geological discoveries in reserves appraised under international reserve standards will contribute to the successful implementation of future NOVATEK's large-scale LNG projects in the Arctic zone and maintain pipeline gas production levels.

The high quality of the reserve base enables NOVATEK to maintain low finding and lifting costs, bolstering its position as one of the lowest cost producers in the global oil and gas industry. Our average 2019 and five-year (2015–2019) proved reserve replacement costs amounted to RR 69 (USD 1.1) per boe and RR 70 (USD 1.1) per boe, respectively.

GEOLOGICAL EXPLORATION

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

In 2019, NOVATEK continued exploration on the Yamal and Gydan Peninsulas to expand the resource base:

- A prospecting well discovered the Nyakhartinskoye field, with one gas and six gas condensate deposits.
- Prospecting well tests at the Utrenneye field confirmed the productivity of two gas condensate deposits in the Middle Jurassic layers.
- With two prospecting wells drilled at the Gydanskiy license area we discovered four new deposits, of which three are located in the Achimov and one in the Valanginian deposits.
- An exploration well drilled in the Ob Bay at the Geofizicheskoye field achieved a significant increase in reserves of gas and gas condensate.
- The Samburgskiy license area continues to see additions of Achimov gas condensate reserves within the Urengoyskoye field.

In 2019, we continued 3D seismic exploration at the Gydanskiy, West-Solpatinskiy, Nyavuyakhskiy, Ladertoyskiy, West-Yurkharovskiy, North-Russkiy, and Nyakhartinskiy license areas as well as the Verkhnetiuteyskoye and West-Seyakhinskoye fields.

In order to maintain pipeline gas production levels and unstable gas condensate volumes sent to the Purovsky Plant, we continued exploration in the fields and license areas within the Nadym-Pur-Taz area located in the Yamal-Nenets Autonomous Region.

In the Kharbeyskoye license area, an exploration well was being drilled to confirm oil and gas reserves potential and to determine the field's productivity for future development.

In the reporting year, we shot 4,643 square km of 3D seismic with no 2D seismic works, as well as drilled a total of 32,800 meters of prospecting and exploration wells.

The successful exploration activities contributed 657 bcm of gas and 40 mmt of liquids to NOVATEK's reserves under the Russian reserve classification methodology, which now total 7,047 bcm of gas and 798 mmt of liquids.

In 2019, the percentage of hydraulically fractured wells was 34% of the total wells drilled.

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

FIELD DEVELOPMENT

In 2019, NOVATEK continued development activities at our producing and prospective fields. In the reporting year, the Company's subsidiaries invested RR 79.3 bln in resource base development.

In 2019, production drilling, including joint ventures, reached 677,000 meters, up 52% year-on-year. Our drilling activities were mainly driven by the development of the Urengoyskoye, Yarudeyskoye, East-Tazovskoye, Beregovoye, Utrenneye, East-Urengoyskoye+North-Esetinskoye, Yaro-Yakhinskoye, Kharbeyskoye, West-Yurkharovskoye, South-Khadyryakhinskoye and Dorogovskoye fields.

A total of 102 production wells, including 60 natural gas and gas condensate wells and 42 oil wells, were completed and commissioned during the year.

NEW FACILITIES COMMISSIONED AT PRODUCING FIELDS

- In 2019, the North-Russkoye, East-Urengoyskoye+North-Esetinskoye and West-Yurkharovskoye fields were commissioned into operation. The development of the East-Tazovskoye and Kharbeyskoye fields continued.
- The Cenomanian gas booster compressor station was launched, and work continued on the construction of the Valanginian gas booster compressor station at the Beregovoye field. An inter-field condensate pipeline has been commissioned between two gas treatment facilities at the Beregovoye and Yaro-Yakhinskoye fields. A booster compressor station of the Yaro-Yakhinskoye field was commissioned. We also commissioned an administrative building in Novy Urengoy. A condensate pipeline link was launched from the West-Yaroyakhinskoye field to the Company's pipeline. A power supply complex at the Utrenneye field was also launched.

TOTAL PROVED AND PROBABLE HYDROCARBON RESERVES IN 2016–2019, MMBOE[1]

	2016	2017	2018	2019
Proved reserves (SEC)	13,402	15,120	15,789	16,265
Proved and probable reserves (PRMS)	23,769	28,471	29,619	28,725

1. Oil and gas production and reserves are calculated based on 100% of production and reserves of our subsidiaries and our proportionate share in the production and reserves of our joint ventures including fuel gas. Production and reserves of the South-Tambeyskoye field of Yamal LNG are reported at 60%.

Hydrocarbon Reserves

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Our production and processing assets are located in the Russian Federation

NOVATEK through its subsidiaries and joint ventures holds 66 licenses for subsoil use within the Russian Federation.

In 2019, NOVATEK produced commercial hydrocarbons at 20 fields. Produced gas condensate is stabilized at the Purovsky Plant and stable gas condensate is delivered to the Ust-Luga complex for further processing.

16.3 bln boe

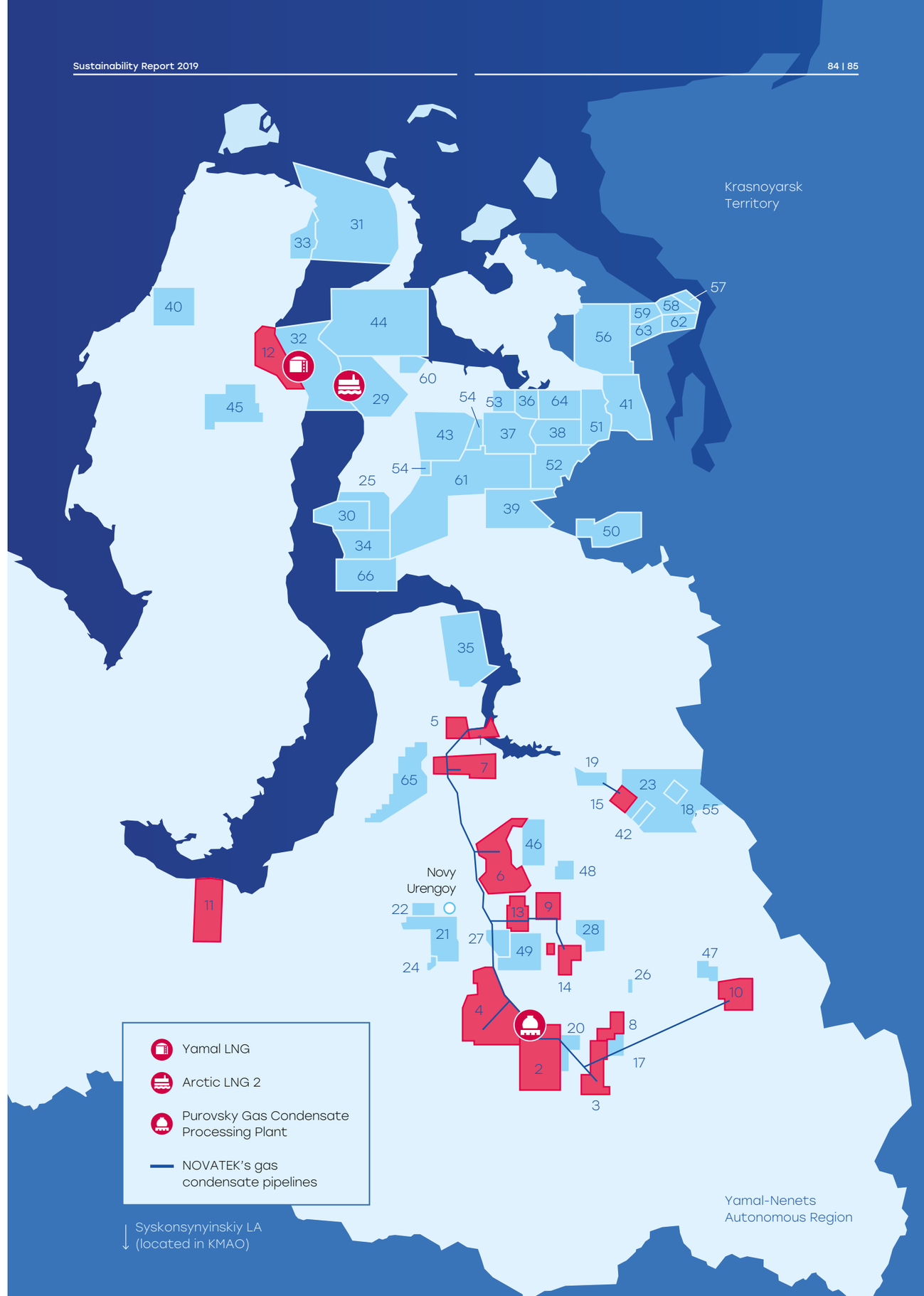
Total proved hydrocarbons reserves (SEC)

66 fields and license areas

Producing fields and license areas

Prospective fields and license areas

1. Yurkharovskoye field
2. East-Tarkosalinskoye field
3. Khancheyskoye field
4. Olimpiyskiy LA (Urengoyskoye, Dobrovolskoye, Sterkhovoye fields)
5. West-Yurkharovskoye field
6. Samburgskiy LA (Samburgskoye, Urengoyskoye, East-Urengoyskoye+ North-Esetinskoye fields)
7. North-Urengoyskoye field
8. North-Khancheyskoye field
9. Yaro-Yakhinskiy LA
10. Termokarstovoye field
11. Yarudeyskoye field
12. South-Tambeyskoye field
13. West-Yaroyakhinskiy LA
14. Beregovoy LA
15. North-Russkoye field
16. Syskonsynyinskiy LA (located in KMAO)
17. South-Khadyryakhinskoye field
18. Dorogovskoye field
19. East-Tazovskoye field
20. Yumantilsky LA
21. West-Urengoiskiy LA
22. North-Yubileynoye field
23. North-Russkiy LA
24. Ukrainsko-Yubileynoye field
25. Geofizicheskiy 1 LA
26. West-Chaselskoye field
27. Yevo-Yakhinskoye field
28. North-Chaselskiy LA
29. Utrenneye field
30. Geofizicheskiy LA
31. North-Obskiy LA
32. East-Tambeyskiy LA
33. North-Tasiyskiy LA
34. Trekhbugorniy LA
35. Nyakhartinskiy LA
36. Ladertoyskiy LA
37. Nyavuyahskiy LA
38. West-Solpatinskiy LA
39. North-Tanamskiy LA
40. Syadorskiy LA
41. Tanamskiy area
42. Kharbeyskoye field
43. Gydanskiy LA
44. Shtormovoy LA
45. Verhnetiuteyskiy+ West-Seyakhinskiy LA
46. Osenniy LA
47. Chernichnoye field
48. Raduzhnoye field
49. Ust-Yamsoveyskiy LA
50. Payutskiy LA
51. Central-Nadoyakhskiy LA
52. Palkurtoiskiy LA
53. Ladertoyskiy 1 LA
54. Gydanskiy 1 LA
55. Dorogovskiy 1 LA
56. South-Leskinskiy LA
57. Dorofeevskiy LA
58. West-Dorofeevskiy LA
59. Khalmeriakhinskiy LA
60. Shtormovoy 1 LA
61. Soletskoye+Khanoveiskoye fields
62. South-Dorofeevskiy LA
63. South-Khalmeriakhinskiy LA
64. East-Ladertoyskiy LA
65. South-Yamburgskiy LA
66. Bukharinskiy LA



Hydrocarbon Production

In 2019, NOVATEK produced commercial hydrocarbons at 20 fields. The Company's production (including attributable share in the production of joint ventures) amounted to 589.9 mmboe, up 7.4% compared with 2018. The main factor that had a positive impact on production growth was the launch of LNG production at the second and third trains of the Yamal LNG plant in the second half of 2018, and the launch of oil deposits of the Yaro-Yakhinskoye field, owned by our joint venture Arcticgas, in December 2018.

The production volumes at mature fields of our subsidiaries and joint ventures decreased mainly due to natural declines in the reservoir pressure at the current gas producing horizons.

Total natural gas production including the Company's share in production of joint ventures aggregated 74.70 bcm, representing approximately 82.8% of our total hydrocarbon output in boe. The share of gas produced from the gas condensate bearing layers (or "wet gas") in proportion to total gas production was 80.2%. Production of natural gas increased by 8.6% year-on-year.

Production of liquid hydrocarbons including the Company's share in production of joint ventures totaled 12,148 mt, of which 58.1% was gas condensate and the remaining 41.9% consisted of crude oil. Production of liquid hydrocarbons increased by 2.9% as compared to 2018, with gas condensate production amounting to 7,055 mt and oil production at 5,093 mt.

In 2019, we continued to achieve some of the lowest direct lifting costs in the global oil and gas industry. The Company's lifting costs were RR 38.5 (USD 0.59) per boe in 2019.

102-2
LNG PROJECTS

YAMAL LNG PROJECT

Yamal LNG is an integrated project including production, liquefaction and sales of natural gas. OAO Yamal LNG is the operator and the owner of all the assets within the project. As at the end of 2019, the shareholder structure of Yamal LNG was as follows: PAO NOVATEK – 50.1%, TOTAL – 20%, CNPC – 20%, and the Silk Road Fund – 9.9%.

The South-Tambeyskoye field located in the North-East of the Yamal Peninsula is the resource base of the project. As at 31 December 2019, the field's SEC proved reserves amounted to 690 bcm of natural gas and 22 mmt of liquid hydrocarbons. PRMS proved and probable reserves of the South-Tambeyskoye field totaled 964 bcm of natural gas and 34 mmt of liquid hydrocarbons. The field is being developed with horizontal wells with total drilled lengths up to 5,000 meters and horizontal sections of up to 1,500 meters.

The construction and start-up of three trains with a total nameplate capacity of 16.5 mmtpa (5.5 mmtpa each) was completed in 2018. Yamal LNG was constructed and commissioned ahead of schedule and on budget, an unprecedented accomplishment in the global oil and gas industry. The second and third trains of the plant were started up six months and more than a year ahead of the initial schedule, respectively.

The first liquefaction train started production in Q4 2017, whereas LNG trains 2 and 3 became operational in July and November 2018, respectively. Yamal LNG was ramped up to full capacity as early as in December 2018. In 2019, the first full year of simultaneous operation of all three liquefaction trains, Yamal LNG produced 18.4 mmt of LNG, exceeding the plant's nameplate capacity by 11%, or 1.9 mmt.

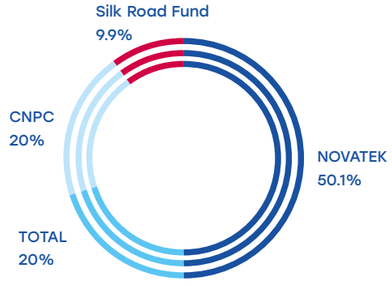
A fourth train with a nameplate capacity of 0.9 mmtpa is currently under construction based on NOVATEK's patented proprietary Arctic Cascade gas liquefaction technology. The design of the fourth train provides for the use of equipment manufactured in Russia. To make the technology highly energy efficient, the liquefaction process will extract maximum benefits from the Arctic climate.

Unique Arc7 ice-class LNG carriers were specifically designed for the Yamal LNG project, capable of navigating the Northern Sea Route (NSR) without icebreaker support. As at year-end 2019, all 15 Arc7 carriers were received and in operation. In 2019, 253 LNG cargos (18.4 mmt) and 42 stable gas condensate cargos (1.2 mmt) were shipped.

In July 2019, our Arc7 LNG carrier "Vladimir Rusanov" opened the summer navigation season along the NSR, delivering a cargo of LNG from Sabetta to the port of Tianjin in China.

In the reporting year, LNG was also delivered to the Asia Pacific markets during winter months by conventional LNG tankers with LNG transshipped to tankers from ice-class LNG carriers in Northern Norway and in the port of Zeebrugge, Belgium. In December 2019, Yamal LNG started using a dedicated tank at the Zeebrugge terminal for LNG transshipment under a 20-year agreement with Fluxys LNG NV/SA. The LNG tank was built specifically for Yamal LNG with a capacity of 180 mcm, allowing the project to transship up to 8 mmt of LNG per annum.

Yamal LNG shareholders as at 31 December 2019



Exploration drilling at the Utrenneye field

ARCTIC LNG 2 PROJECT

Arctic LNG 2 is the second large-scale LNG project under construction by NOVATEK.

The Utrenneye field is the resource base for Arctic LNG 2, and is located on the Gydan Peninsula in the Yamal-Nenets Autonomous Region approximately 70 km across the Ob Bay from Yamal LNG.

As at 31 December 2019, SEC proved reserves of the field totaled 461 bcm of gas and 18 mmt of liquid hydrocarbons. PRMS proved and probable reserves of the field total 1,180 bcm of natural gas and 62 mmt of liquid hydrocarbons.

OOO Arctic LNG 2 is the project operator and the owner of all of the assets and holds an LNG export license.

In March 2019, NOVATEK closed the sale of 10% participation interest in Arctic LNG 2 to TOTAL. In July 2019, we closed the deals for the sale of participation interests to new participants: a subsidiary of China National Petroleum Corporation (CNPC), a CNOOC subsidiary and Japan Arctic LNG, a consortium of Mitsui & Co and JOGMEC. As at the end of 2019, the project's participants were PAO NOVATEK – 60%, TOTAL – 10%, CNPC –10%, CNOOC – 10%, and Japan Arctic LNG – 10%.

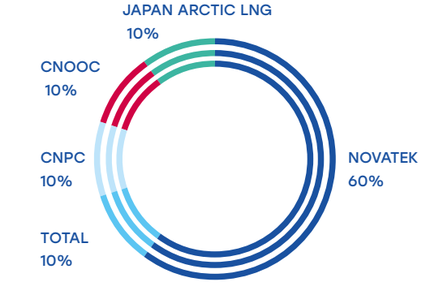
In September 2019, the project participants made the Final Investment Decision. The Project involves the development of the field, construction of the Utrenniy terminal and three natural gas liquefaction trains on gravity-based structures (GBS), with the capacity to produce 6.6 mmtpa of LNG each GBS and a cumulative stable gas condensate capacity up to 1.6 mmtpa. The total LNG capacity of the three trains will be 19.8 mmtpa. The GBS design concept as well as the extensive localization of equipment and materials manufacturing in Russia will considerably reduce the capital expenditures, thus ensuring the project's low-cost structure.

NOVATEK is building an LNG Construction Center (Center) in Belokamenka near Murmansk to fabricate the GBSs and assemble and install topside modules. The Center's infrastructure will comprise two dry docks and production facilities to build GBSs and topside modules. The Center will provide a state-of-the-art technical foundation for LNG technologies in Russia, create new jobs, and contribute to the economic development of the region.

The first train of Arctic LNG 2 is to be launched in 2023, trains 2 and 3 – in 2024 and 2026, respectively.

In May 2019, Arctic LNG 2 signed an EPC contract[1] for engineering, supply of equipment, materials and components, construction and commissioning of an integrated natural gas treatment and liquefaction facility with the consortium of TechnipFMC, SAIPEM and NIPIgas. Topside module fabrication started in November 2019.

Arctic LNG 2 participants as at 31 December 2019



1. EPC (engineering, procurement and construction) is a form of contracting agreement in the construction industry.

Yamal LNG plant

In 2019, SAREN, a joint venture between Saipem and Renaissance Heavy Industries, started the first GBS fabrication at the NOVATEK-Murmansk yard (the LNG Construction Center).

Production drilling, construction of infrastructure and the Utrenniy terminal has already started for the project on the Gydan Peninsula.

OBSKIY LNG PROJECT

The Company's strategic plans are to expand its LNG portfolio: in 2019, we started developing the Obskiy LNG project, which will use a modified version of NOVATEK's proprietary gas liquefaction technology. The plant's liquefaction capacity will be 5 mmtpa, and its maximum stable gas condensate production capacity is 0.3 mmtpa.

The Verkhnetiuteyskoye and West-Seyakhinskoye fields located in the north-eastern part of the Yamal Peninsula are the project's resource base. As at 31 December 2019, SEC proved reserves of the fields totaled 159 bcm of gas and 5 mmt of gas condensate. PRMS proved and probable reserves are 264 bcm of gas and 16 mmt of gas condensate. In 2019, the front-end engineering and design work (FEED) was completed; engineering and major equipment selection commenced with active involvement of Russian manufacturers.

CRYOGAS-VYSOTSK PROJECT

One of our LNG strategic initiatives is to develop small- to medium-scale LNG projects. This approach allows us to build effective premium marketing channels to sell our products in different markets. NOVATEK sees vast potential for using LNG as a marine fuel and motor fuel to substitute for fuel oil and diesel, which will contribute to lower emissions and improve the environment.

Cryogas-Vysotsk is our first medium-scale LNG project. OOO Cryogas-Vysotsk shareholders are PAO NOVATEK (51%) and AO Gazprombank (49%).

In 2019, Cryogas-Vysotsk commenced operations and began regular shipments of LNG.

The project's core facility is the LNG production and transshipment terminal in the port of Vysotsk, located in the Leningrad Region. The 660 mtpa plant, consisting of two gas liquefaction trains with a capacity of 330 mtpa each, is located in the North-West of Russia near the Gulf of Finland, 140 km away from St. Petersburg.

The project infrastructure also includes a 42 mcm LNG storage tank and an offloading terminal designed to handle LNG carriers with a capacity of up to 30 mcm. The project targets the closest markets with small- and medium-scale LNG deliveries by LNG trucks and gas carriers. The growing bunkering segment in the Baltics is another important sales market.

ROSTOCK LNG PROJECT

In 2018, NOVATEK (49%) and Fluxys (51%) established Rostock LNG, a joint venture to operate a medium-scale LNG transshipment terminal with a capacity of about 300 mtpa in the port of Rostock, Germany. As at year-end 2019, the front-end engineering and design (FEED) was completed for the project. The package of documents to obtain a construction permit has been submitted to the German authorities.

Processing of Gas Condensate

102-2
PUROVSKY PLANT

NOVATEK and its joint ventures produce natural gas with a significant content of liquid hydrocarbons (gas condensate). After being separated and de-ethanized at the field, the major portion of unstable (de-ethanized) gas condensate is delivered via a system of condensate pipelines owned and operated by the Company for further stabilization at our Purovsky Plant located in close proximity to the East-Tarkosalinskoye field.

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

In the reporting period, the Purovsky Plant processed 10,802 mt of de-ethanized gas condensate, representing a 2% decrease compared to 2018. The plant's processing capacity matches the aggregate gas condensate production capacity of the fields operated by NOVATEK and its joint ventures. The 2019 output mix included 8,215 mt of stable gas condensate, 2,538 mt of NGL and LPG and 14.8 mt of regenerated methanol.

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

All of the NGL volumes (feedstock for LPG production) produced at the plant are delivered by pipeline to SIBUR's Tobolsk Petrochemical Complex for further processing.

UST-LUGA COMPLEX

The Gas Condensate Fractionation and Transshipment Complex 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 by sea. The Ust-Luga Complex also allows for the transshipment of stable gas condensate to export markets. After launching in 2013, the complex improved our logistics and reduced transportation costs.

In the reporting year, the complex processed 6,902 mt of stable gas condensate into 6,742 mt of end products, including 4,299 mt of light and heavy naphtha, 1,085 mt of

jet fuel and 1,358 mt of ship fuel component (fuel oil) and gasoil.

In 2019, the Ust-Luga Complex commenced constructing a heavy residue hydrocracker unit (for fuel oil). The launch will increase the depth of processing of stable gas condensate into higher grade, value-added petroleum products.

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

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

590 mmboe

Total hydrocarbon production in 2019

THE NOVATEK GROUP'S KEY OPERATING INDICATORS IN 2016–2019

	Units	2016	2017	2018	2019	Change: 2019/2018
Hydrocarbon production (including share in production by joint ventures)[1]						
Total production	mmboe	547.0	513.3	549.1	589.9	7.4%
Including						
• Gas	mmcm	67,647	63,399	68,806	74,700	8.6%
	mmboe	442.4	414.6	450.0	488.5	
• Liquid hydrocarbons	mt	12,441	11,774	11,800	12,148	2.9%
	mmboe	104.6	98.7	99.1	101.4	
Processing volumes and output of the Purovsky Plant						
Processing of de-ethanized condensate	mt	12,397	11,445	11,017	10,802	(2.0%)
Output:						
• Stable gas condensate	mt	9,667	8,853	8,501	8,215	(3.4%)
• NGL and LPG	mt	2,597	2,493	2,452	2,538	3.5%
• Regenerated methanol	mt	10.2	16.5	15.0	14.8	(1.3%)
Processing volumes and output of the Ust-Luga Complex						
Stable gas condensate processing	mt	6,917	6,961	6,949	6,902	(0.7%)
Output:						
• Heavy naphtha	mt	2,195	2,261	2,247	2,181	(2.9%)
• Light naphtha	mt	2,000	1,962	1,997	2,118	6.1%
• Jet fuel	mt	998	1,072	1,087	1,085	(0.2%)
• Ship fuel component (fuel oil)	mt	1,147	967	843	753	(10.7%)
• Gasoil	mt	443	564	633	605	(4.4%)

1. Oil and gas production is calculated based on 100% of production of our subsidiaries and our proportionate share in the production of our joint ventures including fuel gas. Production of the South-Tambeyskoye field of Yamal LNG is reported at 60%.

Marketing and Sales

102-4 102-6 102-7
NATURAL GAS SALES

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

In 2019, natural gas sales volumes, including volumes of LNG sold, aggregated 78.45 bcm, representing an increase of 8.8% as compared with 2018 mainly due to an increase in international LNG sales volumes purchased from our joint ventures Yamal LNG and Cryogas-Vysotsk. Revenues from natural gas sales in 2019 totaled RR 415 bln, a 10.6% increase year-on-year. The revenue increase was mainly driven by the increase in LNG volumes sold and higher sales prices in the Russian domestic market.

SALES IN THE RUSSIAN FEDERATION

In 2019, the total volume of natural gas sold in the Russian Federation amounted to 65.65 bcm, decreasing by 0.6% compared to the previous year.

NOVATEK plays an important role in ensuring supplies of natural gas to the domestic market. During 2019, the Company supplied natural gas to 40 regions of Russia. Our end customers and traders were located primarily in the following regions: the Khanty-Mansiysk and Yamal-Nenets Autonomous Regions, Moscow and the Moscow Region, the Chelyabinsk, Lipetsk, Tyumen, Vologda, Nizhny Novgorod, Smolensk, Tula, Belgorod and Kostroma Regions, as well as the Perm and Stavropol Territories. The above regions accounted for more than 92% of our total gas sales in the Russian Federation.

In order to manage seasonal gas demand, NOVATEK has entered into an agreement with Gazprom for underground storage services. Natural gas inventories are accumulated during warmer periods when demand is lower and then used to meet increased demand during periods of colder weather. At year-end 2019, our inventories of natural gas, including LNG, amounted to 1.2 bcm.

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

In September 2019, Russia's first public multi-fuel station offering liquefied and compressed natural gas (LNG and CNG) was put into operation in the Chelyabinsk Region. On the territory of Chelyabinsk, NOVATEK-AZK equipped an LNG refueling station to provide refueling for 33 municipal buses.

Together with industrial enterprises of the Chelyabinsk Region, we implemented a project to convert a number of pilot automotive vehicles (haul trucks and highway trucks) to dual fuel (LNG + diesel), to be refueled at stations located on the territory of the enterprises.

During 2019, the construction of a small-scale LNG plant in Magnitogorsk with a capacity of 45 mtpa was carried out by our subsidiary NOVATEK-Chelyabinsk.

INTERNATIONAL SALES

Growth of LNG sales on international markets in 2019 confirmed NOVATEK's transformation into a global gas company. Yamal LNG is currently the largest LNG plant in Russia, with an aggregate share of approximately 5% of the global LNG market.

During 2019, we sold 12.8 bcm (8.5 mmt) of equivalent LNG. We dispatched 119 large-scale LNG tanker shipments with a total volume of 12.4 bcm (8.3 mmt). In the small-scale LNG market, we sold 0.4 bcm (0.3 mmt) of LNG, including 65 tanker shipments (of which 63 were delivered from Cryogas-Vysotsk) and more than 400 cargos by trucks. In 2018, our LNG sales volumes amounted to 6.1 bcm (4 mmt), with 57 large-scale LNG tanker shipments, including 50 cargos from Yamal LNG.

One of NOVATEK's key commercial marketing priorities is to expand the geography of supplies and enhance our presence in key consumer markets. In the reporting year, Yamal LNG supplied its first LNG cargos to Japan, South Korea, and Bangladesh.

In October 2019, under a long-term agreement with Spain's Naturgy (formerly Gas Natural Fenosa), Yamal LNG delivered its first LNG cargo to the Sines Terminal, Portugal, where no Russian pipeline gas is supplied.

In the reporting year, we increased LNG deliveries to Asia-Pacific countries, including shipments via the Northern Sea Route (NSR). During the 2019 summer navigation period, 17 cargos (1.2 mmt of LNG) were shipped from Yamal LNG along the NSR to the Asian-Pacific market, which is more than four times higher than in the previous year. The use of the NSR enables the Company to reduce shipping times and costs, which is crucial for the development of our licenses and fields on the Yamal and Gydan Peninsulas. We have demonstrated that the Arctic Region can competitively deliver LNG to the world's main consumer markets, and the geographical reach of our LNG deliveries supports our future LNG platform expansion.

In December 2019, Novatek Polska[1], a NOVATEK subsidiary, launched an LNG filling station for cargo trucks in Rostock, Germany. The LNG filling station can refuel up to 120 vehicles per day.

This LNG filling station is NOVATEK's first in Europe, as the Company plans to build a network of stations in Germany and Poland within the next few years at key transport connecting points. NOVATEK's strategy as a natural gas and LNG producer implies greater involvement in further developing natural gas as a motor fuel both in Russia and abroad. This market segment represents significant growth potential in the context of increasingly stringent environ-

1. Novatek Polska was renamed to Novatek Green Energy on 3 February 2020.

mental standards. Compared to diesel, LNG provides for a significant reduction of emissions of nitrogen oxides, carbon dioxide and almost complete elimination of particulate matter emissions.

LIQUID HYDROCARBON SALES

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

In 2019, the liquids sales volume reached 16,355 mt, or 3.4% more than in 2018. In 2019, our export sales volumes increased by 6.4% as compared to 2018 and amounted to 9,571 mt.

In 2019, our liquids sales revenues decreased to RR 437 bln, or by 2.9% year-on-year, mainly due to lower global benchmark prices.

High value-added petroleum products from the Ust-Luga Complex accounted for a 43% share of our overall liquids sales volumes. We sold a total of 6,981 mt of stable gas condensate (SGC) products, including 4,511 mt of naphtha, 1,068 mt of jet fuel and 1,402 mt of gasoil and ship fuel component (fuel oil). The bulk of SGC products (97%) were sold for export. Sales to the European markets accounted for 55% of total exports, 26% were sold to Asia-Pacific, 16% to North America, and 3% to the Middle East. Most of our heavy naphtha was exported to Asia-Pacific, light naphtha – to Northwest Europe and North America, jet fuel, gasoil and fuel oil – to Northwest Europe.

Export and domestic sales of stable gas condensate continued in 2019. Condensate was sold to international markets, including purchased volumes from Yamal LNG. Total SGC sales amounted to 1,739 mt.

A portion of natural gas liquids produced at the Purovsky Plant is processed under tolling arrangements at SIBUR's Tobolsk Petrochemical Complex into marketable LPG, which is then delivered to NOVATEK's customer base, while the remaining NGL volumes are sold to SIBUR. We sold 1,332 mt of natural gas liquids in 2019.

Marketable LPG sales volumes totaled 1,445 mt in 2019, representing a 1.2% increase compared to 2018. LPG export sales volumes amounted to 591 mt, or 41% of the total LPG sales volumes. Novatek Polska[1], our wholly owned LPG trading company in Poland, sold all of our LPG export volumes.

In the domestic market, our LPG is sold through large wholesale channels as well as through our retail network and small wholesale stations. In 2019, large wholesale supplies to the domestic market stood at 692 mt, representing 81% of our domestic LPG sales. We also sold 162 mt of LPG via our retail network and small wholesale stations located mainly in the Chelyabinsk, Volgograd, Rostov and Astrakhan Regions. At year-end 2019, sales were made through 82 retail gas stations and 11 gas filling stations.

In 2019, sales of oil totaled 4,834 mt, which is 6.4% higher compared with 2018. We sold 61% of our oil volumes in the domestic market, with the remaining volumes exported to international markets.

Dividends

The Company's Dividend Policy is regulated by the **Regulations on Dividend Policy of PAO NOVATEK**. Normalized consolidated net profit under IFRS is used to calculate the dividend amount.

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

Considering the interim dividend of RR 14.23 per share (RR 142.3 per one GDR) paid for the first six months of 2019, the total dividend for FY2019 was RR 32.33 per ordinary share (RR 323.3 per one GDR), a 24.1% increase from the total dividend paid for FY2018 (RR 26.06 per share, or RR 260.6 per one GDR). The total dividend payout recommended for FY2019 is therefore RR 98,163,772,980, which is in line with the Company's dividend policy of distributing at least 30% of consolidated IFRS net profit adjusted for items not related to core business and non-monetary items.

NOVATEK GROUP'S NATURAL GAS AND LIQUID HYDROCARBON SALES IN 2016–2019

	Units	2016	2017	2018	2019	Change: 2019/2018
Natural gas sales						
Total gas sales	mmcm	64,709	65,004	72,134	78,452	8.8%
International sales	mmcm	–	106	6,061	12,799	111.2%
Total sales within the Russian Federation	mmcm	64,709	64,898	66,073	65,653	(0.6%)
Including						
• End customers	mmcm	59,646	61,560	61,901	62,653	1.2%
• Traders	mmcm	5,063	3,338	4,172	3,000	(28.1%)
Share of end customers in domestic gas sales	%	92.2	94.9	93.7	95.4%	1.7 p.p.
Liquid hydrocarbon sales						
Total liquid hydrocarbon sales	mt	16,850	15,939	15,822	16,355	3.4%
Including						
• Petroleum products (Ust-Luga)	mt	6,662	6,743	6,683	6,981	4.5%
• Crude oil	mt	4,650	4,616	4,542	4,834	6.4%
• Stable gas condensate	mt	2,812	1,918	1,908	1,739	(8.9%)
• Natural gas liquids	mt	1,468	1,288	1,248	1,332	6.7%
• LPG	mt	1,245	1,360	1,428	1,445	1.2%
• Other	mt	13	14	13	24	84.6%

ACCRUED AND PAID DIVIDENDS ON NOVATEK SHARES, 2015–2019

Dividend accrual period	Dividend amount, RR per share	Total dividends accrued, RR	Total dividends paid, RR
2015	13.50	40,990,131,000	40,990,062,832
2016	13.90	42,204,653,400	42,204,606,695
2017	14.95	45,392,774,700	45,392,719,439
2018	26.06	79,126,134,360	78,746,541,458
2019	32.33	98,163,772,980	97,208,002,803[1]

24 %

Increase of total dividend paid per ordinary share in 2019

1. Novatek Polska was renamed to Novatek Green Energy on 3 February 2020.

1. Dividends paid for 2019 are as at 30 June 2020.

Processing of Gas Condensate

102-2 102-4

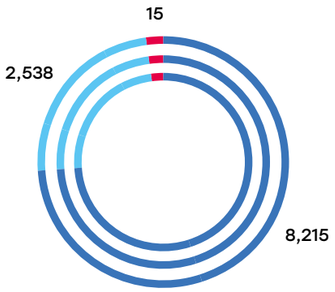
10,802 mt

Processing of de-ethanized condensate

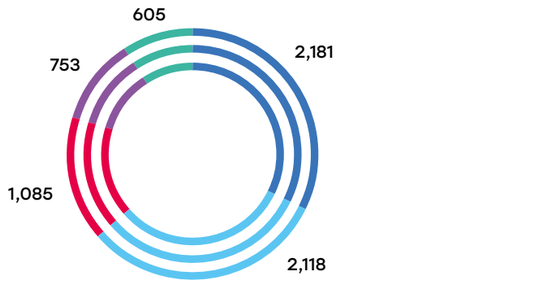
6,902 mt

Processing of stable gas condensate

Total output of the Purovsky Plant in 2019, mt



Total output of the Ust-Luga Complex in 2019, mt



After being separated and de-ethanized at the field the main part of unstable (de-ethanized) gas condensate is delivered via a system of condensate pipelines owned and operated by the Company for further stabilization at our Purovsky Plant. Most of the stable gas condensate volumes produced at the Purovsky Plant are delivered by rail to Ust-Luga for further processing or transshipment to exports, with the remaining volume of stable gas condensate sold directly from the plant to the domestic market. All of the NGL volumes (feedstock for LPG production) produced at the plant are delivered by pipeline to SIBUR's Tobolsk Petrochemical Complex for further processing. 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.

Natural Gas Sales

In 2019, natural gas sales volumes, including volumes of LNG sold, aggregated 78.5 bcm, representing an increase of 9% as compared with 2018

15 Main regions of gas sales

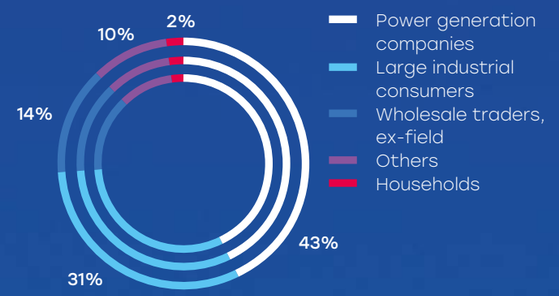
25 Other regions of gas sales

65.7 bcm

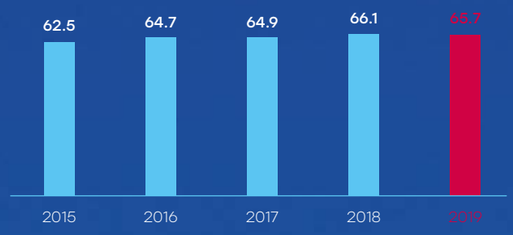
Total volume of natural gas sales in Russia

NOVATEK has a key role in ensuring supplies of natural gas to the domestic market. During 2019, the Company supplied natural gas to 40 regions within the Russian Federation.

Natural gas sales breakdown on the Russian domestic market by customers in 2019, %



Natural gas sales in Russia, bcm



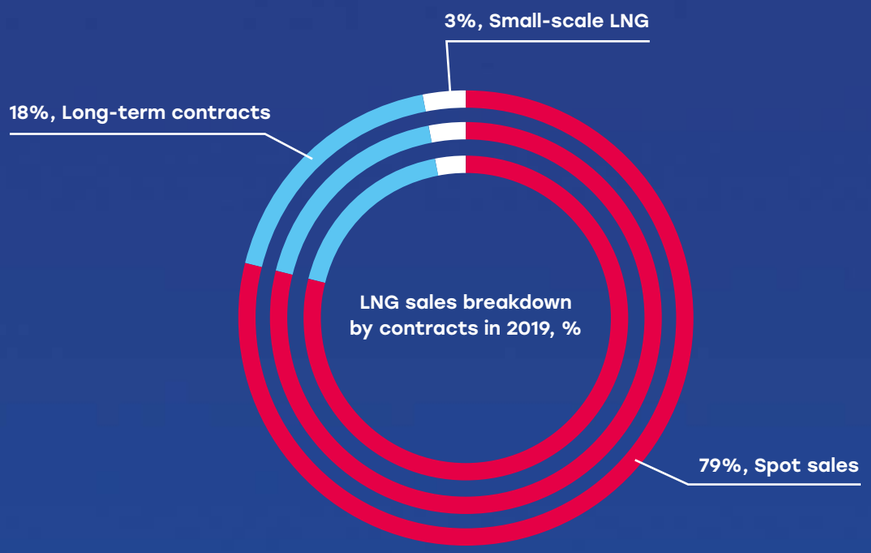
LNG Sales

102-4

NOVATEK started exporting LNG in December 2017 when the first train at the Yamal LNG plant started production

The Company started exporting LNG in December 2017 when the first train at the Yamal LNG project started production. In addition, on the European market we sell regasified liquefied natural gas arising during the trans-shipment of LNG (boil-off gas), as well as during the regasification of purchased LNG at our own regasification stations in Poland.

During 2019, we sold 12.8 bcm (8.5 mmt) of LNG. We dispatched 119 large-scale LNG tanker shipments with a total volume of 12.4 bcm (8.3 mmt). In the small-scale LNG market we sold 0.4 bcm (0.3 mmt) of LNG, including 65 tanker shipments (of which 63 were delivered from Cryogas-Vysotsk) and more than 400 cargoes by trucks.



04
April

Cryogas-Vysotsk began regular shipments of LNG

07
July

Arc7 LNG carrier “Vladimir Rusanov” inaugurated the summer navi-gation along the NSR delivering a cargo of LNG from Sabetta to the port of Tianjin in China

10
October

Under a long-term agreement with Naturgy (formerly Gas Natural Fenosa), Yamal LNG delivered its first LNG cargo to the Sines Terminal, Portugal, where no Russian pipeline gas is supplied

253

LNG cargos were shipped from Yamal LNG in 2019

28 countries consumed natural gas molecules from Yamal LNG*

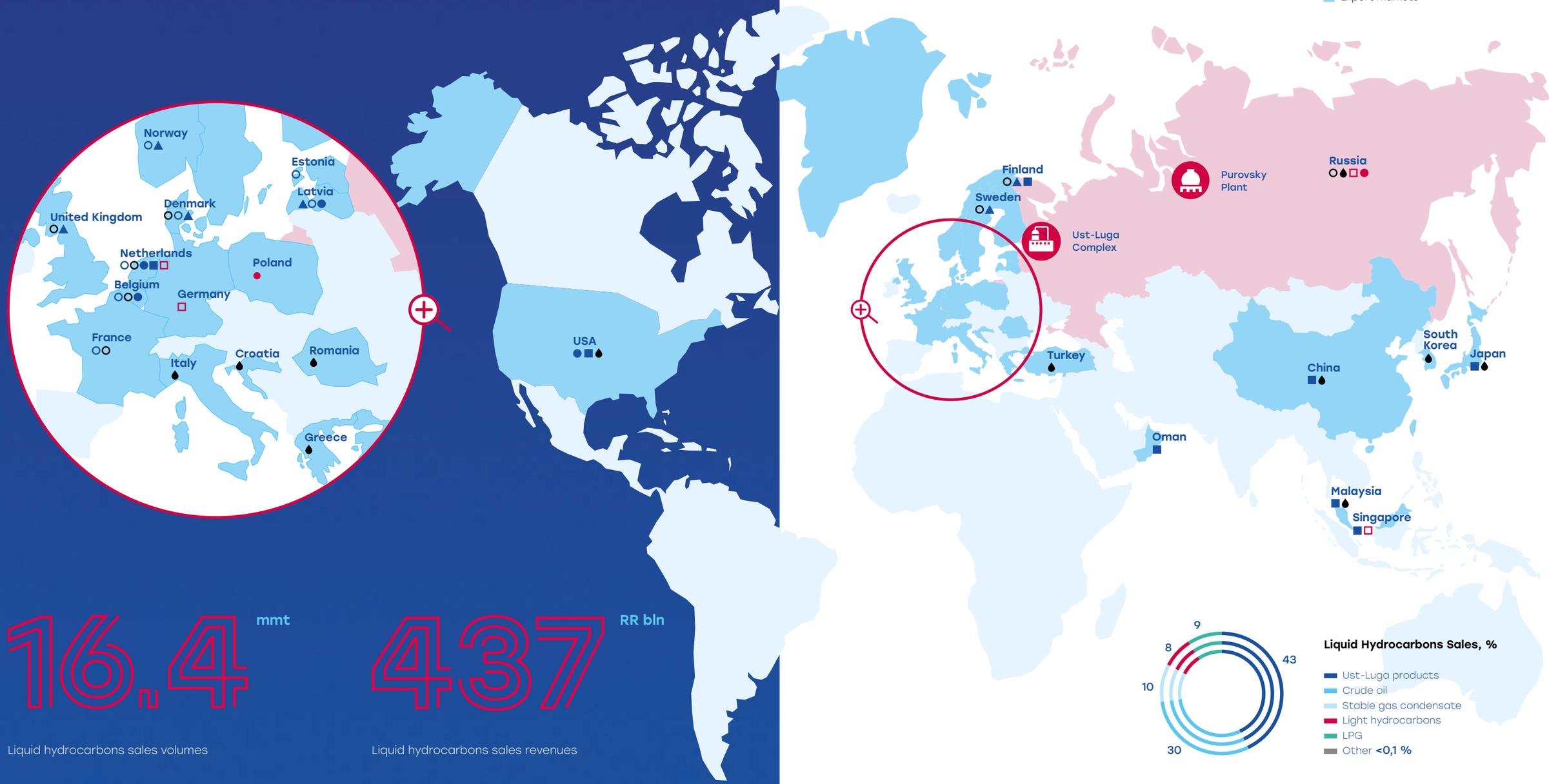
* Taking into account all supplies from Yamal LNG since its launch

Liquid Hydrocarbons Sales

102-4

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

In 2019, NOVATEK's liquids sales volumes reached 16,355 mt, or 3% more than in 2018. In 2019, our export sales volumes increased by 6% to 9,571 mt.



16.4 mmt

Liquid hydrocarbons sales volumes

437 RR bln

Liquid hydrocarbons sales revenues

External Social Policy

1,990 RR mln

Aimed at regional development, social projects, charity, and sponsorship

1,656 grants

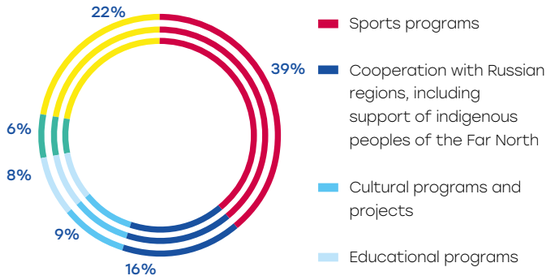
Have been awarded since the start of the program “Grants for Schoolchildren”

NOVATEK is fully committed to be a socially responsible corporation, and supports local communities and regions through projects and programs embracing culture, sports, education, as well as social welfare with a particular focus on helping children in desperate need.

The three business units responsible for managing corporate social responsibility matters at NOVATEK are the Public Relations Department, the Budgeting and Efficiency Management Department, and the Social Development Department.

In 2019, investments aimed at regional development, social projects, charity, and sponsorship totaled RR 2 bln.

Social investments in 2019



Cooperation with Russian Regions

203-1 203-2 OG9

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

NOVATEK always engages with stakeholders during the construction phase of new projects. This provides an opportunity to identify the project's potential negative impacts on regional development early on and propose measures to manage them. No conflicts with stakeholders from local communities were reported in 2019.

In the reporting year, NOVATEK provided financial support to upgrade water treatment facilities with reverse osmosis water filtration in the Seyakha village in the Yamal District. The total cost of upgrades was RR 90 mln. The Company also provided drinking water filter systems with replaceable cartridges for a total of RR 6.3 mln.

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

In 2019, NOVATEK purchased equipment for nine medical and obstetric centers and ambulatory clinics, as well as eight ambulances for a regional ambulance station. The Company provided funds to set up the Patriot military park in Gadjievo, the Murmansk Region.

Under the agreements signed with multiple regions, a substantial portion of investments in 2019 was directed to the development of the Yamal-Nenets Autonomous Region, the Khanty-Mansiysk Autonomous Region, and the Leningrad, Murmansk, Chelyabinsk, Tyumen, and Kostroma Regions. The funds were used to build and repair social infrastructure facilities, purchase equipment and ambulances for healthcare institutions, create an accessible environment for people with limited mobility, finance programs and projects for education, culture, sports, and children and youth, and provide support to low-income families, veterans, and people with disabilities.

Following investment agreements between NOVATEK's subsidiaries and the Government of the Yamal-Nenets Autonomous Region, the Company is committed to creating new jobs for the region's residents. In addition, during the summer, indigenous peoples of the Far North are engaged in seasonal jobs at the South-Tambeyskoye license area.

YAMAL-NENETS AUTONOMOUS REGION DEVELOPMENT

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

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

- Support of the indigenous peoples of the Far North;
- Promotion of relevant professional education;
- Promotion of culture, education and sports;
- Environmental initiatives;
- Youth programs;
- Targeted assistance to people in financial distress;
- Medical assistance to children in desperate need.

203-2 413-1

NOVATEK takes part in various projects and initiatives to develop infrastructure and improve the quality of life for local communities.

In 2019, the Company financed an upgrade of sports facilities in the Purovsky District and purchases of new equipment for sports grounds at secondary schools in the Nadymsky District and hi-tech Kvantorium equipment for educational institutions in the Krasnoselkupsky District.

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

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

NOVATEK has traditionally supported aquatic biodiversity protection programs. In 2019, the Company funded the research of juvenile muksun and broad whitefish stocking efficiency.

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

SUPPORT OF THE INDIGENOUS PEOPLES OF THE FAR NORTH

203-1 203-2 413-1

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

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

In 2019, NOVATEK provided financial support to the Yamal for Descendants Association of Indigenous Peoples and its district branches to carry out activities aimed at improving the quality of life and living standards for the indigenous peoples of the Yamal Peninsula. We provided assistance in conducting the anniversary meeting attended by more than 200 delegates and guests from various cities and districts across Yamal and other Russian regions. The meeting discussed the problems of social development of the Northern indigenous peoples along with the aspects of maintaining their traditional economic activities.

NOVATEK fosters the social and cultural environment by financing cultural events, supporting creative teams, purchasing musical instruments and equipment, and costumes for dance groups, as well as funding participation in contests and festivals held at various levels. Every year, NOVATEK participates in events commemorating anniversaries and memorable dates of Nenets authors and poets, events related to national and cultural traditions, and socially important events such as Fisherman's Day, Reindeer Herder's Day, Senior Citizens Day, and Victory Day.

The Company provides regular assistance to local communities. In 2019, machinery and equipment, along with various materials for fishermen and reindeer herders were purchased. NOVATEK also organized helicopter flights for transporting nomads and food to hard-to-reach areas, and supplied fuel, lubricants, and firewood to nomadic families and indigenous communities. Mobile housing units were purchased for tundra population, clans and trading posts.

The Company recognizes the critical importance of cooperation with indigenous communities in its regions of operation, as well as with scientific, environmental, charitable, and other non-profit organizations to ensure continuous engagement based on trust, respect, transparency, and mutual understanding.

413-1

Cooperation between employees of NOVATEK's subsidiaries and indigenous peoples to support sustainable development of communities and territories, and address personal concerns is common practice for the Company. Specifically, the Plan to Promote the Sustainable Development of Indigenous Peoples through the Yamal LNG Project for 2019–2023[1] builds upon the previous Plan for 2014–2018 and provides for comprehensive support of indigenous peoples and protection of territories against negative impacts. The plan is based on an ecosystem approach treating indigenous peoples who maintain tradition in using natural resources as members of a vulnerable Arctic ecosystem and users of ecosystem services. The ecosystem approach implies comprehensive management of land, water and living resources aimed at their protection and sustainable use in an equitable manner.

Yamal LNG implements the Plan in cooperation with the Government of the Yamal-Nenets Autonomous Region and the Administration of the Yamal District of the Yamal-Nenets Autonomous Region, and in partnership with non-governmental organizations representing the interests of indigenous peoples in the Yamal-Nenets Autonomous Region.

The Plan is designed to help improve the quality of life for indigenous peoples residing around the Yamal LNG project area through social and economic development initiatives tailored to the lifestyle and culture of indigenous peoples living in the modern environment.

Initiatives included in the Plan address the following objectives:

- prevent or reduce potential negative impacts from the implementation of the Yamal LNG project on nomads in the North of the Yamal Peninsular, as well as indigenous peoples of the Yamal District and the entire Yamal-Nenets Autonomous Region;
- improve opportunities for sustainable social and economic development of indigenous peoples of the Far North while helping to maintain traditional economic activities in the Yamal LNG project area and across the entire Yamal Peninsula;
- help maintain and sustainably develop the traditional patterns of using natural resources shown by indigenous peoples, and improve the quality of ecosystem services;
- protect, preserve and enhance the cultural heritage of indigenous peoples;
- improve the mechanisms for active involvement of indigenous peoples of the Far North in managing the Plan's implementation as well as other forms of interaction with the Yamal LNG project.

The Plan's implementation will ensure compliance with standards for managing and minimizing negative impacts and create mechanisms for sustainable development of indigenous peoples of the Yamal-Nenets Autonomous Region.

102-43

The Plan was developed through ongoing cooperation with key stakeholders including:

- nomads in the Yamal District maintaining a traditional way of life, including 36 families living within the South-Tambeyskoye license area;
- residents of villages in the Yamal District;
- nomad organizations and communities, as well as reindeer herding enterprises operating within the South-Tambeyskoye license area;
- vulnerable groups, including indigenous women, young and elderly people.

The key mechanisms for organizing and holding informed consultations were as follows:

- communication via the Advisory Board;
- consultations with the Yamal District authorities and other stakeholders;
- ongoing cooperation between Yamal LNG employees and nomads;
- off-site meetings at locations populated by indigenous peoples leading a traditional way of life;
- ongoing interactions with all indigenous population groups via the Yamal District authorities, organizations and communities of indigenous peoples, as well as groups whose views were separately taken into account during consultations (women, young and elderly people).

Employees of NOVATEK and its subsidiaries are informed of inclusive and acceptable behavior when working in places where indigenous peoples of the Far North traditionally live and engage in economic activity, and relevant training is provided to employees.

The rules of behavior for employees and contractors in respect of local population (indigenous peoples of the Far North), wildlife and nature comprise the following:

- treat representatives of local communities with respect;
- follow the norms of behavior adopted by locals, respect the customs and traditions of indigenous peoples of the Far North;
- cause no harm to local residents and the environment;
- avoid conflicts;
- respect cultural heritage sites and sacred places;
- suspend operations if a cultural heritage site is discovered (or if there is a reason to believe that such a site is discovered);
- refrain from taking photos and videos of local residents without their consent, especially in an intrusive manner;
- refrain from hunting domestic reindeer and wild animals, fishing, or gathering wild plants;
- prevent dogs from disturbing people or wildlife;
- take extra care during reindeer driving (avoid scaring the animals, hindering their passage, causing potential accidents with vehicles, etc.);
- avoid damaging the soil and vegetation of the tundra (only use vehicles on designated roads, refrain from littering);
- refrain from distributing alcohol or prohibited substances.

1. The document was approved by OAO Yamal LNG in 2018.

Educational Programs

203-1 203-2

NOVATEK continues to focus on the programs set to bring professionals to the Company and supporting the most talented and educated young people in its regions of operation.

For many years, we have been running a continuous education project which starts with career guidance at schools and is followed by specialized higher education, internships, and subsequent employment of young talent at NOVATEK.

413-1

EDUCATIONAL PROGRAMS

Program title	Description	2019 highlights
“Gifted Children”	Established in 1999, the “Gifted Children” program is run at secondary schools in the Samara Region, Yamal-Nenets Autonomous Region, and Tyumen. Special classes are formed on a competitive basis from the most talented grade 10 and 11 students with above-average test scores. The high-school students have a special training program: the standard curriculum is expanded to include courses in applied physics, mathematical methods in physics, advanced math problems, history of world culture, and economics. The NOVATEK Group organizes vocational trips to its facilities. In March 2019, 64 school students from Novokuybyshevsk, Tyumen, Tarko-Sale, and Salekhard spent educational vacations with tours of the NOVATEK Group’s facilities, and in November, 32 high-school students from Secondary School No. 2 in Tarko-Sale visited the Gas Production Shop and Central Oil Gathering Facility at the East-Tarkosalinskoye field of NOVATEK-Tarkosaleneftegas.	As at 31 December 2019, a **total of 115 children** studied at four educational institutions under the program. In 2019, spending under the program amounted to **RR 14.6 mln.**
	A resource center for industry-relevant student training – the Natural Science Center – continued operating in the Purovksy District’s Tarko-Sale (Yamal-Nenets Autonomous Region) in 2019. The Center is attended by grade 5 to 11 students from Tarko-Sale and provides distance learning for students from other schools in the Purovsky District. The curriculum includes chemistry, biology, and physics. The students solve competition-level problems and advanced tasks, and get prepared for nationwide competitions and contests. In addition, the students conduct researches on topics relevant to the Purovsky District.	As at 31 December 2019, the Center was attended by **455 students**. In 2019, the Natural Science Center won the innovation project contest, with grants awarded by the education system of the Yamal-Nenets Autonomous Region. In 2019, the Center continued collaborating with the Advanced Educational Scientific Center – Kolmogorov Boarding School of Moscow State University. Students of the Natural Science Center took part in the 19th Kolmogorov Readings, an international science conference for high-school students (AESC MSU, Moscow), for the first time. In 2019, contracts were signed to arrange for the participation of grade 9 and 10 students from the Purovsky District in dedicated physics and mathematics vacation shifts in the Ural Regional Experimental Educational and Scientific Complex physical and mathematical camp, and the Beloretsk Computer School (Beloretsk, Republic of Bashkortostan). In 2019, under a cooperation agreement with the Vernadsky State Geological Museum of the Russian Academy of Sciences, four videoconference lectures featuring members from the Russian Academy of Sciences were held for grade 10 and 11 students from Tarko-Sale and teachers from the Natural Science Center supplementary education institution.
“Grants” programs		
The “Grants” program consists of two programs. In 2019, the Company spent a **total of RR 345,000** on the program.		
“Grants for Schoolchildren”	The program, launched back in 2004, aims to foster intellectual and creative development of schoolchildren in the Purovsky District of the Yamal-Nenets Autonomous Region. Under the program, students in grades 5 through 11 living in the Purovsky District are awarded grants from the Company. To obtain grants, students need to get “good” and “excellent” marks and also be active members of society – participate in the scientific and social life of the school and the district, be the winners or runners up of competitions at different levels, participate in various conferences and contests.	In 2019, **44 grants** were awarded. A total of **1,656 grants** have been awarded since the start of the program.
“Grants for Teachers"	Launched in 2008, the “Grants for Teachers” program is intended to raise the prestige of the teaching profession and create favorable conditions for promoting new talents.	In 2019, **six grants** were awarded to teachers in the Purovsky District of the Yamal-Nenets Autonomous Region. A total of **85 grants** have been awarded since the start of the program.
“NOVATEK-University”	The program is aimed to create conditions for a more effective use of university and college resources in preparing students for future professional activities at the Company. The program is run at St. Petersburg Mining University, the Gubkin Russian State University of Oil and Gas in Moscow, and the Industrial University of Tyumen. The most motivated and talented graduates of the “Gifted Children” program, children of NOVATEK’s employees, and other graduates of schools in the Purovsky District are eligible for the “NOVATEK-University” program. The program’s participants receive the following support: allowance added on top of the state scholarship conditional on academic performance; commuter allowance to travel home and to the internship site; making arrangements for paid internships. NOVATEK’s Management Board resolved to increase the allowances added on top of state scholarships as from 1 January 2019.	In 2019, **12 graduates** found jobs with the Company’s subsidiaries, and **47 students** completed internship programs at NOVATEK’s subsidiaries. **88 student contracts** were signed with participants of the NOVATEK-University program. As at 31 December 2019, **94 NOVATEK-University graduates** were employed by the NOVATEK Group. In May 2019, the Moscow Region hosted the 12th student forum of the “NOVATEK-University” program, attended by **60 students** from leading oil and gas universities. This time, the forum focused on team building, revealing the participants’ leadership qualities, and building public presentation skills. In addition, the forum offered a regular meeting with the NOVATEK Group’s management, and the Dialogue of Equals – a conversation between students and young specialists. In 2019, the Company spent **RR 81.4 mln** on the program.

Excursion to the stadium and academy of the Football Club Krasnodar

Preserving Cultural Heritage

In 2019, NOVATEK continued its cooperation with Russia's leading museums including the State Tretyakov Gallery, the Russian State Museum, and the Moscow Museum of Modern Art. The Company supported Russian artistic and musical projects.

In 2019, the Company was involved in the implementation of the first project of the State Tretyakov Gallery in Samara: The Ship of Tolerance by Ilya and Emilia Kabakov. First launched in 2005, The Ship of Tolerance has subsequently been created in largest cities around the world including New York, Miami, Venice, Chicago, Berlin, and many others. Under the project, problems of peacekeeping, tolerance and development of modern society were discussed during open workshops in Samara's cultural and educational institutes. To mark the completion of the campaign, an 18-meter wooden ship was built at the city's embankment. The ship's sails were made of schoolchildren's artworks.

Supported by NOVATEK, the State Russian Museum hosted an exhibition, To the Shores of Antarctica and Arctica, dedicated to the 200th anniversary of the southernmost continent's discovery by Russian seafarers Thaddeus Bellingshausen and Mikhail Lazarev and the Year of the Antarctic in Russia. The exposition features about 100 works of painting, graphics, numismatics, including portraits of famous sailors and polar explorers, images of indigenous peoples of the Far North, landscapes and animalistic compositions, as well as medals and commemorative signs related to the history of travels to the two poles of the globe.

The Company also supported the Russian Museum's charity project Museum for Children aimed at adapting exhibition spaces for children with disabilities.

In the reporting year, the Company sponsored Ivan Gorshkov's solo exhibition at the Moscow Museum of Modern Art. The artist is a prominent figure of Russian modern art famous for his reimagining of traditional art forms – painting and sculpture.

NOVATEK took part in the organization of the Museum's 20th-anniversary exhibition MMOMA 99/19. The project gathered 20 professionals from different fields, from theatre directors and musicians to health professionals, scientists and restaurateurs.

As part of NOVATEK's 25th-anniversary celebrations, the PLAYMMOMA: the Game of Contemporary Art! festival took place, which is a special educational program developed by the museum. The museum team visited four cities of the Company's operation: Kostroma, Novy Urengoy, Murmansk, Chelyabinsk, and held a number of workshops for children and adults. MMOMA kids, another branch of the museum, set up an exclusive series of educational workshops in regions. Under this project, MMOMA kids tells children of all ages about contemporary art in an absorbing and accessible way.

NOVATEK is a permanent partner of the international festival-school of contemporary art TERRITORY. In 2019, the festival included 14 performances from Russia, Belgium, UK, the Netherlands and other countries, a comprehensive educational program, and Yoko Ono's exhibition. A play of the Theater of Nations, "Our Everything... Turgenev. Metaphysics of Love", was staged in Kostroma and Murmansk for the Company's partners and employees.

In 2019, NOVATEK continued to be General Partner of the Moscow Soloists Chamber Orchestra and provided additional support to the orchestra during its performances in Murmansk and Hamburg at the closing of the international cultural project Russian Seasons in Germany. The Company acted as General Partner of the tour of the Russian National Youth Symphony Orchestra led by Yuri Bashmet.

NOVATEK provided assistance in organizing the Festival of Russian Culture in Japan. Concerts, exhibitions, tours of celebrated Russian bands took place as part of the festival.

The Company supported the Gogol Center and the Industry Film and Television School, provided assistance in making films about the Arctic and Antarctic.

Promotion of Sports

NOVATEK attaches great importance to programs for the development of amateur and professional sports.

The Company, its subsidiaries and joint ventures regularly hold tournaments in the most popular sports: football, volleyball, swimming, ski, to name a few.

In 2019, the NOVATEK – "Step to Bigger Football Indoor Football Cup" among secondary school teams expanded its geographical footprint. For the first time, the Football Cup was held in the Kamchatka Territory in addition to the Chelyabinsk and Kostroma Regions. Over 11,000 boys and girls from almost 600 educational institutions took part in the Indoor Football Cup in three regions of the country.

The Company supported the Student Basketball Association with more than 800 teams and 10,000 boys and girls participating in competitions. The association has held over 5,000 games in 70 regions of Russia. With NOVATEK's support, the association organized the 3rd annual basketball tournament for students in the Kostroma division and also engaged stars of the Going Vertical film in NOVATEK – "Going Vertical" basketball workshops for students and schoolchildren. The association's boys and girls teams also participated in the Summer Universiade in Naples.

more than

11,000

Boys and girls took part in the NOVATEK Indoor Football Cup

With the support of the All-Russian Federation of DanceSport and Acrobatic Rock'n'Roll, sport and acrobatic rock'n'roll clubs are active in the regions of the Company's operation. In April 2019, corporate acrobatic rock'n'roll club teams participated in the 5th Russia-wide acrobatic rock'n'roll competition Rock'n'Roll & Co.

NOVATEK supported the children and youth sports in the regions of its operation, supported a pilot federal innovative project, "Become a Champion", intended to determine a predisposition to certain sports through testing.

In the reporting year, NOVATEK continued cooperation with the Football Union of Russia as the General Partner of national football teams. The Company supported Women's Volleyball Club Dinamo and the NOVA Volleyball Club (Novokuybishevsk).

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

Help to Children in Desperate Need

NOVATEK's charitable activities include a range of projects and are based on its Charity Policy (adopted in 2017), which provides for supporting children in desperate need of medical care in the Company's regions of operation.

In the reporting year, the Company continued the implementation of the Health Territory charity project. As part of the project, lead specialists of the Russian Children's Clinical Hospital visited children in Novy Urengoy, Tarko-Sale, Chelyabinsk, Magnitogorsk, Murmansk, Tyumen and Petropavlovsk-Kamchatsky. As a result, 668 children received professional medical assistance, and 162 children were taken to hospitals in Moscow. In addition, research-to-practice conferences for regional medical professionals and case conferences took place during these visits.

668 children

Received professional medical assistance as part of the Health Territory project

The Rehabilitation Center, a new charity project for children with disabilities in the Yamal-Nenets Autonomous Region, was launched by NOVATEK in 2019. Under the project, 266 children with cerebral palsy, musculoskeletal and psychoneurological disorders from Novy Urengoy, the Purovsky and Tazovsky Districts were able to complete full rehabilitation courses in their home region.

NOVATEK launched a new Telemedical Center project in the reporting year to establish a single telemedical network to connect partnering pediatric clinics in the Company's regions of operation and the Russian Children's Clinical Hospital. Aimed at improving the health care system and developing professional qualifications of doctors in regions, the project includes online appointments for children with the hospital's doctors, consultations on severe cases, case and other conferences and education for doctors from regional medical centers. During the project's first stage completed in 2019, the telemedicine center at the hospital was connected to a conference room, a procedure room, and a block of 12 operating rooms. Regional partner hospitals are scheduled for connection in 2020–2021; in the reporting year, agreements were signed to supply the necessary equipment.

In April 2019, the Company launched a new project, "Targeted Therapy", to help children with brain tumors undergoing treatment at Dmitry Rogachev National Medical Research Center of Pediatric Hematology, Oncology and Immunology. The children undergo molecular tests to determine individual treatment, which significantly increases their chances of recovery. In the reporting year, assistance was extended to 70 children.

The Company purchased an advanced electroencephalograph-analyzer for the state Sadko Center of the Yamal-Nenets Autonomous Region in Novy Urengoy, ophthalmic equipment for the ophthalmology room at the Rucheyok Nursery School for Children with Special Needs in Novy Urengoy, medical equipment and goods for the children's outpatient department and children's sanatorium of the Kostroma anti-tuberculosis clinic, and neonatal intensive care equipment for the Magnitogorsk Children's Hospital.

NOVATEK sponsored the publication of The Pediatric Cardiology handbook, free copies of which were distributed to healthcare institutions and medical universities in the regions of the Company's operation.

In the reporting year, the Company also provided targeted aid to children with disabilities and severe conditions.

In addition, the Company implemented cultural programs for children with disabilities and children from low-income and large families.

Corporate Volunteering

In 2019, the "All Together" volunteer movement continued to support orphans and children with various diseases, seniors and the Great Patriotic War veterans, as well as campaign for the better welfare of animals.

The Company has developed a tradition of holding Donor Days twice a year. In the reporting year, 97 employees donated their blood, and over 43 liters were transferred to hospitals in Moscow.

In May 2019, NOVATEK's volunteers organized the "Presents on the Victory Day" campaign, prepared presents for more than 100 veterans of the Great Patriotic War and commemorated them on their contributions in the war.

Prior to the beginning of a new school year, NOVATEK annually holds its "Back to School" campaign. This time, our volunteers handed stationery and school bags over to the Dubasovo orphanage and also raised funds to purchase a video projector and a screen which enabled the orphanage to set up a cinema of its own.

In 2019, NOVATEK's volunteers partnered with the Enjoyable Aging Charity Foundation to help 70 lonely elderly people in most need for additional care, who were given personal care assistants as per their needs. This helps the elderly maintain the same quality of life.

The Company's volunteers provide ongoing aid to a dog shelter in the Solntsevo District in Moscow, such as pet food, supplies and hygiene products.

Every December, children in orphanages write their New Year letters to Ded Moroz, and the Company's employees help their dreams come true. In December 2019, NOVATEK's Moscow office hosted the traditional "Tree of Wonders" event, which helped to collect New Year's gifts for 177 children at the Dubasovo and Omoforovo orphanages.

Throughout the year, the Company has been supporting industry veterans and participating in projects aimed at preserving and increasing rare animal populations: Siberian tiger and Amur leopard.

Presentation of The Pediatric Cardiology handbook in Chelyabinsk

Aid to Veterans

In 2005, NOVATEK founded the NOVATEK-Veteran Social Protection Foundation in the Purovsky District (the Yamal-Nenets Autonomous Region), which focuses on providing social assistance to retired employees of the oil and gas sector with a considerable employment track record in the Russian Far North.

In 2019, the foundation organized concerts and events dedicated to various artists for the retirees. The foundation's staff paid tribute to the Great Patriotic War veterans and home front workers, giving them financial support, flowers, and gifts.

The foundation continued cooperation with organizations and enterprises in Tarko-Sale. The Company partnered up with the Purovsky District's network of community centers to arrange the transportation of seniors to 16 cultural events. In collaboration with NOVATEK, the Avangard Olympic Reserve School offered seniors free access to a cardio gym in its sports complex. Under the partnership with the Purovsky District's Comprehensive Social Support Center, the visiting nurse services were provided to retirees with disabilities.

As at the end of 2019, a total of 819 seniors were registered by the foundation, which provided RR 6,600 in quarterly financial support to each of them. The Company allocated a total of RR 32.2 mln for the foundation's needs in 2019.

Employment Practices

15,445 employees

At NOVATEK, its subsidiaries and joint ventures

1.8 RR bln

Expenses on targeted social programs for employees

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

Employee Profile

102-7

As at the end of 2019, the headcount of NOVATEK and its subsidiaries and joint ventures numbered 15,445[1] people, the better part of whom (62%) worked in the Yamal-Nenets Autonomous Region, the Company's core region of operation.

Most of the staff are hired under permanent employment contracts (91%) on a full-time basis (over 99%). This Report does not include part-timers, as their share is marginal to the Company (below 0.5%). NOVATEK sources minimal services from freelancers, sole proprietors, or practitioners.

The majority of NOVATEK's employees are male (77%), which is dictated by the nature of the Company's operations, i.e., Far Northern geography and rotation job arrangements. This kind of work has traditionally been carried out mostly by men, given that it requires higher endurance and mobility and hence may not always be performed by women. That said, both men and women enjoy an equal wage rate as well as equal career opportunities at NOVATEK.

401-1

In 2019, NOVATEK hired 2,818 new employees[2], while 146 people went on parental leaves. In the reporting year 1,108 employees left the Company (about 40% of them – low-skilled workers of marketing subsidiaries). The average employee turnover rate for the NOVATEK Group stood at 8%[3].

NOVATEK ensures that its employees get fair pay for their work. Under the collective bargaining agreement, the employees' monthly salary cannot be lower than the official local minimum wages. In 2019, NOVATEK personnel's minimum wage in its key region of operation (the Yamal-Nenets Autonomous Region) was significantly higher than the local minimum wage. The Company regularly indexes salaries.

202-1

	Moscow	Yamal-Nenets Autonomous Region
Minimum compensation of NOVATEK's personnel in 2019	RR 41,753	RR 31,038
Minimum wage in 2019		RR 16,299*
From 1 October 2019	RR 20,195	
From 1 July 2019	RR 19,351	
From 1 January 2019	RR 18,781	

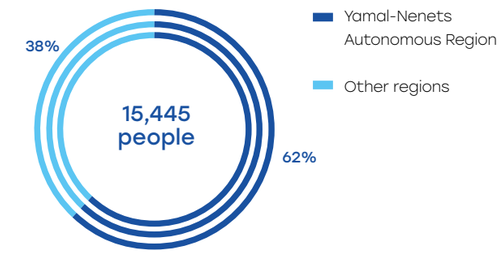
* The baseline, including additional incentive payments and bonuses.

1. Hereinafter (in the text and calculations behind the figures reported), this number accounts for full-time employees with PAO NOVATEK, its subsidiaries or joint ventures as their primary employer.
2. The number includes only those employees who worked in the Company until the end of the reporting year.
3. The employee turnover rate is calculated as resignations divided by average headcount at the year-end. Percentage is calculated as the resulting value multiplied by 100.

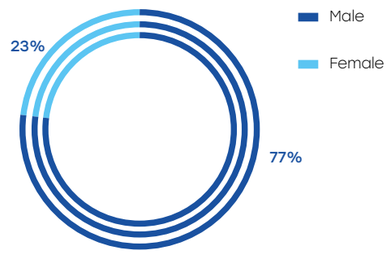
102-8

PROFILE OF THE NOVATEK GROUP'S EMPLOYEES IN 2019

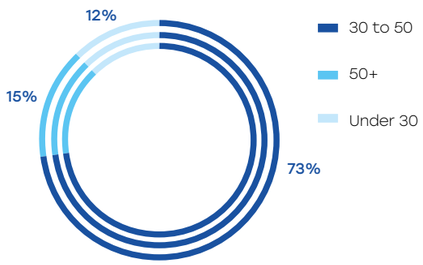
Personnel structure by region, %



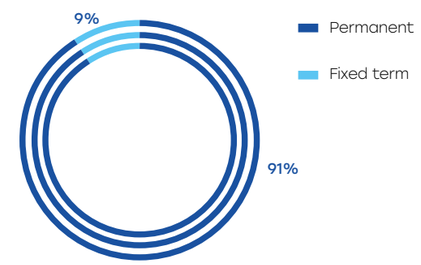
Personnel structure by gender, %



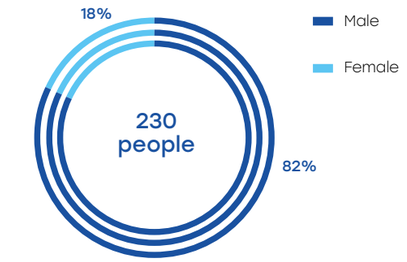
Personnel structure by age, %



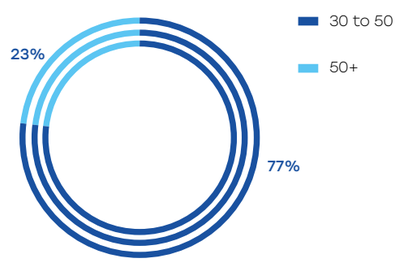
Personnel structure by type of contract, %



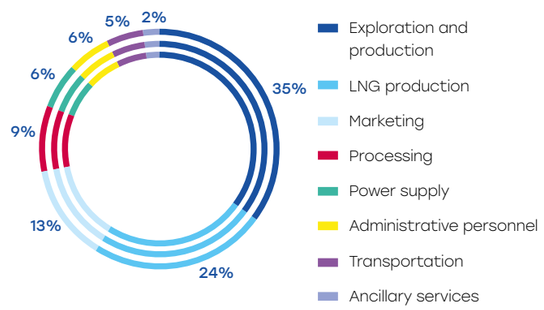
405-1 Management breakdown by gender, %



Management breakdown by age, %



Personnel structure by type of activity, %



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

NOVATEK has in place a procedure for conducting inspections based on disciplinary offenses causing damage to, or losses for, the Company, and entailing civil or financial liability. Inspections are conducted to ensure the comprehensive investigation of the circumstances, determine the amount of damage, identify responsible employees and the scope of their responsibility, and prevent the offense from re-occurring. Following the inspection, the employee that violated the requirements of the Company's local regulations is subject to disciplinary and/or civil/financial liability.

Employee Motivation and KPI System

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

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

The Company's KPI system is aimed at:

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

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

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

The KPI system covers the Management Board and key executives.

KPI PROGRESS

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

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

The remuneration of the Company's executives is aligned with its long-term performance. To determine the amount of their remuneration, NOVATEK uses a balanced KPI system based on the Company's performance, including the impact on the long-term performance.

KPIs adopted by the Company to assess its top management:

- fulfillment of gas production plans;
- fulfillment of liquid hydrocarbon production plans;
- fulfillment of gas sales plans;
- fulfillment of liquid hydrocarbon sales plans;
- EBITDA;
- effectiveness of the HSE Management System;
- share of administrative expenses in the revenue;
- proved reserves.

KPIs adopted by the Company to assess its medium-level managers:

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

Personnel Training and Development

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

In 2019, over 5,900 employees of the NOVATEK Group were trained in a variety of programs embracing over 389,000 hours in total.

Over RR 90 mln were allocated to employee training in 2019.

404-1 AVERAGE TRAINING HOURS BY GENDER IN 2019

	Male	Female
Employees[1]	11,755	3,570
Total training hours	342,338.5	47,144.5
Average training hours per employee	29.12	13.02

AVERAGE TRAINING HOURS BY POSITION IN 2019

	Average training hours per employee trained
Top managers	37.52
Medium-level managers	37.73
White-collar employees	39.82
Blue-collar employees	52.45

1. Report boundaries for employment differ from those for training and education, see Appendix 1. Report Boundaries, p. 162.

404-2 TRAINING AND DEVELOPMENT PROGRAMS

Program	Description	2019 highlights
Professional development program	The program aims to enhance employee skills and improve working conditions to ensure a healthy and safe environment at production facilities.	The program covered **41.6% of white- and blue-collar employees.**
In-house training program	NOVATEK STC has been running the program since 2016 to ensure knowledge transfer and professional development of the employees. The training is developed and provided by the Company's in-house experts. NOVATEK's corporate training is based on the 70:20:10 model, where 70% of learning is experiential and happens through real cases in the workplace, 20% of learning is social and happens through management and co-workers, mentoring, and sharing experience, and 10 % of learning is formal and happens through structured training courses and training in a classroom environment.	NOVATEK STC's experts delivered training courses on the following subjects: "Fundamentals of hydraulic fracturing"; "Dynamic simulation of multiphase streams in pipelines and wells using OLGA software: principal tasks and examples of their solution"; "Complexing GIS methods to address geological tasks. Basics of log interpretation and practical application (in the NOVATEK Group projects)"; "Fundamentals of design and operation of gas and condensate treatment facilities"; "Basics of Intra- and Inter-field hydrocarbon transportation engineering and operation"; "Design of field development in conditions of low knowledge"; "Complex interpretation of seismic and GIS data"; "Basics of hydrodynamic modeling"; "General course of seismic exploration"; "Interpretation and planning of hydrodynamic studies"; "Practical aspects of creating the basis of models: theory and experience. Modeling base"; "Application of Regulations for selection, storage, transportation, laboratory research and entering into the core database"; and "Integrated design of gas condensate fields". The program covered **88 employees** of NOVATEK's subsidiaries.
Steps in Discovering Talents program	The program targets young talents to help them learn their job specifics promptly, facilitate professional development and adaptation to a new job. Based on the mentoring approach, it also offers the "Mentoring Culture" course to train staff for the role.	In 2019, **104 young specialists** participated in the Steps in Discovering Talents program. We held our seventh class, and 26 specialists completed the on-the-job onboarding and professional development program, while 42 young specialists guided by 36 mentors completed the first step of the program. In autumn 2019, another 36 young specialists and 36 mentors assigned to them joined the program. Young specialists received the "Mentoring Culture" training courses together with their mentors. In total, **23 mentors** attended the training. In 2019, the number of companies participating in the program increased to **11.**
Training program for CEOs of NOVATEK's subsidiaries and joint ventures	Ongoing since 2017, the program aims to develop professional and personal competencies of top executives in a variety of areas related to NOVATEK's operations.	The CEOs completed the "Effective manager" program that included a module in the Netherlands on the gas industry in Northwestern Europe.
Executives Forum	The 2019 annual Executives Forum was dedicated to capabilities of a modern company and skills of a modern manager.	The Company's executives learned the latest management trends and managerial skills of a modern executive.
Energy Summer School	In 2017, the SKOLKOVO Energy Center opened its Energy Summer School for students and young specialists where they can meet senior experts from leading Russian and foreign oil and gas companies.	**12 young specialists** from NOVATEK's subsidiaries and affiliates attended the Energy Summer School in 2019.

Program	Description	2019 highlights
Corporate resource training center in Tarko-Sale at Tarko-Sale Vocational School	The training center aims to create an environment for training qualified workers for the fuel and energy companies within the Purovsky District as part of the Qualified Workers for the Arctic project. The mission of the corporate resource training center is to foster continuous comprehensive professional training and retraining on multiple levels for the following trades: instrument and automation fitter, electrical equipment fitter, and oil and gas production operator.	In May 2019, the Tarko-Sale Vocational School held an Open Doors Day, visited by representatives of NOVATEK's subsidiaries – NOVATEK-Tarkosaleneftegas, NOVATEK-Purovsky ZPK, NOVATEK-Transervice, and Terneftegas. The conference hall and three classrooms were renovated, modern equipment, computers, and interactive boards were purchased, and a computer classroom was equipped. In December 2019, the corporate resource training center was opened at the official ceremony.
Collaboration with the Gubkin Russian State University of Oil and Gas	In 2018, NOVATEK launched cooperation with the Gubkin Russian State University of Oil and Gas under the master's degree program on cryogenic technologies and gas-related equipment. This unique program is being implemented by the Department of Oil Refining and Gas Processing Equipment of the Faculty of Mechanical Engineering. It is based on the interdisciplinary approach and combines the development of managerial skills with technical expertise in LNG production, storage, and regasification. Apart from the faculty staff of the university, visiting tutors from Bauman Moscow State Technical University and NOVATEK's experts with extensive practical experience are engaged in the program. The Company considers successful graduates of the program holding a master's degree for hiring and engaging in the implementation of Russia's major LNG projects.	In 2019, **9 masters** completed internships at Yamal LNG and Cryogas-Vysotsk.

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

Interregional Research-to-Practice Conference for young specialists

In September 2019, Moscow hosted the 14th Interregional Research-to-Practice Conference for the Company's young specialists attended by 96 employees. All winners in the competition held as part of the event received cash awards, with 12 top performers also granted an opportunity to visit oil and gas and power supplying companies in Norway and the Netherlands.

In 2019, NOVATEK was awarded a Certificate of Merit for contribution to the innovative development of the energy industry at the International R&D Contest of Technologies and Innovations for the Development of Fuel, Energy and Mining Industries.

Interregional Professional Skills Contest

In October 2019, the 5th Interregional Professional Skills Contest among field workers of the NOVATEK Group took place. A total of 103 participants from 10 companies took part in the event. The Contest was held in seven professions and hosted by NOVATEK-Yurkharovneftegas and included two stages, a theoretical stage and a practical part with the results of both defining the winners.

Innovator Corporate Idea Management System

In 2017, the Company launched the Innovator Corporate Idea Management System to automatically collect and process employee ideas on improving and developing business processes, including labor-saving proposals. The system aims to enhance employees' intellectual potential as the most valuable ideas are rolled out company-wide

in a variety of areas, including but not limited to production and management.

More than 300 ideas on improving business operations, reduction of costs, and implementation of new work methods were submitted by the employees of NOVATEK and 18 subsidiaries in 2019. More than 800 ideas have been submitted over the three years, of which 154 were approved for implementation and 64 ideas were implemented, generating an economic effect of about RR 3 bln.

CORPORATE TECHNICAL COMPETENCY ASSESSMENT SYSTEM

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

The corporate technical competency assessment system is aimed at:

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

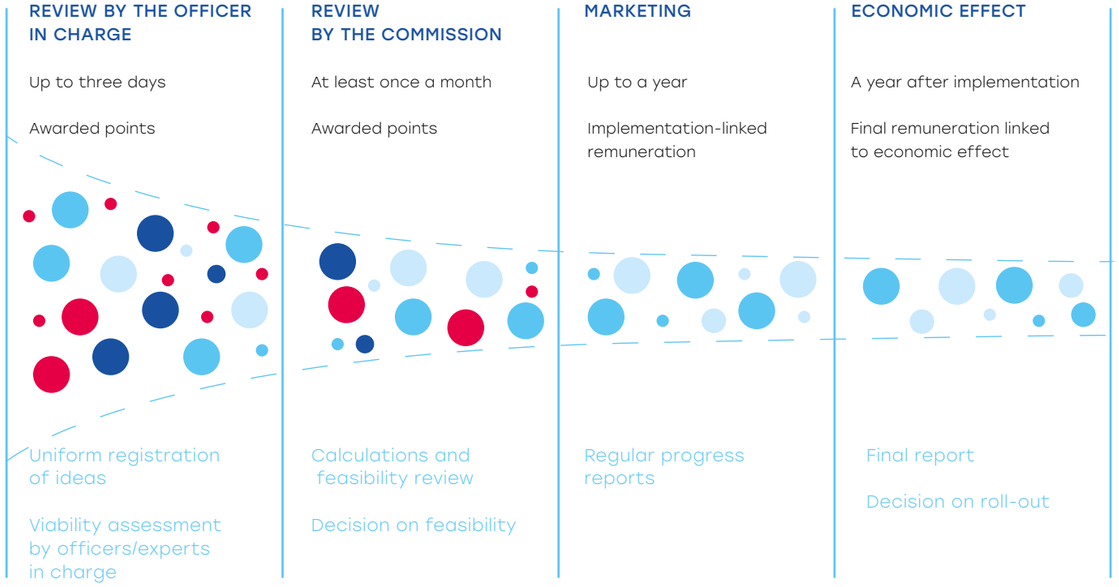
The results of the employee technical competency assessment are considered when making decisions on promotion or increasing salary or tariff rate. In 2019, 138 employees were tested when considered for promotion to another position (category) or grade, and over 75% got promoted.

In 2019, Yamal LNG joined the corporate technical competency assessment system. To build a competency matrix, the following areas of employees' required knowledge were selected:

- vibration monitoring of pumps and compressors;
- design and operation of basic plant equipment;
- design and operation of rotating equipment;
- materials and metals;
- natural gas treatment and liquefaction technology;
- production process safety (by production units);
- automated process control systems, instruments and automation at an LNG plant.

These competency-building areas were defined and used to make tests.

IDEA LIFE CYCLE AND REMUNERATION OF INNOVATOR SYSTEM



Masters of the Gubkin Russian State University of Oil and Gas at Cryogas-Vysotsk

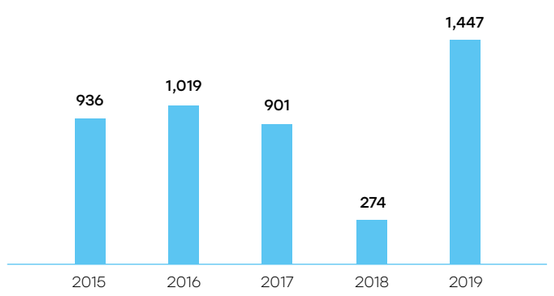
404-3

In 2019, a total of 1,447 employees were tested, including 63 people tested at recruitment, 138 employees at promotion, 1,244 employees under the regular testing to develop the Technical Training program, and 2 employees upon completing their training.

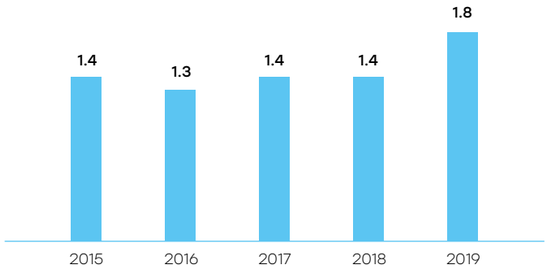
Social Policy

Seeking to find an optimal solution to social issues that the employees may have in the workplace or private life, NOVATEK launched a number of comprehensive targeted programs in close cooperation with its employees and the trade union. All social programs are subject to an annual review for relevance and effectiveness. In 2019, NOVATEK's social expenses to support employees amounted to RR 1.8 bln.

Number of people who underwent professional potential testing in 2015–2019



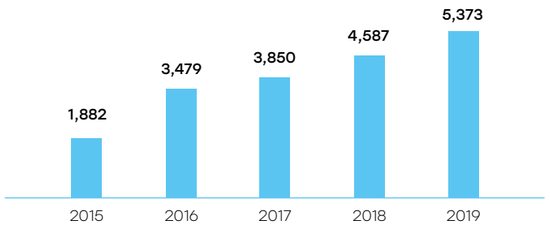
The Group's total expenses on targeted social programs in 2015–2019, RR bln



403-6 NOVATEK'S SOCIAL PROGRAMS

Program	Description	2019 highlights
Targeted compensation and social support payments	The program provides for targeted free support to the Company's employees in specific personal circumstances including childbirth, surgery for employees and their children, rent of housing, relocation from the Far North, and others. In 2019, the Management Board reviewed and increased the following payments: one-off childbirth or child adoption pay; monthly compensation for the care of a child up to three years of age; voluntary medical insurance compensation of paid health services for employees' children; and one-off vacation payments. Since 2019, employees living in the Far North have been also receiving compensation for sports and recreation classes.	In 2019, a total of **RR 570 mln** was paid out under the program. To facilitate rehabilitation of temporarily disabled employees, the Company offers compensations in excess of statutory payments provided for by the federal law. The Company spent **RR 130.5 mln** on the program in 2019.
State guarantees support	The program provides compensations for vacation travel expenses (round trip travel expenses and baggage fees) for employees living in the Far North and areas of equal status, and unemployed members of their families.	In 2019, the program covered **4,526 employees** and their family members. **RR 114.2 mln** was allocated to the program.
Voluntary medical insurance for employees	Provided in addition to compulsory health insurance, the program covers full outpatient care, dental care, emergencies, and scheduled hospital care.	In 2019, **RR 201.2 mln** was allocated to the program.
Therapeutic resort treatment and rehabilitation	The program provides funds to purchase health resort vouchers for employees and their families at a discount. As part of the program, the Company partners with a variety of health resorts in some of the most beautiful Russian regions.	In 2019, the program covered **5,373 people.** **RR 218.6 mln** was allocated to the program.
Pension program	Since 2007, NOVATEK has offered its retired employees supplementary benefits in line with the Regulations on Social Benefits for the Retired NOVATEK Group's Employees. Employees with an employment track record of at least five years with the Company who resign at the full retirement age are entitled to monthly benefit payments from the Company (suspendable in case the retiree gets a job). The program represents an unfunded defined benefit plan, with payments calculated on the basis of inflation forecasts, pay growth rate, the Company's remuneration policy, and demographic assumptions.	On 1 January 2019, the monthly social benefit for the Company's employees who had retired between 1 January 2007 and 31 December 2018, was increased by 5%. As at the end of 2019, the program covered **1,103 people.** In 2019, **RR 104.2 mln** was allocated to the program.
Rehabilitation of children with disabilities	In 2019, we continued the rehabilitation program for the children of the NOVATEK Group's employees that was launched in May 2018. Over 50 children aged 2 to 14, from different regions of Russia and with various disorders, completed a two-week rehabilitation course at the Solntse Moyo (Sunny) specialized center in Moscow. The Center offers international best methods of examination and development delay treatment as well as the help of its high-class specialists with many years of experience.	In 2019, NOVATEK financed the purchase of equipment for the Center's sensor room, rehabilitation equipment, Adeli suits and TheraSuits, and an underwater treadmill. In addition, the Company financed the making of custom shoes for the patients under the program. In 2019, NOVATEK made allocations to purchase goods for its employees' severely ill children that help to make their life easier, and also sponsored the rehabilitation after surgery for several children. In 2019, **RR 20 mln** was allocated.
Charity auction	On 28 May 2019, the annual charity auction was held to mark the International Day for Protection of Children. All employees were invited to offer their works in any genre and technique for the online auction, from which all money raised was used for treatment and rehabilitation of children with special needs. The employees that did not win or participate in the online auction were able to help children by donating to bank accounts.	In 2019, the auction raised money for **five children**. The number of lots increased from 209 to 272, and employees from 24 companies offered their works for the auction. The aggregate amount of money raised amounted to **RR 5.1 mln.**
Loans		
Short-term special-purpose loans	Under the program, employees can draw special-purpose loans to pay for tuition, social and welfare needs, renovation, and to relieve the effect of having their money stolen.	In 2019, the program covered **191 employees.** **RR 27.1 mln** was allocated to the program.
Special-purpose interest-free home loans	The program provides special-purpose interest-free home loans to employees residing in Tarko-Sale, Novy Urengoy, Nadym, Moscow, Tyumen, Sosnovy Bor, and Vyborg (since 2019).	In the reporting year, the program covered **51 families.** **RR 232.8 mln** was allocated to the program.
Corporate awards	NOVATEK's top-performing employees receive government, industry, and corporate awards, and distinctions from the Company's subsidiaries.	In 2019, **895 employees** received various awards, including 484 corporate awards, such as Honored Employee of NOVATEK, NOVATEK Certificate of Merit, and NOVATEK Letter of Gratitude. **RR 21.5 mln** was allocated to the program.
Cultural and sports events program In 2019, **RR 213.2 mln** was allocated to the program.		
Sports events	NOVATEK has traditionally laid great emphasis on encouraging employees to engage in regular physical exercises. The most widespread are competitive sports (football, volleyball). Fitness has also gained popularity in recent years. The Company rents gyms, swimming pools, and playgrounds and offers its employees partial reimbursement of membership fees.	In 2019, the Company hosted annual futsal, volleyball, and swimming competitions.
Cultural events	The Company cooperates with Moscow museums, which allows hundreds of employees to experience cultural events and masterpieces of international and Russian art.	Throughout 2019, employees, their families, friends, and partners could visit exhibitions and excursions. For instance, 1,173 people visited the State Tretyakov Gallery, and 86 – the Moscow Kremlin Museums.

Number of employees and their family members covered by the therapeutic resort treatment program in 2015–2019



In 2019, NOVATEK was awarded a Certificate of Merit from the Government of the Russian Federation.

NUMBER OF EMPLOYEES WHO RECEIVED AWARDS IN 2019

Award	Number of awardees
Government awards	
Distinguished Employee of the Russian Oil and Gas Industry	3
Letter of Acknowledgement from the President of the Russian Federation	1
Industry awards	
Certificate of Merit from the Russian Ministry of Energy	42
Letter of Acknowledgement from the Russian Ministry of Energy	6
Certificate of Merit from the Russian Ministry of Natural Resources and Environment	3
Badge of Honor from the Russian Ministry of Natural Resources and Environment	4
Corporate awards	
Honored Employee of NOVATEK	7
NOVATEK Certificate of Merit	214
NOVATEK Letter of Gratitude	263
Subsidiary awards	
Subsidiary Certificate of Merit	352
Total	**895**

570 RR mln

Was paid out under the program of targeted compensation and social support payments

5,373 people

Covered the program of therapeutic resort treatment and rehabilitation

Trade Union Relations

Approximately 62% of NOVATEK's employees are members of trade unions. The constructive dialogue between the Company's management and trade unions helps defuse social tensions related to labor disputes. Through regular meetings with trade unions, NOVATEK has established an effective feedback loop with its personnel that enables revealing potential issues and taking necessary measures at the early stages. As a result of this collaborative approach, the Company has never seen a single case of stoppages or strikes due to labor disputes.

In 2019, the Company spent a total of RR 5.2 mln to support trade unions.

Interaction Between Management and Employees Discussing Current Issues

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

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

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

In 2019, NOVATEK's subsidiaries held regular meetings that resulted in proposals submitted to the Management Board. The Management Board resolved to amend the Core Concept of Social Policy, the Core Concept of Remuneration, and other local social and labor regulations. In particular, the Management Board made several decisions in 2019 that have since been added to the regulations for subsidiaries[1]:

- indexing benefits upon retirement (by 4%);
- indexing one-off vacation payments (by 5%);
- increasing payments to newly hired employees (up to 400%, depending on an enterprise location);
- increasing payments to employees who have served full-time military or alternative civilian service (up to 400%, depending on an enterprise location);
- increasing allocations on surgeries (up to 180%);
- increasing funeral cost coverage for employees and their families (by 20%);
- increasing voluntary medical insurance coverage for employees' children (by 5%);
- increasing the amount of monthly compensation for the care of a child up to three years of age (by 5%);
- providing employees and their families living in the Far North and Chelyabinsk with annual health resort vouchers;
- increasing compensations to high-skilled and young specialists for housing rental (up to 26%);
- changing the approach to determining social benefits for retired employees;
- increasing short-term loan limits.

1. Came into effect on 1 January 2020.

Procurement Practices

Procurement Approach

102-9
The NOVATEK Group's procurement activities comply with Russian laws and corporate by-laws.

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

The Company's procurement is based on the following principles:

- equality of all potential bidders;
- fair competition of suppliers;
- long-term cooperation with key partners;
- the best price/quality ratio for work/service/products and strict compliance with deadlines;
- priority of equipment and material producers over trading and procurement companies.

When procuring critical or expensive materials, equipment, work or services, and to obtain more favorable terms through the consolidation of volumes, NOVATEK uses centralized procurement through is corporate center. Other items are procured by subsidiaries and joint ventures under the supervision and with the methodological support of NOVATEK.

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

To provide for uninterrupted quality supplies, NOVATEK reviews information on potential counterparties and carefully checks the submitted documents (certificates, licenses, etc.). The bidders have to meet specific procurement requirements and have technical capabilities, production capacities, and staff in place to render work or services or provide materials and equipment.

In addition, the Company applies zero-tolerance approach to illegal activities of potential counterparties (for example, corruption, collusion, unfair competition) and avoids unreliable suppliers.

When procuring, the Company sets up dedicated groups made up of technical experts with an extensive expertise in a variety of areas.

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

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

NOVATEK compares quotes from potential counterparties with market prices and against existing contracts.

The supplier selection procedure, including with the involvement of collective bodies, is well-regulated and maximizes transparency and effectiveness of decision-making, objectivity, and non-discrimination.

APPROACH TO IDENTIFYING KEY SUPPLIERS

The Company's supplier pool comprises major domestic and international players[1].

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

NOVATEK's key suppliers are:

- manufacturers of materials and equipment strategically important to the Company's operations and investment programs, including in terms of supply volumes and inventory criticality;
- suppliers appointed by the licensors of technologies used at the NOVATEK Group's facilities;
- construction companies that have both domestic and international experience and apply innovations in construction.

Mutually beneficial supplier relations, competitive procurement landscape, and maximum transparency of procurement process are of great importance for NOVATEK.

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

In 2019, NOVATEK held its second annual open Suppliers and Contractors Forum in Moscow. The forum was aimed at facilitating the Company's procurement process for potential suppliers and contractors by:

- communicating capital construction plans to potential suppliers;
- explaining the lot structure, the construction timeline of key facilities, and the terms of construction related to climate, logistics, and technology;
- clarifying key requirements for potential suppliers.

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

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

- qualified, well-equipped and experienced counterparties showing greater interest in being engaged in NOVATEK's projects;
- early engagement of, and receiving feedback from, counterparties.

Materials and Equipment Supply Chain Management

The NOVATEK Group's materials and equipment supply chain management is an integrated process covering a number of interrelated elements: inventory management, supplier qualification and selection, obligation management (including production quality control), incoming inspection, and movement of materials and equipment.

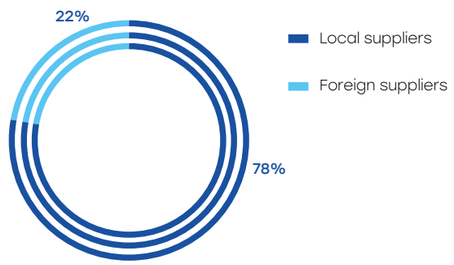
Supply chain management is also closely linked with other related processes at the Company, such as contract management, budgeting, planning, etc.

78 %

Totaled procurements from Russian suppliers

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

NOVATEK's procurement breakdown*



* Excluding Rostock LNG GmbH and OOO SMART LNG

PROCUREMENT OVERVIEW

PRODUCTION PLANNING → INVENTORY MANAGEMENT → PROCUREMENT REQUIREMENT PLANNING → SUPPLIER QUALIFICATION → SUPPLIER SELECTION → OBLIGATION MANAGEMENT → INCOMING INSPECTION

Procurement Performance

204-1

In 2019, the Group procured RR 651 bln worth of goods and services, most of which were from companies registered in Russia (78% of the total).

When implementing its investment projects, the Company encourages supplier participation in tenders for services, work, and product supplies. All tenders are based on the principle of equality, including for the organizations registered within the regions of operation (the Yamal-Nenets Autonomous Region). However, the product and service market of the Yamal-Nenets Autonomous Region is underdeveloped to satisfy a notable portion of the Company's demand and provide for its efficient operations.

Import Substitution Policy

As part of procurement management, NOVATEK pays a lot of attention to substituting imported equipment, materials, work and services and gives preference to domestic manufacturers provided that their proposal meets technical requirements and is competitively priced vs. imported counterparts.

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

To substitute imported products, the Company invests in proprietary technology and facilities (especially LNG plants): finances research and development and conducts pilot testing of new equipment. In 2020, Yamal LNG's 0.9 mmtpa Train 4 is scheduled to launch, based on NOVATEK's "Arctic Cascade" patented liquefaction technology. The next step for the use of our proprietary technology will be the large-scale Obskiy LNG project with a capacity of 5 mmtpa, which will run on NOVATEK's upgraded liquefaction technology. In addition, the construction of a gravity-based platform for the first train of LNG plant of Arctic LNG 2 was commenced at our LNG construction center in Murmansk Region in 2019.

Occupational Health and Safety

44%

Reduction of injury severity rate

30,173

Fire safety briefings conducted

Our Approach to Occupational Health and Safety

Occupational health and safety (OHS) goals:

- minimize risks and prevent threats of accidents and injuries to the workforce wherever achievable given the Company's current capabilities and resources;
- comply with Russian OHS laws, aim to meet relevant international standards and best practices;
- continuously improve and enhance the OHS management system based on control and monitoring results, as well as routine audits and regular reviews of the system's effectiveness;
- create comfortable working conditions for employees to reduce the occupational disease rate and the number of workdays lost;
- ensure that the management bodies, employees, and emergency rescue teams are prepared to contain and respond to potential accidents, fires, and emergencies.

403-1
NOVATEK is fully committed to putting the life and health of its employees above operational results and is aware of its responsibility for ensuring accident-free operations and safe labor conditions for its employees, as well as protecting the health of the population in its regions of operation. The Company's OHS management system is based on full compliance with Russian laws. NOVATEK's OHS requirements apply to all employees.

403-10
No occupational diseases were identified or registered at the NOVATEK Group over the past five years.

403-8
NOVATEK has in place an integrated occupational health and safety management system (in line with OHSAS 18001 or ISO 45001:2018[1]), which is part of a wider management system and ensures risk management based on the key principle of prioritizing prevention over incident containment and response. Certified entities of the NOVATEK Group actively incorporate an integrated occupational health and safety management system into their operations in line with ISO 45001:2018.

403-3
NOVATEK's safety-related processes are controlled by its occupational health and safety unit, which:

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

The Company is engaged in exploration, production, transportation, processing, and sales of natural gas and liquid hydrocarbons, which requires technical personnel to comply with OHS rules when working with complex technological processes at flammable and explosive facilities. Works and services at these hazardous production facilities (HPFs) are rendered in line with OHS laws. As at 31 December 2019, 239 HPFs were registered with territorial bodies of the Russian Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor), including:

- Class 1 (extremely hazardous) – 13 facilities;
- Class 2 (highly hazardous) – 49 facilities;
- Class 3 (moderately hazardous) – 161 facilities;
- Class 4 (low-hazardous) – 16 facilities.

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

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

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

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

To enhance and improve the OHS management system, a memorandum of cooperation for OHS between PAO NOVATEK and AO Total E&P Russie was signed in 2019. The memorandum is aimed at promoting long-term, effective and mutually beneficial cooperation through the exchange of best practices and experience in improving the OHS management system.

The areas of cooperation include:

- sharing cases of defining and implementing effective OHS policies;
- educating specialists and managers on modern OHS analysis tools;
- exchanging experience in building a safety culture and activities for its enhancement.

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

1. 10 out of 23 (43%) NOVATEK's subsidiaries engaged in hydrocarbon production, transportation and processing are certified under OHSAS 18001 (or ISO 45001:2018): PAO NOVATEK, OOO NOVATEK-Yurkharovneftegas, OOO NOVATEK-Purovsky ZPK, OOO NOVATEK-Transervice, OAO Yamal LNG, OOO NOVATEK-Ust-Luga, AO Arcticgas, OOO NOVATEK-Tarkosaleneftegas, ZAO Nortgas, OOO Cryogas-Vysotsk.

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

403-4
Working conditions and OHS issues are included in collective bargaining agreements, which regulate labor relations with assistance from trade union committees. Also, NOVATEK's subsidiaries and joint ventures hold meetings attended by both managers and blue-collar workers to discuss OHS issues and ways to improve working conditions.

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

OHS issues are monitored by NOVATEK's senior management, and the Company's OHS performance is reviewed by its Board of Directors. The Remuneration and Nomination Committee of the Board of Directors annually reviews the Sustainability Report, which gives a clear picture of the Company's OHS approaches and performance.

Operational Control

OG13
In line with the applicable OHS laws, each subsidiary of the Company has in place a commission to perform operational control at the existing HPFs.

Key operational control objectives at HPFs:

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

403-7 403-9
In 2019, subsidiary and joint venture commissions conducted a total of 444 audits for compliance with industrial safety requirements, including integrated and targeted audits.

Integrated and targeted audits of subsidiaries and joint ventures are conducted to monitor compliance with

OHS requirements. In the reporting year, the Company conducted integrated audits of four subsidiaries, and targeted audits of seven subsidiaries. Based on their findings, relevant reports were produced, and remedial measures were developed. All breaches identified by the audits were remedied within defined timeframes.

To protect the rights of employees to an occupational health-compliant workplace, special assessments of working conditions and OHS operational control are regularly performed to cover all workplaces. Mitigating and preventive measures are implemented to reduce the impacts of all hazardous factors identified. In the reporting year, 8,030 workplaces were certified.

No workplaces with hazardous working conditions were identified. However, workplace hazards still exist at our production facilities, including microclimate, static electricity, electromagnetic radiation, exposure to noise at workplace, chemicals, physical exertion, and eye strain.

Irrespective of the special assessment of working conditions and the presence of excessive hazardous workplace factors, NOVATEK's subsidiaries monitor compliance with OHS and epidemiological regulations.

The main objective of our OHS operational control is to monitor the levels of workplace hazards. If concentrations of pollutants are identified that exceed the permissible limits, the Company puts in place programs to eliminate or reduce their harmful impact on human health to a permissible level.

Accidents and Incidents

The Company applies a consistent approach to ensure safe and accident-free operations. We assess the risks to the health and safety of employees and accident risks during the design phase of projects.

Design documents[1] provide for measures to prevent and contain accidents (including injuries to employees) that occur on-site or as a result of accidents at adjacent facilities.

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

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

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

According to a resolution by NOVATEK's Management Board, the Company has been preparing business continuity plans since 2018 for major scenarios of emergencies and incidents. The plans define the most effective measures to restart production as soon as possible and a procedure for the NOVATEK Group business units and employees to interact between each other and with external stakeholders with the view to maintaining critical operations at an acceptable level and reducing possible costs in case of risk realization. The business continuity plans outline in particular the procedure for interaction with government authorities, counterparties, and the public to maintain the Company's good standing. The first plans were approved in 2019.

All subsidiary and joint venture HPFs have in place accident containment and response plans and emergency spill response plans, running regular emergency drills. The plans cover various emergency scenarios for an HPF and accident containment and response measures. Additionally, all production facilities undergo annual preventive maintenance, as well as conduct diagnostics to prevent accidents related to loss of containment and hydrocarbon spillage and leakage.

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

We conduct theory and practice courses for members of these teams to enhance the teams' emergency preparedness and response and rescue capabilities. Training is provided through specially designed programs, while professional development and certification are provided at educational institutions.

Professional emergency response and rescue teams enhance their hands-on skills through relevant drills and training. Drill and training topics are selected based on a comprehensive assessment of existing risks inherent to the operations of our facilities exposed to fire and explosion hazards and their geographic location (the Far North).

Drills run in 2019 demonstrated that facilities have sufficient capabilities to respond to potential accidents and emergencies and confirmed that our professional emergency response and rescue teams are fully prepared to perform their tasks.

In 2019, NOVATEK recorded two accidents and three incidents.

DETAILS ON THE 2019 ACCIDENTS ACROSS THE NOVATEK GROUP

Date of accident	Facility	Description	Consequences
21 February 2019	NOVATEK-Tarkosaleneftegas	A pressure spike in the pipeline running from a gas treatment facility and a gas discharge from the chamber to the flare unit caused a shift of the stuck piston valve and the pig receiver was destroyed, followed by the ejection of the pigging device and the release of a gas cloud with its subsequent ignition.	The gas treatment facility was shut down for up to 24 hours. The pig receiver was sealed and the pipeline was put into operation. The release amounted to 30 mcm of natural gas.
26 August 2019	NOVATEK-Chelyabinsk	An unidentified third party performing unauthorized earth works in the protected zone of an underground high-pressure gas pipeline (P = 0.6 MPa, polyethylene, DN 160 mm) pierced the pipeline.	The loss of containment interrupted the gas supply to 126 houses in the Dzhabyk village and a RIF-Micromramor facility. The release amounted to 1.5 mcm of gas. The damaged pipeline section was promptly shut down and replaced, with gas supply resumed within 23 hours.

DETAILS ON THE 2019 INCIDENTS ACROSS THE NOVATEK GROUP

Date of incident	Facility	Description	Consequences
8 May 2019	NOVATEK-AZK	An operator's error caused a pressure spike in a pipeline and a gas dispenser fuel strainer cap failure, with a gas release on a vehicle refueling site.	Shut-off valves were promptly closed, and vehicle refueling operations stopped. The incident did not cause any environmental damage or injuries.
5 July 2019	NOVATEK-Purovsky ZPK	Power supply to 110/10 kV PZPK and Limbey substations from the 110 kV Kirpichnaya–Purovsky Plant power line was interrupted for a short period of time at the connection point, which triggered the built-in emergency shutdown system, causing a partial shutdown of the process and auxiliary equipment. The interruption was due to a power cut at the substation caused by adverse weather, strong wind with gusts of up to 21–26 meters per second and lightning overvoltage on the grid followed by successful automatic reclosing.	Equipment shutdown did not affect feedstock reception or production and shipping processes. The incident did not cause any environmental damage or injuries.
18 December 2019	NOVATEK-Ust-Luga	Power supply to Distribution Substations 1 and 2 was interrupted, which triggered the built-in emergency shutdown system causing a complete shutdown of the complex. According to PAO Lenenergo's Kingisepp power grid operator, strong wind with gusts of up to 22 meters per second damaged the 110 kV power lines and caused a power transmission tower insulating support destruction between 110/10 kV substation No. 549 Port and 330/110 kV substation No. 7 Kingiseppskaya.	Equipment shutdown did not affect feedstock reception or production and shipping processes. The incident did not cause any environmental damage or injuries.

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

Workplace Injury Rate

403-2 403-9
NOVATEK identifies hazards and assesses injury risks to meet the requirements of OHSAS 18001 and applicable Russian laws. We promote risk awareness among our employees and design risk management initiatives, including for risk prevention and mitigation.

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

403-4
The risk assessment process involves the Company employees, including blue-collar workers. Additionally, employees involved in production processes on a daily basis or as prescribed by local regulations monitor their working conditions, including inspection of their workplaces, tools, accessories, protective clothing, and collective protective equipment. If any non-compliance or hazard is identified, employees notify their supervisor and measures are taken to remedy the breach and provide safe working conditions.

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

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

Starting from 2019, in addition to statutory requirements, the Company applies its Incident Root Cause Analysis Standard for internal investigation of incidents. The main purpose of an internal investigation is to enable a comprehensive review of the events preceding an incident and the implementation of corrective actions to prevent future incidents.

403-9
In 2019, the NOVATEK Group recorded 15 work-related injuries – 14 minor injuries and 1 high-consequence injury. Four of these injuries were beyond the employer's control (wild animal bites, a plane crash, unlawful acts), and six were related to employee movement and climate conditions (slipping and falling).

In 2019, the injury frequency rate across the NOVATEK Group was 1.06 (up by 34% year-on-year), and the severity rate was 28 (down 44% year-on-year).

All accidents were investigated in accordance with the applicable laws and local regulations. A dedicated commission comprised of the Company's health and safety officers, trade union representatives, injured persons' attorneys, and other subsidiary employees investigated every accident. The commissions identified both the immediate and underlying causes of the incidents and developed respective preventive measures to prevent similar incidents from happening in the future. The employees at fault were held liable and accountable for their actions.

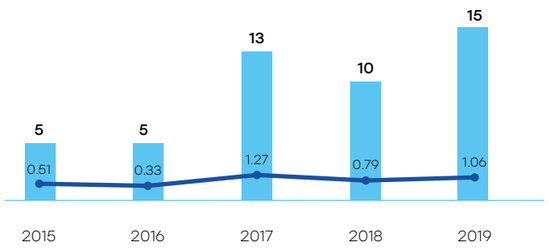
OHS units of the Company's subsidiaries track contractors' workplace injury statistics.

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

Accident records are submitted to the government statistical services annually.

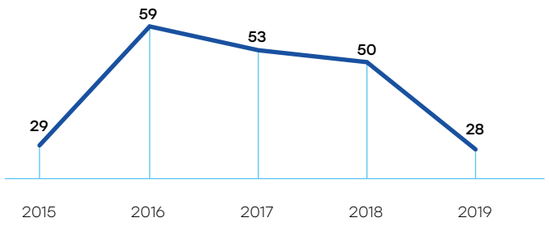
The NOVATEK Group's subsidiaries and joint ventures have 26 medical stations[1] for timely response to work-related injuries or deterioration of health. At remote fields with no road access, medical stations have inpatient facilities with a capacity of up to 160 beds, as well as operating rooms and intensive care units. Medical stations also operate nine ambulances.

403-9
Number and frequency rate* of injuries across the NOVATEK Group in 2015–2019



* Number of injuries divided by the average headcount.

Severity rate* across the NOVATEK Group in 2015–2019



* Lost days divided by the number of injuries.

OHS Training

403-4 403-5
The Company has in place a procedure for briefing and training managers and specialists on occupational health and safety basics in line with Russian laws. Blue-collar workers undergo regular mandatory briefings, including induction, initial, refresher, unscheduled, and ad-hoc briefings. Briefings are held in line with approved programs, including skill and knowledge tests. Ad-hoc briefings are provided to employees assigned an ad-hoc job outside their respective scopes of duties. Additionally, blue-collar workers are trained in providing first aid that may be needed in emergencies and accidents. All amendments to OHS regulations and the results of accident investigations are communicated to employees at unscheduled briefings and team meetings.

OG13
OHS training is mandatory for all categories of employees and is offered at all subsidiaries and joint ventures. Business unit leaders, including top managers, take courses at training centers, while specialists are offered in-house training opportunities. For that, training programs were developed, and occupational health knowledge testing commissions were set up.

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

NUMBER OF EMPLOYEES WHO COMPLETED OHS TRAINING IN 2017–2019

Type of training	2017	2018	2019
OHS training	7,327	8,153	10,256
First aid training	6,066	7,757	10,134
OHS training and certification	3,189	2,966	2,544

1. Three more ambulances were purchased in 2020 for remote facilities.

Fire Safety, Civil Defense and Emergencies

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

In 2019, eight NOVATEK's subsidiaries had licenses to service firefighting equipment, five subsidiaries – to perform firefighting as well as emergency response and rescue operations. Most of the licensed fire safety services (outsourced) are provided by contractors. Subsidiaries operating HPFs that produce, collect, process, and manufacture explosives and flammable substances are protected by 25 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 2019, the total headcount of fire and emergency brigades serving the facilities on a 24-hour basis stood at 917 people. In addition, our employees formed voluntary emergency response and rescue teams with a headcount of 422 people. 38 engineers of the Company directly monitored and supervised the fire safety and emergency response environment at our facilities.

Inspections are regularly carried out at subsidiary facilities to assess the emergency preparedness and response capabilities of NOVATEK's business units and personnel, and evaluate the resources of in-house and external professional emergency response and rescue teams. In 2019, there were 26,400 patrols and rounds of facility areas in order to continuously monitor safe operation conditions, and 713 checks of outdoor fire water supply sources were carried out. Professional emergency response and rescue teams performed 39,716 control patrols for hot work, fire- and gas-hazardous operations. The Company's facilities implement a full-scale program to respond to oil, petroleum 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 renewal of both basic and specialized fire vehicle fleets.

In 2019, NOVATEK and All-Russian Research Institute for Fire Protection of EMERCOM of Russia signed an agreement on cooperation in research and design and education. The agreement will allow for greater involvement of research engineers from EMERCOM of Russia in the design and methodological support of the NOVATEK Group's promising and most sophisticated projects, as well as for scheduled practical training of professional and voluntary emergency response and rescue teams at the Orenburg test site of All-Russian Research Institute for Fire Protection of EMERCOM of Russia, immersing the trainees in an environment that is as close as possible to real-life LPG and LNG accidents and fires.

OG13
Fire safety, civil defense and emergency response training, as well as fire and emergency drills, are an important element of the overall system of fire safety and preparedness to respond to fires and emergencies. In 2019, the Company held 30,173 fire safety briefings that featured guidance materials and visual aids, as well as hands-on presentations. Basic fire safety training was provided to 7,942 people, with 1,354 tactical fire exercises performed as part of emergency spill response plans, accident containment and response plans, as well as evacuation drills.

Production facilities of the NOVATEK Group have in place emergency spill response and accident containment and response plans.

A well-structured fire prevention system that implies the inclusion of fire prevention elements in operations resulted in zero fires or emergencies at the NOVATEK Group facilities in 2019.

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

Environmental Performance and Protection

1.4 RR bln

Environmental expenses of the NOVATEK Group

9.1 mln kWh

Reduction of energy consumption

Environmental Vision

The Company's sustainable development efforts are focused on preventing and reducing the potential negative environmental impacts of NOVATEK's facilities.

NOVATEK's Health, Safety and Environment Policy is the key document governing the Company's environmental activities.

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

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

102-11 201-2

NOVATEK exercises reasonable care in all of its operations. Based on its assessment of environmental risks across the entire production chain, the Company takes preventive measures and incorporates potential threats into decision making. For example, global warming risks are on NOVATEK's agenda because its core production assets are located in the harsh subarctic climate of Russia's Far Northern sensitive permafrost region. Apart from that, the Company arranges public hearings on environmental aspects of its operations. In 2019, 40 hearings with stakeholders were held to discuss environmental impact assessments ahead of new construction or reconstruction projects.

Field development plans provide for relevant activities to prevent thermal impact of the facilities on deep-frozen soil. For the purpose of preventing potential negative impacts and determining permafrost soil and temperature conditions, NOVATEK's fields are subject to ongoing cryological monitoring.

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

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

The Company engages in extensive cooperation with scientific and non-governmental environmental organizations such as the WWF Russia, Marine Mammal Council, and V. I. Vernadskiy Non-Governmental Environmental Fund.

102-12

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

Its core subsidiaries use the Integrated HSE Management System compliant with ISO 14001:2015. 9 out of 23 (39%) NOVATEK's subsidiaries engaged in hydrocarbon production, transportation, and processing[1] are certified to ISO 14001:2015 as at 2019. Other NOVATEK Group's companies are planned to be certified to ISO 14001:2015 until 2030.

As part of the Federal Project 'Implementation of the Best Available Technologies' of the National Project 'Ecology', providing for the issuance of comprehensive environmental permits, two production subsidiaries of NOVATEK have obtained a new type of permit, setting new technological standards based on process parameters of the best available technologies.

Environmental Monitoring

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

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

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

The Company conducts integrated environmental assessments of its territories of operation to curb its environmental footprint and maintain local ecosystems in a satisfactory condition.

These assessments help identify the overall situation around polluting facilities on a five-threshold scale:

- 1–1.5[1] – background level (good);
- 1.5–2.5 – low (satisfactory);
- 2.5–3.5 – moderate (non-hazardous);
- 2.5–3.5 – high (hazardous);
- 4.5 and more – extremely high (critical).

In general, in 2019, the studies showed that the conditions of environmental components in the target areas were satisfactory with a low level of environmental pollution. In all areas outside the production footprint, the environmental condition has been classified as stable and corresponding to the baseline level.

In 2019, the NOVATEK Group spent RR 137 mln to arrange and run environmental monitoring in its license areas.

To reduce the negative impact on the environment, a multi-tier environmental operational control system is in place at the Company's enterprises. The majority of large industrial enterprises of NOVATEK have a chemical laboratory fully equipped for prompt operational analysis. Other enterprises engage specialized organizations, which have the necessary equipment and qualified personnel. The environmental operational control system feeds data to analyze and streamline our core processes.

We drilled our second prospecting and appraisal well in the shallow waters at the Geofizicheskiy license area strictly adhering to the stringent environmental standards for activities within the Russian Federation inland seas. We developed emergency spill response plans and an environmental monitoring program for the marine part of the Geofizicheskiy license area. Regular monitoring of water in the Ob Bay of the Kara Sea demonstrated that its hydrochemical and organoleptic properties are in line with the established norms. Environmental safety was ensured by multi-purpose emergency response and rescue vessels. Drill cuttings were transported to Sabetta seaport to be further disposed in an environmentally friendly manner.

Environmental Protection – Government Control

In 2019, the Federal Service for Supervision of Natural Resources (Rosprirodnadzor), municipal authorities and the Public Prosecution Office held scheduled and ad-hoc audits at major production entities of NOVATEK with respect to environment protection and sustainable management of natural resources. Following the audits, measures were taken to eliminate the deficiencies identified.

NUMBER OF AUDITS BY SUPERVISORY AUTHORITIES WITH RESPECT TO ENVIRONMENT PROTECTION AND SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES IN 2017–2019

No.	Supervisory authority	2017	2018	2019
1	Public Prosecution offices of the constituent entities of the Russian Federation	25	43	30
2	Federal Service for Supervision of Natural Resources	9	22	17
3	Russian regional executive authorities	10	16	12
4	Municipal authorities	2	0	4
5	Federal Agency for Fishery	2	0	1
	Total	**48**	**81**	**64**

307-1

In 2019, the Company was fined for a total of around RR 420,000 for environmental breaches (RR 790,000 in 2018[2]), avoiding any administrative punishments such as project or manager suspensions.

1. PAO NOVATEK, OOO NOVATEK-Yurkharovneftegas, OOO NOVATEK-Purovsky ZPK, OOO NOVATEK-Transervice, OAO Yamal LNG, OOO NOVATEK-Ust-Luga, AO Arcticgas, OOO Cryogas-Vysotsk, OOO NOVATEK-Tarkosaleneftegas.

1. Non-inclusive.
2. In the 2019 report, the environmental performance measurement method was restated: the calculations included the Company's shares in joint ventures proportionally, and the data for previous years was also recalculated for the comparison to be correct.

Environmental protection: achievements

DEVELOPMENT OF THE FILLING STATION NETWORK AND TRANSITION TO GAS MOTOR FUEL AND LNG

NOVATEK is developing the market segment for natural gas as a motor fuel by expanding the network of its gas retail stations in various Russian regions. Converting a vehicle to gas motor fuel (propane/butane) enables a significant reduction of greenhouse gas (GHG) emissions compared to conventional fuels. In absolute terms, subject to LPG sales through our retail network and small wholesale stations in the Chelyabinsk, Volgograd, Rostov and Astrakhan Regions, the reduction in GHG emissions from vehicles converted to gas motor fuel will amount to around 30 mt of CO_2 equivalent per year.

In 2019, NOVATEK-AZK put into operation a multi-fuel station in the Chelyabinsk Region (Kopeysk), including LNG filling. Similar stations are being built along national highways Urals–Moscow and Moscow–St. Petersburg.

In December 2019, NOVATEK Polska[1], our wholly owned subsidiary, launched our first LNG filling station in Europe in Rostock (Germany), serving up to 120 vehicles per day.

LNG TRANSPORTATION BY SEA

Arc7 ice-class tankers sailing on the Northern Sea Route for the Yamal LNG project have Wartsila 12V50DF and Wartsila 9L50DF engines with a combined power of 39.6 MW (Christophe de Margerie, the lead ship in the series with a capacity of 172,845 cubic meters of LNG). The technology enables the engine to be operated on either heavy fuel oil (HFO) or boil-off gas from an energy recovery system with Cryostar LNG boil-off gas compressors. The use of LNG as a marine fuel leads to reduced air emissions of combustion products, including greenhouse gases, from engines compared to heavy marine fuels (fuel oil).

LEAN PRODUCTION PROGRAM

In 2019, we have implemented a project for sustainable use of produced water at the East-Tarkosalinskoye field. Previously, produced water was flared. The new technical solutions reinject produced water into wells to maintain reservoir pressure to avoid produced water flaring as well as:

- increase commercial production of natural gas (+ 80 mmcm);
- avoid pollutant emissions (– 1,500 tons);
- implement the Lean Production program at the Gas Production Facility of the East-Tarkosalinskoye field.

In 2019, this project won a young talent contest at the NOVATEK Group.

DISPOSAL OF INDUSTRIAL EFFLUENTS IN LINE WITH EUROPEAN EMISSION REQUIREMENTS

The Purovsky Gas Condensate Processing Plant and the Cryogas-Vysotsk plant have built and launched thermal waste (effluents) treatment complexes, which also treat methanol waste. In terms of pollutants content (NOx, SO_2, particulate matter) in flue gases, these plants use the best available technologies for combusting waste and effluents and meet the requirements of the European Commission for integrated pollution prevention and control (2006) and the environmental requirements of the Russian Federation for air protection.

1. Novatek Polska was renamed to Novatek Green Energy on 3 February 2020.

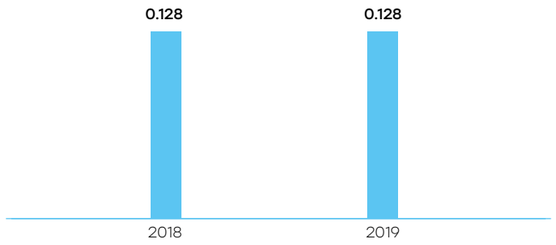
Emissions and Waste

102-48
The environmental performance measurement method was restated: the data given in previous reports was calculated based on 100% Company's share in joint ventures. In the 2019 report, the calculations included the Company's shares proportionally, and the data for previous years was also recalculated, except for energy efficiency data that was based on a 100% share. The calculations included the Company's following interests proportionally: AO Arcticgas (50.00%), ZAO Nortgas (50.00%), ZAO Terneftegas (51.00%), OAO Yamal LNG (59.97%), OOO Arctic LNG 2 (80.00%), OOO Cryogas-Vysotsk (51.00%), OOO Yargeo (100.00%).

AIR EMISSIONS

In 2019, specific air emissions remained flat year-on-year at 0.128 tons per mboe.

Specific emissions, tons/mboe



305-6
In 2019, air emissions totaled 75,603 tons. The Company does not emit ozone-depleting substances.

305-7 AIR EMISSIONS BY THE NOVATEK GROUP IN 2017–2019, TONS

	2017	2018	2019
Air emissions, total	91,949.6	70,302.0	75,603.1
including major pollutants:			
• particulate matter	6,787.9	3,873.5	2,696.6
• carbon monoxide	56,705.1	37,386.9	40,059.2
• nitrogen oxide (NO2 equivalent)	8,482.6	8,466.7	13,295.9
• sulfur dioxide	20.8	28.2	62.0
• hydrocarbons (incl. methane)	7,511.0	7,677.3	6,166.3
• VOCs	12,425.8	12,851.6	13,258.2
Other	16.4	17.8	64.9

METHANE EMISSIONS BY THE NOVATEK GROUP IN 2017–2019, TONS

Methane emissions, tons	2017	2018	2019
Production facilities	7,125.6	7,162.7	5,913.0
Processing facilities	112.8	102.4	88.4

The Company strives to minimize emissions and ensures that accidental release risks are accounted for at the earliest stages of project design. Accidental release prevention is included in FEED and detailed documentation for field development and construction of hazardous production facilities. All projects are submitted to the Main Department of State Expertise for approval before construction is allowed to commence. All projects must contain provisions for the prevention of accidental releases, fires, spills, and other emergencies through the utilization of various safety systems such as emergency protection, automatic fire suppression, and gas detection systems. Additionally, all NOVATEK's production facilities undergo annual preventive maintenance, as well as conduct diagnostics of their equipment and pipelines to prevent accidents related to hydrocarbon spillage and leakage.

Filling stations of NOVATEK-AZK are located in large cities (with high population density) such as Chelyabinsk, Zlatoust, Rostov-on-Don and Volgograd). In 2019, the Company's total urban emissions were 15 tons or 0.015% of all emissions by the NOVATEK Group.

GHG EMISSIONS

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

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

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

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

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

305-1 305-4
Production facilities generated 7.49 mmt of CO_2 equivalent in 2019, while processing facilities generated 0.59 mmt of CO_2 equivalent. LNG production facilities generated 2.91 mmt of CO_2 equivalent in 2019. Energy service facilities generated 0.12 mmt of CO_2 equivalent in 2019. During the year, production facilities generated 12.58 tons of CO_2 equivalent per mboe with processing facilities generating 0.03 tons of CO_2 equivalent per ton of processed hydrocarbons, and LNG production facilities generating 0.26 tons of CO_2 equivalent per ton of LNG produced.

The Company strives to keep specific GHG emissions below target levels.

Base year by type of facilities:

- 2016 – for production facilities;
- 2017 – for hydrocarbon processing facilities;
- 2018 – for LNG production facilities.

Emissions by production facilities in the base year: 15.85 tons of CO_2 equivalent per 1 mboe. Emissions by processing facilities in the base year: 0.04 tons of CO_2 equivalent per 1 ton of processed hydrocarbon feedstock. Emissions by LNG production facilities in the base year: 0.27 tons of CO_2 equivalent per 1 ton of LNG produced.

305-1 305-2 OG6 TOTAL GREENHOUSE GAS EMISSIONS IN 2017–2019, MT OF CO_2

	2017	2018	2019
Direct emissions (fuel combustion and operation of production facilities)	4,357.0	6,054.2	11,114.9
Indirect emissions (purchased energy)	175.7	187.8	204.8

The Company is preparing for an independent audit of its Scope 1[1] GHG emissions in 2020.

ASSOCIATED PETROLEUM GAS

In 2019, APG utilization rate was at 83.3%. The Company makes every effort for the rational use of APG. For example, a technology for injecting APG into reservoirs is being implemented at the Yarudeyskoye field in 2020, which will result in reduced APG flaring and lower absolute emissions of pollutants and GHG emissions. NOVATEK plans to achieve APG utilization rate of at least 95% in 2020.

1. Scope 1 – Direct GHG emissions.

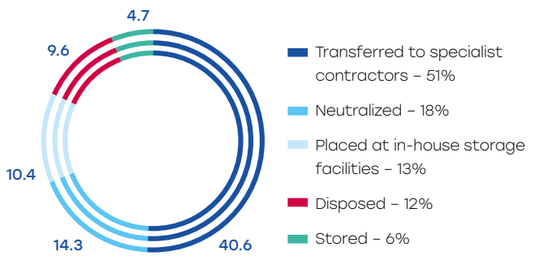
WASTE

OG7
In 2019, the NOVATEK Group's production operations generated 79,778 tons of waste. The bulk of that waste was low-hazardous and virtually non-hazardous (mainly drill mud).

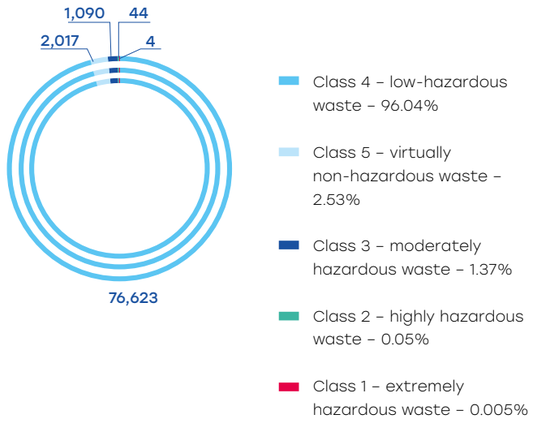
The share of extremely and highly hazardous waste materials (classes 1 and 2) was insignificant (below 0.1%), found mainly in mercury lamps and fluorescent tubes containing mercury, as well as used lead-acid batteries. The rest was moderately hazardous and low-hazardous waste of classes 3, 4 and 5.

The Company takes a responsible approach to waste disposal by sticking to approved instructions and generally accepted safety practices, as well as exercising environmental control in the process of waste treatment. 51% of the total waste is transferred to specialist contractors, and 13% is disposed via NOVATEK's own landfills. NOVATEK employs state-of-the-art waste recycling and neutralization technologies.

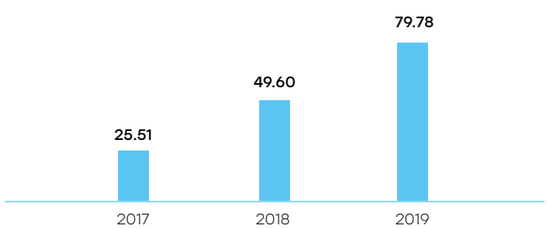
306-2 Waste management in 2019, mt, %



306-2 Waste structure by environmental impact in 2019, tons, %



Production and consumption waste generation in 2017–2019, mtpa



98.6 % of waste

Is low-hazardous and virtually non-hazardous waste

Water Use and Discharge

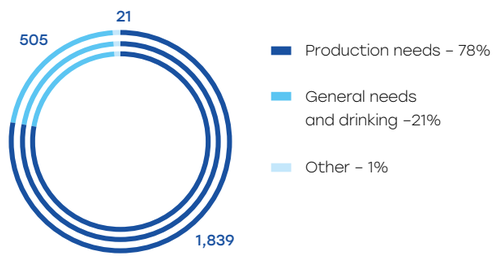
303-1
The Company is committed to sustainable water use and efficient wastewater treatment. The Company runs no risks related to lack of water as NOVATEK does not operate in water-scarce areas[1], but it does consider the sparse consumption of water resources among the priorities of its environmental protection policy. Moreover, NOVATEK does not discharge hydrocarbon contaminated water to waterbodies.

303-5
In 2019, our water consumption decreased by 7% to 2,365 mcm (less produced water reinjected to maintain reservoir pressure), mostly used for production needs.

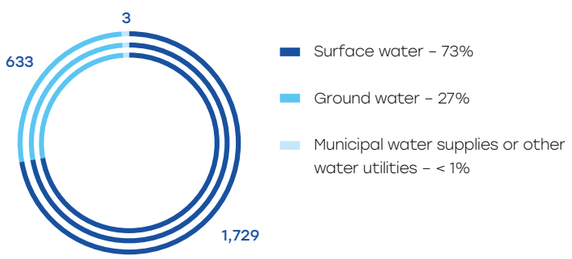
In 2019, 1,711 mcm of freshwater were withdrawn directly from freshwater sources and was used for production and general needs. Accordingly, freshwater consumption was 1,711 mcm and equaled the amount of freshwater withdrawn.

In 2019, water consumption by production facilities was 3.7 cubic meters per 1 mboe, and by processing facilities – 0.011 cubic meters by 1 mt of product.

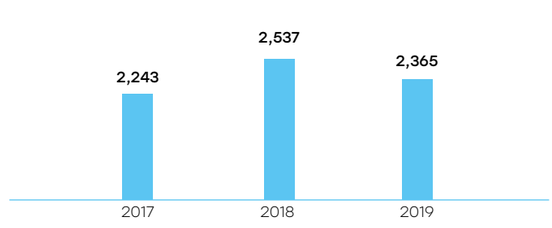
Water consumption in 2019 by destination, mcm, %



303-3 Water withdrawal in 2019 by source type, mcm, %



Water consumption in 2017–2019, mcm



7 %

Reduction of water consumption in 2019

1. The International Water Management Institute describes Russia as a "sodden" region abundant in water resources.

WATER DISCHARGE

303-2
The Company uses the following wastewater discharge methods:

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

303-1
The wastewater channeled into the Ob Bay in the Kara Sea and the Luga Bay in the Gulf of Finland qualifies as treated to standard quality. The Company makes use of mechanical, membrane, and biological treatment technologies, as well as UV disinfection.

Treatment facilities for stormwater and residential sewage were completed and commissioned at the Integrated Facility for Natural Gas Production, Treatment and Liquefaction with Off-Loading Facilities for LNG and Gas Condensate of the South-Tambeyskoye gas condensate field for 3,600 cubic meters per day and 1,500 cubic meters per day, respectively. The wastewater is treated to meet regulatory statutory norms and then is discharged into the Ob Bay basin. The treatment process employs mechanical, biological, physical, and chemical methods. Treated wastewater is disinfected with ultraviolet irradiation. Chemically and oil contaminated industrial effluents are treated in a standalone treatment plant with a daily throughput capacity of 2,450 cubic meters to bring them in line with quality standards, thus enabling injecting them into absorbing formations. Before being injected, the wastewater undergoes separation, two-stage flotation, and post-treatment in a pressure sand filter.

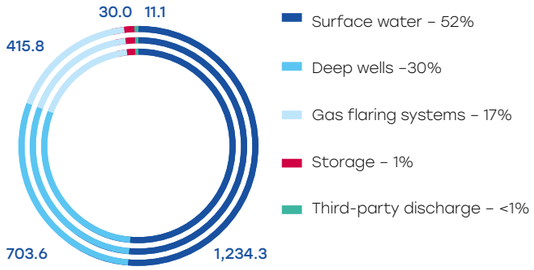
Analysis of samples shows that hydrochemical parameters of discharged water and concentrations of pollutants fall within permissible limits. The Company does not discharge hydrocarbon contaminated water to waterbodies.

The Company's subsidiaries operating pipelines conduct regular hydrological, hydrochemical, and organoleptic examinations to assess the quality of water resources.

306-1
In 2019, the Company's total water discharge (less water reinjected to maintain reservoir pressure) was 2,394.8 mcm. 580.5 mcm of wastewater treated to standard quality and 653.8 mcm of wastewater that does not require treatment were discharged to waterbodies.

303-1
Authorized state regulators examine NOVATEK's water withdrawal and discharge volumes when following up compliance with law and regulations on waterbody protection at intervals selected under a risk-oriented approach with enterprises ranked by their respective environmental footprint. Additionally, a system of environmental operational control is in place at the Company's enterprises.

303-4 Total water discharge in 2019 by types of destination, mcm, %



Energy Consumption and Efficiency

NOVATEK cares about future generations and therefore exercises a reasonable and responsible approach to energy consumption and efficiency.

Electricity consumed by NOVATEK is mostly generated by our auxiliary cogeneration power plants using secondary energy resources (heat from flue gases) to generate heat.

Our demand for heat is fully covered by in-house sources of the NOVATEK Group. The Company's major heat sources are waste heat exchangers (waste heat boilers) installed at auxiliary power plants and gas compressor units of booster compression stations.

The internally generated (in boilers) heat and electricity come from own-produced hydrocarbons.

We also use alternative, environmentally safe, renewable sources of electricity based on solar panels (up to 2 kW of installed capacity) and wind turbines (1 kW or 3 kW of installed capacity). The telemechanics systems for controlling valves at trunk pipelines and well drilling pads of our gas condensate fields run on renewable energy. A total of 132 renewable energy sources were used by NOVATEK in 2019. The efficiency of new renewable energy sources built for greenfield projects is assessed during the early design phase as part of a comparative feasibility study between power supply options (two options are assessed: renewable energy and construction of an overhead power line).

OG3
In 2019, we generated about 263,000 kWh of electricity from renewable sources (including 147,000 kWh by solar modules and 116,000 kWh by wind turbines), representing 0.01% of NOVATEK's total electricity generation[1].

1. Energy efficiency data is calculated based on 100% Company's share in joint ventures.

302-1
ENERGY CONSUMPTION BY NOVATEK'S PRODUCTION SUBSIDIARIES AND JOINT VENTURES IN 2017–2019[1]

Metric	Units	2017	2018	2019
Total consumption of heat and electricity	thousand GJ	4,215	10,337	12,943
Consumption from non-renewable sources (natural gas) to produce heat and electricity	thousand GJ	5,877	20,720	30,457
Aggregate electricity consumption	mln kWh	675	1,862	2,691
Aggregate heat consumption	thousand GJ	1,782	3,632	3,253

302-3
ENERGY INTENSITY IN 2017–2019 BY PROCESS

Process	Intensity[2]		
	2017	2018	2019
Gas production	2.5 kWh/mcm	2.1 kWh/mcm	2.4 kWh/mcm
Condensate production	12.4 kWh/ton	10.7 kWh/ton	10.8 kWh/ton
Oil production	24.0 kWh/ton	21.4 kWh/ton	27.6 kWh/ton
Condensate processing	7.1 kWh/ton	6.5 kWh/ton	6.6 kWh/ton
Gas liquefaction, including shipments of LNG and gas condensate (Yamal LNG)	–	107.6 kWh/ton	87.9 kWh/ton

302-4
A number of NOVATEK's subsidiaries have built energy-saving programs to improve the energy efficiency of their operations. Technical and organizational energy-saving initiatives implemented by NOVATEK in 2019 enabled an overall reduction in energy consumption by 32,600 GJ due to a 9.1 mln kWh reduction in electricity consumption (1.1%[3] of the total electricity consumption).

The principles for efficient energy management are embedded into the design of our greenfield projects. Design pre-requisites include the use of energy-efficient cogeneration equipment and technology.

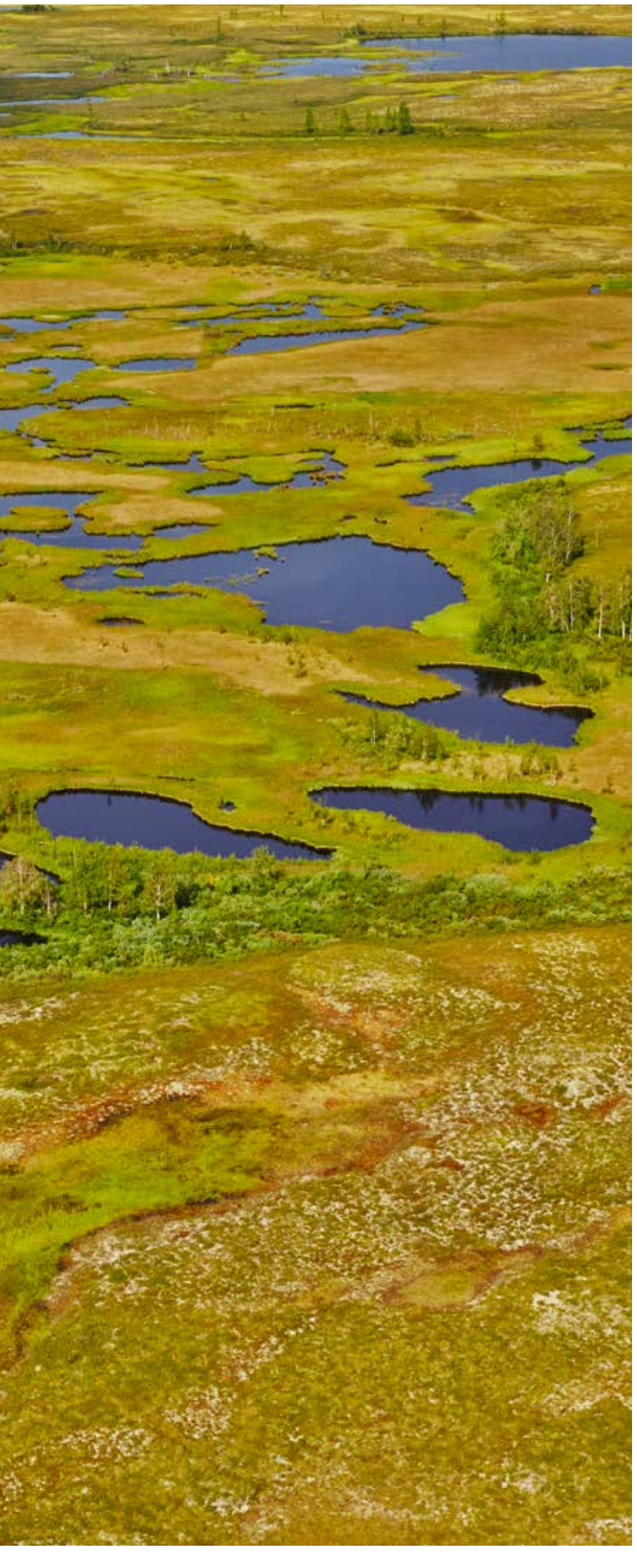
Waste heat exchangers are used at gas compressor units and power plants to replace boiler fuel gas for heat generation. Fuel gas savings through such replacement with secondary energy resources also have an impact on emissions reduction. In 2019, fuel gas savings through heat generation by waste heat exchangers are estimated at around 28 mmcm.

From 2020, the energy efficiency target will be calculated as follows: electricity consumption for gas and gas condensate production and treatment (kWh per 1 ton of product)[4]. The product includes both natural gas and gas condensate (in tons). The 2019 level (4.5 kWh per 1 ton) is taken as the original baseline (target) level to assess energy efficiency performance in subsequent periods.

Biodiversity Conservation

304-2 OG4
NOVATEK operates in various regions of Russia – both untapped areas of the Extreme North and regions with a well-developed infrastructure in place – contributing to the advancement of those regions where we operate and relentlessly adhering to sustainable natural resource management principles. The Company monitors biodiversity in the areas where it conducts its production activities and takes proactive and compensatory measures under a Biodiversity Preservation Program. In the reporting year, we paid a particular attention to monitoring and preserving the biodiversity in the north of the Yamal Peninsula, around the South-Tambeiskiy license area as well as in the Ob Bay

1. Energy consumption for 2019 includes the following companies: OOO NOVATEK-Yurkharovneftegas, OOO NOVATEK-Tarkosaleneftegas, OOO NOVATEK-Purovsky ZPK, OOO NOVATEK-Ust-Luga, OOO NOVATEK-Transervice, OOO NOVATEK-Pur (included in 2019), AO Arcticgas, ZAO Nortgas, OOO Yargeo, ZAO Terneftegas, OOO Cryogas-Vysotsk (included in 2019), and OAO Yamal LNG (included in 2018).
2. Gas and condensate production processes energy intensity excluding OAO Yamal LNG.
3. Excluding electricity consumption by OAO Yamal LNG.
4. Excluding OAO Yamal LNG.



basin, within the area potentially affected by the Yamal LNG project.

In order to address gaps in data on marine benthic habitats in the Ob Bay, ten marine habitats (seabed areas) have been surveyed for compliance with critical marine habitat criteria. A contract was signed with Lomonosov Moscow State University Marine Research Center in 2018. Comprehensive mapping of benthic communities using in situ (dredging survey and sampling) and remote methods (side-scan sonar) was completed in 2019 to obtain reliable data on the distribution of communities, with a lithological map and a sketch map drawn to show the distribution of benthic communities across the Ob and maritime channels and disposal sites within the Ob Bay. A comprehensive study of seabed soils and macrozoobenthos shows that no Ob Bay habitat covered by surveys complies with benthic community critical marine habitat criteria established by International Finance Corporation's Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

BIODIVERSITY MONITORING PROGRAMS

Biodiversity monitoring comprises a marine ecosystem research, including a marine mammal monitoring program, and a comprehensive land ecosystem biodiversity monitoring program. In 2019, the Company launched new projects for biodiversity monitoring and conservation covering the area affected by the Yamal LNG project.

By monitoring the ringed seal as an indicator of the Ob Bay ecosystem health within the Company's area of operations we can assess and prevent negative anthropogenic impact on the ecosystem from operations. These efforts are aligned with the Arctic Marine Biodiversity Monitoring Plan (the CBMP-Marine Plan) developed under the Arctic Council's Circumpolar Biodiversity Monitoring Program.
In spring 2019, the Company conducted aerial surveys of seals on ice in the north of the Ob Bay and subsequently analyzed the survey data. Similar surveys were run in 2017 and 2018. Seal population density varied between 0.28 and 2.37 species per square km and averaged at 0.97 ± 0.15 species per square km.

Detailed analysis of the data acquired over the three years of surveying ringed seals in ice habitats showed that the main reason for large interannual changes in quantitative indicators is significant interannual variability in ice conditions in the Ob Bay. In 2017 and 2019, fast ice covered about 50% of the water areas surveyed, but unlike in 2019, the remaining areas were covered with young ice (ice fields of grey ice), where seal density reached its maximum in 2017. In 2018, the entire survey area was covered with fast ice, which was not typical in recent decades for the water areas surveyed.

The analysis showed that population density on fast ice is the least prone to fluctuations. Thus, seal population density on fast ice can serve as a reliable indicator for monitoring the status of its population in the Ob Bay. Given this particular distribution of ringed seals in the northern part of the Ob Bay in spring, and that vessel traffic from the entrance to the Ob Bay to the Sabetta seaport passes outside the fast ice zone, it can be assumed that there is no direct negative impact on the seal. On the contrary, vessel traffic contributes to the formation of type two ice habitats (fast ice near-edge zone), which attract animals and contribute to their local population growth.

Flora monitoring is conducted on 15 permanent test sites established for assessing phytodiversity protection progress across all habitats and identifying dynamic processes stimulated by both anthropogenic and zoogenic factors. No significant changes in the types of plants and their abundance were detected in 2019. The slight changes in types of plants and their abundance that have been identified are in most cases due to annual fluctuations. Almost all the sites surveyed within the disturbed areas are showing signs of positive changes towards recovery. In 2019, monitoring sites were laid out at the rehabilitation areas.

Anthropogenic impacts on birds within the field were either not manifest or negligible. According to experts, this is primarily due to the absence of direct human impacts (such as hunting, collection of eggs, disturbing of nests, etc.). It is also possible that some of the species (the greater white-fronted goose, the long-tailed duck and the king eider) have adapted to Yamal LNG's anthropogenic impacts: the birds nest, look for food and rest in the immediate vicinity of the industrial sites. Experts have advised the long-tailed duck to be used as an indicator of the state of bird communities in the field.

Ichthyological and hydrobiological research in 2019 showed marginal anthropogenic impacts on the covered watercourses. This was evidenced by the types and number of species (phytoplankton, zooplankton, and macrozoobenthos). The studies clearly demonstrate that no major changes in the status of both individual fish populations and the ichthyofauna as a whole have occurred in the rivers surveyed in recent years. Overall, the diversity of species and communities in both rivers can be considered as stable throughout the survey period.

Results obtained in 2019 and historical comparisons show that the majority of the ecosystems within the field have not been significantly disturbed. The biodiversity of species and communities has not seen any significant changes in recent years.

In 2019, a multi-year project was launched to monitor the arctic fox population as an indicator of the natural habitat status within the Yamal LNG project area. The project is implemented by Non-Profit Partnership Russian Center for Arctic Development (regional organization) and Arctic Research Station of the Institute of Plant and Animal Ecology of the Ural Branch of the Russian Academy of Sciences. The project is aimed at assessing the natural habitat by monitoring the arctic fox population as an indicator of tundra ecosystem status within the Yamal LNG project area. Monitoring includes satellite tagging of animals, isotopic analysis of tissue samples to assess predator nutrition, deployment of camera traps at entry or exit points of burrows, assessment of arctic fox predation against domestic deer, and assessment of climate impact. The research methodology is aligned with the Arctic Council's CAFF and CBMP program guidelines. In 2019, scheduled surveys were carried out in the summer season, which established indicators and thresholds to describe the natural habitat status within the Yamal LNG project area.

In 2019, the Company implemented a comprehensive program for environmental monitoring of the Ob Bay within the area affected by the Yamal LNG project. The key objective of a comprehensive (integrated between components and linked to the activities in progress) program is to design effective controls for all major environmental risks of Yamal LNG and scientifically prove that its operations do not harm the Ob Bay in the following ways: change in hydrological conditions; depletion of fish stocks, rare and protected species; destruction and degradation of unique ecosystems; deterioration of the local population and indigenous people natural resource base. In addition, the program should confirm that Yamal LNG operations comply with all Russian and international requirements. The program is aligned with the goals set by the National Project 'Ecology', including its elements (federal projects): biodiversity conservation and preservation of unique waterbodies. Office studies to analyze the data obtained are in progress, and final reports will be available in Q2 2020.

Interim results of the comprehensive program:

- the first detailed one-time survey of hydrodynamic and hydrochemical conditions of the Ob estuary (the Ob Bay) in the Kara Sea has been carried out;
- the key conclusions from the assessment of Yamal LNG's risks to, and impact on, the Ob Bay ecosystems carried out before the project start have been confirmed;
- the status and productivity of plankton and benthic communities within the Yamal LNG project area, as well as the rate of recovery of marine bottom communities at the dredging and dumping sites have been assessed;
- baseline data has been collected to control the risk of introducing invasive alien species to the Sabetta seaport area associated with shipping and ballast water discharge;
- a list of indicator species for the Ob Bay has been compiled as the indicator species for the sustainability of Arctic marine ecosystems, proposed at the state level, do not occur in estuarine habitats.

A monitoring project was carried out in 2019 for the status of bird and mammal fauna within the Yurkharovskoye field.

The purpose of the monitoring project:

- give a general description of fauna and animal habitat types;
- determine the diversity of bird and mammal species within the covered area;
- quantitative assessment of bird and mammal distribution and estimation of their population density;
- assess the synanthropization.

Route surveys for changes in the number of terrestrial animals were conducted in the areas directly impacted by anthropogenic facilities. For each biotope identified within the area, the occurrence of species was recorded with

a special emphasis on the most valuable habitats. The total length of transect walks was 30.1 km.

In the course of surveying, a proprietary methodology for assessing the anthropogenic perturbation of biotopes was developed.

The surveys also assessed the synanthropization of birds based on the results of four-year studies (2016–2019). Data for synanthropization analysis was collected not only at the Yurkharovskoye field but also on the Yamburg field, in the Yamburg village, and from the relatively undisturbed areas on the Tazovsky Peninsula. The total length of the routes was 352 km.

The monitoring concluded that anthropogenic perturbation of the natural environment at the Yurkharovskoye field does not cause a loss of bird and mammal biodiversity.

In addition, proposals were made to minimize the negative impact of field construction operations on wildlife, including strict compliance with planned construction standards and measures to limit habitat destruction and reduce disturbance during the reproductive period.

ENVIRONMENTAL DAMAGE COMPENSATION

304-3

In 2019, as part of artificial propagation of marine biological resources, 8.89 mln juvenile fish were released into the Ob and Irtysh district rivers of the Northwestern (White Sea) basin.

Disturbed Area Reclamation

304-3

Reclamation of disturbed land and remediation of contaminated areas is a system of land improvement, agricultural, and hydraulic measures to reclaim land for future use in the national economy. The Company's reclamation activities usually include a few stages: soil rehabilitation, revegetation, and construction (if needed). The stages are interconnected and carried out one after another. Soil rehabilitation is needed to make unsuitable soils ready for revegetation.

This stage includes earthwork (filling ditches, trenches, pits, hollows, and sinkholes, spoil tip leveling and terracing), construction of hydraulic and reclamation structures, and covering with a layer of fertile soil. The revegetation stage includes agricultural work aimed at soil restoration and improvement, as well as higher soil productivity.

In 2019, a total of 1,084 ha of land was reclaimed within the Company's license areas, with 27.5 ha of untapped forests returned.

Environmental Protection Training

The Company organizes ongoing training on sustainable use of resources and environmental safety, which also includes process safety. In 2019, 191 people completed environmental trainings on various topics (depending on their line of work).

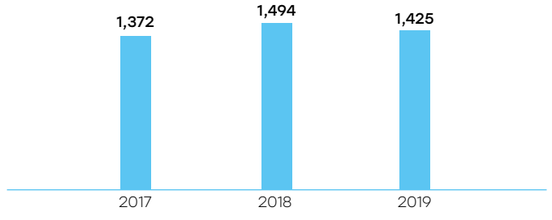
NUMBER OF PEOPLE TRAINED IN ENVIRONMENTAL MANAGEMENT IN 2017–2019

Subjects	2017	2018	2019
Environmental safety for managers and general business management specialists	17	96	27
Environmental safety and hazardous waste treatment	40	89	67
Environmental safety for managers and specialists of environmental departments and environmental control systems	14	28	2
Professional training of persons authorized to handle Class 1–4 hazardous waste	57	26	29
Other environmental programs	0	18	66
Total	**128**	**257**	**191**

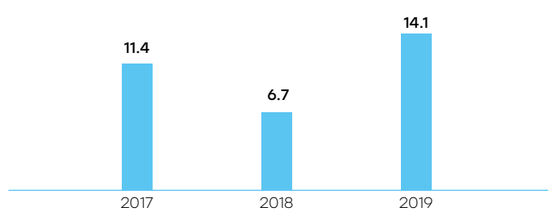
Environmental Costs

In 2019, NOVATEK spent approximately RR 1.4 bln on environmental protection and damage compensation[1], with negative environmental impact charges amounting to just 1% of total costs. Higher negative environmental impact charges in 2019 were due to lower APG utilization at the Yarudeyskoye field. The better part of environmental investments was allocated to water protection initiatives (39.5%), environment protection from production and consumer waste (27.6%), and environmental monitoring (9.6%).

The NOVATEK Group's environmental costs in 2017–2019, RR mln



Negative environmental impact charges in 2017–2019, RR mln



1. The Annual Report 2019 provides the total environmental costs with calculations based on 100% Company's share in joint ventures.

THE NOVATEK GROUP'S 2019 ENVIRONMENTAL COSTS

Environmental protection and sustainable nature management	RR thousand
Atmospheric air protection and climate change prevention	101,524
Water protection	562,651
Environment protection from production and consumer waste, hazardous waste treatment	393,961
Land and soil protection	68,320
Subsoil protection (for production facilities)	16,902
Protection of flora, fauna and habitats, biodiversity preservation	107,669
Environmental management	21,894
Environmental monitoring	137,408
Negative environmental impact charges	14,085
Other costs	822
Total	**1,425,236**

NOVATEK's RESPONSE TO THE COVID-19 PANDEMIC

The spread of the new coronavirus COVID-19 in 2020 and the mandatory shutdowns imposed by many governments have caused economic turmoil and required the implementation of unprecedented measures all over the world.

NOVATEK is committed to putting the health and well-being of its employees above operational results and implements necessary measures to preserve its employees' health and ensure safe working conditions. The Company acts in accordance with the Russian authorities' requirements and medical recommendations.

To prevent the pandemic spread, NOVATEK took preeminent steps. From the start of the pandemic, additional sanitary protection measures were implemented at the Company's offices and facilities: frequent sanitary cleaning was conducted at the Company's premises, and additional disinfectant dispensers were installed.

Due to the rapid spread of the coronavirus, many employees in the regions of our operation began working remotely, business trips were limited, and all our employees received detailed instructions on prevention measures.

In June 2020, due to the partial removal of restrictions, part of the personnel returned to work in offices after receiving negative COVID-19 test results. The employees are provided with masks and gloves for obligatory use at workplaces. The additional antiseptic dispensers are installed in the Company's offices and the premises are cleaned on a regularly scheduled basis.

In the regions of operation, the Company organizes regular testing of its' employees, purchases personal protective equipment, and helps with provision of diagnostic laboratories and hospitals in Murmansk Region and Yamal-Nenets Autonomous Region with necessary equipment, reagents, and medical supplies.

NOVATEK provides direct help to the regions with medical equipment, personal protective equipment, and COVID-19 tests. As at June 2020, the Company supplied the Murmansk Region with 30 artificial ventilation units, 30,000 protective suits, 2,000 infrared thermometers, and equipped five laboratories to conduct 55,000 tests. The Company also repaired the region's hospital and supplied it with more than 200 additional beds with oxygen feeders. In addition, an oxygen station for the hospital is installed being a completely autonomous system producing pure oxygen from the atmospheric air. Such oxygen meets all medical requirements. Until the completion of the station, the hospital is provided with the system of regasification of the liquefied oxygen.

For the Yamal-Nenets Autonomous Region, NOVATEK purchased 25 artificial ventilation units, 60,000 protective suits, and 2,000,000 masks as at June 2020.

Working closely with the Kamchatka Regional Government, "NOVATEK-Kamchatka" provided 5,000 anti-epidemic suits to the region's hospitals to help the frontline workers stay safe while treating virus patients.

The Company continues to provide assistance to the regions when needed, and remains committed to preserving its employees' health, ensuring safe working conditions, and helping, wherever possible, the regions of our operations.

APPENDIX 1. Report Boundaries

102-45 102-46

	Occupational health and safety	Charity	Training and education	Ensuring strong economic performance	Local development	Payroll	Atmospheric emissions	Waste	Water consumption	Water disposal
PAO NOVATEK	+	+	+	+	+	+				
OOO NOVATEK-Yurkharovneftegas	+	+	+	+	+	+	+	+	+	+
OOO NOVATEK-Tarkosaleneftegas	+	+	+	+	+	+	+	+	+	+
OOO NOVATEK-Purovsky ZPK	+	+	+	+	+	+	+	+	+	+
OOO NOVATEK-Transervice	+	+	+	+	+	+	+	+	+	+
OOO Arctic LNG 1	+		+	+	+	+	+	+	+	+
OOO Arctic LNG 3	+		+	+	+	+	+	+	+	+
OOO NOVATEK-Murmansk	+	+	+	+	+	+	+	+	+	+
AO NOVATEK-Pur	+	+	+	+	+	+	+	+	+	+
OOO Chernichnoye				+						
OOO NOVATEK STC	+	+	+	+		+				
OOO NOVATEK-Energo	+	+	+	+		+	+	+	+	+
OOO NOVATEK-AZK	+		+	+		+	+	+	+	+
OOO NOVATEK-Ust-Luga	+	+	+	+	+	+	+	+	+	+
OOO NOVATEK-Perm	+		+	+		+				
OOO NOVATEK-Chelyabinsk	+	+	+	+	+	+	+	+	+	+
OOO NOVATEK-Kostroma	+	+	+	+	+	+				
OOO NOVATEK Moscow Region	+		+	+		+				
OOO Sherwood Premier	+		+	+		+	+	+		
OOO EkropromStroy				+						
OOO Maritime Arctic Transport				+						
OOO NOVATEK-Kamchatka	+		+	+		+				
OOO Yargeo	+	+	+	+	+	+	+	+	+	+
OOO Obskiy LNG	+		+	+	+	+				
OOO North-Chaselskoye				+						
OOO Yevo-Yakhinskoye				+						
OOO NOVATEK – Western Arctic	+			+		+				
OOO NORDPORT	+			+		+				
OOO SMART LNG				+						
OOO Arctic Transshipment	+			+		+				
Novatek Gas & Power GmbH			+	+		+				
Novatek Gas & Power Asia Pte. Ltd.			+	+		+				
Novatek Asia Development Holding Pte. Ltd.				+		+				
Novatek Polska Sp. z o.o.[1]			+	+		+				
Novatek Equity (Cyprus) Limited			+	+		+				
NOVATEK Montenegro B.V.				+	+	+				
NOVATEK Lebanon SAL				+		+				
Novatek Finance Designated Activity Company				+						
OAO Yamal LNG	+		+	+		+	+	+	+	+
ZAO Terneftegas	+		+	+		+	+	+	+	+
ZAO Nortgas	+		+	+		+	+	+	+	+
AO Arcticgas	+		+	+		+	+	+	+	+
OOO Cryogas-Vysotsk	+		+	+		+	+	+	+	+
Rostock LNG GmbH				+						
OOO Arctic LNG 2	+		+	+		+	+	+	+	+
OOO Sabetta International Airport	+		+	+		+	+	+	+	+
Yamal Trade Pte. Ltd.				+		+				

1. Novatek Polska Sp. z o.o. merged with Blue Gaz Sp. z o.o. on 1 April 2019. In 2020, the combined company was named Novatek Green Energy Sp. z o.o.

APPENDIX 2. Personnel Structure

405-1 PERSONNEL STRUCTURE BY GENDER AND AGE AS AT 31 DECEMBER 2019

Employees	Female	%	Male	%	Total	%
Under 30	498	14	1,372	12	1,870	12
30 to 50	2,710	75	8,616	73	11,326	73
50+	412	11	1,837	16	2,249	15
Total	**3,620**		**11,825**		**15,445**	

PERSONNEL STRUCTURE BY LINE OF WORK AND GENDER AS AT 31 DECEMBER 2019

	Total headcount	% of total headcount	Female	Male	Female, %	Male, %
Exploration and production	5,471	35	987	4,484	27	38
Transportation	696	5	124	572	3	5
Marketing	2,037	13	1,056	981	29	8
Processing	1,351	9	233	1,118	6	9
Administrative personnel	957	6	387	570	11	5
Power supply	997	6	63	934	2	8
Auxiliary production	276	2	93	183	3	2
LNG production	3,660	24	677	2,983	19	25
Total	**15,445**		**3,620**	**11,825**		

102-8 PERSONNEL STRUCTURE BY GENDER AND REGION AS AT 31 DECEMBER 2019

Region	Female	Male	Total
Yamal-Nenets Autonomous Region	1,230	8,417	9,647
Moscow and Moscow Region	894	1,198	2,092
Chelyabinsk Region	678	513	1,191
St. Petersburg and Leningrad Region	201	705	906
Tyumen Region	139	280	419
Rostov Region	72	130	202
Kostroma Region	110	85	195
Volgograd Region	94	97	191
Murmansk Region	88	176	264
Khanty-Mansiysk Autonomous Region	10	55	65
Perm Territory	12	9	21
Astrakhan Region	8	11	19
Krasnodar Territory	0	6	6
Samara Region	0	5	5
Arkhangelsk Region	0	3	3
Kamchatka Territory	2	1	3
Republic of Bashkortostan	4	5	9
Novosibirsk Region	0	1	1
Poland	33	76	109
Switzerland	19	26	45
Singapore	19	24	43
Montenegro	2	1	3
Cyprus	3	0	3
Lebanon	2	1	3
Total	**3,620**	**11,825**	**15,445**

102-8 PERSONNEL STRUCTURE BY TYPE OF EMPLOYMENT CONTRACT AND GENDER AS AT 31 DECEMBER 2019

	Fixed-term	Permanent
Female	450	3,170
Male	955	10,870
Total	**1,405**	**14,040**

102-8 PERSONNEL STRUCTURE BY TYPE OF EMPLOYMENT CONTRACT AND REGION AS AT 31 DECEMBER 2019

Region	Fixed-term	Permanent
Yamal-Nenets Autonomous Region	634	9,013
Moscow and Moscow Region	375	1,717
Chelyabinsk Region	57	1,134
St. Petersburg and Leningrad Region	56	850
Tyumen Region	26	393
Rostov Region	7	195
Kostroma Region	24	171
Volgograd Region	4	187
Murmansk Region	154	110
Khanty-Mansiysk Autonomous Region	1	64
Perm Territory	2	19
Astrakhan Region	0	19
Krasnodar Territory	2	4
Samara Region	0	5
Arkhangelsk Region	1	2
Kamchatka Territory	1	2
Republic of Bashkortostan	0	9
Novosibirsk Region	0	1
Poland	33	76
Switzerland	4	41
Singapore	17	26

Region	Fixed-term	Permanent
Montenegro	1	2
Cyprus	3	0
Lebanon	3	0
Total	**1,405**	**14,040**

102-8 PERSONNEL BY TYPE OF EMPLOYMENT AND GENDER AS AT 31 DECEMBER 2019

	Part-time	Full-time
Female	44	3,576
Male	15	11,810
Total	**59**	**15,386**

401-1 PERSONNEL HIRED IN 2019 BY GENDER AND AGE

Age	Female	Male	Total
Under 30	161	444	605
30 to 50	462	1,482	1,944
50+	40	229	269
Total	**663**	**2,155**	**2,818**

401-1 PERSONNEL HIRED IN 2019 BY GENDER AND REGION

Region	Female	Male	Total
Yamal-Nenets Autonomous Region	132	1,249	1,381
Moscow and Moscow Region	161	257	418
Chelyabinsk Region	175	211	386
St. Petersburg and Leningrad Region	37	128	165
Tyumen Region	41	85	126
Rostov Region	21	30	51
Kostroma Region	6	8	14
Volgograd Region	34	44	78
Murmansk Region	33	81	114
Khanty-Mansiysk Autonomous Region	0	7	7
Perm Territory	0	0	0
Astrakhan Region	1	1	2
Krasnodar Territory	0	2	2
Samara Region	0	3	3
Arkhangelsk Region	0	0	0
Kamchatka Territory	0	1	1
Republic of Bashkortostan	4	5	9
Novosibirsk Region	0	1	1
Poland	4	24	28
Switzerland	4	8	12
Singapore	8	10	18
Montenegro	1	0	1
Cyprus	0	0	0
Lebanon	1	0	1
Total	**663**	**2,155**	**2,818**

401-1 EMPLOYEE TURNOVER IN 2019 BY GENDER AND REGION

Gender/region	Average headcount	Resignations	Employee turnover rate, %[1]
Female	3,166	392	12
Male	11,145	716	6
Total	**14,311**	**1,108**	**8**
Yamal-Nenets Autonomous Region	9,131	369	4
Moscow and Moscow Region	1,856	152	8
Chelyabinsk Region	1,051	273	26
St. Petersburg and Leningrad Region	826	45	5
Tyumen Region	369	21	6
Rostov Region	202	80	40
Kostroma Region	185	13	7
Volgograd Region	190	108	57
Murmansk Region	196	29	15
Khanty-Mansiysk Autonomous Region	63	7	11
Perm Territory	21	0	0
Astrakhan Region	19	0	0
Krasnodar Territory	5	0	0
Samara Region	5	0	0
Arkhangelsk Region	3	0	0
Kamchatka Territory	2	0	0
Republic of Bashkortostan	7	0	0
Novosibirsk Region	0	0	0
Poland	95	2	2
Switzerland	39	4	10
Singapore	37	4	11
Montenegro	3	1	33
Cyprus	3	0	0
Lebanon	3	0	0
Total	**14,311**	**1,108**	**8**

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

*

401-3 EMPLOYEES WHO WENT ON, OR RETURNED FROM, A PARENTAL LEAVE IN 2019

	Employees who went on parental leave in 2019	Employees who returned from parental leave in 2019
Female	140	64
Male	6	4
Total	**146**	**68**

405-1 MANAGEMENT BREAKDOWN BY GENDER AND AGE AS AT 31 DECEMBER 2019

Top managers	Female	%	Male	%	Total	%
Under 30	0		0		0	
30 to 50	28		150		178	
50+	13		39		52	
Total	**41**	**18.0**	**189**	**82.0**	**230**	

APPENDIX 3. Compliance with GRI Standards

102-55

Indicator index	Indicator description	Section of the Report	Notes
GENERAL DISCLOSURES			
Organizational profile			
102-1	Name of the organization	Company Profile, p. 20.	
102-2	Activities, brands, products, and services	Operating Results, p. 82, 86, 89, 94-95.	The Company does not produce goods or provide services prohibited in any market.
102-3	Location of headquarters	Company Profile, p. 20.	
102-4	Location of operations	Company Profile, p. 20. Operating Results, p. 82, 84-86, 91, 94-99.	
102-5	Ownership and legal form	Company Profile, p. 20.	
102-6	Markets served	Operating Results, p. 91-92.	
102-7	Scale of the organization	Company Profile, p. 21-22. Operating Results, p. 91. Employment Practices, p. 114.	
102-8	Information on employees and other workers	Employment Practices, p. 114. Appendix 2. Personnel Structure, p. 164-166.	d. Workers who are not employees do not perform a significant portion of the Company's activities. e. There are no seasonal or other variations in headcount.
102-9	Supply chain	Procurement Practices, p. 128.	
102-10	Significant changes to the organization and its supply chain	Company Profile, p. 22.	
102-11	Precautionary principle or approach	Environmental Performance and Protection, p. 146.	
102-12	External initiatives	Company Profile, p. 24-25. Sustainable Development Strategy, p. 30. Environmental Performance and Protection, p. 146.	
102-13	Membership of associations	Company Profile, p. 23.	
Strategy			
102-14	Statement from senior decision-maker	Letter from the Chairman of the Management Board, p. 4-7.	
102-15	Key impacts, risks, and opportunities	Corporate Governance, p. 67-69.	Detailed information about key risks is available in the Annual Report 2019 on pp. 68–77
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Ethics, p. 72.	
102-17	Mechanisms for advice and concerns about ethics	Ethics, p. 72.	

Indicator index	Indicator description	Section of the Report	Notes
Corporate Governance			
102-18	Governance structure	Corporate Governance, p. 58-59, 62.	
102-19	Delegating authority	Corporate Governance, p. 63.	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance, p. 63.	
102-21	Consulting stakeholders on economic, environmental, and social topics	Corporate Governance, p. 59.	
102-22	Composition of the highest governance body and its committees	Corporate Governance, p. 61.	
102-23	Chair of the highest governance body	Corporate Governance, p. 59.	
102-24	Nominating and selecting the highest governance body	Corporate Governance, p. 59.	
102-25	Conflicts of interest	Ethics, p. 72-73.	
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance, p. 59.	
102-27	Collective knowledge of the highest governance body	Corporate Governance, p. 59.	
102-28	Evaluating the highest governance body's performance	Corporate Governance, p. 60.	
102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance, p. 62, 67.	
102-30	Effectiveness of risk management processes	Corporate Governance, p. 67.	
102-31	Review of economic, environmental, and social topics	Corporate Governance, p. 63, 67.	
102-32	Highest governance body's role in sustainability reporting	Report and Reporting Process, p. 12.	
102-33	Communicating critical concerns	Corporate Governance, p. 60.	
102-34	Nature and total number of critical concerns	Corporate Governance, p. 60.	
102-35	Remuneration policies	Corporate Governance, p. 64.	
102-36	Process for determining remuneration	Corporate Governance, p. 64.	The Company does not engage consultants on remuneration matters, which fall within the remit of the Remuneration and Nomination Committee made up of independent directors.
Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder Engagement, p. 46.	
102-41	Collective bargaining agreements		Collective bargaining agreements cover 93% of the Company's employees.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, p. 46.	
102-43	Approach to stakeholder engagement	Report and Reporting Process, p. 14. Stakeholder Engagement, p. 46. External Social Policy, p. 104.	
102-44	Key topics and concerns raised	Report and Reporting Process, p. 14. Stakeholder Engagement, p. 48-55.	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Report and Reporting Process, p. 13. Company Profile, p. 21. Appendix 1. Report Boundaries, p. 162-163.	
102-46	Defining report content and topic boundaries	Report and Reporting Process, p. 12-13. Appendix 1. Report Boundaries, p. 162-163.	
102-47	List of material topics	Report and Reporting Process, p. 16-17.	
102-48	Restatements of information	Environmental Performance and Protection, p. 150.	
102-49	Changes in reporting	Report and Reporting Process, p. 14.	No material changes in the list of material topics or reporting boundaries as compared to previous reporting periods.
102-50	Reporting period	Report and Reporting Process, p. 13.	
102-51	Date of most recent report	Report and Reporting Process, p. 13.	
102-52	Reporting cycle	Report and Reporting Process, p. 13.	
102-53	Contact point for questions regarding the report		Alexander Nazarov, Head of IR +7 495 730 6013 ir@novatek.ru
102-54	Claims of reporting in accordance with the GRI Standards	Report and Reporting Process, p. 12-13.	
102-55	GRI content index	Appendix 3. Compliance with GRI Standards, p. 169-181.	
102-56	External assurance	Report and Reporting Process, p. 12-13.	
SPECIFIC STANDARD DISCLOSURES			
Category: Economic			
201 Economic performance			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Operating Results, p. 78.	
	103-3 Evaluation of the management approach	Operating Results, p. 78.	
201-1	Direct economic value generated and distributed	Operating Results, p. 80.	

Indicator index	Indicator description	Section of the Report	Notes
201-2	Financial implications and other risks and opportunities due to climate change	Climate Change, p. 39-41. Environmental Performance and Protection, p. 146.	
201-3	Defined benefit plan obligations and other retirement plans		The total of employee benefits is included in other non-current liabilities in the consolidated financial statements and stands at RR 5.1 bln as at 31 December 2019.
202 Market presence			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Employment Practices, p. 114.	
	103-3 Evaluation of the management approach	Employment Practices, p. 114.	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employment Practices, p. 114.	b. The proportion of workers compensated based on wages subject to minimum wage rules is insignificant.
203 Indirect economic impacts			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	External Social Policy, p. 102-103.	
	103-3 Evaluation of the management approach	External Social Policy, p. 102-103.	
203-1	Infrastructure investments and services supported	External Social Policy, p. 103-104, 106-107.	
203-2	Significant indirect economic impacts	External Social Policy, p. 103-104, 106-107.	
204 Procurement practices			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Procurement Practices, p. 128-129.	
	103-3 Evaluation of the management approach	Procurement Practices, p. 128-129.	
204-1	Proportion of spending on local suppliers	Procurement Practices, p. 130.	
205 Anti-corruption			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Ethics, p. 72.	
	103-3 Evaluation of the management approach	Ethics, p. 72.	
205-1	Operations assessed for risks related to corruption		No operations were assessed for risks related to corruption.
205-2	Communication and training about anti-corruption policies and procedures	Ethics, p. 72.	100% of employees, governance body members and business partners are informed of the Company's Anti-Corruption Policy, which is available to all stakeholders on the Company's website. Information on the document is also disclosed in sustainability reports.

Indicator index	Indicator description	Section of the Report	Notes
205-3	Confirmed incidents of corruption and actions taken		The Company identified no cases of corruption in the reporting period.
Category: Environmental			
302 Energy			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 146-147, 154-155.	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 146-147, 154-155.	
302-1	Energy consumption within the organization	Environmental Performance and Protection, p. 155.	
302-2	Energy consumption outside of the organization		All energy is consumed within the NOVATEK Group.
302-3	Energy intensity	Environmental Performance and Protection, p. 155.	
302-4	Reduction of energy consumption	Environmental Performance and Protection, p. 155.	
302-5	Reductions in energy requirements of products and services		The indicator is not applicable.
303 Water			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 146-147, 153-154.	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 146-147, 153-154.	
303-1	Interactions with water as a shared resource	Environmental Performance and Protection, p. 153-154.	
303-2	Management of water discharge-related impacts	Environmental Performance and Protection, p. 154.	
303-3	Water withdrawal	Environmental Performance and Protection, p. 153.	The data on the Company's water withdrawal is obtained based on the state statistic reporting by the NOVATEK Group's subsidiaries available from form 2TP-Water approved by Order No. 230 of the Federal State Statistics Service dated 19 October 2009.
303-4	Water discharge	Environmental Performance and Protection, p. 154.	
303-5	Water consumption	Environmental Performance and Protection, p. 153.	The data on the Company's water discharge is obtained based on the state statistic reporting by the NOVATEK Group's subsidiaries available from form 2TP-Water approved by Order No. 230 of the Federal State Statistics Service dated 19 October 2009.

Indicator index	Indicator description	Section of the Report	Notes
304 Biodiversity			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 146-147, 155-157.	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 146-147, 155-157.	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		NOVATEK does not produce or process natural resources in protected areas of federal significance and is committed to care for the environment and biodiversity conservation in the regions of operation, building a rationale for the location of its production sites and contributing to the development of regional infrastructures. NOVATEK has one linear facility (a gas pipeline of 16 cm in diameter) which goes through a protected area of regional significance. Its construction was financed by the Company under the project to expand gas infrastructure to the Dzhabyk village, in collaboration with the Administration of the Chelyabinsk Region. The gas pipeline does not violate the legislation on the protected area, which is confirmed in a state environmental study.
304-2	Significant impacts of activities, products, and services on biodiversity	Environmental Performance and Protection, p. 155.	
304-3	Habitats protected or restored	Environmental Performance and Protection, p. 158.	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		IUCN Red List species: 1. Critically endangered (CR) – 0. 2. Endangered (EN) – 1 (Siberian sturgeon). 3. Vulnerable (VU) – 7 (white bear, long-tailed duck, Steller's eider, snowy owl, black-legged kittiwake, yellow-billed loon). 4. Near threatened (NT) – 3 (Eurasian oystercatcher, common eider, pallid harrier). 5. Least concern (LC) – 29 (grey seal, Eurasian teal, great black-backed gull, common gull, black guillemot, glaucous gull, great cormorant, common scoter, king eider, white-tailed eagle, European herring gull, black-headed gull, purple sandpiper, common raven, mallard, Eurasian wigeon, common shelduck, common eider, common merganser, red-breasted merganser, European shag, little gull, Arctic tern, grey plover, golden eagle, gyrfalcon, whooper swan, peregrine falcon, velvet scoter). Total species – 40.

Indicator index	Indicator description	Section of the Report	Notes
305 Emissions			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 146-147, 150-151.	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 146-147, 150-151.	
305-1	Direct (Scope 1) GHG emissions	Environmental Performance and Protection, p. 151.	b. CO_2, CH_4. c. 297 tons of CO_2 equivalent. e. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015. f. Operational control method. g. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Performance and Protection, p. 151.	a. Facilities Located in the Yamal-Nenets Autonomous Region (Ural Interconnected Power System, the Tyumen Region): 173,228 tons of CO_2 equivalent (including shares in joint ventures). Facility in the Leningrad Region (North-West Interconnected Power System): 31,614 tons of CO_2 equivalent. b. 100% Russian market. c. CO_2. e. Revised Guidelines for National Greenhouse Gas Inventories. IPCC, 2006. Module 1, Energy. f. Operational control method. g. Revised Guidelines for National Greenhouse Gas Inventories. IPCC, 2006. Module 1, Energy.
305-3	Other indirect (Scope 3) GHG emissions		Indirect emissions from the combustion or biodegradation of biomass amounted to 297 tons of CO2 equivalent in the reporting year.
305-4	GHG emissions intensity	Climate Change, p. 41. Environmental Performance and Protection, p. 151.	c. Direct (Scope 1) emissions. d. CO_2, CH_4.
305-5	Reduction of GHG emissions		Reduction of direct (Scope 1) emissions in processing – 80.5 mt of CO_2 equivalent. b. CO_2, CH_4. d. e. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.
305-6	Emissions of ozone-depleting substances (ODS)	Environmental Performance and Protection, p. 150.	

Indicator index	Indicator description	Section of the Report	Notes
305-7	NO_x, SO_x and other significant air emissions	Environmental Performance and Protection, p. 150.	i. NO_x – 13,296 tons (as NO_2 equivalent). ii. SO_x – 62 tons (SO_2 emissions). iii. No persistent organic pollutants (POP). iv. Volatile organic compounds (VOC) – 13,258 tons. v. No hazardous air pollutants (HAP). vi. Particulate matter (PM) – 2,697 tons. vii. Other standard categories of air emissions identified in relevant regulations. c. Methods are specified in Letter of the Russian Ministry of Natural Resources and Environment No. 05-12-47/4521 dated 29 March 2012.
306 Effluents and waste			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 146-147, 152-154.	
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 146-147, 152-154.	
306-1	Water discharge by quality and destination	Environmental Performance and Protection, p. 154.	b. Actual waste water discharge (measured by flow meters).
306-2	Waste by type and disposal method	Environmental Performance and Protection, p. 152.	
306-3	Significant spills		There were no significant spills in 2019.
306-4	Transport of hazardous waste		The Company does not transport, import, export or treat waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and does not ship waste internationally.
306-5	Water bodies affected by water discharges and/or runoff		There are no water bodies or related habitats materially affected by water discharge and/or runoff.
307 Environmental compliance			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Environmental Performance and Protection, p. 147.	The Company operates in accordance with Russian laws[1].
	103-3 Evaluation of the management approach	Environmental Performance and Protection, p. 147.	
307-1	Non-compliance with environmental laws and regulations	Environmental Performance and Protection, p. 147.	

1 Hereinafter NOVATEK's management approach in this area is primarily based on, although may not be limited to, Russian laws.

Indicator index	Indicator description	Section of the Report	Notes
Category: Social			
401 Employment			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Employment Practices, p. 114, 116.	
	103-3 Evaluation of the management approach	Employment Practices, p. 114, 116.	
401-1	New employee hires and employee turnover	Employment Practices, p. 114. Appendix 2. Personnel Structure, p. 166-167.	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		The benefits are provided to all employees.
401-3	Parental leave	Appendix 2. Personnel Structure, p. 168.	
402 Labor/management relations			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components		The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach		
402-1	Minimum notice periods regarding operational changes		Under Russian laws, the minimum notice period as regards the Company's significant operational changes is eight weeks (incorporated into the collective bargaining agreement).
403 Occupational health and safety			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Occupational Health and Safety, p. 134, 136-137.	The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach	Occupational Health and Safety, p. 134, 136-137.	
403-1	Occupational health and safety management system	Occupational Health and Safety, p. 136.	
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety, p. 140.	
403-3	Occupational health services	Occupational Health and Safety, p. 136.	
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety, p. 137, 140, 141.	
403-5	Worker training on occupational health and safety	Occupational Health and Safety, p. 141.	
403-6	Promotion of worker health	Employment Practices, p. 122-124.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety, p. 137.	

Indicator index	Indicator description	Section of the Report	Notes
403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety, p. 136.	
403-9	Work-related injuries	Occupational Health and Safety, p. 137, 140.	
403-10	Work-related ill health	Occupational Health and Safety, p. 136.	
404 Training and education			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Employment Practices, p. 117.	
	103-3 Evaluation of the management approach	Employment Practices, p. 117.	
404-1	Average hours of training per year per employee	Employment Practices, p. 117.	
404-2	Programs for upgrading employee skills and transition assistance programs	Employment Practices, p. 118-121.	
404-3	Percentage of employees receiving regular performance and career development reviews	Employment Practices, p. 120.	
405 Diversity and equal opportunity			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Employment Practices, p. 114.	The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach	Employment Practices, p. 114.	
405-1	Diversity of governance bodies and employees	Employment Practices, p. 115. Appendix 2. Personnel Structure, p. 164, 168.	
405-2	Ratio of basic salary and remuneration of women to men		Wage rates for women and men are based on equal pay structures at NOVATEK for the specific type of work performed.
406 Non-discrimination			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Ethics, p. 73-74. Employment Practices, p. 114-115.	The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach	Ethics, p. 73-74. Employment Practices, p. 114-115.	
406-1	Incidents of discrimination and corrective actions taken		The Company identified no incidents of discrimination in the reporting period.
407 Freedom of association and collective bargaining			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components		The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		The Company identified no operations in which the right to exercise freedom of association or collective bargaining may be violated or put at significant risk.
408 Child labor			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Ethics, p. 73-74.	The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach	Ethics, p. 73-74.	
408-1	Operations and suppliers at significant risk for incidents of child labor	Ethics, p. 73.	The Company identified no operations at risk for incidents of child labor.
409 Forced or compulsory labor			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	Ethics, p. 73-74.	The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach	Ethics, p. 73-74.	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Ethics, p. 73.	The Company identified no operations at risk for incidents of forced or compulsory labor.
411 Rights of indigenous peoples			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	External Social Policy, p. 104-105.	The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach	External Social Policy, p. 104-105.	
411-1	Incidents of violations involving rights of indigenous peoples		There were no incidents of violations involving rights of indigenous peoples.
413 Local communities			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components	External Social Policy, p. 102-105.	
	103-3 Evaluation of the management approach	External Social Policy, p. 102-105.	

Indicator index	Indicator description	Section of the Report	Notes
413-1	Operations with local community engagement, impact assessments, and development programs	External Social Policy, p. 103-104, 106-107.	
413-2	Operations with significant actual and potential negative impacts on local communities		There was no significant negative impact in the reporting year.
415 Public policy			
103 Management approach	103-1 Explanation of the material topic and its boundary	Report and Reporting Process, p. 12-14.	
	103-2 The management approach and its components		The Company operates in accordance with Russian laws.
	103-3 Evaluation of the management approach		
415-1	Total value of political contributions by country and recipient/beneficiary		NOVATEK does not participate directly or indirectly in political parties, organizations and foundations associated with them, including not making sponsorship or other payments in support of them.
Sector disclosures			
OG1	Volume and type of estimated proved reserves and production	Operating Results, p. 82.	
OG2	Total amount invested in renewable energy		Renewable capacities based on solar modules and wind generators are built as part of greenfield construction investment projects.
OG3	Total amount of renewable energy generated by source	Environmental Performance and Protection, p. 154.	
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environmental Performance and Protection, p. 155.	
OG5	Volume and disposal of formation or produced water		In 2019, production wells produced 3.2 mmt of water while sourcing wells produced 4.4 mmt. 5.7 mmt of water were used in the reservoir pressure maintenance system.
OG6	Volume of flared and vented hydrocarbon	Environmental Performance and Protection, p. 151.	
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Environmental Performance and Protection, p. 152.	
OG8	Benzene, lead, and sulfur content in fuels		Produced natural gas and LNG do not contain benzene, lead, or sulfur.
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Sustainable Development Strategy, p. 29-35. External Social Policy, p. 103.	
OG10	Number and description of significant disputes with local communities and indigenous peoples		There were no disputes with local communities.
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned		No sites have been, or are being decommissioned.
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process		The Company did not engage in operations that caused involuntary resettlement.
OG13	Number of process safety events, by business activity	Occupational Health and Safety, p. 137, 141-143.	
OG14	Volume of biofuels produced and purchased meeting sustainability criteria		The Company does not produce or purchase biofuel.

APPENDIX 4. Independent Auditor's Assurance

INDEPENDENT LIMITED ASSURANCE REPORT TO THE MANAGEMENT OF PAO NOVATEK

Introduction

We have been engaged by the Management of PAO NOVATEK (hereinafter – the "Company") to provide limited assurance on the selected information described below and included in the Sustainability Report of the Company for the year ended 31 December 2019 (hereinafter – the "Sustainability Report"). The Sustainability Report presents information related to the Company and its subsidiaries and controlled entities (hereinafter collectively – the "Group").

Selected Information

We assessed the qualitative and quantitative information that is disclosed in the Sustainability Report and is referred to or included in the GRI Content Index (hereinafter – the "Selected Information"). The Selected Information has been prepared in accordance with the GRI Sustainability Reporting Standards (Core option) published by the Global Reporting Initiative (hereinafter – the "GRI Standards").

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2019. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability Report and, therefore, do not express any conclusion thereon.

Reporting Criteria

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards (hereinafter – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

The Group's responsibilities

The Management of the Group is responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology, including objective reporting criteria, and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparation, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Management of the Group.

This report, including our conclusion, has been prepared solely for the Management of the Group in accordance with the agreement between us, to assist the Management in reporting on the Group's sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report, which may be published on the Company's website , to assist the Management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Group for our work or this report.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information'' issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our limited assurance procedures in the Russian Federation.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Group's Management, including the Sustainability Reporting (SR) team and those with responsibility for SR management and Group reporting;
- conducted interviews of personnel responsible for the preparation of the Sustainability Report and collection of underlying data;
- performed an analysis of the relevant internal methodology and guidelines, gaining an understanding and evaluating the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- reviewed the Selected Information for compliance of the disclosures with the relevant requirements of the Reporting Criteria.

Reporting and measurement methodologies

The range of different, but acceptable under the GRI Standards, measurement and reporting techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by the Management in preparing the Sustainability Report, described therein, and which the Group is solely responsible for.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2019 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

AO PricewaterhouseCoopers Audit

13 August 2020
Moscow, Russian Federation

M.E. Timchenko, certified auditor (licence No. 01-000267),
AO PricewaterhouseCoopers Audit

The entity subject to the limited assurance engagement:
PAO NOVATEK
Record made in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1026303117642 issued by the Inspectorate of the Russian Ministry of Taxes and Levies of Novokuybyshevsk, Samara Region on 20 August 2002.
Location of the Company according to the Charter: Russian Federation, Yamalo-Nenetski state, Purovsky region, Tarko-Sale.
Mailing address: 2, Udaltsova street, Moscow, 119415, Russian Federation

Audit organization:
AO PricewaterhouseCoopers Audit
Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431
Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»
Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

Social Media and Contact Details

To post interesting facts and up-to-date information about the Company and receive feedback from stakeholders, NOVATEK uses social media pages

https://www.instagram.com/novatek_photos

https://www.facebook.com/NOVATEK.ru/

https://vk.com/novatek_ru

https://www.youtube.com/c/NOVATEKgas

https://twitter.com/NOVATEK_

Contact details for queries about the Yamal LNG project:

- Tel: +7 495 775 0480, +7 495 228 9850 (calls are transferred to the Company's designated representatives)
- E-mail: mailto:yamalspg@yamalspg.ru
- Security Hotline: +7 499 941 1445, hotline@yamalspg.ru
- HSE: vopros@yamalspg.ru
- Feedback and suggestion boxes installed in community liaison offices in the villages of Seyakha and Mys Kamenny
- Community liaison offices in Salekhard, Yar-Sale, and Sabetta

Contact details for queries about the Arctic LNG 2 project:

- Tel: +7 495 720 5053
- Mikhail Lapsui, representative of Arctic LNG 2 in the Tazovsky District

Queries to NOVATEK:

- Central Information Service: +7 495 730 6000, novatek@novatek.ru
- Security Hotline: +7 495 232 3959, security_hotline@novatek.ru
- Sustainable development: Alexander Nazarov, Head of IR, +7 495 730 6013, ir@novatek.ru
- Press Service: Maria Dokuchaeva, Press Secretary, +7 495 721 2207, press@novatek.ru
- Investor Relations: Mark Gyetvay, Deputy Chairman of the Management Board; Alexander Nazarov, Head of IR, + 7 495 730 6013, ir@novatek.ru
- Ethics and human rights: ethics@novatek.ru
- Customer Account service on the Company's website: http://www.novatek.ru/en/business/marketing/

Glossary

ABBREVIATIONS

APG – associated petroleum gas

CEO – Chief Executive Officer

CNG – compressed natural gas

COSO – Committee of Sponsoring Organizations of the Treadway Commission

GBS – gravity-based structure

GDR – global depositary receipt

GHG – greenhouse gas

GOST – governmental standard

HAP – hazardous air pollutants

HFO – heavy fuel oil

HPF – hazardous production facility

HSE – health, safety and environment

IFRS – International Financial Reporting Standards

IMS – Integrated HSE Management System

IPPF – International Professional Practices Framework

KPIs – key performance indicators

LNG – liquefied natural gas

LPG – liquefied petroleum gas

NGL – natural gas liquids

NPO – nonprofit organization

NSR – the Northern Sea Route

ODS – ozone-depleting substances

OECD – Organization for Economic Co-operation and Development

OHS – occupational health and safety

PM – particulate matter

POP – persistent organic pollutants

PUE - Electrical Installation Regulation

RAS – Russian Accounting Standards

RR – Russian rouble

RSPP – the Russian Union of Industrialists and Entrepreneurs

SGC – stable gas condensate

SIPA – School of International and Public Affairs, Columbia University

SNiP – building regulations

UGSS – the Unified Gas Supply System

UN SDGs – United Nations Sustainable Development Goals

VAT – value-added tax

VOC – volatile organic compounds

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CDP – Carbon Disclosure project

DJSI – Dow Jones Sustainability Index

EBITDA – earnings before interest, taxes, depreciation and amortization

EI – Engagement International

ESG (environmental, social and governance) – a concept, according to which a company's sustainable development is measured by environmental, social and corporate governance factors

GRI – Global Reporting Initiative

IEA - International Energy Agency

IFC – International Finance Corporation

IPIECA – International Petroleum Industry Environmental Conservation Association

ISO – International Organization for Standardization

ISS – Institutional Shareholder Services

LSE – London Stock Exchange

MSCI – Morgan Stanley Capital International

OHSAS – Occupational Health and Safety Management Systems

PRMS – Petroleum Resources Management System

SASB – Sustainability Accounting Standards Board

SEC – US Securities and Exchange Commission

TCFD – Task Force on Climate-related Financial Disclosures

WWF – World Wildlife Fund

Units

bcm – billion cubic meters

bln – billion

boe – barrels of oil equivalent

GJ – gigajoule

ha – hectare

km – kilometer

kW – kilowatt

kWh – kilowatt hour

mboe – thousand barrels of oil equivalent

mcm – thousand cubic meters

mln – million

mmboe – million barrels of oil equivalent

mmcm – million cubic meters

bcm – billion cubic meters

mmt – million metric tons

mmtpa – million metric tons per annum

mt – thousand metric tons

mtpa – thousand metric tons per annum

MW – megawatt

t – metric ton