THINK GREEN.
THINK NATURAL GAS.
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Dear Stakeholders,

We are honored to present NOVATEK’s 14th Sustainability Report 2020, providing insights to our non-financial stakeholders to help a wide range of stakeholders learn more about the NOVATEK’s sustainable business principles and the Company’s economic, environmental and social performance.

Despite the fact that 2020 was marked by various unprecedented economic and societal challenges related to the COVID-19 pandemic, NOVATEK maintained its commitment to creating long-term value for all stakeholders, and once again confirmed our status as a responsible employer and business partner, implementing projects and initiatives to protect the environment and develop local communities.

During this period of uncertainty and market instability, we remained committed to ensure the health and safety of our employees and their families, as well as our contractors and suppliers. NOVATEK worked closely with federal, regional and local authorities, as well as with our partners, to contain the spread of the coronavirus, and took appropriate measures, where necessary, to minimize possible disruptions in our production output, and to ensure the stability of our business activities. Since the onset of the COVID pandemic, we paid RR 4.8 billion on the implementation of anti-epidemic measures including wind generation projects in developing countries, selected portfolio of emission reduction projects, in Germany. Carbon neutral offsets from a carefully launched our first carbon-neutral LNG fueling station demand for the transport sector. We also successfully transition from coal-fired generation is through delivering assisting countries in pursuing their net zero targets and the climate change debate is a major global challenge that require full international cooperation to address the issue of decarbonizing society. NOVATEK will play a major role in reducing the negative impacts caused by carbon emissions as our business activities are aligned to react dynamically to these changing issues in a socially and environmentally responsible manner.

NOVATEK’s participation in building a low-carbon future is consistent with the goals established by the Paris Climate Agreement. We will address climate actions on many fronts, including lowering our own carbon emissions and helping customers reduce their CO₂ emissions by expanding lower-carbon products and providing cleaner energy. We firmly believe that our low-carbon strategy offers us a strong competitive advantage relative to our peers, as well as creates economic and societal value for all our stakeholders.

In 2020, we adopted the corporate theme “THINK GREEN. THINK NATURAL GAS.”. We felt this statement best reflects the core nature of our business as a major natural gas producer, and redefines our intention to producing and delivering clean-burning natural gas via low-carbon LNG.

We remain fully committed to deliver up to 70 million tons of LNG by 2030 according to our corporate strategy and believe that long-term LNG demand will remain robust even under any of the net zero carbon scenarios, with the largest demand growth coming from the Asia Pacific markets. The pathway forward for NOVATEK to assist countries in pursuing their net zero targets and transition from coal-fired generation is through delivering natural gas.

Natural gas will play a leading role in the energy transition towards a low-carbon society for many decades, providing stability and reliability to the electricity power grids as well as ensuring affordable energy for a growing population. Despite the development of natural gas will negatively impact the 4 billion people trying to raise their standards of living in the emerging markets. Fossil fuels hold massive potential for NOVATEK’s advancement over the past century, leading to profound changes in economic growth and the creation of modern societies. We should not lose sight of this fact, and instead, be proud of the industry’s contributions to this economic reality.

One of NOVATEK key advantages is in its ability to control the full LNG value chain, from upstream to end customer delivery; hence, we are well positioned to monitor, verify and deliver “Green LNG” cargos to the market. NOVATEK’s core strategy as a natural gas and LNG producer implies greater involvement in developing natural gas as a transport fuel both in Russia and abroad. This market segment will retain significant incremental growth potential in the context of increasingly stringent environmental standards.

In 2020, we made advancements in both market directions. Last year, our first small-scale LNG plant of 40 thousand tons per annum was launched in the Chelyabinsk Region to create incremental, environmentally friendly gas demand for the transport sector. We also successfully launched our first carbon-neutral LNG fueling station in Moscow, demonstrating a fully commercialized use of carbon emissions as a source of energy. We intend to sustain these leading positions going forward by introducing low-carbon solutions into our operations.

NOVATEK is one of the leaders in the global oil and gas industry in terms of carbon-efficiency due to high share of natural gas in the production mix. Our carbon intensity per 2951 kg of CO₂e/ton is below the global average and represents one of the lowest levels of GHG emissions among oil and gas companies both domestically and internationally. Our LNG production is one of the cleanest among LNG projects globally at 0.24 tons of CO₂e/ton of LNG produced. We intend to sustain these leading positions going forward by introducing low-carbon solutions into our operations.

In 2020, NOVATEK’s Board of Directors approved the Company’s Environmental and Climate Change targets for the period up to 2030, and we believe our goals are reasonable and reflect our low GHG emissions intensity level. NOVATEK will positively contribute to lower our emissions targets as our growing LNG and natural gas platform is one of the cleanest globally.

Last year, we implemented new APG technology to inject the associated gas into the deeper absorbing geological horizons at the Varudetskaya field. The Company makes every effort to ensure the rational APG utilization and this development achieved a significant positive environmental effect reducing 1.3 million tons of CO₂ equivalent into the atmosphere and allowed us to achieve a 9.6% APG utilization rate for the whole Company.

Moreover, we are studying the possibilities to expand low-carbon energy by producing ammonia and hydrogen, combining carbon capture and storage technology. We will also use hydrogen as a fuel mix with natural gas and we are working with our strategic partners to further lower our carbon footprint, especially in our strategic LNG business. We signed cooperation agreements with leading global companies aimed at reducing GHG emissions and increasing our environmental efficiency.

In 2020, NOVATEK joined the Methane Guiding Principles initiative, a voluntary, international multi-stakeholder partnership between industry and non-industry related organizations with a focus on priority areas for action along the natural gas value chain. The Company joined international oil and gas industry leaders and global supporting organizations to achieve a goal to continually reduce methane emissions within business activities, increase transparency and implement regulations on methane emissions.

Today, the oil and gas industry is under severe pressure from many constituent groups, especially regulators with their latest comments about instituting carbon taxes or restricting fossil fuel usage. In our opinion, forcing a change through the regulatory process will not solve the climate change agenda. We will all look seriously at the full cause of carbon emissions globally. The consumption of carbon intensive goods is one of the leading causes of carbon emissions given the contribution that comes from only the producers’ side will not abate or mitigate the problem. The task of tackling climate change is bigger than any single company. Everyone worldwide, from consumers, to businesses, to governments, must play an integral part in reducing global GHG emissions.

Our shared core values with society, our strong focus on corporate governance and transparency and our commitment to minimizing our environmental footprint and mitigating carbon emissions defines our investment case and underscores our commitment to the basic principles of ESG.

ESG is an important part of our underlying core business philosophy and we will continue to expand our sustainability disclosures as well as ongoing engagement with our stakeholders, our employees and the communities of the regions of our operations. We are committed to the highest ethical standards to underlie our effective corporate governance structure as we expand our operations domestically and internationally.

The pandemic of the past year was challenging for everyone in society, yet our highly valued employees met these challenges and ensured the continuity of our business operations. We are very proud of our team at NOVATEK, and efforts made over the past year. We believe we are well positioned to meet the future challenges of climate change and reducing our carbon footprint, and we hope that our 14th Sustainability Report reflects the efforts we have made in this important area.
Letter from the Deputy Chairman of NOVATEK’s Management Board

In 2020, NOVATEK’s Board of Directors undertook vital decisions toward directing the Company to address the issues of global climate change by establishing Environmental and Climate Change targets to reduce GHG emissions1.

MARK GYETVAY

Dear Stakeholders,

This past year was an unprecedented time for society as we dealt with the harsh realities of economic lockdowns and the disruption to our normal ways of life. It was a landmark year for the ‘Social’ element of ESG as the devastating impact of COVID-19 clearly showed how important people are to sustain business operations despite the hardships endured by society.

We paid special attention to the health and wellbeing of our employees and contractors and the protection in the regions where we operate our production and processing facilities. The Company’s rapid response to the problems and challenges brought by the pandemic ensured the continuity of production and contributed to the protection of workers and local communities from the effects of the COVID-19 spread.

Our focus on the safe operations and employee training helped us improve our overall safety performance and deliver another year with zero fatalities. Under our newly developed UN SDG target “Good health and well-being” our work in the area of occupational safety is built in the permafrost areas, confirming the stability and safety of these installations at our operations. Our engineers have extensively assessed all our facilities and gas peers. During 2020, our Scope 1 GHG emissions also declined by 19% mainly due to the increase in APG utilization and the implementation of energy efficiency initiatives.

In addition, our specific GHG emissions were lower than our 2017 baseline: our upstream segment decreased by 3%, our processing segment by 9% and our LNG production by 8%. These results represent a notably reduction in our GHG emissions year-on-year. We want to reiterate that our operational strategy of producing more natural gas, not less, will contribute meaningfully to reducing global CO2 emissions, not only by implementing our GHG management framework, but mainly due to the benefits from coal-to-gas switching. We believe our pathway forward to increase our LNG production will make a notable contribution to reducing CO2 emissions for many decades ahead and is a key component of the “Environmental” part of our ESG story.

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Our 2020 Report includes new GHG disclosures such as the breakdown of Scope 1 emissions by source, methane emissions intensity and our Scope 3 emissions calculated based on the use of Company’s production volumes. Moreover, our 2020 GHG emissions under Scope 1 and 2 for the first time was subject to and received independent assurance verification. It is important that we fully demonstrate our transparency in measuring, verifying and reporting our ESG results.

We significantly increased our cryological disclosure as part of geotechnical monitoring due to the latest stakeholders’ awareness of Arctic permafrost incidents by other companies. Our main production facilities are located in Russian Arctic territory with severe climatic conditions in the area of permafrost. The Company regularly assesses the climate change impact on its operations, conducts geotechnical and environmental monitoring, develops a system for reporting GHG emissions, and applies innovative technologies to reduce emissions. We also take climate change scenarios into account based on historical data surveys at the design stages to account for climatic changes and its potential impact on our facilities.

The Company has voluntarily committed to regulate GHG emissions and the environmental impact on permafrost, as well as to implement all possible measures to reduce the impact on the atmosphere. We will also ensure that Arctic LNG 2 and our future LNG platform meets strict emissions standards, as well as reducing our environmental footprint on the Arctic permafrost by using the state-of-the-art, innovative SBM platforms. Our engineers have extensively assessed all our facilities built in the permafrost areas, confirming the stability and safety of these installations at our operations.

It is crucial that our content remains relevant to our stakeholders, so once every three years we undertake an assessment to define the material topics within the preparation process of our Sustainability Report. A new section on the Company’s innovations was included based on the feedback received on a questionnaire sent to stakeholder’s representatives. NOVATEK systematically conducts R&D activities in the field of geological exploration, drilling, production and processing of hydrocarbons. The Company’s specialists have developed and implemented unique technologies, some of which are used for the first time in the world. New technologies allow us to increase the economic efficiency of our production activities.

In addition, a separate section on cyber security risks was included in our 2020 Sustainability Report where we disclose NOVATEK’s systematic approach to ensure information security and integrity, and to adopt best practices in this important area as digitization increases throughout our operations.

We made significant progress in improving our external sustainability ratings. The majority of ESG rating agencies upgraded NOVATEK’s ESG rating over the past year. The most recent and probably the most significant upgrade came from MSCI ESG Ratings that upgraded our rating from “BBB” to “A”. We are the first and only Russian oil and gas company to receive an “A” ESG rating from MSCI. In addition, based on the 2020 assessments, our ESG ratings were also raised both by Sustainalytics and S&P Global Corporate Sustainability Assessment.

One of the primary focus areas of sustainable development is managing the whole supply chain from procurement to end-consumers. This entails looking at every aspect of our business operations, including procurement of goods and supplies. In 2020, NOVATEK approved the Group’s Supplier Code of Conduct that details NOVATEK’s expectations that all suppliers comply with the principles of business transparency and integrity, business ethics and sustainable development included in our Code, as well as the guiding principles of Global Compact, the International Labour Organization, the Declaration on Fundamental Principles and Rights at Work, and applicable environmental protection and industrial safety laws.

At NOVATEK, we view sustainability as a journey, rather than a destination. We are proud of our current results and determined to maintain our efforts with further enhancements of our sustainability practices. Sustainability is a foundation of our Corporate Strategy, past and present. We believe creating value is not mutually exclusive from our responsibilities as good stewards to the environment and societies where we operate, and therefore view our stakeholders more widely – including society, our employees and our shareholders. We believe that taking a wider view that is relevant to a wider constituencies is key to the long-term resilience and value of our business.

1. ESG – Environmental, Social and Corporate Governance factors.
About the Company

NOVATEK is ranked 3rd globally among publicly traded companies in proven natural gas reserves (SEC) and is ranked among the top-10 companies globally in natural gas production.

16.366 mmboe
Total proved hydrocarbon reserves (SEC) as of 31 December 2020

77.4 bcm
Natural gas production in 2020
About the Company

Company name and legal form: Public Joint-Stock Company NOVATEK

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

NOVATEK is Russia’s largest independent natural gas producer.

The Company is ranked 3rd globally among publicly traded companies in terms of proved natural gas reserves under the Security and Exchange Commission (SEC) reserves methodology and is ranked among the 10 top companies globally in terms of 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 costs and lifting costs.

NOVATEK plays a significant role in Russia’s energy sector: in 2020, the Company accounted for 19% of total Russian natural gas production. NOVATEK sells its natural gas on the Russian domestic market through the Unified Gas Supply System and on international markets mainly in the form of liquefied natural gas (LNG).

NOVATEK’s key 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 a low-cost, scalable LNG platform; and
- Operating according to sustainable development principles.

Core Assets and Capital Structure

The Company’s share capital totals RR 303,630,600 divided into 3,036,306,000 ordinary shares with a nominal value of RR 0.1 each. NOVATEK shares are traded in Russian rubles on the Moscow Exchange. On the London Stock Exchange, NOVATEK Global Depository Receipts (GDRs) are traded in US dollars, each GDR representing 10 ordinary shares. As of 31 December 2020, NOVATEK GDRs were issued on 567,447,540 ordinary shares comprising 18.69% of the Company’s share capital.

At the end of the reporting year, NOVATEK’s total capitalization (total debt plus equity) as reported under IFRS was RR 1,860,567 mln.

Changes to the Company’s structure

In Q4 2020, the NOVATEK Group sold 100% of its interest in OOO Chernichnoye to its joint venture ZAO Terneftegaz.

During the reporting year, OOO North-Chaselskoye and ООО Yevo-Yakhinskoye, both NOVATEK Group subsidiaries, merged with AO NOVATEK-Pur and ООО NOVATEK-Yurkharevnaftetagaz, respectively.

1 Information contained in the Report comprises information on PRO NOVATEK, its consolidated subsidiaries and joint ventures (hereinafter jointly referred to as “NOVATEK”, the “Company”, “NOVATEK Group”, or the “Group”).

2 On 12 March 2021, an entry was made in the Unified State Register of Legal Entities about the dissolution of ООО Chernichnoye through its merger with ZAO Terneftegaz.

3 ООО Yevo-Yakhinskoye merged with ООО NOVATEK-Yurkharevnaftetagaz on 1 October 2020.

4 Novatek Polska Sp. z o.o. prior to 3 February 2020.

5 ООО NOVATEK – Western Arctic merged with ООО Arctic Transshipment on 26 February 2021, with the former renamed ООО Arctic Transshipment on 19 March 2021.

6 AO NOVATEK-Pur merged with OOO North-Chaselskoye on 20 July 2020.

7 On 10 June 2021, ООО Obshiy LNG was renamed ООО Obshiy Gas Chemical Complex.

8 On 26 February 2021, an entry was made in the Unified State Register of Legal Entities about the dissolution of ООО Arctic Transshipment through its merger with ООО NOVATEK – Western Arctic.

Sustainability Report 2020

Share capital structure, %

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Key 2020 Events

Russia’s largest independent natural gas producer

Operational Highlights

- **16.4** bln boe
  - Total proved reserves (SEC)

- **77.4** bcm
  - Natural gas production

- **608** mmboe
  - Total hydrocarbon production

- **87.7%**
  - Light products yield achieved at NOVATEK-Ust-Luga in 2020

- **44.2** RR per boe
  - (USD 0.61) Industry’s lowest finding and development costs

Social Highlights

- **16,821**
  - Employees

- **0**
  - Fatalities among employees

- **1.6** RR bln
  - Targeted social expenses for employees

- **0.7** RR bln
  - Spent in regional support in their COVID-19 response efforts

Environmental Highlights

- **9** mmt of CO2e
  - Direct GHG emissions

- **295.1** kg of CO2e per boe
  - GHG intensity ratio

- **96.2%**
  - APG utilization rate

- **0.24** tons of CO2e per ton of LNG
  - GHG emissions per ton of LNG produced

- **2.4** RR bln
  - Environmental expenses

Environmental Highlights

- **422,065** RR mln
  - Operating costs

- **31,876** RR mln
  - Employee wages and benefits

- **99,908** RR mln
  - Payments to providers of capital

- **106,517** RR mln
  - Payments to government by country

- **4,128** RR mln
  - Community investments

- **72,758** RR mln
  - Economic value retained

Financial Highlights

- **737,252** RR mln
  - Revenues

- **422,065** RR mln
  - Operating costs

- **31,876** RR mln
  - Employee wages and benefits

- **99,908** RR mln
  - Payments to providers of capital

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  - Payments to government by country

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  - Economic value retained

No. **3**
Globally by proved gas reserves among publicly traded companies

No. **7**
Globally by natural gas production among publicly traded companies

Share of total natural gas production in Russia **11%**

The first and only Russian oil and gas company to receive an “A” rating by MSCI ESG Ratings

- **57** USD bln
  - Market capitalization

- **50%**
  - Minimum target dividend payout level

- **392** RR bln
  - Normalized EBITDA, including share in EBITDA of joint ventures (IFRS)

- **712** RR bln
  - Total revenue (IFRS)

- **35.56**
  - Dividend per share

- **107,971** RR mln
  - Total declared dividend payout for 2020

- **2021**
  - Direct economic value generated and distributed in 2020, RR mln*

  - **72,758** RR mln
  - Economic value retained

- **737,252** RR mln
  - Revenues

- **422,065** RR mln
  - Operating costs

- **31,876** RR mln
  - Employee wages and benefits

- **99,908** RR mln
  - Payments to providers of capital

- **106,517** RR mln
  - Payments to government by country

- **4,128** RR mln
  - Community investments

- **72,758** RR mln
  - Economic value retained

* Data is based on the following methodology:
  - Revenues = total revenues plus interest income;
  - Operating costs = operating expenses less depreciation, depletion and amortization less asset impairment charges, less employee wages and benefits, less taxes other than income tax, and less community investments;
  - Payments to providers of capital = dividends paid plus interest paid;
  - Payments to government by country = current income tax plus taxes other than income tax, and
  - Community 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.
**Business Model**

**Sales volume**
- **International market**
  - Natural gas: 75.6 bcm
  - Crude oil: 4.5 mmt
  - LPG: 3.0 mmt

- **Domestic market**
  - Natural gas: 88% (75.6 bcm)
  - Crude oil: 55% (4.5 mmt)
  - LPG: 8% (3.0 mmt)

**Producing fields**
- Separation and treatment

**Purovsky Plant**
- (nameplate capacity - 12 mmtpa)
  - Stabilization of gas condensate

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

- Natural gas by pipeline
- Crude oil by pipeline
- Stable gas condensate by pipeline
- Unstable gas condensate by pipeline

**Pipelines**
- 24% LPG
- 76% Stable gas condensate
- 78% Stable gas condensate by rail

**LNG projects**
- LNG

**Tankers**
- 11.8 mmt

**Petroleum products**
- 22% Stable gas condensate
- 27% Stable gas condensate

**LPG**
- 76%

**Natural gas by pipeline**
- 12%

**Crude oil**
- 88%

**Stable gas condensate**
- 76%

**Stable gas condensate by rail**
- 78%

**LPG by pipeline**
- 12%

**Natural gas by pipeline**
- 35%

**Crude oil**
- 65%

**LPG by pipeline**
- 100%

**Sustainability Report 2020**

THINK GREEN. THINK NATURAL GAS.
Sustainable Development Highlights

2005

NOVATEK publishes its first Sustainability Report, externally assured by an independent auditor

NOVATEK adopts its Health, Safety and Environment (HSE) Policy

Integrated HSE Management System compliant with ISO 14001 and OHSAS 18001 is developed and rolled out

2006

NOVATEK publishes its first Sustainability Report prepared in accordance with the GRI non-financial reporting standards

NOVATEK completes its first questionnaire for the Carbon Disclosure Project (now CDP), a non-profit organization that encourages large businesses to report their GHG emissions

2008

NOVATEK’s Board of Directors approves the Company’s Code of Business Conduct and Ethics

NOVATEK completes its first questionnaire for the CDP Water Disclosure, detailing its water usage and related risks

2011

NOVATEK publishes its Anti-Corruption Policy

GHG Emissions Management System, a project implemented by the Company in 2017, wins the Vernadsky National Environmental Award in the Science for Ecology category

2014

NOVATEK presents its long-term corporate strategy up to 2030

NOVATEK makes its first climate-related disclosure consistent with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)

NOVATEK starts preparing sustainability reports using the Standard for the Oil and Gas Industry developed by the US Sustainability Accounting Standards Board (SASB) and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (IPIECA/API/IOGP, 2015)

2017

NOVATEK's Sustainability Report wins the "Change Management. Visionaries" award for sustainability impact assessment

NOVATEK’s ESG performance is rated for the first time by S&P Global Corporate Sustainability Assessment

NOVATEK presents its long-term Sustainable Development Goals (UN SDGs) into its corporate strategy

2018

NOVATEK starts integrating the UN Sustainable Development Goals (UN SDGs) into its corporate strategy

NOVATEK is included in the FTSE4Good Index, with our ESG performance independently rated by Sustainalytics for the first time

NOVATEK starts preparing sustainability reports using the Standard for the Oil and Gas Industry developed by the US Sustainability Accounting Standards Board (SASB) and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (IPIECA/API/IOGP, 2015)
NOVATEK becomes the first and only company in the Russian oil and gas sector to be rated “A” by MSCI ESG Ratings.

Novatek Green Energy launches its first carbon-neutral LNG fueling station in Europe.

NOVATEK signs decarbonization partnership agreements with major international holding companies, such as Siemens Energy, Uniper, Nuovo Pignone (a Baker Hughes subsidiary) and NLMK Group.

NOVATEK’s Sustainability Report 2019 wins the Russian Ministry of Energy award in the Best Public Non-Financial Report of an Oil and Gas Company with 4,000–20,000 Employees.

NOVATEK is rated “A2” (companies with a high level of commitment to anti-corruption compliance) by the first national Anti-Corruption Ranking of Russian Business 2020 compiled by the Russian Union of Industrialists and Entrepreneurs (RSPP).

NOVATEK’s Sustainability Report 2020 is selected as a Gold Winner in the “Best Writing” category and a Platinum Winner in the “Best Design” category by MarCom Awards 2020, and wins a Gold Award at the LACP 2020 Inspire Awards Corporate Publishing Competition in the “Print” category for the second year in a row.

NOVATEK’s Sustainability Report 2020 wins the “Change Management. Visionaries” 2020 award from the +1 media project for the Best Sustainability Report Prepared in Accordance with GRI Standards.

A woman is elected to NOVATEK’s Board of Directors for the first time.

NOVATEK establishes its Department for Alternative Energy & Offshore Technologies.

NOVATEK’s Board of Directors approves Environmental and Climate Change targets for the period up to 2030.

NOVATEK’s Sustainability Report 2018 is selected as a Gold Winner in the “Best Writing” category and a Platinum Winner in the “Best Design” category by MarCom Awards 2019, and wins a Gold Award at the LACP 2019 Inspire Awards Corporate Publishing Competition in the “Print” category.

NOVATEK identifies performance targets for priority SDGs.

NOVATEK’s Sustainability Report 2019 is selected as a Gold Winner in the “Best Writing” category and a Platinum Winner in the “Best Design” category by MarCom Awards 2020, and wins a Gold Award at the LACP 2020 Inspire Awards Corporate Publishing Competition in the “Print” category for the second year in a row.

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NOVATEK sets targets for specific GHG emissions for the first time.

NOVATEK expands the mandate of the Remuneration and Nomination Committee to include sustainable development.

NOVATEK Group publishes its Supplier Code of Conduct.

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“Victory Flame” projects win NOVATEK the “Best Socially-Oriented Oil and Gas Company” 2020 award from the Ministry of Energy.

NOVATEK is ranked 2nd in a sustainability ranking compiled by Expert magazine.

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NOVATEK’s Sustainability Report 2020 wins the “Change Management. Visionaries” 2020 award from the +1 media project for the Best Sustainability Report Prepared in Accordance with GRI Standards.

A woman is elected to NOVATEK’s Board of Directors for the first time.

NOVATEK establishes its Department for Alternative Energy & Offshore Technologies.

NOVATEK’s Board of Directors approves Environmental and Climate Change targets for the period up to 2030.

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### Industry-Related and International Activities

<table>
<thead>
<tr>
<th>No.</th>
<th>Organization</th>
<th>Year of joining</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Scientific and Technical Council under the Working Group on Hydrogen Economy</td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>Development at the Ministry of Industry and Trade of the Russian Federation</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Council for Gas Infrastructure Development in Russian Regions under the</td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>Federation Council</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Russian-Italian Committee of Entrepreneurs</td>
<td>2021</td>
</tr>
<tr>
<td>4</td>
<td>Section on Legislative Support for Hydrogen Economy Development at the</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Expert Council under the Russian Federal Assembly’s State Duma Committee on</td>
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<tr>
<td></td>
<td>Energy</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Arctic Economic Council</td>
<td>2020</td>
</tr>
<tr>
<td>6</td>
<td>Methane Guiding Principles, an international non-profit partnership</td>
<td>2020</td>
</tr>
<tr>
<td>7</td>
<td>Organizing Committee for the Arctic Territory of Dialogue International</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Arctic Forum</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Supervisory Board of Murmansk State Technical University</td>
<td>2020</td>
</tr>
<tr>
<td>9</td>
<td>The Future of Natural Gas Association (Zukunft Erdgas e.V.), Germany</td>
<td>2019</td>
</tr>
<tr>
<td>10</td>
<td>International Group of LNG importers (GIIGNL)</td>
<td>2019</td>
</tr>
<tr>
<td>11</td>
<td>Natural Gas Vehicles Association</td>
<td>2019</td>
</tr>
<tr>
<td>12</td>
<td>Working Group on Energy Sector Development (Ministry of Energy of the</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Russian Federation)</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Polish LPG Chamber (Polski tabor Gazu Plynnego)</td>
<td>2018</td>
</tr>
<tr>
<td>14</td>
<td>Polska Platforma LNG</td>
<td>2018</td>
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<tr>
<td>15</td>
<td>Moscow Annual Oil and Gas Conferences</td>
<td>2018</td>
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<tr>
<td>16</td>
<td>Advisory Council of the Central Development Commission</td>
<td>2017</td>
</tr>
<tr>
<td>17</td>
<td>National Association for Technology Transfer</td>
<td>2017</td>
</tr>
<tr>
<td>18</td>
<td>Russian Drilling Contractors Roundtable</td>
<td>2017</td>
</tr>
<tr>
<td>19</td>
<td>Society for Gas as a Marine Fuel</td>
<td>2017</td>
</tr>
<tr>
<td>20</td>
<td>Union of Builders of the Yamal-Nenets Autonomous Region, a self-regulatory</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>organization</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Design Engineer (Association of Oil and Gas Design Organizations)</td>
<td>2017</td>
</tr>
<tr>
<td>22</td>
<td>Field Engineer (Association of Oil and Gas Engineering Survey Organizations)</td>
<td>2017</td>
</tr>
<tr>
<td>23</td>
<td>European Association of Geoscientists &amp; Engineers</td>
<td>2017</td>
</tr>
<tr>
<td>24</td>
<td>Board of Trustees of innopraktika, a non-governmental institute for</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>human-capital development</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Working Group on Public-Private Partnership Development in the Cultural</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Sector at the Ministry of Culture of the Russian Federation</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Eurasian Union of Experts on Subsoil</td>
<td>2016</td>
</tr>
<tr>
<td>28</td>
<td>Russian-Spanish Business Council</td>
<td>2016</td>
</tr>
<tr>
<td>29</td>
<td>The Saint Petersburg International Mercantile Exchange</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>NOVATEK is a member of the Natural Gas Section, engagement in the Section</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Council’s activities</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Russian-Chinese Business Council (NPO)</td>
<td>2015</td>
</tr>
<tr>
<td>31</td>
<td>Forum-Dialog (NPO)</td>
<td>2014</td>
</tr>
<tr>
<td>32</td>
<td>Polish LPG Association (Polska Organizacja Gazu Plynnego)</td>
<td>2010</td>
</tr>
<tr>
<td>33</td>
<td>Society of Petroleum Engineers</td>
<td>2009</td>
</tr>
<tr>
<td>34</td>
<td>V. I. Vernadsky Non-Governmental Ecological Foundation</td>
<td>2005</td>
</tr>
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</table>

### Sustainability Report 2020

#### External initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Company engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Labor Organization’s Declaration on Fundamental Principles and Rights at Work</td>
<td>The Company shares the Declaration’s principles and incorporates them into its internal regulations</td>
</tr>
<tr>
<td>UN Sustainable Development Goals (UN SDGs)</td>
<td>The Company aligns its goals and programs with the UN SDGs. In 2019, five UN SDGs were prioritized by the Company in line with its strategy and industry specifics to narrow the focus of our efforts</td>
</tr>
<tr>
<td>Extractive Industries Transparency initiative (EITI)</td>
<td>The Company has applied EITI’s best practices in disclosure of its payments to government by country</td>
</tr>
<tr>
<td>Methane Guiding Principles</td>
<td>Under this initiative, the Company is implementing a range of practices and procedures to account for, monitor and reduce methane emissions from production, processing, storage and transportation of hydrocarbons</td>
</tr>
</tbody>
</table>

#### International standards

<table>
<thead>
<tr>
<th>Standard</th>
<th>Compliance by the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>OHSAS 18001:2007 (or ISO 45001:2018)</td>
<td>10 out of 23 (43%) NOVATEK subsidiaries engaged in hydrocarbon production, transportation and processing are certified under OHSAS 18001 (or ISO 45001:2018). The NOVATEK entities actively migrate their OHSAS 18001-compliant occupational health and safety management systems to ISO 45001:2018</td>
</tr>
<tr>
<td>ISO 14001:2016</td>
<td>9 out of 23 (39%) NOVATEK subsidiaries engaged in hydrocarbon production, transportation and processing are certified to ISO 14001:2016</td>
</tr>
<tr>
<td>ISO 14064-1:2007</td>
<td>The Company’s corporate GHG Emissions Management System is tailored to its production processes, feedstocks and equipment. The system complies with ISO 14064-1:2007 and Russian Government Resolution No. 504-р 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</td>
</tr>
</tbody>
</table>

#### Rankings and indices

<table>
<thead>
<tr>
<th>Ranking/Index</th>
<th>Company engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE Russell</td>
<td>Independent ESG rating and inclusion in the FTSE4Good Emerging Index</td>
</tr>
<tr>
<td>Institutional Shareholder Services (ISS)</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>MSCI ESG Ratings</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>S&amp;P Global Corporate Sustainability Assessment</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>Sustainalytics</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>Bloomberg ESG score</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>Refinitiv ESG score</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>Engagement International</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>Vigeo Eiris</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>RAEX-Europe</td>
<td>Independent ESG rating</td>
</tr>
<tr>
<td>CDP and CDP Water Disclosure</td>
<td>Independent rating</td>
</tr>
<tr>
<td>Environmental transparency ranking of oil and gas companies by WEF</td>
<td>Included in the ranking</td>
</tr>
<tr>
<td>RSPP’s sustainability indices</td>
<td>Included in the Responsibility and Transparency and Sustainable Development Vector indices</td>
</tr>
<tr>
<td>Transition Pathway initiative</td>
<td>Independent assessment of climate change management</td>
</tr>
<tr>
<td>Interfax-ERA’s Fundamental Efficiency Rating 2020, Oil and Gas, Production and Transportation: Petroleum Production category</td>
<td>Included in the ranking</td>
</tr>
</tbody>
</table>

In 2017, the Company launched the Innovator Corporate Idea Management System to automatically collect and process employee suggestions for business improvement and development, including efficiency proposals. The system also 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.

During 2020, more than 260 ideas to streamline the operating processes, reduce costs and implement new ways of working were submitted by employees of PAO NOVATEK and its 21 subsidiaries. More than 1,070 ideas have been submitted over the four years since the project launch, with 200 of them approved for implementation and 89 ideas implemented, generating a total economic benefit of over RUB 4.3 bln.

**Innovation focus areas**

NOVATEK is driving innovations across a number of areas, including geological exploration, field development, well technologies, oil and gas production, alternative energy, information security, and occupational health and safety.

**NOVATEK Scientific and Technical Center**

NOVATEK has the facilities and resources to process primary data, develop and constantly update field models during field exploration and operation. NOVATEK Scientific and Technical Center was set up in 2010 with the main purpose of providing geological, geophysical, and processed field data required for building up the resource base and furthering field development. NOVATEK Scientific and Technical Center has been implementing a concept for building a corporate geological data bank. The use of advanced technologies for seismic data processing and analysis, as well as the development of 3D geological and hydrodynamic field models contribute to highly cost-effective development of hydrocarbon fields with complex reserve structures.

The deployment of advanced technologies for gathering and interpreting data on geological features is a key focus area for NOVATEK Scientific and Technical Center, enabling it to support planning and implementation of exploration and drilling campaigns. NOVATEK Scientific and Technical Center is involved in a comprehensive research on oil and gas bearing prospects in the Arctic zone, providing scientific and methodological support for a regional project to build a consolidated model of the Gydan Peninsula, the north-east Yamal Peninsula, Gydan Bay, and Yensyae Bay.

In 2020, NOVATEK Scientific and Technical Center focused its research efforts on the following projects:

- refinement of methods for quantitative accident risk assessment in LNG production, including the subsequent development of Safety Guidelines in this area. The development of this methodology will significantly reduce hazard zones in accidents, lowering the loads on buildings permanently occupied by employees and mitigating the need for reinforced building elements;
- development of special technical requirements for laying fiber-optic lines in the same trench with in-field gathering pipeline systems to avoid extra trenching and save on land allotment for pipelining;
- development of special technical requirements to replace hydrotesting of in-field pipelines with high-pressure pneumatic tests to eliminate the need for complex post-test water disposal systems;

**Sustainability Report 2020**

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By driving innovations in production, exploration and field development, the Company has achieved a consistent track record of successes:

- one of the first companies in Russia to pioneer drilling horizontal gas wells,
- introduced multilateral well production technology at oil and gas fields,
- started to develop of Achimov horizons with a record-breaking drilled well in the Russian gas industry,
- applied modern flow stimulation technologies including multistage hydraulic fracturing of a horizontal wellbore, and
- advanced frictional desorption technology was used during the development of the Yurkharovsky field, which includes an efficient process to recycle drilling mud for secondary use on a hydrocarbon basis and minimize waste, and as a result, the low-toxic oil from rock cuttings is later reused in a drilling mud.

NOVATEK has an increased focus on digitalization of various workflow steps. Starting from 2019, drilling and downhole treatment operations have been consistently and comprehensively digitized, involving the use of artificial intelligence technologies. These technologies enable real-time data-driven decision-making, aimed at lowering accident and complication risks. In addition, in 2020, an ongoing digitization effort was launched for seismic operations to minimize downtime during the field life cycle through faster decision-making and improve the quality of raw seismic data.

In 2020, NOVATEK focused its research efforts on production, exploration and field development in the following areas:

- implementing “unmanned” technologies – a remote control and monitoring system for the technological process of hydrocarbon production from wells, enabling capital investment optimization for infrastructure projects;
- using self-contained zero-emission power sources on remote pads with multiple gas wells (such as photovoltaic solar panels and wind turbines), enabling capital investment optimization when considering high-value line projects to address inadequate infrastructure;
- developing a defect elimination technology for oil pipelines that requires no maintenance shutdowns to avoid freezing of pumped oil while eliminating oil pipeline defects;
- using 3S separation technology, with gas passing through the unit reaching supersonic speed and thus improving the quality of gas dehydration and separation of liquid hydrocarbons;
- designing a 450-ton environmentally friendly drilling rig to minimize the environmental impact from drilling under prospective projects and to reduce the carbon footprint. As part of the Company's environmental strategy implementation, existing technical solutions were explored for future LNG project production drilling program to meet the zero-discharge requirements for drilling and minimize CO₂ emissions into the atmosphere;
- prioritizing the use of full-flow separators and multi-phase flow meters to enable well surveys that release no hydrocarbons into the atmosphere. The impact achieved includes the utilization of gas reserves that would have been burned in well studies and reduction of CO₂ emissions into the atmosphere; and
- application of engineering solutions to accelerate well construction through closer well spacing in complex hydrogeography typical of the Arctic zone. This change in well spacing substantially reduces a facility’s land footprint and the input of materials and labor, thus cutting the construction time and cost. The distance between wells is determined as per the fire safety code, and closer spacing is made possible through the use of compensating solutions, such as thermal stabilization, downhole shut-off valves, and remote control of well valve blocks that provide fire safety.

In 2020, to maintain reservoir pressure and increase oil recovery at the Vanyukovsky field, reinjection of associated petroleum gases (APGs) was introduced, drilling APG utilization to over 98% across the field and 96.17% across the Company while reducing GHG emissions by 1.2 mmt of CO₂ equivalent. The Group’s APG utilization totaled 61.1 bcm in 2020.

Innovations in LNG project design and operation

When designing LNG projects, the Company follows its policy of using advanced, effective yet proven technical solutions, which helps minimize the risks of below-design performance. NOVATEK also pays significant attention to research achievements in reducing the carbon footprint of LNG production.

The main priorities in LNG project upgrades:

- improving energy efficiency in operations including through increased flue gas heat recovery and more efficient gas turbines. The project is implemented at Yamal LNG and was at the preliminary design stage as at the end of 2020;
- carbon capture and storage, including reservoir injection. The first carbon capture and storage projects can be implemented at Yamal LNG and Arctic LNG 2;
- partial substitution of fuel gas with hydrogen (with a lower carbon footprint). The project is at the preliminary design stage for deployment at Yamal LNG, and
- renewable power generation.

An important technological feature of the large-scale Arctic LNG 2 project, which sets it apart from its geographical close Yamal LNG project, is the use of gravity-based structures (GBS) to place LNG and stable gas condensate production trains. Russia’s first LNG plant to use GBS is manufactured at our unique LNG Construction Center in the Murmansk Region. The new technologies used in the project will significantly reduce its capital intensity while minimizing its environmental impact. The GBS-based project can be viewed as an optimal solution in terms of minimizing air pollution in the sensitive area of the Gydan Peninsula and the Ob Bay water area. In addition, the GBS platforms are not based on piles as they are installed on the seabed close to the shoreline. By using the GBS platform, which is only 25% the size of the Yamal LNG liquefaction train, the Company minimizes its impact on permafrost.

The key benefits of using GBS technology:

- low level of a plant’s environmental impact (compared to other platform options),
- high energy efficiency,
- minimal land footprint of a plant’s onshore facilities,
- minimized industrial accident rates at a plant,
- an LNG or stable gas condensate plant can be installed within a short timeframe,
- a plant’s core components can be towed over long distances, and
- a plant’s core components can be reused at a new location.

The climate change challenge is a critical topic for the oil and gas industry. NOVATEK is actively working on effective and economically viable solutions in this area: hydrogen technologies, as well as the renewables offer high potential for global GHG emissions reduction, so further efforts are needed to enhance and adapt them for use in the Arctic zone. For this purpose, NOVATEK is developing its alternative energy strategy for the medium and longer terms, establishing goals and objectives, as well as ranking and prioritizing projects for implementation.

Currently, our efforts are focused on the following areas:

- reviewing alternative energy development areas that offer synergies with the Company’s core business (natural gas and LNG production);
- analysis of key competitive advantages of the Company’s alternative energy business; these advantages include low-cost production of gas used in hydrogen production, the huge potential of geological formations on the Yamal and Gydan peninsulas to store captured CO₂ to reduce GHG emissions, and the possibility of using CO₂ to increase condensate recovery;
- preliminary budget estimates and viability assessment for alternative energy projects;
- review of the Company’s existing assets and projects in terms of the adoption of environmentally safe and cost-effective offshore development technologies, as well as offshore field facility construction in the Ob Bay (North-Obiskoye field, Geoflachskoye field, etc.), and
- selection of technologies for the development of fields located in the Ob Bay water area based on the least environmental impact criterion and the use of zero-emissions technologies in operations (reinforced GBS, subsea production systems, etc.).

NOVATEK takes a systematic approach to information security, striving to meet the highest standards in this area.

In 2020, we focused on designing a project to build a corporate monitoring center to centralize the detection of information security incidents, as well as detect and prevent any impact from cyberattacks against critical information infrastructures of NOVATEK subsidiaries and joint ventures.

Innovations in occupational health and safety

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 working conditions for its employees, as well as for protecting the health of the population in its regions of operation.

In 2020, the COVID software solution was developed and implemented on a 1C platform to control the COVID-19 situation. This software solution allows us to track the rate of COVID-19 cases among the personnel and testing activity, identify those who were sick, and plan their recovery. The use of this software enables timely responses and helps avoid unfavorable scenarios.
In 2020, we selected UN SDG targets and developed our own performance targets that will help achieve the maximum cumulative effect by 2030.
Our Approach to Sustainability

NOVATEK has taken an ESG-driven approach to sustainability, embedding ESG factors, i.e., environmental protection, social impact, and corporate governance, in its business strategy. Sustainable development is one of the key elements of the Company’s corporate strategy 2018 to 2030.

NOVATEK’s corporate purpose is to create sustainable value for all stakeholders along the entire value chain. The Company has prioritized the following sustainability areas within ESG:

- Environmental protection: climate change action, carbon footprint reduction, energy efficiency, minimizing waste, discharges and emissions, water saving, preserving biodiversity across the Company’s footprint, deployment of technologies that contribute towards our environmental goals.
- Social policy: respect for human rights when engaging with all stakeholders, occupational health and safety, employee care, including decent working conditions and a range of employee benefits, employee training and development, support for local communities, including through effective dialogues.
- Governance: combating corruption in all its forms, ethical conduct, responsible supply chain, fair executive compensation linked to KPI achievement, transparent tax strategy, gender balance in governance bodies, including the Board of Directors.

Our commitment to sustainability and special emphasis on ESG not only boost our profile but also increase the market value of our business. Indeed, most major international investment funds divest from companies that fail to meet sustainability criteria or act on the global agenda issues such as climate change, responsible supply chains, and human rights. Responsible stewardship in environmental and social topics along with strong economic performance indicate an overall strength of the Company’s governance and highlight its commitment to sustainability, driving the market capitalization of its business as well.

At NOVATEK, decisions on sustainability issues are taken at the highest corporate level, with the Board of Directors and executive committees actively involved in sustainable development management. The ultimate responsibility lies with the Board of Directors, which sets the strategic vision and defines the key focus areas for our sustainability programs. The list of KPIs for top management also includes ESG factors such as the HSE Management System performance index, which also covers climate change management.

All of the above indicates the Company’s commitment to conducting business responsibly and its focus on driving sustainable growth over the long term.

Sustainable Development Strategy

The Company’s sustainability strategy is part of its overall business strategy and is built around society’s urgent need for change towards low-carbon development. NOVATEK’s contribution to a low-carbon future in line with the Paris Agreement goals of limiting the increase in global average temperatures to 1.5 °C is currently one of the Company’s key strategic focus areas.

As part of global decarbonization efforts, climate agenda and Russia’s approved Energy Strategy to 2035, NOVATEK is implementing climate change mitigation and adaptation measures and incorporates these aspects into its decision-making process.

The strategy covers the following energy transition goals:

- Setting Environmental and Climate Change targets (adopted in 2020).
- Reducing carbon footprint.
- Improving energy efficiency.
- Driving innovation in carbon emissions reduction and adoption of zero-carbon technologies.
- Alternative energy development (hydrogen, renewables).
- APG utilization, and
- Carbon capture and storage.

In 2020, NOVATEK’s Board of Directors approved the Company’s Environmental and Climate Change targets for the period up to 2030 and established a separate business unit – the Department for Alternative Energy & Offshore Technologies, which includes the Alternative Energy and Hydrogen Division. In 2020, the Company joined the Methane Guiding Principles global initiative to drive the achievement of its methane emissions reduction targets. The Company continuously steps up its sustainability efforts and implements strategic initiatives which also meet the demands of the wider global community. For example, in 2020, a woman was elected to NOVATEK’s Board of Directors for the first time. In 2020, the Company’s management approved the NOVATEK Group’s Supplier Code of Conduct including recommendations and principles of business transparency and integrity, business ethics and sustainable development which NOVATEK expects its suppliers to follow.

In 2021, the Company maintained its focus on global decarbonization issues and set carbon footprint reduction targets within its priority SDGs 7 and 13.

For NOVATEK, creating sustainable shareholder value means:

- Improving energy efficiency;
- Reducing carbon footprint;
- Setting Environmental and Climate Change targets (adopted in 2020);
- Accelerating innovation in carbon emissions reduction and adoption of zero-carbon technologies;
- Developing alternative energy (hydrogen, renewables);
- APG utilization,
- Carbon capture and storage.

The growing market capitalization and total shareholder returns are driven by the Company’s sustainability efforts as well as its financial and operational performance.

NOVATEK’S Sustainable Development Strategy is aligned with the UN Sustainable Development Goals, with five SDGs prioritized by the Company.

1. ESG – Environmental, Social and Corporate Governance Factors.
**Sustainable Development Goals: Prioritization and Contribution**

NOVATEK shares the global ambition to achieve the 17 UN SDGs by 2030 and, as part of the business community – a key potential contributor to the SDGs, we are committed to aligning and stepping up our sustainability efforts accordingly.

Our 2020 highlights included a significant effort to prioritize the UN SDGs, select the SDG targets relevant to our business, and set our own performance targets to maximize our total impact by 2030.

In 2019, NOVATEK established a Working Group, involving all functional departments, to define our own sustainable development strategy, including a roadmap to achieve the UN SDGs by 2030. This Working Group identified the list of SDGs where the Company has the biggest impact, both positive and negative, throughout our value chain. We considered the results of a materiality analysis (feedback from a stakeholder survey) conducted for our Sustainability report when reviewing the relevance of each goal to our business, prioritizing the following five SDGs:

- **Goal 3.** Good Health and Well-being,
- **Goal 4.** Quality Education,
- **Goal 5.** Clean Water and Sanitation,
- **Goal 7.** Affordable and Clean Energy,
- **Goal 8.** Decent Work and Economic Growth, and
- **Goal 13.** Climate Action.

NOVATEK has already been making a significant contribution towards these five SDGs, and will continue to consistently focus on the priority goals using all available resources.

We have also identified the targets within the SDGs that are most relevant to our business to make sure our strategic goals are fully aligned with the priority SDGs.

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**NOVATEK's priority SDGs**

**3.** Good Health and Well-being

**4.** Quality Education

**7.** Affordable and Clean Energy

**8.** Decent Work and Economic Growth

**13.** Climate Action

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**UN SDGs UN SDGs targets NOVATEK’s performance targets 2020 highlights**

7.1. By 2030, ensure universal access to affordable, reliable and modern energy services

By 2030, increase LNG production from Company’s projects up to 70 mmtpa

At the end of 2020, commissioning activities were in progress for a 0.9 mmtpa Train 4 at the large-scale Yamal LNG project.

Our second large-scale LNG project, Arctic LNG 2, involves building three LNG trains with a total capacity of 19.8 mmtpa of LNG, with Train 1 expected to come onstream in 2023.

Expand the use of renewables at gas and condensate production facilities

The launch of our 40 mmtpa small-scale LNG plant in Magnitogorsksk, Chelyabinsk Region, in 2020 became one of the highlights for the Russian fuel market and marked another milestone in replacing diesel fuel with natural gas vehicle fuel, a more environmentally friendly and economical alternative. This new LNG project will help Chelyabinsk and Magnitogorsk, two major cities in the Southern Ural, meet vehicle emission targets in their effort under the Clean Air emission-reduction project run within the Ecology National Project.

By 2025, install LNG fueling stations along European Russia’s main traffic arteries

By 2025, supply LNG to consumers in areas remote from existing gas transmission infrastructure

Provide consumers with reliable supplies of natural gas, and ramp up the production of hydrogen, methane-hydrogen mixtures, ammonia and other low-carbon fuels produced from natural gas.

By using a total of 148 renewable energy systems in 2020, we cut our indirect GHG emissions from electricity generation.

NOVATEK had a total of 11 LNG retail stations built at year-end 2020 across Russia’s Ural, Northwestern, Central and Volga Federal Districts (of which 9 were built over the reporting year).

By 2025, double the global rate of improvement in energy efficiency

By 2025, use energy-efficient LNG production technologies to increase the availability of LNG and reduce greenhouse gas emissions.

In 2020, an energy-efficient 40 mmtpa small-scale LNG plant came onstream in Magnitogorsksk, Chelyabinsk Region. The operation is an energy-efficient technology: using pressure-reduction energy at the city gate to cool methane, this plant liquefies gas without energy input for the process, limiting the use of gas and electricity to its auxiliaries and infrastructure.

The construction of similar pressure-reduction liquefiers will be our priority in 2021.

Continuously improve the energy efficiency of hydrocarbon production and processing

By saving 8.4 mln kWh (0.3% of NOVATEK’s total electricity consumption) through our energy-saving and energy-efficiency initiatives, we reduced our total energy consumption by 30,500 GJ in 2020.

7.3. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Our collective bargaining agreement set the minimum monthly pay for our employees above the local minimum wage. As at the end of 2020, the minimum employee pay in the Yamal-Nenets Autonomous Region was 75% higher than the local minimum wage, while in Moscow it was more than twice as high as the local minimum wage.

8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Deliver a 5% reduction in LTIFR among our employees every year.

Our LTIFR in the reporting year was 0.4%, down 25% year-on-year compared with 0.69 in 2019.

In 2020, the Company conducted safety awareness initiatives and kept employees informed about all accidents across the NOVATEK Group.

To improve emergency preparedness and ensure early provision of first aid, NOVATEK developed emergency medical response plans for remote sites operated by our subsidiaries, joint ventures, and contractors. These plans cover first aid and follow-up care, early evacuation, and regular first-aid response drills.

**UN SDGs UN SDGs targets NOVATEK’s performance targets 2020 highlights**

13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

By 2030, reduce methane emissions per unit of production in the production, processing, and LNG segments by 4%.

By 2030, reduce GHG emissions per unit of production in the upstream segment by 6%.

By 2030, reduce GHG emissions per ton of LNG produced by 5%.

By 2030, increase APG utilization rate to 99%.

By 2025, cut methane emissions from operations of LNG fueling stations by 20%.

Reduce the carbon footprint of our products sold internationally.

In 2020, NOVATEK pushed APG utilization to 96.2%, a significant year-on-year improvement.

Compared with 2019, our specific GHG emissions were down 31% in production, 9% in processing, and 8% in LNG liquefaction.

Deep reinjection of associated petroleum gas to enhance oil recovery from the Yarudeysky Field cut our GHG emissions by 12 mmt of CO2 equivalent—a major environmental benefit achieved through reinjection of over 357 mmcm in 2020.

In 2020, NOVATEK joined the Methane Guiding Principles, one of the most important global oil and gas initiatives towards climate neutrality and low-carbon economy.

**Sustainability Report 2020**

1. Lost Time Injury Frequency Rate is calculated as number of lost time injuries × 1 mln person-hours/total hours worked.

Tarko-Sale;
### NOVATEK’s contribution to the relevant UN Sustainable Development Goals

#### 2020 highlights

<table>
<thead>
<tr>
<th>UN SDG</th>
<th>2020 highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 No Poverty</td>
<td>NOVATEK is bringing a significant number of jobs to the regions where we operate. In 2020, as in the previous years, NOVATEK’s employees’ minimum pay in its core region of operation (the Yamal-Nenets Autonomous Region) was significantly higher than the local minimum wage. We have been supporting people in need, veterans, children with disabilities and employees in straitened circumstances across our footprint. NOVATEK supports the indigenous peoples of the Far North consistent with our Plan to Promote the Sustainable Development of Indigenous Peoples within the Yamal LNG Project, a project aimed at improving the quality of life for the indigenous communities. NOVATEK continued giving its employees special-purpose short-term loans. Details are available in:</td>
</tr>
<tr>
<td>6 Clean Water and Sanitation</td>
<td>In 2020, NOVATEK committed RUR 11.5 mln to repair the Tarko-Sale sewage pumping station facilities. Details are available in:</td>
</tr>
<tr>
<td>9 Industry, Innovation and infrastructure</td>
<td>The Company constructs technologically innovative LNG projects in the Arctic Circle. The unique Arc7 ice-class LNG tankers were custom designed for Yamal LNG, our flagship project, to support year-round eastbound transits escorted by icebreakers during the months of difficult ice conditions. NOVATEK is driving innovations towards reducing waste in technical operations, improving equipment reliability, digitization, and reducing carbon emissions and overall environmental footprint. These innovations include:</td>
</tr>
<tr>
<td>10 Reduced Inequalities</td>
<td>NOVATEK is supporting human rights initiatives and pursues a policy aimed to foster strong relationships with local communities. We run educational, cultural, sports and social projects for the benefit of local communities and our employees. Details are available in:</td>
</tr>
</tbody>
</table>

#### 2020 highlights

- the Employment Practices section on p. 126, and
- the Social Investments section on p. 118.

#### Sustainable Cities and Communities

- the Employment Practices section on p. 126, and
- the Social Investments section on p. 118.

#### Responsible Consumption and Production

- the Employment Practices section on p. 126, and
- the Social Investments section on p. 118.

#### Life Below Water

- the Environmental Performance and Protection section on p. 90.

#### Life On Land

- the Environmental Performance and Protection section on p. 90.

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1. The calculation is based on 100% Company’s share in joint ventures.
NOVATEK actively interacts with partners to achieve sustainable development goals in various areas of our activities and to benefit local communities.

NOVATEK annually enters into cooperation agreements with local governments across its footprint and invests in projects that contribute to social and economic well-being within the regions.

We always hold public consultations when planning projects with potential environmental impact. Details on the planned public consultations and their results are shared through national and regional media.

The Company signed partnership agreements on climate mitigation and energy efficiency with Siemens Energy, Uniper, Nuovo Pignone (a Baker Hughes subsidiary) and NLMK Group.

Details are available in:
- the Stakeholder Engagement section on p. 38, and
- the Social Investments section on p. 118.

The COVID-19 Pandemic’s Impact on Strategy

The spread of COVID-19 in 2020 caused significant economic disruption across global financial and commodity markets. The pandemic has profoundly affected the lives of millions of people and changed the ways the Company engages with society. During this period of uncertainty and volatility caused by the pandemic and subsequent economic restrictions, NOVATEK’s top priority remained unchanged – to protect the health and safety of our employees and their families, as well as contractor employees. Within these efforts, the Company also focused on supporting local communities across our footprint through socially important activities. NOVATEK worked closely with federal, regional and local authorities, as well as partners to contain the spread of the virus, and took appropriate action, where necessary, to minimize possible operational disruptions and ensure business stability.

In 2020, the Company met all its operational targets for the year, despite the impact of lockdowns and the speed of the virus spread. The Company has taken the necessary preventive measures to reduce or eliminate the pandemic’s impact on work schedules. For example, despite massive delays and cancellations of other global LNG projects, the Company continued its Arctic LNG 2 project in 2020: all construction works at the Utrennye field and the Utrenny LNG terminal were on schedule.

During the year, the Company faced extreme volatility in both natural gas and crude oil prices and restrictions across many of its key markets. Importantly, 2020 saw natural gas prices showing signs of gradual recovery after hitting lows in late spring and early summer. Key importing countries have continued to shift from coal to natural gas as part of the Energy Transition. Most analysts believe that natural gas will play a vital role towards an environmentally sustainable future, with LNG as a key driver in future global gas demand growth.

Despite a lower demand for oil and natural gas in 2020, the LNG market was the only global commodity market to show growth for the year, which once again indicates its resilience to external headwinds and significant growth potential.

Recent market research updates suggest no pandemic-induced structural changes to long-term LNG demand forecasts. NOVATEK’s strategic goal remains unchanged – to increase LNG production and deliveries to the global market up to 70 mmtpa by 2030.

Importantly, the COVID-19 pandemic has not had any impact on global decarbonization ambitions of governments and businesses and even accelerated the energy transition, as well as adoption of zero-carbon technologies in certain industries. NOVATEK has also reiterated its priority focus on climate change mitigation action and other environmental protection targets.

At the same time, the COVID-19 pandemic has clearly demonstrated the importance of social factors for business resilience. NOVATEK has prioritized protecting the health of its employees and local communities in the regions of operation, driving productivity and talent retention, improving product and service quality, and enhancing supply chain management. The Company’s nimble responses to the problems and challenges posed by the pandemic have ensured business continuity and helped to protect our workforce and local communities against the pandemic’s impacts.

1. Details are available in the Social Investments section on p. 118.
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 operation. The Company places a special focus on key stakeholder groups such as shareholders, employees, and local communities.
NOVATEK aims to be very responsive to all stakeholder queries. To achieve this, the Company has established a range of communication channels to enable various stakeholder groups to communicate their suggestions, concerns, and queries to NOVATEK.

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 operation, as well as on the development of the oil and gas sector in Russia and globally. The Company places a special focus on key stakeholder groups such as shareholders, employees, and local communities, as their well-being is linked to the Company’s performance and sustainability.

**Stakeholder Engagement Approach**

NOVATEK engages with various stakeholders and is committed to building partnerships and maintaining ongoing dialogues with them for maximum efficiency in addressing the objectives of both the Company and society.

The Company engages a fairly wide range of stakeholders. Our key stakeholders were identified based on the Company’s experience, the scale of its business, geographic location, the specific nature of the oil and gas industry and relevant dependencies. The Company maintains positive engagement with each stakeholder group using the entire mix of available channels. In 2020, due to the COVID-19 pandemic and related restrictions, the Company moved much of its stakeholder communications online while also participating in various external (including industry-specific) online events.

**Engagement format:**
- Queries through the Company’s website (www.novatek.ru);
- Queries through the Security Hotline and the Ethics and HSE standards;
- Direct contacts with local communities through subsidiaries’ channels (by phone and in person through a Company representative);
- Public consultations and meetings with local communities, including indigenous peoples of the Far North;
- Working meetings with employees, including together with trade unions;
- Annual and sustainability reports, press releases, presentations and other information materials, social media;
- Conferences, round tables, joint working groups, panels;
- Conference calls, telephone conversations;
- Conducting and participating in surveys;
- Media events;
- Site visits for investors and journalists; and
- Letters and emails in response to queries.

**Stakeholder engagement principles:**
- Openness and transparency;
- Respect for human rights, non-discrimination;
- Readiness to dialogue;
- Considering the interests of all stakeholders;
- Responding to all stakeholder concerns; and
- Business ethics, zero tolerance for corruption.

**Engagement with local communities**

As part of its regular activities, NOVATEK engages with stakeholders during the planning and construction of new facility projects, with local communities identified as a key stakeholder group.

The Company takes care to ensure that all stakeholders are given the opportunity to communicate questions, complaints, suggestions and comments during both the construction and operation of its projects. Information on the procedure for submitting and handing queries from stakeholders is posted on the websites of subsidiaries and joint ventures implementing projects and is also made available to local authorities.

The Company provides stakeholders with information on the activities planned in areas where indigenous peoples of the Far North traditionally live and earn their livelihoods. To consider the needs of local communities, the Company organizes and holds public consultations on economic or other activities planned under its projects within the areas of relevant municipalities.

The Company annually approves with stakeholders a list of activities to promote the economic development of communities.

As part of the Yamal LNG project, we have developed and continuously update the Stakeholder Engagement Plan (last updated in December 2020) identifying key stakeholders, standards and methods of stakeholder engagement, and potential impacts during project implementation, describing engagement activities undertaken, and containing information on the grievance and feedback mechanism.

Areas of NOVATEK’s engagement with indigenous peoples:
- Regular meetings of the Advisory Board for the Yamal LNG Project Development and implementation;
- Ongoing consultations with the local communities based on the free, prior and informed consent received for the Yamal LNG project;
- Implementation of the Plan to Promote the Sustainable Development of Indigenous Peoples; and
- Support for non-profit organizations (NGOs of indigenous peoples of the Far North, research institutions, sports organizations, veterans’ associations, etc.).

Environmental and social impact assessment, disclosure and discussion of its results with stakeholders, and obtaining approvals from competent authorities – all are key to implementing the Arctic LNG 2 project. An Environmental Impact Assessment (EIA) for the Arctic LNG 2 project was conducted according to the statutory requirements and followed by a review and approval process by Russian authorities between 2017 and 2019. The purpose of the EIA was to demonstrate that the project met international environmental and social sustainability and HSE standards.

The Company’s project activities that require environmental impact assessment and state environmental reviews according to Russian laws are accompanied by public consultations which are used as a key stakeholder engagement tool, above all for local communities living within the project area and local authorities. Apart from environmental impact assessments, social impact assessments were also conducted in accordance with international standards. The results of these assessments suggest that NOVATEK’s projects do not lead to higher unemployment or homelessness rates, or undermine food security, increase mortality and incidence rates, lead to loss of access to collective property and services, or result in social disengagement of local communities or other acute social issues.

In addition, the Company regularly provides financing for activities under the Public Program of Indigenous Peoples of the Far North. The Program was initiated by the Yamal-Nenets Autonomous Region Governor based on the suggestions from local communities. NOVATEK also regularly provides financial support for events held by district and regional civil society groups protecting the rights and interests of indigenous peoples of the Far North.

Together with representatives of the Yamal District Grassroots Movement of the Indigenous Peoples of the Far North and district authorities, NOVATEK establishes advisory councils for regular consultations and development of joint decisions by stakeholders on environmental protection, healthcare, culture,
Local communities have access to grievance mechanisms, with their complaints properly handled by the Company. The formal grievance mechanisms for local communities are described in the Yamal LNG Project Stakeholder Feedback Procedure. All queries are reviewed regardless of their nature. In 2020, all queries from indigenous peoples of the Far North were requests for assistance and support, with no human right violations or any other grievances reported.

In 2020, there was no significant negative impact from NOVATEK operations on the local communities. No conflicts with local communities including the indigenous communities, and no activities that resulted in involuntary resettlement were reported in 2020.

Human rights of indigenous peoples of the Far North are discussed during advisory council meetings, public consultations and visits to nomadic families’ camping grounds within the South-Tambeyskoye license area. Information about these consultations, advisory support, meetings and their results is included in stakeholder engagement plans as well as in the Company’s corporate social responsibility reports.

Stakeholder Engagement in 2020

### Shareholders

<table>
<thead>
<tr>
<th>Channels</th>
<th>Frequency</th>
<th>Key events in 2020</th>
<th>Focus areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder meetings</td>
<td>At least once a year</td>
<td>Annual General Meeting of Shareholders held on 24 April 2020</td>
<td>Profit distribution, dividend payout, Corporate Secretary,  all year</td>
</tr>
<tr>
<td>Press releases and material fact notifications</td>
<td>All year</td>
<td>Extraordinary General Meeting of Shareholders held on 30 September 2020</td>
<td>Appointment and remuneration of the Board of Directors and Revision Commission, all year</td>
</tr>
<tr>
<td>Financial disclosures</td>
<td>Quarterly, annually</td>
<td>Shareholder queries replied to, public information prepared and disclosed</td>
<td>Approval of the Company’s external auditor, all year</td>
</tr>
<tr>
<td>Annual and sustainability reports</td>
<td>Annually</td>
<td>Shareholder queries replied to, public information prepared and disclosed</td>
<td>Approval of the annual report and annual financial statements (in accordance with the Russian Accounting Standards), all year</td>
</tr>
<tr>
<td>Corporate Secretary</td>
<td>All year</td>
<td></td>
<td></td>
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<tr>
<td>Information updates on the corporate website</td>
<td>All year</td>
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</table>

### Investors and Analysts

<table>
<thead>
<tr>
<th>Channels</th>
<th>Frequency</th>
<th>Key events in 2020</th>
<th>Focus areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Press releases and material fact notifications</td>
<td>All year</td>
<td>Financial disclosures and conference calls held quarterly and annually</td>
<td>The Company’s development strategy, all year</td>
</tr>
<tr>
<td>Financial disclosures and conference calls</td>
<td>Quarterly, annually</td>
<td>49 press releases published</td>
<td>The Company’s operating and financial performance, all year</td>
</tr>
</tbody>
</table>

### Sustainability Report 2020

<table>
<thead>
<tr>
<th>Channels</th>
<th>Frequency</th>
<th>Key events in 2020</th>
<th>Focus areas</th>
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</thead>
<tbody>
<tr>
<td>Annual and sustainability reports</td>
<td>Annually</td>
<td>Annual Report 2019 and Sustainability Report 2019 published</td>
<td>The Company’s competitive position, all year</td>
</tr>
<tr>
<td>Inclusion in leading sustainability rankings for investors</td>
<td>All year</td>
<td>Participation in 23 key industry conferences and 40 investment conferences</td>
<td>Company and industry outlook, all year</td>
</tr>
<tr>
<td>One-on-one and group meetings, conference calls, presentations</td>
<td>All year</td>
<td>More than 200 one-on-one meetings in person and via phone, as well as meetings at industry and investment conferences, forums and exhibitions at various financial centers across the globe</td>
<td>Sustainable development, all year</td>
</tr>
<tr>
<td>Investor requests</td>
<td>Ad hoc</td>
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<tr>
<td>Participation in CDP and CDP Water Disclosure</td>
<td>Annually</td>
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<tr>
<td>Site visits</td>
<td>Ad hoc</td>
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<tr>
<td>Information updates on the corporate website</td>
<td>All year</td>
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<tr>
<td>Participation in conferences and summits</td>
<td>All year</td>
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<tr>
<td>In-person meetings between management and employees</td>
<td>All year</td>
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<tr>
<td>Corporate social programs</td>
<td>All year</td>
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<tr>
<td>Collective bargaining agreement</td>
<td>All year</td>
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<tr>
<td>Educational and advanced training programs</td>
<td>All year</td>
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<tr>
<td>Steps in Discovering Talents program for young specialists</td>
<td>All year</td>
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<tr>
<td>Developing and improving the Corporate Technical Competency Assessment System program for various lines of business</td>
<td>All year</td>
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<tr>
<td>Sustainability reports</td>
<td>Annually</td>
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<tr>
<td>Security Hotline</td>
<td>24/7</td>
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<tr>
<td>Cultural and sports events</td>
<td>All year</td>
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<tr>
<td>Channels</td>
<td>Frequency</td>
<td>Key events in 2020</td>
<td>Focus areas</td>
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<tr>
<td>TRADE UNIONS</td>
<td></td>
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<tr>
<td>Discussion and signing of the collective bargaining agreement</td>
<td>Once every three years</td>
<td>Participation of the Company’s management in four trade unions meetings</td>
<td>Performance under the collective bargaining agreement</td>
</tr>
<tr>
<td>Discussion and signing of addenda to the collective bargaining agreement</td>
<td>Ad hoc</td>
<td></td>
<td>Occupational health and safety</td>
</tr>
<tr>
<td>Participation of the Company’s management in the meetings of trade union committees</td>
<td>All year</td>
<td></td>
<td>Protection of employees’ rights and interests</td>
</tr>
<tr>
<td>Attendance of trade union conferences by the Company’s management</td>
<td>All year</td>
<td></td>
<td></td>
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<tr>
<td>Participation in joint occupational health and safety committees</td>
<td>All year</td>
<td></td>
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<tr>
<td>Joint efforts as regards recreational, sports and cultural events</td>
<td>All year</td>
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<tr>
<td>Sustainability reports</td>
<td>Annually</td>
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<tr>
<td>GOVERNMENT AUTHORITIES</td>
<td></td>
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<tr>
<td>Federal</td>
<td></td>
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<tr>
<td>Contribution to low-making</td>
<td>All year</td>
<td>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</td>
<td>Fuel and energy sector development in the current and future conditions</td>
</tr>
<tr>
<td>Participation in working groups, round-table discussions, conferences, and forums</td>
<td>All year</td>
<td>Participation in the working group responsible for the action plan to form a common gas market in the Eurasian Economic Union</td>
<td>Developing the Arctic transport system</td>
</tr>
<tr>
<td>Participation in the activities of the Marine Board under the Government of the Russian Federation</td>
<td>All year</td>
<td>Participation in the activities of the Russian-Asian Pacific and Russian-European intergovernmental commissions on energy, economic, industry, and R&amp;D cooperation</td>
<td>Energy efficiency and energy development</td>
</tr>
<tr>
<td>Participation in the activities of the Russian-Asian Pacific and Russian-European intergovernmental commissions on energy, economic, industry, and R&amp;D cooperation</td>
<td>All year</td>
<td>Eliminating administrative barriers in the subsoil and natural resource use</td>
<td>Eliminating administrative barriers</td>
</tr>
<tr>
<td>Participation 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</td>
<td>All year</td>
<td>Air emissions reduction</td>
<td>Air emissions reduction</td>
</tr>
<tr>
<td>Participation in the activities of an 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</td>
<td>All year</td>
<td>Replacement of mineral resources</td>
<td>Replacing mineral resources</td>
</tr>
<tr>
<td>Participation in the activities of the working group on enhancing regulation for responsible forest management, as well as forest preservation, prosperity and care at the Federal Forestry Agency</td>
<td>All year</td>
<td>Implementing the Concept of Forming a Common Gas Market in the Eurasian Economic Union</td>
<td>Implementing the Concept of Forming a Common Gas Market in the Eurasian Economic Union</td>
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<tr>
<td>Participation in the events organized by the Russian Union of Industrialists and Entrepreneurs</td>
<td>All year</td>
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<tr>
<td>Participation in the activities of the Committee on Environment and Nature Management: at the Chamber of Commerce and Industry of the Russian Federation</td>
<td>All year</td>
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<tr>
<td>Participation in the working groups of the Ministry of Natural Resources and Environment of the Russian Federation on entrepreneurship, biodiversity conservation, and pressing forest management matters</td>
<td>All year</td>
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<tr>
<td>Participation in meetings of the working group 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</td>
<td>All year</td>
<td></td>
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<tr>
<td>Participation in meetings held by the Russian Ministry of Energy, Industry and Trade, Ministry of Economic Development, Ministry of Natural Resources and Environment, Ministry of Transport, Federal Agency for Maritime and River Transport, and other relevant federal authorities</td>
<td>All year</td>
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<tr>
<td>Proposals prepared for amending regulations governing the classification of products as manufactured in Russia and establishing the rules for the allocation of state subsidies for R&amp;D related to modern technologies</td>
<td>All year</td>
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<tr>
<td>Proposals prepared for making a list of advanced technologies to be selected as eligible to receive a subsidy to cover a part of R&amp;D costs</td>
<td>All year</td>
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<tr>
<td>Proposals prepared for a list of priority standards for the implementation of LNG projects planned to be developed</td>
<td>All year</td>
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<tr>
<td>Participation in meetings held by the Ministry of Industry and Trade and the Ministry of Energy</td>
<td>All year</td>
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<tr>
<td>Participation in the Arctic: Today and the Future international forum</td>
<td>All year</td>
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<tr>
<td>Local</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Interactions under cooperation agreements on the social and economic development of local communities</td>
<td>All year</td>
<td>Engagement with local authorities on engaging industrial enterprises in project implementation</td>
<td>Economic development of the regions</td>
</tr>
<tr>
<td>Participation in meetings, round-table discussions, conferences, forums, etc.</td>
<td>All year</td>
<td>Implementation of social and economic programs pursuant to agreements with the governments of the Yamal-Nenets Autonomous Region, as well as municipalities in the Yamal-Nenets Autonomous Region, the administrations of the Chelyabinsk, Kostroma, Leningrad, Murmansk and Tyumen Regions, and the Government of the Kamchatka Territory</td>
<td>Improving living standards; educational programs</td>
</tr>
<tr>
<td>Protection the rights of indigenous peoples of the Far North</td>
<td>All year</td>
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<td></td>
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<tr>
<td>Biodiversity matters</td>
<td>All year</td>
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<tr>
<td>Subsoil resource development in forests, reforestation and afforestation matters</td>
<td>All year</td>
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<tr>
<td>Developing initiatives related to supporting Russian manufacturers and equipment localization</td>
<td>All year</td>
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<tr>
<td>Developing criteria for classifying products as manufactured in Russia</td>
<td>All year</td>
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<tr>
<td>Developing proposals to improve the rules and mechanisms for granting R&amp;D subsidies</td>
<td>All year</td>
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<tr>
<td>Developing initiatives related to supporting Russian manufacturers and equipment localization</td>
<td>All year</td>
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</tbody>
</table>

44 46
### Channels Frequency Key events in 2020 Focus areas

**Disclosure of information on the Company’s activities in local media**
- All year
- Implementation of social and economic programs pursuant to agreements with the governments of the Yamal-Nenets and Khanty-Mansi Autonomous Regions, as well as municipalities in the Yamal-Nenets Autonomous Region, the administrations of the Chelyabinsk, Kostroma, Leningrad, Murmansk and Tyumen Regions, and the Government of the Kamchatka Territory
- Participating in meetings and implementing projects related to the organization of sanitary and epidemiological activities, as well as fitting and equipping PCR laboratories and transferring PPE to healthcare facilities in the Chelyabinsk, Kostroma and Murmansk Regions, Yamal-Nenets Autonomous Region, and the Kamchatka Territory
- Exchange of Information with the governments of the Murmansk Region, Yamal-Nenets Autonomous Region and the Kamchatka Territory

**LOCAL COMMUNITIES**

| Cooperation agreements on social and economic development of local communities | All year | Targeted 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) | Protecting the rights of indigenous peoples of the Far North

| Interaction with associations of indigenous peoples of the Far North | All year | Financial support provided to the Yamal for Descendants Association of Indigenous Peoples in the Yamal-Nenets Autonomous Region and its district branches | Engagement of local manufacturers in the Company’s current and perspective projects

| Targeted support to people in need | Ad hoc | Social programs aimed at improving the quality of life for the indigenous communities | Implementation of perspective LNG projects

| Letters to public authorities | Ad hoc | Social programs aimed at improving the quality of life for the indigenous communities | Improving sports infrastructure and social infrastructure facilities

| Public consultations | Ad hoc | Social programs aimed at improving the quality of life for the indigenous communities | Social programs aimed at improving the quality of life for the indigenous communities

| Advisory board in the Yamal District | Ad hoc | Social programs aimed at improving the quality of life for the indigenous communities | Social programs aimed at improving the quality of life for the indigenous communities

| Round tables in the Purovsky and Tazovsky Districts | Three to four times a year | Social programs aimed at improving the quality of life for the indigenous communities | Social programs aimed at improving the quality of life for the indigenous communities

| Disclosure of information on the Company’s activities in local media | All year | Social programs aimed at improving the quality of life for the indigenous communities | Social programs aimed at improving the quality of life for the indigenous communities

| Populations surveys | Ad hoc | Social programs aimed at improving the quality of life for the indigenous communities | Social programs aimed at improving the quality of life for the indigenous communities

| Sustainability reports | Annually | Social programs aimed at improving the quality of life for the indigenous communities | Social programs aimed at improving the quality of life for the indigenous communities

| Security Hotline | 24/7 | Social programs aimed at improving the quality of life for the indigenous communities | Social programs aimed at improving the quality of life for the indigenous communities

### Sustainability Report 2020

| Channels Frequency Key events in 2020 Focus areas

**PARTNERS UNDER JOINT INITIATIVES**
- All year
- Effective interaction under joint initiatives and cooperation agreements | Joint initiatives

| Cooperation agreements | All year | Effective interaction under joint initiatives and cooperation agreements | Joint initiatives

| Joint initiatives | All year | A number of executive meetings between companies | Import substitution and local manufacturing of equipment in Russia

| Shareholder meetings | All year | Participation in exhibitions and conferences: Tyumen Oil and Gas Forum, the Ministry of Defense Extended Board for the Boiler House Conversion to LNG, Arctic Today and the Future international forum, International LNG Producer-Consumer Conference in Japan, and the 13th Eurasian Economic Forum in Verona | Import substitution and local manufacturing of equipment in Russia

| Management meetings | All year | Participation in exhibitions and conferences: Tyumen Oil and Gas Forum, the Ministry of Defense Extended Board for the Boiler House Conversion to LNG, Arctic Today and the Future international forum, International LNG Producer-Consumer Conference in Japan, and the 13th Eurasian Economic Forum in Verona | Import substitution and local manufacturing of equipment in Russia

| Working group meetings | All year | Participation in exhibitions and conferences: Tyumen Oil and Gas Forum, the Ministry of Defense Extended Board for the Boiler House Conversion to LNG, Arctic Today and the Future international forum, International LNG Producer-Consumer Conference in Japan, and the 13th Eurasian Economic Forum in Verona | Import substitution and local manufacturing of equipment in Russia

| Security Hotline | 24/7 | Participation in exhibitions and conferences | Import substitution and local manufacturing of equipment in Russia

| Briefings | Ad hoc | Participation in exhibitions and conferences | Import substitution and local manufacturing of equipment in Russia

| Participation in exhibitions and conferences | All year | Participation in exhibitions and conferences: Tyumen Oil and Gas Forum, the Ministry of Defense Extended Board for the Boiler House Conversion to LNG, Arctic Today and the Future international forum, International LNG Producer-Consumer Conference in Japan, and the 13th Eurasian Economic Forum in Verona | Import substitution and local manufacturing of equipment in Russia

### SUPPLIERS AND CONTRACTORS

| Supplier selection process | All year, using an electronic bidding platform (as needed) | Meetings with manufacturers of oil and gas equipment and materials | Discussions with key market participants on the following:

- The needs for process equipment, pipe products and steelwork for the NOVATEK's projects, including LNG.
- Possible ways to improve the competitiveness of Russian enterprises, and
- Creating favorable conditions for import substitution and local manufacturing of equipment in Russia

| Qualification procedures for suppliers (including facility audits) | All year as per requests | Signing of strategic agreements with key partners | Meetings with manufacturers of oil and gas equipment and materials

| Security Hotline | 24/7 | Signing of strategic agreements with key partners | Meetings with manufacturers of oil and gas equipment and materials

### CUSTOMERS

| Telephone inquiry service | Daily (business days) | Receipt and distribution of phone calls to NOVATEK’s Help Desk number specified on the corporate website handling incoming calls, forwarding calls to respective business units as well as subsidiaries and joint ventures | Production and supply of gas, liquid hydrocarbons and LNG (in Russia and abroad), pricing

| Customer Account service on the website | 24/7 | Meeting visitors to the Company’s head office | Production and supply of gas, liquid hydrocarbons and LNG (in Russia and abroad), pricing

| Contact Information | All year | Enhancing administrative support to facilitate business networking during official negotiations and meetings | Production and supply of gas, liquid hydrocarbons and LNG (in Russia and abroad), pricing

| Counterparty Account service for business customers on the website | 24/7 | Enhancing administrative support to facilitate business networking during official negotiations and meetings | Production and supply of gas, liquid hydrocarbons and LNG (in Russia and abroad), pricing
### Channels | Frequency | Key events in 2020 | Focus areas
--- | --- | --- | ---
Meetings on payment discipline | All year | Providing brief information on NOVATEK’s profile during the Company’s participation in major forums and conferences (meeting visitors at the Company’s stand) | 
Publication of information in the media | All year | Responding to questions on technical support of services and suggestions for improving Customer Account service on the website | 
Mobile application | All year | Daily interactions with business customers maintained through the Mobile application | 
CIVIL SOCIETY ORGANIZATIONS |  |  | 
Membership and cooperation | All year | Supporting programs for the rollout and operation of a monitoring system to preserve and protect the Siberian tiger and the Amur leopard populations, Biodiversity and biological resources conservation | 
Participation in conferences, forums and other events | All year | Supporting long-term programs for preserving the Siberian tiger and the Amur leopard populations, Environmental protection, Sustainable development, Climate change and GHG emissions | 
Sustainability reports | Annually |  | 
SOCIETY |  |  | 
Interaction with leading sports and cultural institutions | All year | Support for major Russian museums, theaters and creative teams, Philanthropy and sponsorship efforts | 
Interaction with non-profit organizations | All year | Support and implementation of sports projects and programs on the federal and local level, Support and development of cultural projects | 
Philanthropic efforts | All year | Assistance to children in desperate need in the regions of the Company’s operation, under NOVATEK’s charity program aimed at running projects for children with severe medical conditions, disabilities, cancer, as well as visually impaired children and extremely low birth weight babies, 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 sector, Developing and implementing corporate volunteering programs | 
Volunteer movements | All year | Assistance to children in orphanages, children suffering from various illnesses, lonely elderly people, and disabled people | 
INTERINDUSTRIAL COMMUNITY, including academic and research community |  |  | 
Participation in conferences, forums, round-table discussions, etc. | All year | Promising projects being implemented by the Company, Development of the fuel and energy sector and the oil and gas industry in general | 
Participation in joint sessions | As per requests | International LNG Producer-Consumer Conference in Japan, and the 13th Eurasian Economic Forum in Verona | 
Partnerships | As per events calendar | | 
Cooperation with leading oil and gas universities | All year | | 
Participation in industry organizations | All year | |
NOVATEK pays special attention to safeguarding the rights and freedoms of the indigenous peoples of the Far North, and cares about preserving their culture and traditional ways of life.

Reports were received via Security Hotline in 2020

624

Grievances on human rights violations from indigenous peoples of the Far North

0
Approaches to Business Conduct

NOVATEK is fully committed to the highest standards of ethical business behavior: the Company strictly complies with Russian laws while striving to apply applicable international standards in practice.

The key documents that define the Company’s position on business ethics are the Code of Business Conduct and Ethics, the Anti-Corruption Policy, the Corporate Governance Code, and the Supplier Code of Conduct. All NOVATEK employees are responsible for compliance with the business ethics standards laid down in these documents. The implementation of these documents and compliance with generally accepted ethical standards is monitored by various departments within the Company: HR, Business Support, Legal, Procurement and Localization, Investor Relations, and Internal Audit.

NOVATEK identifies the following areas of ethical conduct as the Company’s priorities:

• respect for human rights in all aspects;
• zero tolerance for corruption, and anti-corruption efforts;
• safe working conditions; people's life and health as a top priority;
• responsible attitude to the culture and traditions of local communities; and
• information security and confidentiality of personal data.

The Company strives to create a business environment where business ethics standards are respected by all participants in the supply chain and stakeholders at large. An important step in this direction was the adoption in 2020 of the Supplier Code of Conduct, which defines the Company’s expectations from suppliers in terms of business ethics, human rights, labor relations, environmental protection, and health and safety.

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 local communities, to file complaints and requests: by phone, post or e-mail, via feedback and suggestion boxes.

The Company has a Security Hotline for reporting any offences, cases of fraud or corruption, conflicts of interest or other stakeholder concerns: security_hotline@novatek.ru, +7 (495) 232 39 99.

The Security Hotline contact details are available on NOVATEK’s website. Security hotlines are also in place at subsidiaries and joint ventures, and their contact details are posted on websites, information boards in offices and production facilities, and at rotation camps.

NOVATEK has established a dedicated channel for reporting violations implying discrimination, harassment based on gender, race, nationality or any other grounds, bullying, or human rights breaches. Any person may report any known violations, including violations of the Code of Business Conduct and Ethics, by e-mail at ethics@novatek.ru. Designated employees review each message.

The Company guarantees confidentiality and undertakes to review all reports and take action if improper or unethical practices are identified.

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

Anti-Corruption and Prevention of Conflicts of Interest

NOVATEK is rated “A2” (companies with a high level of commitment to anti-corruption compliance) by the first national Anti-Corruption Ranking of Russian Business 2020 compiled by the Russian Union of Industrialists and Entrepreneurs.

NOVATEK strictly abides by the anti-corruption laws of Russia and other countries in which it operates. The Group is guided by uniform regulatory requirements for 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 both 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.

NOVATEK’s website

The NOVATEK Group’s security hotlines received 624 reports from citizens and organizations, including:

• 356 reports related to issues arising from the performance of a contract for the supply of natural gas for residential customers (clarification of ground and procedure for gas payment calculation, maintenance of consumer building and apartment gas equipment, replacement and calibration of gas meters, etc.);
• 128 reports related to the implementation of measures to combat the spread of COVID-19 at the Group facilities;
• 84 reports related to the operations of gas retail stations and multi-fuel fueling stations (bonus points accrual, fueling stations’ working hours, volume of gas tanks refueling, operator/cashier rudeness towards customers at fueling stations, etc.); and
• 56 reports related to delayed salary payment to employees of contractors and subcontractors, challenging the results of tender procedures, fraudulent acts, etc.

The Anti-Corruption Policy is available to all stakeholders on the Company’s website. Information on the document is also disclosed in the Company’s sustainability reports. 100% of employees, governance body members and business partners are informed of the Company’s Anti-Corruption Policy.

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 2020 Action Plan, including:

• monitoring of Russian and foreign anti-corruption laws and relevant law enforcement practices;
• advising Company employees on the practical application of the provisions of NOVATEK’s Anti-Corruption Policy, Regulations on the Conflict-of-Interest Management at NOVATEK, and on handling confidential information; and
• monitoring Company employees’ compliance with the requirements of NOVATEK’s Anti-Corruption Policy.

The results of anti-corruption efforts and the new 2021 Action Plan were discussed and approved by the Audit Committee on 17 December 2020.
Prevention of conflicts of interest

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 filing in respective declarations.

NOVATEK 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 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. Company 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, 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 any transaction, including those involving the Company securities; and

• duly disclose their jobs with other companies.

• 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; and

• set up or manage no business entities competing with NOVATEK, except as permitted by the Board of Directors.

Human Rights

Human rights are a key element of NOVATEK’s business ethics, gaining in importance in engagement with stakeholder groups such as, but not limited to, Company employees and local communities across the Company’s footprint. The Company strictly complies with Russian human rights legislation and also embraces principles and guidelines set out in the following international human rights instruments:

• Universal Declaration of Human Rights;

• International Labor Organization’s Declaration on Fundamental Principles and Rights at Work;

• UN Global Compact; and

• Social Charter of Russian Business.


NOVATEK uses the following mechanisms to ensure that human rights are respected:

• 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 safeguards the rights of local communities including indigenous peoples of the Far North, and

• the Company develops feedback channels that enable stakeholders to express their views or grievances on related matters (specifically, the Security Hotline).

In 2020, as part of its risk mapping exercise, the Company updated its conduct risks to include human rights risks, making it possible to objectively assess its human rights impacts and prevent conflict or unethical situations.

408-1 409-1

With regard to labor relations, the Company has identified the following human rights risks: health and safety (injuries, occupational diseases, etc.), discrimination on any grounds, the use of forced and child labor, breach of collective bargaining agreement and limiting freedom of association. The Company manages the human rights risks associated with labor relations primarily by ensuring full compliance with the Labor Code and other laws of the Russian Federation, which in itself precludes human rights violations. NOVATEK does not use child or forced labor.

Our HR decisions are based on employee qualifications, knowledge and professional skills, when dealing with employees and any other individuals, the Company does not take into account any other personal characteristics such as race, gender, age, ethnicity, religion, political or other beliefs, social background, etc.

Information Security

NOVATEK takes a systematic approach to information security, striving to meet the highest standards in this area. Information security matters are managed by the Information Security Department.

In 2020, NOVATEK developed a number of regulations on information security:

• Information Security Policy;

• Regulations on Corporate Information Network Building;

• Corporate Information Network Policy;

• Automated Workstation Roll-Out Procedures; and

• Backup and Recovery Procedures.

These documents were approved and came into effect in 2021.

The Company makes regular arrangements for the following information security measures:

• controlling user access to information, maintaining systems’ physical security;

• protection of corporate data against malware, use of internet filtering and anti-scam software;

• management of removable media,
• corporate network security management;
• data breach control;
• procedures for the use of electronic signature platforms;
• protocols for third parties accessing NOVATEK’s corporate network;
• handling of information security incidents;
• security requirements for information systems;
• control of administrative users in the IT infrastructure;
• participation in information security IT projects;
• corporate network policy awareness training for employees; and
• secure use and control of mobile computing devices and remote access.

A separate focus area for the Company is cyber security. The Information Security Department also implements and constantly refines ongoing organizational and technical measures to guard against cyber threats, including:

• employee training in internet and e-mail use;
• installation of systems detecting and preventing cyberattacks;
• use of firewall, anti-malware, anti-spam and internet filtering systems;
• vulnerability analysis of all information systems accessible from the internet; and
• using perimeter network for all information systems accessible from the internet.

The Company’s Information Security Policy states that important information security objectives include improving employee awareness (including of cyber security) and reduction in information security incidents due to employee ignorance and negligence regarding the key requirements for handling sensitive data covered by the Company’s local regulations.

Working with partners, the Company also requires its counterparties to comply with information security requirements. When engaging with third parties, the Company signs a confidentiality agreement and includes information security clause in external contracts.

NOVATEK carefully safeguards personal data and complies with applicable legislation. The Company’s operations comply with Federal Law No. 152-FZ “On Personal Data” dated 27 July 2006 and are regulated by the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (Roskomnadzor), a state regulator.

Personal data security is ensured in accordance with the following approved documents: Personal Data Processing Policy, Regulations on Personal Data Processing, Personal Data Threats Particular Model, Personal Data Use Technical Policy, and Regulations on Responding to Personal Data Security Breach Incidents.

The Personal Data Processing Policy applies to all personal data handled by NOVATEK. The Policy objectives are ensuring compliance with privacy laws, safeguarding human rights and freedoms in personal data handling, including the right to respect for one’s privacy and private and family life. The Policy sets out general rules of personal data handling by the Company and measures to ensure personal data security and the rights of data subjects.

Regulations on Personal Data Processing set out the guidelines, objectives and procedures for personal data handling by the Company, procedures for detecting and preventing violations of personal data laws and procedures for relevant corrective actions, internal controls for compliance with personal data laws and the Company’s internal regulations.

Regulations on Responding to Personal Data Security Breach incidents aim to protect personal data in corporate information systems from unauthorized access and disclosure. The Regulation establishes the procedure for incident response, logging and resolution and is a binding document that must be followed by all NOVATEK employees.

The general procedure for responding to personal data security incidents includes:

• incident logging, including a severity assessment;
• incident investigation, including by a specially established task force performing risk analysis and damage assessment; development and implementation of organizational and technical measures to resolve the incident;
• preparing an incident investigation report on investigation findings; and
• taking disciplinary action against an employee guilty of the information security breach and implementing measures to mitigate risks in the future.

In 2020, NOVATEK reported no violations in personal data handling.
Corporate Governance

In 2020, a woman was elected to NOVATEK’s Board of Directors for the first time.

Board of Directors meetings

Minimum target dividend payout level approved by the Board of Directors

13

50 %
Corporate Governance System

NOVATEK has a streamlined corporate governance structure that enables effective and efficient management of 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. The Company 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 NOVATEK’s Articles of Association, the General Meeting of Shareholders, the Company’s supreme governance 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.

Key internal documents regulating various aspects of corporate governance:
- 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 of the Board of Directors;
- Regulations on the Remuneration and Nomination Committee of the Board of Directors;
- Regulations on the Strategy Committee of the Board of Directors;
- Regulations on Dividend Policy;
- Regulations on Information Policy;
- Corporate Governance Code;
- Code of Business Conduct and Ethics;
- Regulations on the Corporate Secretary;
- Internal Audit Policy;
- Regulations on Risk Management and Internal Control System;
- Regulations on Remuneration and Compensation Payable to Members of NOVATEK’s Board of Directors;
- Regulations on the Strategy Committee of the Board of Directors and the executive body, commitment to the Company’s goals and development strategy;
- reasonable decision-making in good faith by the Board of Directors and the executive body for the benefit of the Company and its shareholders;
- transparent and timely disclosure of information;
- commitment to sustainability principles; and
- anti-corruption.

General Meeting of Shareholders

The General Meeting of Shareholders is NOVATEK’s supreme governance body. NOVATEK holds the mandatory Annual General Meeting of Shareholders on the date set by the Board of Directors, but not earlier than two months and not later than six months after the end of the reporting year. The Company also convenes Extraordinary General Meetings of Shareholders in addition to the Annual General Meeting.

On 24 April 2020, the Annual General Meeting of Shareholders reviewed the Company’s 2019 performance, approved the Annual Report and annual financial statements (in accordance with the Russian Accounting Standards), distributed profit, and determined the size and form of dividends for FY2019; elected the Board of Directors and the Revision Commission; determined remuneration to members of the Board of Directors and Revision Commission, and approved the Company’s external auditor for 2020.

On 30 September 2020, the Extraordinary General Meeting of Shareholders approved the amount of interim dividends for the first half of 2020.

1. Details on the competence of the General Meeting of Shareholders are available in NOVATEK’s Articles of Association, pp. 8–10.
2. Details on the competence of the Board of Directors are available in NOVATEK’s Articles of Association, pp. 17–20.
At least twice a year, the Board of Directors reviews matters related to the Company’s strategy in all key lines of business, as well as matters of sustainability and social performance in the regions where the Company operates.

### Board activities during corporate year 2020

During corporate year 2020, the Board of Directors met 13 times, of which three meetings were held in person. At these meetings, the Board of Directors:

- reviewed and approved the Company’s 2020 full year operating and financial results;
- recommended an interim dividend payment for the first half of 2020, based on interim financial results for the period, and a full year dividend payment for 2020, based on full year financial results;
- reviewed NOVATEK’s sustainability performance and approved the Company’s Sustainability Report 2019;
- approved Environmental and Climate Change targets as part of NOVATEK’s Corporate Strategy to 2030;
- made decisions to convene the Annual and Extraordinary General Meetings of Shareholders. During the meetings held in 2020, telecommunications facilities were used to provide shareholders with remote access to participate and to complete electronic ballot forms;
- approved amendments to NOVATEK’s Regulations on Dividend Policy;
- reviewed and approved NOVATEK’s business plan for 2021;
- as part of the Arctic LNG 2 project, the Board of Directors made a number of decisions to provide the project with Arc7 ice class tankers;
- reviewed the progress on NOVATEK’s Corporate Strategy to 2030 as regards market analysis (internal and external markets), logistics, risks and their assessment, and targets;
- made a decision on changing the composition of the Management Board;
- made a decision on NOVATEK’s participation in the Arctic Economic Council; and
- approved the activity plan of NOVATEK’s Internal Audit Division for 2021.

### Sustainability Report 2020

- reviewed the progress on NOVATEK’s Corporate Strategy to 2030 as regards market analysis (internal and external markets), logistics, risks and their assessment, and targets;
- made a decision on changing the composition of the Management Board;
- made a decision on NOVATEK’s participation in the Arctic Economic Council; and
- approved the activity plan of NOVATEK’s Internal Audit Division for 2021.

**Board of Directors’ performance are determined.**

**During corporate year 2020, a self-evaluation of the Board activities was performed in accordance with the recommendations of the Russian Corporate Governance Code. Self-evaluation of the Board of Directors performance based on the results of the corporate year is carried out by filling out a questionnaire by each member of the Board of Directors.**

**During the evaluation process, the key areas of the Board of Directors and Board 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 areas for improvement of the Board of Directors’ performance are determined.**
Meetings of Remuneration and Nomination Committee with sustainable development functions

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 official website.

102-29
The Committees play a vital role in ensuring that the high standards of corporate governance are maintained throughout the Company and that specific decisions are previewed, analyzed, and the necessary recommendations are issued 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 expertise for the preparation of financial statements to attend the Committee meetings.

In corporate year 2020, the Audit Committee met four times, including two meetings in person, where:

- two meetings were held with the Company’s external Auditor to discuss the Audit Plan and review the report on the audit of the Company’s activities during the year;
- the Company’s risk map was reviewed and key risks were analyzed, including sustainability and climate risks in particular;
- the reports on compliance with the Information Policy and Anti-Corruption Policy were reviewed;
- the Company’s quarterly financial performance reports and the impact of COVID-19 on NOVATEK’s operations and investments were reviewed;
- the reports on the activities of the Company’s internal Audit Division for the first six months and full year were approved;
- recommendations to the Board of Directors on approving the Company’s Annual Report and Internal Audit Plan were made;
- recommendations on the Company’s Auditor candidate and the amount of the Auditor’s remuneration were made;
- the conclusion of the Internal Audit Division on assessing the reliability and effectiveness of the risk management, internal control and corporate governance systems was considered; and
- other issues within the competence of the Audit Committee were considered.

102-29  102-31
Sustainability Report 2020

Remuneration and Nomination Committee

102-31
The primary functions of the Remuneration and Nomination Committee are to develop an efficient and transparent remuneration practice of the Company’s governance bodies, enhance the professional expertise, and improve the Board of Directors’ efficiency and effectiveness. The Committee’s objective is also to prepare recommendations to the Company’s Board of Directors for making priority decisions in sustainability, industrial safety, environmental protection, climate change, corporate governance and social activities.

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 Committee is also responsible for building a strong Board of Directors and enhancing its performance.

Since 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 sustainability, particularly on priorities in sustainable development, occupational and environmental safety, climate action, corporate governance, and social policy.

In corporate year 2020, the Remuneration and Nomination Committee met seven times, including two meetings in person, where:

- NOVATEK’s Sustainability Report 2019 was reviewed and recommended for approval by the Board of Directors;
- recommendations were made to the Board of Directors on the approval of Environmental and Climate Change targets as part of NOVATEK’s corporate strategy to 2030;
- NOVATEK Group’s HSE performance report 2019 was reviewed;
- recommendations were made in line with the NOVATEK Group’s Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy;
- NOVATEK’s HR management policy performance report 2020 was reviewed;
- the report on NOVATEK’s social performance in the regions of operation in 2020 was reviewed;
- made recommendations to the Board of Directors to form the Board Committees in accordance with recommendations of the Corporate Governance Code as well as information about Board members;
- made recommendations to the General Meeting of Shareholders on remuneration to the Board members;
- reviewed the report on self-evaluation of NOVATEK’s Board of Directors and Board Committees; and
- other matters within the competence of the Committee were considered.

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.

In corporate year 2020, the Committee met four times, including two meetings in person, where:

- recommendations were made regarding the amount and form of dividend payment for the first six months and full year;
- basic parameters of NOVATEK’s (consolidated) business plan for 2021 were previewed and recommended for approval;
- the progress on NOVATEK’s corporate strategy to 2030 was reviewed, particularly:
  - analysis of internal and external markets, logistics, risks and their assessment, and targets;
  - implementation of the Arctic LNG 2 project;
  - status of, and progress on preparing, the mineral resource base of the Arctic LNG 1 project;
  - Jurassic resource potential and technological challenges in reserve preparation and development;
  - formation and implementation of the development strategy for the icebreaking and tanker fleet and navigation management;
- recommendations were made to the Board of Directors on the approval of the new version of NOVATEK’s Regulations on Dividend Policy; and
- other matters within the competence of the Committee were considered.
Management Board

NOVATEK’s Management Board is a collegial executive body responsible for the management of the Company’s day-to-day 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 by internal documents.

The members of the Management Board are elected by the Board of Directors from among the Company’s key employees. The Management Board is accountable 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, and 2 November 2020.

102-19 102-20 102-21 102-29 102-31

The Management Board helps achieve objectives set by the Board of Directors and implements the Company’s development strategy through supervision of business units in certain lines of business, including operational, environmental, financial and economic, social and legal. The Management Board holds over 10 meetings every quarter. 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.

In 2020, the Board reviewed the following matters related to sustainability, economic, environmental and social impacts, and associated risks and opportunities:

- approval of NOVATEK’s environmental strategy to 2030 and a comprehensive implementation program;
- inclusion of hydrogen energy into the Company’s long-term development strategy;
- review of the long-term forecast for gas, condensate and oil production within the Unified Gas Supply System of Russia;
- approval of the core concept of social policy for 2021, and
- review of key macro parameters and budgets for future periods and budget execution for previous periods.

Management Board members from 1 January 2020 to 31 December 2020:

Leonid V. Mikhailov – Chairman;
Lev V. Fedoseyev – First Deputy Chairman;
Alexander M. Fridman – First Deputy Chairman (powers were terminated on 2 November 2020);
Evgeny N. Ambrosov – Deputy Chairman of the Management Board – Director for Marine Operations, Shipping and Logistics (elected on 2 November 2020);
Vladimir A. Baskov – Deputy Chairman;
Viktor N. Belyakov – Deputy Chairman of the Management Board for Economics and Finance;
Eduard S. Gudkov – Deputy Chairman;
Mark A. Gyetvay – Deputy Chairman;
Evgeny A. Kot – Deputy Chairman – LNG Director;
Tatyana S. Kuznetsova – Deputy Chairwoman;
Denis B. Solovyov – Deputy Chairman – Director of the Communications Development Department;
Sergey G. Solovyov – Deputy Chairman – Director for Geology;
Ilya V. Tafintsev – Deputy Chairman;
Sergey V. Vasyunin – Deputy Chairman – Operations Director;

Remuneration to Members of the Board of Directors and Management Board

The procedure for calculating the remuneration and compensations to members of NOVATEK’s Board of Directors is governed by the Regulations on Remuneration and Compensations Payable to Members of NOVATEK’s Board of Directors approved by the Annual General Meeting of Shareholders. According to the Regulations, the remuneration consists of the following elements:

- fixed part of remuneration;
- remuneration for participating in the meetings of the Board of Directors; and
- remuneration for participating in the meetings of the Board Committees.

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 participating in meetings of the Board of Directors in the maximum amount of RR 4.5 mln per corporate year and remuneration for attending meetings of the Board Committees 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, as well as the NOVATEK Group’s Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy. Shareholders are entitled to exercise their voting right to determine the amount of remuneration payable in accordance with the “one share, one vote” rule in line with the Policy, the remuneration is linked to KPIs, including ESG performance.

Committees membership from 24 April 2020 to 23 April 2021

<table>
<thead>
<tr>
<th>Audit Committee</th>
<th>Strategy Committee</th>
<th>Remuneration and Nomination Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson</td>
<td>Robert Castaigne</td>
<td>Tatiana A. Mitrova</td>
</tr>
<tr>
<td>Members</td>
<td>Tatyana A. Mitrova</td>
<td>Andrey I. Alimov</td>
</tr>
<tr>
<td></td>
<td>Viktor P. Orlov</td>
<td>Arnaud Le Fall</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Michael Borrell</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alexander E. Natalenko</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gennady N. Timchenko</td>
</tr>
</tbody>
</table>

Remuneration to the members of NOVATEK’s Board of Directors and Management Board in 2020, RR mln

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Management Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total paid, including:</td>
<td>212.3</td>
</tr>
<tr>
<td>Salaries</td>
<td>–</td>
</tr>
<tr>
<td>Bonuses</td>
<td>–</td>
</tr>
<tr>
<td>Fees</td>
<td>210.6</td>
</tr>
<tr>
<td>Other compensations and property advancements</td>
<td>1.7</td>
</tr>
</tbody>
</table>

1. Details on the competence of the Management Board are available in NOVATEK’s Articles of Association, pp. 24–26.
2. Some members of NOVATEK’s Board of Directors are simultaneously members of the Management Board. Payments to such members in relation to their activities as members of the Management Board are included in the total payments to members of the Management Board.
**Internal Control and Audit**

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

The primary objectives of the internal control system are the implementation of NOVATEK’s strategy, protection of shareholder interests, asset integrity, efficiency of financial and business operations, and compliance with applicable laws and the Group’s internal regulations. The internal control system functions on an ongoing basis and covers all the Company’s lines of business and business processes at all management levels.

The responsibility for defining the principles of, and approaches to, organizing the internal control system is vested in the Board of Directors. The Chairman of the Management Board ensures efficient functioning of the internal control system. The Internal Audit Division evaluates the efficiency of the risk management, internal control and corporate governance system.

The internal control system comprises 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 joint ventures, their business units, as well as their ongoing business processes. The Annual General Meeting of Shareholders approves an external auditor to conduct an independent review of NOVATEK’s accounting (financial) statements.

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

NOVATEK operates and continuously develops a multilevel 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 legitimate interests, timely adjusting to internal and external changes, providing reasonable assurance regarding the achievement of the Company’s objectives and implementing its sustainable development strategy.

**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. Matters related to risk appetite and the risk management systems are reviewed annually.

**102.41** NOVATEK’s major risks

<table>
<thead>
<tr>
<th>Operational risks</th>
<th>Financial risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monopoly risks</td>
<td>Credit risk</td>
</tr>
<tr>
<td>Competitive risks</td>
<td>Conduct risks</td>
</tr>
<tr>
<td>Risks in procurement of materials, works and services</td>
<td>Social risks</td>
</tr>
<tr>
<td>Commodity price risks</td>
<td>Terrorism risks</td>
</tr>
<tr>
<td>Geological risks</td>
<td>Country risk</td>
</tr>
<tr>
<td>Risk of early termination, suspension or restriction of subsoil use rights</td>
<td>Regional risk</td>
</tr>
<tr>
<td>Environmental risks</td>
<td>Risks of information technology and information security (cyber risks)</td>
</tr>
<tr>
<td>Project risks</td>
<td>Climate change risks</td>
</tr>
<tr>
<td></td>
<td>Epidemic risks/COVID-19</td>
</tr>
</tbody>
</table>

**102.31** At least once a year, the Audit Committee evaluates the Company’s risk management performance, including economic, environmental and social risks. Following the evaluation in the reporting year, the Audit Committee recognized NOVATEK’s risk management activities as compliant with the Company’s respective policy.

In corporate year 2020, the Audit Committee paid significant attention to risk management policies and processes in the Company and reviewed financial, operational, legal, and other risks at in-person meetings. Furthermore, in 2020, the implementation of NOVATEK’s anti-corruption and information policies 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 the Annual Report.

The section contains a list of the Company’s major risks, with a detailed description of sustainability risks. NOVATEK pays significant attention to 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. In 2020, climate change risks were added to the list of key risks since climate change is a key issue for the oil and gas industry and business in general. The COVID-19 pandemic brought epidemic risks to the forefront in 2020. Conduct risks were updated to reflect the Company’s focus on human rights.

**Sustainability Report 2020**

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 Regulations on Risk Management and Internal Control System of NOVATEK, guided by the following international standards: COSO Internal Control – Integrated Framework, and Enterprise Risk Management – Integrated Framework (ERM COSO).

Certain elements of IS0 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.

To mitigate subjectivity restricting the risk management process in a negative way, the Company has in place a multilevel system of risk management and internal control.

**1. Details on Internal Control and Audit are available in NOVATEK’s Annual Report 2020, pp. 68-69**

**2. From the Annual General Meeting of Shareholders on 24 April 2020 until the Annual General Meeting of Shareholders on 23 April 2021.**

**3. Details on risks are available in NOVATEK’s Annual Report 2020, pp. 74-87**
**Sustainability risks**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk description</th>
<th>Risk management approaches used by the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NOVATEK subsidiaries and joint ventures</strong></td>
<td>Subject to the risks of emergencies and incidents at hazardous production facilities, ship transport facilities for the transportation of liquid hydrocarbons and LNG, that may result in harm to the life or health of employees or third parties, entail business interruption, hazardous emissions or spills, which in turn may have a negative impact on the Company’s business reputation and financial performance.</td>
<td>The Company continuously monitors compliance with industrial safety requirements. The Company develops and implements organizational and technical measures aimed at mitigating the risks of emergencies and incidents and reducing potential losses as part of its integrated HSE Management System in line with the OHSAS 18001 (ISO 45001:2018) standard. The Company holds property and business interruption insurance policies, insures transported cargo and the charterer’s liability. The Company adheres to the principle of responsible investment in production, which implies that new design solutions, technologies and equipment installed help significantly mitigate accident risks. The Company has in place a Central Dispatch Office (CDO) to promptly respond to production incidents. The CDO ensures centralized monitoring of well construction and workover in addition to the control of production, treatment and transportation processes.</td>
</tr>
<tr>
<td><strong>Environmental risks</strong></td>
<td>The Company is exposed to the probability of events having adverse consequences for the environment and caused by a negative impact of its economic and other activities, as well as natural and man-made emergencies.</td>
<td>The Company has an environmental management system compliant with ISO 14001 to ensure rational use of resources and minimize the adverse effect the Company’s operations may have on the environment. The Company adheres to the principle of responsible investment in operations, which implies that new design solutions, technologies and equipment installed help minimize negative environmental impacts, and ensures emergency preparedness. Implementation of projects in the Russian Arctic zone is accompanied by comprehensive monitoring of marine and terrestrial ecosystems, as well as subsurface environment, including permafrost soils and cryogenic processes, to confirm the efficiency and sufficiency of nature protection design solutions and receive prompt information on changes in environmental conditions in the Company’s regions of operation. Environmental support of LNG projects with participation of joint ventures is based on both Russian environmental laws and international standards and best available practices in the industry. As part of the Climate Doctrine of the Russian Federation, the Company has developed a Corporate Greenhouse Gas Emission Management System (to account for, and plan actions to reduce, greenhouse gas emissions, inter alia, by introducing innovative technologies to curb greenhouse gas emissions). In particular, in August 2020, the Company’s Board of Directors approved Environmental and Climate Change targets of the Company for the period up to 2030, including emission reduction, rational use of associated petroleum gas and waste disposal.</td>
</tr>
</tbody>
</table>

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**Risk** | **Risk description** | **Risk management approaches used by the Company**
---|---|---
**Conduct risks** | The Company is exposed to the risks of disturbed relationships within the Company and with its subsidiaries and joint ventures, shareholders, investors, the government, the public, consumers, suppliers, or other corporate entities or individuals, including the risk of fraud, corruption and conflict of interest, as well as the risk of human rights violations. | In 2011, in order to minimize conduct risks, the Company introduced a Code of Business Conduct and Ethics. To exclude conduct risks from its shareholder and investor relations, the Company is governed by the Code of Business Conduct and Ethics and the applicable Russian Federation and UK laws regulating public companies. To exclude conduct risks from its relations with third parties, the Company holds tenders to select counterparties and has a well-established internal control and audit system. The Anti-Corruption Policy in place since 2014 establishes key principles and standards of anti-corruption practices for employees and stipulates a set of corruption prevention measures. As part of the Anti-Corruption Policy implementation, a Security Hotline operates 24/7. Since 2016, the Company has had a procedure for notification and management of conflicts of interest that employees may come across in performing their job duties. In 2020, the Company adopted the Supplier Code of Conduct for NOVATEK Group Suppliers, which contains recommendations and principles related to business ethics and human rights that NOVATEK expects its suppliers to follow. The Company strives to ensure compliance of its social programs with the industry’s average level and uses the most up-to-date mechanisms for attracting and retaining highly professional employees. The Company’s production facilities are located outside densely populated territories, and the Company monitors compliance with applicable rules and regulations while operating its facilities. The risks related to possible military conflicts, announcement of a state of emergency, or strikes are insignificant, as the Company operates in economically and socially stable regions. |
**Social risks** | The Company is exposed to the following risks of a social nature: | The Company pursues a policy aimed at continuously improving information security processes and ensuring their compliance with law, international standards and best practices in order to improve information protection and enhance the confidence of contractors, partners and investors. One of the priorities is to maintain confidentiality, security and reliability when handling confidential information, including personal data, trade secrets, insider information, confidential information of partners and other organizations that the Company has lawfully become aware of. In accordance with the requirements of Federal Law No. 187-FZ dated 26 July 2017, essential elements of the Company’s critical information infrastructure were broken down into categories and a relevant centralized information security system was designed. An information technology development strategy was developed and approved to ensure the NOVATEK Group’s sustainable development. |
**Risks of information technology and information security (cyber risks)** | The Company is exposed to the risks of information technology and information security risks, such as: | The Company pursues a policy aimed at continuously improving information security processes and ensuring their compliance with law, international standards and best practices in order to improve information protection and enhance the confidence of contractors, partners and investors. One of the priorities is to maintain confidentiality, security and reliability when handling confidential information, including personal data, trade secrets, insider information, confidential information of partners and other organizations that the Company has lawfully become aware of. In accordance with the requirements of Federal Law No. 187-FZ dated 26 July 2017, essential elements of the Company’s critical information infrastructure were broken down into categories and a relevant centralized information security system was designed. An information technology development strategy was developed and approved to ensure the NOVATEK Group’s sustainable development. |
**COVID-19**

The Company’s business may be affected by the following climate change risks:

- **transitional risks** that arise during transition to a lower-carbon economy, e.g., due to changes in stakeholder behavior, changes in legislation, and other changes. If they materialize, these risks can cause additional expenses, hydrocarbon prices below the forecast, reduced revenues, and limited development opportunities;
- **physical risks** that directly affect facilities and are caused by a major short-term impact (e.g., an act of God) or long-term climate change (permafrost degradation, global sea level change, periods of abnormally high temperatures).

The spread of the novel coronavirus (COVID-19) caused financial and economic tensions in the markets around the world, and this is beyond the Group management’s control. To ensure uninterrupted operations during the pandemic, special measures had to be introduced to ensure business continuity and protect the health and safety of the Company’s employees and other stakeholders. The magnitude and duration of these events remain indefinite and may continue to affect the Group’s revenues, cash flows and financial standing.

**Risk insurance**

Risk insurance is an integral part of NOVATEK’s risk management system. In 2020, the insurance coverage guaranteed adequate protection against the risks of damage to the business of NOVATEK, its subsidiaries and joint ventures. Insurance coverage is provided by reputable insurance companies that have high ratings from leading rating agencies with partial reinsurance of risks by major international insurance and reinsurance companies.

**Optimal risk insurance**

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

1. insurance of the risk of property damage/loss, including the risk of mechanical failures;
2. cargo insurance;
3. construction risk insurance;
4. insurance of risks related to prospecting, exploration and production (risk of loss of control over well);
5. directors’, officers’ and companies’ liability insurance (D&O insurance);
6. charterers’ liability insurance, and
7. employees voluntary health insurance as part of the social benefits package.

Since 2013, the Company has in place a comprehensive program of property and business risk insurance with respect to key assets of NOVATEK, its subsidiaries and joint ventures. The cumulative insured amount for the risks of property damage and business interruption as at the end of 2020 was R$ 912 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 15 years, NOVATEK has maintained the directors’ officers’ and companies’ liability insurance (D&O insurance) covering the Group and the Company’s top management against possible third-party claims for any losses incurred through any wrong action (or decision) 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.

**Sustainability Report 2020**

NOVATEK uses stress testing to assess its resilience against the 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 annually 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 are 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 annually and when necessary due to significant macroeconomic changes, including the outlook of revenues 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 2020, the insurance coverage guaranteed adequate protection against the risks of damage to the business of NOVATEK, its subsidiaries and joint ventures. Insurance coverage is provided by reputable insurance companies that have high ratings from leading rating agencies with partial reinsurance of risks by major international insurance and reinsurance companies.

**Obligatory risk insurance**

NOVATEK 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 NOVATEK Group also fully complies with legislative insurance requirements in the countries where it operates.

The NOVATEK Group is a party to the insurance program of property and business risk insurance with partial reinsurance of risks by major international insurance and reinsurance companies, including the following:

- charterers’ liability insurance;
- cargo insurance;
- construction risk insurance;
- directors’, officers’ and companies’ liability insurance (D&O insurance);
- employees voluntary health insurance as part of the social benefits package.

Since 2013, the Company has in place a comprehensive program of property and business risk insurance with respect to key assets of NOVATEK, its subsidiaries and joint ventures. The cumulative insured amount for the risks of property damage and business interruption as at the end of 2020 was R$ 912 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.

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**Sustainability Report 2020**

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**Risk insurance**

Risk insurance is an integral part of NOVATEK’s risk management system. In 2020, the insurance coverage guaranteed adequate protection against the risks of damage to the business of NOVATEK, its subsidiaries and joint ventures. Insurance coverage is provided by reputable insurance companies that have high ratings from leading rating agencies with partial reinsurance of risks by major international insurance and reinsurance companies.

**Obligatory risk insurance**

NOVATEK 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 NOVATEK Group also fully complies with legislative insurance requirements in the countries where it operates.

**Optional risk insurance**

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

1. insurance of the risk of property damage/loss, including the risk of mechanical failures;
2. insurance of the risk of damage from business interruption (business risks).
Climate Change

NOVATEK focuses its environmental protection efforts on approaching climate change management strategically while consistently reducing its GHG emissions. NOVATEK embraces the Paris Climate Agreement ratified by the Russian Federation in 2019 and makes every effort to curb GHG emissions.

31% Reduction of GHG emissions per unit of production in the Upstream segment

8% Reduction of GHG emissions per ton of LNG produced

1.2 mmt of CO₂e GHG emissions prevented due to the reinjection of APG at the Yarudeyskoye field
Climate Change Approaches

Climate change is a global challenge and a key issue for both the oil and gas industry and business in general. NOVATEK focuses its environmental protection efforts on approaching climate change management strategically while consistently reducing its greenhouse gas emissions.

NOVATEK embraces the Paris Climate Agreement ratified by the Russian Federation in 2019 and makes every effort to curb GHG emissions.

NOVATEK’s business strategy published in 2017 applied the forecasts from major research firms, which included scenarios accounting for the Paris Climate Agreement in terms of reducing global CO2 emissions. The forecasts were based on the following key assumptions:

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

In 2020, the Company’s Board of Directors approved Environmental and Climate Change targets, including GHG emissions reduction.

NOVATEK’s Environmental and Climate Change targets to reduce greenhouse gas emissions

By 2030:

- reduce the methane emissions per unit of production by 4%.
- reduce GHG emissions per unit of production in the upstream segment by 4%.
- reduce GHG emissions per ton of LNG produced by 5%.
- increase the APG utilization rate to 99%.

In 2021, as part of its prioritized UN SDG Climate Action, the Company approved its targets to improve energy efficiency, expand the use of renewables, advance the production of hydrogen and methane-hydrogen mixes, as well as other low-carbon gas products.

Climate Change management

Key climate change topics, including corporate governance, strategy, risk management, and climate change targets, are the responsibility of the Company’s top management and are reviewed at the Board of Directors’ meetings.

In August 2020, NOVATEK’s Board of Directors approved the Company’s Environmental and Climate Change targets for the period up to 2030, including emissions reduction and an increase in the APG utilization rate. The Board of Directors approves and follows up sustainability initiatives aimed at ensuring information transparency and generating long-term value for investors and other stakeholders.

The Audit Committee of the Board of Directors, whose responsibility includes monitoring and analyzing the risk management framework effectiveness, has a strong focus on climate change risks. From 2019, the Board’s Remuneration and Nomination Committee took over the responsibility for sustainability monitoring. The Committee prepares recommendations to inform decisions made by the Company’s Board of Directors on sustainability issues, including on climate change.

The Company’s climate change strategy is closely linked to minimizing its environmental footprint. Assessment of climate change risks and opportunities is a standard process within NOVATEK’s Environmental Management System operating to ISO 14001:2016.

Our GHG 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. As part of this system, NOVATEK has compiled an inventory of GHG emissions sources and developed an automated GHG estimation module within the GHG Management System, defining specific GHG emissions targets for each business line (hydrocarbon production and processing, and LNG production).

Issues related to GHG emissions fall within the authority of NOVATEK’s top management, and in particular Deputy Chairman of the Management Board – Operations Director, who is responsible for the Integrated HSE Management System.

Climate change management structure

- Board of Directors approves climate change initiatives
- Remuneration and Nomination Committee with a sustainability function oversees climate change matters on behalf of the Board of Directors
- Deputy Chairman of the Management Board – Operations Director in charge of the Integrated HSE Management System (HSE Department and Offshore Technologies)
- Director for Alternative Energy and Offshore Technologies (Alternative energy)
- Gas and Condensate Production and Processing Department (Energy efficiency)
- HSE Department (GHG emissions, APG)
- Investor Relations Department (Sustainable development)

Recommendations on current sustainability trends, including climate change
Climate change risk management is an integral part of NOVATEK’s multi-tier risk management system. Climate change risks are identified and assessed by risk owners (heads of business lines and structural units) in coordination with the Risk Control Division. Risks are identified in line with a classification according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Materiality of climate change risks is analyzed against the same criteria that are used to assess other types of risks, including probability and financial impact. Financial impact is measured as a combination of negative impact on gross profit or EBITDA, damage to property, and/or additional costs. Risk materiality assessment is adjusted to newly identified external and internal factors.

The Company analyzes climate change risks on an annual basis in order to properly address them and work out appropriate management measures. NOVATEK has a procedure for assessing climate change risks relating to its physical impact on the Company’s operations at the facility design, construction and operation stages as well as when preparing surveyor’s reports for risk insurance purposes. This procedure is a standard element of NOVATEK’s Environmental Management System certified to ISO 14001:2016. NOVATEK plans to update and improve its approaches to climate change risk identification and assessment going forward.

NOVATEK’s business strategy recognizes risks and opportunities related to climate change. The Company regularly monitors market trends, considers the risks and opportunities of current and expected environmental conditions to efficiently manage the Company’s project portfolio and maintain sustainable development, keeps track of changes in legislation regulating GHG emissions, assesses the impact of such changes and updates its plans accordingly, and invests into the development of innovative energy-efficient zero-emission technologies.

The approach to climate change risk management we have implemented allows us to enhance the sustainability of the Company’s strategy. The worldwide trend is to shift to lower-carbon energy sources, which opens up great business prospects 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.

Research firms expect that the pledges made by developed countries as signatories to the Paris Agreement, as well as carbon neutrality targets adopted by many countries 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 in power generation can provide “quick wins” for greenhouse gas (GHG) emissions reductions. The total emissions can be reduced by 1.2 gigatons of CO₂, with existing power infrastructure, which will bring the energy sector’s global emissions down by nearly 10%. Between 2010 and 2018, coal-to-gas switching abated nearly 0.5 gigatons of CO₂.

Analysts estimate that, on average, the share of coal and petroleum products in the global energy mix will decrease while the share of natural gas will at least stay relatively stable or, according to most forecasts, will gradually increase. 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 be an integral part of the global energy mix in the future as technological development helps drive the demand for natural gas and LNG.

For example, 62 mmt of LNG annually could replace up to 162 mmt of bituminous coal, preventing emissions of more than 170 mmt of CO₂, and contributing to global carbon footprint reduction. NOVATEK’s strategy also provides for promoting LNG and compressed natural gas 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.

In October 2020, NOVATEK joined the Methane Guiding Principles global initiative. The initiative is a voluntary international multi-stakeholder partnership between industry and non-industry organizations with a focus on priority areas for action along the natural gas value chain. The Company has joined international oil and gas industry leaders and global organizations to reduce methane emissions from its operations, improve the accuracy of its emissions data and work out measures to control methane emissions. NOVATEK’s GHG emissions and, in particular, methane emissions rates are among the lowest in the global oil and gas sector as the bulk of its output accounts for natural gas.

NOVATEK has developed and is implementing its GHG Emissions Management System standard. Pursuant to the standard, GHG emissions qualification and reporting are included in the Integrated Management System. 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.

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, change in consumer behavior, or failure to meet requirements of investors and other financial market players for climate change disclosure);

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

NOVATEK operates an environmental management system certified to ISO 14001:2016 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.

Since 2008, NOVATEK has been annually reporting on its GHG emissions (including methane) and energy efficiency of its operations via the global Carbon Disclosure Project (CDP).

Since 2019, the Company has been calculating the carbon footprint of its products. In 2020, its GHG intensity ratio decreased by 2.02% year-on-year to 296.1 kg of CO₂ equivalent per barrel of oil equivalent (boe) of output, one of the lowest levels among international and Russian oil and gas producers, which demonstrates a positive trend in the reduction of GHG emissions across the Group. Moreover, for the first time, NOVATEK is disclosing its Scope 3 GHG emissions from the use of Company’s production volumes for the “use of sold products” category in Air Emissions sub-section.

1. IEA’s World Energy Outlook 2019
2. IEA, The Role of Gas in Today’s Energy Transitions
3. Details are available in the Environmental Performance and Protection section, p. 90
4. The GHG intensity ratio is calculated by dividing the total GHG combustion emissions from the total hydrocarbon production volumes (in boe) by
5. Details are available in the Environmental Performance and Protection section, p. 99
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, the 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 the economic or geopolitical situation occur, the demand for natural gas may weaken, while its growth will be significantly slower. As a result, lower than expected prices for hydrocarbons may have a negative impact on the Company’s revenue, as well as on its ability to develop new ambitious LNG projects.

Carbon price
Carbon control systems can be set up as climate policy instruments at the national and regional levels, which can impose carbon quotas or carbon taxes on producers (cross-border adjustment mechanisms), which, in turn, can give rise to significant additional costs for the Company.

Market risk
Possible decline in gas demand in the domestic (Russian) market due to changes in seasonal climate cycles.

Technology risk
Loss of market position due to the development of innovative energy-efficient technologies involving zero GHG emissions and renewables with the ensuing changes in demand for hydrocarbons. At the same time, investments in new low-carbon technologies also pose some risks should they prove ineffective.

Legislative/Regulatory risk
Legislative and regulatory risks are associated with the adoption of new regulations on business activities in the Arctic and GHG emissions, as well as with the requirements for climate change risk disclosures to regulators and stock exchanges.

Reputational risk
Various stakeholder groups and the wider public are becoming increasingly aware of the Company’s role in the context of climate change and the energy transition to low-carbon energy sources. Reputational risks may therefore arise if the Environmental and Climate Change targets are not achieved or fall short of stakeholder expectations. The Company recognizes the importance of building and enhancing a positive profile and improving public perception of the Company’s climate and environmental strategy. The Company contributes to global climate action while facilitating the transition to a low-carbon future and working to maintain regular contact with stakeholders and provide timely and balanced information on the Company’s Environmental and Climate Change targets, as well as on its progress towards achieving them.

Physical risks

Chronic risk
A gradual change in climate and weather conditions may affect the Company’s operations. NOVATEK assesses and considers these risks and the implications of climate change at project design, construction and operation stages 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 cryological monitoring and thermal protection of permafrost soils for pile foundations).

Higher global average temperatures may lead to more frequent forest fires, with smoke and fire affecting nearby industrial facilities.

Acute risk
Risks of lightning strikes, hurricanes, floods, earthquakes, and other natural disasters are considered at the project design, construction and operation stages 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 RUE). This physical risk can be acute primarily due to the increasing frequency of extreme weather phenomena, such as hurricanes, storms, strong winds, floods, and lightning strikes. Over time, it is planned to pay more attention to monitoring such extreme weather phenomena.
**Consideration of climate change scenarios**

The Company considers climate change scenarios while designing the large-scale LNG projects Yamal LNG and Arctic LNG 2. The standard method to identify the climatic conditions under which LNG projects can be designed or to identify the realistic in-use climatic conditions for the equipment is the consideration of historical data as part of engineering and hydrometeorological surveys.

Global warming can potentially reduce ice thickness and the ice cover duration, which would lower overall logistics risks and the costs of LNG transportation.

For future LNG projects, the risk of climate warming will be considered on a project-specific basis.

**Yamal LNG project**

Yamal LNG design solutions capture the probability of climate warming and the resulting risks of building or structure foundation movements. The thermal calculations for foundations included:

- data from global warming studies on the Yamal Peninsula, e.g. the air temperature rise between 1995 and 2018 was 0.7 °C (±0.028 °C per year);
- research data on the forecast increase in the air temperature by 1.4 °C between 1995 and 2050 (±0.026 °C per year).

Air temperature is one of the key drivers affecting performance of the natural gas liquefaction trains. The assumed maximum ambient air temperature of +15 °C is used when designing air coolers, which have a significant impact on performance. The choice of this temperature is determined by the optimal CAPIER/operational performance ratio.

According to meteorological studies, the maximum ambient air temperature at the Yamal LNG project is assumed to be +30 °C while the maximum temperature of +29.7 °C throughout the project’s implementation and operation period was recorded in July 2016.

Actual observations since 2014 reveal that the average daily temperature reaches +15 °C for 8.9 days per year on average, or 2.4% of the total time. The average daily temperature reaches +14 °C for 13.7 days per year on average, accordingly, in the 1 °C scenario, the number of days when production would be constrained by air cooling capabilities is estimated to increase by 4.8 days, or 1.3%.

**96.2%**

APG utilization rate in 2020

The potential reduction in annual LNG production under this scenario is below 1%.

The design capacity of the project’s three liquefaction trains is 16.5 mmt of LNG per year. The actual annual capacity of the three trains is more than 18.2 mmta, which is 10% higher than the design capacity, which has been achieved through an increase in actual equipment reliability and improved performance during the cold season (from October to May, inclusive). This capacity margin is many times greater than the potential risk of lost productivity under potential climate change scenarios.

In addition, usually the trains are shut down for scheduled maintenance in summer, which further reduces the impact of climate change.

**Arctic LNG 2 project**

The Arctic LNG 2 project involves the construction of the Utrenny terminal and three LNG and stable gas condensate production trains (GBS) resting in their design position on the seabed, and the potential rise of soil temperatures does not pose a risk to the integrity of these facilities.

The potential climate change risks for GBS were identified and analyzed within the HAZID and ENVID procedures, with their results reflected in the design.

Our thermal engineering calculations for onshore building or structure foundations reflect the expected increase in the average air temperature of 0.043 °C per year, which completely covers global warming assumptions.

Although the natural gas liquefaction solutions used at Arctic LNG 2 differ from technologies used at Yamal LNG, an additional capacity margin is also projected for the former project during the cold season.

The actual capacity margin of the liquefaction trains will be determined during operation of the project.

1. Hazard identification is one of the principal methods for systematic and structured assessment of HSE risks at various project stages and during its operation.

2. Environmental impact identification (ENVID) is a powerful method for analyzing the environmental and social impacts and risks at various stages of designing or during the operation of existing industrial facilities.


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**Sustainability Report 2020**

**Climate Protection Initiatives**

**APG utilization program**

The Company makes every effort to utilize associated petroleum gas. In 2020, we implemented a technology for deep APG injection at the Yarudeyskoye field. This allowed to cut our GHG emissions by 1.2 mmt of CO₂ equivalent – a major environmental benefit achieved through re-injection of over 367 mmcm in the Yarudeyskoye field formations in 2020.

As a result, NOVATEK’s APG utilization rate achieved 46.17% in 2020. This is a substantial improvement compared to the previous year.

The Company aims to increase APG utilization rate to 99% by 2030.

**Cogeneration technology at gas turbine power plants**

Nearly all of the Group’s production facilities use the cogeneration (heat recovery) technology. Thermal efficiency is as high as 85–90%, reducing combustion product emissions, in particular GHG emissions. In 2020, GHG emissions were reduced by 101,656 tons of CO₂ equivalent through cogeneration technologies.

**Hydrogen production as a promising renewable**

In 2020, NOVATEK began organizational changes for hydrogen production, including creation of a separate business unit (the Department for Alternative Energy & Offshore Technologies, which includes the Alternative Energy and Hydrogen Development Division) whose tasks include conceptual development and preparation for hydrogen production project implementation both within of existing projects (such as Yamal LNG) and new ones.

In 2020, we completed a conceptual evaluation of prospective projects for low-carbon (“blue”) hydrogen production from natural gas with carbon dioxide capture and utilization and the conversion of some of the existing gas turbines to a methane-hydrogen mix, as well as other projects for hydrogen production by electrolysis using renewable energy.
2. The term “carbon-neutral” means that Novatek Green Energy compensated for the amount of greenhouse gas emissions from the following scopes: upstream transport of LNG from the supply source at LNG terminals in Europe to the fueling station, fueling station operations and the final consumption of LNG by end-users.

1. Novatek Polska prior to 3 February 2020.

In December 2020, Novatek Green Energy opened its first carbon-neutral LNG fueling station in Rostock, Germany. The carbon footprint of the LNG sold to consumers, including its final consumption, is compensated through carbon offsetting. A carefully selected portfolio of emission compensation projects includes wind generation projects in developing countries. The emission compensation projects were certified in accordance with the international VCS (Verified Carbon Standard).

On the domestic market, NOVATEK is implementing a project for the sale of LNG as a motor fuel. In August 2020, the first small-scale 40 mtpa LNG plant was launched in Magnitogorsk (Chelyabinsk Region). By the end of 2020, NOVATEK had a total of 11 LNG retail stations (of which 9 were built during the year) in the Ural, Northwestern, Central and Volga Federal Districts. In 2020, fueling station sales increased from 70 tons per month in January 2020 to 540 tons per month in December 2020, with the number of LNG-fueled vehicles up from 30 to 500, including semi-trailer tractors, urban passenger transport and haul trucks. The Company has approved the Small-Scale LNG Investment Project to build 7 small-scale LNG plants. By 2026, LNG as a NGV fuel is planned to be sold from 66 LNG fueling stations. Fueling infrastructure development aims to cover key Russia’s federal highways M-10, M-11, M-4, M-5, M-7, and the Central Circular Road.

The Arc7 ice-class LNG tankers can sail on the Northern Sea Route westward without an icebreaker support year-round and eastward with icebreakers assistance during months with difficult ice conditions. The carriers are powered by low-carbon gas generated by LNG cargo boil-off. The use of LNG carriers not only curbs greenhouse gas emissions, but also poses no risk of significant environmental disaster due to petroleum product spills.

Furthermore, the use of the Northern Sea Route reduces the Company’s shipping times and costs, which is crucial for the development of the fields on the Yamal and Gydan Peninsulas. For example, shipping times to Asia are accelerated by over 40% which also contributes to reducing the climate footprint of product transportation.

LNG transportation by sea

Yamalmax LNG tankers sailing on the Northern Sea Route for the Yamal LNG project have Wartsila 12V50DF and Wartsila 9L50DF engines with a total power of 39.6 MW (Christophe de Margerie, the lead ship in the series with a capacity of 172,845 cubic meters of LNG). These engines can run on both heavy marine fuel and boil-off gas (gas from an LNG recovery system with Cryostar compressors). Use of LNG as marine fuel reduces air emissions of combustion products, including greenhouse gases, from engines compared to heavy marine fuels (fuel oil).

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Sustainability Report 2020

NOVATEK’s strategy as a natural gas and LNG producer calls for active development of the natural gas vehicle (NGV) fuel market naturally both in Russia and abroad. This market segment represents significant growth potential, given increasingly stringent environmental standards. Compared to diesel, LNG produces much less nitrogen oxides and carbon dioxide emissions, with almost no particulate emissions.

As part of NOVATEK’s long-term strategy, the Company plans to build a network of LNG fueling stations in Europe to provide freight transport with clean fuel at key transport connecting points between Germany and Poland. As at the end of January 2021, the Company owned a network of 9 LNG fueling stations as well as 21 regasification units on the European market.

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Decarbonization partnerships

NOVATEK is seeking partnerships to reduce its carbon footprint.

To that end, in 2020, NOVATEK concluded an agreement with Siemens Energy on strategic partnership for LNG production decarbonization. The companies will work together to develop and launch high-tech solutions to produce LNG, electricity, hydrogen and other products in order to support sustainable development and meet the companies’ goals of reducing their carbon footprint and improving environmental efficiency. As part of this agreement, the companies have agreed to launch a project to replace natural gas used as fuel in power generation and LNG with carbon-neutral hydrogen.

In early 2021, the Company also signed a memorandum on decarbonization with the NLMK Group, a major consumer of NOVATEK products. The memorandum confirms the companies’ intention to cooperate in carbon dioxide capture, utilization and storage, hydrogen production technology development and hydrogen fuel usage, as well as development of new products for low-carbon technologies.

In early 2021, NOVATEK and Uniper signed a Memorandum of Understanding to explore and assess capabilities of building a hydrogen supply chain. The companies intend to develop an integrated chain of hydrogen production, transportation, and supply, including to Uniper power plants in Russia and Western Europe. We also consider the idea of supplying “blue” hydrogen produced from natural gas with CO2 capture and storage, as well as “green” hydrogen produced with renewables.

Also in 2021, a strategic cooperation agreement on reducing CO2 emissions was concluded between NOVATEK and Nuovo Pignone, a subsidiary of Baker Hughes, to cooperate in the development of electric and gas-turbine solutions for gas production and liquefaction and reduction of carbon dioxide emissions.
Permafrost

NOVATEK’s main production facilities are located in Russia’s Far North, an Arctic zone with harsh climate and permafrost environment (cryolithozone). The Company evaluates implications for its operations, conducts geotechnical and environmental monitoring, develops a GHG emissions reporting system, and uses innovative technologies to reduce emissions. NOVATEK made a voluntary commitment to regulate its GHG emissions and permafrost footprint and make every effort to reduce adverse impacts on the atmosphere.

NOVATEK follows the precautionary principle in all operations. Based on environmental risk assessment across the entire process chain, the Company takes preventative measures and incorporates potential threat assessment into its decision-making process. Environmental and social requirements of international lenders, such as the Equator Principles and the standards of the International Finance Corporation, have already been adopted and will be diligently followed within NOVATEK. Prior to launching projects we conduct environmental and social impact assessments.

The Yamal LNG and Arctic LNG 2 projects are operated in extremely harsh conditions of the Arctic coast where the annual temperature range is lower than in continental Siberia: winter temperatures range from -20 °C to -35 °C and summer temperatures range from +10 °C to +30 °C. Air temperature rises above zero during only four months of the year, from June to September.

To prevent possible adverse consequences of changes in permafrost condition, appropriate measures are taken at the Company’s fields to make sure subsoil under buildings and structures remains frozen.

The most common technology for keeping soils frozen is using of tubular liquid or vapor-liquid devices called heat pipes. These are placed in the subsoil in vertical wells (in case of pile foundations and vented crawl space) or horizontally/obliquely (in case of structures with slab-on-grade floors) to minimize thermal influence of the structure. A conventional heat pipe consists of two principal elements: an underground evaporator and an above-ground condenser. Various liquids or gases can be used as coolants. In winter, the coolant (refrigerant) condenses, resulting in “transfer of cold” from the atmosphere to the ground by gravity. Then, in the heat exchange process, the coolant evaporates, rising to the condenser, and the cycle repeats. As a result, a significant decrease in the temperature of the ground is observed in winter. In summer, when the ambient temperature rises, the condensation process stops, and that causes the stoppage of the coolant circulation inside the heat pipe. The process stabilizes soil temperature and improves its bearing capacity within the area affected by the heat pipe.

Depending on geotechnical environment and foundation design, different options of heat pipe laying can be used: vertical, horizontal, inclined or a combination thereof.

One of the ways to significantly reduce impacts on permafrost is to build structures on pile foundations with vented crawl space. The Yamal LNG project installed more than 38,000 piles to eliminate any risks of thawing and adverse environmental consequences. This number of piles is unprecedented in the history of completed projects and far above what is required by Russian technical standards as a margin of safety.

Aside from pile foundations, we use sand fill. Permafrost on the Yamal Peninsula is up to 400 meters deep, while the top 1.5–2 meters of soil are an “active layer”, which thaws in summer and freezes again in winter. Sand fill stops seasonal thawing and freezing under the fill, and heat pipes prevent thawed soil layer expansion, thus increasing structural stability and reliability.

Permafrost condition is controlled through geotechnical monitoring by measuring soil temperatures down to the pile tip depth during construction and operation of structures. Temperatures are measured by temperature sensor strings in special thermometric wells directly beneath the structures. A temperature sensor string is a chain of digital temperature transducers connected in series by a flexible cable. Yamal LNG performs this type of monitoring in over 2,500 wells under all structures. The largest of them, such as LNG tanks, have more than 20 temperature sensor strings under each tank. All strings are regularly inspected, with readings entered into special tables (geo-engineering certificates of facilities), enabling identification of any deviations. There are several ways to respond to geo-technical monitoring data, including temperature changes. Generalized thermometry data are used to build heat maps (for areaal facilities) and heat profiles (for linear facilities), i.e. fields and sections of soil temperature at a given depth across the entire facility as isolines superimposed on the facility plot plan. The images are used to identify high temperature zones as well as the cause of temperature rise (a heat source or conditions disturbing natural soil temperature distribution). Response depends on the identified cause and can include changes to the facility operation, better thermal insulation of buildings and structures, adding heat pipes, snow cover “management” (for example, snow removal in early winter to increase frost depth).

Engineering and design of each NOVATEK’s facility includes stability testing by the Company’s contractors for various climate warming scenarios. For example, the Yamal LNG buildings and structures were designed with allowance for potential air temperature rise scenarios (by 4 °C compared to the current levels) and the associated warming of the soil layers (by 2 °C), therefore, underlying soil design and preparation allows potential warming. In addition, permafrost sensitivity analysis was conducted for scenarios of potential rise in average air temperature by 2 °C and 4 °C and soil temperature by 1 °C and 2 °C, respectively (for the period from 1999 to 2019).

Measurements at special background sites and weather stations indicate that the situation is currently developing according to the most favorable scenario. A geocryological map and a construction complexity map were created for Yamal LNG and Arctic LNG 2 to identify areas with higher construction risks.

Thermal insulation of strong heat sources offers additional protection. In particular, use of PENOPLEX XPS at Yamal LNG significantly reduced thermal impact from such sources as the LNG plant flare, buried tanks and others, as evidenced by temperature measurement data.

1 Environmental and social impact assessment (ESIA) documentation is available on Yamal LNG and Arctic LNG 2 project official sites.
NOVATEK’s second large-capacity LNG project, Arctic LNG 2, will be the first LNG plant in Russia and worldwide on a gravity-base structure (GBS), where new technologies will significantly reduce the project capital intensity and minimize its environmental footprint. The GBS platform is not supported by piles as it rests on the seabed close to the shoreline. By using the GBS platform, the Company minimizes impact on permafrost. Furthermore, Arctic LNG 2 is designed for the worst-case scenarios of climate change.

Field infrastructure development plans provide for prevention of thermal impact from field facilities on permafrost. NOVATEK uses regular geotechnical monitoring of its fields to manage this risk, adapt to it and prevent potential adverse consequences as well as to monitor soil bearing capacity and permafrost conditions and temperature.

Geotechnical monitoring consists in measuring soil temperature under all facilities (both production and non-production) – from dormitories and canteens to tanks and compressors – at specified intervals. Monitoring data and identified causes (natural or anthropogenic) determine measures to be taken to prevent soil thawing. Such prevention measures include soil temperature stabilization and use of piles in construction.

Geotechnical monitoring shows that permafrost thawing risk is currently under control.

An indicator of the current condition of foundations is foundation deformations monitored on a regular basis. Deformation measurements are also entered into the geotechnical certificates of structures. Should any changes be identified, they are evaluated against design tolerances, deformation trends are determined, the data are compared with thermometry and visual inspection data to make a decision on further action.

Monitoring of long linear facilities additionally includes route surveys with the collection of data on the facility and natural and anthropogenic conditions along its entire length.

It should also be noted that projects are run in close cooperation with the leading experts in permafrost, such as: Oil and Gas Research Institute of the Russian Academy of Sciences, Lomonosov Moscow State University, Gerasimov Research Institute of Bases and Underground Structures, to name a few. The cooperation includes expeditions, technical calculations, geocryological forecasting, and evaluation of current parameters of natural-anthropogenic interaction.

Geotechnical monitoring at Yamal LNG:

<table>
<thead>
<tr>
<th>No.</th>
<th>Parameter</th>
<th>Annual numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Soil temperature monitoring under structures</td>
<td>Over 5,500 measurements</td>
</tr>
<tr>
<td>2</td>
<td>Structural deformation monitoring</td>
<td>Over 35,500 measurements</td>
</tr>
<tr>
<td>3</td>
<td>Control of temperature stabilization system operation</td>
<td>Installation of more than 22,000 heat pipes</td>
</tr>
<tr>
<td>4</td>
<td>Use of space radio interferometry imaging</td>
<td>1 space image (for the entire territory)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15 radar images</td>
</tr>
<tr>
<td>5</td>
<td>Visual inspections</td>
<td>At least two inspections of each facility</td>
</tr>
<tr>
<td>6</td>
<td>Monitoring of water content in soil and natural processes</td>
<td>At least twice, including by space imaging</td>
</tr>
<tr>
<td>7</td>
<td>Measurements of snow cover</td>
<td>Over 2,000 measurements</td>
</tr>
</tbody>
</table>

Geotechnical monitoring at Arctic LNG 2:

<table>
<thead>
<tr>
<th>No.</th>
<th>Parameter</th>
<th>Annual numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Soil temperature monitoring under structures</td>
<td>Over 4,500 measurements</td>
</tr>
<tr>
<td>2</td>
<td>Structural deformation monitoring</td>
<td>Over 27,000 measurements</td>
</tr>
<tr>
<td>3</td>
<td>Control of temperature stabilization system operation</td>
<td>Installation of more than 600 thermal stabilizers</td>
</tr>
<tr>
<td>4</td>
<td>Using of space images</td>
<td>1 space image (for the entire territory)</td>
</tr>
<tr>
<td>5</td>
<td>Visual inspections</td>
<td>At least two inspections of each facility</td>
</tr>
<tr>
<td>6</td>
<td>Monitoring of water content in soil and natural processes</td>
<td>At least twice, including by space imaging</td>
</tr>
<tr>
<td>7</td>
<td>Measurements of snow cover</td>
<td>Over 500 measurements</td>
</tr>
</tbody>
</table>

Geological monitoring at Arctic LNG 2:

The main risk to integrity of buildings and infrastructure is associated with potential destabilization of the frozen soil foundations. Since all facilities are designed to minimize their impact on permafrost and use temperature stabilization and geotechnical monitoring, the likelihood of this risk is evaluated as medium. This evaluation is confirmed at least four times a year based on data on the current condition of facilities. In addition, Guidelines for the Evaluation and Prevention of Technical and Geocryological Risks on the South-Tambeyskoye Field were developed to inform employees designing, building and operating facilities on the field of measures to prevent these risks.

As the most of the Company’s production facilities are in the Russian Arctic, prediction and monitoring of permafrost condition and cryogenic processes is an important consideration during pre-project surveying, engineering and design, construction and operation of buildings and structures. Special measures are implemented to maintain soil stability and bearing capacity both on areal and linear facilities on sites with confirmed presence of permafrost. The facilities are also provided with means to monitor soil and facility temperatures and movements (geotechnical monitoring).

Project implementation (both during surveys and operation), special attention is paid to identification and prediction of such cryolithozone hazards as frost mounds, gas hydrates and cryopegs. Advanced engineering technologies, thermal calculations and subsequent verification through geotechnical monitoring enable high-quality assessment of permafrost and facility condition. In addition, an industrial (local) environmental monitoring program includes identification of active cryogenic process – frost cracking, cryokarst and thermoerosion, frost have and other forms of permafrost evolution and degradation. In 2020, these studies covered several license areas in the Yamal and Tazovsky Districts of the Yamal-Nenets Autonomous Region. Combined with the geotechnical monitoring results, the studies provide an objective representation of permafrost conditions in the Company’s regions of operation.

Monitoring of geological environments as well as buildings and structures during construction and operation in the cryolithozone by NOVATEK shows that permafrost thawing and degradation risk is currently low and has no significant impact on the Company’s operations.

**Geocryological risk assessment**

The main risk to integrity of buildings and infrastructure is associated with potential destabilizing of the frozen soil foundations. Since all facilities are designed to minimize their impact on permafrost and use temperature stabilization and geotechnical monitoring, the likelihood of this risk is evaluated as medium. This evaluation is confirmed at least four times a year based on data on the current condition of facilities. In addition, Guidelines for the Evaluation and Prevention of Technical and Geocryological Risks on the South-Tambeyskoye Field were developed to inform employees designing, building and operating facilities on the field of measures to prevent these risks.

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In August 2020, NOVATEK’s Board of Directors approved the environmental and climate change targets for the period up to 2030 aimed at atmospheric emissions reduction including GHG emissions as well as at the increase of share of waste directed to utilization and disposal.

Will be allocated for the implementation of measures towards Environmental and Climate Change targets in 2021–2023.

12.4 RR bln

Environmental expenses in 2020

2.4 RR bln

Reduction of waste generation

41 %
Environmental Vision

The Company’s environmental protection efforts are focused on preventing and reducing the potential negative environmental impact of NOVATEK’s facilities.

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

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

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

The Company’s HSE Department is responsible for environmental protection and sustainable management of natural resources.

NOVATEK subsidiaries and joint ventures use the integrated HSE Management System compliant with ISO 14001:2015 as regards environmental management. As at end of 2020, 9 out of 23 (39%) Group subsidiaries and, for some projects, international organizations such as the World Wildlife Fund for Nature (WWF), Marine Mammal Council (Russian Federation), and the Russia-UK Environmental Information Partnership were certified to ISO 14001:2015.

In 2020, the Company consistently focused on working towards interim milestones for its environmental targets.

In 2020, NOVATEK’s Board of Directors adopted Environmental and Climate Change targets for the period up to 2030. The year 2019 was adopted as the baseline for the implementation of the targets.

The Company’s Strategic Targets in Environmental Protection

- • By increasing APG injection for pressure maintenance, we reduced GHG emissions in 2020, as indicated by GHG emissions per unit of production in the upstream segment. We achieved our target and even exceeded it by 26% vs. the 2020 estimate. The Group’s operations use cogeneration technology, almost doubling fuel efficiency to achieve lower fuel gas consumption and a significant reduction in GHG emissions. In 2020, GHG emissions were reduced by 101,656 tons of CO2 equivalent through cogeneration technologies.

- • Methane emissions per unit of production exceeded the 2020 estimate by 6% due to increased methane emissions as a result of production capacity growth.

- • By transitioning to direct measurements of pollutants at the emissions sources the target for air pollutant emissions per unit of production was achieved (exceeding the 2020 estimate by 4%).

- • Some estimates, though, were not achieved in 2020: in particular, the share of waste directed to utilization and disposal were below the 2020 estimate (missed by 8%). This was due to delayed arrivals of contractors to facilities amid COVID-19 restrictions and subsequent temporary suspension of waste recycling.

- • Methane emissions per unit of production exceeded the 2020 estimate by 6% due to increased methane emissions as a result of production capacity growth.

In 2020, NOVATEK subsidiaries and joint ventures held a total of 24 public consultations to discuss the results of environmental impact assessments (EIAs) for future projects in the Nadymsky, Yamal’sk, Tazovsky and Purovsky Districts of the Yamal-Nenets Autonomous Region, and in the Kingiseppsky District of the Leningrad Region. In particular, communities discussed projects for surveys, brownfield expansion and field facility construction, as well as overhaul of processing facilities. Participants in the public consultations had the opportunity to read the EIA documents and get answers to their questions and express their own views about the proposed activity, including by voting. All of these projects secured the public endorsement as shown by the majority voting of participants.

COVID-19 restrictions in 2020 had only a minimal impact on the effectiveness of environmental support for the Group projects. Thus, rather than arranging traditional meetings with local communities and other stakeholders, discussions of the EIA results moved online, leveraging various remote collaboration tools, including video conferencing. The high technical level of workplace setups of Company specialists and municipal administrations organizing these meetings enabled us to safely run all statutory procedures for composing and discussing EIA documents and considering stakeholder feedback and suggestions related to new projects.

The Company’s hydrocarbon production, transportation, processing, storage and shipment activities at all stages – from project initiation to completion – are accompanied by comprehensive environmental support aimed at identification, assessment and mitigation of environmental risks. The elements of this support include engineering and environmental surveys, environmental impact assessment, design of environmental measures, environmental review, environmental monitoring and control, and various formats of interaction with supervising authorities and other stakeholders during environmental management.

In 2020, the Company’s Board of Directors adopted Environmental and Climate Change targets for the period up to 2030. The year 2019 was adopted as the baseline for the implementation of the targets. To improve the accuracy of measuring the achievement of long-term Environmental and Climate Change targets, additional annual environmental and climate-related annual reports were introduced, considering the Company’s potential growth. NOVATEK plans to allocate RR 12.4 bln for the implementation of measures towards Environmental and Climate Change targets in 2021-2023.

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2. The calculation is based on the Company’s proportional share in joint ventures, for more details see p. 99.

1. GHG emissions reduction targets, including methane emissions, have been set as per Scope 1.

Environmental protection training

In 2020, more than 150 NOVATEK specialists successfully completed a range of advanced training programs in environmental protection.

Environmental management

Due to COVID-19 restrictions, training and testing were organized remotely, enabled by the high technical level of workplace setups.

As in previous years, managers at various levels of the organization and young specialists involved in environmental support for the Group’s projects also took advanced training programs.

The need for additional health protection and healthcare support measures in 2020 necessitated upskilling for a number of medical waste management professionals.

In addition, integrated management (including environmental management) system implementation by subsidiaries and joint ventures called for additional training efforts in 2020, more than 60 specialists underwent training and certification in this area.

The entire Yamal-Nenets Autonomous Region is included in the list of areas where indigenous peoples of the Far North traditionally live and engage in economic activity. However, specially protected areas of traditional use of natural resources by the indigenous peoples of the Far North have not been established so far within the boundaries of the autonomous region.

The Company conducts annual environmental impact assessment of land use within areas affected by its operations via its scheduled environmental monitoring programs.

Subjects

<table>
<thead>
<tr>
<th>Subjects</th>
<th>Number of people trained in environmental management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental safety for managers and general business management specialists</td>
<td>96 27 34</td>
</tr>
<tr>
<td>Environmental safety and hazardous waste handling</td>
<td>89 67 24</td>
</tr>
<tr>
<td>Environmental safety for managers and specialists of environmental departments and environmental control systems</td>
<td>28 2 8</td>
</tr>
<tr>
<td>Professional training of persons authorized to handle Class 1-4 hazardous waste</td>
<td>26 29 35</td>
</tr>
<tr>
<td>Other environmental programs, including environmental management</td>
<td>11 66 95</td>
</tr>
<tr>
<td>TOTAL</td>
<td>257 191 196</td>
</tr>
</tbody>
</table>


Environmental Monitoring and Control

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 and having relevant licenses) as per applicable programs and methodologies.

It involves examining the condition of environment components, taking snow, soil, ground, surfacelground water and seabed sediments samples, checking the condition of the local flora, animals and microorganisms, estimating air pollution, studying and recording signs of dangerous exogenous processes (including cryogenic) and hydrological phenomena. The status of fish stock and fodder resources in water areas is studied along with hydrological 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 cross-country 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:

- 1.15 – background pollution (good);
- 1.5–2.5 – low pollution (satisfactory);
- 2.5–3.6 – moderate pollution (nonhazardous);
- 3.5–4.6 – high pollution (hazardous); and
- 4.5 and more – extremely high pollution (critical).

In general, in 2020, the studies showed that the conditions of environmental components in the target sections of 38 fields and license areas were satisfactory with a low level of environmental pollution. Integrated assessment was performed using a set of five indicators:

- total snow cover pollution index;
- surface water pollution index;
- bottom sediment characteristics in terms of petroleum products content;
- total soil pollution index; and
- soil characteristics by the content of petroleum products.

In 2020, the Group spent RR 134 mln to arrange and run environmental monitoring in areas potentially impacted by its projects.1

To reduce the negative impact on the environment, a multitherm operational environmental control system is in place at the Company’s subsidiaries and joint ventures. The majority of NOVATEK’s large production subsidiaries and joint ventures have a chemical laboratory fully equipped for prompt operational analysis. The environmental operational control system feeds data to analyze and streamline our core processes.

In 2020, the Federal Service for Supervision of Natural Resources (Rosprirodnadzor), Federal Agency for Fishery, Russian regional executive authorities and public prosecution offices held scheduled and ad-hoc audits at major production NOVATEK subsidiaries and joint ventures with respect to environment protection and sustainable management of natural resources.

In 2020, 108 audits were held with respect to environment protection and sustainable management of natural resources: 63% were audits by the Federal Service for Supervision of Natural Resources and 41% were audits by Russian regional public prosecution offices with 6% performed by other authorities. Following the audits, measures were taken to eliminate the deficiencies identified.

In 2020, the Company was fined for a total of around RR 1.66 mln for environmental breaches, avoiding administrative punishments such as projects suspensions.

The rational use of resources is one of the key principles of NOVATEK’s energy policy. The Company pays close attention to reducing the consumption of fuel and energy resources and improving the energy efficiency of technological processes and equipment used, as well as to using modern highly efficient technologies when developing design solutions and technical requirements for equipment, especially under new investment projects.

The Company widely applies well-known advanced technical solutions aimed at improving energy efficiency, including:

- frequency-controlled electric drives for pumping and compressor equipment;
- efficient automatically controlled electric lighting and electric heating systems; and
- LED lighting installations, cogeneration technologies.

In its operations, NOVATEK adheres to federal energy efficiency regulations (Federal Law No. 261-FZ “On Energy Saving and Energy Efficiency Improvement”, Resolution of the Russian Government No. 600 “On Approving the List of Facilities and Technologies Designated as High Energy Efficiency Facilities and Technologies”, to name a few).

A number of NOVATEK subsidiaries and joint ventures implement an annual energy saving and energy efficiency improvement program to enhance the energy efficiency of production activities and reduce the amount of resources used. The program comprises measures to introduce energy-saving technologies and new energy-efficient equipment, as well as organizational and technical measures aimed at reducing energy consumption in all areas of production activities.

The energy management system is based on consumption planning and metering, analysis of actual results, and adjustment of consumption plans.

In 2021, the following targets for energy efficiency and the use of renewable sources of energy were adopted under the UN’s priority SDG No. 7, Affordable and Clean Energy:

- expand the use of renewables for gas and condensate production facilities;
- use energy-efficient LNG production technologies to increase the availability of LNG and reduce greenhouse gas emissions; and
- continuously improve energy efficiency of hydropower production and processing.

Energy-saving initiatives implemented by NOVATEK in 2020 enabled an overall reduction in energy consumption by 30,500 GJ due to an 8.4 mln kWh reduction in electricity consumption, which accounted for 0.3% of the total electricity consumption by the Group. Initial values posted prior to the implementation of energy efficiency improvement initiatives were used as the basis to calculate consumption reductions.

The principles of efficient use of energy resources are laid down at the design stage of new technological facilities through the use of modern technologies and equipment.

The Company uses environmentally safe renewable sources of energy based on solar modules and wind turbines. Small-capacity renewable sources of energy are used to supply power to telecom units at trunk pipelines and well pads at gas condensate fields. The total number of such renewable energy systems in 2020 was 148, up 16% year-on-year.

In 2020, we generated a total of 222,000 kWh of electricity from renewable sources (146,000 kWh).
and 76,000 kWh by solar modules and wind turbines, respectively), representing 0.01% of NOVATEK’s total electricity generation.

**302.2 Investments in renewable energy include the cost of constructing renewable sources of energy to supply power to telemechanics units at trunk pipelines and well pads at gas condensate fields under new investment projects. Renewable sources of energy are an alternative to overhead power lines applied with an appropriate economic justification for facilities located in remote areas.**

The Company also widely uses secondary energy resources – heat from flue gases of gas turbines and gas engine generators. Heat generation from secondary energy resources is an energy-saving cogeneration technology, reducing the consumption of primary energy resources (fuel gas). In 2020, heat generation from secondary energy resources amounted to 2,012 thousand GJ, which accounted for 68% of the total heat consumption.

### 302.3 Energy intensity in 2018–2020 by process

#### Process

<table>
<thead>
<tr>
<th>Metric</th>
<th>Units</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy consumption by NOVATEK production subsidiaries and joint ventures in 2018–2020</strong>¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total consumption of heat and electricity</td>
<td>thousand GJ</td>
<td>10,337</td>
<td>12,943</td>
<td>13,482</td>
</tr>
<tr>
<td>Consumption from non-renewable sources (natural gas) to produce heat and electricity</td>
<td>thousand GJ</td>
<td>20,720</td>
<td>30,467</td>
<td>34,983</td>
</tr>
<tr>
<td>Aggregate electricity consumption</td>
<td>mln kWh</td>
<td>1,862</td>
<td>2,691</td>
<td>2,927</td>
</tr>
<tr>
<td>Aggregate heat consumption</td>
<td>thousand GJ</td>
<td>3,632</td>
<td>3,263</td>
<td>2,944</td>
</tr>
<tr>
<td><strong>Energy intensity in 2018–2020 by process</strong>²</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas production, kWh/mcm</td>
<td>2.1</td>
<td>2.4</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Condensate production, kWh/ton</td>
<td>10.7</td>
<td>10.8</td>
<td>10.9</td>
<td></td>
</tr>
<tr>
<td>Oil production, kWh/ton</td>
<td>21.4</td>
<td>27.6</td>
<td>34.6</td>
<td></td>
</tr>
<tr>
<td>Condensate processing, kWh/ton</td>
<td>6.5</td>
<td>6.6</td>
<td>6.3</td>
<td></td>
</tr>
<tr>
<td>Gas liquefaction, including shipments of LNG and gas condensate (Yamal LNG), kWh/ton</td>
<td>107.6</td>
<td>87.9</td>
<td>91.8</td>
<td></td>
</tr>
</tbody>
</table>

The use of secondary energy resources drove a 64 mcm reduction in fuel gas consumption in 2020.

Specific energy consumption, defined as the ratio of electricity consumption to production volume (the volume of produced gas in mcm, the volume of condensate, oil, and LNG in tons), is used to assess the energy intensity of technological processes.

### 302.4 Air emissions in 2018–2020, tons

#### Air emissions in 2018–2020, tons

<table>
<thead>
<tr>
<th>Metric</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air emissions total</td>
<td>70,302.0</td>
<td>75,603.1</td>
<td>87,272.6</td>
</tr>
<tr>
<td>CO₂</td>
<td>8,646.7</td>
<td>13,295.9</td>
<td>11,082.6</td>
</tr>
<tr>
<td>CH₄</td>
<td>3,873.5</td>
<td>2,666.6</td>
<td>5,590.3</td>
</tr>
<tr>
<td>NOₓ</td>
<td>40,059.2</td>
<td>48,103.1</td>
<td></td>
</tr>
<tr>
<td>VOCs</td>
<td>12,816.1</td>
<td>13,268.2</td>
<td>13,178.3</td>
</tr>
<tr>
<td>Other</td>
<td>17.8</td>
<td>64.9</td>
<td>80.3</td>
</tr>
</tbody>
</table>

**Air Emissions Report 2020**

The environmental performance data was calculated based on the Company’s proportional share in joint ventures: 50% in Arcticgas, 50% in Nortgas, 51% in T Naturalgas, 60% in Arctic LNG 2, and 61% in Stinggas-Vysotsk. The calculation for Yamal LNG and Sabatia International Airport with the Company’s share at 50% is based on 60% share due to production of the South-Tambeyskoye field developed by Yamal LNG reported at 60% including an additional 9% interest not owned by the Group, since the Group assumes certain economic and operational risks related to this interest. Energy efficiency data is calculated based on 100% Company’s share.

**Air and greenhouse gas emissions**

- **Atmospheric air protection** is one of the focus areas of the Company’s environmental activities, requiring special attention. The Company does not emit highly toxic and ozone-depleting substances, and there are no hazardous air pollutants in the Company’s emissions.

The Company set a long-term target of 20% reduction in air pollutant emissions per unit of production by 2030 compared to the 2019 baseline.

The Company strives to minimize emissions and ensures that emergency emission risks are accounted for at the earliest stages of project design. Emergency emission prevention is included in FEED and detailed documentation for field development and construction of hazardous production facilities. Construction of new buildings and structures requires, as and when stipulated by applicable Russian laws, positive conclusion of a state environmental review and chief state review of engineering survey and design documentation. All projects must include provisions for preventing emergency emissions, fires, spills, and other emergencies by 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 loss of containment and hydrocarbon emissions.

**Cryogas-Vysotsk** operates an automatic system to monitor industrial emissions, including greenhouse gases (GHG). Universal advantages of automatic emission monitoring systems include higher reproducibility of measurements, uniform data acquisition, processing and visualization algorithms, lower labor intensity and lower risk for personnel in hazardous areas, as well as monitoring continuity.

The Company runs a Lean Production program to eliminate air emissions: sustainable use of formation water (injection to maintain formation pressure) eliminates previously used formation water flaring.
In 2020, air emissions totaled 87.3 thousand tons. Fueling stations of NOVATEK-AZK are located in urban territories (in large cities, such as Chelyabinsk, Zhatoust, Rostov-on-Don and Volgograd), with total 2020 emissions of 19 tons, or 0.022% of all emissions by NOVATEK.

In 2020, specific air emissions amounted to 0.143 tons per mboe.

**GHG emissions**

The Company’s subsidiaries successfully implemented the Greenhouse Gas Emissions Management System Standard, which establishes key principles and requirements for GHG emissions management in subsidiaries and joint ventures. The Company’s corporate GHG Emissions Management System is tailored to its production processes, feedstock composition and equipment. The system complies with ISO 14064-1:2007 and Russian Government Resolution No. 305-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. GHG emissions were calculated in accordance with the technique approved by Order No. 300 of the Ministry of Natural Resources and Environment dated 30 June 2015 “On the Approval of Recommended Practices and Guidelines for the Measurement of GHG Emissions by Business and Other Entities Operating in the Russian Federation”.

In 2020, direct GHG emissions (Scope 1) totaled 9,055,750 tons of CO₂ equivalent. Scope 1 emissions from stationary combustion, including flaring, totaled 8,852,968 tons of CO₂ equivalent, fugitive emissions totaled 166,816 tons of CO₂ equivalent with other emissions at 35,966 tons of CO₂ equivalent.

Location-based energy indirect (Scope 2) GHG emissions totaled 228,498 tons of CO₂ equivalent, including emissions in the Yamal-Nenets Autonomous Region (Urals Interconnected Power System, Tyumen Region): 204,184 tons of CO₂ equivalent; and the Leningrad Region (North-West Interconnected Power System): 24,314 tons of CO₂ equivalent.

In 2021, an independent audit by Bureau Veritas Certification Rus verifying data on 2020 Scope 1 and 2 GHG emissions was performed. Bureau Veritas Certification Rus confirmed the compliance of NOVATEK’s Greenhouse Gas Emissions Management System with ISO 14064-1:2007 “Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals”.

In 2020, Scope 3 GHG emissions (indirect emissions from the use of Company’s production volumes) totaled 173,250,940 tons of CO₂ equivalent.

NOVATEK sets both short and long-term targets for reducing GHG emissions intensity.

The short-term target is to keep specific emissions below the levels of the base year: 2016 for hydrocarbon production, 2017 for hydrocarbon processing, and 2018 for LNG production. GHG specific emissions in 2020 did not exceed these baselines.

Long-term targets to be achieved by 2030 are to reduce Scope 1 GHG emissions from the base year, namely:

- reduce methane emissions per unit of production in the production, processing and LNG segments by 4%;
- reduce GHG emissions per unit of production in the upstream segment by 6%; and
- reduce GHG emissions per ton of LNG produced by 6%.


1. The increase in specific air emissions in 2020 was driven by production capacity growth. The North-Russiysye and East-Tazovskoye fields came onstream in 2020 as additional sources of emissions.

2. Scope 3 GHG emissions from the use of Company’s production volumes were calculated for the first time ever in 2020. The calculations used Scope 3 Accounting and Reporting Standard of the Greenhouse Gas Protocol, version 1.0, with the assumption for category 9 (Use of sold products) that all production volumes were combusted.

3. 2019 is the base year for the long-term targets.
In 2020, specific GHG emissions stood at 8.65 tons of CO₂ equivalent per mboe for production facilities, 0.031 tons of CO₂ equivalent per ton of processed hydrocarbons for processing facilities, and 0.24 tons of CO₂ equivalent per ton of LNG for LNG production facilities.

The Company made every effort to use associated petroleum gas (APG) efficiently. The Company set a target to increase the APG utilization rate to 99% by 2030.

In 2020, NOVATEK pushed efficient APG use to 96.17%, a significant year-on-year improvement, 5.1 bcm of APG were used efficiently, while close proximity of natural gas treatment facilities enables gas treatment to the requirements of STO Gazprom 089-2010 and sale through a trunk gas pipeline system. A synergy of oil and gas treatment and transportation facilities enables economic production of APG.

NOVATEK uses a systemic approach to manage waste of hazard classes 1-5 throughout the life cycle, from providing safe temporary storage of waste to waste treatment, landfilling and utilization. The Company chooses the most advanced methods for waste reuse. NOVATEK uses the resource-based view of waste management to reuse waste, whenever possible, in manufacturing and business activities by finding consumers that can recycle the Company’s waste.

NOVATEK set a target to increase the share of waste directed to utilization and disposal to 90% by 2030 compared to the 2019 baseline.

The Company strives to increase waste recycling to mitigate potential impact on the environment. In 2020, a total of 879 tons of waste were reused, including 3 tons of waste paper and cardboard, 802 tons of ferrous and non-ferrous scrap, 5 tons of spent batteries, 57 tons of spent industrial oils, and 13 tons of catalyst waste, which helped to prevent negative impacts on the environment.

The Company implements initiatives to reduce waste generation. For example, in 2020, the Group reused 2,491 cubic meters of industrial oils by using the TCC Hammer MI system for thermal desorption of drilling waste.

In 2020, the Group’s operations generated 47,214 tons of waste, down 41% year-on-year. The share of very highly hazardous and highly hazardous waste (Classes 1 and 2) was insignificant (below 0.1%), found mainly in mercury lamps and fluorescent tubes containing mercury, as well as spent lead-acid batteries. The rest was moderately hazardous and low-hazard waste of classes 3, 4 and 5. The bulk of waste was low-hazard or practically non-hazardous (mainly drill cuttings).

In 2020, well drilling for natural gas, gas condensate and oil by the Group generated 37,445 tons of drilling mud, of which 11,991 tons were treated and 20,577 tons were utilized. In order to reduce drilling waste impact on the environment, drilling mud is utilized by using thermal desorption and other physical and mechanical methods found to be acceptable by state environmental review. A unique drilling mud processing system at the Yurkharskoye and South-Tambeyskoye fields effectively solved the problem of drilling mud utilization for disposal on the shore of Ob Bay, while providing significant environmental and economic benefits through the reuse of oil-base mud.

All subsidiaries and joint ventures keep primary records of waste generation and movements to make sure waste data are available and traceable.

The Company does not transport, import, export or treat waste deemed hazardous under the terms of the Basel Convention Annexes I, II, III, and VII, and does not ship such waste internationally.

In 2020, the Group utilized 22,574 tons of hazardous and non-hazardous waste, either internally or outside the Company by licensed contractors. The Company’s purpose is to get 100% of hazardous waste utilized or treated.

The Company takes a responsible approach to waste disposal by compliance with approved instructions and generally accepted safety practices and by environmental monitoring of waste handling. In 2020, 2,276 tons of non-hazardous waste were landfilled within the Company’s premises, and 1,426 tons of hazardous waste were landfilled outside the Company’s premises by licensed contractors. 3,275 tons of non-hazardous waste were sent for storage in a specialized facilities both within and outside the Company’s premises, 16,525 tons of production and consumption waste were treated internally or by specialized contractors.

We have an ever-growing separate waste collection and disposal system deployed across operations. Leveraging this system, NOVATEK-Vykhodnaya, for instance, benefits from selling its waste after separate collection. The following types of waste were sold in 2020: waste oils, spent batteries, plastic containers, paper and cardboard waste, ferrous scrap, pipes, and catalysts. In 2020, NOVATEK extended the existing separate collection system rolled out across our operations to several more subsidiaries.
**Utilized waste in 2020, tons**

<table>
<thead>
<tr>
<th></th>
<th>Within the Company’s premises*</th>
<th>Outside the Company’s premises*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hazardous waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processed and utilized</td>
<td>–</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td><strong>Non-hazardous waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processed and utilized</td>
<td>6,163</td>
<td>16,411</td>
<td>22,574</td>
</tr>
</tbody>
</table>

* Waste was categorized into hazardous and non-hazardous depending on the hazard class, i.e. waste of hazard classes 1 and 2 were categorized as hazardous, wastes of classes 3–5, as non-hazardous.

**Utilized waste by disposal in 2020, tons**

<table>
<thead>
<tr>
<th></th>
<th>Within the Company’s premises*</th>
<th>Outside the Company’s premises*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hazardous waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treated</td>
<td>–</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Non-hazardous waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landfilled</td>
<td>2,275</td>
<td>1,426</td>
<td>3,701</td>
</tr>
<tr>
<td>Sent for storage in a specialized facility</td>
<td>3,272</td>
<td>3</td>
<td>3,275</td>
</tr>
<tr>
<td>Treated</td>
<td>5,926</td>
<td>10,596</td>
<td>16,522</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>11,473</td>
<td>12,025</td>
<td>23,498</td>
</tr>
</tbody>
</table>

**Water Use and Discharge**

**303-1** NOVATEK is committed to sustainable water use and efficient wastewater treatment. The Company keeps primary records of consumed and discharged water, with withdrawal and discharge volumes verified by authorized state regulators inspecting compliance with laws and regulations on waterbody protection at intervals depending on risk-based environmental footprint ranking. Additionally, the Company follows environmental monitoring procedures. No conflicts related to water resource use with local community stakeholders were reported in 2020.

**303-4** In 2020, total water consumption by the Company across its footprint decreased by 14% year-on-year to 2,040 mcm (excluding produced water reinjected for pressure maintenance), with most water used for production needs. Surface water and groundwater are the main sources of water, accounting for 58% and 41% of total water withdrawal in 2020, respectively.

**303-5** In 2020, produced water totaled 7,763 mt, including water from production wells (4,631 mt) and water wells (3,232 mt). 5,638 mt of water were injected for pressure maintenance.

**303-3** In 2020, specific water consumption by production facilities dropped 4% to 2.17 cubic meters per mbue, due to completion of an exploration well drilling in the water area. Specific water consumption by processing facilities dropped by 7% to 0.01 cubic meters per mt of products due to an increase of condensate processing volumes compared to water consumption.

**Water discharge**

The Company uses the following wastewater discharge destinations:

- Injection for pressure maintenance;
- Combustion in horizontal gas flare systems;
- Injection into formations with high injectivity; and
- Surface discharge.

In 2020, the Company’s total water discharge (excluding water injected for pressure maintenance) stood at 1,705 mcm, down 29% year-on-year.

**303-7** 630 mcm of wastewater treated to standard quality were discharged into water bodies. All wastewater undergoes primary treatment before any discharge, including flaring and injection. Requirements for effluent quality are set by applicable laws and regulations, including industry standards. These requirements are used to determine discharge limits for specific water bodies and get approvals for these limits from regulators. The Group observes established limits in all operations. Chemicals to be removed from contaminated water and removal requirements are determined in accordance with the applicable Russian laws and regulations using the risk-based approach, followed by water treatment to remove these chemicals. Discharged wastewater is classified by salinity as freshwater.

The Company does not discharge hydrocarbon contaminated water into water bodies.

**303-1** The Company’s efforts to identify and prevent negative impacts on water resources are based on measurements and chemical analysis: the Company’s facilities develop, update as necessary, and implement monitoring programs which include wastewater sampling and chemical analysis in accordance with all applicable procedures. Wastewater sample analysis shows that hydrochemical parameters of effluents and pollutant concentrations fall within permissible limits.

Aiming to use water resources sustainably and reduce impacts on water resources as well as to preserve aquatic biological resources and their environments, the Company designs wastewater treatment systems for new facilities, treats all discharged wastewater, monitors effluent quality, and complies with applicable standards.

**303-2**

**303-3** **Sustainability Report 2020**

**Water withdrawal by source type and category in 2020, mcm**

<table>
<thead>
<tr>
<th>Water source</th>
<th>Total</th>
<th>Freshwater</th>
<th>Other water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundwater</td>
<td>827</td>
<td>827</td>
<td>-</td>
</tr>
<tr>
<td>Third-party water</td>
<td>29</td>
<td>29</td>
<td>-</td>
</tr>
<tr>
<td>Surface water</td>
<td>1,934</td>
<td>1,930</td>
<td>88</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,040</td>
<td>1,932</td>
<td>88</td>
</tr>
</tbody>
</table>

**Water consumption by destination in 2020, mcm**

<table>
<thead>
<tr>
<th></th>
<th>Groundwater - 64%</th>
<th>Water bodies - 37%</th>
<th>Gas flare systems - 9%</th>
<th>Third parties - 2%</th>
<th>Wastewater stabilization ponds - 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td>630</td>
<td>869</td>
<td>532</td>
<td>201</td>
<td>1,307</td>
</tr>
</tbody>
</table>

**Water consumption in 2018–2020, mcm**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>General needs</td>
<td>145</td>
<td>37</td>
<td>24</td>
</tr>
<tr>
<td>Production needs</td>
<td>268</td>
<td>249</td>
<td>158</td>
</tr>
<tr>
<td>Third-party needs</td>
<td>25</td>
<td>36</td>
<td>29</td>
</tr>
<tr>
<td>Other needs</td>
<td>22</td>
<td>18</td>
<td>56</td>
</tr>
</tbody>
</table>

**Sustainability Report 2020 THINK GREEN. THINK NATURAL GAS.**
Biodiversity Conservation and Disturbed Land Remediation

Matters of biodiversity conservation and disturbed land remediation are an integral part of NOVATEK’s Health, Safety and Environment Policy and are always included in EIA prepared for the Group’s projects in accordance with Russian and, for some projects, international requirements. Engineering and design documentation for construction projects provides for the prevention, mitigation and compensation of negative impacts of the planned activities on biodiversity components. Adequacy and effectiveness of these provisions are confirmed by follow-up monitoring in areas potentially affected by the projects.

In 2020, the main content of NOVATEK standard ISU-D-14 Biodiversity Conservation Management was ready, with a multistage internal review procedure completed. The document approval and implementation is scheduled for 2021.

In 2019, under the Ecology national project and the Business and Biodiversity initiative, the Ministry of Natural Resources of Russian Federation issued guidelines for the content of corporate biodiversity conservation programs. Yamal LNG played the most active role in the discussion of this initiative, as its biodiversity conservation program is an important part of sustainable development principles of the project and a strategic, high-level planning document creating a framework for biodiversity conservation management. Pursuant to this program, a Biodiversity Conservation Plan was developed and implemented in accordance with the International Finance Corporation Performance Standards 5 & 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources.

NOVATEK does not produce or process natural resources in federal-level protected areas and is committed to care for the environment and biodiversity conservation in its operating regions, paying special attention to substantiating the choice of locations for its production sites and contributing to the development of regional infrastructures. NOVATEK has one linear facility (an underground gas pipeline) running through a small part of a regional-level natural landmark. The Company financed the pipeline in partnership with the Administration of the Chelyabinsk Region to expand gas infrastructure to the Dzhabyk village, which was a significant contribution to the development of socially important infrastructure. Running a distribution gas pipeline through a regional-level natural landmark does not violate its protected status, which was confirmed by the positive findings of a state environmental appraisal of the engineering and design documentation and the positive findings of an expert review of the project for forest use in the pipeline buffer zone issued by the Ministry of the Environment of the Chalybinsk Region in 2020.

Areas of high biodiversity value outside protected areas designated by Russian laws include land and waters identified as environmentally and biologically important organizations as environmentally and biologically important. Well-known examples are Ramsar wetlands and important bird areas, which are all outside the areas of direct impact by the Group’s projects. As regards marine environments, pursuant to the UN Convention on Biological Diversity, an approach was proposed to identify ecologically and biologically significant marine areas (EBSAs) in the open-ocean waters and deep-sea habitats that may require development of environmental protection strategies by governments and international organizations. Development of this approach resulted in listing some shelf areas, including areas in the Russian Arctic and coastwise the Kamchatka Territory. As EBSA. Parts of these areas are used in the interests of the Company (for navigation and marine transport infrastructure), therefore NOVATEK and its subsidiaries and joint ventures initiated significant expansion of the scope of comprehensive environmental monitoring of the Kara, Barents and Baltic Sea ecosystems.

So far, no critical habitats1 have been identified in zones directly affected by the Group operations. Such studies of marine habitats are scheduled for 2021 and will cover part of Ob Bay and small shallow Ob–Yenisei waters of the Kara Sea. The results of these studies will determine amendments, if any, to previously adopted biodiversity conservation and monitoring programs and plans.

Biodiversity monitoring

In 2020, integrated monitoring of marine ecosystems covered the waters and shores of the Kara Sea (Ob Bay, the forefront area of the Ob–Yenisei Strait) and the Baltic Sea (Luga Bay, Vyborg Bay) in areas potentially affected by the Group operations. Terrestrial and freshwater ecosystems were monitored within license areas and in zones affected by projects in the Yamal-Nenets Autonomous and Khanty-Mansiysk Autonomous Regions, the Leningrad and Murmansk Regions. Environmental monitoring by the Group production subsidiaries covered the largest areas, collecting and analyzing information on freshwater and marine ecosystems of license areas. The observations in 2020 showed that the conditions of environmental components in monitoring situations on 38 fields and license areas were satisfactory with a low level of environmental pollution.

The fact that anthropogenic loads are close to background values in the areas of the Company’s responsibility is confirmed by an analysis of hundreds

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1. In accordance with Federal Law No. 98 “On Subsidy” dated 26 July 2017, only companies with state ownership of more than 50% may be subsidio users on the Russian continental shelf. NOVATEK does not qualify as such company and does not engage in such activities.

of samples of air, soil, snow cover, surface water, groundwater, and bottom sediments.

In case of unexplored territories, such as the Gydan Peninsula, environmental monitoring of NOVATEK’s license areas provides unique data on the biological diversity of terrestrial and freshwater ecosystems. Specifically, in 2020, the geobotanical studies of Utrenny license area flora added 16 new species previously not known to be present on this territory. The Company has collected and analyzed information on the ecological succession of species on areas with completed remediation: in particular, plant species diversity and abundance were found to be increasing, with gradual assimilation of the areas by surrounding ecosystems. The studies specifically addressed and found no objective proof of undesirable spread and naturalization of species not native to the Gydan tundra but commonly included in grass seed mixes used in remediating for fastest meadow formation, therefore, areas with remediated vegetation are not sources of bioinvasion.

Good condition of vegetative cover on the Company’s license areas was also confirmed by third-party research. For example, in 2020, the Arctic Research Center published previously collected data on vegetative monitoring on license areas of the South-Tambeyskoye and Varudeyskoye fields. Vegetation on the plays of both fields does not contain hazardous and invasive species. The Center plans to use the data to develop regional quality standards for various components of the environment, set maximum allowable concentrations of trace elements and for environmental monitoring.

Another focus of environmental monitoring during the year was the control vertebrates, including birds as their most diverse group. Avifauna observation using point counts and the line transect method and analysis of archival data resulted in quantitative estimates of bird numbers in the areas, confirming that their negative impacts on avicenosis was marginal, if any. As measures to prevent direct human impacts (hunting, destroying nests, keeping domestic animals in rotation camps) were successful overall and disturbing (hunting, destroying nests, keeping domestic animals in rotation camps) were successful overall and disturbing factors (light and noise pollution, human presence) and man-made structures, including overhead power structures). The 2020 monitoring, focused on studying wetland habitats of the long-tailed duck, confirmed the bird’s presence and normal numbers for the warm season not only on the Yamal Peninsula but also on the Gydan Peninsula, including areas in the immediate vicinity of process facilities and construction sites.

Environmental monitoring also includes detailed studies of the fauna and vegetation. In 2020, the Arctic Research Center (ARC) continued to track the long-tailed duck (Clangula hyemalis), a species native to the Arctic and Baltic region, with one of the largest but supposedly shrinking population, was previously selected as an indicator species for the avifauna of the South-Tambeyskoye license area (subsoil user: Yamal LNG). The 2020 monitoring, focused on studying wetland habitats of the Barents Sea near the LNG Transshipment Complex of NOVATEK – Western Arctic: Several specialized contractors with adequate equipment and competent personnel were engaged to complete this work. The studies found that most hydrochemical, hydrophysical and biological parameters of marine ecosystems in areas potentially affected by the Group operations remained at the background levels characteristic of local waters and agree very well with archival and literature data as well as site surveys.

The most extensive integrated multiyear marine study include monitoring in the Bay of the Kara Sea, as some parts of the study area affected by Yamal LNG (operating LNG and stable gas condensate in Sabetta) and Arctic LNG 2 (Utennny terminal and LNG and stable gas condensate on gravity based structures).

In 2020, the Company processed the data of Comprehensive environmental monitoring of Ob Bay area affected by the Yamal LNG project for 2019. 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 Ob Bay by changing its hydrological conditions, depleting fish stocks or populations of rare and protected species, destroying hydrobiont ecosystems, or impeding the natural resource use by local population and indigenous peoples, and fully comply with all Russian and international requirements.

Main results of the Comprehensive Program are expected to be disclosed to stakeholders in 2021:

- the first detailed one-time survey of hydrodynamic and hydrochemical conditions of Ob Bay has been completed in the fresh river water and seawater mixing zone of the Kara Sea;
- the key findings from a pre-project assessment of the Yamal LNG project risks and impacts on the Ob Bay ecosystems have been confirmed;
- the status and productivity of plankton and benthic communities in the project area, as well as the rate of recovery of marine bottom communities at dredging and soil dumping sites have been assessed;
- background data have been collected to control the risk of introducing invasive alien species to the Sabetta seaport area due to shipping and ballast water discharge, and
- a list of indicator species for Ob Bay has been compiled, as the indicator species for Arctic marine ecosystems proposed at the federal level are not found in estuarine habitats.

The 2020 monitoring, which was a follow-up of the 2019 comprehensive studies of the marine environments of the Ob estuary initiated by Yamal LNG, was arranged by Arctic LNG 2, which engaged Murmansk Marine Biological Institute of the Russian Academy of Sciences, VL. Fichev Pacific Institute of Oceanography, and the Tyumen-based laboratory of the Academy of Sciences, Typhoon Research and Production Association under the Federal Service for Hydrometeorology and Environmental Monitoring and a number of other research, engineering and testing laboratories. The 2020 monitoring boasted the largest geographical coverage, time span and work scope: firstly, observation stations and field works were carried out twice during the warm season: in August and September 2020, thirdly, the traditional suite of hydrophysical and hydrochemical studies was supplemented with recording underwater noise generated by both natural features and processes and human activities: navigation and underwater operations.

The work produced a large amount of completely new objective data on the natural communities of Ob Bay and impact from marine transport and underwater operations (dredging, dumping, making foundations) thereof. The interpretation of these unique materials is now ongoing, using all available data, thermohaline structure models of waters and hydrodynamic processes and models, as well as advanced remote observations – ultrahigh resolution space imaging in various spectral ranges.

It was the first ever study with such level of detail of the behavior of suspended substances and planktonic organisms in the water of Ob Bay, interaction between seawater and river water in the Ob estuary (manifested in resulting hydrophysical and hydrochemical parameters of the waterbody), which recorded sonographs of marine mammals and tankers and determined coastal communities of organisms and pollution impacts on marine biota (it was proven beyond doubt that these impact do not reach outside the predicted impact zones). Also, the rate and direction of shoreline movement near the Utrenny terminal was determined and lymhdodynamic monitoring grid was placed at the area of contact between sea and land.

It was established that, as in 2017–2019, the marine ecosystems of Ob Bay are in a good condition overall, and habitats are not disturbed outside the areas directly used for underwater operations: dredging, dumping, and construction of various structures.

Final monitoring reports are submitted every year in due time to authorized territorial governmental authorities (for the Yamal-Nenets Autonomous Region, in particular, the Department for Nature and Resource Regulation, Forestry Relations and Oil and Gas Industry Development).
Environmental damage compensation

The Company is fully aware of the consequences of its operations and acts to compensate any damage and restore the environment. In 2020, NOVATEK subsidiaries and joint ventures worked in several directions.

补偿性森林管理

In 2020, the young of valuable fish species were released into the rivers of the West-Siberian (within the Khanty-Mansiysk and Yamal-Nenets Autonomous Regions) and Northern (the Murmansk Region) Fishing Basins. A total of more than 3 min juvenile fish were released: Red-Book Siberian Sturgeon (Acipenser baerii, about 571,000); muksun, a Coregonus species with shrinking population (Coregonus muksun, about 1.22 mln); as well as Atlantic, salmon (Salmo salar, about 21,000); and peled (Coregonus pelleth, about 3,000).

Despite the period’s land remediation mostly focused on areas disturbed by construction and followed previously approved engineering and design solutions. The bulk of land (about 317 ha in total) was restored for forests, and about 84 ha were restored for agricultural use.

Conservation of gene pools of ecosystems

For the purpose of preserving the genotypes of rare and endangered plant species listed in the Red Data Books of the Russian Federation and the Murmansk Region, all Akhola rosea and Alchemilla alpina were manually transplanted to the LNG transshipment terminal construction site on the shore of Ura Bay of the Barents Sea to a greenhouse in the botanical garden of Avoron Polar Alpine Botanical Garden and Institute (PABGI) under the Kola Science Centre of the Russian Academy of Sciences. The work was completed by PABGI specialists under Permit of the Federal Service for Supervision of Natural Resources No. 113 dated 15 October 2020, and witnessed by representatives of the Baltic-Arctic Interregional Administration of the Federal Service for Supervision of Natural Resources and NOVATEK – Western Arctic. Transplanted plants augmented the PABGI’s nursery collections and will be cultivated to reproduce both rare species.

Compensatory reforestation of burnt areas and felling sites not resulting from the Company’s activities

Compensatory reforestation sites (mostly thin forests and burnt areas) were selected by local forestry authorities, with reforestation projects agreed with the Department for Nature and Resource Regulation and Forestry Relations of the Yamal-Nenets Autonomous Region. Seeds and planting stock were obtained from the plant nurseries of the Khanty-Mansiysk Autonomous Region and the Sverdlovsk Region. In 2020, reforestation in the Tarko-Sale forestry area covered about 120 ha, with a much larger scope planned for 2021.

Company contribution to the Ecology national project

The start-up of a small-scale LNG plant in Magnitogorsk, Chelyabinsk Region, in 2020 was one of the highlights for the Russian fuel market and marked another milestone in replacing diesel fuel with more environmentally friendly and economical NGV fuel. The two largest cities of the Southern Ural, Chelyabinsk and Magnitogorsk, participate in the Clean Air Project, which is part of the Ecology national project. The new LNG project will help them achieve targets for reducing road transport emissions.

Progress in fueling station network development in Europe

In 2020, reforestation in the Tarko-Sale forestry area covered about 120 ha.

1. The calculation is based on 100% Company’s share in joint ventures.
3. The list is open as the Group continually expands the geography of its operations and the status of some species changes from time to time.
4. Details on achievements in fighting climate change are available in the Climate Change section, pp. 83.
5. Details on the targets are available on NOVATEK’s official web-site at: https://www.novatek.ru/en/development/Target/
7. The term “carbon-neutral” means that Novatek Green Energy compensated for the greenhouse gas emissions from the following scopes: upstream transport of LNG from the supply source at LNG terminals in Europe to the fueling station, fueling station operation and LNG distribution.
8. The calculation is based on 100% Company’s share in joint ventures.
In 2020, the Company approved the Supplier Code of Conduct for NOVATEK Group suppliers. NOVATEK expects that its suppliers should comply with the principles of business transparency and integrity, business ethics and sustainable development included in the Code.

<table>
<thead>
<tr>
<th>Procurement</th>
<th>Total procurements from Russian suppliers</th>
<th>Local suppliers engaged at NOVATEK LNG Construction Center</th>
<th>People of manufacturers’ personnel employed at NOVATEK LNG Construction Center</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>78%</td>
<td>~400</td>
<td>~50,000</td>
</tr>
</tbody>
</table>
Procurement overview

The supply chain management is also closely linked with other related processes at the Company, such as contract management and budgeting.

Procurement procedure

NOVATEK’s procurement process gives subsidiaries and joint ventures the authority to purchase the bulk of goods and services at their own discretion with overall oversight from NOVATEK’s headquarters, reserving centralized procurement for highly critical and expensive items to save through bulk buying.

The procured items include piping, Christmas trees, valves, rotating (compressors, gas compressor units, pumps, motors and engines) and static (heat exchangers, tanks) equipment, instrumentation and control systems, structural metallic products, various materials, to name a few.

NOVATEK favors open competitive tendering where any tenderer may bid for the goods or services pursuant to the terms and procedure set by the Company.

We post tenders through an e-marketplace to ensure transparency and offer equal opportunities to tenderers. The details for some tenders are also posted on NOVATEK’s website, or a website of our subsidiary/joint venture.

For tenders invited through an e-marketplace, all relevant details are provided to tenderers through an e-marketplace operator in line with its policy. If there are changes to the tender conditions, notice is given to all tenderers at the same time to ensure they all have an equal opportunity to revise their tenders.

Tenders are evaluated by a cross-functional team of experts who do not influence each other’s opinion. All tenderers are granted equal access to the relevant data about the tender conditions, procedures, and closing date.

Procurement overview

Internal needs assessment for procurement planning

Inventory management

Evaluation of tenders and contract award

Pre-qualification of tenderers

Contract quality and milestone management

Control of inventory transactions

Sustainability Report 2020

Requirements for suppliers

NOVATEK uses the following criteria to evaluate tenders and award the contract:

- cost and quality of the goods and services; compliance of the goods with technical requirements, and the total cost of ownership of the goods tendered;
- delivery time for the goods and services;
- availability of tangible fixed assets, required equipment, along with engineering and blue-collar staff;
- track record in similar projects supported by references and specifically with NOVATEK affiliated companies and other industry leaders; and
- solvency and business reputation.

Contracting at NOVATEK, including through collegial bodies, is subject to the relevant regulations to make sure every effort is made to have tenders and tenderers dealt with according to a transparent, fair, and impartial procedure.

To ensure a supplier performs its contract obligations properly and in a timely manner, NOVATEK conducts a thorough pre-qualification of tenderers in terms of solvency, track record and expertise, reputation, required production capacities and human resources, as well as quality systems in place.

NOVATEK uses internal controls, such as segregation of duties and a cross-checking system, to avoid unfair practices in the procurement process.

On top of that, NOVATEK applies zero-tolerance approach to illegal activities of potential counterparties (for example, corruption, collusion, unfair competition) and avoids unreliable contractors. Driven by high ethical standards and principles related to transparency and fair business practices, as well as our commitment to building a sustainable supply chain, in September 2020, NOVATEK adopted the Supplier Code of Conduct that defines our expectations and recommendations for suppliers in terms of compliance with human rights, business ethics (including the principles of the United Nations Global Compact, International Labor Organization, ILO Declaration on Fundamental Principles and Rights at Work, and applicable environmental and industrial safety legislation), HSE principles, and workers’ rights (including avoidance of child and forced labor).

The Supplier Code of Conduct can be found on our official website.

Before signing a contract, we inform our counterparties about this Code and its compliance-related expectations.

NOVATEK’s experts conduct on-site audits to verify the compliance of a tenderer’s occupational health and safety (OHS) management systems with international standards, Russian laws, and NOVATEK’s internal regulations. If there are any issues found by our audits, a tenderer is to fix these issues and provide NOVATEK with evidence. Failure to do so will result in a tender being rejected from the NOVATEK’s procurement process.

Our contracts also include the OHS requirements for any supplier to comply with.

Supplier relations

NOVATEK is committed to building strategic, long-term and mutually beneficial relations with its counterparties through unbiased and fair practices that seek to benefit all parties involved.

Building a pool of key suppliers is high on the agenda in our Company. 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 items criticality; and
- suppliers appointed by the licensors of technologies used at the Group’s facilities.

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

NOVATEK’s supplier portfolio is continuously expanded through evaluation of tenderers in terms of having production capabilities to meet our product specifications. If any issues are brought out by the evaluation, potential suppliers are given feedback to improve their production processes.

Our regular open forums for suppliers and contractors keep the market up-to-date on our capital construction plans, outline the key requirements for potential contractors, and attract qualified, well-equipped and experienced counterparties to NOVATEK’s projects.

To keep our employees and suppliers healthy and safe amid surging COVID-19, in 2020, NOVATEK used virtual communications to discuss priority issues with suppliers instead of face-to-face meetings.
Procurement Performance

In 2020, NOVATEK procured R$ 707 bln worth of goods and services, most of which came from the companies registered in Russia (78% of the total).

NOVATEK's procurement breakdown in 2020

![Procurement Breakdown](chart.png)

Import Substitution

NOVATEK seeks to support local producers through favoring products and services of Russian origin if they meet technical requirements and are competitively priced vs. imported counterparts. Therefore, we are pursuing a policy of import substitution of foreign technologies and equipment through:

- investments in setting up our own LNG production technologies and capacities to manufacture liquefaction trains;
- proactive work with federal executive authorities and contribution to the efforts of cross-functional working groups to localize the production of technologies and equipment in Russia, including through the government support mechanisms; and
- systematic work with local and foreign manufacturers to foster technology transfer and drive the local production of equipment and materials for LNG projects.

A significant amount of local content was used by NOVATEK for our NOVATEK-Murmansk’s LNG Construction Center and the ongoing LNG projects Arctic LNG 2 and Yamal LNG Train 4, as showcased below:

- about 400 suppliers;
- about 50,000 people of manufacturers’ personnel; and
- orders for the main types of materials and equipment totaling:
  - about 1,800 items of equipment;
  - pipe weighing over 300,000 tons;
  - structural metallic products weighing over 200,000 tons; and
  - reinforcing bars weighing over 200,000 tons.

The first domestic large-capacity cryogenic pump was successfully tested at the Yamal LNG project in December 2020. This pump was designed and manufactured by Afrikantov OKB Mechanical Engineering (an Atomenergomash affiliated company). The pilot testing took place at the Yamal LNG’s operating tank farm, with the plant running at its design capacity.

A St. Petersburg-based joint venture, set up by Linde AG (Germany) and Severstal, localized the production of coil-wound heat exchangers for large-scale LNG projects. The heat exchanger for the third train of Arctic LNG 2 is currently being manufactured.
In 2020, NOVATEK provided considerable assistance to municipal healthcare facilities in six regions providing the necessary equipment, reagents and medical supplies to local diagnostic laboratories. NOVATEK financed the purchases of a total of 400,000 pieces of equipment, materials and tests and about 3.5 mln PPE items.

Social Investments

- **4.1 RR bln** social expenses and compensatory payments
- **0.7 RR bln** spent in regional support in their COVID-19 response efforts
- **1,590 children** received medical aid as part of the Company's charity program
NOVATEK’s social policy is aligned with the needs and demands of local communities and beneficiaries. Focus, consistency and effectiveness are all major considerations in the Company’s social investments and efforts. When implementing social and regional development programs, the Company strives to build long-term relationships with partners.

In 2020, three business units were responsible for managing corporate social responsibility matters at NOVATEK – the Public Relations Department, the Budgeting and Efficiency Management Department, and the Social Development Department.

In 2020, NOVATEK allocated RR 4.1 bln to charity projects, cultural and educational programs, and support of the indigenous peoples of the Far North.

**Contribution to Russian Regions Development**

**2020–2023**

NOVATEK enters into agreements with the regional governments across its footprint to implement programs for improving local infrastructure, promoting living standards, and preserving distinctive cultural identity of indigenous peoples of the Far North.

Under the agreements signed with various regions, the Company was investing in the Yamal-Nenets and Khanty-Mansiysk Autonomous Regions, and Tyumen, Chelyabinsk, Leningrad, Murmansk and Kostroma Regions throughout 2020.

Importantly, during the COVID-19 pandemic, NOVATEK joined in the local efforts to address regional problems, with considerable assistance provided to municipal healthcare facilities in the Chelyabinsk, Kostroma and Murmansk Regions, the Yamal-Nenets Autonomous Region and the Kamchatka Territory. The Company helped provide the necessary equipment, reagents and medical supplies to local diagnostic laboratories. In 2020, NOVATEK financed the purchases of a total of 400,000 pieces of equipment, materials and tests for healthcare facilities; 56 ventilators and 2,000 non-contact thermometers were supplied, and about 3.5 mln PPE items (protective suits, medical masks, shoe covers and gloves) were purchased.

The Company also repaired the Murmansk regional hospital and supplied it with more than 100 additional hospital beds.

**Yamal-Nenets Autonomous Region Development**

The Yamal-Nenets Autonomous Region is the core region for the Company’s operations, which is why most of our efforts are concentrated in this region. NOVATEK strives to be actively involved in addressing the problems of local communities in the Yamal-Nenets Autonomous Region.

**2021**

In 2020, the Company supported the following infrastructure initiatives across the Yamal-Nenets Autonomous Region:

- repairs and improvements to social infrastructure facilities, including schools, kindergartens, and pre-school educational institutions;
- repair of the sewage pumping station facilities in Torko-Side;
- construction of modern children’s playgrounds;
- purchase of waste incinerators, solar panels and mobile solar power plants; and
- adaptation of residential space and public property in apartment blocks to meet the needs of people with reduced mobility in the Yamal-Nenets Autonomous Region.

To improve social conditions of local communities, the Company provided assistance to low-income families, people with disabilities, the elderly, veterans, severely ill children and children with special needs, as well as people in financial distress.

**2022**

Since 2020, together with the Government of the Yamal-Nenets Autonomous Region, NOVATEK has been supporting “Teacher for Russia”, a unique program to bring graduates of Russia’s leading universities to small regional schools and provide teacher training for young talent. The program promotes equal educational opportunities for children in different regions of Russia. Seven participants of the Teacher for Russia program moved to the Yamal-Nenets Autonomous Region to teach in local schools for the next two years.

The Company provides funds to help the indigenous peoples of the Far North to enrol in training programs matched to the unemployment needs of energy companies and the Yamal District community, as well as supports young talent among the local indigenous peoples of the Far North.

**Support of the indigenous peoples of the Far North**

**2021–2023**

The Company’s projects, including the Yamal LNG project, affect the interests of indigenous peoples of the Far North. NOVATEK carefully analyzes the project’s potential negative impact and makes every effort to minimize it. At the same time, the Company makes a significant contribution to sustaining the livelihoods of indigenous peoples of the Far North and maintaining their traditional ways of life and cultural traditions.

Yamal LNG has developed and successfully implements a number of policies and regulations to promote the sustainable development of indigenous peoples of the Far North and safeguard their rights to maintain their traditional ways of life, protect ancestral lands and preserve cultural traditions.

- Corporate social responsibility policy;
- HSE policy;
- Human rights policy;
- Business ethics policy;
- Stakeholder engagement plan;
- Regulations on the Advisory Board;
- Indigenous peoples of the Far North engagement guide;
- Plan to promote the sustainable development of indigenous peoples;
- Regulations on hiring members of indigenous peoples of the Far North by Yamal LNG and contractors;
- Stakeholder query handling procedure, and
- Shift camp management policy and plan.


The Company is extensively involved in the life of indigenous peoples of the Far North, closely working with the Yamal-Nenets Autonomous Region Government, municipal authorities, NGOs of indigenous peoples of the Far North, and nomadic families engaged in traditional economic activities within the Company’s footprint. Every year, the Company has entered into agreements with the municipal administrations and the Yamal-Nenets Autonomous Region Government to address the issues related to supporting traditional ways of life, protecting ancestral lands and preserving cultural traditions of indigenous peoples of the Far North.

As part of the Yamal LNG project, NOVATEK’s efforts to support indigenous peoples of the Far North are mostly concentrated within the “Plan to Promote the Sustainable Development of Indigenous Peoples through the Yamal LNG Project for 2019–2023”. In 2020, these efforts were focused on the following activities:

- support for nomadic communities’ traditional ways of life, including the provision of necessary goods,
- energy sources (for example, electric generators) and transportation services (fuel and lubricant supplies, air travel),
- providing nomadic communities with access to modern infrastructure (the ability to receive quality medical care and purchase essential goods in Sabetta),
- organizing and staging traditional ethnic festivals and mass cultural events in the Yamal District;
- support for vulnerable groups within the indigenous communities (the elderly, large and low-income families) – provision of goods, food, medicines, firewood, and
- support for reindeer herding (installation of reindeer crossings, fuel supplies),
- development of indigenous children and youth (tuition assistance, celebrations, gifts), and
- support for non-governmental organizations representing the interests of indigenous communities.

In 2020, funding for the activities under the Plan to Promote the Sustainable Development of Indigenous Peoples was provided through the Yamal District Grassroots Movement of the Indigenous Peoples of the Far North, with some of the activities supported through direct financing.

In 2020, as part of cultural heritage sites preservation, the Company allocated funds to carry out archaeological protection measures at the Taz Metal Casting Workshop cultural heritage site, as well as to financing the Limby Nomad Camp.

In its engagement with indigenous peoples of the Far North, NOVATEK considers the requirements of a number of international human rights instruments, including:

- Provisions of ILO Convention No. 87 “On Freedom of Association and Protection of the Right to Organize” are reflected in the Company’s Collective Bargaining
- Details on the “Plan to Promote the Sustainable Development of Indigenous Peoples through the Yamal LNG Project for 2019–2023” are available in NOVATEK’s Sustainability Report 2019, pp. 104–105.
Agreement, and are also regulated by the Labor Code of the Russian Federation. In particular, Yamal LNG set up a Workers’ Council to facilitate collective bargaining on social and labor relations and conclude collective bargaining agreements by holding staff general meetings and voting.

- Provisions of ILO Convention No. 98 “On Right to Organize and Collective Bargaining” are reflected in the Company’s Collective Bargaining Agreement and are also regulated by the Labor Code of the Russian Federation;

- NOVATEK fully complies with ILO conventions on forced and child labor and discrimination – the Company does not use forced or child labor, and

- ILO Convention No. 100 “On Equal Remuneration ("Concerning Equal Remuneration for Men and Women Workers for Work of Equal Value")” is implemented through the Labor Code of the Russian Federation and is fully complied with by NOVATEK.

Educational Programs

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NOVATEK runs educational programs in its regions of operation on an ongoing basis to help children, young people and teachers on the one hand, and to attract talent for the Company, building NOVATEK’s talent pool to support our future growth.

Natural Science Center

As part of NOVATEK’s Gifted Children program, the Natural Science Center was opened in 2018 to provide a stimulating environment for children aged 5 to 18 in Tarko-Sale, Khanyomey and Purpe to develop their intellectual and academic potential. In 2020, 475 students received training at the Natural Science Center.

A total 22 further education programs and 30 personalized learning pathways in natural science and technical subjects are offered by the Natural Science Center. Programs include solving of contest problems and advanced problems and training of pupils for national contests and competitions. In addition, the students do research projects on topics relevant to the Yamal–Nenets Autonomous Region.

Through cooperation with the Distance Education Center of the AESC MSU (Moscow), the Natural Science Center runs the Collective Student educational program in chemistry, biology, physics and mathematics.

In February 2020, the Natural Science Center became a regional platform for an online qualifying round for the April Chemistry Education Program at the Sirius Educational Center.

In 2020, the Natural Science Center hosted Unirum, an online industry-specific summer school Unirum offered three training programs – A Journey to the World of Science, Chemistry Explorers and Chemistry School.

In June and October 2020, the Natural Science Center hosted a Virtual Tour of the Mobile Technology Park.

The Occupational Tryouts Laboratory program is run in cooperation with NOVATEK-Tarkosaleneftegaz.

In 2020, under a cooperative agreement with the Vernadsky State Geological Museum of the Russian Academy of Sciences, four videoconference lectures were hosted on today’s environmental agenda featuring professors from the Institute of Energy Strategy, the Vernadsky State Geological Museum of the Russian Academy of Sciences, the Gubkin Russian State University of Oil and Gas.

Support for Cultural institutions

In 2020, NOVATEK strengthened its ties with Russia’s largest cultural institutions focusing on education and educational activities, namely: the State Russian Museum, the State Tretyakov Gallery and the Moscow Museum of Modern Art (MMOMA). As most museums were closed due to the pandemic, online lectures and meetings, as well as virtual tours of museum halls were offered.

- In September, NOVATEK participated in Russian Creative Week by supporting the educational program dedicated to arts;

- In a new environment, the Seventh Moscow International Biennale of Contemporary Art was held with the support of the Company;

- MMOMA teamed up with NOVATEK to hold Pavel Leovon Through the Looking Glass, a retrospective exhibition marking the 100th birthday of the artist;

- MMOMA also organized Countdown, a retrospective exhibition of Modernism, featuring leaders Igor Makarevich and Elena Elagina;

- The Russian Museum hosted the Knowledge Is Power exhibition dedicated to book publishing and educational posters and highlighting the history of education in Russia in the early 20th century; and

- NOVATEK remained a General Partner of the Moscow Solisots Chamber Ensemble led by Yuri Bashmet.

Promotion of Sports

Programs developing mass and high-performance sports are an important focus area on NOVATEK’s social agenda. The Company regularly holds tournaments in the most popular mass sports, such as football, volleyball, swimming and skiing. In 2020, tournaments were held in full compliance with the requirements of the Russian Federal Service for Surveillance on Consumer Rights Protection, and Human Wellbeing (Rosпотребнадзор).

In 2020, NOVATEK continued to support children and youth sports in its regions of operation. Specifically, it supported the pilot federal innovative project “Become a Champion”, focused on helping children uncover their sports potential.

In 2020, NOVATEK hosted its Step to Bigger Football Indoor Football Cup for secondary school teams. Due to the COVID-19 situation in Chelyabinsk Region and Kamchatka Territory, the competition had to be postponed to a later date. Based on the results of the 2019 cup, futsal courts were built and equipped for the winning teams – three in the Chelyabinsk Region and two in the Kostroma Region.

The Company continued to support the Student Basketball Association. Some of the competitions could not be held in person amid COVID-19 restrictions, and online tournaments and events were held instead.

Sustainability Report 2020

With the support of the All-Russian Federation of Dancelpol and Acrobatic Rock’n’Roll, the relevant corporate sports clubs continued their activities in the Company’s regions of operation. In the reporting period, NOVATEK continued cooperation with the Russian Football Union, the General Partner of the Russian National Football Teams. The Company supported women’s volleyball club Dinamo (Moscow) and the NOVA Volleyball Club (Novokuibyshevsk).

Charity and Philanthropy

The Company provides assistance to a range of organizations and beneficiary groups in accordance with its Charity Policy. Despite COVID-19 restrictions, NOVATEK continued to provide charitable assistance and support to social projects while following all safety precautions and protocols as recommended by Rosпотребнадзор.

The key focus area of the Company’s charitable efforts is health and medical treatment facilitation, with children being the key beneficiary group. 1,590 children benefited from the Company’s charity program in 2020.

In 2020, the Company continued the “Health Territory” project, a joint initiative with the Proagro Russian Children’s Clinical Hospital of the Russian Ministry of Health. This project is aimed at providing highly qualified medical assistance to children in desperate need of treatment and developing healthcare services in the Company’s regions of operation, as well as launching medical education programs, providing advanced training to local health professionals, and supporting partner clinics with new high-tech equipment, to name a few.

In 2020, under the project, leading doctors from the Russian Children’s Clinical Hospital visited six cities – Tarko-Sale, Novy Urengoy, Kostroma, Chelyabinsk, Magnitogorsk and Petrovskoye-Kamchatka. As a result, a total of 407 severely ill children were provided with medical support, and 97 children were taken to the Russian Children’s Clinical Hospital and other federal medical centers. During examinations and consultations by the Russian Children’s Clinical Hospital visiting teams, all necessary safety protocols were implemented, with the Company also providing the children, parents and doctors with personal protective equipment.

The Company runs the “Targeted Therapy” project, a cooperative effort with the Science for Children Foundation established at the initiative of leaders and researchers of the Dmitry Rogachev National Research Center of Pediatric Hematology, Oncology and Immunology. The project aims to help children with brain and central nervous system tumors, and is focused on studies of the molecular and genetic characteristics of cells underlying their malignant transformation, and selecting personalized treatment for each little patient. In 2020, 120 children received help through this project.
**Telemedicine Center**

NOVATEK’s social project “Telemedicine Center” (TMC) is building a unified telemedicine network linking the project’s partner children’s hospitals in the Company’s regions of operation with the Multimedia Telemedicine Center of the Russian Children’s Clinical Hospital. The project’s social purpose is to provide medical assistance to children in desperate need. The project’s footprint spans the country’s entire territory from Murmansk to Kamchatka.

The unified telemedicine network not only enables connecting regional clinics to the Russian Children’s Clinical Hospital but also allows them to link to each other and any clinic anywhere in the world.

The project addresses a number of challenges in the Company’s regions of operation:

- access to medical consultations for seriously ill children at regions’ requests;
- holding case conferences;
- participation of regional partner clinics in the conferences hosted by the Russian Children’s Clinical Hospital;
- training programs, master classes, and lectures for doctors at regional partner clinics; and
- access to live broadcasts of surgeries for regional clinics.

In 2020, 626 video consultations were hosted by the TMC.

In December, a series of lectures on pediatric anaesthesiology and intensive care was delivered. Furthermore, the TMC held regular online meetings and case conferences with relevant experts of the Russian Children’s Clinical Hospital.

In 2020, the work under the TMC to equip and connect hospitals in Novy Urengoy, Tarko-Sale, Murmansk and Kostroma to the unified telemedical network, was completed. In 2021, hospitals in Petropavlovsk-Kamchatsky and Magnitogorsk are also going to be equipped and connected to the TMC. Currently, hospitals in these regions are connected to the TMC under a temporary arrangement, which also makes medical consultations possible.

During 2020, the Company also provided targeted support and assistance to a number of various beneficiaries:

- In cooperation with specialized kindergartens in Murmansk and Kostroma, assistance was provided to children with visual impairments, and vision protection rooms were equipped. In 2020, 159 children with visual impairments, including those with disabilities, underwent rehabilitation;
- Throughout the year, the Company provided targeted support to industry veterans, orphans and disabled children, and people with disabilities;
- The Company at its sole cost purchased medicines and indoor air recirculation systems for the Children’s Social Rehabilitation Center at the Trinity Church in Kalamna;
- Assistance was provided to children with disabilities at Dunno’s Town shelter-care facility in the Moscow Region as well as Rodnik orphanage in the Ulyanovsk Region;
- The Company allocated funds to the Mother and Child Health Center in Magnitogorsk for purchasing equipment for the neonatal intensive care unit;
- The Deaf-Blind Support Foundation Connection was allocated funds to improve the quality of life of its care recipients; and
- A muffle furnace was purchased for the Oktiensk secondary school in Yakutia, which is used to offer extra-curricular classes in firing ceramic products.

Throughout 2020, NOVATEK traditionally supported the projects aimed at preserving and increasing rare animal populations: Siberian tiger and Amur leopard.

**Corporate volunteering**

In 2020, the Company’s “All Together” volunteer movement continued its activities, with employee volunteers helping children at orphanages, little patients suffering from various illnesses, lonely elderly people and disabled people. Some of the activities were moved online.

During 2020, within the Developmental Environment and Comprehensive Development programs, a string of events were held for 65 students of the Gus-Khrustalnaya orphanage in Dubasovo, Vladimir Region through a cooperative effort with the DetskieDomiki Foundation.

From February to November 2020, classes were hosted for the orphanage students from grades 5 to 9 to develop social and life skills such as cooking, as well as offer occupational guidance and classes in creativity, crafts, communication and first aid.

In summer 2020, the orphanage canteen was renovated and equipped with new sets of crockery, cutlery, and furniture. A new commercial dishwasher was purchased, and hygiene rooms were also renovated.

In October, a renovated gym was reopened in an official ceremony at the Gus-Khrustalnaya orphanage. At the gym, the lighting system was replaced and sports gear was upgraded.

**Aid to veterans**

The Company supports the NOVATEK-Veteran Social Protection Foundation in the Purovsky District of the Yamal-Nenets Autonomous Region, which had 803 retirees registered as of the end of 2020. The foundation provides assistance and support to labor veterans who for years have worked in the oil and gas industry in the Far North.

As part of its assistance program for the elderly run jointly with the Enjoyable Aging Charity Foundation, care services were paid for lonely elderly people, household appliances and furniture were purchased.

In 2020, as before, the foundation’s activities focused on three areas: 1) financial assistance, 2) moral and psychological support for veterans, and 3) cultural and recreational events.

In 2020, the Company’s quarterly financial support provided to each of the foundation’s retirees amounted to RR 6,930, with a total of RR 33.2 mln allocated by NOVATEK during the year to finance the foundation’s activities.
Employment Practices

NOVATEK’s personnel policy is based on the Company’s commitment to healthy and safe working conditions, decent and competitive salaries and the best opportunities for employee development, self-fulfillment and career growth.

Expenses on targeted social programs: 1.6RR bln
Average training hours per employee: 32 hours
Employee Profile

NOVATEK is a major employer and provides a large number of jobs: at the end of 2020, the Company’s headcount numbered 16,821 employees, up 1,376 year-on-year, most of whom (60%) worked in the Yamal-Nenets Autonomous Region, the Company’s core region of operation. At the same time, NOVATEK personnel’s minimum wage in its regions of operation is traditionally higher than the local minimum wage, which is stipulated in the collective bargaining agreement. In addition, NOVATEK regularly indexes its salaries to offset inflationary impacts. The proportion of workers compensated based on wages subject to minimum wage rules is insignificant.

It is important for NOVATEK to be an attractive employer, so its personnel policy is based on the Company’s commitment to healthy and safe working conditions, decent and competitive salaries and other financial incentives; and the best opportunities for employee development, self-fulfilment and career growth.

The Company has zero tolerance to any form of discrimination, including employee discrimination: in recruitment, providing career opportunities, social benefits, and in any other aspects. Wage rates for women and men are based on equal pay structures at NOVATEK for the specific type of work performed.

Although the majority of the Company’s employees are male (77%), which is dictated by the nature of the Company’s operations, i.e. for Northern geography and rotation job arrangements, female employees have equal opportunities for development and promotion. In 2020, a woman was elected to NOVATEK’s Board of Directors for the first time, which was an important step towards gender balance on the Board.

The Company is interested in long-term employment and is willing to make all the related commitments: 90% of the staff are hired under permanent employment contracts, including 99% on a full-time basis. The share of part-timers is marginal to the Company (below 0.5%) and is not included in this Report. NOVATEK sources minimal services from freelancers or sole proprietors.

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; and
- 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, including climate change management.

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

1. Hereinafter (in the text and calculations behind the figures reported), this number accounts for full-time employees with NOVATEK, its subsidiaries or joint ventures as their primary employer.
2. The 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.
3. The number includes only those employees who worked in the Company until the end of the reporting year.
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 (including climate change management);
- share of administrative expenses in the revenue; and
- proved reserves.

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

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

Training and Development

Our employees’ professionalism is one of NOVATEK’s key success factors, including in terms of sustainability. The Company implements a range of educational programs to develop employees and provide opportunities to fulfill their career potential, as well as to create a quality talent pool. In 2020, NOVATEK spent R$ 51 mln on training programs for 7,500 employees. Average training hours per employee reached 32.4 hours.

Due to the coronavirus pandemic, in the second half of 2020, educational institutions and education providers moved training online, so most trainings, seminars and professional development courses took place remotely.

NOVATEK also provides employee training on personal development courses to enhance their individual skills.

### Interregional Research-to-Practice Conference

In December 2020, Moscow hosted the 16th Interregional Research-to-Practice Conference for the Company’s young specialists attended by 66 employees from 16 subsidiaries and joint ventures. 66 projects were submitted at this event. All winners 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 2020, NOVATEK’s subsidiary Yargeo 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.

### Corporate technical competency assessment system

NOVATEK 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, and
- 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. During the reporting year, 67 employees were tested when considered for promotion to another position (category) or grade, and over 82% got promoted.

In 2020, for the corporate technical competency assessment system, Yamal LNG developed and obtained approval for 3,592 tests in the following areas:

- 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); and
- automated process control systems, instruments and automation.

### Sustainability Report 2020

#### 404-1

**Average training hours by gender in 2020**

<table>
<thead>
<tr>
<th>Category</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>12,946</td>
<td>3,878</td>
</tr>
<tr>
<td>Total training hours</td>
<td>482,704</td>
<td>34,890</td>
</tr>
<tr>
<td>Average training hours per employee</td>
<td>37</td>
<td>9</td>
</tr>
</tbody>
</table>

#### 404-2

**Training and development programs**

<table>
<thead>
<tr>
<th>Program</th>
<th>2020 highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional development program</td>
<td>The program covered 46.74% of white- and blue-collar employees.</td>
</tr>
<tr>
<td>In-house training program</td>
<td>The program includes 13 courses, five of which were converted online in 2020:</td>
</tr>
<tr>
<td></td>
<td>- General course of seismic exploration;</td>
</tr>
<tr>
<td></td>
<td>- Design of field development in conditions of low knowledge;</td>
</tr>
<tr>
<td></td>
<td>- Complexing GIS methods to address geological tasks. Basics of log interpretation and practical application (in NOVATEK’s projects);</td>
</tr>
<tr>
<td></td>
<td>- Complex interpretation of seismic and GIS data; and</td>
</tr>
<tr>
<td></td>
<td>- Basics of hydraulic fracturing.</td>
</tr>
<tr>
<td>Steps in Discovering Talents program</td>
<td>The program covered 98 young professionals from 11 subsidiaries. 39 young professionals graduated the eighth class under the program. 18 new mentors were trained in “Mentoring culture”.</td>
</tr>
<tr>
<td>Energy Summer School</td>
<td>3 young specialists from NOVATEK subsidiaries and joint ventures attended the Energy Summer School in 2020.</td>
</tr>
<tr>
<td>Corporate resource training center in Tarko-Sale at Tarko-Sale Vocational School</td>
<td>In 2020, workshops involving representatives of the center’s trades were held. Necessary equipment and consumables for workshop courses in the following trades were purchased: instrument and automation fitter, electrical equipment fitter, and oil and gas production operator.</td>
</tr>
<tr>
<td>Collaboration with Gubkin University</td>
<td>8 masters of the first graduation class (2020) are employed by NOVATEK and its subsidiaries. 12 master students (2019–2021 enrollment) receive merit scholarships and have completed summer apprenticeships in the form of webinars and online meetings at affiliated companies.</td>
</tr>
</tbody>
</table>

1. Report boundaries for employment differ from those for training and education, see Appendix 4. Report Boundaries.
2. Details on the ongoing employee training and development programs are available in NOVATEK’s Sustainability Report 2019 on pp. 118–119.
In 2020, the Group held the following trainings:

<table>
<thead>
<tr>
<th>Training</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective manager (16 hours)</td>
<td>17 people</td>
</tr>
<tr>
<td>Task execution management (16 hours, online)</td>
<td>17 people</td>
</tr>
<tr>
<td>Team management (16 hours, online)</td>
<td>17 people</td>
</tr>
<tr>
<td>Self-organization (16 hours)</td>
<td>37 people</td>
</tr>
<tr>
<td>Cross-functional interaction (16 hours)</td>
<td>33 people</td>
</tr>
<tr>
<td>Presentations 10 out of 10 (16 hours)</td>
<td>41 people</td>
</tr>
<tr>
<td>Value thinking (8 hours)</td>
<td>23 people</td>
</tr>
<tr>
<td>Mentoring culture (6 hours)</td>
<td>29 people</td>
</tr>
<tr>
<td>My career (4 hours)</td>
<td>28 people</td>
</tr>
<tr>
<td>Moscow City business games (8 hours)</td>
<td>10 people</td>
</tr>
<tr>
<td>Modern management review of the Company’s business (16 hours)</td>
<td>10 people</td>
</tr>
<tr>
<td>Skills for constructive business communication (12 hours)</td>
<td>18 people</td>
</tr>
</tbody>
</table>

The Group’s total expenses on targeted social programs in 2018–2020, RR bln

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.4</td>
</tr>
<tr>
<td>2019</td>
<td>1.8</td>
</tr>
<tr>
<td>2020</td>
<td>1.6</td>
</tr>
</tbody>
</table>

In 2020, NOVATEK’s social expenses to support employees amounted to RR 1.6 bln.

**Effective Communication**

**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. In addition, employees’ concerns are identified, studied, and reviewed during regular dedicated meetings with employees and managers. Following these meetings, a list of issues is formed and later sent to dedicated departments to prepare informed proposals on their solving. In 2020, NOVATEK subsidiaries also held regular meetings that resulted in proposals submitted to the Management Board. The Management Board resolved to introduce amendments to the Core Concept of Social Policy, the Core Concept of Remuneration, and other local social and labor regulations, effective from 1 January 2021.

In particular, the Management Board made several decisions in 2020 that have since been added to the regulations for subsidiaries:

- indexing benefits upon retirement (by 3.33%);
- indexing one-off vacation payments (by 4%);
- indexing monthly social benefits for retired employees (by 5%);
- increasing the amount of monthly compensation for the care of a child up to three years of age (by 9%);
- increasing compensations to high-skilled specialists for housing rental in Tyumen and Novy Urengoy (from 6.2% to 39.3%), and
- increasing the amount of monthly compensation for the care of a child up to three years of age (by 9%).

**Trade union relations**

Trade unions in place at subsidiaries unite 59.4% of NOVATEK employees and are an important stakeholder of the Company. By cooperating with trade unions, the Company is able to handle important matters of labor relations, balance the social package, and defuse tensions through a constructive dialogue and timely feedback provided through discussions, meetings of trade union committees and conferences.

As a result of the conscientious social partnership policy, the Company has never seen a single case of stoppages or strikes due to labor disputes.

In 2020, the Company spent a total of RR 4.4 bln to support trade unions.

**Approach to labor organization**

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 entail 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.

1 Detailed description of NOVATEK’s social programs is available in NOVATEK’s Sustainability Report 2019 pp. 122-124.
2 Calculation includes the companies with trade unions in place: PAO NOVATEK, Tarmygas, NOVATEK-Yurkharovneftegas, NOVATEK-Tarkosaleneftegas, NOVATEK-Purovsky ZPK, NOVATEK-Transservice, Arcticgas, NOVATEK-Energo.
Employee Health, Occupational Health and Safety

In 2020, following the UN SDG 8 “Decent Work and Economic Growth” NOVATEK adopted a target to deliver a 5% reduction in LTIFR among employees every year.

Reduction of LTIFR among employees: 29%
Fatalities among employees: 0
Occupational accidents: 0
Our Approach to Occupational Health and Safety

The health and safety of employees, as well as that of local communities that may be affected by NOVATEK’s operations, is a top priority for the Company. The Company’s occupational health management system is based upon strict compliance with Russian laws, with the Company’s occupational health requirements applying to all employees.

NOVATEK has in place an integrated occupational health and safety management system (compliant with OHSAS 18001 or ISO 45001:2018), 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. The OHS management system rollout is the Company’s strategic and operational decision, while providing an environment to manage occupational health and safety (OHS) risks and opportunities is its priority objective. The Company is strongly focused on eliminating or minimizing OHS risks by taking effective preventive and protective measures. Certification-based on the Group actively migrate their integrated OHS management system to ISO 45001:2018.

NOVATEK’s OHS management system an annual surveillance audit to ensure it is still compliant to ISO 45001:2018. In 2020, all subsidiaries certified to OHSAS 18001 (or ISO 45001:2018) successfully completed a surveillance or recertification audit.

Key roles of NOVATEK’s Occupational Health and Safety unit:

- monitor the OHS management system’s compliance with ISO 45001 across NOVATEK and ensure its effectiveness;
- provide organizational and methodological support to the Company’s industrial safety activities;
- minimize risks and prevent threats of industrial accidents and injuries to the workforce where an accident has occurred, giving the Company’s current capabilities and resources. 
- comply with Russian OHS laws and aim to meet relevant international standards and best practices;
- continuously improve the OHS management system based on control and monitoring results, as well as routine audits and regular reviews of the system’s effectiveness;
- implement an effective system of responding to and preventing injuries and accidents at the Company’s facilities; and
- engage with federal and local authorities, non-governmental and non-profit organizations to discuss industrial safety issues.

The Company’s Occupational Health and Safety goals:

- create comfortable working conditions for employees to reduce the occupational workload and the number of workdays lost;
- ensure that governance bodies, employees, and emergency rescue teams are prepared to contain and respond to potential industrial accidents, fires and emergencies;
- organize and conduct special assessments of working conditions;
- manage occupational risks;
- organize and conduct employee health monitoring;
- inform employees about working conditions at their workplaces and occupational risk levels, as well as about the guarantees and compensations they are entitled to;
- ensure optimal work and rest patterns for employees;

The Company’s Occupational Health and Safety goals:

- provide employees with personal and collective protective equipment, wash-off and decontaminating agents, and
- ensure the safe performance of contract work and the procurement of safe products.

Company employees on secondments are also required to strictly follow OHS standards in line with Articles 146-149 of the Labor Code of the Russian Federation. Upon arrival to their destination, seconded employees receive an OHS induction briefing and are informed of the safety rules specific to their site, as well as provided with protective clothing, footwear and other personal protective equipment. Employees are not allowed to work at a facility without completing relevant occupational health training.

NOVATEK also keeps records of injuries among its contractors. 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. In 2020, the Company implemented the Supplier Code of Conduct, which defines its expectations of suppliers’ OHS practices.

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. In addition, NOVATEK’s top management holds regular conference calls on OHS issues with the CEOs of subsidiaries and joint ventures.

Management of subsidiaries and joint ventures also pay particular attention to OHS compliance at their production sites. Employees, including blue-collar workers, are involved in the OHS risk assessment process and in discussing issues. Moreover, the employees involved in production processes on a daily basis or periodically (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, the employees notify their supervisor, and measures are taken to remedy the breach and provide safer working conditions.

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

Working conditions and OHS issues are included in collective bargaining agreements, which regulate labor relations with assistance from trade union committees.

In 2020, spending on OHS, fire safety and security at the Group facilities totaled R$ 2,436 mn.

In line with the applicable industrial safety legislation, the Company carries out operational control at hazardous production facilities (HPFs), with each enterprise approving its operational control commission by its order. Key operational control objectives at the HPF:

- ensure industrial safety compliance at the HPF;
- review the current status of industrial safety, 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, and
- coordinate efforts aimed at preventing accidents at the HPF 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, and
- follow up compliance with process specifications.

Operational control at HPFs is part of the industrial safety management system and is carried out through a range of measures aimed at ensuring safe operation of HPFs, as well as prevention of accidents at these facilities and preparedness to contain and respond to accidents. The Company carries out two types of operational control compliance with industrial safety requirements at HPFs and compliance with sanitary and epidemiological requirements.

Annually, the Company develops plans for comprehensive and regular industrial safety audits. Based on the results of these inspections, reports are drawn and corrective actions are developed to timely eliminate any identified gaps. Within the established timeframe, employees in charge submit corrective action reports to the OHS unit for further analysis of the risk of possible hazardous situations.

In 2020, subsidiary and joint venture commissions conducted a total of 409 audits for compliance with industrial safety requirements, including integrated and targeted audits.

Operational control over the compliance with sanitary rules and the implementation of sanitary epidemic control (preventive) enable timely identification of breaches and immediate responses to them, which can prevent
Injuries, occupational and infectious diseases or other consequences of negative impact on employee health.

Operational control covers buildings, structures, process equipment, production processes, vehicles and workplaces. In addition to occupational hazards, raw materials for the production of food products, semi-finished products, finished food products, and potable water are also subject to operational control through laboratory testing.

Medical activities to prevent infectious diseases (including hospital-acquired infections) are supported by operational control of the compliance with sanitary epidemiologic control requirements and disinfection and sterilization protocols at first-aid posts and observation and isolation facilities performing mandatory laboratory tests (disinfectant activity, surface-treatment quality, tests of medical instruments and medical equipment).

If medical activities are outsourced to a contractor, the contractor has to monitor the compliance with these requirements independently.

To safeguard employees’ right to safe working conditions, the Company carries out special assessments of working conditions. In 2020, 9,264 workplaces were certified, with no workplaces with hazardous working conditions identified. However, workplace hazards still exist at our production facilities. To control compliance with the following factors with marginal health impact: microclimate, static electricity, electromagnetic radiation, noise at workplace, chemicals, physical exertion and eye strain.

**Occupational Health**

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The Company is strongly focused on the promotion of worker health and provision of timely medical care. First-aid posts have been set up at the Company’s remote facilities. In 2020, the Group operated 28 first-aid posts with in-patient facilities and intensive-care units. The first-aid posts at the most remote sites are equipped with ambulances (a remote first-aid post is provided with ambulances). In the reporting year, there were no cases of infectious diseases among employees related to catering services or water supply.

In 2020, scheduled employee health activities were also continued, with preventive medical examinations carried out to determine employees’ professional fitness to work and case monitoring. During the reporting year, 1,016 employees underwent medical examinations and 4,095 persons took psychiatric examination.

The Company provides its workforce with access to vaccination: in the reporting year, 16.3% people were vaccinated, including 2,612 NOVATEK’s employees and 12,764 contractor and subcontractor employees.

**Occupational health during the COVID-19 pandemic**

In February 2020, an “Action Plan to Safeguard against the Coronavirus at NOVATEK and its Controlled Entities” was put in practice to ensure preparedness and timely transmission and spread of the novel coronavirus at the Company’s facilities.

For prompt response and coordination, the Company established emergency operations centers (Novy Urengoy, Tarko-Sale, the Lenegrad Region and Murmansk, and the Yamal-Nenets Autonomous Region LNG Projects) and arranged cooperation with the emergency operations centers of the executive authorities of the Russian regions and local authorities.

The COVID-19 control measures were implemented in strict compliance with the Russian Government Resolution No. 601 “On Approval of Temporary Regulations for Rotation-Based Work”, dated 28 April 2020, directives by Russia’s Chief Public Health Officer, as well as by the heads of the Russian Federation constituent entities.

Professionally organized efforts within NOVATEK as well as effective cooperation with authorities, medical companies, and suppliers of medical goods made it possible to respond promptly to disruptions caused by the pandemic.

**Sustainability Report 2020**

The following actions were taken during 2020:

- shift duration was extended;
- procedures for pre-shift observation were developed for new rotation personnel arriving to production sites as were logistics arrangements to transport the personnel, which enabled mitigating the risks of the coronavirus spreading into sites of operations;
- for rotation personnel, temporary accommodation along with medical observation and COVID-19 testing was arranged;
- systematic campaigns were organized to raise employee awareness of prevention of acute respiratory viral infections, including COVID-19, alongside briefings to educate workers about the specifics of the novel coronavirus infection;
- most of the employees not involved in continuous-operation HPFs were shifted to remote work (from March to August 2020);
- special protocols were put in place to prevent the spread of COVID-19 following the return from remote working temperature screening at workplaces, social distancing, use of personal protective equipment and sanitizer, strict restrictions on in-person gatherings, to name a few;
- restrictions were imposed on employee business trips;
- procedure for shifting employees to remote working was established along with the introduction of mostly digital interaction protocols and IT measures to support remote working;
- COVID-19 testing of employees was arranged;
- data on the COVID-19 situation at facilities was collected and analyzed;
- the Group employees were provided with the necessary protective equipment and measures, including contact thermometers to measure body temperature, devices for room disinfection, hand sanitizing, and non-contact thermometers to measure body temperature;
- additional contracts were signed with medical service providers to put in place prevention and epidemic-control measures;
- a stock of medicines was built up at facilities to treat employees against acute respiratory diseases, including COVID-19;
- observation and isolation facilities were deployed and equipped, medical equipment (a CT scanner, electrocardiographs, body fluid analyzers, tonometers, pulse oximeters, glucose meters, thermometers) was purchased;

- a number of medical staff was increased at medical units, including various specialists – pulmonologists, cardiologists and infectious disease specialists, and
- Company’s employees returning from remote working or from vacation are required to take COVID-19 tests, and only those testing negative are admitted to work.

After all restrictions were lifted, the Company, among other things, plans to provide an opportunity to work remotely to certain employee categories – people over 65, pregnant women and employees at risk of developing severe complications from an infection due to underlying medical conditions.

The concerted actions of the Company, its employees, partners and authorities allowed us to provide our people with strong protection and maintain NOVATEK’s operational momentum amid the COVID-19 pandemic in 2020.

**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 has in place a fire safety system compliant with the Russian law. The system’s objective is to prevent fires and protect people and property in case of a fire or an emergency.

The Company’s approach to fire safety, civil defense and emergency situations and respective activities are fully aligned with applicable laws and technical regulations. For innovative and complex projects, compliance with safety requirements under the design documentation and specifications is ensured individually for each facility.

In 2020, eight subsidiaries had licenses to service firefighting equipment, five subsidiaries – to perform firefighting as well as emergency response and rescue operations. A large share of licensed fire safety services is outsourced. Subsidiaries have hazardous facilities that produce, collect, process, and manufacture explosives and flammable substances are protected by 27 professional emergency response and rescue teams.

To ensure safety, the Company has over 1,000 permanent employees in professional emergency response and rescue teams and over 200 units of basic and special emergency response and rescue equipment for various purposes. In addition, we have decided to build fire stations and establish emergency response and rescue teams within prospective field development and construction projects.

In 2020, the total headcount of fire and emergency teams serving the facilities on a 24-hour basis stood at 835 certified rescue workers. 38 engineers directly monitored and supervised the fire safety and emergency response environment at the Company’s facilities. Materials and equipment available to the emergency response environment at the Company’s facilities.
response and rescue teams comply with all existing requirements. The Company ensures timely renewal of both basic and specialized fire vehicle fleets. Inspections are regularly carried out at subsidiary facilities to assess the emergency preparedness and response capabilities of the Company’s business units and personnel, and evaluate the resources of in-house and external professional emergency response and rescue teams. In 2020, there were 24,243 patrols of facility areas in order to continuously monitor safe operation conditions, and 7,933 checks of outdoor fire water supply sources were carried out. The emergency response and rescue teams performed 18,053 control patrols for safe hot work, fire- and gas-hazardous operations. The subsidiary facilities implement a full-scale program to respond to oil, petroleum product, and other hydrocarbon spills. 

Work-Related Injuries

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 2020, the Company held 2,416 fire safety briefings that featured guidance materials and visual aids, as well as hands-on presentations. Basic fire safety training was provided to 6,735 people, with 2,416 tactical fire exercises performed as part of emergency spill response plans, accident containment and response plans, as well as evacuation drills. All emergency response and rescue teams are made up of 490 certified rescue workers. The number of certified rescue workers decreased year-on-year by 130 due to changes in legislation and non-professional emergency response team members being excluded from the total number.

In 2020, the Group registered one fire at a non-production facility. The combustion area was 15 square meters, no one was injured.

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

Work-Related Injuries

NOVATEK makes every effort to reduce injuries and prevent accidents: all incidents are thoroughly investigated afterwards.

NOVATEK identifies hazards and assesses injury risks to meet the requirements of ISO 45001 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 deterioration of health.

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

Properly and timely investigating each incident in production, the commission identified the causes of injuries and takes corrective measures to prevent similar incidents from happening in the future, as well as to decide on the liability of responsible employees and on compensation for damages.


In line with Federal Law No. 426-FZ “On Special Assessment of Working Conditions”, dated 28 December 2013, each job is subject to an unscheduled special assessment of working conditions within six months, and the Company must inform the organization that conducts the special assessment of working conditions of employees’ proposals on identification of potentially harmful and/or hazardous production factors in their workplaces (if there are any).

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 complete a comprehensive review of the events preceding an incident and the implementation of corrective actions to prevent future incidents.

In 2020, the Group recorded 13 work-related injuries – 11 minor injuries and 2 high-consequence injuries. 8 out of 13 injuries were related to employee movement and climate conditions (slipping and falling), and the rest to driving vehicles and performing operations. In 2020, the LTRIF among the Group’s employees registered at 0.49, representing a 29% decline compared to 2019 (0.69). There were no fatalities within the Company in 2020. The Company also keeps records of injuries among contractors. In 2020, 177 accidents involving contractor employees were recorded, including 4 fatalities accidents, with a total of 7 fatalities.

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 commission 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.

Accidents and Incidents

NOVATEK has in place procedures to collect information on work-related injuries. All work-related injuries, including those which occurred to contractor employees, are analyzed in detail. 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.

Sustainability Report 2020

NOVATEK is engaged in exploration, production, transportation, processing, and sales of natural gas and liquid hydrocarbons, which requires training personnel to comply with HSE rules when working with complex technological processes at flammable and explosive facilities. Works and services at these hazardous production facilities (HFFs) are rendered in line with HSE laws. As of 31 December 2020, 260 HFFs were registered with territorial bodies of the Russian Federal Environmental, industrial and Nuclear Supervision Service, including:

- Class 1 (extremely hazardous) – 13 facilities;
- Class 2 (highly hazardous) – 61 facilities;
- Class 3 (moderately hazardous) – 174 facilities; and
- Class 4 (low-hazardous) – 22 facilities.

To mitigate the risk of potential accidents and incidents at HFFs, such HES preventive measures are taken as:

- preventive inspections of equipment;
- technical inspections, diagnostics of equipment, buildings and facilities;
- industrial safety reviews;
- development of regulations (emergency containment and management plans, spill response plans, industrial safety rules, technical regulations, to name a few);
- obligatory civil liability insurance of organizations operating HFFs for damage to life, health or property of third parties and the environment;
- training and certification of personnel engaged in the operation, maintenance, closure, mothballing of HFFs;
- development of guidelines, use of education automation systems (OLIMP-OKs, Techexpert), and
- signing agreements for servicing HFFs by emergency response and rescue teams and process safety teams.

As part of its existing risk management system, the Company also identifies and assesses risks, including:

- frequency rate of accidents;
- frequency rate of injuries;
- number of injuries;
- data on accidents and incidents.

Number and frequency rate* of injuries across the Group in 2018–2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency rate of injuries</th>
<th>Number of injuries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.76</td>
<td>10</td>
</tr>
<tr>
<td>2019</td>
<td>0.81</td>
<td>15</td>
</tr>
<tr>
<td>2020</td>
<td>0.81</td>
<td>13</td>
</tr>
</tbody>
</table>

* Lost days divided by the number of injuries.
Drills run in 2020 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 2020, the Group recorded no accidents and two incidents that did not affect safety of people or operating processes.

OHS Training

All NOVATEK subsidiaries and joint ventures provide regular training in OHS and first aid, and are certified to industrial safety standards.

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The Company regularly delivers training to ensure that employees are sufficiently competent in these areas. The training programs:

- cover all the Company employees as per appropriate procedures;
- are carried out by competent persons;
- provide for effective and timely initial and refresher training at set frequency;
- include feedback from trainees on how clear the course materials were and how well they have learned it; and
- are regularly reviewed and updated to reflect changes in laws and employees’ scope of work.

Business unit leaders, including the Company top managers, take courses in training centers, while experts are offered in-house training opportunities. For that, training programs were developed, and OHS knowledge testing commissions were set up.

403.6

Number of employees who completed OHS training in 2018–2020

<table>
<thead>
<tr>
<th>Type of training</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>OHS training</td>
<td>8,153</td>
<td>10,256</td>
<td>11,518</td>
</tr>
<tr>
<td>First aid training</td>
<td>7,767</td>
<td>10,134</td>
<td>10,394</td>
</tr>
<tr>
<td>OHS training and certification</td>
<td>2,066</td>
<td>2,544</td>
<td>2,479</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>18,986</td>
<td>22,934</td>
<td>24,391</td>
</tr>
</tbody>
</table>

The Company puts emphasis on training its workers, who face various work-related hazards: using of power tools and complex equipment, working at heights and in confined spaces. Personnel must have the necessary knowledge and skills to enhance safety at workplace. To this end, the Company has in place a differentiated OHS training system for each job, including briefings and apprenticeships. 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. Briefings are held by the occupational health and safety unit and direct supervisors.

OHS training and testing take place on the job. In 2020, 30 subsidiaries and joint ventures used the OLIMP Oks licensed automated training and knowledge testing system for testing and certifying employees. Automated programs allow to minimize the risks of cheating and falsifying testing results.

OHS certification is mandatory for managers, specialists and personnel operating hazardous production facilities (HPF) and is a key to HPF’s correct and safe operation. OHS certification process in line with applicable laws is monitored by the Federal Environmental, Industrial and Nuclear Supervision Service of Russia and is carried out through the Unified Testing Portal information system.
This Report has been prepared in accordance with the GRI Standards: Core option.

Principles for defining report quality (based on GRI recommendations):

- Accuracy
- Comparability
- Balance
- Reliability
- Clarity
- Timeliness

NOVATEK’s Sustainability Report 2020

Defining Report content and material topics

The Company identified material topics in late 2020–early 2021 as part of its Sustainability Report 2020 preparation process. The procedure was carried out in several stages:

1. The Company’s working group analyzed all material topics relevant to the oil and gas industry and compiled as comprehensive a list as possible.
2. Based on the list of relevant topics, a questionnaire was prepared for the heads of the Company’s departments and for stakeholders. The respondents were asked to rate each topic on the following scale: no materiality – low materiality – medium materiality – high materiality – very high materiality.
3. Based on the survey results, a materiality matrix was generated, where the vertical axis shows the materiality of topics to stakeholders (based on stakeholder questionnaires) and the horizontal axis shows the Company’s impact within the topics (based on questionnaires for the heads of departments). Material topics are located above the cut-off line (diagonally).

As a result, 23 material topics were identified.

In preparing the Report’s content, all material topics were disclosed as fully as possible in terms of the description of approaches as well as 2020 performance. Quantitative information is presented for three years to ensure comparability.

Three material topics were fully disclosed for the first time in this Report:

- Innovation;
- Information Security; and

The Procurement topic was deemed insignificant based on the rating by the survey respondents; however, the Company continued to disclose information on this topic as the Report preparation working group deemed it important.

Principles of defining the Report content (based on GRI recommendations):

- stakeholder inclusiveness;
- sustainability context;
- materiality; and
- completeness.

NOVATEK’s Sustainability Report is prepared in accordance with GRI Sustainability Reporting Standards, the Oil & Gas – Exploration & Production industry Sustainability Accounting Standard published by the Sustainability Accounting Standards Board (SASB), as well as aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
### Materiality matrix

#### The Company’s impact

#### Materiality to stakeholders

<table>
<thead>
<tr>
<th>Topic</th>
<th>Report section/ Other source</th>
<th>No. in the matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Performance</td>
<td>1 About the Company, p. 12 Annual Report, p. 14</td>
<td></td>
</tr>
<tr>
<td>Local Development</td>
<td>2 Social Investments, p. 120</td>
<td></td>
</tr>
<tr>
<td>Procurement</td>
<td>3 Procurement, p. 114</td>
<td></td>
</tr>
<tr>
<td>Anti-Corruption</td>
<td>4 Business Ethics, p. 52</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>5 –</td>
<td></td>
</tr>
<tr>
<td>Business Model</td>
<td>6 About the Company, p. 14</td>
<td></td>
</tr>
<tr>
<td>The Company’s Innovation Activities</td>
<td>7 About the Company, p. 22</td>
<td></td>
</tr>
<tr>
<td>Energy Consumption and Efficiency</td>
<td>8 Environmental Performance and Protection, p. 97</td>
<td></td>
</tr>
<tr>
<td>Water Resources</td>
<td>9 Environmental Performance and Protection, p. 104</td>
<td></td>
</tr>
<tr>
<td>Biodiversity</td>
<td>10 Environmental Performance and Protection, p. 107</td>
<td></td>
</tr>
<tr>
<td>Air Emissions</td>
<td>11 Environmental Performance and Protection, p. 99</td>
<td></td>
</tr>
<tr>
<td>Climate Change</td>
<td>12 Climate Change, p. 76</td>
<td></td>
</tr>
<tr>
<td>Effluents and Waste</td>
<td>13 Environmental Performance and Protection, p. 102</td>
<td></td>
</tr>
<tr>
<td>Environmental Compliance</td>
<td>14 Environmental Performance and Protection, p. 92</td>
<td></td>
</tr>
<tr>
<td>Social Performance and Assessment</td>
<td>15 –</td>
<td></td>
</tr>
<tr>
<td>Employment and Social Benefits for Employees, Interaction Between Employees and Management</td>
<td>16 Employment Practices, p. 128</td>
<td></td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>17 Employee Health, Occupational Health and Safety, p. 138</td>
<td></td>
</tr>
<tr>
<td>Emergency Preparedness</td>
<td>18 Employee Health, Occupational Health and Safety, p. 139</td>
<td></td>
</tr>
<tr>
<td>Accidents and Incidents</td>
<td>19 Employee Health, Occupational Health and Safety, p. 141</td>
<td></td>
</tr>
<tr>
<td>Personnel Training and Development</td>
<td>20 Employment Practices, p. 130</td>
<td></td>
</tr>
<tr>
<td>Ensuring Employee Rights and Equal Opportunities</td>
<td>21 Employment Practices, p. 128 Business Ethics, p. 54</td>
<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td>22 Business Ethics, p. 54</td>
<td></td>
</tr>
<tr>
<td>Local Communities, Indigenous Minorities</td>
<td>23 Social Investments, p. 120 Stakeholder Engagement, p. 41 Business Ethics, p. 52</td>
<td></td>
</tr>
<tr>
<td>Supplier Assessment for Social Impacts</td>
<td>24 –</td>
<td></td>
</tr>
<tr>
<td>Financial Participation in Political Life</td>
<td>25 –</td>
<td></td>
</tr>
<tr>
<td>Customer Health and Safety</td>
<td>26 –</td>
<td></td>
</tr>
<tr>
<td>Socioeconomic Compliance</td>
<td>27 –</td>
<td></td>
</tr>
<tr>
<td>Information Security</td>
<td>28 Business Ethics, p. 55</td>
<td></td>
</tr>
<tr>
<td>External Social Policy</td>
<td>29 Social Investments, p. 120</td>
<td></td>
</tr>
</tbody>
</table>
### APPENDIX 2. Personnel Structure

#### 405-1
Personnel structure by gender and age as of 31 December 2020

<table>
<thead>
<tr>
<th>Age of employees, years</th>
<th>Female</th>
<th>%</th>
<th>Male</th>
<th>%</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>487</td>
<td>12</td>
<td>1,338</td>
<td>10</td>
<td>1,825</td>
<td>11</td>
</tr>
<tr>
<td>30 to 50</td>
<td>2,957</td>
<td>76</td>
<td>9,567</td>
<td>74</td>
<td>12,524</td>
<td>74</td>
</tr>
<tr>
<td>50+</td>
<td>467</td>
<td>12</td>
<td>2,015</td>
<td>16</td>
<td>2,472</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3,901</td>
<td></td>
<td>12,920</td>
<td></td>
<td>16,821</td>
<td></td>
</tr>
</tbody>
</table>

#### Personnel structure by line of work and gender as of 31 December 2020

<table>
<thead>
<tr>
<th>Line of work</th>
<th>Total head-count, people</th>
<th>% of total headcount</th>
<th>Female</th>
<th>Male</th>
<th>Female, %</th>
<th>Male, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>5,652</td>
<td>34</td>
<td>1,054</td>
<td>4,598</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td>Transportation</td>
<td>736</td>
<td>4</td>
<td>129</td>
<td>607</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Marketing</td>
<td>2,252</td>
<td>13</td>
<td>1,118</td>
<td>1,134</td>
<td>29</td>
<td>9</td>
</tr>
<tr>
<td>Processing</td>
<td>1,367</td>
<td>8</td>
<td>244</td>
<td>1,123</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Administrative personnel</td>
<td>1,062</td>
<td>6</td>
<td>432</td>
<td>630</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Power supply</td>
<td>1,178</td>
<td>7</td>
<td>76</td>
<td>1,102</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Auxiliary production</td>
<td>409</td>
<td>3</td>
<td>118</td>
<td>291</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>LNG production</td>
<td>4,165</td>
<td>25</td>
<td>730</td>
<td>3,435</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>16,821</td>
<td></td>
<td>3,901</td>
<td>12,920</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 405-3
Personnel structure by gender and region as of 31 December 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yamal-Nenets Autonomous Region</td>
<td>1,251</td>
<td>8,876</td>
<td>10,127</td>
</tr>
<tr>
<td>Moscow and Moscow Region</td>
<td>976</td>
<td>1,410</td>
<td>2,386</td>
</tr>
<tr>
<td>Chelyabinsk Region</td>
<td>711</td>
<td>577</td>
<td>1,288</td>
</tr>
<tr>
<td>St. Petersburg and Leningrad Region</td>
<td>230</td>
<td>748</td>
<td>978</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>192</td>
<td>354</td>
<td>546</td>
</tr>
<tr>
<td>Murmansk Region</td>
<td>124</td>
<td>350</td>
<td>474</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>79</td>
<td>135</td>
<td>214</td>
</tr>
<tr>
<td>Kostroma Region</td>
<td>115</td>
<td>87</td>
<td>202</td>
</tr>
<tr>
<td>Volgograd Region</td>
<td>86</td>
<td>115</td>
<td>201</td>
</tr>
<tr>
<td>Khanty-Mansiysk Autonomous Region</td>
<td>10</td>
<td>53</td>
<td>63</td>
</tr>
<tr>
<td>Perm Territory</td>
<td>13</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>Republic of Bashkortostan</td>
<td>8</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Astrakhan Region</td>
<td>8</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Sverdlovsk Region</td>
<td>0</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Samara Region</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>525</td>
<td>1,144</td>
<td>1,669</td>
</tr>
</tbody>
</table>

#### 405-4
Personnel structure by type of employment contract and gender as of 31 December 2020

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-term</td>
<td>525</td>
<td>1,144</td>
<td>1,669</td>
</tr>
<tr>
<td>Permanent</td>
<td>3,376</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 405-5
Personnel structure by type of employment contract and region as of 31 December 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>Fixed-term</th>
<th>Permanent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yamal-Nenets Autonomous Region</td>
<td>665</td>
<td>9,462</td>
</tr>
<tr>
<td>Moscow and Moscow Region</td>
<td>467</td>
<td>1,929</td>
</tr>
<tr>
<td>Chelyabinsk Region</td>
<td>56</td>
<td>1,232</td>
</tr>
<tr>
<td>St. Petersburg and Leningrad Region</td>
<td>84</td>
<td>894</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>36</td>
<td>530</td>
</tr>
<tr>
<td>Murmansk Region</td>
<td>272</td>
<td>202</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>8</td>
<td>206</td>
</tr>
<tr>
<td>Kostroma Region</td>
<td>25</td>
<td>177</td>
</tr>
<tr>
<td>Volgograd Region</td>
<td>6</td>
<td>195</td>
</tr>
<tr>
<td>Khanty-Mansiysk Autonomous Region</td>
<td>1</td>
<td>62</td>
</tr>
<tr>
<td>Perm Territory</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Republic of Bashkortostan</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Astrakhan Region</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Sverdlovsk Region</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Samara Region</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Krasnodar Territory</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Sustainability Report 2020

**Region**

- Krasnodar Territory
- Tver Region
- Tulsa Region
- Kamchatka Territory
- Arkhangelsk Region
- Republic of Tatarstan
- Novosibirsk Region
- Republic of Mari El
- Poland
- Singapore
- Switzerland
- Cyprus
- Lebanon
- Montenegro

**Total**

- 3,901
- 12,920
- 16,821
<table>
<thead>
<tr>
<th>Region</th>
<th>Fixed-term</th>
<th>Permanent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tver Region</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Tula Region</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Kamchatka Territory</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Arkhangelsk Region</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Novosibirsk Region</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Republic of Mordovia</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Poland</td>
<td>23</td>
<td>97</td>
</tr>
<tr>
<td>Singapore</td>
<td>18</td>
<td>40</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4</td>
<td>42</td>
</tr>
<tr>
<td>Cyprus</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Lebanon</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Montenegro</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,669</td>
<td>15,152</td>
</tr>
</tbody>
</table>

### Personnel by type of employment and gender as of 31 December 2020

<table>
<thead>
<tr>
<th>Part-time</th>
<th>Full-time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Female</strong></td>
<td><strong>Male</strong></td>
</tr>
<tr>
<td>38</td>
<td>3,863</td>
</tr>
<tr>
<td>14</td>
<td>12,906</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>16,769</strong></td>
</tr>
</tbody>
</table>

### Personnel hired in 2020 by gender and age

<table>
<thead>
<tr>
<th>Age of employees, years</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>130</td>
<td>352</td>
<td>482</td>
</tr>
<tr>
<td>30 to 50</td>
<td>430</td>
<td>1,288</td>
<td>1,718</td>
</tr>
<tr>
<td>50+</td>
<td>25</td>
<td>160</td>
<td>185</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>588</td>
<td>1,800</td>
<td>2,388</td>
</tr>
</tbody>
</table>

### Personnel hired in 2020 by gender and region

<table>
<thead>
<tr>
<th>Region</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yamal-Nenets Autonomous Region</td>
<td>101</td>
<td>899</td>
<td>1,000</td>
</tr>
<tr>
<td>Moscow and Moscow Region</td>
<td>154</td>
<td>296</td>
<td>450</td>
</tr>
<tr>
<td>Chelyabinsk Region</td>
<td>122</td>
<td>140</td>
<td>262</td>
</tr>
<tr>
<td>St. Petersburg and Leningrad Region</td>
<td>38</td>
<td>84</td>
<td>122</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>59</td>
<td>79</td>
<td>138</td>
</tr>
<tr>
<td>Murmansk Region</td>
<td>39</td>
<td>174</td>
<td>213</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>20</td>
<td>22</td>
<td>42</td>
</tr>
<tr>
<td>Kostroma Region</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
</tbody>
</table>

### Employee turnover in 2020 by gender and region

<table>
<thead>
<tr>
<th>Gender/region</th>
<th>Average headcount, people</th>
<th>Resignations, people</th>
<th>Employee turnover rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>3,474</td>
<td>309</td>
<td>9</td>
</tr>
<tr>
<td>Male</td>
<td>12,440</td>
<td>610</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>15,914</strong></td>
<td><strong>919</strong></td>
<td><strong>6</strong></td>
</tr>
<tr>
<td>Yamal-Nenets Autonomous Region</td>
<td>9,826</td>
<td>320</td>
<td>3</td>
</tr>
<tr>
<td>Moscow and Moscow Region</td>
<td>2,186</td>
<td>153</td>
<td>7</td>
</tr>
<tr>
<td>Chelyabinsk Region</td>
<td>1,211</td>
<td>209</td>
<td>17</td>
</tr>
<tr>
<td>St. Petersburg and Leningrad Region</td>
<td>930</td>
<td>54</td>
<td>6</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>491</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>205</td>
<td>42</td>
<td>20</td>
</tr>
<tr>
<td>Kostroma Region</td>
<td>187</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Volgograd Region</td>
<td>192</td>
<td>69</td>
<td>36</td>
</tr>
<tr>
<td>Murmansk Region</td>
<td>323</td>
<td>31</td>
<td>10</td>
</tr>
</tbody>
</table>

1. The employee turnover rate is calculated as resignations divided by average headcount in 2020. Percentage is calculated as the resulting value multiplied by 100.
Gender/region | Average headcount, people | Resignations, people | Employee turnover rate, %
--- | --- | --- | ---
Khanty-Mansiysk Autonomous Region | 65 | 4 | 6
Perm Territory | 21 | 0 | 0
Astrakhan Region | 20 | 1 | 5
Krasnodar Territory | 7 | 0 | 0
Samara Region | 6 | 0 | 0
Arkhangelsk Region | 3 | 0 | 0
Kamchatka Territory | 4 | 0 | 0
Republic of Bashkortostan | 15 | 5 | 33
Novosibirsk Region | 1 | 0 | 0
Republic of Tatarstan | 1 | 0 | 0
Sverdlovsk Region | 3 | 1 | 32
Tver Region | 5 | 4 | 80
Tula Region | 4 | 0 | 0
Poland | 110 | 0 | 0
Switzerland | 42 | 3 | 7
Singapore | 48 | 8 | 17
Montenegro | 3 | 1 | 33
Cyprus | 3 | 0 | 0
Lebanon | 3 | 0 | 0
TOTAL | 15,914 | 919 | 6

### APPENDIX 3. Key Environmental Performance Indicators

#### Indicator | Unit of measurement | 2018 | 2019 | 2020
--- | --- | --- | --- | ---
**AIR POLLUTANT EMISSIONS**<sup>1</sup>

- **Scope 1 GHG emissions**, including
  - by production facilities | mmt of CO<sub>2</sub> equivalent | 6.06 | 11.11 | 9.06
  - by processing facilities | mmt of CO<sub>2</sub> equivalent | 4.74 | 7.49 | 5.52
  - by LNG production facilities | mmt of CO<sub>2</sub> equivalent | 0.67 | 0.59 | 0.59
  - by energy service facilities | mmt of CO<sub>2</sub> equivalent | 2.32 | 2.91 | 2.81
- **Scope 1 GHG emissions**, including<sup>2</sup>
  - from stationary combustion, including flaring | mmt of CO<sub>2</sub> equivalent | – | – | 8,853.0
  - fugitive emissions | mmt of CO<sub>2</sub> equivalent | – | – | 166.8
- **Scope 2 GHG emissions** | mmt of CO<sub>2</sub> equivalent | 187.8 | 204.8 | 228.5
- **Scope 3 GHG emissions** | mmt of CO<sub>2</sub> equivalent | – | – | 173,251

- Specific GHG emissions
  - by production facilities | mmt of CO<sub>2</sub> equivalent per mboe | 8.76 | 12.58 | 8.65
  - by processing facilities | mmt of CO<sub>2</sub> equivalent per ton of processed hydrocarbons | 0.037 | 0.034 | 0.031
  - by LNG facilities | mmt of CO<sub>2</sub> equivalent per ton of LNG | 0.27 | 0.26 | 0.24

- **APG utilization rate** | % | 97.1 | 83.3 | 96.2
- **Air pollutant emissions**, including
  - particulate matter | tons | 3,873.5 | 2,696.6 | 5,590.3
  - carbon monoxide | tons | 37,386.9 | 40,059.2 | 48,104.3
  - nitrogen oxide (NO<sub>2</sub> equivalent) | tons | 8,466.7 | 13,295.9 | 11,082.6
  - sulfur dioxide | tons | 28.2 | 62.0 | 77.4
  - hydrocarbons (including methane) | tons | 7,677.3 | 6,166.3 | 8,909.9
  - VOCs | tons | 12,851.6 | 13,258.2 | 13,417.8
  - other | tons | 17.8 | 64.9 | 80.3
- Specific air emissions | tons per mboe | 0.128 | 0.128 | 0.143
- **Air emissions in cities** | tons | 7,365 | 6,001 | 8,475
- **Methane emissions**, including
  - by production facilities | tons | 102 | 88 | 84
  - by processing facilities | tons | 7,163 | 5,913 | 8,391
- Specific methane emissions from production, processing, and LNG production | tons per mmboe | 13.60 | 10.44 | 14.44

---

1. Environmental performance data is calculated based on the Company’s proportional share in joint ventures, except for energy efficiency data that was based on a 100% share.
2. Based on a 100% share.
3. Scope 1 emissions by source type are disclosed for the first time in our Sustainability report 2020.
### Indicator | Unit of measurement | 2018 | 2019 | 2020
--- | --- | --- | --- | ---
The GHG intensity ratio | kg of CO2 equivalent per boe | 298 | 298 | 296

#### Indicator 1: Waste Management

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<thead>
<tr>
<th>Volume of waste generated, including</th>
<th>mt</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>drill mud</td>
<td>mt</td>
<td>–</td>
<td>–</td>
<td>37.4</td>
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#### Indicator 2: Significant spills

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<th>Significant spills</th>
<th>events</th>
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<tr>
<td>1</td>
<td>0</td>
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#### Indicator 3: Water Use and Disposal

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<th>Water consumption (excluding water for RPM), including</th>
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<th>2018</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>freshwater</td>
<td>mcm</td>
<td>–</td>
<td>1,711</td>
<td>1,952</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water discharge (excluding water for RPM)</th>
<th>mcm</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<td>freshwater</td>
<td>mcm</td>
<td>–</td>
<td>1,711</td>
<td>1,952</td>
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</table>

#### Indicator 4: Energy Consumption and Efficiency

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<th>Total consumption of heat and electricity</th>
<th>thousand GJ</th>
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<th>2019</th>
<th>2020</th>
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<td>– Total renewable energy systems</td>
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#### Indicator 5: Environmental Costs

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<th>2019</th>
<th>2020</th>
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<td>Environmental charges</td>
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### APPENDIX 4. Report Boundaries

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---

1. The GHG intensity ratio is calculated by dividing the total GHG combustion emissions from the total hydrocarbon production into the hydrocarbon production volumes (in boe).
2. Significant spills are determined based on the requirements of the regulatory legal acts of the Russian Federation and the relevant Company’s regulations.
3. RPM – reservoir pressure maintenance.
4. Based on a 100% Company’s share in joint ventures.
5. Discharged wastewater is classified by salinity as freshwater.

---

1. Report boundaries for GRI and SASB topics and indicators are given in the Appendix 5. Compliance with the GRI Standards and Appendix 6. Compliance with SASB.
2. On 12 March 2021, an entry was made in the Unified State Register of Legal Entities about the dissolution of OOO Chernichnye through its merger with ZAO Tarnenftegaz.
3. On 10 June 2021, OOO Obsky LNG was renamed OOO Obsky Gas Chemical Complex.
4. OOO NOVATEK – Western Arctic merged with OOO Arctic Transshipment on 26 February 2021, with the former renamed OOO Arctic Transshipment through its merger with OOO NOVATEK – Western Arctic.
5. On 26 February 2021, an entry was made in the Unified State Register of Legal Entities about the dissolution of OOO Arctic Transshipment through its merger with OOO NOVATEK – Western Arctic.
## APPENDIX 5. Compliance with the GRI Standards

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<tr>
<th>Indicator index</th>
<th>Indicator description</th>
<th>Section of the Report / Notes</th>
<th>Report Scope</th>
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<tbody>
<tr>
<td>102-55</td>
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### GENERAL DISCLOSURES

#### Organizational Profile

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<th>Name of the organization</th>
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<td>102-1</td>
<td>Name of the organization</td>
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<td>Activities, brands, products, and services</td>
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<td>Annual Report, p. 16-29</td>
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<tr>
<td></td>
<td></td>
<td>The Company does not produce goods or provide services prohibited in any market.</td>
<td></td>
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<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>About the Company, p. 10</td>
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<td>102-4</td>
<td>Location of operations</td>
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<td>Employment Practices, p. 128</td>
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<td>Information on employees and other workers</td>
<td>Employment Practices, p. 129</td>
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<td>Appendix 2. Personnel Structure, p. 148-150</td>
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<td></td>
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<td>Workers who are not employees do not perform a significant portion of the Company’s activities.</td>
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<td>There are no seasonal or other variations in headcount.</td>
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<td>102-9</td>
<td>Supply chain</td>
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<td>Significant changes to the organization and its supply chain</td>
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<td>Membership of associations</td>
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### Strategy

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<th>Statement from senior decision-maker</th>
<th>Section of the Report / Notes</th>
<th>Report Scope</th>
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<tr>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>Letter from the Chairman of the Management Board, p. 4-6</td>
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<tr>
<td>102-15</td>
<td>Key impacts, risks, and opportunities</td>
<td>Corporate Governance, p. 68-73</td>
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<td>Annual Report, p. 74-87</td>
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**Sustainability Report 2020**

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<td>Values, principles, standards, and norms of behavior</td>
<td>Business Ethics, p. 62</td>
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<td>102-17</td>
<td>Mechanisms for advice and concerns about ethics</td>
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<td><strong>Governance</strong></td>
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<td>102-18</td>
<td>Governance structure</td>
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<td>Executive-level responsibility for economic, environmental, and social topics</td>
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<td>Consulting stakeholders on economic, environmental, and social topics</td>
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<td>102-22</td>
<td>Composition of the highest governance body and its committees</td>
<td>Corporate Governance, p. 63</td>
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<td>Chair of the highest governance body</td>
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<td>Conflicts of interest</td>
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<td>Role of highest governance body in setting purpose, values, and strategy</td>
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<td>Collective knowledge of highest governance body</td>
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<td>Evaluating the highest governance body’s performance</td>
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<td>102-30</td>
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**Stakeholder Engagement**

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<td>Contact point for questions regarding the report</td>
<td>Alexander Nazarov, Head of IR +7 495 730 6013 <a href="mailto:ir@novatek.ru">ir@novatek.ru</a></td>
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**SPECIFIC STANDARD DISCLOSURES**

**Category: Economic**

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<td>Climate Change, p. 78-81</td>
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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 RUR 6.7 bln as of 31 December 2020.

202 Market Presence

103 Management Approach

103-1 Explanation of the material topic and its boundary

Appendix 1. About the Report, p. 145-147

1, excluding foreign subsidiaries and joint ventures

103-2 The management approach and its components

Employment Practices, p. 128

1, excluding foreign subsidiaries and joint ventures

103-3 Evaluation of the management approach

Employment Practices, p. 128

1, excluding foreign subsidiaries and joint ventures

202-1 Ratios of standard entry level wage by gender compared to local minimum wage

Employment Practices, p. 128

1, excluding foreign subsidiaries and joint ventures

203 Indirect Economic Impacts

103 Management Approach

103-1 Explanation of the material topic and its boundary

Appendix 1. About the Report, p. 145-147

4

103-2 The management approach and its components

Social Investments, p. 120-122

4

103-3 Evaluation of the management approach

4

203-1 Infrastructure investments and services supported

Social Investments, p. 120-122

4

203-2 Significant indirect economic impacts

Social Investments, p. 120-122

4

204 Procurement Practices

103 Management Approach

103-1 Explanation of the material topic and its boundary

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1

103-2 The management approach and its components

Procurement, p. 114-115

1

103-3 Evaluation of the management approach

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204-1 Proportion of spending on local suppliers

Procurement, p. 116

1

205 Anti-corruption

103 Management Approach

103-1 Explanation of the material topic and its boundary

Appendix 1. About the Report, p. 145-147

1

103-2 The management approach and its components

Business Ethics, p. 52-54

1

103-3 Evaluation of the management approach

1

205-1 Operations assessed for risks related to corruption

No operations were assessed for risks related to corruption

1

205-2 Communication and training about anti-corruption policies and procedures

Business Ethics, p. 53

1

205-3 Confirmed incidents of corruption and actions taken

The Company identified no cases of corruption in the reporting period

1

Sustainability Report 2020

Indicator Index Indicator Description Section of the Report / Notes Report Scope

Category: Environmental

302 Energy

103 Management Approach

103-1 Explanation of the material topic and its boundary

Appendix 1. About the Report, p. 145-147

3

103-2 The management approach and its components

Environmental Performance and Protection, p. 92-95, 104-106

3

103-3 Evaluation of the management approach

3

302-1 Energy consumption within the organization

Environmental Performance and Protection, p. 98

5

302-2 Energy consumption outside of the organization

All energy is consumed within the Group

5

302-3 Energy intensity

Environmental Performance and Protection, p. 98

5

302-4 Reduction of energy consumption

Environmental Performance and Protection, p. 99

5

302-5 Reductions in energy requirements

Reduction of energy demand at production facilities is only possible if energy consumption is reduced as part of energy saving and energy efficiency initiatives

5

303 Water and Effluents

103 Management Approach

103-1 Explanation of the material topic and its boundary

Appendix 1. About the Report, p. 145-147

3

103-2 The management approach and its components

Environmental Performance and Protection, p. 92-95, 104-106

3

103-3 Evaluation of the management approach

3

303-1 Interactions with water as a shared resource

Environmental Performance and Protection, p. 104-106

3

303-2 Management of water discharge-related impacts

Environmental Performance and Protection, p. 105

3

303-3 Water withdrawal

Environmental Performance and Protection, p. 105

3, excluding NOVATEK-Transervice, NOVATEK-Energo, NOVATEK-Chelyabinsk, Sherwood Premier, NOVATEK – Western Arctic, Sabetta International Airport

The data on the Company’s water withdrawal are obtained based on the state statistic reporting by the 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. 104-105

3, excluding NOVATEK-Transervice, NOVATEK-Energo, NOVATEK-AZK, NOVATEK-Chelyabinsk, Sherwood Premier, NOVATEK – Western Arctic, Sabetta International Airport
### 303-5 Water consumption

**Indicator index:** Water consumption

**Description:** Environmental Performance and Protection, p. 104

- The data on the Company’s water discharge are obtained based on the state statistic reporting by the Group’s subsidiaries available from form 2TP-Water approved by Order No. 230 of the Federal State Statistics Service dated 19 October 2009.

### 304 Biodiversity

#### Managing Approach

- **103-1** Explanation of the material topic and its boundary
  - Appendix 1. About the Report, p. 145-147
  - 3

- **103-2** The management approach and its components
  - Environmental Performance and Protection, p. 92-95, 107-109
  - 3

- **103-3** Evaluation of the management approach
  - Environmental Performance and Protection, p. 107
  - 3

#### Emissions

- **305-1** Direct (Scope 1) GHG emissions
  - Environmental Performance and Protection, p. 100-101
  - 6, excluding NOVATEK-Murmanusk

  - b. **CO₂, CH₄**

  - f. Operational control method.

- **305-2** Energy indirect (Scope 2) GHG emissions
  - Environmental Performance and Protection, p. 100-101
  - c. **CO₂**


  - f. Operational control method.

  - g. Energy indirect GHG emissions were calculated in accordance with the methodology approved by Order of the Russian Ministry of Natural Resources and Environment No. 330 “On the Approval of Guidelines for the Measurement of Energy Indirect GHG Emissions” dated 29 June 2017.

- **305-3** Other indirect (Scope 3) GHG emissions
  - Environmental Performance and Protection, p. 100-101

  - 6, excluding NOVATEK-Murmanusk

  - b. **CO₂**

  - c. Direct (Scope 1) emissions

  - d. **CO₂, CH₄**

- **305-4** GHG emissions intensity
  - Climate Change, p. 79

  - Environmental Performance and Protection, p. 102

  - c. Direct (Scope 1) emissions

  - d. **CO₂, CH₄**


- **305-5** Reduction of GHG emissions
  - Environmental Performance and Protection, p. 102

  - b. **CO₂, CH₄**


- **305-6** Emissions of ozone-depleting substances (ODS)
  - Environmental Performance and Protection, p. 99

  - 3

- **305-7** Nitrogen oxides (NOₓ), sulfur oxides (SOₓ), and other significant air emissions
  - Environmental Performance and Protection, p. 100

  - b. c. Pollutant emission factors are determined based on emission calculation methodologies approved by the Russian Ministry of Natural Resources and Environment, taking into account industry emission calculation methodologies depending on emission sources, pollutant release parameters, technological process, volume and composition of fuel used, environmental conditions in the source location area, as well as direct measurements of volume, physical properties and composition of emissions as part of industrial environmental control.

  - 3, excluding NOVATEK-Murmanusk, NOVATEK-Chelyabinsk, Sherwood Premier, Obsky LNG.
Hereinafter NOVATEK’s management approach in this area is primarily based on, although may not be limited to, Russian laws.

### 306 Waste

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<td>Waste generated</td>
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<td>Waste not directed to disposal</td>
<td>Environmental Performance and Protection, p. 103-104, excluding Arctic LNG 2, NOVATEK – Western Arctic</td>
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### 307 Environmental Compliance

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### 307-1 Non-compliance with environmental laws and regulations

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### Category: Social

#### 401 Employment

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#### 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

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<td>The benefits are provided to all employees</td>
<td>Appendix 2 Personnel Structure, p. 150-152</td>
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#### 401-3 Parental leave

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1. Hereinafter NOVATEK’s management approach in this area is primarily based on, although may not be limited to, Russian laws.
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<td>403-6 Promotion of worker health</td>
<td>Employee Health, Occupational Health and Safety, p. 138-139</td>
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<td>403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</td>
<td>Employee Health, Occupational Health and Safety, p. 137</td>
<td>2, excluding NOVATEK-Kamchatka, Arctic Transshipment, NOVATEK Gas &amp; Power, Novatek Gas &amp; Power Asia, Novatek Asia Development Holding, Novatek Green Energy, Novatek Equity (Cyprus), NOVATEK Montenegro, NOVATEK Lebanon, Yamal Trade</td>
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<td>403-8 Workers covered by an occupational health and safety management system</td>
<td>Employee Health, Occupational Health and Safety, p. 136-137, 140</td>
<td>2, excluding NOVATEK-Kamchatka, Arctic Transshipment, NOVATEK Gas &amp; Power, Novatek Gas &amp; Power Asia, Novatek Asia Development Holding, Novatek Green Energy, Novatek Equity (Cyprus), NOVATEK Montenegro, NOVATEK Lebanon, Yamal Trade</td>
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<td>403-10 Work-related ill health</td>
<td>No occupational diseases were identified or registered at NOVATEK over the past five years.</td>
<td>2, excluding NOVATEK-Kamchatka, Arctic Transshipment, NOVATEK Gas &amp; Power, Novatek Gas &amp; Power Asia, Novatek Asia Development Holding, Novatek Green Energy, Novatek Equity (Cyprus), NOVATEK Montenegro, NOVATEK Lebanon, Yamal Trade</td>
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<td>404-2 Programs for upgrading employee skills and transition assistance programs</td>
<td>Employment Practices, p. 131-132</td>
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<td>404-3 Percentage of employees receiving regular performance and career development reviews</td>
<td>Employment Practices, p. 132</td>
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<td>The Company operates in accordance with Russian laws.</td>
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<td>406-2 Ratio of basic salary and remuneration of women to men</td>
<td>Wage rates for women and men are based on equal pay structures at NOVATEK for the specific type of work performed.</td>
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<td>406 Non-discrimination</td>
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<td>406-1 Incidents of discrimination and corrective actions taken</td>
<td>The Company identified no incidents of discrimination in the reporting period.</td>
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<td></td>
<td>103-3 Evaluation of the management approach</td>
<td>Business Ethics, p. 128</td>
<td></td>
</tr>
<tr>
<td>407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</td>
<td>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.</td>
<td>1, trade unions are in place in PAO NOVATEK, Temneftegaz, NOVATEK-Yukhranovneftegaz, NOVATEK-Tarkosneftegaz, NOVATEK-Purovsky ZPK, NOVATEK-Transervice, Arcticgas, NOVATEK-Energo</td>
<td></td>
</tr>
</tbody>
</table>
**Directors' Report and Corporate Governance**

- **Approach**
- **Management**
- **Stakeholder Engagement**
- **Social Investments**
- **Protection**
- **Environmental Performance and Reporting**
- **Business Ethics**
- **Employment Practices**
- **Appendix 1. About the Report**
- **NOVATEK – Western Arctic**
- **NOVATEK – Ust-Luga**
- **NOVATEK – Chelyabinsk**
- **NOVATEK – Murmansk**
- **NOVATEK – Transervice**
- **NOVATEK – Purovsky ZPK**
- **NOVATEK – Cryogas-Vysotsk**
- **NOVATEK – Arctic LNG 1**
- **NOVATEK – Arctic LNG 2**
- **NOVATEK – Arctic LNG 3**
- **NOVATEK – Arctic LNG 4**
- **NOVATEK – Arctic LNG 5**
- **NOVATEK – Arctic LNG 6**

**Sustainability Report 2020**

- **Public Policy**
- **Rights of Indigenous Peoples**
- **Local Communities**
- **Child Labor**
- **Forced or Compulsory Labor**
- **Rights of Indigenous Peoples**

**Indicator Index**

- **408 Child Labor**
- **408-1 Operations and suppliers at significant risk for incidents of child labor**
- **409 Forced or Compulsory Labor**
- **409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor**
- **411 Rights of Indigenous Peoples**
- **411-1 Incidents of violations involving rights of indigenous peoples**
- **413 Local Communities**
- **413-1 Operations with local community engagement, impact assessments, and development programs**
- **413-2 Operations with significant actual and potential negative impacts on local communities**

**Section of the Report / Notes**

- **Appendix 1. About the Report, p. 145-147**
- **Employment Practices, p. 54-55**
- **Business Ethics, p. 128**
- **The Company operates in accordance with Russian laws**
- **The Company identified no operations at significant risk for incidents of child labor**
- **The Company operates in accordance with Russian laws**
- **The Company identified no operations at significant risk for incidents of forced or compulsory labor**

**Report Scope**

- **1**

**Indicator Description**

- **Stakeholder Engagement, p. 41-42**
- **Social Investments, p. 103**
- **Protection, p. 103**
- **Environmental Performance and Reporting, p. 103**
- **Business Ethics, p. 103**
- **Employment Practices, p. 103**
- **Appendix 1. About the Report, p. 145-147**

**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.**

**NOVATEK**

- **Produced natural gas and LNG are free of benzene, lead, and sulfur content.**
- **The total amount of political contributions by country and recipient/beneficiary is $0.**
- **The Company operates in accordance with Russian laws.**
- **NOVATEK**

**Sustainability Report 2020 THINK GREEN. THINK NATURAL GAS.**
**APPENDIX 6. Compliance with SASB**

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GHG EMISSIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM-EP-110a.1</td>
<td>Gross global Scope 1 emissions</td>
<td>9,056,750 tons of CO₂ equivalent</td>
<td>6, excluding NOVATEK-Murmansk</td>
</tr>
<tr>
<td></td>
<td>Percentage of methane</td>
<td>8,475 tons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage covered under emissions-limiting regulations</td>
<td>Russia lacks legislative regulation of greenhouse gas emissions</td>
<td></td>
</tr>
<tr>
<td>EM-EP-110a.2</td>
<td>Amount of gross global Scope 1 emissions from: (1) hydrocarbon combustion, (2) other combustion, (3) process emissions, (4) other vented emissions, and (5) fugitive emissions</td>
<td>Emissions from stationary combustion, including flaring: 8,852,968 tons of CO₂ equivalent; and fugitive emissions: 166,816 tons of CO₂ equivalent. The Company does not disclose process and other vented emissions.</td>
<td>6, excluding NOVATEK-Murmansk</td>
</tr>
<tr>
<td>EM-EP-110a.3</td>
<td>Description of emission reduction targets and long-term and short-term strategies or plans to manage Scope 1 GHG emissions, and an analysis of performance against these targets</td>
<td>Details are available in the Environmental Performance and Protection section, p. 77</td>
<td>6, excluding NOVATEK-Murmansk</td>
</tr>
</tbody>
</table>

| **AIR QUALITY** | | | |
| EM-EP-120a.1 | Air pollutant emissions: (1) NOₓ (excluding N₂O) 11,082.6 tons (as NO₂ equivalent) | 3, excluding NOVATEK-Murmansk, NOVATEK-Chelyabinsk, Sherwood Premier, Obiskiy LNG | |
| | (2) SO₂ 774 tons | NOVATEK-Chelyabinsk, Sherwood Premier, NOVATEK – Western Arctic, Sabetta International Airport | |
| | (3) volatile organic compounds (VOCs) 13,417.8 tons (sulfur dioxide) | NOVATEK-Chelyabinsk, Sherwood Premier, NOVATEK – Western Arctic, Sabetta International Airport | |
| | (4) particulate matter 5,590.3 tons | NOVATEK-Chelyabinsk, Sherwood Premier, NOVATEK – Western Arctic, Sabetta International Airport | |

| **WATER MANAGEMENT** | | | |
| EM-EP-140a.1 | Total freshwater withdrawal | 1,952 mcum | 3, excluding NOVATEK-Transervice, NOVATEK-Energo, NOVATEK-Chelyabinsk, Sherwood Premier, NOVATEK – Western Arctic, Sabetta International Airport |
| | Total freshwater consumption | 1,952 mcum | |
| | Percentage of freshwater withdrawal/consumption in areas of high or extremely high water stress | The Company does not operate in areas with water stress. The International Water Management Institute and World Resources Institute’s Water Risk Atlas tool classified Russia as a region with abundant water resources. | |

| EM-EP-140a.2 | Volume of water produced and flowback generated, percentage of (1) discharged, (2) injected, (3) recycled water | Volume of water produced from production wells: 4,531 mt, and from water withdrawal wells: 2,392 mt. Water injected for reservoir pressure maintenance: 5,538 mt. Discharged and recycled water data is not consolidated at the Group level. | 6, excluding NOVATEK-Purovsky ZPK, NOVATEK-Transervice, NOVATEK-Murmansk, NOVATEK-Energo, NOVATEK – Ust-Luga, NOVATEK-Chelyabinsk, Cryogas-Vysotsk |
| | Hydrocarbon content in discharged water | The Company does not discharge hydrocarbon contaminated water into water bodies. | 3, excluding NOVATEK-Transervice, NOVATEK-Energo, NOVATEK-Chelyabinsk, Sherwood Premier, NOVATEK – Western Arctic, Sabetta International Airport |
1. According to the Decree of the Government of the Russian Federation No. 1049 “On approval of the list of indigenous peoples of the North and the list of areas of residence of indigenous peoples of the North in order to establish a social pension for old age”.

2. Number of injuries divided by the average headcount.

3. Calculations use the methodology of the World Resources Institute.

### BIODIVERSITY IMPACTS

**EM-EP-160a.1**
Description of environmental management policies and practices for existing plants
- Details are available in the Environmental Performance and Protection section, p. 92.
- \(1\)

**EM-EP-160a.2**
Number and aggregate volume of hydrocarbon spills, volume of spills in the Arctic, volume impacting shorelines with ESI rankings 8–10, and volume recovered
- There were no spills exceeding 1 barrel volume in 2020
- \(1\)

**EM-EP-160a.3**
Percentage of (1) proved and (2) probable reserves in or near protected areas or habitats of endangered species
- This information is not consolidated at the Group level
- \(3\)

### SECURITY, HUMAN RIGHTS AND RIGHTS OF INDIGENOUS PEOPLES

**EM-EP-210a.1**
Percentage of (1) proved and (2) probable reserves in or near conflict areas
- 0%
- \(1\)

**EM-EP-210a.2**
Percentage of (1) proved and (2) probable reserves in or near indigenous land
- 100% Company’s reserves are located in indigenous land
- 1, excluding foreign subsidiaries and joint ventures
- \(1\)

**EM-EP-210a.3**
Discussion of stakeholder engagement processes and responsible practices with respect to human rights, indigenous rights, and operation in conflict areas
- Details are available in the Business Ethics section, p. 54
- The Company does not operate in conflict areas
- \(1\)

### ENGAGEMENT WITH LOCAL COMMUNITIES

**EM-EP-210b.1**
Description of the process to manage risks and opportunities associated with community rights and interests
- Details are available in the Business Ethics section, p. 54
- \(1\)

**EM-EP-210b.2**
Number and duration of non-technical disputes
- The Company has never seen a single case of stoppages or strikes due to labor disputes
- \(1\)

### EMPLOYEE HEALTH AND SAFETY

**EM-EP-320a.1**
(1) Total recordable incident rate (TRIR)
- Injuries frequency rate was 0.81
- \(1\)

**EM-EP-320a.2**
(2) Fatality rate
- There were no fatalities among employees in 2020
- \(1\)

**EM-EP-320a.3**
(3) Near miss frequency rate
- Near misses frequency rate is not consolidated at the Group level
- Information on average hours of health and safety, and emergency response training is not consolidated at the Group level for listed categories of employees.
- \(1\)

**EM-EP-320a.4**
(4) Average hours of health and safety, and emergency response training for: a) full-time employees, b) contractors’ employees, and c) part-time employees
- \(1\)

---

1. According to the Decree of the Government of the Russian Federation no. 1049 “On approval of the list of indigenous peoples of the North and the list of areas of residence of indigenous peoples of the North in order to establish a social pension for old age.”

2. Number of injuries divided by the average headcount.

3. Calculations use the methodology of the World Resources Institute.
1. Production volumes in 2020.

**BUSINESS ETHICS AND TRANSPARENCY**

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-510a.1</td>
<td>Percentage of (1) proved and (2) probable reserves in countries with the bottom 20 rankings in Transparency International’s Corruption Perception Index</td>
<td>0%</td>
<td>1</td>
</tr>
</tbody>
</table>

**MANAGEMENT OF THE LEGAL AND REGULATORY ENVIRONMENT**

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-530a.1</td>
<td>Description of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry</td>
<td>Details are available in the Sustainable Development Strategy section, p. 28, and in the Climate Change section, p. 76</td>
<td>1</td>
</tr>
</tbody>
</table>

**CRITICAL INCIDENT RISK MANAGEMENT**

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-540a.1</td>
<td>The rate of process safety event (PSE) resulting in the loss of primary containment (LOPC) or greater consequences</td>
<td>This information is not consolidated at the Group level.</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-540a.2</td>
<td>Description of management systems used to identify and mitigate catastrophic and tail-end risks</td>
<td>NOVATEK does not consider specific “black swans” risks with extremely low probability but catastrophic damage bankruptcy of the Company, complete loss of the customer base, mass outflow of personnel, or dismissal of an entire key department, ineffective research/development. The risk map identifies risks with the maximum possible loss under major scenarios of technological accidents. Details are available in the Corporate Governance section, p. 68.</td>
<td>1</td>
</tr>
</tbody>
</table>

**PERFORMANCE**

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-000. A</td>
<td>Production: (1) oil 4,830 mt (2) natural gas 774 bcm (3) synthetic oil or gas The Company does not produce synthetic oil or gas</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-000. B</td>
<td>Number of offshore license blocks 2 license areas located completely in water areas</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SASB code</th>
<th>Metric description</th>
<th>Information and link to the source</th>
<th>Report scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM-EP-000. C</td>
<td>Number of onshore license blocks 70 fields and license areas</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**APPENDIX 7. TCFD Disclosure Index**

**CORPORATE GOVERNANCE**

<table>
<thead>
<tr>
<th>Disclosure element</th>
<th>Information and link to the source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the organization’s governance around climate change risks and opportunities</td>
<td>Key climate change topics, including corporate governance, strategy, risk management, and climate change targets, are the responsibility of the Company’s top management and are reviewed at the meetings of NOVATEK’s Board of Directors. Details are available in the Climate Change section, p. 76-77.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disclosure element</th>
<th>Information and link to the source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the management’s role in assessing and managing climate change risks and opportunities</td>
<td>Issues related to GHG emissions fall within the authority of NOVATEK’s top management, and in particular Deputy Chairman of the Management Board – Operations Director, who is responsible for the integrated HSE Management System. Details are available in the Climate Change section.</td>
</tr>
</tbody>
</table>

**STRATEGY**

<table>
<thead>
<tr>
<th>Disclosure element</th>
<th>Information and link to the source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the actual and potential impacts of climate change risks and opportunities on the organization’s business, strategy, and financial planning where such information is material</td>
<td>The Company identifies the following climate risks: transition risks (strategic, risk, carbon price risk, technology risk, market risk, legislative risk, and reputational risk) and physical impact risks (risk caused by long-term climate change and risk caused by severe short-term impacts). Details are available in the Climate Change section, p. 78-81.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disclosure element</th>
<th>Information and link to the source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the impact of climate change risks and opportunities on the organization’s business, strategy, and financial planning</td>
<td>The Company considers climate scenarios while designing the large-scale LNG projects Yamal LNG and Arctic LNG 2. The standard method to identify the realistic in-use climatic conditions for the equipment is the consideration of historical data as part of the engineering and hydrometeorological surveys. As to future LNG projects, the risk of climate warming will be forecast on a project-specific basis. Details are available in the Climate Change section, p. 78-79.</td>
</tr>
</tbody>
</table>

**RISK MANAGEMENT**

<table>
<thead>
<tr>
<th>Disclosure element</th>
<th>Information and link to the source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the organization’s processes for identifying and assessing climate change risks</td>
<td>The Company identifies the following climate risks: transition risks (strategic, risk, carbon price risk, technology risk, market risk, legislative risk, and reputational risk) and physical impact risks (risk caused by long-term climate change and risk caused by severe short-term impacts). Details are available in the Climate Change section, p. 78-79.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disclosure element</th>
<th>Information and link to the source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the processes used by the organization to identify, assess and manage climate change risks</td>
<td>The Company analyzes climate change risks on an annual basis in order to properly address them and work out appropriate management measures. NOVATEK has a procedure for assessing climate change risks relating to its physical impact on the Company’s operations at the facility design, construction and operation stages as well as 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. Details are available in the Climate Change section, p. 78-79.</td>
</tr>
</tbody>
</table>
Sustainability Report 2020

APPENDIX 8. 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 (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 2020 (the “Sustainability Report”).

The Sustainability Report presents information related to the Company and its subsidiaries and affiliates (together – the “Group”).

Selected Information
We assessed the qualitative and quantitative information that is disclosed in the Sustainability Report and referred to or included in the Appendix 5 “Compliance with the GRI Standards” and in the Appendix 6 “Compliance with SASB” (the “Selected Information”). The Selected information has been prepared in accordance with:

- GRI Sustainability Reporting Standards (Core option), including GRI G4 Oil & Gas Sector Disclosures (together – the “GRI Standards”) published by the Global Reporting Initiative;
- Oil & Gas Exploration & Production Sustainability Accounting Standard (the “SASB Standard”) published by the Sustainability Accounting Standards Board (SASB), respectively.

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2020. We have not performed any procedures with respect to any other items included in the Sustainability Report, which may be published on the Company’s website, 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 and the SASB Standard (the “Reporting Criteria”). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the management of the Company
The Company’s management is responsible for:

- establishing internal methodology, including objective reporting criteria, and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, 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 Company’s management.

This report, including our conclusion, has been prepared solely for the Company’s management 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 included 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 Company 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. The procedures performed in a limited assurance engagement vary depending on the level of assurance required and the nature of the information.

1 The maintenance and integrity of the Company’s website is the responsibility of the Management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company’s website.
in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and the limited assurance requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our limited assurance engagement in respect of the Selected Information in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected information. In doing so, we:

• made enquiries of the Company’s management, including the Sustainability Reporting (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

Under the GRI Standards and SASB Standard there is a range of different, but acceptable, measurement and reporting techniques. The 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 Company 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 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

25 June 2021
Moscow, Russian Federation

M.E. Timchenko, certified auditor (licence No. 01-000267),
AO PricewaterhouseCoopers Audit

Social Media and Contact Details

To post interesting facts and up-to-date information about the Company and receive feedback from stakeholders, NOVATEK uses social media pages on:

https://www.instagram.com/novatek_photos
https://www.facebook.com/NOVATEK.Eng/
https://vk.com/novatek_ru
https://www.youtube.com/c/NOVATEKgas
https://twitter.com/NOVATEK_

Queries to NOVATEK:

• Central Information Service: +7 495 730 6000, novatek@novatek.ru
• Investor Relations: Mark Gyetvay, Deputy Chairman of the Management Board; Alexander Nazarov, Head of IR, + 7 495 730 6013, ir@novatek.ru
• Press Service: +7 495 721 2207, press@novatek.ru
• Ethics and human rights: ethics@novatek.ru
• Sustainable development: Alexander Nazarov, Head of IR, + 7 495 730 6013, ir@novatek.ru

Contact details for queries about the Yamal LNG project:

• Tel: +7 495 775 0480, +7 495 228 9850 (calls are transferred to the Company’s designated representatives)
• E-mail: yamalspg@yamalspg.ru
• Security Hotline: +7 499 941 1446, 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 Laptsui, representative of Arctic LNG 2 in the Tazovsky District

Jurisdiction: Russian Federation

Tarko-Sale, Purovsky District, Yamal-Nenets Autonomous District, Russian Federation

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Taxpayer Identification Number 6316031581

Record made in the Unified State Register of Legal Entities on 20 August 2002 under State Registration Number 1026303117642

408.890

Record made in the Unified State Register of Legal Entities on 28 February 1992 under No. 008.890

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

Independent auditor: AO PricewaterhouseCoopers Audit

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

Independent auditor: AO PricewaterhouseCoopers Audit

Record made in the Unified State Register of Legal Entities on 20 August 2002 under State Registration Number 1026303117642

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Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

Independent auditor: AO PricewaterhouseCoopers Audit

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»

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Glossary

Abbreviations
AO – joint stock company
APG – associated petroleum gas
CDO – Central Dispatch Office
CDP – Carbon Disclosure project
EBITDA – earnings before interest, taxes, depreciation and amortization
EBSA – ecologically and biologically significant marine area
B – Engagement International
BA – Environmental Impact Assessment
BTI – Extractive Industries Transparency Initiative
E&P – exploration & production
ESG (environmental, social and governance) – a concept, according to which a company’s sustainable development is measured by environmental, social and corporate governance factors
FCA – UK Financial Conduct Authority
GBS – gravity-based structure
GDR – global depositary receipt
GHG – greenhouse gas
GIS – geographic information systems
GOST – intergovernmental standard
GRI – Global Reporting Initiative
HPF – hazardous production facility
HSE – health, safety and environment
IEA – International Energy Agency
IFRS – International Financial Reporting Standards
IMS – Integrated HSE Management System
IPIECA – International Petroleum Industry Environmental Conservation Association
ISO – International Organization for Standardization
ISS – Institutional Shareholder Services
KPI – key performance indicators
LNG – liquefied natural gas
MSCI – Morgan Stanley Capital International
NGV – natural gas vehicle
NSR – the Northern Sea Route
OAO – open joint stock company
OHS – occupational health and safety
OHSAS – Occupational Health and Safety Management Systems
OOO – limited liability company
PAO – public joint stock company
PPE – personal protective equipment
PUE – Electrical Installation Regulation
RAS – Russian Accounting Standards
RSPP – the Russian Union of Industrialists and Entrepreneurs
SASB – Sustainability Accounting Standards Board
SEC – US Securities and Exchange Commission
SGC – stable gas condensate
SNP – building regulations
STGs – special technical requirements
TCFD – Task Force on Climate-related Financial Disclosures
UN SDGs – United Nations Sustainable Development Goals
UN – the United Nations
VOCs – volatile organic compounds
WWF – the World Wildlife Fund for Nature
ZAO – closed joint stock company

Units
bcm – billion cubic meters
bln – billion
boe – barrels of oil equivalent
GJ – gigajoule
ha – hectare
km – kilometer
kWh – kilowatt hour
mboe – thousand barrels of oil equivalent
mcm – thousand cubic meters
m – million
mmboe – million barrels of oil equivalent
mmcm – million cubic meters
mmt – million tons
mmtpa – million tons per annum
mt – thousand tons
mtt – thousand tons per annum
MW – megawatt
ton – metric ton