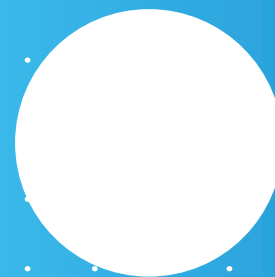


NOVATEK



2017

SUSTAINABILITY REPORT

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Dear stakeholders,

It gives us great pleasure to present NOVATEK's Eleventh Sustainability Report 2017 prepared in accordance with the new provisions of the international GRI Standards.

Our Company has maintained the highest regard to principles of non-financial reporting: **transparency, honesty and consistency** in information disclosure, enabling us to provide unquestioned confidence to our investors, shareholders and other stakeholders concerning our commitment to sustainable development.

The past year was a milestone in many respects for NOVATEK and, equally important, for our sustainable development initiatives. On 12 December 2017, we held our Corporate Strategy Day in Moscow, which comprehensively outlined our long-term strategy covering the period up to 2030, highlighting our views of the global mar-

kets and how we believe NOVATEK can play a key role in delivering clean-burning, affordable and secure energy to the global markets. Our new strategy positions NOVATEK as a global leader in the LNG market, and we are confident that we will achieve this ambitious goal due to our unique resource potential, professional competences, balanced investment and financial policy and, of course, the responsible approach to our business conduct. Our future vision correlates with the global trend of transitioning the world's economies towards low-carbon, greener emissions.

Our transformation into a global gas company and a major global LNG player began with the successful launch of our first liquefied natural gas production in 2017 at our Yamal LNG project.

NOVATEK cooperates with regional governments in the Company's regions of operations in infrastructure development, improvement of education and quality of life. The Company's core area of operations is the Yamal-Nenets Autonomous Region in Russia. Traditionally, we support small indigenous minorities of the North, including activities within the framework of the state sponsored programs. The culture and life style of these indigenous peoples are unique and we recognize our

responsibility for preserving our country's heritage. We provide financial support to the "Yamal for Descendants" association and targeted support to indigenous peoples. Our acquisitions of new license areas in the Gydan Peninsula will also stimulate further development of this remote area through NOVATEK's capital investments.

In 2017, we signed a Cooperation Agreement with the Kamchatka Territorial Government to build a sea transshipment terminal for reloading liquefied natural gas at Kamchatka. The Cooperation Agreement will facilitate the development of transport infrastructure, trading, economic, research and technology ties at the Kamchatka Territory, will create additional jobs in the region, as well as create conditions for Kamchatka's gasification, using the boil-off gas from the reloading terminal to generate power and support utility industries on the Kamchatka Peninsula.

In the field of charitable activities and corporate sponsorship, we fund projects and activities aimed at supporting education and culture, promoting Russian art and its integration into the international cultural space, and developing amateur and professional sports.

In 2017, the Company approved the NOVATEK Charity Program, with the support of children being one of our key priorities.

In the current reporting year we allocated approximately RR 2.8 billion into the region's development, social projects, charity and sponsorship programs,

Contributions to Society

- Over 12,000 employees
- RR 2.8 billion spent on region's development and charity
- RR 1.4 billion spent on social programs for employees
- Dividends paid RR 45 billion
- Group procured RR 706 billion worth of goods and services from suppliers
- RR 2.1 billion spent on environmental protection



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increasing our commitments to sustainable development by 47% compared with 2016.

NOVATEK employs more than 12 thousand people who are considered our most valuable asset. It is the dedication and commitment of our employees that allows us to achieve high operating and financial results and our transformation as a leader in the global gas market. We fully support our employees in all endeavors to achieve our sustainable developments goals and objectives, as well as a “preferred” place of employment. In 2017, we spent over RR 1.4 billion on social programs for the employees, and we support our employees’ efforts to improve their professional skills and enhance career opportunities, as well as their commitment to the achievement of NOVATEK’s long-term strategic goals. We recently launched the prospective idea management project called “Novator”, which represents an automated corporate system to accumulate employees’ ideas on improving business operations, including innovations and technological enhancements. “Novator” is the embodiment of social partnership principles within the Company.

In 2017, we introduced our Greenhouse Gas Emission Management System and became the winners of the national Environmental Award.

Ensuring operational and labor safety is our also a key priority. We are focused on preventing hazardous occurrences and minimizing the risks of occupational injuries, accidents and fires. To ensure and enhance occupational safety NOVATEK takes all possible measures, including state-of-the-art safety systems, rigid control, regular checks and employee training.

We have always strived to meet the highest norms and standards in the area of environmental responsibility and stewardship. Improving environmental protection is an essential part of our sustainable development initiatives. Investments in environmental initiatives ensure the quality of life and the health of future generations.

As part of the “Year of Ecology” in Russia, we developed and implemented an Action Plan aimed at ensuring the highest levels of environmental awareness: another stage of our Biodiversity Program was implemented, concrete action steps were implemented to ensure artificial reproduction of water bio resources within the areas where the Company operates.

We also pay special attention to the emission of greenhouse gas. Since 2008, NOVATEK has taken part in the Carbon Disclosure Project (CDP) for reporting greenhouse gas emissions by large businesses. In 2017, we introduced our own Greenhouse Gas Emission Management System and this initiative was duly rewarded: NOVATEK was announced the winner of the 2017 National Environmental Award named after Vladimir Vernadskiy

in the nomination category “Science for Ecology”.

We closely monitor biodiversity within the territory of the South-Tambayskoye field, as well as all our other projects. The implementation of our large-scale Yamal LNG project imposes special obligations on the Company with regard to environmental protection.

To preserve biodiversity we took an active role in the construction of a fish plant on Sob river to breed valuable and endangered fish species. This biodiversity project is unique for the Arctic region and it is all the more important for the Company to take an active part in its implementation. Even under severe climatic conditions, we can and must take care of nature and facilitate reproduction of biological species through new environmental technologies.

Our Sustainability Report 2016 was one of the winners of the “Change Management. Visionaries” in the category “Disclosure of Information on Social Impact”. This award proves that we are moving in the right direction, striving for best disclosure of information in our non-financial reports, as well as completeness, comparability and transparency of the provided information.

With each passing year, we seek to provide high quality and reliable information to all of our stakeholders. Our Sustainability Report 2017 includes for the first time information regarding our approaches and measures taken on such important

Primary themes

- Energy Affordability
- Energy Security
- Energy Sustainability

matters as human rights, one of the most talked-about topics in sustainable development, which requires special attention and consideration. We strive to further improve our sustainable development practices in line with industry best practices and evolving global initiatives. We take pride in our accomplishments but are keenly aware that we must improve each and every year. As a global leader in providing clean burning energy to industries and residential consumers, our Sustainability Report 2017 provides a review of many important initiatives we undertook over the past year and a glimpse into our future activities. We will keep informing you on our developments in our future sustainability reports.



Leonid Mikhelson
Chief Executive Officer,
PAO NOVATEK





REPORT AND REPORTING PROCESS

Report and reporting process

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REPORT PREPARATION

The 2017 Sustainability Report is NOVATEK's 11th non-financial report that provides a comprehensive disclosure of our economic, environmental and social achievements, NOVATEK's approach to interaction with stakeholders, corporate governance and the principles of business, procurement management and other relevant sustainability topics.

This is also our first Sustainability Report to draw on the newly published Global Reporting Initiative (GRI) Standards* as the core guidelines.

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

- **Balance**

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

- **Comparability**

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

- **Accuracy**

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

- **Timeliness**

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

- **Clarity**

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

- **Reliability**

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



* The previous Sustainability Report was prepared in accordance with GRI G4 Guidelines.



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Report title	Sustainability Report of PAO NOVATEK
Reporting cycle	Annual
Reporting period	1 January – 31 December 2017
The most recent previous report issued in	Q3 2017
The next report is expected to be issued in	Q3 2019
Key standards applied	GRI Guidelines
Version	GRI Standards
“In accordance” option used	Core
Additional standards and requirements used	<ul style="list-style-type: none"> AA1000SES Stakeholder Engagement Standard National GOST R ISO 26000:2012 Standard
Officer responsible for the Report verification and approval	Mark Anthony Gyetvay, Deputy Chairman of the Management Board
Number of material topics	20
Number of published reports	11
Report boundaries	The Report covers key structural units, subsidiaries and joint ventures of PAO NOVATEK in Russia, Poland, Switzerland, Singapore, Montenegro and Cyprus
Company names used in the Report	PAO NOVATEK, NOVATEK, Company, NOVATEK Group and Group

IDENTIFICATION OF MATERIAL TOPICS

In early 2018, the Company surveyed the stakeholders and the internal working group as suggested by GRI recommendations to identify the material topics to be covered in the Sustainability Report for 2017. Stakeholders that helped define material topics included investors, partners and the expert community. Each topic included in the three GRI categories (economic, environmental and social topics) was to be graded on a scale ranging from 0 to 3 where 0 meant low materiality and 3 – high materiality. As a result, the Company identified 20 material topics that were disclosed herein in full detail. The list of material topics remains largely unchanged from the previous year. Importantly, this Report provides coverage on GRI 307: Environmental Compliance, a material topic that was not previously disclosed.

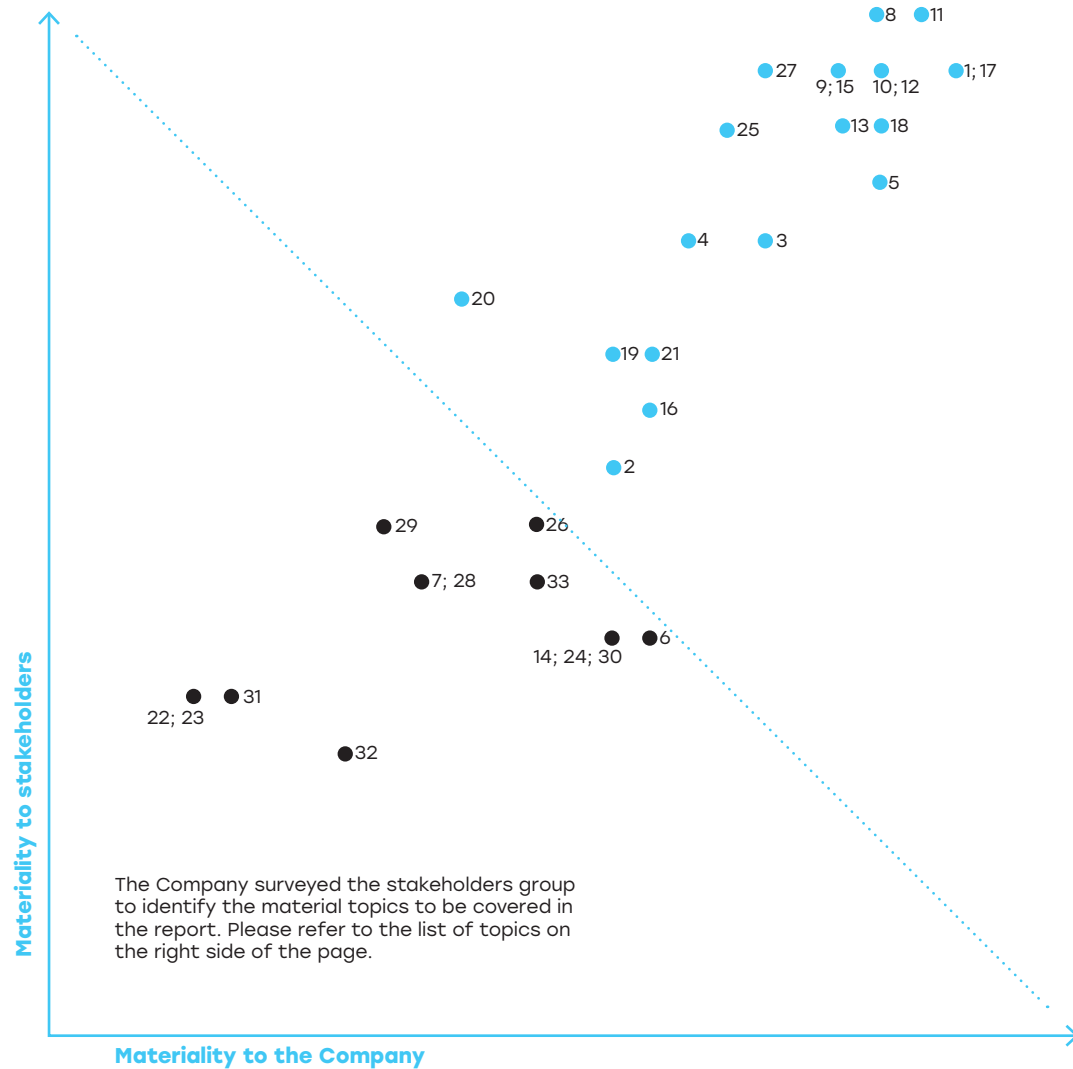
The Company is continuously improving the quality of its non-financial reporting, while also seeking to meet the expectations of as many stakeholders as possible with respect to its sustainability disclosures. The Sustainability Report 2017 is also our first report to cover the important topic of human rights, which is becoming increasingly relevant for stakeholders and the global community at large. For a number of topics (including environment, corporate responsibility, engagement with local communities, occupational health and safety), the disclosure goes beyond the scope recommended by the GRI Guidelines to factor in the disclosure requirements of the FTSE Russell and Sustainalytics rating agencies.

In addition, the 2017 Report provides more insights into corporate governance, with a special emphasis placed on the Company's new corporate strategy and Yamal LNG, its key project.



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Materiality matrix of sustainability aspects



List of topics

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



COMPANY PROFILE

Company profile

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NOVATEK is one of Russia's largest independent natural gas producers. Ranking third by proved SEC natural gas reserves, it is also one of the top 10 world's largest publicly traded oil and gas companies in terms of gas production boasting one of the industry's lowest exploration and development costs.

NOVATEK's core operations are production and processing of gas and liquid hydrocarbons in Russia, with its key fields and license areas concentrated in the Yamal-Nenets Autonomous Region

(Western Siberia). As at the end of 2017, our proved reserves totalled 15.1 billion barrels of oil equivalent, or boe. In 2017, NOVATEK produced natural gas, gas condensate and oil at 16 fields in Russia and held 45 subsoil licenses as at the year-end. Gas condensate from our fields is stabilized at the Purovsky Plant, with the bulk of the resulting stable gas condensate (SGC) transported for further processing at the Ust-Luga facility. In addition to SGC, the Purovsky Plant produces light

hydrocarbons used as feedstock for marketable liquefied petroleum gas (LPG). NOVATEK supplies natural gas and liquid hydrocarbons to domestic and international markets. In December 2017, Yamal LNG, a joint venture of NOVATEK, TOTAL S.A., China National Petroleum Corporation and the Silk Road Fund, launched the first LNG train using the resource base of Yamal LNG's South-Tambeyskoye field. The plant's three LNG trains will deliver an aggregate LNG capacity of 16.5 mtpa (5.5

mtpa each). In 2017, Yamal LNG's shareholders approved the construction of the fourth train to expand the facility's capacity by another 0.9 mtpa (from 16.5 mtpa to 17.4 mtpa). The Company purchases some of the produced LNG and sells this product in the international markets. As part of our international trading operations, we also sell and purchase natural gas in Europe under short- and long-term contracts, and engage in LNG regasification in Poland.



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

Head office located at 2 Udaltsova St., Moscow, 119415, Russian Federation



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THE COMPANY'S STRUCTURE AS AT 31 DECEMBER 2017*

Upstream Exploration & Production (E&P)	Russian Midstream & Marketing	International E&P & Marketing	Other
NOVATEK-Yurkharovneftegas 100%	NOVATEK-Purovsky ZPK 100%	NOVATEK Gas & Power GmbH 100%	Sherwood Premier 100%
NOVATEK-Tarkosaleneftegas 100%	NOVATEK – Ust-Luga 100%	NOVATEK Polska Sp. z o.o. 100%	NOVATEK EQUITY (CYPRUS) LIMITED 100%
ARCTICGAS 53.3%	NOVATEK Moscow Region 100%	Blue Gaz Sp. z o.o 100%	NOVATEK-Transervice 100%
Nortgas 50%	NOVATEK-Kostroma 100%	NOVATEK Montenegro B.V. 100%	NOVATEK-Murmansk** 100%
YARGEO 51%	NOVATEK-Chelyabinsk 100%	Novatek Gas&Power Asia Pte Ltd 100%	NOVATEK-Energo 100%
Yamal LNG 50.1%	NOVATEK-Perm 100%		
Terneftegas 51%	NOVATEK-AZK 100%		
NOVATEK-Yarsaleneftegaz 100%	Cryogas-Vysotsk 51%		
Arctic LNG 1 100%			
Arctic LNG 2 100%			
Arctic LNG 3 100%			
Severneft-Urengoy 100%			
Yuzhno-Khadyryakhinskoye 100%			
Eurotek 100%			
NOVATEK Scientific and Technical Center 100%			

* Shows NOVATEK's key companies.

** Kola Yard before 1 February 2018.

Changes in the Company's structure

- In July 2017, NOVATEK acquired 51% in Cryogas-Vysotsk engaged in constructing the first train of a medium-scale LNG plant of 660 thousand tons per year in the port of Vysotsk (Baltic Sea). The Company recognizes Cryogas-Vysotsk as a joint venture.
- In November 2017, NOVATEK acquired 100% of Severneft-Urengoy that develops the West-Yaroyakhinskoye license area in the Purovsky District (Yamal-Nenets Autonomous Region) adjacent to the Company's infrastructure.
- In December 2017, NOVATEK acquired 100% of Yuzhno-Khadyryakhinskoye and Eurotek that hold licenses for exploration and hydrocarbon production at the South-Khadyryakhinskoye and Syskonsynyinskoye fields. The South-Khadyryakhinskoye field lies in close proximity to NOVATEK's North-Khancheykoye field (Yamal-Nenets Autonomous Region).



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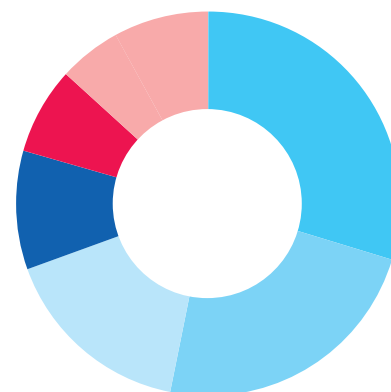
SHARE CAPITAL STRUCTURE AND MARKET CAPITALIZATION

The Company's share capital totals RR 303,630,600 divided into 3,036,306,000 ordinary shares with a par value of RR 0.1 each. NOVATEK's shares are traded in Russian roubles on the Moscow Exchange (MOEX). On the London Stock Exchange (LSE), the Company's GDRs trade in US dollars with each GDR representing 10 ordinary shares.

As at the end of the reporting year, NOVATEK's total capitalization (total debt plus equity) as reported under IFRS aggregated RR 931,409 mln.

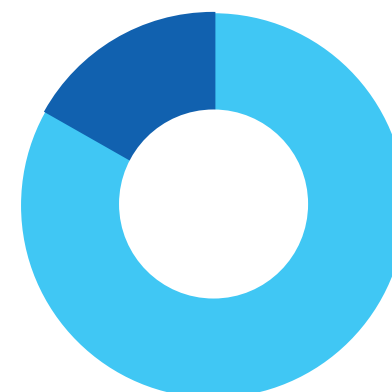


Share capital structure*, %



- 30% The Bank of New York Mellon**
- 23% Volga Group
- 16% TOTAL E&P HOLDINGS RUSSIA
- 10% Gazfin Cyprus Limited
- 7% Levit
- 14% Other (less than 5% each)

NOVATEK's total capitalization as at 31 December 2017



- 83% Equity
- 17% Debt

* According to the data contained in the list of persons entitled to participate in the General Meeting of Shareholders and holding at least 5% of ordinary shares. Record date is 6 September 2017.

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



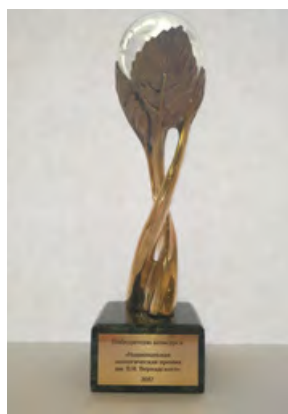
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MEMBERSHIP IN TRADE ASSOCIATIONS

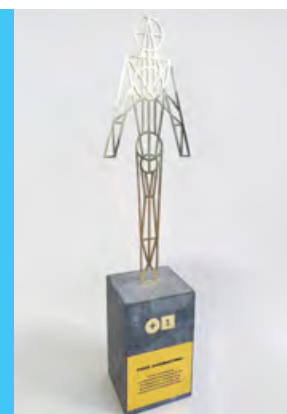
	Organization	Date of enrollment	Note
1	Russian Gas Society (NPO)	2003	
2	V. I. Vernadskiy Non-Governmental Environmental Fund	2005	One of the Founders
3	Rosstandart's Best Available Technology Bureau	2006	Member of technical working groups (natural gas production, waste disposal and treatment)
4	Central Commission for Approval of Hydrocarbon Development Projects	2011	
5	Russian-Chinese Business Council	2015	
6	Union of Builders of the Yamal-Nenets Autonomous Region (self-regulated organization)	2017	
7	Design Engineer (Association of Oil and Gas Design Organizations)	2017	
8	Field Engineer (Association of Oil and Gas Engineering Survey Organizations)	2017	

AWARDS AND ACHIEVEMENTS

- The Company's Greenhouse emission management system launched in 2017 won the V. I. Vernadskiy's Environmental Science award. The award ceremony took place on 18 December 2017.
- The Company was named the winner of "Change Management. Visionaries", a sustainability impact award, with its 2016 non-financial report in the Social Impact Disclosure category. The award ceremony took place on 26 April 2018.
- Sabetta International Airport won the third Air Gate of Russia national award as the Best Regional Airport of 2016. The award ceremony took place on 8 February 2017.
- In 2017, NOVATEK was included in the global FTSE4Good Index designed by FTSE Russell to enable investors to assess corporate social responsibility and sustainable development of businesses.
- During the reporting year, the Company was named one of the 100 best performing emerging market companies, according to Vigeo Eiris.
- In the past year, the Company ranked as a top performer in the RSPP's Responsibility and Transparency index.



V. I. Vernadskiy's
Environmental Science
award



"Change Management.
Visionaries",
a sustainability impact
award





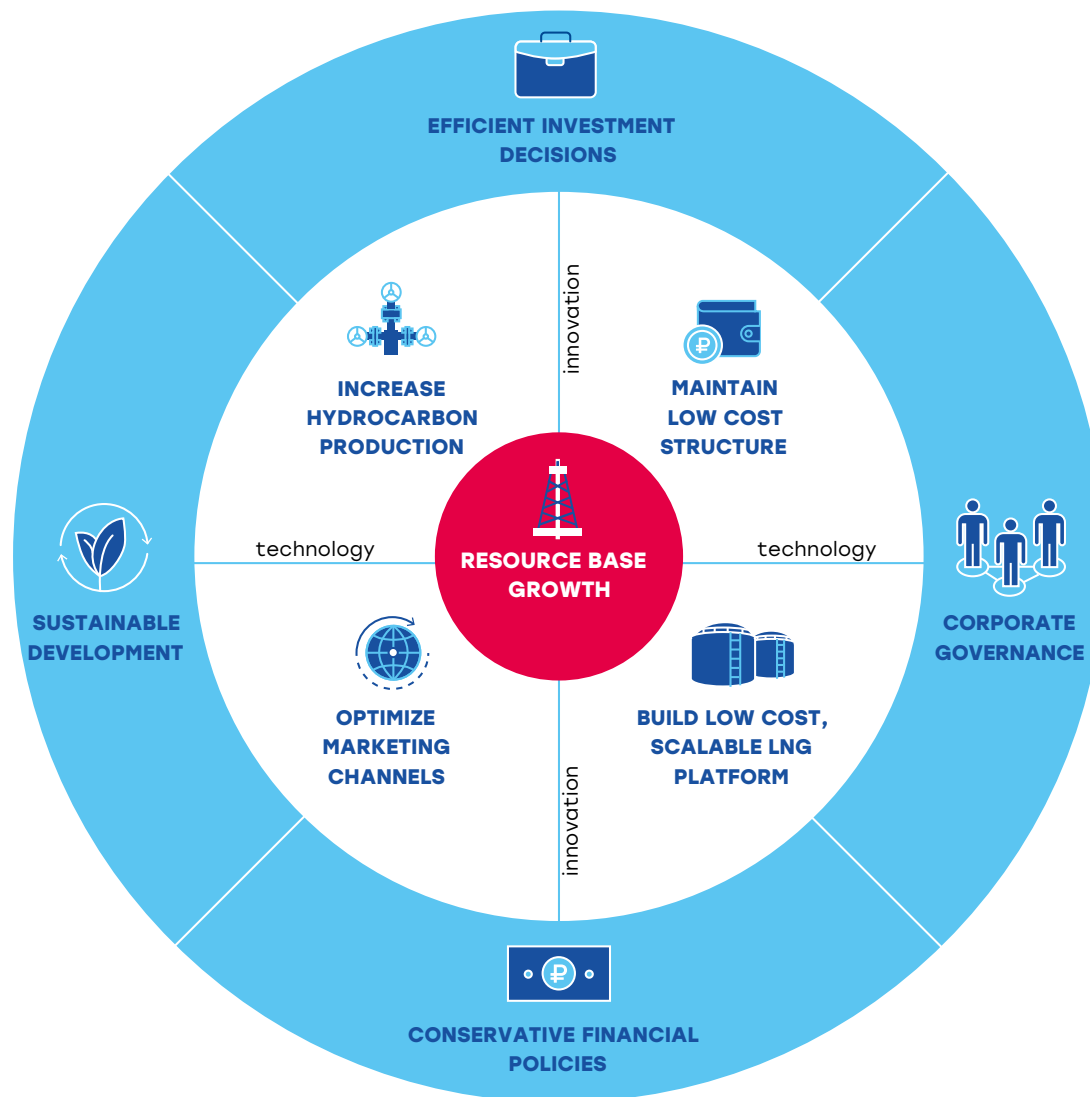
OUR STRATEGY

Our strategy

NOVATEK'S STRATEGY FOR 2018–2030

On 12 December 2017, we held our Corporate Strategy Day in Moscow that comprehensively outlined our long-term strategy covering the period up to 2030, highlighting our views of the global markets and how we believe NOVATEK can play a key role in delivering clean-burning, affordable and secure energy to the global markets. The process of transforming into a global gas company and a major global LNG player began with the successful launch of our first liquefied natural gas (LNG) production in 2017.

From July 2005, when we went public with IPO on the London Stock Exchange, we used the analogy of the four pillars model to highlight the attractiveness of NOVATEK as an investment opportunity: high quality long life reserves, strong production growth, low operating cost and low risk to commodity price movements. Now we proudly add a fifth column – scalable LNG projects – further strengthening our foundation, our uniqueness, and our investment story. Natural gas will play a leading role in the global future energy mix to 2030 and beyond, and our new corporate strategy transforms NOVATEK into a major global LNG player. At the same time we are still focused on our existing business model that is committed to delivering uninterrupted natural gas to the Russian domestic market. This part of our business generates sustainable operating cash flows to fund our large LNG ambitions.



NOVATEK is well-positioned to keep growing in the short and long term thanks to its unique reserve base and low cost of production and processing, innovative technologies, highly qualified management team and staff, strong corporate governance practices, and prudent and effective financial policy.



Progress of the Yamal LNG project

- In December 2017, Yamal LNG commenced producing LNG at the first LNG train, with the nameplate capacity of 5.5 million tons per annum.
- On the 8 December 2017, the first LNG cargo loaded onto the Christophe de Margerie tanker at the Sabetta sea port destined to international markets.
- As at the year-end, the overall project progress was 91%.
- As at 31 December 2017, the South-Tambeyskoye field had 683 bcm of natural gas and 21 mmt of liquids of proved reserves under the SEC methodology.
- Over the year, the project saw the drilling of 103 production wells and the delivery of all 142 modules for three LNG trains to the site, with 137 installed on prepared foundations.
- Long-term contracts were signed for over 95% of LNG produced from the project.



Key project advantages

- Large onshore conventional reserve base with high concentration of reserves.
- Well-known geology and proven development technologies.
- Very low F&D and lifting costs.
- High efficiency of gas liquefaction due to sub-zero temperatures.
- Access to European and Asia-Pacific markets.



The Company has a number of key competitive advantages to successfully implement its strategy: the size and structure of its hydrocarbon resource base; the close proximity of existing infrastructure to core producing fields; a well-developed customer base for natural gas sales; its own facilities for gas condensate processing and product exports; and a well-developed marketing channel for liquefied petroleum gas (LPG). Development of LNG production capacities and LNG export sales is a key strategic priority for the Company.

Another core priority is to increase production within the reach of the Unified Gas Supply System (UGSS) through development of new fields and exploration activities, and complimented by acquisitions that meet certain criteria. Our high level of operational flexibility and our consistent and efficient use of leading edge technologies in production and processing practices as well as our adherence to sound and prudent business management support our competitive position. Our commitment to social responsibility and to observing the latest environmental, health and safety standards are integral parts of NOVATEK's development strategy.

Our competitive strengths



Reserves, production and processing

- Unique reserves in Western Siberia
- Low cost of production and processing
- Long-term sustainable growth of production
- Efficient liquid hydrocarbon production and marketing



Technology and innovation

- Efficient use of state-of-the-art technology to monetize the resource base
- High-tech projects to build processing facilities
- Track record of LNG projects in the Arctic Circle
- Construction of LNG plants using innovative gravity-based structures (GBS)
- Proprietary liquefaction technology adapted to Arctic conditions



Company and people

- Transparent governance structure
- Experienced management, highly qualified technical staff
- High standards of corporate governance, transparency and sustainability
- Solid track record of complex projects



Finance

- Strong financial and operational performance
- Compelling business model
- Low financial leverage and strong credit metrics
- Reputation of a first-class borrower in global capital markets



Investment-grade credit rating

- Robust financials
- Vertically integrated business model
- Abundant and low cost conventional reserves that can be effectively monetized
- Yamal LNG fully financed and on track



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NOVATEK's strategy for 2018–2030

Goals	Objectives	Sustainability priorities
Increase resource base	<ul style="list-style-type: none"> Organic growth of resources in the Yamal-Nenets Autonomous Region, including the Yamal and Gydan peninsulas Strategic acquisitions and participation in auctions for mineral rights 	<ul style="list-style-type: none"> Environmental responsibility Local development Stakeholder engagement Ethical business practices
Increase production	<ul style="list-style-type: none"> Production growth through the development of scalable LNG projects and deeper Jurassic and Achimov layers Full utilization of Ust-Luga processing capacities Value accretive acquisitions 	<ul style="list-style-type: none"> Environmental responsibility Responsibility to employees Local development Charity and sponsorship Stakeholder engagement Ethical business practices Occupational safety
Maintain low-cost structure	<ul style="list-style-type: none"> Maintaining the status of a lowest cost oil and gas producer globally Cost structure optimization through strategic investment of capital Optimization of the LNG value chain (production, liquefaction, logistics) to reduce costs and offer competitively priced LNG 	<ul style="list-style-type: none"> Responsibility to employees Stakeholder engagement Ethical business practices Occupational safety
Maximize margins	<ul style="list-style-type: none"> Increase in margins through value added projects, including Ust-Luga facility and LNG projects (Yamal LNG, Arctic LNG 2, etc.) Expansion of marketing activities throughout the LNG value chain Exploring new market opportunities in bunkering and motor fuel markets 	<ul style="list-style-type: none"> Local development Stakeholder engagement Ethical business practices
Optimize marketing channels	<ul style="list-style-type: none"> Leveraging of the Northern Sea Route and development of key transshipment points Diversification of the LNG trading portfolio Development of strategic partnership with peers in key markets 	<ul style="list-style-type: none"> Stakeholder engagement Ethical business practices Environmental responsibility



SUSTAINABLE DEVELOPMENT

In its operations, NOVATEK seeks to comply with sustainability principles and takes into account the interests of all stakeholders when making decisions. Our new strategy for 2018–2030 considers a variety of social and economic factors while also

aligning the Company's strategic goals accordingly. We see sustainable development as a cornerstone of our future growth and key to expanding our footprint and achieving industry leadership.

All of our new projects, like our flagship Yamal LNG project, adhere to the sustainable development principles of NOVATEK. Our key projects rely on best practices of international sustainability

development as well as NOVATEK's economic, environmental and social policies, along with governance, business ethics, procurement transparency etc.

➤ Sustainable development goals

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



STAKEHOLDER ENGAGEMENT



Stakeholder engagement

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STAKEHOLDER ENGAGEMENT PRINCIPLES

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

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

ly dependent on the Company's performance and sustainability.

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

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

Stakeholder engagement principles:

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



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

🔴 Covers of prior Sustainability Reports



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STAKEHOLDER ENGAGEMENT MATRIX

Channels	Frequency	Key events in 2017	Focus areas
SHAREHOLDERS			
Shareholder meetings	at least once a year	Annual General Meeting of Shareholders held on 21 April 2017	Profit distribution, dividends, annual report approval
Press releases and corporate action notices	all-year-round	Extraordinary General Meeting of Shareholders held on 29 September 2017	Appointment and remuneration of the Board of Directors and Revision Commission
Shareholder queries (via phone and mail)	all-year-round	Shareholder queries replied to; public information prepared and disclosed	Approval of external auditors
Financial disclosures	quarterly, annually		
Annual and sustainability reports	annually		
Corporate Secretary	all-year-round		
INVESTORS AND ANALYSTS			
Press releases and corporate action notices	all-year-round	Financial results disclosure and conference calls held quarterly and annually	The Company's development strategy and key projects
Financial results disclosure and conference calls	quarterly, annually	The Strategy Day held on 12 December 2017	The Company's operating and financial performance
Annual and sustainability reports	annually	34 key industry investment conferences attended	The Company's competitive position
Inclusion in leading sustainability rankings for investors	all-year-round	Apart from the conferences, over 250 meetings held in key financial markets	Company and industry outlook
One-on-one and group meetings, conference calls, presentations	all-year-round	43 press releases published	Sustainable development
Investor requests	ad hoc	Investor and analyst queries replied to; public information, including FTSE Russell, Vigeo Eiris and Sustainalytics indices, prepared and disclosed	
Participation in the Carbon Disclosure Project (CDP) and CDP Water Disclosure	annually	NOVATEK included in the global FTSE Russell's FTSE4Good index	
Site visits	ad hoc	NOVATEK included in the Vigeo Eiris Best Emerging Market Performers ranking (Top 100 EM companies)	
Information update on the corporate website	all-year-round	Carbon Disclosure Project and Water Disclosure questionnaires completed	
Participation in conferences, summits	all-year-round	The Oil & Money conference (London) and the X Eurasian Economic Forum (Verona) speaker and attended	
		The annual Energy Exchange European Gas Conference (Vienna, Austria) speaker and attended	
		GE Oil & Gas Summit 2017 (Florence, Italy) speaker and attended	
		The annual Vostock Capital LNG Congress Russia 2017 speaker and attended	
		Flame 2017 (Amsterdam) speaker and attended	
		The IEL/SEERIL International Oil and Gas Law Conference (London) speaker and attended	
		The Russian Energy Forum (London) speaker and attended	
		The Budapest LNG Summit speaker and attended	



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Channels	Frequency	Key events in 2017	Focus areas
EMPLOYEES (including family members and retired employees)			
In-person meetings of the management with employees	all-year-round	Implementation of social programs pursuant to the approved Fundamental Concept of Social Policy	Advanced training for staff
Corporate social programs	all-year-round	Workplace health and safety training and appraisal of employees	Social benefits and guarantees
Collective bargaining agreements	all-year-round	Issue of a corporate newspaper and magazine	Workplace health and safety
Corporate media	all-year-round	Health resort treatment for employees arranged	Employee compensation system improvement
Educational and advanced training programs	all-year-round	A forum of NOVATEK Group's executives devoted to the shift from operational to strategic management held	Cultural training in key art movements of the 20 th and 21 st centuries
Steps in Discovering Talents program for young specialists	all-year-round	The 12th Interregional Research-to-Practice Conference for the Company's young specialists held	Promotion of healthy lifestyle and sports among employees and their families
Developing and improving the Corporate Technical Competency Assessment System program for various lines of business	all-year-round	Excursions to partner museums, lectures on the 20th and 21st century art history and attendance of theater performances and classical music concerts organized for employees and their family members	
Sustainability reports	annually	Cultural, entertainment and sports events for employees and their families held, corporate clubs for acrobatic rock'n'roll set up	
Security Hotline	annually, 24/7	Employees were given an opportunity to attend matches featuring the Russian national football team, Russian men's and women's volleyball championships, tournaments with the participation of the Student Basketball Association teams and acrobatic rock'n'roll and boogie-woogie competitions	
Cultural and sports events	all-year-round		
TRADE UNIONS			
Discussion and signing of collective bargaining agreements	once every three years	Four meetings with trade unions held, attended by the Company's management	Performance under collective bargaining agreements
Discussion and signing of addenda to collective bargaining agreements	ad hoc		Workplace health and safety
Participation of the Company's management in trade union committee meetings	all-year-round		Protection of employees' rights and interests
Attendance of trade union conferences by the Company's management	all-year-round		
Participation in joint workplace health and safety committees	all-year-round		
Joint efforts as regards recreational, sports and cultural events	all-year-round		
Sustainability reports	all-year-round		



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Channels	Frequency	Key events in 2017	Focus areas
GOVERNMENT AUTHORITIES			
Federal			
Contribution to law-making	all-year-round	Participation in the activities of the Government Commission on the Fuel and Energy Complex, the Reserve Replacement and Improving the Economy's Energy Efficiency	Development of the fuel and energy sector under the current and projected conditions Preparation of the draft Energy Strategy of Russia Through 2035
Participation in working groups, meetings, round-table discussions, conferences, forums	all-year-round	<p>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</p> <p>Participation in the activities of the Marine Board under the Government of the Russian Federation</p> <p>Participation in the activities of the Russian-Asian Pacific and Russian-European intergovernmental commissions on energy, economic, industry and R&D cooperation</p> <p>Engagement with the State Commission for Arctic Development and working groups on energy development, transport system development, the improvement of the legal framework, social and economic development, and with the activities of a temporary working group tasked with the Arctic shelf regulatory framework improvement</p> <p>Taking part in the activities of a working group on the removal of administrative barriers at the Government Commission on the Use of Natural Resources and Environmental Protection</p> <p>Participation in the Interdepartmental working group on reducing the dependence of the Russian fuel and energy sector on imported equipment, spare parts, accessories and software, as well as services of foreign providers, and developing the Russian oil and gas industry</p> <p>Participation in the Interdepartmental working group tasked with the development of the Program for Development of the Common Gas Market in the Eurasian Economic Union</p> <p>Engagement with the Expert panel for the creation of a mechanism ensuring state support of consumers of import substitution products under the Russian Ministry of Industry and Trade</p> <p>Cooperation with the Russian Gas Society</p> <p>Participation in the events organized by the Russian Union of Industrialists and Entrepreneurs (RSPP)</p> <p>Participation in the activities of the Committee on Environment and Environmental Management of the Chamber of Commerce and Industry of the Russian Federation</p> <p>Participation in the Steering Committee for the Preparation for Russia's Year of Ecology 2017 under the Civic Chamber of the Russian Federation</p> <p>Participation in the St Petersburg International Economic Forum, the Eastern Economic Forum</p> <p>Participation in the international forum on Energy Efficiency and Energy Development – Russian Energy Week, 7th Arctic: Today and the Future International Forum, the Arctic: Territory of Dialogue International Arctic Forum, International Legal Arctic Forum – Conservation and Sustainable Development of the Arctic: Legal Aspects, 7th St Petersburg International Legal Forum, 4th annual international geological forum Geological Exploration 2017, third All-Russian Forum of Subsurface Users, second Eurasian Mining Geology Forum, as well as participation in the work of the steering committees of the forums</p>	<p>Preparation of proposals for the State Commission for Arctic Development</p> <p>Developing the Arctic transport system</p> <p>Energy efficiency and energy development</p> <p>Eliminating administrative barriers in the subsoil and natural resource use</p> <p>Implementation of the General Scheme for the Gas Industry Development Through 2030</p> <p>Emission reduction</p> <p>Industrial safety</p> <p>Replacement of mineral resources</p> <p>Draft Concept for Development of the Common Gas Market in the Eurasian Economic Union</p> <p>Protection of Northern indigenous peoples rights</p> <p>Development and approval of Best Available Technology (BAT) reference documents</p> <p>Integration of a corporate GHG emissions management system</p>



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Channels	Frequency	Key events in 2017	Focus areas
		<p>Participation in the International Exhibition-Forum ECOTECH</p> <p>Participation in government delegations to foreign business events</p> <p>Participation in technical working groups of Rosstandart's Best Available Technology Bureau focusing on natural gas production and waste disposal and decontamination (other than thermal decontamination (incineration))</p> <p>Implementation of the quadripartite Cooperation Agreement between NOVATEK, the Russian Ministry of Natural Resources and Environment, the Federal Service for Supervision over Natural Resource Management and the Government of the Yamal-Nenets Autonomous Region in accordance with Russia's Year of Ecology Key Events Plan in 2017</p> <p>The Environment Protection Plan for NOVATEK's controlled and affiliated companies approved by the Chairman of the Management Board as part of the 2017 Year of Ecology initiatives</p> <p>Participation in the round table on the model of government regulation of greenhouse gas emissions held by the Russian Ministry of Energy</p> <p>The annual Vostock Capital LNG Congress Russia 2017 attended</p>	
Local			
Interaction under cooperation agreements on social and economic development of local communities	all-year-round	Implementation of social and economic programs pursuant to agreements with the Government of the Yamal-Nenets Autonomous Region, as well as municipalities of the Yamal-Nenets Autonomous Region, and governments of the Kostroma, Leningrad, Tyumen and Chelyabinsk Regions	Economic development of the regions Improving living standards, educational programs Utility and transport infrastructure development Protection of Northern indigenous peoples rights Implementation of promising LNG projects Company's operations, social programmes
Participation in meetings, round-table discussions, conferences, forums, etc.	all-year-round	Participation in the Yamal Oil and Gas 2017 exhibition and conference	
Disclosure of information on the Company's operations in the local media	all-year-round	Press tours and site visits for journalists, interviews with the Company's management	
LOCAL COMMUNITIES			
Cooperation agreements on social and economic development of local communities	all-year-round	Targeted programs and disbursements to Northern indigenous peoples (as provided for by the Agreement with the Yamal-Nenets Autonomous Region Government)	Employment Financing the construction and repairs of the utility and transport infrastructure
Interaction with associations of the indigenous minorities	all-year-round	Financial support provided to the Russian Association of Indigenous Peoples of the North, Siberia and Far East	Preserving the national identity of Northern peoples Supporting low-income population
Targeted support to welfare beneficiaries	ad hoc	Financial support provided to Yamal for Descendants Association and its district branches	Social programs Interaction of industrial enterprises with indigenous minorities
Disclosure of information on the Company's activities in the local media	all-year-round	Financing purchases of equipment and supplies for the indigenous minorities	
Population surveys	ad hoc	Press tours and site visits for journalists, interviews with the Company's employees, introduction of social programs	
Sustainability reports	annually	Participation in the 7th Arctic: Today and the Future International Forum	
Security Hotline	24/7		



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Channels	Frequency	Key events in 2017	Focus areas
PARTNERS UNDER JOINT INITIATIVES			
Cooperation agreements	all-year-round	Effective interaction under joint initiatives and cooperation agreements	Joint initiatives
Joint initiatives	all-year-round	The International Natural Gas, LNG and LPG Gastech Conference and Exhibition in Tokyo, the Oil & Money conference in London, the Russian Energy Week and the Arctic: Territory of Dialogue International Arctic Forum attended	Partnership prospects Import substitution
Shareholder meetings	all-year-round	Forum and meetings with potential Arctic LNG 2 partners organized	
Management meetings	all-year-round	The World Economic Forum in Davos attended	
Working group meetings	all-year-round	The annual Energy Exchange European Gas Conference (Vienna, Austria) attended	
Security Hotline	24/7	GE Oil & Gas 2017 (Florence, Italy) attended	
Briefings	ad hoc	Flame 2017 (Amsterdam) attended	
Participation in exhibitions and conferences	all-year-round	The Russian Energy Forum (London) attended The Budapest LNG Summit attended	
SUPPLIERS AND CONTRACTORS			
Supplier selection process	all-year-round, using an electronic bidding platform (as needed)	Meetings with manufacturers of oil and gas equipment and materials organized, strategic agreements entered into with key partners	Equipment specifications, pricing, delivery terms, supply chain management
Participation in trade shows, forums and other events	all-year-round	Arctic LNG 2 forum held to ensure maximum efficiency of LNG facilities with minimum capital expenses (over 150 participants from 50+ major Russian companies)	Industrial safety Import substitution potential
Replies to queries received via the official website (Sales and Tenders page)	all-year-round as per requests	Qualification assessment for Russian producers conducted, including for the Arctic LNG 2 project	Participation of Russian producers and manufacturers in the Arctic LNG 2 project
Qualification procedures for suppliers (incl. facility audits)	all-year-round	Participation in Russian and international procurement conferences, exchange of experience with the largest Russian and international manufacturers and engineering companies	Relations with suppliers and contractors
Security Hotline	24/7	Procurement via an electronic bidding platform introduced	Best practices in procurement Preventing abusive practices when signing contracts
CUSTOMERS			
Telephone enquiry service	daily	Queries received via the telephone enquiry service processed	Service quality improvement
Customer Account service and Contact Us forms on the website	24/7	Questions on technical support of services and proposals on improving Customer Account replied to	Customer support
Contact Information	all-year-round	Daily interaction with business customers arranged	Tariff regulation Payment calculations Payment discipline Connection agreements Gas supply agreements
Security Hotline	24/7		
Counterparty Account service for business customers	24/7		
Meetings on payment discipline	all-year-round		
Publication of information in the media	all-year-round		



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Channels	Frequency	Key events in 2017	Focus areas
CIVIL SOCIETY ORGANIZATIONS			
Membership and cooperation	all-year-round	Cooperation with V. I. Vernadskiy Non-Governmental Environmental Fund	Preserving biodiversity and biological resources
Participation in conferences, forums and other events	all-year-round	Cooperation with the World Wide Fund for Nature (WWF)	Environmental protection
Sustainability reports	annually	Cooperation with the Marine Mammal Council on preservation and study of the Atlantic walrus in the south-eastern Barents Sea and adjacent waters (as part of the Yamal LNG project)	Environmental aspects of the Sabetta seaport construction in the Gulf of Ob
		Implementation of the next stage of the Biodiversity Program and the Marine Mammal Preservation Strategy for the Yamal LNG project as per clause 4 of Instruction of the President of the Russian Federation No. 1530 and pursuant to International Finance Corporation Performance Standard 6	Waste and water resource management in the oil and gas industry
		Cooperation with Carbon Disclosure Project (CDP) on carbon emissions and water use	Sustainable development
		NOVATEK acted as a partner of the Wild Nature – Save and See section of the annual Exhibition-Forum ECOTECH 2017	Taxation
		An exhibition of children's drawings devoted to the Year of Ecology in Russia and protection of the Far North nature was held in Tarko-Sale	
		Employees of NOVATEK and its controlled entities took part in the Russian national environmental campaign Green Spring 2017	
		Cooperation with Eurasian Center for the Study and Conservation of Far Eastern Leopards, an independent non-profit organization	
		Cooperation with the Amur Tiger Centre, an independent non-profit organization	
SOCIETY			
Interaction with leading sports and cultural institutions	all-year-round	Support of major Russian museums, theaters and creative teams	Support and development of cultural projects
Interaction with non-profit organizations	all-year-round	Support and implementation of sports projects and programs	Sports promotion
Philanthropic efforts	all-year-round	Charitable support of children in dire need suffering from different illnesses, patronage assistance to orphanages and elderly people	Philanthropy and sponsorship efforts
Volunteer movements	all-year-round		Provision of support and financing to orphanages and residential care facilities
			Assistance in socialization of children deprived of parental care
MEDIA			
Press releases	all-year-round	43 press releases published	The Company's prospects, the Development Strategy
Press tours	all-year-round	Six visits to the Company's regional facilities organized	Media coverage of the Company's current operations and implementation of key projects
Interviews and comments from top executives	all-year-round	12 briefings for journalists from foreign and federal media held	Comments on matters relevant to the oil and gas sector
Briefings, press conferences	all-year-round	A meeting of Chairman of the Management Board Leonid Mikhelson with chief editors of the leading Russian media held	
Comments and replies to media requests	all-year-round as per requests	40+ prompt comments generated on topics relevant to the Company	
Drafting articles and information materials for the media	all-year-round	More than 67.8 thousand publications issued in Russian and foreign media in 2017	



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Channels	Frequency	Key events in 2017	Focus areas
INDUSTRIAL COMMUNITY, including academic and research community			
Participation in conferences, forums, round-table discussions, etc.	all-year-round	The International Natural Gas, LNG and LPG Gastech Conference and Exhibition in Tokyo, the Oil & Money conference in London, the 10th Eurasian Economic Forum in Verona, the Russian Energy Week, the Arctic: Territory of Dialogue International Arctic Forum, the Arctic: Today and the Future forum and the International Exhibition-Forum ECOTECH, etc. attended	Promising projects being implemented by the Company
Participation in joint sessions	as per request		Development of the fuel and energy sector and the oil and gas industry in general
Partnerships	as per events calendar	August 2017 saw the 7th International Meeting of Representatives of Arctic Council Member States, Observer States and Foreign Scientific Community in Sabetta	Economic performance
Cooperation with leading oil and gas universities	all-year-round	The World Economic Forum in Davos attended	Industrial safety
Engagement with the Society for Gas as a Marine Fuel (SGMF) and SEA\LNG	all-year-round	Participation in meetings held by relevant ministries and agencies. Participation in government delegations to international negotiations and meetings	Competition development
		NOVATEK-VUZ program implementation	
		Novatek Gas and Power, NOVATEK's subsidiary, joined the Society for Gas as a Marine Fuel (SGMF) and SEA\LNG promoting the use of liquefied natural gas (LNG) as a marine fuel	
		The annual Energy Exchange European Gas Conference (Vienna, Austria) attended	
		GE Oil & Gas 2017 (Florence, Italy) attended	
		The annual Vostock Capital LNG Congress Russia 2017 attended	
		Flame 2017 (Amsterdam) attended	
		The IEL/SEERIL International Oil and Gas Law Conference (London) attended	
		The Russian Energy Forum (London) attended	
		The Budapest LNG Summit attended	





CORPORATE GOVERNANCE

Corporate governance

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CORPORATE GOVERNANCE SYSTEM

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

- NOVATEK's Articles of Association
- 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.

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

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

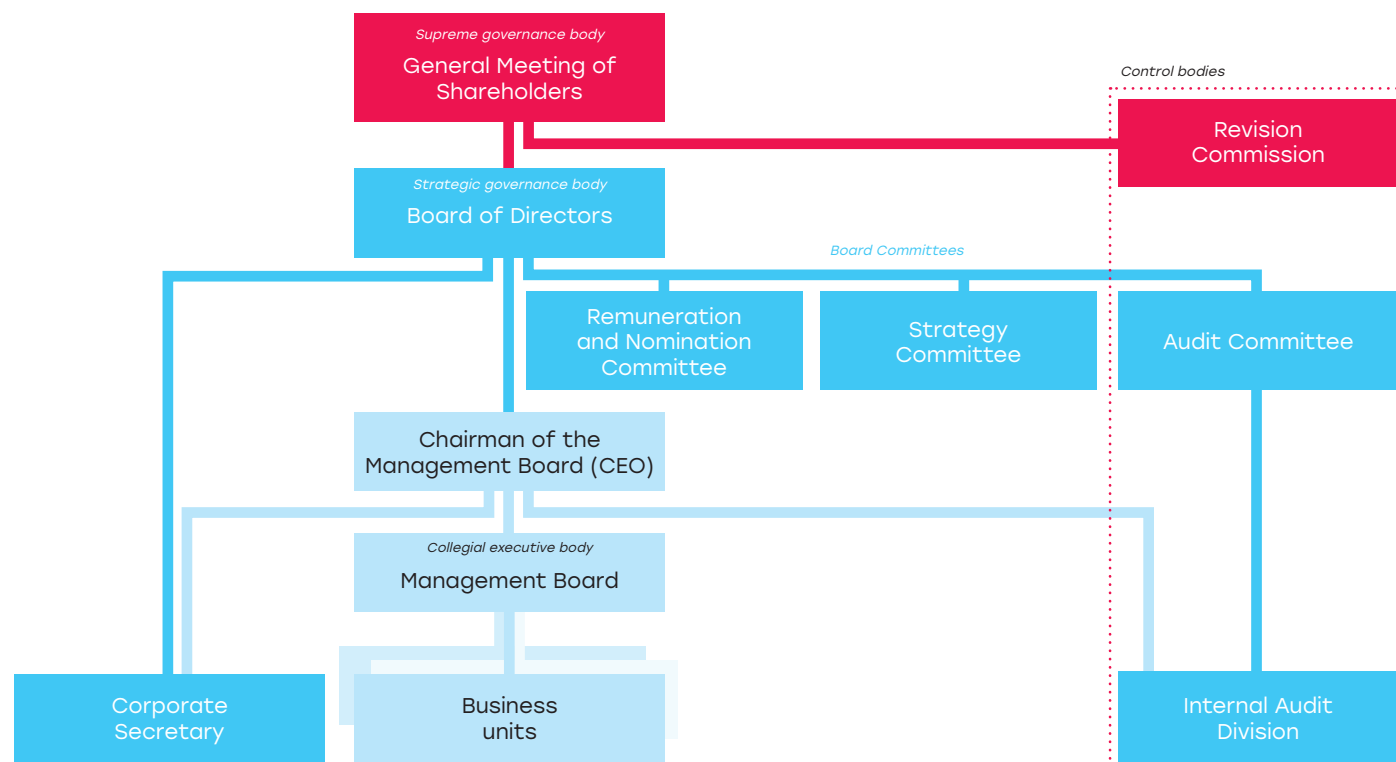
agement Board (collegial executive body) as proposed by the Chairman of the Management Board.

In 2017, to enhance efficiency of its corporate governance, the Company updated its information policy. On 25 August 2017, the Board of Directors approved the

revised Regulations on Information Policy, taking into account recommendations of the Corporate Governance Code.

During the Strategy Day on 12 December 2017, the Company identified improving in its corporate governance policies and regulations as one of its priorities.

PAO NOVATEK's corporate governance structure



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General Meeting of Shareholders

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

The General Meeting of Shareholders is responsible for the following:

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

On 21 April 2017, the Annual General Meeting of Shareholders approved the annual report and annual accounting (financial) statements prepared under Russian Accounting Standards (RAS); approved profit distribution and dividends for 2016; elected the Board of Directors and the Revision Commission; approved the remuneration payable to the members of the Board of Directors and the Revision Commission; and approved the external auditor for 2017.

On 29 September 2017, the Extraordinary General Meeting of Shareholders approved interim dividends for 1H 2017.

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

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

Board of Directors

Activities of the Board of Directors are governed by the laws of the Russian Federation, the Company's Articles of Association, and the Regulations on the Board of Directors. The Board members are elected by the General Meeting of Shareholders.

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

The Board of Directors has the following remit:

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

The current members of the Board of Directors were elected at the Annual General Meeting of Shareholders on 21 April 2017. The Board of Directors comprises nine members, of which eight are non-executive directors, including three independent directors. The Board Chairman is Alexander Natalenko, who does not serve as the Company's executive director. The Chairman is responsible for leading the Board and ensuring its effectiveness.

Members of the Board have a wide range of expertise in strategic, operational and financial areas as well as professional experience in oil and gas activities. These are mandatory skills and knowledge for nominees to the Board of Directors. Members hold regular meetings with the Company's senior management to gain a detailed understanding of the Company's business activities, strategy, and key risks. The Board of Directors also has access to the Company's medium-level managers for formal and informal meetings to discuss various matters and ensure regular exchange of information needed to participate in the Board meetings and make balanced decisions in a timely manner.

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



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

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

Board of Directors as at 31 December 2017

Full name	Independent*	Position on the Board of Directors / Board Committees
Alexander E. Natalenko		Chairman of the Board of Directors since 2004 Chairman of the Strategy Committee
Andrei I. Akimov		Member of the Board of Directors since 2006 Member of the Strategy Committee
Burckhard Bergmann		Member of the Board of Directors since 2008 Member of the Strategy Committee
Michael Borrell		Member of the Board of Directors since 2015 Member of the Strategy Committee
Robert Castaigne	Independent	Independent director since 2015 Member of the Remuneration and Nomination Committee Member of the Audit Committee
Leonid V. Mikhelson	Executive	Member of the Board of Directors since 2003 Chairman of the Management Board
Victor P. Orlov	Independent	Independent member of the Board of Directors since 2014 Chairman of the Remuneration and Nomination Committee Member of the Audit Committee
Gennady N. Timchenko		Member of the Board of Directors since 2009 Member of the Strategy Committee
Andrei V. Sharonov	Independent	Independent director since 2014 Chairman of the Audit Committee Member of the Remuneration and Nomination Committee

* Independent director as at 31 December 2017 as defined by the UK Corporate Governance Code and the Corporate Governance Code recommended by the Central Bank of Russia.



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Activities of the Board of Directors in corporate year 2017*

The Board of Directors' meetings are convened on a regular basis at least once every two months. In the corporate year of 2017, the Board of Directors held nine meetings, with five held in absentia. The Board considered and resolved on the following key matters:

- considered and approved the Company's operational and financial results for 2017;
- issued recommendations on payments of interim dividends for 1H 2017 and annual dividends for 2017;
- made resolutions on the convocation of the Extraordinary and Annual General Meetings of Shareholders in 2017 that relied on telecommunication channels for the first time, enabling shareholders to remotely participate in the General Meeting of Shareholders by completing electronic ballot sheets;
- approved NOVATEK's corporate strategy from 2018 until 2030;
- considered and approved the key metrics for NOVATEK's business plan for 2018;
- resolved to establish NOVATEK's Management Board, with the number of members decreased from twelve to eleven people;
- approved the Regulations on Performance Assessment of the Board of Directors and the Board Committees;
- held self-assessment of the Board of Directors and the Board Committees that served as the basis for the Board of Directors to commend the Company's strategy, corporate governance, interaction between the management and the Board of Directors as well as overall arrangement of, and preparation for, meetings for the Board of Directors and the Board Committees;
- approved the revised Regulations on Information Policy.

Board Committees

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

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

experience for assessments and recommendations in the respective areas of the Company's activities.

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

Board Committees as at 31 December 2017

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

* From the Annual General Meeting of Shareholders of 21 April 2017 to the Annual General Meeting of Shareholders of 20 April 2018.



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Audit Committee

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

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

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

In the corporate year of 2017, the Audit Committee met four times.

Remuneration and Nomination Committee

The primary function of the Remuneration and Nomination Committee is to develop an efficient and transparent practice for remuneration of members of the Company's management, including members of the Board of Directors and the Management Board. The Remuneration and Nomination Committee is also responsible for building a stronger Board of Directors and enhancing its performance. The Committee holds reviews of social and HR matters twice a year.

In the corporate year of 2017, the Remuneration and Nomination Committee met four times.

Strategy Committee

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

In the corporate year of 2017, the Strategy Committee met three times.

Management Board

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

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

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

First Deputy Chairman of the Management Board is responsible for achieving objectives and handling matters related to environmental safety, and oversees the HSE Department, LNG Projects Department, and Procurement and Localization Department.

Economic matters fall within the remit of Deputy Chairman of the Management Board for Economics and Finance, who oversees the Consolidated Reporting Department, Finance Department, Strategic Planning Department, Budgeting and Efficiency Management Department, and Risk Control Service.

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

The Board of Directors elects members of the Management Board from the Company's key employees. The Management Board reports to the Board of Directors and the General Meeting of Shareholders. The Chairman of the Management Board is responsible for leading the Board, ensuring efficiency and performance, organizing its meetings as well as implementing resolutions of the General Meeting of Shareholders and the Board of Directors. In 2017, the Company's Management Board consisted of eleven members.



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Members of the Management Board as at 31 December 2017*

Leonid V. Mikhelson
Chairman of the Management Board

Alexander M. Fridman
First Deputy Chairman of the Management Board

Vladimir A. Baskov
Deputy Chairman of the Management Board

Viktor N. Belyakov
Deputy Chairman of the Management Board for Economics and Finance

Sergey V. Vasyunin
Deputy Chairman of the Management Board – Operations Director

Mark Anthony Gyetvay
Deputy Chairman of the Management Board

Tatyana S. Kuznetsova
Deputy Chairman of the Management Board – Director of the Legal Department

Igor A. Plesovskikh
Deputy Chairman of the Management Board – Director for Geology

Ilya V. Tafintsev
Director for Strategic Projects

Lev V. Feodosyev
Deputy Chairman of the Management Board – Commercial Director

Denis G. Khramov
Deputy Chairman of the Management Board

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

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

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

Fixed remuneration payable to members of the Board of Directors is RR 10 mln per corporate year. The Chairman of the Board of Directors is paid fixed remuneration

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

for the performance of his or her functions in the amount of RR 20 mln per corporate year. Members of the Board of Directors also receive remuneration for attending meetings of the Board of Directors (limited to RR 3 mln per corporate year) and remuneration for attend-

ing meetings of committees of the Board of Directors (limited to RR 2 mln per corporate year). Members of the Board of Directors are also compensated for travel and lodging expenses related to the discharge of their functions.

Remuneration of members of NOVATEK's Board of Directors and Management Board in 2017, RR mln

	Board of Directors**	Management Board
Total paid, including	134	2,171
Salaries	–	667
Bonuses	–	1,471
Fees	133	–
Other compensations and benefits	1	33

* For detailed biographies of members of the Management Board, please see the Annual Report 2017, pp. 79–82.

** Some members of NOVATEK's Board of Directors also serve as members of the Management Board. Payments to such members for their serving on the Management Board are included in the total payments to members of the Management Board.



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

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

INTERNAL CONTROL AND AUDIT

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

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

Internal control primarily covers NOVATEK, its subsidiaries and joint ventures, their structural units, as well as their business processes.

To prevent corruption and mitigate compliance, operational and reputation risks, the Company adopted the Anti-Corruption Policy and the Regulations on Risk Management and Internal Control System.

NOVATEK's Internal Audit Policy is the key document regulating the internal control system.

Revision Commission

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

Internal audit

To ensure a consistent and independent assessment of the reliability and effectiveness of the risk management and internal control system, as well as of corporate governance practices, the Company performs internal audits of its operations and business processes. The internal audit function roles and responsibilities are implemented by the independent Internal Audit Division.

The Internal Audit Division reports to the Board of Directors and adheres to the principles and rules of conduct stated in the Code of Ethics for internal auditing of the Institute of Internal Auditors along with the International Standards for the Professional Practice of Internal Auditing.



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RISK MANAGEMENT

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

NOVATEK has in place and continuously develops a multilevel system of risk management. The powers, duties and responsibilities for specific risk management procedures are delegated to the Company's governance levels depending on the assessment of financial impact of risk. The Company's risk management policy is set out in the Regulations on Risk Management and Internal Control System.

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

In order to ensure a uniform methodology and coordinate risk management activities, the Company has established the Risk Control Service. 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 to monitor identified risks and to adjust risk mitigating initiatives as needed. All matters related to the risk appetite and the risk management systems are reviewed on an annual basis.

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

In the 2017 corporate year*, the Audit Committee held two reviews of economic, operational, environmental and other risks and one session related to the implementation of the Anti-Corruption Policy and the approval of the action plan for the next period.

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

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

Operational risks

1. Risks of emergencies and incidents
2. Monopoly risks
3. Competitive risks
4. Risks related to procurement of materials, equipment, work and services
5. Commodity price risks
6. Geological risks
7. Risks of early termination, suspension or restriction of the right to use subsurface mineral resources
8. Environmental risks
9. Project risks
10. Ethical risks
11. Social risks
12. Terrorism risks
13. Country risk
14. Regional risks
15. Risks related to information technologies and information security (cyber risks)

Financial risks

16. Credit risk
17. Reinvestment risk
18. Interest rate risk
19. Currency risk
20. Liquidity risk
21. Inflation risk

Legal risks

22. Risk of law changes
23. Litigation risks
24. Risk of sanctions

* From the Annual General Meeting of Shareholders of 21 April 2017 to the Annual General Meeting of Shareholders of 20 April 2018.



Risk insurance

Risk insurance is an effective approach to risk management. In 2017, the insurance coverage guaranteed adequate protection against the risks of damage to the business of the Company. Insurance is provided by reputable insurance companies that have high ratings by leading rating agencies* with partial reinsurance of risks by major international insurance and reinsurance companies.

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

To mitigate the risk of financial losses, the Company relies on the following types of optional insurance:

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

Since 2013, the Company has in place a comprehensive program of property and business risk insurance for its key assets. As at the end of 2017, the cumulative insured amount for the risks of property damage and business interruption was RR 713 bln.

In the reporting year, no major accidents or incidents covered by the insurance occurred.

For twelve years in a row, NOVATEK has been maintaining management liability insurance for the top management of the Company against possible third-party claims for any losses incurred through

any wrong actions (or decisions) made by their management bodies. The overall limit of the Company's insurance coverage is EUR 120 mln.

In 2017, one of the Company's subsidiaries also insured receivables for an approved list of natural gas consumers to assess the tool's efficiency in managing risks.



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



ETHICS

Ethics

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NOVATEK is committed to lawful, fair and ethical practices in all aspects of its operations and stakeholder relations. The Company respects human rights, makes every effort to prevent corruption, takes care to maintain its impeccable reputation and seeks to implement the most stringent international ethical standards. Within the Company, the Corporate Governance Code, the Code of Business Conduct and Ethics, and the Anti-Corruption Policy govern employees' conduct and ethical standards.

[Corporate Governance Code \(adopted in 2005\)](#) — principles and rules of corporate conduct.

[Code of Business Conduct and Ethics \(adopted in 2011\)](#) — business ethics standards for employees.

[Anti-Corruption Policy \(adopted in 2014\)](#) — prevention of corruption.

ANTI-CORRUPTION POLICY

NOVATEK strictly abides by the anti-corruption laws of Russia and other countries in which it operates. With NOVATEK's shares traded on the London Stock Exchange, the Company complies with the requirements of the UK Bribery Act.

The Company's Anti-Corruption Policy sets out the key principles that underpin its efforts to counter and prevent corruption. The document is available on the Company's website in Russian and English. All subsidiaries and joint ventures of NOVATEK have similar documents in place. All employees, including management at all levels, have read the Anti-Corruption Policy and agreed to abide by its rules. Anti-corruption requirements and limitations are included in the employment contracts and job descriptions of all employees.

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

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

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

The person in charge of implementing and overseeing the measures aimed at preventing corruption across the Company is the Anti-Corruption Adviser, from whom advice may be sought by any employee looking for clarifications on the Anti-Corruption Policy or other corruption-related matters. To prevent corruption, the Company develops action plans to be undertaken to implement the Anti-Corruption Policy. During the reporting year, anti-corruption initiatives were implemented as part of the 2016–2017 Action Plan. The results of anti-corruption efforts and the new 2017–2018 Action Plan were discussed and approved by the Audit Committee on 24 August 2017.

The Company's Anti-Corruption Policy sets out the key principles that underpin its efforts to counter and prevent corruption.



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PREVENTION OF CONFLICTS OF INTEREST

NOVATEK's places a special emphasis on preventing conflict of interests to avoid potential reputational damage to its business, its trade mark and its good standing in the domestic and international business community. The perception of "conflict of interests" also increases risk to shareholders. For effective conflict of interest risk management, certain employees in key decision making capacities are required to disclose conflicts of interest (or no conflicts of interest) by filling in respective declarations.

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

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

Members of the Board of Directors shall:

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

Members of the Management Board shall:

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

HUMAN RIGHTS

NOVATEK respect human rights, promotes equal opportunities and does not tolerate discrimination by ethnic group, gender, origin, age, religion or on any other ground.

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

The Company shares the universal principles enshrined in:

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

The Company implements these principles by:

- committing to human rights and integrating them into internal regulations;
- engaging stakeholders in a dialogue on human rights matters;
- ensuring that its employees and partners respect human rights.
- developing feedback channels that enable stakeholders to express their opinions or grievances on related matters (specifically, Security Hotline).

NOVATEK conducts its Russian operations in full compliance with the Labor Code of the Russian Federation and Russian laws in general, prohibiting any discrimina-

tion or limitation of labor rights and freedoms. As a responsible employer, the Company complies with all legal requirements and adheres to best global practices. The Company does not use child or forced labor. All HR decisions are based on qualifications and professional qualities of an employee.

NOVATEK recognizes the right of its employees, and encourages them to create associations and employee protection organizations. Forty-eight percent of the Company's employees are trade union members.

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

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

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





COMPANY'S RESULTS

Company's results

ENSURING STRONG ECONOMIC PERFORMANCE

061

In the reporting year, NOVATEK's operating and economic performance reflected its well-balanced and reasonable management approach based on rigorous cost control and a conservative financial policy. The Company maintains its lifting costs at one of the lowest levels in the oil and gas industry globally, which has been one of its key competitive advantage.

In 2017, revenue grew by 8.5%, while normalized EBITDA increased 5.8% and normalized profit*** decreased by 21.9%.

NOVATEK has steadily expanded its resource base through geological exploration and license acquisitions. In 2017, total proved reserves increased by 12.8% compared to 2016, while the Company achieved a replacement ratio of 435% and

a reserves-to-production ratio of 29 years (up from 24 years in 2016).

Moreover, it managed to build a solid basis for future growth, setting the stage for its leadership in the global LNG market. A landmark event was the commissioning of the first LNG train at Yamal LNG and the first tanker shipment dispatch from the project in December 2017.

NOVATEK has steadily expanded its resource base through geological exploration and license acquisitions.

Key results in 2014–2017

	Unit	2014	2015	2016	2017	Change 2016–2017, %
Total revenues	RR mln	357,643	475,325	537,472	583,186	8.5%
Normalized EBITDA (including share in EBITDA of joint ventures)**	RR mln	159,631	214,466	242,407	256,464	5.8%
Normalized profit***	RR mln	35,197	73,407	200,118	156,387	(21.9%)
Dividends paid	RR bln	31.3	41.0	42.2	45.4	7.6%
Oil and gas revenues	RR mln	355,637	472,007	533,857	579,819	8.6%
Headcount****	People	9,248	10,408	11,536	12,236	6.1%
Proved hydrocarbon reserves (SEC)	mmboe	12,643	12,817	13,402*	15,120*	12.8%

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

** Adjusted for disposal of stakes in joint ventures.

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

**** Employees for whom NOVATEK, its subsidiaries or joint ventures were primary employers. It does not cover the employees working at LLC Severneft-Urengoy, JSC Yuzhno-Khadyryakhinskoye and JSC Eurotek.



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Key events and achievements in 2017

- Yamal LNG's first train was put into operation, with the Christophe de Margerie, the inaugural Arc7 ice-class tanker, taking the first LNG shipment.
- A newly developed long-term corporate strategy for the period 2018 until 2030 was presented at the Corporate Strategy Day.
- NOVATEK was awarded licenses for the Gydanskoye, Verkhnetiuteyskoye, West-Seyakhinskoye and Shtormovoye fields (Yamal and Gydan peninsulas) and acquired the South-Khadyryakhinskoye and Syskonsynyinskoye fields along with the West-Yaroyakhinskiy license area.
- Strategic partnership agreements were signed with TechnipFMC, Linde AG, Research and Design Institute for Gas Processing, Atomenergomash and United Shipbuilding Corporation.
- Memorandums of understandings were signed with the Ministry of Industry and Trade and the Murmansk Region's Government to establish a domestic center for the construction of large-scale offshore structures.
- The Company also entered into a cooperation agreement with the Kamchatka Territory's Government to construct a sea terminal facility for reloading LNG.
- Its other deals included memorandum of understanding (MOU) with China Development Bank, a strategic cooperation agreement with CNPC, a trilateral MoU with Marubeni Corporation and Mitsui O.S.K. Lines and a Vietnam-focused MoU with Total and Siemens.
- NOVATEK joined the Society for Gas as a Marine Fuel (SGMF) and SEA\LNG Association.
- NOVATEK was included in the FTSE4Good Emerging Index by FTSE Russel, and the Vigeo Eiris Best Emerging Market Performers ranking (100 best EM companies).
- The Company's Greenhouse Gas Emissions Control System was granted National Environmental Award named after Vladimir Vernadskiy in the nomination "Science for Ecology".

Direct economic value generated and distributed in 2014–2017, RR mln*

	2014	2015	2016	2017
Generated economic value				
Revenues	362,706	487,947	556,204	599,058
Distributed economic value				
Operating expenditures	236,512	335,042	385,499	419,859
Salaries and other payments and benefits to employees	12,009	15,368	19,885	20,097
Payments to suppliers of financial resources	38,278	50,189	57,950	52,310
Taxes payable to the budgets of relevant countries	45,587	59,410	79,630	84,721
Social investments	727	1,000	1,871	2,813
Retained economic value	88,608	99,712	111,987	126,237

* Data are based on the following methodology: **revenues** – total revenues plus interest income; **operating expenditures** – operating expenses less depreciation and depreciation less impairment of assets less salaries and other payments and benefits to employees less taxes other than income tax, less social investments; **payments to suppliers of financial resources** – dividends paid plus interest paid; **taxes payable to the budgets of relevant countries** – current income tax plus taxes other than income tax.

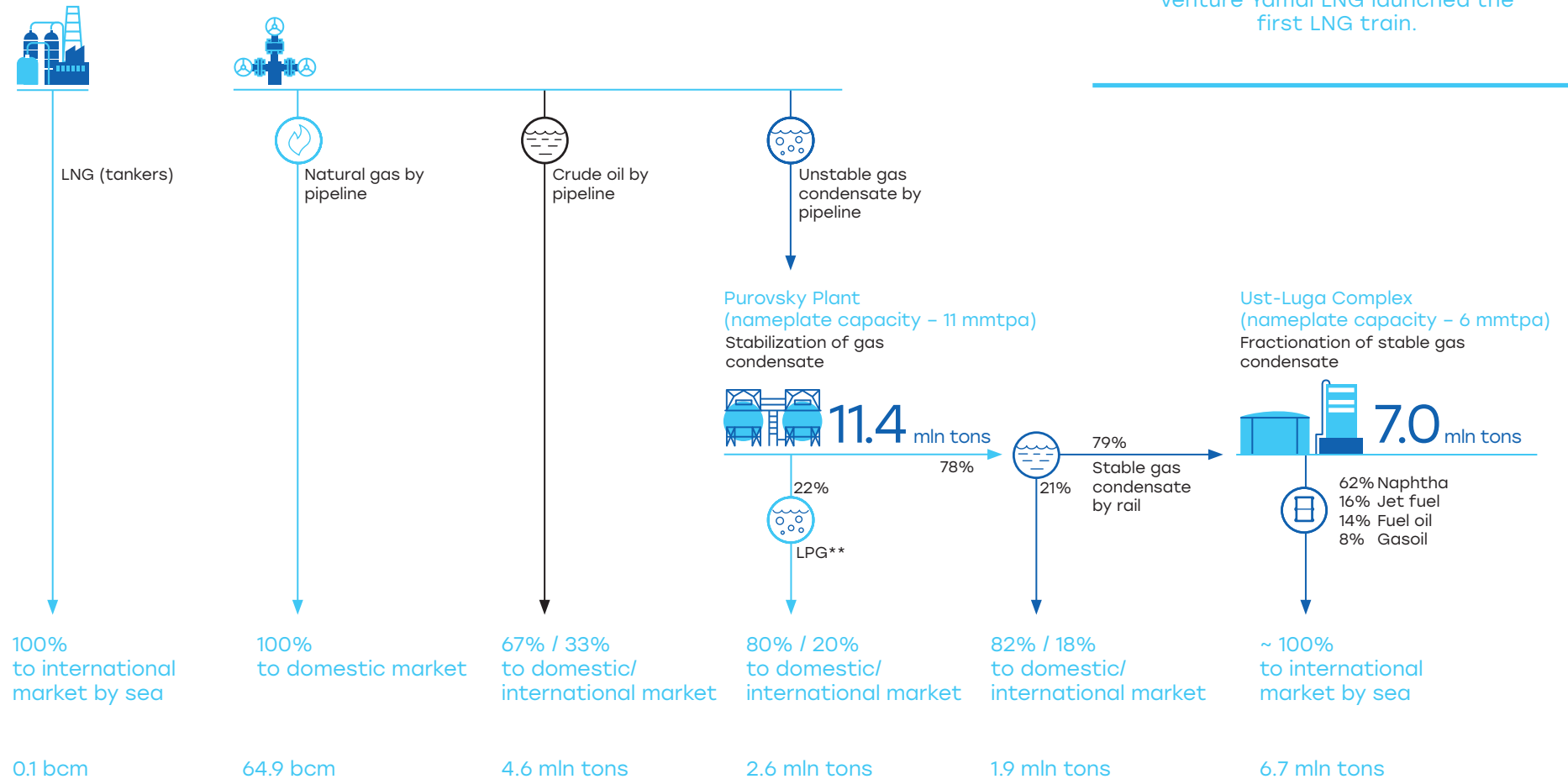


BUSINESS MODEL*

Yamal LNG

Producing fields

Separation and treatment



In December 2017, our joint venture Yamal LNG launched the first LNG train.

* The data are presented for 2017, reflected the NOVATEK volume of sales.

** Including light hydrocarbon products.



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PRODUCTION

Licenses

In 2017, NOVATEK significantly expanded its license portfolio by strategically acquiring companies and winning State sponsored mineral license auctions. As at 31 December 2017, its subsidiaries and joint ventures held a total of 45 subsoil licenses in Russia (compared to 39 licenses in 2016).

The Company has built an enviable resource and acreage base in strategically important regions.

- 45 subsoil licenses
- 15,120 mmboe of proved reserves
- 435% reserve replacement ratio
- 29 years reserves-to-production ratio

Hydrocarbon reserves

As at 31 December 2017, NOVATEK's proved reserves (SEC), including the Company's proportionate share in joint ventures, totalled 15,120 mmboe, including 2,098 bcm of natural gas and 164 mmt of liquid hydrocarbons. The Company's proved reserves grew by 12.8%, while the reserve replacement ratio stood at 435%. At the end of 2017, the Company's reserves-to-production ratio was 29 years.

Reserves were increased by exploration activities conducted at the Utrenneye, Kharbayskoye, West-Yurkharovskoye and Urengoyevskoye (Samburgskiy license area) fields, as well as production drilling at the South-Tambayskoye field, newly obtained licenses, and acquisitions. Thanks to successful exploration works and drilling progress, proved hydrocarbon reserves added 1.3% across existing licenses, with the corresponding organic replacement ratio at 134%.

As at 31 December 2017, proved and probable hydrocarbon reserves (PRMS), including the Company's proportionate share in joint ventures, totalled 28,471 mmboe, including 3,879 bcm of natural gas and 366 mmt of liquid hydrocarbons, while the corresponding reserves-to-production ratio stood at 55 years.

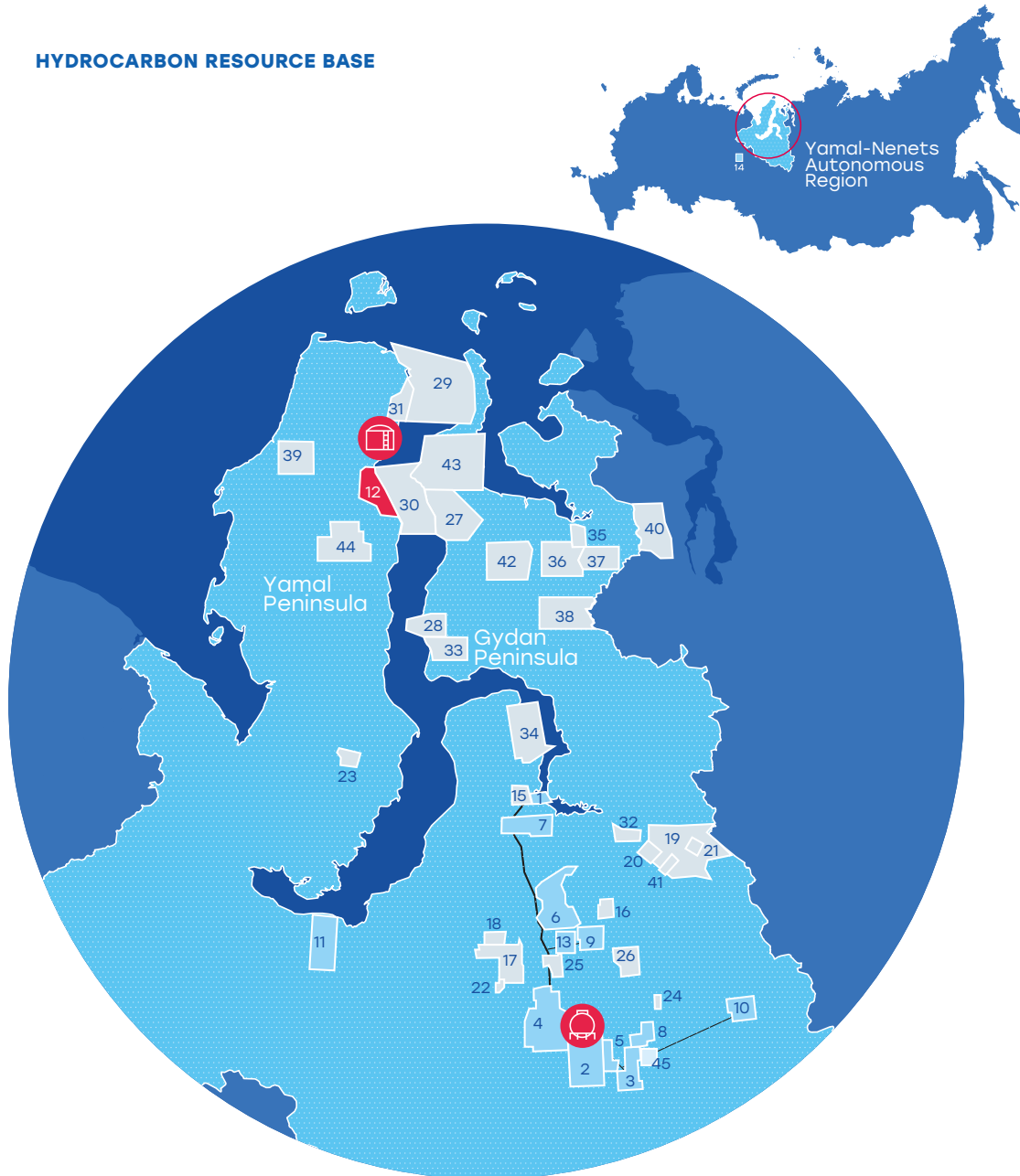
Thanks to the high-quality hydrocarbon resource base, NOVATEK has been maintaining its exploration and lifting costs at one of the lowest levels among global public companies. In 2017 and the five-year period of 2013–2017, its proved reserve replacement expenses averaged RR 25 (USD 0.4) per boe and RR 94 (USD 2.3) per boe, respectively.

• Total proved and probable hydrocarbon reserves in 2014–2017, mmboe*

	2014	2015	2016	2017
Proved (SEC)	12,643	12,817	13,402	15,120
Proved and probable (PRMS)	23,069	23,117	23,769	28,471

* Hydrocarbon reserves were adjusted to account for a 100% share in subsidiaries' results and our share in joint ventures' results (in 2016–2017 including fuel gas). Figures for the South-Tambayskoye field in 2016 and 2017 were adjusted to account for the Company's 60% stake in Yamal LNG.

HYDROCARBON RESOURCE BASE



Production

1. Yurkharovskoye field
2. East-Tarkosalinskoye field
3. Khancheyskoye field
4. Olimpiyskiy license area
5. Yumantilskiy license area
6. Samburgskiy license area
7. North-Urengoyevskoye field
8. North-Khancheyskoye field
9. Yaro-Yakhinskiy license area
10. Termokarstovoye field
11. Yarudeyskoye field
12. South-Tambeyskoye field*
13. West-Yaroyakhinskiy license area
14. Syskonsynynskiy license area (located in the Khanty-Mansiysk Autonomous Region)

 Yamal LNG

 Purovsky Gas Condensate Processing Plant

 Gas condensate pipelines of NOVATEK

Prospective fields and license areas

15. West-Yurkharovskoye field
16. Raduzhnoye field
17. West-Urengoyevskiy license area
18. North-Yubileynoye field
19. North-Russkiy license area
20. North-Russkoye field
21. Dorogovskoye field
22. Ukrainko-Yubileynoye field
23. Malo-Yamalskoye field
24. West-Chaselskoye field
25. Yevo-Yakhinskoye field
26. North-Chaselskiy license area
27. Utenneye field**
28. Geofizicheskoye field
29. North-Obiski license area
30. East-Tambeyskiy license area
31. North-Tasiyskiy license area
32. East-Tazovskoye field
33. Trekhbugorni license area
34. Nyakhartinskiy license area
35. Ladertoyskiy license area
36. Nyavuyahskiy license area
37. West-Solpatinskiy license area
38. North-Tanamskiy license area
39. Syadorskiy license area
40. Tanamskiy subsoil area
41. Kharbeyskiy license area
42. Gydanskiy license area
43. Shtormovoy license area
44. Verhnetiuteyskiy + West-Seyakhinskiy LA
45. South-Khadyryakhinskiy license area

* Yamal LNG Project

** Arctic LNG 2 Project

Exploration

The Company's consistent and comprehensive approach to hydrocarbon development embraces everything from collecting and interpreting seismic and well data employed to work out best production solutions through geological and hydrodynamic modelling to adopting advanced drilling and well completion techniques. Innovative technology and highly qualified geological personnel enable NOVATEK to ensure sustainability while delivering strong economic performance.

In 2017, the Company continued exploration works on the Yamal and Gydan peninsulas, seeking to significantly increase its resource base for future LNG projects.

In 2017, we completed the running and processing of 1,465 square kilometers of 3D seismic works and drilled 25 thousand meters of exploration drilling.

Successful exploration works helped the Company increase its resource base by 604 bcm of natural gas, 38 mmt of gas condensate and 23 mmt of crude oil under the Russian reserve reporting standards, or 344 bcm of natural gas, 24 mmt of gas condensate and 23 mmt of crude oil under the international PRMS standards. In the reporting year, 26 hydrocarbon deposits were discovered.

Field development

In 2017, NOVATEK continued to develop its producing and prospective fields, investing a total of RR 12.1 bln in resource base development.

Production drilling, including those drilled at joint ventures, increased by 12% to 262,000 meters, with Arcticgas's Yaro-Yakhinskoye field as the key driver.

A total of 68 wells were commissioned, including 55 gas and gas condensate wells and 13 oil wells.

In the reporting year, the Company did the following infrastructure-related works at its producing fields:

- upgraded a gas treatment facility and commissioned a 3S (supersonic) gas separation facility at the Yardeyskoye field;
 - started preparations at the North-Russkoye field (backfilling well pads, roads and infrastructure sites);
 - started preparations to build a center for the construction of large-scale offshore structures in Belokamenka, Murmansk Region, including drilling, blasting and earthworks (completing a site plan, creating artificial land plots, building dry docks and berths).
- commissioned two 48 MW booster compressor stations at the North-Urengoykoye and Samburgskoye fields;



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HYDROCARBON PRODUCTION

In 2017, NOVATEK produced commercial hydrocarbons at 16 fields. The Company's production (including attributable share in the production of JVs) amounted to 513.3 mmboe, down 6.2% versus 2016. The production volumes at mature fields of our subsidiaries and joint ventures decreased mainly due to natural declines in the reservoir pressure at the current gas producing horizons. The decrease was partially offset by the improved efficiency of associated petroleum gas utilization at our Yarudeyskoye field, as well as the commencement of LNG production at the first LNG train at Yamal LNG in the fourth quarter of 2017.

Total natural gas production including the Company's share in production of joint ventures aggregated 63.40 bcm, representing approximately 81% of our total hydrocarbon output. The share of gas produced from the gas condensate bearing layers (or "wet gas") in proportion to total gas production was 77%. Production of natural gas decreased by 6.3% as compared to 2016 volumes.

Production of liquid hydrocarbons including the Company's share in production of joint ventures totaled 11,774 thousand tons, of which 59% was gas condensate and the remaining 41% consisted of crude oil. Production of liquid hydrocarbons decreased by 5.4% as compared to 2016, with gas condensate production amounting to 6,892 thousand tons and crude oil production accounting

for 4,882 thousand tons. Liquid hydrocarbons production share in NOVATEK's aggregate production remained approximately at the level of the previous year and amounted to 19.2%.

In 2017, our lifting costs amounted to RR 44.3 (USD 0.76) per boe, one of the lowest levels in the global oil and gas industry.

Yamal LNG project

In December 2017, Yamal LNG's Train 1 with a nameplate capacity of 5.5 mln tons of LNG per annum commenced LNG production. The first LNG cargo was loaded onto the LNG carrier "Christophe de Margerie", the world's first Arc7 ice-class LNG carrier, on 8 December 2017 in the port of Sabetta.

The commencement of LNG production was a landmark event for both Yamal LNG and the Company, paving the way for the former to produce the first quantities of LNG from Russia's Arctic region and the latter to enter the global gas market.

Yamal LNG's resource base is the South-Tambeyskoye field, which consists of 42 gas-bearing layers at depths between 900 meters and 3,730 meters and has three domes. The field is being developed using horizontal wells with drilled lengths of up to 5,000 meters and horizontal sections of up to 1,500 meters.

Yamal LNG has the license to explore and develop its resource based until 2045.

South-Tambeyskoye field

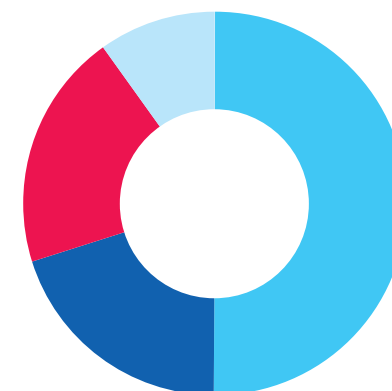
Location:
Yamal Peninsula (north-east)
Discovered in 1974

Proved reserves (SEC) as at 31 December 2017
Natural gas – 683 bcm
Liquid hydrocarbons – 21 mmt

Proved and probable reserves (PRMS) as at 31 December 2017
Natural gas – 992 bcm
Liquid hydrocarbons – 32 mmt

In 2017, Yamal LNG shareholders approved the construction plan to build a fourth LNG train with a nameplate capacity of 0.9 mtpa based on NOVATEK's proprietary "Arctic Cascade" liquefaction technology. This allows the Project sponsors to add additional LNG production with a low capex per unit of production with no need to build additional infrastructure which will reduce LNG production costs for the entire project. The LNG plant will have a total capacity of 17.4 mtpa, with each of the first three LNG trains capable of producing 5.5 mtpa and the fourth LNG train at 0.9 mtpa.

Yamal LNG shareholders as at 31 December 2017



- 50.1% NOVATEK
- 20% Total
- 20% CNPC
- 9.9% Silk Road Fund

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As at the year-end, the Yamal LNG project was approximately 91% complete. The infrastructure includes a sea port, an international airport, roads, power lines, internal distribution pipelines and a workers' rotation camp. The export shipping infrastructure includes an LNG jetty with two terminals at the Sabetta sea port.

The field development plan provides for drilling 208 wells at 19 well drilling pads, with the design capacity exceeding 27 bcm of natural gas per annum. As at the year-end, 103 production wells were drilled at the South-Tambeyskoye field, surpassing the mark of 93 wells required to launch the first two LNG trains.

Approximately 26,000 people were employed at the site as at the end of 2017. The Sabetta International Airport operates regular domestic flights from Novy Urengoy, Ufa, Moscow and Samara, maximizing effectiveness of shifts. In 2017, scheduled passenger traffic totalled around 364,000 passengers.

At year-end 2017, all 142 modules for the LNG plant three trains had been delivered to the site by sea, 137 of them had been installed on the prepared foundations, and commissioning of the equipment for the second train and third train hook up were underway. All of the main LNG equipment, including three main cryogenic heat exchangers (the core of the natural gas liquefaction technology) for all three trains of the LNG plant, compressor equipment, packages of steel structures and pipe racks, and power plant turbines are on site.

More than 95% of the LNG volumes produced from the three LNG trains has been contracted on a long-term basis. A total of three LNG cargoes were off-loaded over the course of December 2017. Specially designed Arc7 ice-class LNG carriers are used for LNG transportation. As of the end of 2017, four Arc7 LNG carriers were put into operation while eleven (11) LNG carriers were under construction.

The LNG plant will have a total capacity of 17.4 mtpa, with each of the first three LNG trains capable of producing 5.5 mtpa and the fourth LNG train at 0.9 mtpa.

GAS CONDENSATE PROCESSING

Purovsky Plant

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

The Purovsky Plant, with a nameplate capacity of 11 mtpa, is the central element in our vertically integrated value chain that provides us complete operational control over our processing needs and access to higher yielding marketing channels for our stable gas condensate. The Purovsky Plant processes unstable gas condensate into stable gas condensate and natural gas liquids (NGL).

In the reporting period, the Purovsky Plant processed its milestone volume – 65 million tons of gas condensate since the start of operation in 2005.

The Purovsky Plant processed 11,445 mt of de-ethanized gas condensate, representing a 7.7% decrease compared to 2016. The Purovsky Plant's processing capacity is in line with the total production capacity with our fields and those fields of our joint ventures. The output mix included 8,853 mt of stable gas condensate, and 2,493 mt of NGL and LPG.

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

All light hydrocarbons – feedstock for marketable LPG – are transported by pipeline to SIBUR's Tobolsk Petrochemical Complex for further processing.

Ust-Luga Complex

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

In 2017, it processed its milestone volume – 25 million tons of stable gas condensate since the start of operation in 2013.



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In the reporting year, the Ust-Luga Complex processed 6,961 mt of stable gas condensate into 6,826 mt of end products, including 4,223 mt of light and heavy naphtha, 1,072 mt of jet fuel and 1,531 mt of ship fuel component (fuel oil) and gasoil. In 2017, its light products yield stood at 84.5%.

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

The excess volumes of stable gas condensate received from the processing at the Purovsky Plant over volumes sent for further processing to the Ust-Luga Complex are sold on both the domestic and international markets.

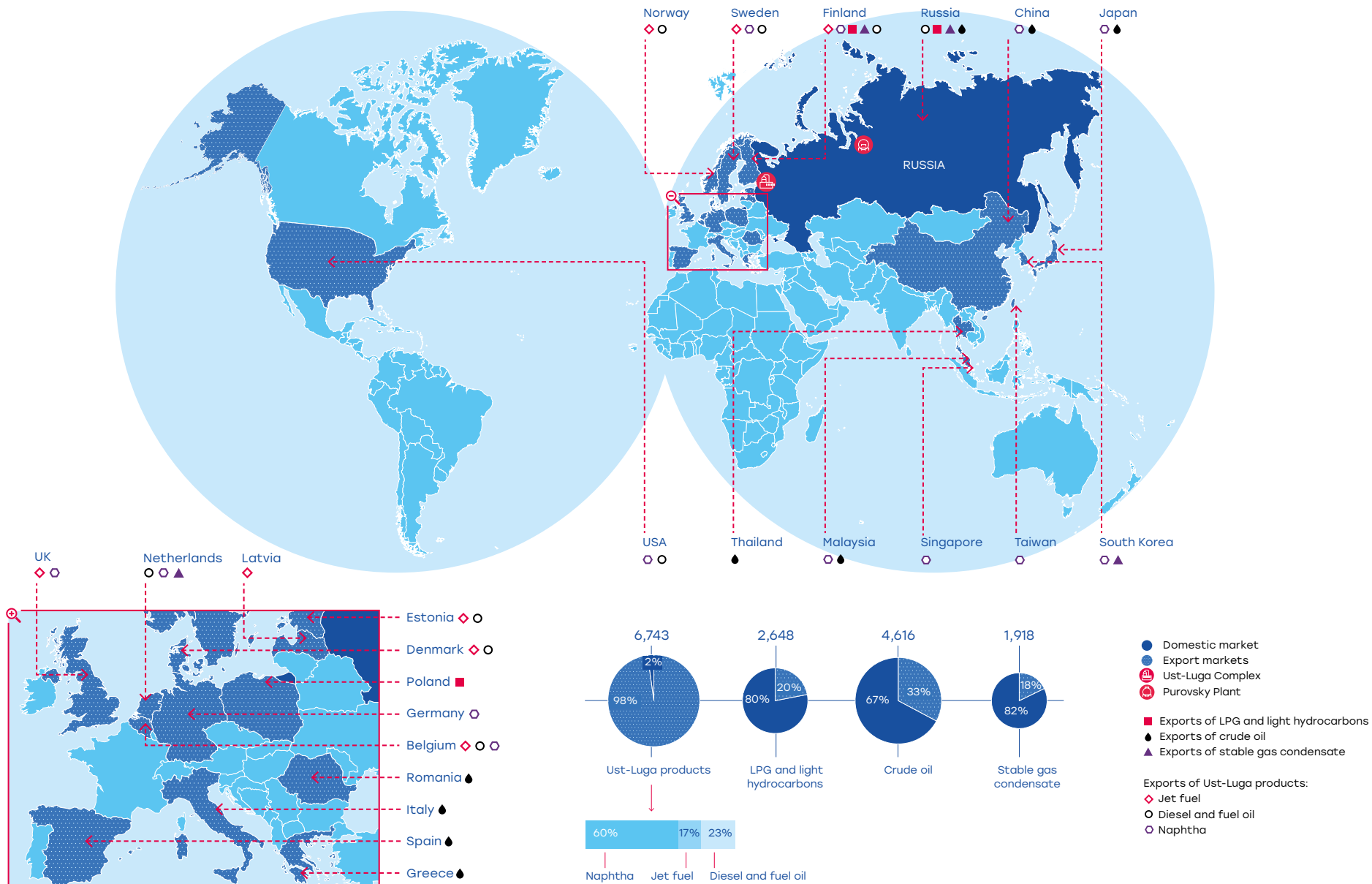
NOVATEK Group's key operating indicators in 2014–2017

	Unit	2014	2015	2016	2017	Change in 2017 vs 2016
Hydrocarbon production (including stakes in joint ventures)						
Total production*	mmboe	456.7	521.6	547.0	513.3	(6.2%)
Including						
Natural gas*	mmcm	62,129	67,905	67,647	63,399	(6.3%)
	mmboe	406.3	444.1	442.4	414.6	
Liquid hydrocarbons	mt	6,036	9,094	12,441	11,774	(5.4%)
	mmboe	50.4	77.5	104.6	98.7	
Processing volumes and output of the Purovsky Plant						
De-ethanized condensate processing	mt	6,600	12,021	12,397	11,445	(7.7%)
Output:						
Stable gas condensate	mt	5,049	9,664	9,667	8,853	(8.4%)
Light hydrocarbons and LPG	mt	1,371	2,228	2,597	2,493	(4.0%)
Processing volumes and output of the Ust-Luga Complex						
Stable condensate processing	mt	4,706	6,727	6,917	6,961	0.6%
Output:						
heavy naphtha	mt	2,006	2,101	2,195	2,261	3.0%
light naphtha	mt	1,425	1,898	2,000	1,962	(1.9%)
jet fuel	mt	472	949	998	1,072	7.4%
gasoil	mt	179	462	443	564	27.3%
ship fuel component (fuel oil)	mt	542	1,183	1,147	967	(15.7%)

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

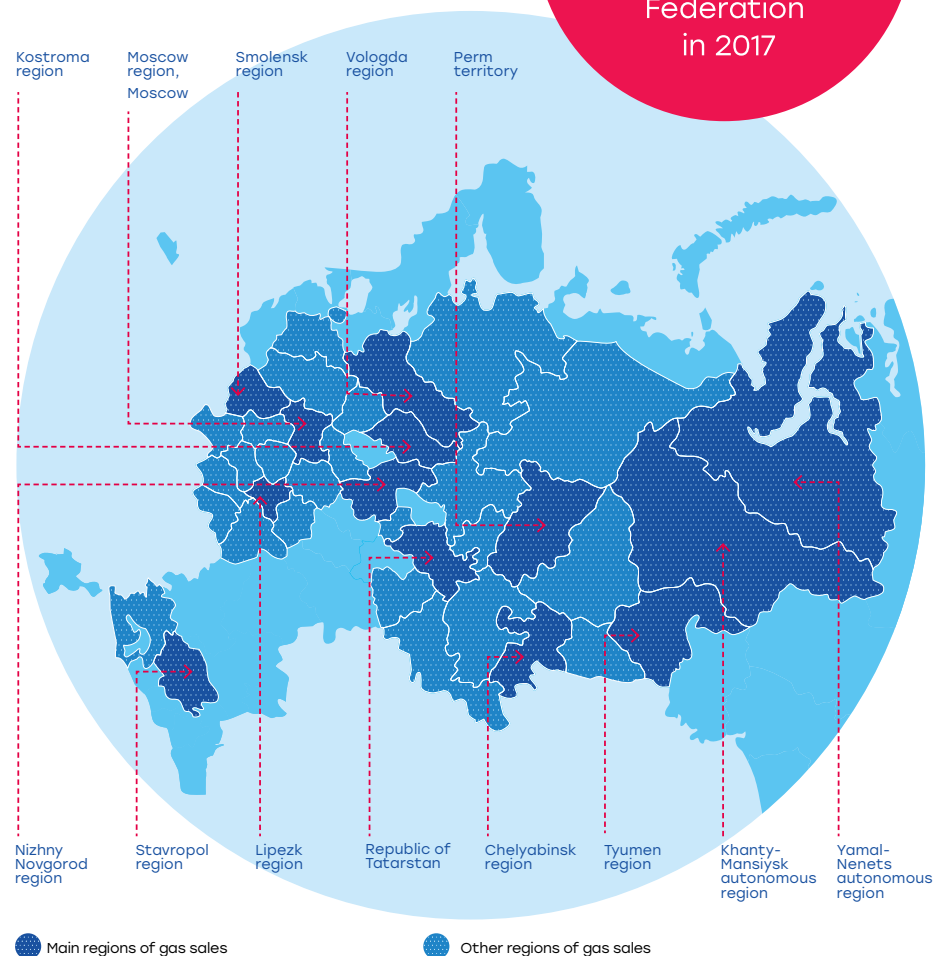


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39
regions of gas
sales in the Russian
Federation
in 2017



Natural gas sales

NOVATEK sells natural gas within the Russian Federation as well as exports natural gas in the form of LNG. The Company started exporting LNG in December 2017 when the first train at Yamal LNG started production. Relatively small natural gas volumes are also sold through the Blue Gaz LNG regas station acquired in December 2016.

NOVATEK plays an integral role in ensuring supplies of natural gas to the domestic market. During 2017, the Company supplied natural gas to 39 regions of the Russian Federation. Our end users and traders were located primarily in the following regions: Chelyabinsk, the Khanty-Mansiysk Autonomous Region, Moscow region and the city of Moscow, Lipetsk, YNAO, Tyumen, Vologda, Stavropol, Smolensk, Nizhny Novgorod and Kostroma regions, Perm territory and the Republic of Tatarstan. The above regions accounted for more than 94% of our total gas sales.

The total volume of natural gas sales in 2017, including LNG, aggregated 65.0 bcm, increasing by 0.5% compared to the previous year due to a minor increase in sales volume within the Russian Federation as well as the commencement of LNG export sales. The proportional share of natural gas sales to the domestic end customers increased compared to 2016 and accounted for 94.9% of our total natural gas sales mix.

Revenues from natural gas sales in 2017 totaled RR 248 billion, represent-

ing a 7.8% increase compared to 2016.

The revenue increase was mainly driven by growth in sales to end customers in Russia, the increase of Russian domestic regulated prices, as well as start of LNG deliveries.

In order to manage seasonal gas demand, NOVATEK has entered into an agreement with Gazprom for underground storage services. Natural gas inventories are accumulated during warmer periods when demand is lower and then used to meet increased demand during periods of colder weather. At year-end 2017, our inventories of natural gas in underground gas storage facilities and pipelines amounted to approximately 0.87 bcm.

Liquid hydrocarbon sales

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

The logistical supply chain varies according to location and type of product – stable gas condensate and LPG are transported by rail, finished petroleum products produced at the Ust-Luga Complex are exported by sea, while crude oil produced from our fields is transported through the trunk pipelines owned and operated by Transneft.

In 2017, the liquids sales volume reached 15,939 mt, or 5.4% less than in 2016. In 2017, export sales decreased by 8.5% as compared to 2016 and amounted to 9,027 mt.

In 2017, our liquids sales revenues increased to RR 332 billion, or by 9.2% as compared to 2016, mainly driven by higher global oil prices and underlying benchmark prices.

Petroleum products from the Ust-Luga Complex accounted for a 42% share of our overall liquids sales volumes. We sold a total of 6,743 mt of petroleum products, including 4,102 mt of naphtha, 1,121 mt of jet fuel and 1,520 mt of fuel oil and gasoil. The majority of petroleum products (98%) were exported. Export volumes were distributed as follows: Europe – 58%, Asia-Pacific – 29%, and North America – 13%. Most of our heavy naphtha was

exported to Asia Pacific, light naphtha – to Northwest Europe and North America, and jet fuel, diesel fraction and heavy fuel – to Northwest Europe.

Export and domestic sales of stable gas condensate continued in 2017 as we reached full capacity utilization at the Ust-Luga Complex. Total stable gas condensate sales volumes amounted to 1,918 mt, representing a 32% decrease compared to 2016.

A portion of light hydrocarbons produced at the Purovsky Plant is processed on tolling terms at SIBUR's Tobolsk Petrochemical Complex into marketable LPG, which is then delivered to NOVATEK's customer base, while the rest of the light hydrocarbons volumes are sold to SIBUR. We sold 1,288 mt of light hydrocarbons in 2017.

📌 NOVATEK Group's natural gas and liquid hydrocarbon sales in 2014–2017

	Unit	2014	2015	2016	2017	Change in 2017 vs 2016
Natural gas sales						
Total natural gas sales	mmcm	67,231	62,465	64,709	65,004	0.5%
To end customers	mmcm	63,281	58,054	59,646	61,560	3.2%
To traders	mmcm	3,950	4,411	5,063	3,338	(34.1%)
Share of end customers in domestic sales	%	94.1	92.9	92.2	94.9	2.7 p.p.
Liquid hydrocarbon sales						
Total liquid hydrocarbon sales	mt	7,089	12,888	16,850	15,939	(5.4%)
Including						
Ust-Luga products	mt	4,438	6,693	6,662	6,743	1.2%
Crude oil	mt	903	1,090	4,650	4,616	(0.7%)
Stable gas condensate	mt	303	2,786	2,812	1,918	(31.8%)
Light hydrocarbons	mt	504	1,026	1,468	1,288	(12.3%)
LPG	mt	930	1,280	1,245	1,360	9.2%
Other	mt	11	13	13	14	7.7%



Marketable LPG sales volumes totaled 1,360 mt in 2017, representing a 9.2% increase compared to 2016. LPG export sales volumes amounted to 536 mt or 39% of the total LPG sales volumes. Novatek Polska, our wholly owned LPG trading company in Poland, sold 509 mt of LPG, representing 95% of our total LPG export sales. Apart from Poland, LPG was also exported to Finland.

In the domestic market, our LPG is sold through large wholesale channels as well as through our network of retail and small wholesale stations. In 2017, large wholesale supplies to the domestic market stood at 679 mt, representing 82% of domestic LPG sales. We also sold LPG via our network of 66 retail stations and seven small wholesale stations in the Chelyabinsk, Volgograd, Rostov and Astrakhan Regions. The combined sales from our retail and wholesale stations totaled 146 mt.

Sales of crude oil in 2017 totaled 4,616 mt, which is 0.7% below the similar indicator from 2016. We sold 67% of our crude oil volumes in the domestic market with the remaining volumes exported.

DIVIDENDS

The Dividend Policy is focused on maintaining a balance between the Company's and its shareholders' interests. Recommendations on the amounts and payment schedule made by the Board of Directors to the General Meeting of Shareholders are based on NOVATEK's current financial and operational position and its development outlook, including expected operating cash flow and capital expenditure, debt capital requirements, etc. Taking into account the Dividend Policy and the recommendations made by the Board of Directors, the General Meet-

The Company's Dividend Policy is regulated by the Regulation on Dividend Policy of NOVATEK. Amounts to be paid are based on IFRS consolidated net profit.

ing of Shareholders resolves on dividend payments.

The Annual General Meeting of Shareholders of NOVATEK held on 20 April 2018 resolved to pay dividends for FY 2017 in the amount of RR 14.95 per ordi-

nary share or RR 149.5 per Global Depositary Receipt (GDR) (including interim dividends of RR 6.95 per ordinary share for 1H 2017).

Declared and paid dividends for 2013–2017

Dividend period	Dividends, RR per share	Total dividends declared, RR	Total dividends paid, RR
2013	7.89	23,956,454,340	23,956,386,795
2014	10.30	31,273,951,800	31,273,942,156
2015	13.50	40,990,131,000	40,990,062,712
2016	13.90	42,204,653,400	42,204,582,185
2017	14.95	45,392,774,700	45,392,732,141





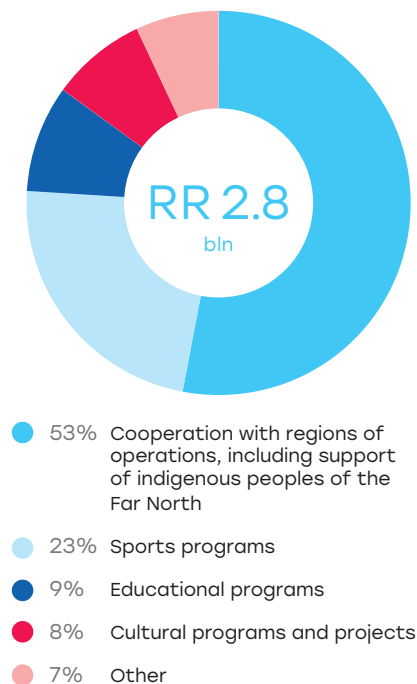
EXTERNAL SOCIAL POLICY

External social policy

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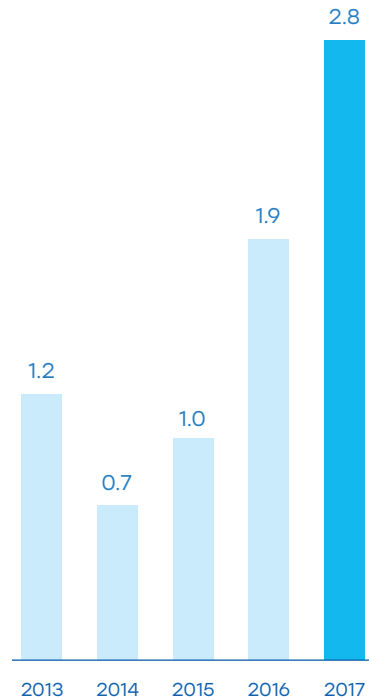
NOVATEK fully comprehends its role in being a socially responsible corporation, and supports local communities and regions where our operations are located. The Company sponsorship is comprehensive and includes projects and programs embracing culture, sports, education and social work, especially helping those individuals in need.

✓ Social investments in 2017



In 2017, investments in developing regions, social and charitable projects, and sponsorship, totalled RR 2.8 bln, up 47% YoY. More than a half of social investments (53%) were made to develop regions and support indigenous peoples of the North.

✓ Social investments in 2013–2017, RR bln



COOPERATION WITH RUSSIAN REGIONS

One of NOVATEK's strategic goals is to promote social and economic sustainability and develop regions of operations through social investments and various charitable programs. To this end, the Company plans and conducts all activities with an eye to its local community commitments.

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

Under the agreements signed with multiple regions, a substantial portion of investments was directed in 2017 to the Yamal-Nenets Autonomous Region, Lenin-grad, Chelyabinsk, Tyumen, and Kostroma Regions. The funds were used to build and repair housing and social infrastructure facilities, finance educational, cultural, children and youth programs and projects, and provided support to low-income families, veterans, disabled and elderly people.

In addition to the Fundamental Concept of Social Policy adopted back in 2006, the Company approved a Charity Policy in 2017 that regulates assistance in the treatment of children in desperate need of medical care residing in the regions where the Company operates.

Yamal-Nenets Autonomous Region development

The Yamal-Nenets Autonomous Region is an important region of operation for NOVATEK, as it is home to the Company's core production operation. The Company makes most of its social investments in this region: NOVATEK provides substantial regional assistance by contributing to the development and improvement of settlements, and to the construction and repairs of housing, educational and healthcare facilities.

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

- infrastructure development, improvement of living standards;
- support of the indigenous minorities of the North;
- promotion of relevant professional education;
- improvement of healthcare;
- environmental initiatives;
- youth programs;
- targeted assistance to people.

NOVATEK takes part in various projects and initiatives set to develop infrastructure and improve living standards of local communities. The Company contributed to financing the construction of major social facilities in various districts of the Yamal-Nenets Autonomous Region, including a school for 800 students in the village of Gyda, Tazovsky District.

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In the reporting year, NOVATEK invested in the construction of sports and recreation facilities in Salekhard and Labytnangi to provide space for quality recreation and health promotion for the residents of several districts in the Yamal-Nenets Autonomous Region.

In 2017, the Company took part in creating and equipping a network of Government and Municipal Service Multifunctional Centers (MFC) in the Yamal-Nenets Autonomous Region. Local residents now have a one-stop-shop for all government services. This made public services more accessible to people and enhanced the overall quality of services provided.

In the reporting year, NOVATEK invested in the construction of sports and recreation facilities in Salekhard and Labytnangi to provide space for quality recreation and health promotion for the residents of several districts in the Yamal-Nenets Autonomous Region.

In healthcare, NOVATEK seeks to invest in improving the quality of medical services. In 2017, the Company financed equipment purchased for the Tarko-Sale Central District Hospital in the Yamal-Nenets Autonomous Region.

NOVATEK's ambition is to improve the quality of education in the Yamal-Nenets

Autonomous Region. It runs a number of programs set to build up its talent pool. The Company designs programs for the education and development of gifted children and specialist training, and conducts experimental research on introducing professional education in various areas.

One of the major highlights in the reporting year was the Center for Natural Sciences in Tarko-Sale, Purovsky District, Yamal-Nenets Autonomous Region, built and equipped by NOVATEK. This center of professional education for schoolchildren features a videoconferencing studio with unique IT and technical equipment, and a chemical and technical laboratory. The Center accommodates 45 students at a time.

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

Among other things, the Company provides targeted financial and social

support to vulnerable population groups: purchases equipment for people with limited mobility, provides assistance to low-income families and people in financial distress, veterans, children of disabled people.

In the production sector, NOVATEK traditionally supports fishery management, and focuses on aquatic biodiversity conservation programs. In 2017, the Sob fish-breeding farm, financed by the government of the Yamal-Nenets Autonomous Region and NOVATEK, was put into operation.

In the reporting year, the Company funded the construction of a facility for the preparation and processing of deer products in Gyda, Tazovsky District. The facility featuring modern equipment will make a great contribution to the preservation of traditional deer breeding on the Gydan Peninsula, and to the agricultural industry of the Yamal-Nenets Autonomous Region in general. Environmental initiatives are another extremely important focus area of NOVATEK's efforts to improve the living conditions in the region. They include eliminating illegal dumps, cleaning up riverbanks, conducting monitoring and ichthyologic research, considerably improving the environment in the territories of the Yamal and Gydan peninsulas, the Priural'sky District, and Bely Island.

SUPPORT OF INDIGENOUS MINORITIES OF THE NORTH

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

In 2017, NOVATEK provided financial support to the Yamal for Descendants Association of indigenous peoples and its district branches. The Company rendered assistance, including financial, to the International Forum *Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation*, where discussion sessions were organized to review mechanisms to streamline laws and regulations, and enhance interaction between regions, relevant agencies and NGOs of indigenous minorities. At one of the working sessions of the forum *Public-Private Partnership for Social and Economic Development of Indigenous Peoples and Their Associations*, where interaction between industrial companies and indigenous minorities of the North was discussed, long-standing cooperation of the Yamal LNG project with indigenous peoples of the Yamal District, Yamal-Nenets Autonomous Region, was showcased.

NOVATEK fosters social and cultural environment: the Company supports creative teams, purchases musical instruments and equipment, finances cultural events, and provides targeted aid to distressed representatives of indigenous peoples.



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Every year, NOVATEK participates in events related to national and cultural traditions, and events with social impact such as Fisherman's Day, Reindeer Herder's Day, and the Day of the World's Indigenous Peoples, the Day of Older Persons, and Victory Day.

The Company regularly helps local communities: in 2017, equipment and various inventories for fishermen and reindeer herders were purchased. The Company also organized helicopter flights to deliver nomadic people and food to hard-to-reach areas, and supplied fuel, lubricants and firewood to nomadic families and indigenous communities.

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



Spotlight on Yamal LNG

Contractual and other relations with the indigenous communities in the Yamal LNG project's area are based on the principle of prior, free and informed consent. To boost the effectiveness of and streamline the ongoing and planned initiatives supporting indigenous minorities within the project, the Indigenous Peoples' Development Plan was created.

In 2017, the Advisory Board held three meetings seeking to make joint decisions on the environmental protection, health-care, culture, protection and support of the original habitat, traditional way of life, husbandry and crafts of indigenous minorities of the North, along with other matters pertaining to the project's development and execution.

The Board comprises representatives of Yamal LNG, Government of the Yamal-Nenets Autonomous Region, Administration of the Yamal District, District Grassroots Movement of the Indigenous Peoples of the North – Yamal, reindeer herding enterprises and indigenous communities.

Yamal LNG lays special stress on improving the quality of life of indigenous communities, with broader social and economic opportunities for local residents seen among priorities.

As part of the Indigenous Peoples' Development Plan, Yamal LNG supports:

- construction of residential properties, social and cultural facilities;
- construction of transport and engineering infrastructure;
- a package of initiatives to support selected vulnerable groups of indigenous minorities of the North of various age and social background;
- organization of emergency response and medical care for indigenous communities;
- support of national and cultural traditions;
- assistance in teaching students, talented young people from amongst the indigenous communities;
- support of various youth projects;
- assistance in the development and improvement of trading stations;
- delivery of essential goods (food, fuel and lubricants, firewood, etc.) to trading stations and remote nomad camps.

A special package of measures promotes direct involvement of indigenous communities in the Yamal LNG project:

- targeted training of personnel from amongst indigenous communities who are ready to work for the project, in order to develop skills necessary for performing sophisticated works;
- priority recruitment of representatives of indigenous peoples (with due account of the appropriate level of relevant skills);
- seasonal recruitment from amongst local communities, with regard to the traditional way of life and occupation.



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EDUCATIONAL PROGRAMS

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

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

In 2017, NOVATEK allocated RR 94.1 mln to educational projects, up RR 50.2 mln compared to 2016.

🔴 Educational programs

Title	Description	2017 highlights
Gifted Children	Since 1999, the Gifted Children program is run at secondary schools in the Samara Region, Yamal-Nenets Autonomous Region, and Tyumen. Specialized 10th and 11th grade classes are organized on a competitive basis amongst the best talents with high average marks. High school students have a special training program. The standard curriculum is extended to include courses in applied physics, mathematical methods of physics, advanced mathematical tasks, history of world culture, and economics.	A total of 92 school students study in three educational institutions under this program. In spring 2017, a physics and mathematics school event was held for students of specialized classes. We also organized a vocational trip to the NOVATEK Scientific and technical center. In 2017, the program expenditures amounted to RR 7.5 mln.
Grants programs	The Company runs two Grants programs, and spent RR 207 thousand on them in 2017.	
Grants for Schoolchildren	The program was launched back in 2004 to foster intellectual and creative development of schoolchildren. Under the program, 5–11th grade students of the Purovsky District, YNAO, receive the Company's grants on a competitive basis.	In 2017, 38 grants were awarded. Over the years of the program's existence, local students have benefited from a total of 1,573 grants.
Grants for Teachers	The program was launched back in 2008 and seeks to improve the occupational prestige of the teaching profession and facilitate new talent discovery.	In 2017, 3 grants were awarded to teachers in the Purovsky District, YNAO. Overall, local teachers benefited from a total of 75 grants.
NOVATEK-VUZ	<p>To create conditions for more effective use of university resources in training students for future professional activities, the Company has developed and is successfully implementing the NOVATEK-VUZ program.</p> <p>The program covers such universities as the Mining University (St Petersburg), Gubkin Russian State University of Oil and Gas (Moscow) and the Industrial University of Tyumen.</p> <p>The most talented graduates of the Gifted Children Program, the children of the Group's employees, and other promising graduates of schools in the Purovsky District, YNAO, are eligible for the NOVATEK-VUZ program.</p> <p>The program's participants receive the following support:</p> <ul style="list-style-type: none"> ● allowance added on top of the state scholarship conditional on academic performance; ● commuter allowance to travel home and to the internship site; ● making arrangements for paid internships. 	<p>In 2017, 11 graduates found jobs with the Company's subsidiaries. 21 students completed internships at NOVATEK.</p> <p>As of 31 December 2017, 79 NOVATEK-VUZ graduates are employed by the Group.</p> <p>In May 2017, Skolkovo hosted the 10th student forum of the NOVATEK-VUZ program. At the event, a meeting with NOVATEK's management team was held, where students shared their ideas and initiatives focusing on markets, technology, new products, and new professions.</p> <p>In 2017, the program expenditures amounted to RR 25.95 mln.</p>
HSE Lyceum	As part of trustee support to the Higher School of Economics (National Research University), NOVATEK provides financial aid to HSE Lyceum.	In 2017, the Company spent a total of RR 60.45 mln to fund its development program.



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PRESERVING CULTURAL HERITAGE

NOVATEK cooperates with Russia's leading cultural institutions: the State Russian Museum, Multimedia Art Museum, and the Moscow Museum of Modern Art. In the reporting year, the Company supported artistic and musical projects in Russia and abroad.

Major cultural events enjoyed NOVATEK's support.

- The State Russian Museum hosted two exhibitions dedicated to the *centenary of the October Revolution*. In addition, NOVATEK sponsored, once again, the annual *Imperial Gardens of Russia*, a festival of garden and park art.
- The Moscow Museum of Modern Art presented *Nepokorennye Prospect*, an exhibition staged by a team of young artists from St Petersburg. The Company also provided assistance for the opening of the museum's Educational Center.

- Since late 2015, in a joint effort with the museum's educational department we have been teaching special courses in the history of Russian and international art, photography, and architecture to our employees and their families.
- For several years, NOVATEK has been the general partner of a major project of the Multimedia Art Museum – *History of Russia in Photographs*. In 2017, the project saw several exhibitions, such as *Russia. 1917* in St Petersburg, *The Industrial World through the Eyes of Alexander Rodchenko* in Nizhny Novgorod, *Russia. XX Century in Photographs. 1941–1945* in Samara and *Lilya Brick. The Journey That Never Happened* in Ulyanovsk.
- NOVATEK is an official partner of the International Festival held by TERRITORIЯ, school of contemporary art. In 2017, the festival showcased Russian and international plays and exhibitions, and organized an educational program. The Company also supported

Gogol Center, that put on plays from the Star series of performances dedicated to the lives and works of the most prominent poets of the 20th century – Boris Pasternak, Osip Mandelstam, Anna Akhmatova, Vladimir Mayakovsky, Mikhail Kuzmin.

- In 2017, NOVATEK also continued as a general partner of the Moscow Soloists Chamber Orchestra led by Yuri Bashmet. It was the first time the Company supported the performance of MusicAeterna, the orchestra of Teodor Currentzis, at the Salzburg Festival, that became the musical event of the year. Russian musicians opened the main part of the festival, for the first time ever.
- NOVATEK and the State Hermitage Museum took part in the exposition *Peter the Great. A Tsar in France. 1717* hosted by the Palace of Versailles. The respective presidents of Russia and France – Vladimir Putin and Emmanuel Macron, attended the opening ceremony.

Spotlight on Yamal LNG

In 2017, Yamal LNG financed the establishment of the Limbya Nomad Camp created:

- to explore, preserve and promote historical and cultural heritage of indigenous peoples;
- to foster environmental awareness among children and teenagers;
- to engage in education, culture and entertainment activities;
- to develop traditional arts and crafts (giving master classes);
- to make the Yamal District more appealing to tourists;
- to popularize cultural values of the Northern indigenous minorities;
- to engage media in covering traditional cultural activities.

Limbya Nomad Camp is often visited by children from the local kindergarten, students of the Yamal orphanage, residents and visitors of Yar Sale, a local village.



PROMOTION OF SPORTS

NOVATEK supports active lifestyles and recognizes the major role of sports in people's lives. The Company runs numerous amateur sports programs and traditionally supports professional sports.

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

NOVATEK has been supporting youth sports across its footprint. In 2017, the traditional NOVATEK — *Step to Bigger Football* Indoor Football Cup tournaments among secondary school teams were held in the Chelyabinsk and Kostroma Regions, and were attended by several thousand boys and girls. The winning teams of the regions met in Sochi to fight for the Super Cup. The Super Cup was awarded to the winner by Mário Fernandes, Russia's national team player. All participants of the Super Cup game had an opportunity to attend a warm-up match between the Russian and Belgian national teams.

NOVATEK also provides assistance to the Student Basketball Association with more than 800 teams from 71 regions and more than 10 thousand boys and girls participating in competitions.

In professional sports, in 2017, NOVATEK supported the Figure Skating and Ice Hockey Federations of YNAO and the Volleyball Federation of the Tyumen Region.

The Russian Federation of DanceSport and Acrobatic Rock'n'Roll, and the Company have been supporting corporate dance sport and acrobatic rock'n'roll clubs in the regions of operation since 2016. In April 2017, members of the clubs participated in the first nationwide acrobatic rock'n'roll competition with the Kostroma team coming out on top.

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

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

HELP TO CHILDREN IN DIRE NEED

The Company's Charity Policy focuses on several areas with helping children, mainly those with various diseases, orphans and children in residential care facilities, being the top priority. In 2017, NOVATEK adopted the Charity Policy, which outlines the key goals and objectives, guidelines and principles of supporting children.

In the reporting year, the Company procured equipment for regional healthcare facilities, and financed children's treatment and rehabilitation programs.

In 2017, the Company cooperated with the YAMINE Charity Foundation (YNAO). Three priority programs for the region's children were selected:

- "Ya Sam" (On My Own) – rehabilitation of disabled children with cerebral palsy;
- "Miloserdie" (Mercy) – aid to children with severe diseases, including oncological ones;
- "Otkryty Mir" (Open World) – aid to children with psycho-neurological disorders.

In the reporting year, we supported "Rucheyok", a corrective kindergarten for children with visual impairments in Novy Urengoy: the Company purchased specialized literature for blind and visually impaired children.

In 2017, NOVATEK provided support to the federal charitable project Artificial Kidney. The Company purchased dialysers for blood hemodialysis of children waiting for kidney transplantation in the Tyumen

Region. These devices are unique in a way that the procedure can be home-based.

In 2017, NOVATEK repaired educational and residential premises at orphanage No. 13, the Company's sponsored institution in Chelyabinsk. Each year, we provide support to the orphanage's first-graders and graduates. NOVATEK on an annual basis holds festive and thematic events for children living there, while the best students have an opportunity to travel to the Black Sea. In December 2017, NOVATEK held a special event for little orphans in baby houses of Chelyabinsk and Troitsk.

The Company helped the Kostroma Region children's hospital and Kostroma tuberculosis dispensary to purchase medical refrigerators. On top of that, specialized equipment for play rooms in the Kostroma orphanage for children with central nervous system diseases and mental disorders was acquired.

The core principles of NOVATEK's Charity Policy:

- transparent charitable activities;
- consistent implementation of charitable programs;
- equal access of children to charitable programs regardless of their nationality, religion and social status.



In December 2017, in the context of annual decade of disabled persons, we provided assistance to kindergarten No. 53 in Kostroma for children with autism spectrum disorders, Down syndrome and other disabilities. Specifically, the Company bought educational games and methodological guidelines for the kindergarten.

For several years, the Company has supported the social and rehabilitation center at the Trinity Church (Kolomna, Moscow Region). The center's charity school accommodates 25 children aged from 4 to 16. In 2017, the Company provided aid in procurement of supplies for the new school season.

As part of cooperation with the "Mesto Pod Solntsem" (A Place in the Sun) charity foundation (Leningrad Region), for a few years now, the Company has been helping with the foundation's strategic project – *Support of Employment and Work of Disabled Young People*.

VOLUNTEERING

Since being founded in 2008, NOVATEK's All Together volunteer movement has come a long way. Each year it expands into new regions while staying true to the Company's core values: the volunteers assist orphaned children, children with various illnesses, and elderly people.

In 2017, as they do every year, NOVATEK's volunteers arranged various activities for the kids leaving Orphanage No. 2 in Vyshny Volochok and gave them household items as presents for their new homes. At the end of the festivities, the volunteers and kids went to the orphanage's garden to plant currant, which will serve as a symbol of growing up, staying in touch with the roots and starting on an independent path.

In 2017, the Company took part in renovating Mosolovo's orphanage in the Ryazan Region and outfitting boys' dormitories.

During the year, NOVATEK's activists partnered up with the Enjoyable Ageing charitable foundation on a drive to help bedridden seniors in the retirement homes across the Tula, Pskov, Tver and Ryazan regions, which are short on nurses. The raised funds went towards expanding the care-taking staff.

The volunteers continue to support the Home of ROST Initiative (Ivanovo Region, Petrovsky Settlement) that prepares orphaned children for life in adoptive families and provides them with comprehensive development opportunities.

In December 2017, NOVATEK's Moscow office hosted the traditional Tree of Wonders event to collect New Year gifts for children of the Obninsk and Dubasovo orphanages and the Noginsk social and rehabilitation center.

AID TO VETERANS

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

In 2017, the foundation organized concerts and events dedicated to various artists for the retirees.

The foundation's staff paid Victory Day tribute to World War II veterans and home front workers, giving them financial support, flowers and gifts. For several consecutive years now the seniors have been taking part in the Immortal Regiment march on 9 May.

During the reporting year, the foundation continued providing aid to seniors through partnerships with Tarko-Sale organizations and businesses. Together with the Purovsky District's Comprehensive Social Support Center, it established a visiting nurse service.

As at the end of 2017, 866 pensioners were registered in the foundation, and quarterly financial support for each during the year amounted to RR 6,000.

In total, the Company allocated RR 31.6 mln to the foundation in the reporting year, which is RR 6.9 mln more than in 2016.

Spotlight on Yamal LNG

*In 2017, Yamal LNG paid for the treatment of 12 persons from low-income families, disabled persons and pensioners, including for travelling to the healthcare facility and medicines.
Nine people in difficult life situations were also assisted in the reporting year.*



EMPLOYMENT PRACTICES



Employment practices

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

The reporting year saw the Company's HR policy take a big step forward with the approval of two by-laws, namely, *Staff Mobility and Building and Managing the Talent Pool*. In 2017, the Company also approved Regulations on the *Novator Corporate Idea Management System*.

In May 2017, the NOVATEK Group held a forum for its executives devoted to the shift from operational to strategic management.

The Company's management organized regular meetings with the CEOs of subsidiaries and joint ventures to discuss strategy and NOVATEK's current plans.

EMPLOYEE PROFILE

As at the end of 2017, the headcount of NOVATEK and its subsidiaries and joint ventures numbered 12,236* people, the better part of whom (65%) worked in the Yamal-Nenets Autonomous Region, the Company's core region.

Most of the staff is hired under open-term employment contracts (over 90%) on a full-time basis (over 99%). This Report does not include part-timers, as their share is marginal to the Company (below 0.5%). NOVATEK sources minimal services from freelancers, sole proprietors or practitioners.

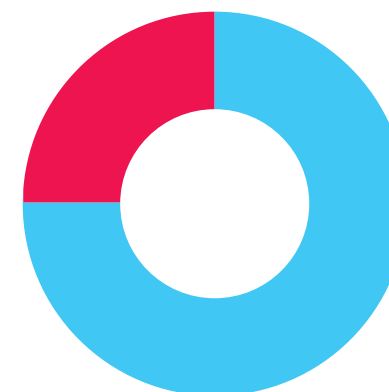
The majority of NOVATEK's employees are male (75%), which is dictated by the nature of the Company's operations, i.e. Far Northern geography and rotation job arrangements. This kind of work has traditionally been carried out mostly by men, given that it requires higher endurance

Personnel structure by regions



65% YNAO
35% Other regions

Personnel structure by gender, %



75% Male
25% Female

* 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. It does not cover the employees working at LLC Severneft-Urengoy, JSC Yuzhno-Khadyryakhinskoye and JSC Eurotek. However, when calculating the data used in the subsections "Corporate technical competency assessment system" and "Personnel training and development", employees of these companies are taken into account.

401-1

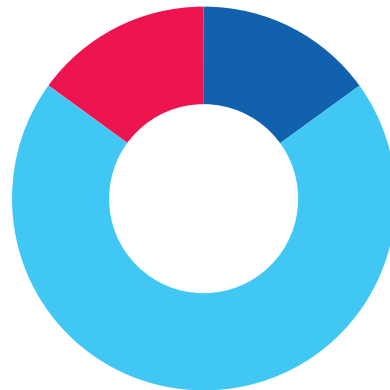
and mobility and hence may not always be performed by women. That said, both men and women enjoy an equal wage rate as well as equal career opportunities at NOVATEK.

In 2017, NOVATEK hired 1,542 new employees*, while 133 people went on maternity and child care leaves. The Company has a low employee turnover with just 746 people having resigned in 2017**. The average employee turnover rate for the NOVATEK Group stood at 6%***.

NOVATEK ensures that its employees get fair pay for their work. Under the collective bargaining agreement, the employees' monthly salary cannot be lower than the official local minimum wages. In 2017,

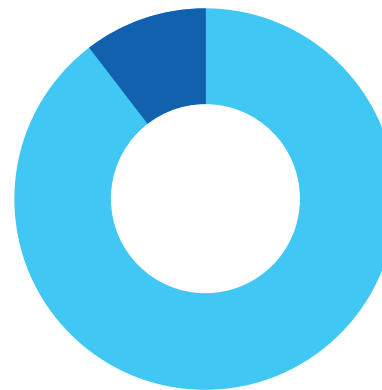
NOVATEK personnel's minimum compensation in the key region of operation (YNAO) was significantly higher than the local minimum wage. The Company indexes its staff salaries on a regular basis.

Personnel structure by age, %



15% Under 30
70% 30 to 50
15% 50+

Personnel structure by type of contract, %



90% Open-term
10% Fixed-term

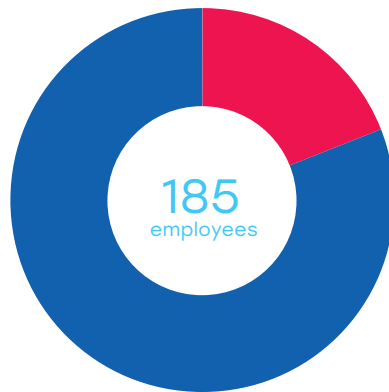
* The number includes only those employees who worked in the Company until the end of the reporting year.
** The number of employees who resigned during the reporting year.
*** The employee turnover rate is calculated as resignations divided by average headcount at the year-end. Percentage is calculated as the resulting value multiplied by 100.

NOVATEK's employees are its core stakeholders whose opinions and interests are highly valued.



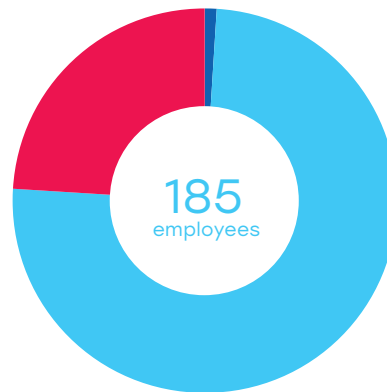
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Management breakdown by gender



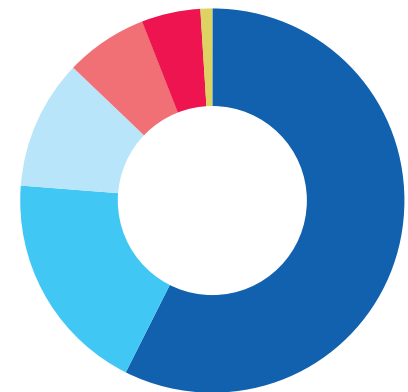
- 19% Female
- 81% Male

Management breakdown by age



- 1% Under 30
- 75% 30 to 50
- 24% 50+

Personnel structure by line of activity, %



- 57% Exploration and production
- 19% Transportation and marketing
- 11% Processing
- 7% Administrative personnel
- 5% Power supply
- 1% Auxiliary production

Personnel's minimum compensation

	Moscow	YNAO
NOVATEK personnel's minimum compensation in 2017, RR	38,236	28,340
Minimum wage (before 1 October 2017), RR	17,561	16,299
Minimum wage (after 1 October 2017), RR	18,742	16,299



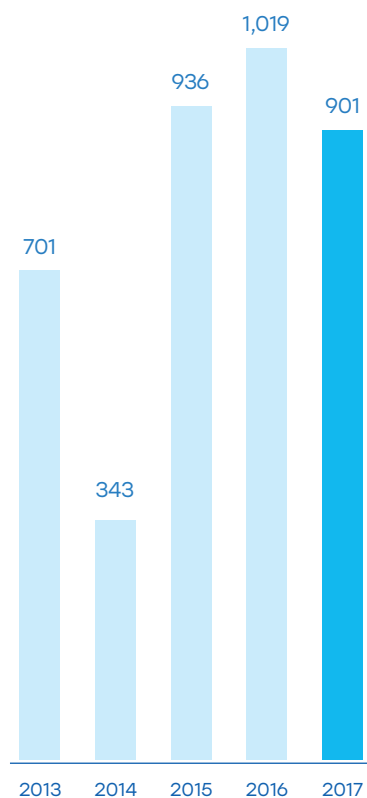
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404-3

CORPORATE TECHNICAL COMPETENCY ASSESSMENT SYSTEM

The NOVATEK Group makes use of a corporate technical competency assessment system, which allows it to monitor the growth of the engineering staff's competencies to build a balanced talent pool and assess skills and competencies when employing people.

A total of 901 people were tested under the system during the year, including 66 people engaged to fill vacant positions and 64 employees promoted to higher positions.

- Number of people who underwent professional potential testing in 2013–2017



PERSONNEL TRAINING AND DEVELOPMENT

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

In 2017, over 4,500 employees of the NOVATEK Group were trained in a variety of programs embracing over 300 thousand hours in total.

- Average training hours by gender in 2017

	Male	Female
Employees	9,517	3,078
Total training hours	286,551	27,396
Average training hours per employee	30.11	8.9

- Average training hours by position in 2017

	Average training hours per employee trained
Top managers	33.29
Middle managers	45.88
White-collar employees	40.12
Blue-collar employees	66.13



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Research-to-practice conference for young talent

In September 2017, Moscow hosted the 12th Interregional Research-to-Practice Conference for the Company's young talent, attended by 61 employees. All winners in the competition held as part of the event received cash awards, with eight top performers also granted an opportunity to study at petroleum training centres in France and Italy.

Professional skills contest

In October 2017, the Company held the third professional skills contest among its blue-collar employees. The event brought together 74 employees from eight NOVATEK Group's companies, who competed in two rounds that tested their theoretical knowledge and practical skills.

Novator idea management system

In 2017, NOVATEK and its 14 subsidiaries and joint ventures launched Novator, a company-wide system to automatically collect and process employee ideas on improving and developing business processes, including labor-saving proposals. The system aims to enhance employees' intellectual potential and improve operating performance. NOVATEK started encouraging its employees to share innovative ideas quite a while ago, with only

Training and development programs

Program	Description	2017 highlights
Professional development program	The program aims to enhance employee skills and improve working conditions to ensure a healthy and safe environment at production facilities.	The program covered 38% of white- and blue-collar employees.
In-house training program	NOVATEK Scientific and technical center has been running the program since 2016 to ensure knowledge transfer and professional development of employees. The training is developed and provided by the Company's in-house experts.	NOVATEK Scientific and technical center offered new courses in basic well modelling, use of digital models in analysing the technological process; basic design and operation of gas and gas condensate treatment facilities; well construction, casing, geomechanics; production engineering for underexplored fields; basic hydrodynamic research; directional drilling. The program covered 125 employees of NOVATEK subsidiaries.
Steps in Discovering Talents program	The program targets young talent to facilitate their, professional development and adaptation to a new job. Based on the mentoring approach, it also offers the Mentoring Culture course to train staff for the role.	The Company saw the fifth batch of trainees complete the program. The program covered 26 young specialists. The training was offered by as many as seven facilities. The Mentoring Culture course covered 31 mentors. In 2017, NOVATEK's young talent was trained in value creation, self management, cross-functional interaction, and presentation skills.
Training program for CEOs of NOVATEK's subsidiaries and joint ventures	Ongoing since 2017, the program aims to develop professional competencies of top executives from NOVATEK's subsidiaries and joint ventures in a variety of areas related to its operations.	The CEOs studied value creation approach in economics and finance.



a few facilities initially involved in collecting and implementing them. Today, the most valuable ideas are rolled out company-wide in a variety of areas, including but not limited to production and management (e.g. health and safety). The reporting year saw 280 proposals submitted via the Novator, with 40 approved for implementation.

TRADE UNION RELATIONS

Forty-eight percent of the Company's employees are trade union members. The constructive dialogue between the Company's management and trade unions helps defuse social tensions related to labor disputes. Regular talks with trade unions have contributed to the establishment of an effective workforce feedback, which allows the Company to identify

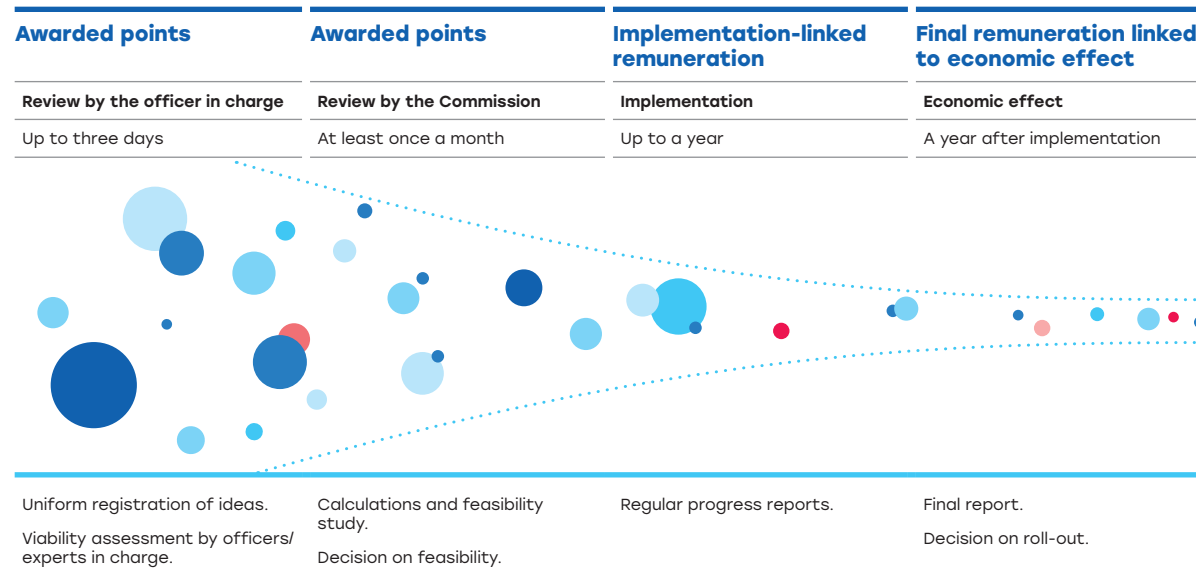
potentially challenging issues and respond to them at short notice. As a result of this collaborative approach, the Company has never seen a single case of stoppages or strikes due to labor disputes.

In 2017, the Company spent a total of RR 5.1 mln to support trade unions.

SOCIAL POLICY

In close cooperation with employees and trade unions, the Company launched a number of comprehensive targeted programs to support employees in dealing with social issues they might face at work and at home. All social programs are subject to annual review for relevance and effectiveness. In 2017, NOVATEK's social expenses to support employees exceeded RR 1.4 bln.

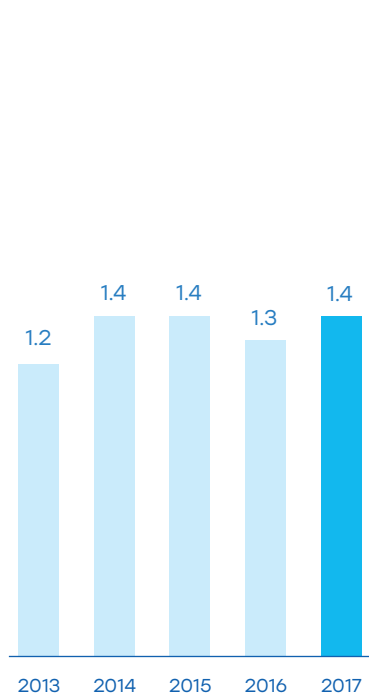
➔ Idea life cycle and remuneration of Novator system



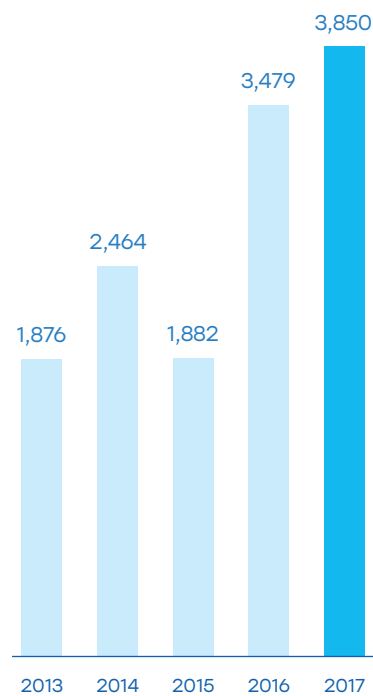
NOVATEK and its 14 subsidiaries and joint ventures launched Novator, a company-wide system to automatically collect and process employee ideas on improving and developing business processes, including labor-saving proposals.



- The Group's total expenses on targeted social programs in 2013–2017, RR bln



- Number of employees and their family members covered by the therapeutic resort treatment program in 2013–2017



- Number of employees who received awards in 2017

Award	Number of awardees
Government awards	
Distinguished Employee of the Russian Oil and Gas Industry	3
Distinguished Geologist of Russia	1
Distinguished Energy Industry Worker of Russia	2
Industry awards	
Certificate of Merit from the Russian Ministry of Energy	21
Letter of Acknowledgement from the Russian Ministry of Energy	14
Medal of Merit for the Fuel and Energy Sector Development	1
Corporate awards	
Honored Employee of NOVATEK	5
NOVATEK Certificate of Merit	198
NOVATEK Letter of Gratitude	219
Subsidiary awards	
Subsidiary Certificate of Merit	313
TOTAL:	777



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NOVATEK's social programs

Program	Description	2017 highlights
Special-purpose compensation and social support payments	The program provides for a targeted free support to the Company's employees in specific personal circumstances, including childbirth, surgery, rent of housing, relocation from the Far North, etc. To facilitate rehabilitation of temporarily disabled employees, the Company offers compensations in excess of statutory payments.	In 2017, the Company allocated RR 492.8 mln for the program.
State guarantees support	The program provides compensations for vacation travel expenses (round trip travel expenses and baggage fees) for employees living in the Far North and areas of equal status, and unemployed members of their families.	In 2017, the program covered 3,834 employees and their families. In 2017, the Company allocated RR 94.1 mln for the program.
Voluntary medical insurance for employees	Provided in addition to compulsory health insurance, the program covers full outpatient care, dental care, emergency and scheduled hospital care.	In 2017, the Company allocated RR 157.5 mln for the program.
Therapeutic resort treatment and rehabilitation	The program provides funds to purchase health resort treatment packages for employees and their families at a discount. As part of the program, the Company partners with a variety of health resorts in some of the most beautiful Russian regions.	In 2017, the program covered 3,850 employees. In 2017, the Company allocated RR 154.8 mln for the program.
Pension program	In 2007, the Group launched a post-employment benefit program for its retired employees in line with the Regulations on Social Benefits for Retired Employees of NOVATEK Group. Under the current terms of the pension program, employees who have worked for the Group for more than five years and retire on or after the statutory retirement age are entitled to monthly payments from the Group unless they are actively employed. The program represents an unfunded defined benefit plan, with payments calculated on the basis of inflation forecasts, pay growth rate, the Company's remuneration policy, and demographic assumptions.	As at the end of 2017, the program covered 866 people. In 2017, the Company allocated RR 68.0 mln for the program. The value of defined benefit obligations is included in other non-current liabilities in the consolidated statement of financial position and stands at RR 3.2 bln as at 31 December 2017.

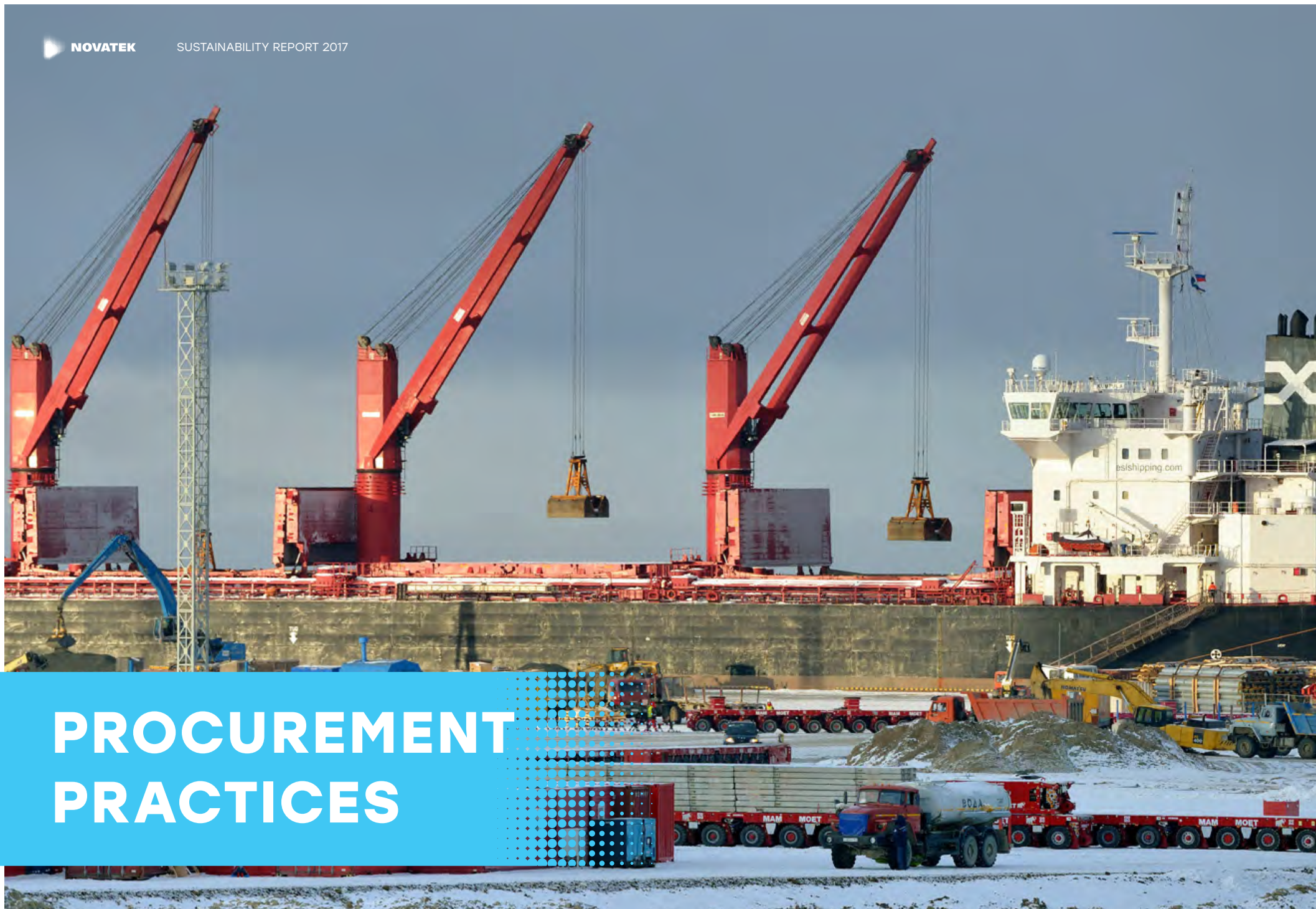


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Program	Description	2017 highlights
Loans		
Special-purpose short-term loans	Under the program, employees can draw special-purpose loans to pay for tuition, social and welfare needs, renovation, and to relieve the effect of having their money stolen.	In 2017, the program covered 170 employees. In 2017, the Company allocated RR 27.2 mln for the program.
Interest-free special-purpose home loans	The program provides special-purpose interest-free home loans to employees residing in Tarko-Sale, Novy Urengoy, Moscow, Nadym, Sosnovy Bor and Tyumen.	In the reporting year, the program covered 37 families. In 2017, the Company allocated RR 161.0 mln for the program.
Corporate awards program	NOVATEK's top-performing employees receive government, industry and corporate awards, and distinctions from the Company's subsidiaries.	In the reporting year, various awards were given to 777 employees. In 2017, the Company allocated RR 17.6 mln for the program.
Cultural and sporting program In 2017, the Company allocated RR 131 mln for the program.		
Sporting events	The Company rents gyms, swimming pools and playgrounds and offers its employees partial reimbursement of membership fees. In 2017, the Company hosted annual futsal, volleyball and swimming competitions.	
Cultural events	Throughout the reporting year, the Company's employees went on exhibitions and excursions to the Multimedia Art Museum, Museums of Modern Art, Moscow Kremlin Museums, and State Tretyakov Gallery. On 4-6 August, the Moscow Office's employees travelled to the Sviyazhskiye Kholmy (Sviyaga Hills) resort to visit the event called NOVATEK: Journey in History. As part of the trip, they also visited Kazan, Sviyazhsk and a shooting club. On 5 August, everyone was invited to the dinner party, awarding ceremony and show. On 2 September, the Tarko-Sale Children's School of Arts invited employees of the Company's subsidiaries to visit the NOVATEK: Art of Work event dedicated to the Oil and Gas Industry Worker Day. At a special meeting, the Company showed videos on the past year's landmark events at its nine facilities and granted corporate and industry awards to the best-performing employees. The meeting closed with a traditional welcoming ceremony for the Company's new talent.	



PROCUREMENT PRACTICES



Procurement practices

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PROCUREMENT APPROACH

NOVATEK's procurement activities comply with the Russian laws and corporate by-laws. The Company purchases materials and supplies based on the following principles:

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

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

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

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

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

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

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

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

To provide for uninterrupted quality supplies, NOVATEK reviews qualifications, technical and production capabilities of future suppliers. This open process takes place simultaneously with procurement. The Company's supplier pool comprises the largest domestic and international producers and their official representatives. The Company places a strong emphasis on strategic cooperation with and development of key suppliers, while also seeking to engage domestic producers in its investment projects.



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SUPPLY CHAIN MANAGEMENT

NOVATEK's supply chain management is a complex process that embraces a number of interrelated elements: inventory management, supplier qualification and selection, obligation management (including production quality control), incoming inspection, and movement of inventory. Supply chain management is closely linked with other processes, such as contract management, budgeting, and planning. When procuring expensive or strategically important items, the Company sets up dedicated groups made up of technical experts with an extensive expertise in a variety of areas.

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

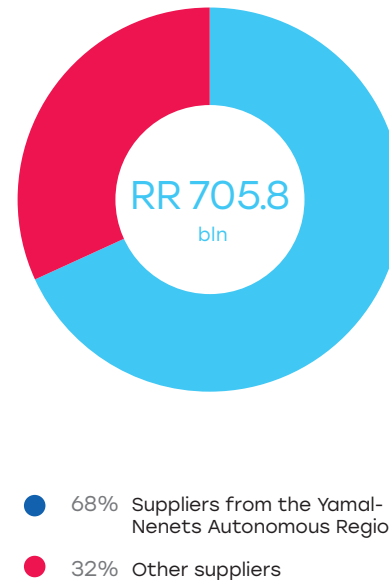
If a construction company or other contractor provides the goods or services, NOVATEK controls the quality and timing of supplies, along with procurement expenses.

Procurement highlights

In 2017, the Group procured RR 705.8 bln worth of goods and services. Suppliers from the Yamal-Nenets Autonomous Region accounted for 68% of all procured items.

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

Procurement breakdown in 2017



IMPORT SUBSTITUTION POLICY

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

The Company's experts are working with relevant ministries to develop strategic planning documents for import substitution.

To substitute imported products, the Company invests in proprietary technology and facilities (especially LNG plants). In 2017, Yamal LNG approved the construction of a fourth LNG train with a capacity of 0.9 mtpa based on NOVATEK's "Arctic Cascade" liquefaction technology. At present, the Company is building an innovative center for the construction of large-scale offshore structures to manufacture gravity-based LNG plants, commonly referred to as GBS units.

Procurement overview



OCCUPATIONAL HEALTH AND SAFETY



Occupational health and safety

OUR APPROACH TO HEALTH AND SAFETY

NOVATEK values its employees' health and well-being above business performance and is fully aware of its responsibility to ensure accident-free operation, safe working conditions, and population health across the Company's footprint.

NOVATEK has an integrated management system for occupational health and safety in place (in line with OHSAS 18001*). It forms a part of the Company's general management system and enables risk management that is based on a key guiding principle: priority of accident prevention over containment and elimination of consequences.

The Company's operations include exploration, production, processing, transportation and marketing of natural gas and liquid hydrocarbons, which means working with flammable and explosive facilities that require it to maintain the highest occupational safety standards in managing complex technological processes. Works and services at these hazardous production facilities (HPF) are rendered in line with OHS laws.

To prevent accidents and incidents, as well as to ensure that they are properly contained and dealt with by the subsidiaries that operate Class I and II HPFs, the Company approved the industrial safety management system and developed the industrial safety declaration that regulate the following processes:

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

To prevent accidents and incidents, each year the Company develops and consistently implements technical inspection, certification and test schedules for

Occupational health and safety (OHS) goals:

- Minimize risks and prevent threats of accidents and injuries to the workforce wherever achievable given the Company's current capabilities and resources
- Comply with Russian OHS laws, aim to meet relevant international standards and best practices
- Continuously improve and enhance the OHS management system based on control and monitoring results, as well as routine audits and regular reviews of the system's effectiveness
- Create comfortable working conditions aimed at reducing the occupational diseases rate and the number of work days lost
- Ensure that the management bodies, employees and emergency rescue teams are ready to contain and eliminate the consequences of potential accidents, fires, and emergencies.

various types of equipment (external and internal inspection, hydrostatic and pneumatic tests, and industrial safety audits). In 2017, the Company performed industrial safety audits of 255 equipment items and extended their safe operating life.

In order to protect employees' right to workplace safety, the Company regularly performs special assessment of working conditions to identify and eliminate hazardous workplace factors. In the reporting year, the Company carried out special assessments of 5,584 workplaces. No workplaces with hazardous working conditions were identified.

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

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

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

* Seven out of ten (70%) NOVATEK's subsidiaries engaged in hydrocarbons production, transportation and processing are certified under OHSAS 18001.



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OPERATIONAL CONTROL

In line with the applicable OHS laws, the Company's subsidiaries perform operational control at the existing hazardous production facilities. In 2017, relevant commissions conducted 344 OHS compliance audits and produced the respective reports. All violations identified by the audits were rectified in due time.

In 2017, NOVATEK's commission conducted comprehensive and ad hoc inspections at the Group's subsidiaries and joint ventures for compliance with occupational, industrial, and fire safety and environmental protection requirements. In the reporting year, we held comprehensive inspections at four subsidiaries and ad hoc inspections — at six subsidiaries. Based on their findings, we developed relevant reports and remedial measures.

Irrespective of the special assessment of working conditions and presence of excessive hazardous workplace factors, NOVATEK's subsidiaries monitor compliance with sanitary and epidemiological regulations. The main objective of our operational control is to eliminate even the slightest chance of adverse health impact, damage to the Company's property due to accidents, and legal consequences arising from non-compliance with safety requirements.

ACCIDENTS AND INCIDENTS

In 2017, the NOVATEK Group recorded three incidents at its hazardous production facilities. There were no accidents in the reporting year.



Details on the incidents in 2017

Date of incident	Entity	Description	Consequences
16/04/2017	ARCTICGAS	Unsealing on the PK (97+58)–PK (100+28) section of the gas flowline from gas condensate well pad No. U07 of the Urengoykoye field within the Samburgskiy license area, which was caused by erosion-corrosion wear of metal on the bottom generating line of the welding joint's heat-affected zone. Failure occurred across the perimeter of the pipe-side seam, with both elements opening on the bottom generating line. This resulted in a spill of 0.5 cubic meters of condensate fluid in the form of dispersed dust, which landed on snow. The amount of gas condensate fluid lost due to dispersion and evaporation was 1,006.3 cubic meters.	No injuries.
19/06/2017 18/07/2017	NOVATEK-PUROVSKY ZPK	Brownouts in the entry system of 110 kV Kirpichnaya–Pur power line to 110/10 kV Purovsky Plant and Limbey substations led to partial equipment shutdown and caused interruption in the continuous technological process. The drops in voltage occurred due to the power cut on the Kirpichnaya–Pur line because of lightning overvoltage on the grid followed by successful automatic reclosing. Diesel power plants were set up to provide emergency power.	Equipment shutdown did not affect feedstock reception or production and shipping processes. Neither incident caused any environmental damage nor injuries.



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OG13**WORKPLACE INJURY RATE**

In 2017, the NOVATEK Group recorded 13 workplace accidents: 11 minor injuries, one severe injury, and one fatality. All accidents occurred in the Yamal-Nenets Autonomous Region; and all of the injured were males.

In the reporting year, the injury and severity rates amounted to 1.27 and 53, respectively*.

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

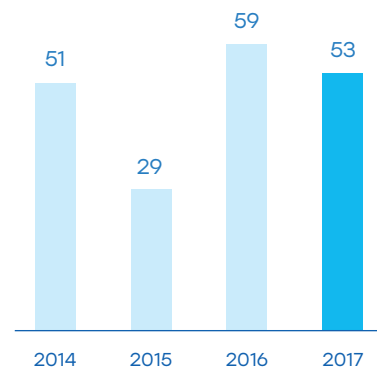
All accidents were investigated in accordance with the applicable laws and local regulations. Every accident was investigated by a dedicated commission comprised of the Company's health and safety officers, trade union representatives, injured persons' attorneys, and other subsidiary employees. The commissions identified direct and indirect causes of the accidents and developed respective prevention measures. All employees guilty of violations were held liable and accountable for their actions. Accident records are submitted to the government statistical services annually.

OHS TRAINING

Health and safety training is mandatory for all employee categories across the Group. Unit managers, including top executives, study at special training centers, and white-collar employees can attend specialized corporate training programs overseen by certification commissions that assess attendees' knowledge based on the applicable OHS laws. In 2017, OHS training costs amounted to more than RR 6.0 mln, and certification costs were above RR 9.7 mln.

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

▼ **Severity rate in 2014–2017****

**FIRE SAFETY, CIVIL DEFENCE 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's IMS includes a fire safety system compliant with the Russian law. The system's objective is to prevent fires and protect people and property in case of a fire or an emergency.

In 2017, seven NOVATEK's subsidiaries had licenses to service firefighting equipment, four subsidiaries – to per-

form firefighting as well as emergency response and rescue operations. We also outsource fire safety services and engage licensed contractors. Subsidiaries operating hazardous industrial facilities that produce, collect, process and manufacture explosive and 18 professional emergency response and rescue teams protect flammable substances. In addition, we have decided to build fire stations and establish emergency response and rescue teams within prospective field development and construction projects.

▼ **Number of employees who completed OHS training in 2017**

Type of training	Number of employees
OHS training	7,327
First aid training	6,066
OHS training and certification	3,189

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

** The severity rate is calculated as working hours lost divided by the number of accidents.



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In 2017, the total headcount of fire and emergency brigades serving the facilities on a 24-hour basis stood at 631 people. Thirty-two engineers of the Company directly monitored and supervised the fire safety and emergency response environment at our facilities.

Fire safety, civil defence and emergency response training, as well as fire and emergency drills, are an important element of the overall safety system. In 2017, the Company organized 46,397 fire safety briefings that featured guidance materials and visual aids, as well as hands-on presentations. Basic fire safety training was provided to 5,320 people, with 767 evacuation drills held. In the reporting year, the emergency response and rescue teams performed 15,365 safety control procedures as regards high-hazard operations, including those related to fire and gas hazards, at production facilities. As part of the training, they also arranged 675 fire tactical exercises. The emergency response and rescue teams are made up of 560 certified rescue workers.

Inspections are regularly carried out at the subsidiary facilities to assess the emergency response capability of the Company's subdivisions and personnel, and evaluate the resources of in-house and external professional emergency response and rescue teams. In 2017, we made 17.7 thousand patrols and tested 520 external water supply sources used for firefighting. The Company's facilities implement a full-scale program to respond

to oil, oil product, and other hydrocarbon spills. Materials and equipment available to the emergency response and rescue teams comply with all existing requirements. The Company ensures timely re-equipment of both basic and specialized fire vehicle fleets.

NOVATEK fully complies with fire safety regulations: all of its facilities are equipped with automatic fire detection, alarm and extinguishing systems.

In 2017, the NOVATEK Group recorded two fires, both of which occurred on vehicles. The two fires are not related to the core operations of the subsidiaries and had no significant effect on the Company's sustainable development. Based on the fire investigation findings, the Company took a number of ad hoc fire prevention measures to ensure fire safety on its transport.

Details on the 2017 fire accidents

Date of fire	Facility	Description	Consequences
09/03/2017	NORTGAS	A vehicle (man haul truck with the Kamaz-54535B chassis) with passengers went into flames en route and got destroyed. The fire was caused by electrical malfunction (short circuit) in the under hood space. The cause of the incident was unrelated to NORTGAS's operations.	No injuries. Financial damage amounted to RR 132,000.
17/03/2017	YARGEO	A Vityaz all-terrain vehicle that was moving along a pipeline from a booster station to a meter station caught fire and got destroyed. The fire originated from a fuel leak in the engine bay from a damaged fuel line, whose integrity had been compromised due to an assembly defect at the manufacturing plant. The cause of the incident was unrelated to YARGEO's operations.	No injuries. Financial damage amounted to RR 26,858,056 and was covered by an insurance company.





ENVIRONMENTAL PERFORMANCE AND PROTECTION

Environmental performance and protection

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ENVIRONMENTAL VISION

The Company pays great care to preventing and reducing the environmental footprint of its facilities. Knowing that oil and gas operations inevitably affect nature, NOVATEK also works to mitigate environmental harm.

The Company's environmental protection and safety initiatives include:

- constant environmental monitoring and process control;
- effective management and gradual reduction of pollution and waste;
- lower energy consumption and higher efficiency;
- rational use and protection of water resources, maintaining a water discharge system;
- conservation of biodiversity across the Company's footprint;
- disturbed area reclamation;
- training and education for employees and contractors in matters of environmental protection and ecological safety.

NOVATEK exercises reasonable care in all of its operations. Based on its assessment of environmental risks across the entire production chain, the Company takes preventive measures and incorporates potential threats in the decision-making process. For example, global warming risks are on NOVATEK's agenda because its core production assets are located in the sensitive subarctic climate of Russia's Far Northern permafrost region.

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

shows that permafrost thaw risks are currently minor.

In order to prevent hazardous waste from negatively impacting the environment, the Company outfits its waste disposal sites such as mud pits and solid domestic and industrial waste landfills with screens, which effectively shield subsoil and groundwater from pollutants.

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

Its core subsidiaries use the Integrated Management System for Environmental Protection, Occupational Health and Safety (IMS) compliant with ISO 14001 and

NOVATEK annually reports on greenhouse gas emissions and energy efficiency (Carbon Disclosure project, CDP) and use of water resources (Water Disclosure, CDP).

OHSAS 18001. In 2017, NOVATEK successfully passed an IMS recertification audit, which did not reveal any non-compliances. Seven out of ten (70%) of NOVATEK's subsidiaries engaged in hydrocarbons production, transportation, and processing are certified under ISO 14001 and OHSAS 18001.

2017 – Year of Ecology at NOVATEK

- *Another stage of our Biodiversity Program completed*
The Program includes comprehensive monitoring of biodiversity across the regions of the Company's operation and a broad range of measures to preserve flora and fauna. NOVATEK continuously works to replenish the aquatic species populations. Opened during the year, the Sob fish-breeding farm became the only facility in the Arctic engaged in reproduction of the rare and endangered whitefish. The Company also educates its employees and contractors on biodiversity preservation.
- *An exhibition of children's drawings*
In 2017, NOVATEK raised awareness about the Year of Ecology in Russia by showcasing children's drawings in Tarko-Sale.
- *Green Spring 2017*
The Company's employees took part in the Russian national environmental campaign Green Spring 2017.





Environmental protection: achievements

- Program for Rational Use of Associated Petroleum Gas (APG)**
 The Company systematically works to decrease its pollutant emissions from APG flaring. In 2017, the Program for Rational Use of Associated Petroleum Gas enabled the Group to reach a 96.9% APG utilization rate.
- Greenhouse gas emissions management system**
 In order to align itself with the Climate Doctrine of the Russian Federation, NOVATEK has come up with a corporate GHG emissions management system, compiled an inventory of GHG emission sources and developed a greenhouse gas emission estimation module. The Company's GHG emissions management system won the National Environmental Award named after Vladimir Vernadsky in the nomination "Science for Ecology".
- Cogeneration technology at gas turbine power plants**
 Nearly all of the NOVATEK Group's facilities use cogeneration technology, which ensures fuel efficiency at 85–90% and thus reduces the amount of combustion products and in particular GHG emissions.
- Enclosed flare system**
 The Ust-Luga Fractionation and Transshipment Complex is equipped with an enclosed flare system that enables smokeless combustion of hard-to-burn gaseous and liquid waste. The system makes it possible to remove over 99.9% of combustion by-products and liquid waste, which is a best-in-class result when it comes to reducing sulphur oxide (SO_x), nitrogen oxide (NO_x) and other fugitive carcinogenic emissions.
- Use of renewable energy sources**
 Renewable energy sources are used in pipeline linear telemechanics systems, which reduce indirect emissions during power generation.
- Development of the filling station network and transition to gas engine fuel**
 The Company does its part to promote the use of natural gas as an engine fuel, gas being a greener fuel option that enables more than a threefold reduction in emissions.

ENVIRONMENTAL MONITORING

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

It involves examining the condition of environment components, taking soil, ground, water and seabed sediment samples, checking the condition of the local flora, animals and microorganisms, and estimating air pollution. The condition of fish population and nutritive base are studied in water areas, with hydrological and hydro-chemical properties analysed as well. Samples are studied in certified laboratories to assess the condition of environmental components and their annual changes.

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

In general, in 2017 the studies showed predominantly unharmed conditions of environmental components in the target areas. At all areas outside the production footprint, the environmental condition has been classified as stable and corresponding to the baseline level.

In 2017, the NOVATEK Group spent around RR 90 mln to arrange and run environmental monitoring in its license areas.

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



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ENVIRONMENTAL PROTECTION – GOVERNMENT CONTROL

In 2017, the Federal Service for Supervision of Natural Resources (Rosprirodnadzor), local branches of the Federal Agency for Fishery, municipal authorities and the Public Prosecution Office held scheduled and ad hoc audits at major production entities of NOVATEK with respect to environment protection and sustainable management of natural resources. Following the audits, measures were taken to eliminate the deficiencies identified.



EMISSIONS AND WASTE

Atmospheric emissions

The level of atmospheric emissions decreased as compared to the previous reporting period and reached 108,936 tons. This was achieved through the implementation of the APG Utilization Program (commissioning of the supersonic separation (3S) unit) at the Yardeyskoye oil field.

Greenhouse gas and energy efficiency

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

The NOVATEK's GHG emissions management system won the 2017 National Environmental Award named after Vladimir Vernadskiy in the nomination "Science for Ecology".

In 2017, the Company developed and adopted a corporate GHG emissions management system to comply with the requirements of ISO 14064-1:2007 and Russian Government Resolution No. 504-R dated 02 April 2014, 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.

As part of the system, NOVATEK developed a corporate standard that establishes the main principles and requirements for managing GHG emissions in the near term.

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

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

Linear telemechanic systems for controlling pipeline valves are outfitted with solar panels and wind turbines that allow the Company to leverage alternative energy sources. There are 128 linear telemechanic units, and the maximum capacity of the solar panels and wind turbines is 1.5 kW and 1 kW, respectively.

Atmospheric emissions by the NOVATEK Group in 2014–2017, tons

	2014	2015	2016	2017
Air pollutant emissions, total	51,479	66,242	121,232	108,936
incl. priority pollutants:				
solids	2,353	3,609	2,568	7,682
carbon oxide	32,858	44,466	86,022	68,668
nitrogen oxide (NO ₂ equivalent)	6,663	8,225	10,448	11,097
sulphur dioxide	6.74	82.77	20.14	29.76
hydrocarbons (incl. methane)	2,900	4,872	8,993	8,490
VOCs	6,685	8,950	10,219	12,951
Other	-	-	2,962	17.8



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In 2017, approximately 300,000 kWh (0.1% of the total 324,220 MWh) was generated from renewable energy sources.

Compared to the previous year, GHG emissions in 2017 decreased to 4.8 mmt of CO₂ equivalent (the calculation includes CO₂ and CH₄).

Development and production assets generated** 0.0087 CO₂e/boe of GHG emissions, processing assets – 0.0048 CO₂e/boe.

Associated petroleum gas

In 2017, NOVATEK was able to significantly cut air emissions from flared associated petroleum gas (APG). Across the NOVATEK Group, the level of APG utilization in the reporting year stood at 96.9%, which was achieved through well-planned implementation of the Program for Rational Use of Associated Petroleum.

Waste

In 2017, the NOVATEK Group's production generated 46,942 tons of waste, which is 5% less than in 2016. The bulk of that waste (96%) was low-hazardous and practically non-hazardous (mainly drill mud).

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

The Company takes a responsible approach to waste disposal by sticking to approved instructions and the generally accepted safety practices, as well as exercising environmental control in the process of waste treatment. A little over a third of the total waste is transferred to specialist contractors for disposal, 40% is disposed via landfill, and a fifth of the waste material used by the Company. NOVATEK employs state-of-the-art waste recycling and neutralization technologies.

☑ Total greenhouse gas emissions in 2013–2017, thousand tons of CO₂

	2013	2014	2015	2016	2017
Direct emissions (fuel combustion and operation of production entities)	2,576.1	3,980.0	4,402.6	6,571.8*	4,849.3*
Indirect emissions (purchased energy)	90.4	115.6	184.5	181.9	191.5



Spotlight on Yamal LNG

In 2017, in order to meet its environmental protection and social responsibility roadmap goals, Yamal LNG developed and approved with an independent sustainability consultant a plan to manage GHG emissions and energy efficiency. The Yamal LNG project provides for the use of an innovative technology of methane-containing emissions recovery. After liquefaction, LNG products emit methane fumes (boil-off gas). For boil-off gas recovery, a tank fumes removal system is used. The boil-off gas can then be re-liquefied or used as a fuel gas for internal consumption.

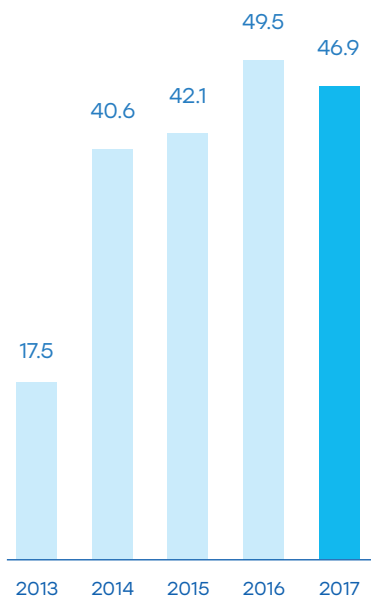
* According to the Guidelines for Calculating GHG Emissions approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated 30 June 2015.

** GHG emissions per barrel of oil equivalent.

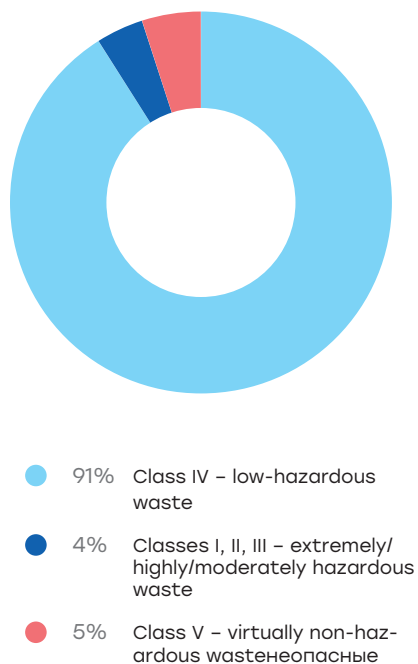


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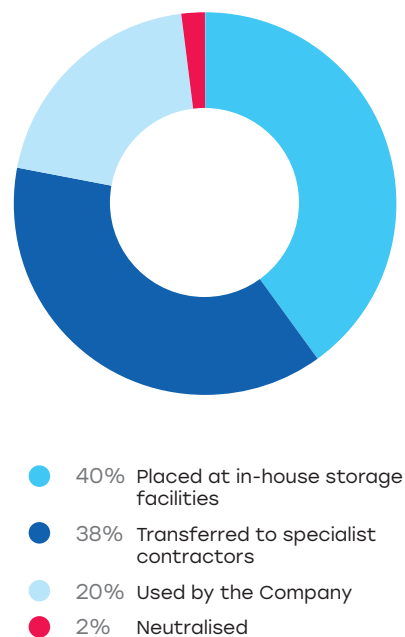
Production and consumption waste generation in 2013–2017, thousand tons per annum



Waste structure by environmental impact in 2017, %



Waste management in 2017, %



WATER USE AND DISPOSAL

The Company is committed to sustainable water use and efficient wastewater treatment. NOVATEK does not operate in water-scarce areas*, but it does consider the sparse use of water resources among the priorities of its environmental protection policy.

In 2017, water consumption remained flat year-on-year at 2,779 thousand cubic meters, which included 1,931 thousand cubic meters for production needs, 812 thousand cubic meters for general and drinking needs, and 36 thousand cubic meters for other needs (transferred to other organizations).

In 2017, the water consumption rate stood at 3.9 cubic meters per thousand boe of gross production for production entities and at 1.2 cubic meters per thousand boe of finished products for processing entities.

The Company uses the following wastewater disposal methods:

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

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



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

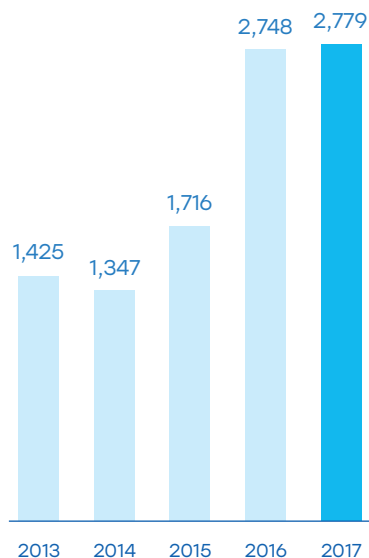
Analysis of samples shows that hydro-chemical parameters of discharged water and concentrations of pollutants fall within permissible limits.

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

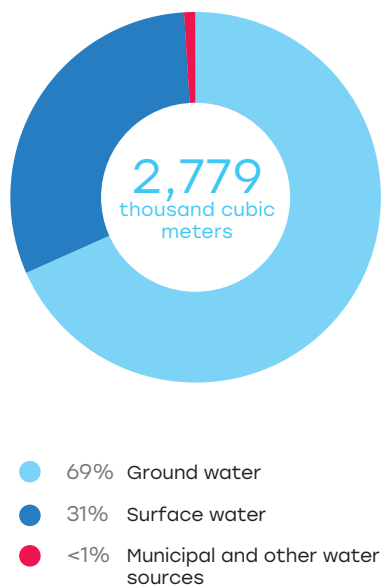
One of the ways that the Company uses to mitigate its negative impact on water resources and to reduce natural water consumption is re-injecting produced water to maintain formation pressure.

Authorized state regulators examine NOVATEK's water intake and discharge volumes no more than once every three years. The checks are based on Russian Federation's laws, rules and regulations governing water body protection.

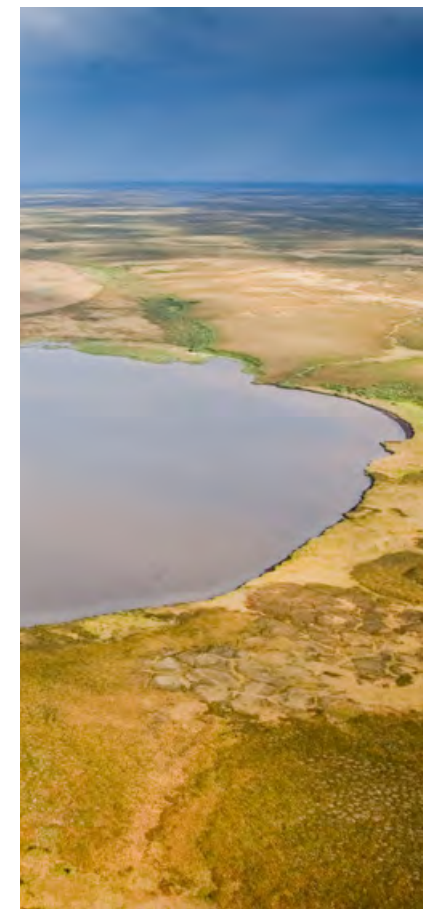
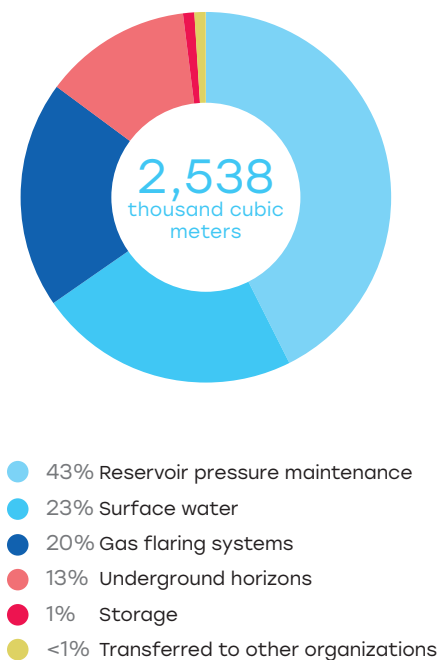
Water consumption in 2013–2017, thousand cubic meters



Water intake by source type in 2017, %



Water disposal structure in 2017, %



ENERGY CONSUMPTION AND EFFICIENCY

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

The Company's major heat sources are waste heat boilers and heat exchangers at cogeneration power plants and at booster compression stations. The inter-

nally generated heat and electricity come from own-produced hydrocarbons. Also, part of electricity was produced from the renewable sources of energy (solar panels and wind power generation). NOVATEK operates a total of 128 solar panel and wind generator sets installed as part of the automatic control and communication system.

The Company regularly implements various energy-saving and efficiency initiatives, which in 2017 enabled the overall reduction of energy consumption by 26,698 GJ. The highlight of the energy-saving measures was a 7,416 MWh reduction in power consumption.

Energy consumption by NOVATEK's production subsidiaries and joint ventures in 2014–2017*

Metric	UoM	2014	2015	2016	2017
Total consumption of heat and electricity	thousand GJ	3,060	3,864	4,200	4,215
Consumption from non-renewable sources (natural gas) to produce heat and electricity	thousand GJ	4,332	6,614	7,485	5,877
Aggregate electricity consumption	million kWh	449	588	658	675
Aggregate heat consumption	thousand GJ	1,442	1,746	1,830	1,782

Energy consumption by process, 2017

Process	Consumption
Gas production	2.5 kWh / thousand cubic meters
Condensate production	12.4 kWh / ton
Oil production	24 kWh / ton
Condensate processing	7.1 kWh / ton

* Energy consumption for 2017 includes the following companies: LLC NOVATEK-Yurkharovneftegas, LLC NOVATEK-Tarkosaleneftegaz, LLC NOVATEK-Purovsky ZPK, LLC NOVATEK – Ust-Luga, LLC NOVATEK-Transservice, JSC ARCTICGAS, CJSC Northgas, LLC YARGEO, JSC Terneftegas.



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BIODIVERSITY PRESERVATION

NOVATEK does not operate within protected areas and areas of high biodiversity value, so it has no negative impact on biodiversity in these areas.

Where the Company does have its production facilities, it monitors biodiversity and ensures its preservation through corrective and preventative measures.

For example, the Company has a comprehensive biodiversity monitoring system in place to protect the terrestrial ecosystems of the South-Tambeykoye license area. Biodiversity risks are registered and assessed in accordance with the biodiversity monitoring program, which was developed under a framework action plan for biodiversity preservation.

At its plant monitoring sites, the Company conducts standard geobotanical exploration to describe the plant community strata. The general state and the degree of anthropogenic transformation of flora were measured based on the cover percentage of the herbaceous and moss layers, floristical description of plant communities, indicator plant species, rare species and their population status, non-native species and their share in local

communities. A special study done on polomonium boreale (a rare plant listed on YNAO's Red Data Book) yielded new ecological data on the species and its habitat within the South-Tambeykoye license area, which were used to arrange protection measures for the plant.

Ornithological monitoring covers all aspects of bird life in the license area. The research aimed to describe bird populations and their density on territories with varying anthropogenic pressure, as well as study bird distribution and its changes due to human impact while also looking for rare species. The anthropogenic impact on birds in the vicinity of the field is nil or negligible, mainly owing to the absence of direct human impact such as hunting, egg collection, nest removal, etc.

The number of small mammals inhabiting tundra ecosystems changes every year. Peak rodent populations are followed by deep dips in their size, sometimes differing by one or even two orders of magnitude. While these cycles are understudied, observations suggest they last about three or four years. Microtus gregalis was the species that dominated

In order to monitor maritime mammals, NOVATEK entered into an agreement with Marine Mammal Research and Expedition Center.

the catch of summer 2017 (87.5% of all animals caught). Siberian brown lemming accounted for 8.9%, tundra shrews – for 3.6%. The Company studies changes in small mammal populations in natural and transformed habitats. It monitors the Arctic fox population based on the number of holes dug by the animal.

The main methods of monitoring water ecosystems are hydrometric measurements, assessment of hydro-chemical parameters, and bioindicators (hydrobiology assessments) based on observations of overall aquatic organism communities and changes in individual species populations.

In 2017, comprehensive biodiversity monitoring yielded up-to-date and reliable information on the plant and animal life (including rare species) in the South-Tambeykoye license area, as well as data on the biodiversity status and recovery processes taking place in habitats of terrestrial fauna species, water organisms and plant communities in disturbed areas coupled with an analysis of their sustainability.

The Yamal LNG project provides for active transportation and handling operations in the Gulf of Ob's waters. Together with FSUE Rosmorport, NOVATEK undertakes dredging works on the navigation

route to accommodate high displacement ships. In light of this, the project may have a negative effect on marine mammals and their key habitats both in the Gulf of Ob and along ship routes. Across the prospective footprint, there dwell several species of marine mammals: ringed seals, bearded seals, white whales, Atlantic walrus and polar bears. The Company is conducting studies in the vicinity of the Yamal peninsula and in the Gulf of Ob to obtain up-to-date information on marine mammals in the area of the project.

In order to monitor maritime mammals, NOVATEK entered into an agreement with Marine Mammal Research and Expedition Center. In 2017, special tools were deployed to carry out air measurements of the northern part of the Gulf of Ob and the adjacent stretch of the Kara Sea in order to obtain data on seal distribution and population in the icy habitats during the spring season. The study spanned over 15,000 sq km. The equipment was carried by a Mi-8MTV helicopter and included infrared imaging and photography tools, visual monitoring and navigation instruments, and an information-calculating system. The air study identified mostly ringed seals, with some visual data also indicat-

Company has a comprehensive biodiversity monitoring system in place to protect the terrestrial ecosystems of the South-Tambeykoye license area.



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ing the presence of bearded seals in the covered area (south of Sabetta). There were more than 21,000 seals in the studied area, and the observed density was between 0.47 and 10.73 animals per 1 sq km. The analysis of the data identified differences in seal distribution based on the type of ice, with various ice types driving seal distribution in the area in May 2017. The 2017 air study produced useful data, and in the future this method may be used by the Company to monitor icy seal habitats throughout its footprint.

The reporting year also saw the Company arrange stationary monitoring of marine mammals caught near the Seyakha village, with toxicity and molecular genetic studies done on biological samples from a ringed seal. The latter serves as the primary indicator species for assessing the state of the Gulf of Ob territories assigned to the Company, with white whale coming in as a close second. The accumulated data on maritime mammals will determine the methods, monitoring parameters and limits that will be used to assess Yamal LNG's environmental impact.

In the reporting year, the Company analysed the composition and concentration of anthropogenic pollutants in ringed seal tissues, continuing to gather information to monitor the risks of anthropogenic environmental pollution that differs from the existing background pollution. Subcutane-

ous fat samples were examined to identify any persistent organic pollutants or n-alkanes*. All of the pollutant types were found to be present in studied samples, meaning they were part of the Ob River ecosystem's background pollution in the area under study. According to the results of a molecular genetic analysis, there is no pronounced genetic isolation among the Gulf of Ob ringed seals. Although data collection is still in progress, it is fair to assume that the high level of diversity and low isolation are proof enough of the population's rather good health.

NOVATEK educates its employees and contractors on biodiversity preservation measures. Dogs, fishing, hunting and wild plant collection are prohibited within the South-Tambeyskoye license area. Contractors are notified of these restrictions through contractual clauses, guidance and induction briefings; the Company also monitors compliance with the approved bans, explains the rationale behind them to employees, and enforces strict policies prohibiting hunting or fishing equipment at checkpoints.

In addition, employee guidelines on biodiversity are regularly updated:

- safety rules for a polar bear encounter;
- white foxes as potential rabies carriers;
- correct interaction with marine mammals.

Sob fish-breeding farm

Is the only facility in the Arctic region engaged in reproduction of the rare and endangered whitefish (muksun, broad whitefish). Its main goal is to replenish endangered fish populations and to develop a best-in-class technology for that purpose. The farm currently implements a modified version of a Norwegian approach, which has never been used in Russia. The facility grows whitefish fingerlings with a high survival rate in units with recirculating aquaculture systems all year round, while similar farms only breed fish in natural shallow water conditions during spring and summer.

In Sabetta, the experts of Marine Mammal Research and Expedition Center held a workshop for the Company's employees and contractors dedicated to personal safety rules in the event of encountering a polar bear. The workshop taught attendees how to stay safe when meeting the Arctic predator and methods to deter a polar bear. The Yamal LNG employees and workers of the key contractors, who will then pass the information on to the personnel working on the project's site, attended the event.

Environmental damage compensation

In 2017, by way of compensating for damages to aquatic bioresources, NOVATEK released 85 thousand salmon fingerlings into the North-West basin (the NOVATEK-Murmansk project). The fingerlings were grown at two fish-breeding farms in the Republic of Karelia.

During the reporting year, the Company released 14.2 million peleds, 2.9 million muksuns and 40 thousand broad whitefishes into the rivers of the Ob-Irtysh basin.

NOVATEK also supported the Sob fish-breeding farm, which is a key initiative of aquatic biodiversity preservation.

* Oil components (hydrocarbons).



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DISTURBED AREA RECLAMATION

In 2017, NOVATEK remediated a total of 329 hectares of lands within its license areas and transferred 375 hectares of remediated and idle lands to the major land user.

During the reporting year, the Company worked to remedy the accumulated environmental damage that was left behind from the development activities by the previous subsoil users. NOVATEK cleaned

out production and consumption waste (metal scrap, timber, cement rock, etc.):

- on the Yurkharovskoye oil and gas condensate field in the Tazov Gulf water protection zone near well R-120 (2.5 hectares);
- on the Yurkharovskoye oil and gas condensate field near well R-92 (2 hectares);
- in the Novy Urengoy Municipality near the airport (1 hectare).



ENVIRONMENTAL PROTECTION TRAINING

The Company organizes ongoing training on matters of sustainable use of resources and environmental safety, which also includes production safety. In 2017, 128 people attended environmental trainings on various topics (depending on their line of work).

• Number of people trained in environmental management in 2013–2017

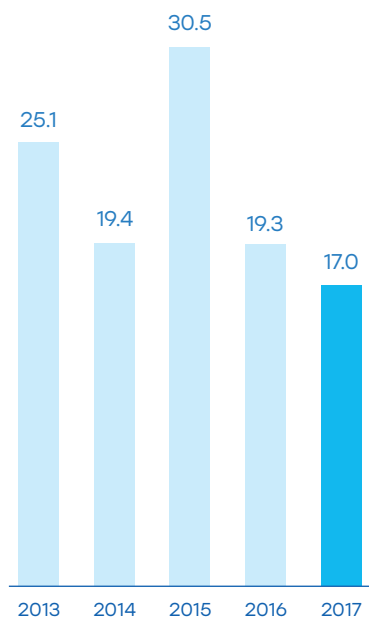
Subjects	2013	2014	2015	2016	2017
Environmental safety for managers and general business management personnel	12	20	8	17	17
Environmental safety and hazardous waste treatment	6	28	50	35	40
Environmental safety for managers and experts of environmental departments and environment control systems	3	10	14	28	14
Professional training of persons entitled to work with class I–IV hazardous waste	24	36	88	110	57
Other environmental programs	6	13	0	11	0
Total	51	107	160	201	128



ENVIRONMENTAL COSTS

In 2017, NOVATEK spent over RR 2 bln on environmental protection and damage compensation, with environmental impact fees accounting for less than 1% of all costs. The better part of environmental investments was allocated to water protection initiatives (63%).

- Charges for negative environmental impact in 2013-2017, RR mln



- NOVATEK Group's 2017 costs associated with the core environmental and sustainable resource use initiatives, RR thousand

Atmospheric air protection and climate change prevention	19,112
Water protection	1,294,079
Environment protection from production and consumer waste	280,815
Land protection	100,860
Subsoil protection	26,947
Protection of flora, fauna and habitats, biodiversity preservation	118,798
Environmental management	9,166
Monitoring and environmental impact assessment	89,446
Environmental impact fees	16,952
Sustainable use of natural resources	91,359
Other costs	18,847
Total:	2,066,381



Appendix 1. Personnel structure

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Personnel structure by gender and age, as at 31 December 2017

	Female	%	Male	%	Total	%
Under 30	507	17	1,323	14	1,830	15
30 to 50	2,167	71	6,404	70	8,571	70
50+	366	12	1,469	16	1,835	15
Total	3,040		9,196		12,236	

Personnel structure by line of work and gender, as at 31 December 2017

	Total headcount	% of total headcount	Female	Male	Female, %	Male, %
Exploration and production	6,939	57%	1,294	5,645	19%	81%
Transportation and marketing	2,372	19%	1,069	1,303	45%	55%
Processing	1,363	11%	237	1,126	17%	83%
Administrative personnel	841	7%	343	498	41%	59%
Power supply	583	5%	47	536	8%	92%
Auxiliary production	138	1%	50	88	36%	64%
Total	12,236		3,040	9,196		



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Personnel structure by gender and region, as at 31 December 2017

Region	Female	Male	Total
Yamal-Nenets Autonomous Region	1,094	6,822	7,916
Moscow and Moscow Region	695	910	1,605
St Petersburg and Leningrad Region	157	475	632
Volgograd Region	86	95	181
Astrakhan Region	8	10	18
Kostroma Region	109	83	192
Perm Territory	12	9	21
Tyumen Region	81	151	232
Samara Region	0	3	3
Arkhangelsk Region	0	3	3
Chelyabinsk Region	613	341	954
Rostov Region	82	126	208
Murmansk Region	50	87	137
Montenegro	2	1	3
Cyprus	3	0	3
Singapore	6	5	11
Poland	25	53	78
Switzerland	17	22	39
Total	3,040	9,196	12,236

Personnel structure by type of employment contract and region, as at 31 December 2017

Region	Fixed-term, employees	Open-term, employees
Yamal-Nenets Autonomous Region	544	7,372
Moscow and Moscow Region	358	1,247
St Petersburg and Leningrad Region	30	602
Volgograd Region	6	175
Astrakhan Region	0	18
Kostroma Region	23	169
Perm Territory	4	17
Tyumen Region	15	217
Samara Region	0	3
Arkhangelsk Region	1	2
Chelyabinsk Region	81	873
Rostov Region	12	196
Murmansk Region	53	84
Montenegro	3	0
Cyprus	3	0
Singapore	1	10
Poland	24	54
Switzerland	8	31
Total	1,166	11,070



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Personnel structure by type of employment contract and gender, as at 31 December 2017

	Fixed-term	Open-term
Female	439	2,601
Male	727	8,469
Total	1,166	11,070

Personnel by type of employment and gender, as at 31 December 2017

	Part-time	Full-time
Female	40	3,000
Male	8	9,188
Total	48	12,188

Personnel hired in 2017 by gender and age

Age	Female	Male	Total
Under 30	112	337	449
30 to 50	258	731	989
50+	16	88	104
Total	386	1,156	1,542

Personnel hired in 2017 by gender and region

Region	Female	Male	Total, employees
Yamal-Nenets Autonomous Region	109	743	852
Moscow and Moscow Region	95	154	249
St Petersburg and Leningrad Region	31	54	85
Volgograd Region	13	24	37
Kostroma Region	6	6	12
Tyumen Region	6	25	31
Samara Region	0	1	1
Chelyabinsk Region	71	64	135
Rostov Region	19	22	41
Murmansk Region	23	43	66
Montenegro	1	0	1
Singapore	2	1	3
Poland	7	13	20
Switzerland	3	6	9
Total	386	1,156	1,542



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Employee turnover in 2017 by gender and region

Gender/Region	Average headcount	Resignations	Employee turnover rate*
Female	2,702.1	228	0.08
Male	8,958	518	0.06
Total	11,660.1	746	0.06
Yamal-Nenets Autonomous Region	7,587.7	370	0.05
Moscow and Moscow Region	1,572.1	116	0.07
St Petersburg and Leningrad Region	575.9	17	0.03
Volgograd Region	174	35	0.2
Astrakhan Region	18	2	0.11
Kostroma Region	182	9	0.05
Perm Territory	18	0	0
Tyumen Region	226	10	0.04
Samara Region	2.9	0	0
Arkhangelsk Region	3.4	0	0
Chelyabinsk Region	880	123	0.14
Rostov Region	203	47	0.23
Murmansk Region	102.3	11	0.11
Montenegro	1.4	0	0
Cyprus	3	0	0
Singapore	8.7	1	0.11
Poland	65.6	3	0.05
Switzerland	36.1	2	0.06
Total	11,660.1	746	0.06

* 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.

Employees who went on or returned from a parental leave in 2017

Employees	Employees who went on parental leave in 2017	Employees who returned from parental leave in 2017
Female	131	83
Male	2	4
Total	133	87

Management breakdown by gender and age as at 31 December 2017

Top managers	Females	%	Males	%	Total	%
Under 30	0		1		1	1
30 to 50	30		109		139	75
50+	6		39		45	24
Total	36	19	149	81	185	100

Appendix 2. Compliance with GRI standards

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Indicator index	Indicator	Section of the Report	Notes
GENERAL STANDARD DISCLOSURES			
1. Organizational profile			
102-1	Name of the organization	Company profile, p. 7	
102-2	Activities, brands, products, and services	Company's results, p. 10	The Company does not produce goods or provide services prohibited in any market
102-3	Location of headquarters	Company profile, p. 46, 49-50	
102-4	Location of operations	Company profile, p. 10	
102-5	Ownership and legal form	Company profile, p. 10	
102-6	Markets served	Company's results, p. 10	
102-7	Scale of the organization	Employment practices, p. 65 Company profile, p. 11-12 Company's results, p. 52-53	
102-8	Information on employees and other workers	Employment practices, p. 65 Personnel Structure appendix, p. 94-97	d. Workers who are not employees do not perform a significant portion of the Company's activities. e. There are no seasonal or other variations.
102-9	Supply chain	Procurement practices, p. 75-76	
102-10	Significant changes to the organization and its supply chain	Company profile, p. 11	
102-11	Precautionary principle or approach	Environmental performance and protection, p. 83	
102-12	External initiatives	Environmental performance and protection, p. 83	
102-13	Membership of associations	Company profile, p. 13	
2. Strategy			
102-14	Statement from senior decision-maker	Letter, p. 3-4	
102-15	Key impacts, risks, and opportunities	Corporate governance, p. 37	For detailed information about key risks, please see the Annual Report 2017, pp. 69-75.



Indicator index	Indicator	Section of the Report	Notes
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Ethics, p. 40	
102-17	Mechanisms for advice and concerns about ethics	Ethics, p. 40	
4. Governance			
102-18	Governance structure	Corporate governance, p. 30-31, 33	
102-19	Delegating authority	Corporate governance, p. 34	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate governance, p. 34	
102-21	Consulting stakeholders on economic, environmental, and social topics	Corporate governance, p. 31	
102-22	Composition of the highest governance body and its committees	Corporate governance, p. 32	
102-23	Chair of the highest governance body	Corporate governance, p. 31	
102-24	Nominating and selecting the highest governance body	Corporate governance, p. 31	
102-25	Conflicts of interest	Ethics, p. 41	
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate governance, p. 31	
102-27	Collective knowledge of the highest governance body	Corporate governance, p. 31	
102-28	Evaluating the highest governance body's performance	Corporate governance, p. 32	
102-29	Identifying and managing economic, environmental, and social impacts	Corporate governance, p. 33, 37	
102-30	Effectiveness of risk management processes	Corporate governance, p. 37	
102-31	Review of economic, environmental, and social topics	Corporate governance, p. 34, 37	
102-32	Highest governance body's role in sustainability reporting	Report and reporting process, p. 7	
102-33	Communicating critical concerns	Corporate governance, p. 32-33	
102-34	Nature and total number of critical concerns	Corporate governance, p. 33	
102-35	Remuneration policies	Corporate governance, p. 35-36	
102-36	Process for determining remuneration	Corporate governance, p. 35-36	The Company does not engage consultants on remuneration matters, which fall within the remit of the Remuneration and Nomination Committee made up of independent directors.



Indicator index	Indicator	Section of the Report	Notes
5. Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder engagement, p. 21	
102-41	Collective bargaining agreements		Collective bargaining agreements cover 97% of the Company's employees.
102-42	Identifying and selecting stakeholders	Stakeholder engagement, p. 21	
102-43	Approach to stakeholder engagement	Stakeholder engagement, p. 21 Report and reporting process, p. 7	
102-44	Key topics and concerns raised	Report and reporting process, p. 7 Stakeholder engagement, p. 22-28	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Company profile, p. 11 Report and reporting process, p. 7	
102-46	Defining report content and topic boundaries	Report and reporting process, p. 6-7	
102-47	List of material topics	Report and reporting process, p. 8	
102-48	Restatements of information		In the Company's Results section, natural gas production and reserves include the volumes consumed in the oil and gas production and development activities, which were previously excluded.
102-49	Changes in reporting	Report and reporting process, p. 7	
102-50	Reporting period	Report and reporting process, p. 7	
102-51	Date of most recent report	Report and reporting process, p. 7	
102-52	Reporting cycle	Report and reporting process, p. 7	
102-53	Contact point for questions regarding the report		Investor Relations: ir@novatek.ru
102-54	Claims of reporting in accordance with the GRI Standards	Report and reporting process, p. 7	
102-55	GRI content index	Compliance with GRI Standards, p. 98-110	
102-56	External assurance		The Company does not seek external assurance, with the Report internally audited by highly skilled specialists.



Indicator index	Indicator	Section of the Report	Notes
SPECIFIC STANDARD DISCLOSURES			
Category: Economic			
201	Economic performance		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Ensuring strong economic performance, p. 43	
103-3	Evaluation of the management approach	Ensuring strong economic performance, p. 43	
201-1	Direct economic value generated and distributed	Ensuring strong economic performance, p. 44	
201-2	Financial implications and other risks and opportunities due to climate change	Environmental performance and protection, p. 83	
201-3	Defined benefit plan obligations and other retirement plans	Employment practices, p. 72	
202	Market presence		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Employment practices, p. 65	
103-3	Evaluation of the management approach	Employment practices, p. 65	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employment practices, p. 67	b. Insignificant proportion
203	Indirect economic impacts		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	External social policy, p. 57	
103-3	Evaluation of the management approach	External social policy, p. 57	
203-1	Infrastructure investments and services supported	External social policy, p. 57-61	
203-2	Significant indirect economic impacts	External social policy, p. 58-60	
204	Procurement practices		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	



Indicator index	Indicator	Section of the Report	Notes
103-2	The management approach and its components	Procurement practices, p. 75-76	
103-3	Evaluation of the management approach	Procurement practices, p. 75-76	
204-1	Proportion of spending on local suppliers	Procurement practices, p. 76	
205	Anti-corruption		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Ethics, p. 40	
103-3	Evaluation of the management approach	Ethics, p. 40	
205-1	Operations assessed for risks related to corruption		No operations were assessed for risks related to corruption.
205-2	Communication and training about anti-corruption policies and procedures	Ethics, p. 40	100% of employees, governance body members and business partners are informed of the Company's Anti-Corruption Policy, which is available to all stakeholders at the Company's website. Information on the document is also disclosed in sustainability reports.
205-3	Confirmed incidents of corruption and actions taken		The Company identified no cases of corruption in the reporting period.
Category: Environmental			
302	Energy		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Environmental performance and protection, p. 89	
103-3	Evaluation of the management approach	Environmental performance and protection, p. 89	
302-1	Energy consumption within the organization	Environmental performance and protection, p. 89	
302-2	Energy consumption outside of the organization		All energy is consumed within the NOVATEK Group.
302-3	Energy intensity	Environmental performance and protection, p. 89	
302-4	Reduction of energy consumption	Environmental performance and protection, p. 89	
302-5	Reductions in energy requirements of products and services		The indicator is not applicable.



Indicator index	Indicator	Section of the Report	Notes
303	Water		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Environmental performance and protection, p. 87	
103-3	Evaluation of the management approach	Environmental performance and protection, p. 87	
303-1	Water withdrawal by source	Environmental performance and protection, p. 88	
303-2	Water sources significantly affected by withdrawal of water		There are no water sources significantly affected by withdrawal of water.
304	Biodiversity		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Environmental performance and protection, p. 90-91	
103-3	Evaluation of the management approach	Environmental performance and protection, p. 90-91	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental performance and protection, p. 90	
304-2	Significant impacts of activities, products, and services on biodiversity	Environmental performance and protection, p. 90	
304-3	Habitats protected or restored	Environmental performance and protection, p. 91-92	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		IUCN Red List species: – critically endangered – 0; – endangered – 0; – vulnerable (VU) – 4 (white bear, long-tailed duck, Steller's eider, snowy owl); – near threatened – 1 (white whale); – least concern – 2 (white-tailed eagle, peregrine falcon); total species – 7.



Indicator index	Indicator	Section of the Report	Notes
305	Emissions		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Environmental performance and protection, p. 85	
103-3	Evaluation of the management approach	Environmental performance and protection, p. 85	
305-1	Direct (Scope 1) GHG emissions	Environmental performance and protection, p. 85	<p>a. 4.8 mmt of CO₂ equivalent.</p> <p>b. CO₂, CH₄.</p> <p>c. 201 tons of CO₂ equivalent.</p> <p>d. The base year will be chosen based on the results of production activities in 2017-2018.</p> <p>e. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.</p> <p>f. Operational control method.</p> <p>g. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.</p>
305-2	Energy indirect (Scope 2) GHG emissions		<p>a. Facilities located in YNAO (Ural Interconnected Power System, Tyumen Region): 160,689 tons of CO₂ equivalent.</p> <p>Facility in the Leningrad Region (North-West Interconnected Power System): 30,825 tons of CO₂ equivalent.</p> <p>b. 100% Russian market.</p> <p>c. CO₂.</p> <p>e. Revised Guidelines for National Greenhouse Gas Inventories. IPCC, 1996. Module 1, Energy.</p> <p>f. Operational control method.</p> <p>g. Revised Guidelines for National Greenhouse Gas Inventories. IPCC, 1996. Module 1, Energy.</p>
305-3	Other indirect (Scope 3) GHG emissions		Indirect emissions from the combustion or biodegradation of biomass: 201 tons of CO ₂ equivalent.
305-4	GHG emissions intensity		<p>a. 7.74 mmt CO₂ equivalent / mboe.</p> <p>b. Barrels of oil equivalent.</p> <p>c. Direct (Scope 1) emissions.</p> <p>d. CO₂, CH₄.</p>



Indicator index	Indicator	Section of the Report	Notes
305-5	Reduction of GHG emissions		<p>a. 1.5 mmt of CO₂ equivalent.</p> <p>b. CO₂, CH₄.</p> <p>c. The base year will be chosen based on the results of production activities in 2017-2018.</p> <p>d. Reduction of direct (Scope 1) emissions: 1.5 mmt of CO₂ equivalent.</p> <p>e. Guidelines approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 dated 30 June 2015.</p>
305-6	Emissions of ozone-depleting substances (ODS)		The Company does not produce ODS emissions.
305-7	NO _x , SO _x and other significant air emissions		<p>a. I. NO_x; 11,097 tons.</p> <p>II. SO_x; 29,765 tons.</p> <p>III. No emissions of persistent organic pollutants (CO3).</p> <p>IV. Volatile organic compounds (VOC); 12,951 tons.</p> <p>V. No emissions of hazardous air pollutants (HAP).</p> <p>VI. Particulate matter (PM); 7,682 tons.</p> <p>VII. Other standard categories of air emissions identified in relevant regulations: 18 tons.</p> <p>c. Methods are specified in Letter of the Russian Ministry of Natural Resources and Environment No. 05-12-47/4521 dated 29 March 2012.</p>
306	Effluents and waste		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Environmental performance and protection, p. 86	
103-3	Evaluation of the management approach	Environmental performance and protection, p. 86	
306-1	Water discharge by quality and destination	Environmental performance and protection, p. 88	b. Actual waste water discharge (measured by flow meters).
306-2	Waste by type and disposal method	Environmental performance and protection, p. 87	<p>a. Transferred to specialist contractors: 1,689,403 tons.</p> <p>b. Incineration, mass burn (neutralized): 1,251,048 tons.</p> <p>Landfill: 20,508,968 tons. Transferred to specialist contractors: 11,672,036 tons. Disposed of: 11,817,3 tons.</p>



Indicator index	Indicator	Section of the Report	Notes
306-3	Significant spills		Spill at the PK (100+28) section of the gas flowline from gas condensate well pad No. U07 of the Urengoykoye field within the Samburgskiy license area caused by unsealing (volume spilled – 0.5 cubic meters). Gas condensate landed on snow, without contaminating the soil.
306-4	Transport of hazardous waste		The Company does not transport, import, export or treat waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and does not ship waste internationally.
306-5	Water bodies affected by water discharges and/or runoff		There are no water bodies or related habitats materially affected by water discharge and/or runoff.
307	Environmental compliance		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components		The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach		
307-1	Non-compliance with environmental laws and regulations		The amount of fines for non-compliance with environmental laws is immaterial for the Company.
Category: Social			
401	Employment		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Employment practices, p. 66	
103-3	Evaluation of the management approach	Employment practices, p. 66	
401-1	New employee hires and employee turnover	Employment practices, p. 66 Personnel Structure appendix, p. 96-97	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		The benefits are provided to all employees.
401-3	Parental leave	Personnel Structure appendix, p. 97	



Indicator index	Indicator	Section of the Report	Notes
402	Labour/management relations		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components		The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach		
402-1	Minimum notice periods regarding operational changes		Under the Russian law, the minimum notice period as regards the Company's significant operational changes is eight weeks (incorporated into the collective bargaining agreement).
403	Occupational health and safety		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Occupational health and safety, p. 78-79	The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach	Occupational health and safety, p. 78-79	
403-1	Workers representation in formal joint management-worker health and safety committees		There are no joint health and safety committees.
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational health and safety, p. 80	
403-3	Workers with high incidence or high risk of diseases related to their occupation		There are no records of workers with occupational diseases or workplaces with high injury rates.
404	Training and education		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Employment practices, p. 68-70	
103-3	Evaluation of the management approach	Employment practices, p. 68-70	
404-1	Average hours of training per year per employee	Employment practices, p. 68	
404-2	Programs for upgrading employee skills and transition assistance programs	Employment practices, p. 69	
404-3	Percentage of employees receiving regular performance and career development reviews	Employment practices, p. 68	



Indicator index	Indicator	Section of the Report	Notes
405	Diversity and equal opportunity		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Employment practices, p. 65-66	The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach	Employment practices, p. 65-66	
405-1	Diversity of governance bodies and employees	Personnel Structure appendix, p. 94-97	
405-2	Ratio of basic salary and remuneration of women to men		Wage rates for women and men are based on equal pay structures at NOVATEK for the specific type of worked performed.
406	Non-discrimination		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Employment practices, p. 65 Ethics, p. 41	The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach	Employment practices, p. 65 Ethics, p. 41	
406-1	Incidents of discrimination and corrective actions taken		The Company identified no incidents of discrimination in the reporting period.
407	Freedom of association and collective bargaining		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components		The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		The Company identified no operations in which the right to exercise freedom of association or collective bargaining may be violated or put at significant risk.
408	Child labour		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	



Indicator index	Indicator	Section of the Report	Notes
103-2	The management approach and its components	Ethics, p. 41	The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach	Ethics, p. 41	
408-1	Operations and suppliers at significant risk for incidents of child labour	Ethics, p. 41	
409	Forced and compulsory labour		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	Ethics, p. 41	The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach	Ethics, p. 41	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Ethics, p. 41	The Company identified no operations at risk for incidents of forced or compulsory labor.
411	Rights of indigenous peoples		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	External social policy, p. 58-59	The Company operates in accordance with the legislation of the Russian Federation.
103-3	Evaluation of the management approach	External social policy, p. 58-59	
411-1	Incidents of violations involving rights of indigenous peoples		There were no incidents of violations involving rights of indigenous peoples.
413	Local communities		
103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Report and reporting process, p. 7	
103-2	The management approach and its components	External social policy, p. 57-59	
103-3	Evaluation of the management approach	External social policy, p. 57-59	
413-1	Operations with local community engagement, impact assessments, and development programs	External social policy, p. 59-61 Environmental performance and protection, p. 91	
413-2	Operations with significant actual and potential negative impacts on local communities		There was no significant negative impact in the reporting year.



Indicator index	Indicator	Section of the Report	Notes
SECTOR DISCLOSURES			
OG1	Volume and type of estimated proved reserves and production	Company's results, p. 43	
OG2	Total amount invested in renewable energy		The Company did not invest in renewable energy but derives some of its energy directly from solar panels and wind generators.
OG3	Total amount of renewable energy generated by source	Environmental performance and protection, p. 86	
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environmental performance and protection, p. 90	
OG5	Volume and disposal of formation or produced water		The volume of formation and produced water exceeded 2 million cubic meters.
OG6	Volume of flared and vented hydrocarbon	Environmental performance and protection, p. 86	
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Environmental performance and protection, p. 87	
OG8	Benzene, lead, and sulphur content in fuels		There is no benzene, lead or sulphur in produced fuels.
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Our strategy, p. 18 External social policy, p. 59	
OG10	Number and description of significant disputes with local communities and indigenous peoples		There were no disputes with local communities.
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned		No sites have been, or are being decommissioned.
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process		The Company did not engage in operations that caused involuntary resettlement.
OG13	Number of process safety events, by business activity	Occupational health and safety, p. 79	
OG14	Volume of biofuels produced and purchased meeting sustainability criteria		The Company does not produce or purchase biofuel.

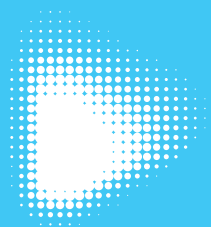


Glossary

APG	associated petroleum gas
EMIC	Environmental Monitoring and Industrial Control
GDR	Global Depositary Receipt
GBS	Gravity-based structure
GHG	greenhouse gas
IMS	Integrated Management System for Environmental Protection, Occupational Health and Safety
IFRS	International Financial Reporting Standards
LNG	liquefied natural gas
LPG	liquid petroleum gases
RAS	Russian Accounting Standards
SGC	stable gas condensate
UGSS	Unified Gas Supply System
YNAO	Yamal-Nenets Autonomous Region
CDP	Carbon Disclosure Project
EBITDA	Earnings before interest, taxes, depreciation and amortization
GRI	Global Reporting Initiative
ISO	International Organization for Standardization
LSE	London Stock Exchange
OHSAS	Occupational Health and Safety Management Systems
PRMS	Petroleum Resources Management System
SEC	US Securities and Exchange Commission

UNITS	
bcm	billion cubic meters
bln	billion
boe	barrels of oil equivalent
ha	hectare
GJ	gigajoule
Gcal	gigacalorie
km	kilometer
kWh	kilowatt hour
mmcm	million cubic meters
mln	million
Mwh	megawatt hour
mmt	million metric tons
mt	thousand metric tons
t	ton





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