NOVATEK

# Constructing future energy transition today

Sustainability Report
2021

# Constructing future energy transition today!

**As the Russian largest independent natural gas producer, NOVATEK is already contributing to the global energy transition by increasing gas and LNG supplies with one of the world's lowest carbon footprints in the world. In 2021, we made outstanding progress across all workstreams of our second large-scale LNG project under construction, Arctic LNG 2.**

**We believe that, with our strategy focused on further expanding our resource base and production capabilities while maintaining high efficiency and ensuring responsible business practices, we will contribute to the development of the communities we are part of, as well as to the achievement of National and Global Sustainable Development Goals.**

**79.9**
**bcm**
natural gas production in 2021 (up 3% year-on-year)

**16.4**
**bln boe**
total hydrocarbon reserves as of 31 December 2021

The style we chose as our design concept for the report was based on the "Constructivism" and "Suprematism" period of architecture and art. In the early 20th century, Russian avant-garde artists, including Kazimir Malevich, Vladimir Tatlin, El Lissitzky, and Alexander Rodchenko, brought a revolutionary new vision of art to the world, transforming established traditions much in the same way that NOVATEK is innovating to facilitate the global energy transition today.

**NOVATEK's 15th Sustainability Report**

**Russian recommendations and standards**

- Recommendations of the Bank of Russia on non-financial disclosures by public joint stock companies
- Recommendations of the Russian Union of Industrialists and Entrepreneurs on non-financial reporting
- GOST R ISO 26000:2012

**International standards**

GRI SASB TCFD IPIECA energy API International Association of Oil & Gas Producers AccountAbility

# Contents

# Letter from the Chairman of NOVATEK's Management Board

Over the past two years, the global population has endured an extremely difficult period with the COVID-19 pandemic and the associated economic and social hardships caused by the restrictions. Moreover, at the beginning of 2022, an unprecedented increase in geopolitical instability caused many uncertainties, disrupted supply chains, and increased imbalances in energy markets. Under these circumstances, it is our utmost priority **to ensure our business stability and continuity**, while maintaining our commitments to sustainability and our support to the communities where we operate.

We support all diplomatic efforts to restore peace and stability and hope for a prompt resolution to this tragic situation and express our sincere sympathy to all those affected by the ongoing events. We monitor the situation continuously, assess emerging risks and swiftly respond to ongoing changes.

Our fundamental value is a responsible business approach based on caring for the team, society and the environment. In the beginning of 2022, to minimize the negative impact of global inflation, we have raised employee compensation to offset the rise in cost of living. We also delivered fully on our commitments to support local communities in the regions of our operations.

Despite these challenges, we are pleased to present our 15th Sustainability Report. The Report's key theme is **Constructing Future Energy Transition Today**. As Russia's largest independent natural gas producer, NOVATEK is already contributing to the global energy transition by annually increasing our gas and LNG production with one of the world's lowest GHG emission intensities.

We are **proud of our excellent performance in 2021** and our huge strides on key projects under our corporate strategy. We have ramped up our total hydrocarbon production by 3% to 626 million barrels of oil equivalent (boe), mainly due to an increase in gas production to 79.9 billion cubic meters. The share of gas production in our total volume produced reached 83%. Our financial results hit all-time highs in all key financial metrics that allowed us to pay record dividends of RR 217 billion (+101% year-on-year).

With the launch of Train 4 at our flagship Yamal LNG project, its total design capacity has increased to 17.4 million tons of LNG output per year and the plant has been operating consistently above its nameplate capacity. In the reporting year, Yamal LNG delivered 266 tanker shipments or 19.5 million tons of LNG. In the first quarter of 2022 on our second large-scale LNG project, Arctic LNG 2, overall construction progress hit 65%, while Train 1 progress was at 85% with all 14 modules already installed on the gravity-based structure.

In 2021, we **made significant progress on our climate and environmental goals** approved by the Board of Directors in 2020. Our efforts were primarily focused on improving carbon efficiency, even though NOVATEK already ranks among the cleanest natural gas producers globally. We cut our methane emission intensity by 11% to 12.9 tons per million boe, while reaching an APG utilization rate of 96.7%.

To reduce our indirect energy greenhouse gas emissions, we have developed and approved a comprehensive energy saving program, and successfully switched our medium-scale Cryogas-Vysotsk LNG plant to operate on renewable energy starting from early 2022. We have also started wind measurement studies to explore the possibility of constructing a wind farm on the Yamal Peninsula.

Following the key principle of the Company to minimize our impact on the environment, we continued to implement measures to preserve ecosystems and natural habitats, landscapes and natural complexes. In 2021 on our Arctic LNG 2 project, we carried out an extended impact assessment on biodiversity, identified critical habitats, which allowed us to develop a list of specific measures to minimize the impact on biodiversity. We also continued our comprehensive monitoring of the Gulf of Ob. To harmonize our approaches to biodiversity conservation management throughout the Company, we approved a relevant corporate standard in 2021.

An important step in formalizing the Company's advanced approach in human rights was the approval of NOVATEK's Human Rights Policy. Before we launched construction of our large-scale LNG projects, we obtained **free, prior, and informed consent to these operations from representatives of the indigenous peoples of the Far North**. In 2021, we held several consultations with indigenous representatives at Yamal LNG regarding the planned construction of Jurassic wells. On Arctic LNG 2 we carried out human rights impact assessment and developed a formal Plan to Promote the Sustainable Development of Indigenous Peoples.

Caring about our team has always been our top priority. Last year with the COVID-19 restrictions, we **significantly increased our targeted reimbursements and social benefits for employees**, with total social spending up 25% to RR 2 billion. Moreover, the new collective bargaining agreement for the 2022 to 2024 period provides for an increase in the total amounts payable for a number of social benefits.

We implemented ambitious educational projects across our corporate footprint, including Teacher for Russia and Gifted Children, as well as our grant programs for school students and teachers. We pay particular attention to **preserving the traditional ways of life** and cultural heritage of the indigenous peoples of the Far North and regularly engage with them to identify their most pressing needs. For instance, last year we provided support for reindeer herders living in the Seyakha and Tambey tundras, where abnormal soil icing conditions prevented access to reindeer lichen, the animals' key source of food, thereby increasing the risk of reindeer die-off.

Our achievements across all these areas are already **contributing to the National Goals of Russia** and the United Nations Sustainable Development Goals.

The present global challenges have significantly raised uncertainty about the future business environment, but we are confident that our agility and flexibility in decision-making and redesigning our supply chains, as well as our commitment to responsible business practices will help us meet the challenges and our stakeholders' expectations on our path to the global energy transition.

**Leonid Mikhelson**

Chairman of NOVATEK's Management Board

**In 2021, the Board of Directors stepped up its focus significantly on topics related to various aspects of sustainability, including climate change and corporate governance.**

I am pleased to announce that NOVATEK's performance in 2021 has confirmed the success of our strategy and management system. We have advanced our flagship projects and delivered record financial performance.

In 2021, the Board of Directors significantly stepped up its focus on topics related to various aspects of sustainability, including climate change and corporate governance. For example, the Board decided to set up a Subcommittee on Climate and Alternative Energy within the Strategy Committee of NOVATEK's Board of Directors. The Subcommittee is made up of independent directors with a recognized track record in the low-carbon transition. The Board also approved the Company's Human Rights Policy and a Risk Map addressing ethical, corruption, and sustainability non-compliance risks. An independent external performance evaluation of the Board of Directors was also conducted in 2021 in line with the recommendations of the Corporate Governance Code.

**Alexander Natalenko**

Chairman of NOVATEK's Board of Directors

Given the increased sustainability risks and emerging new opportunities, the Board committees have increased focus on these matters.

The Strategy Committee and the newly-created Subcommittee on Climate and Alternative Energy have been prioritizing climate issues. We also monitored progress toward our climate and environmental goals, approved NOVATEK's guidelines and criteria for selecting renewable and alternative energy projects, and reviewed the implementation status of our decarbonization initiatives, including projects across carbon capture and storage, hydrogen and renewable energy.

The Remuneration and Nomination Committee, responsible for overseeing our overall sustainability agenda, has maintained its traditional focus on matters such as health and safety, social and charitable activities and reporting. Amid the increased information security risks, the Committee reviewed an information security report for the first time, accessing our management team's effectiveness managing these risks by driving risk identification and prevention.

**Tatyana Mitrova**

Chairwoman of the Strategy Committee and the Remuneration and Nomination Committee of NOVATEK's Board of Directors[1]

1. The Chairwoman of the Remuneration and Nomination Committee since 7 December 2021, before 7 December 2021, a member of the Remuneration and Nomination Committee.

# ESG Highlights in 2021

## NOVATEK is one of the cleanest producers of natural gas and LNG in the world

## Social

### Focusing on our people

**41**
average training hours per employee (up 28% year-on-year)

**2 RR bln**
employees social programs expenses (up 25% year-on-year)

**2.5 RR bln**[1]
occupational health, fire safety and facility security expenses (up 4% year-on-year)

**9.8 th.**
employees trained (up 31% year-on-year)

**2.8 RR bln**[2]
external social expenses

### Respecting rights

- RR 145 mln were spent to support the indigenous peoples of the Far North
- The impact of the Arctic LNG 2 project on human rights was assessed
- Consultations were held with the indigenous peoples of the Far North on the construction of Jurassic wells at the Yamal LNG project

1. Shown in the Fire Safety and Security Expenses, and Labor Safety Expenses lines of the Materials, Services and Other, and General and Administrative Expenses items of the consolidated statement of profit or loss in the IFRS consolidated financial statements, excluding NOVATEK's spending in joint ventures.
2. Shown in the Social Expenses and Compensatory Payments of the General and Administrative Expenses item of the consolidated statement of profit or loss in the IFRS consolidated financial statements, excluding NOVATEK's spending in joint ventures.

# Governance

## Enhancing control

- Subcommittee on Climate and Alternative Energy established within the Board of Directors' Strategy Committee
- 42% – proportion of sustainability-related agenda items discussed at meetings of the Board of Directors and its committees in 2021 (up 15 p.p. year-on-year)

## Strengthening our governance system

- Internal carbon pricing mechanism developed (introduced in early 2022)
- Human Rights Policy approved
- Biodiversity Conservation Management Standard approved

## Fostering partnerships

- Over 10 decarbonization and alternative energy agreements were signed
- NOVATEK joined the Arctic Economic Council

# Environment

## A leader in carbon efficiency

**294** kg of $CO_2$ equivalent per boe

GHG intensity[3] (down 0.3% year-on-year)

**243** kg of $CO_2$ equivalent per ton

GHG intensity of LNG production (down 0.4% year-on-year)

**96.7%**

APG utilization (up 50 p.p. year-on-year)

## Reducing our impact on the environment

- 83% – share of waste directed to utilization and disposal (up 14 p.p. year-on-year)
- 0.132 tons per mboe – air pollutant emissions per unit of production (down 8% year-on-year)
- 43.2 th. GJ – total reduction in energy consumption (up 42% year-on-year)
- RR 2.9 bln – environmental expenses (up 22% year-on-year)

3. GHG Intensity ratio is calculated by dividing the total GHG emissions from total hydrocarbon production by hydrocarbon production volumes (in boe), including interests in joint ventures.

# Business Model

## External environment

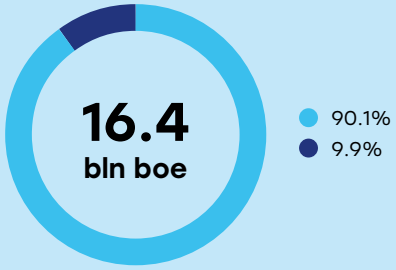
### Trends

- Growing world population and energy consumption
- Global economy decarbonization

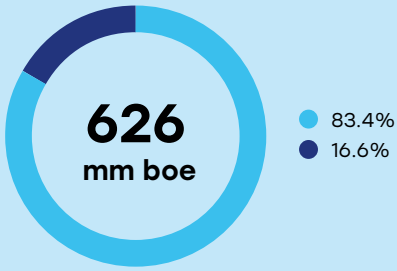
**NOVATEK's business model** covers the entire hydrocarbon production cycle, including exploration, production, processing, and sales of finished products. Among our competitive advantages are a large-scale and high-quality resource base, advanced production assets, including a plant for continuous production of GBS LNG trains, plant proximity to infrastructure, diversified sales channels, a track record of successful LNG projects, and strong cost control.

A responsible approach to business is integral to our business model, and sustainability is embedded into the Company's corporate strategy.

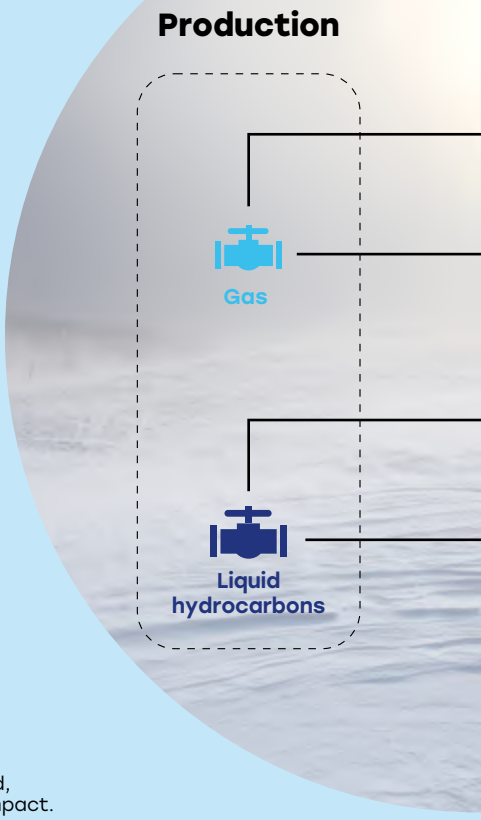
**Proved liquid hydrocarbon reserves (SEC)[1] as of 31 December 2021**




**Hydrocarbon production in 2021**




Natural Gas | Liquid hydrocarbons




1. NOVATEK has no reserves that, when developed, would have an extremely high anthropogenic impact.

## Responsible approach to business

### Environment

- Energy transition solutions
- Environmental protection
- Environmental monitoring
- Biodiversity conservation
- Resource stewardship

### UN SDGs

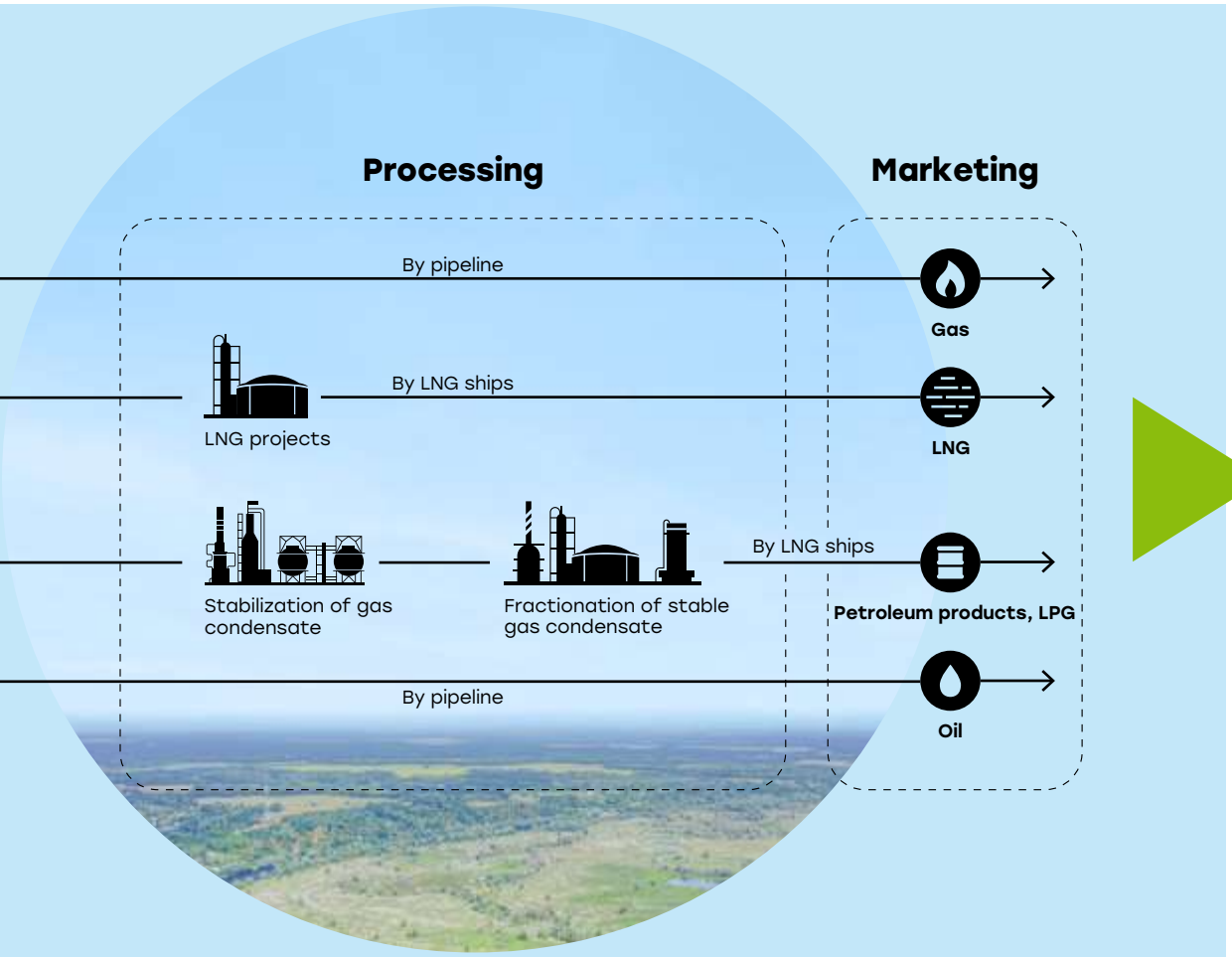
- 3 Good Health and Well-Being
- 4 Quality Education
- 7 Affordable and Clean Energy
- 8 Decent Work and Economic Growth
- 13 Climate Action

## Physical effects of climate change

- Permafrost thawing
- Extreme heat, droughts, wildfires
- Rising ocean levels

## Regulators

- GHG abatement
- Push for decarbonization
- Push for renewables
- Disclosure requirements




- Factories, power plants
- Cars
- Trucks
- LNG ships
- Households

### Social

- Occupational Health and Safety
- Decent pay and work conditions
- Development of operating regions
- Support of indigenous peoples

### Corporate governance

- Integrated management systems
- Strategic, environmental and climate change targets
- Respecting human rights
- Sustainable supply chain
- Innovation

## Stakeholders

- Local communities
- Shareholders and investors
- Trade unions
- Counterparties, partners
- Government authorities

# Footprint

## 2021 highlights

### Long-term underground storage of $CO_2$

The first stage of international certification of long-term CO2 underground storage sited in the Yamal and Gydan Peninsulas completed in early 2022

### Biodiversity conservation

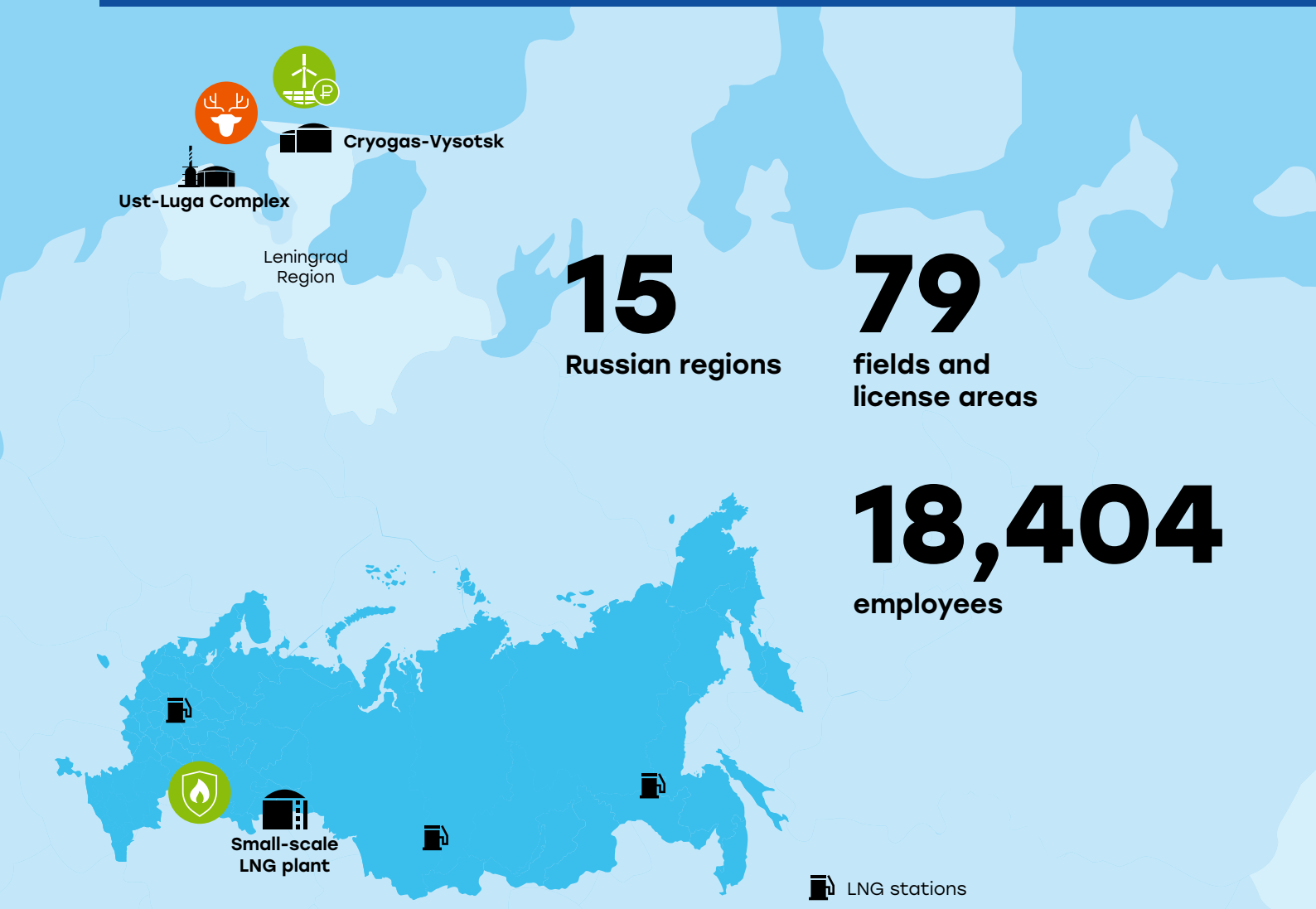
- The implementation of a unique ecological restoration project Healthy Tundra on the Yamal Peninsula continued
- Construction of the Cape Kiperport nature trail in the Vyborgsky Nature Reserve completed

### Engagements with the indigenous peoples of the Far North

- Assessment of our impact on human rights conducted, and the Plan to Promote the Sustainable Development of Indigenous Peoples at Arctic LNG 2 developed
- Consultations held with the indigenous peoples of the Far North on the construction of Jurassic wells at Yamal LNG

### Development of renewables

Wind measurement program completed to explore wind farm opportunities for the port of Sabetta on the Yamal Peninsula




**15**
Russian regions

**79**
fields and license areas

**18,404**
employees

## GHG emission reduction

A pilot project to treat and inject process water into reservoirs completed, reducing wastewater combustion on the Yurkharovskoye field

## Satellite methane monitoring

A satellite project to monitor for methane leaks piloted

## Purchasing green energy

The Cryogas-Vysotsk LNG plant in the Leningrad Region switched to renewable energy from the beginning of 2022

## Training in LNG accident response

145 NOVATEK employees received training in LNG accident response at EMERCOM's fire training facility in the Orenburg Region for the first time

# Yamal LNG

## The Company's first large-scale LNG project

**A global leader in carbon efficiency of LNG production due to best available technologies, advanced production assets and decarbonization measures. In 2021, the project produced a total of 19.6 million tons of LNG[1], which is 4% more than last year, due to higher productivity amid lower ambient temperatures and the launch of its fourth train.**

## Promoting best practices

Yamal LNG was Russia's first industrial project to obtain free, prior and informed consent from indigenous peoples.

In a first for the Russian Arctic zone, the project has worked with indigenous peoples to restore tundra ecosystems. The method used is unique in that it uses local plants instead of species brought in from other locations.

## Assessing risks

The full range of sustainability risks is assessed at all stages of project implementation. We also consider the physical risks of climate change. Our design solutions incorporate a significant safety margin considering permafrost conditions. We also assess risks to biodiversity, human rights, and social impacts on local communities to prevent adverse effect.

## Caring for the nature of the Arctic

The Company carries out activities to preserve the unique biodiversity of the Arctic every year. A large-scale comprehensive program to monitor the environment of the Gulf of Ob has been in place since 2019.

## Respecting indigenous communities

We monitor, engage, and consult with indigenous communities on a regular basis.


1. 100% project capacity.

# Arctic LNG 2

## The Company's second large-scale LNG project

**The total design capacity of Arctic LNG 2 is 19.8 million tons of LNG and 1.6 million tons of stable gas condensate per year. As of the end of Q1 2022, the project achieved 65% completion, with 85% of the first train completed.**

## Promoting best practices

The project is being constructed in an innovative way, employing gravity-based structures to minimize environmental impact.

In a first for Russia, the Company has conducted an environmental and social impact assessment to the requirements of Equator Principles 4. It has also conducted a human rights impact assessment and applied the updated version of the International Finance Corporation's Guidance Note 6 on biodiversity conservation.

## Respecting indigenous communities

The Company engages extensively with the indigenous peoples of the Far North to consider their opinions and needs. Accordingly, the Plan to Promote the Sustainable Development of the Indigenous Peoples of the Gydan Peninsula has been developed. Consultations are being held with the families of reindeer herders, authorities, and non-governmental organizations.

## Assessing risks

The project also implements a full range of preventive measures, including the assessment and management of risks related to employment, indigenous communities, climate change, occupational health and safety, and many more. Measures are taken to preserve the stability and load bearing capacity of soils at all facilities built on permafrost soils.

## Caring for the nature of the Arctic

The Company has completed a three-year cycle of comprehensive surveys of the Gulf of Ob, unique in their scope. It has also conducted comprehensive environmental monitoring of the Utrenneye field facilities.

# Sustainable Development Strategy

The Company's Sustainable Development Strategy is part of its business strategy, which focuses on growing resource potential and gas production, as well as building new LNG facilities to support the global energy transition, while maintaining low costs and optimizing marketing channels. Natural gas plays an integral role in all energy transition scenarios and will remain an important component of energy security, critical for energy market balance in many regions for decades to come.

A responsible approach to business consistent with Russia's National Development Goals and the UN Global Sustainable Development Goals, is the core of the Company's sustainability strategy.

Sustainable development

**7 Affordable and Clean Energy**

- expanding our resource base
- expanding the network of LNG stations

## 8 Decent Work and Economic Growth

- local development
- ensuring decent and safe working conditions

## 13 Climate Action

- decarbonization of our operations
- decarbonization of customers


## 4 Quality Education

- employee training and development
- educational programs for young people

## 3 Good Health and Well-Being

- occupational health
- Emission and waste reduction
- charity and philanthropy

# Strategic Sustainable Development Goals

## and Contribution Toward the UN SDGs

| Priority UN SDGs | Russia's national development goals[1] | NOVATEK's goals |
|---|---|---|
| 13 Climate Action<br>Target 13.1. | Comfortable and safe living environment | **by 6%** To reduce GHG emissions per unit of production in the upstream segment by 6% from a 2019 baseline by 2030<br>**by 5%** To reduce GHG emissions per ton of LNG produced by 5% from a 2019 baseline by 2030<br>**by 4%** To reduce methane emission intensity by 4% from a 2019 baseline by 2030<br>**to 99%** To increase APG utilization rate to 99% from a 2019 baseline by 2030<br>To expand the use of renewables |
| 3 Good Health and Well-Being<br>Targets: 3.8, 3.9 | Preservation of the population; health and welfare of people | To ensure that NOVATEK employees are covered by voluntary health insurance (VHI)<br>To assist severely ill people in difficult situations to meet their healthcare needs<br>**by 20%** To reduce air pollutant emission intensity by 20% from a 2019 baseline by 2030<br>**to 90%** To increase the share of waste directed to utilization and disposal to 90% by 2030 |
| 4 Quality Education<br>Targets: 4.1, 4.3 | Conditions for self-fulfillment and acknowledgement of talent | To support educational institutions and run youth educational programs<br>To ensure that NOVATEK employees have access to quality education |

1. Executive Order of the Russian President No. 474 On National Goals of the Russian Federation Through to 2030 dated 21 July 2020.

Successful implementation of the Sustainable Development Strategy requires further maintaining of a healthy environment, improving carbon efficiency, ensuring decent working conditions, and promoting the development across our operating regions.

In 2020, the Company's Board of Directors approved Environmental and Climate Change Targets for the period up to 2030, selected five priority UN SDGs where the Company can maximize its total effect, and set the Company's own performance targets based on the priority SDGs. By advancing towards these goals, we will also contribute to Russia's National Development Goals to 2030.

| Progress | Risks |
|---|---|
| To achieve the set climate change and environmental targets, the Company is running a Comprehensive Program focused on atmospheric air protection.<br><br>Significant progress was made in the reporting year:<br>• the GHG emission intensity was reduced<br>• the APG utilization **rate rose to 96.7%** |  <br>  |
| **A total of 209 th. kWh**<br>of energy were generated from renewables, and wind measurement was launched to inform decision making on the potential expansion of the Company's renewable capacities. | |
| **260 RR mln**<br>spent on VHI programs (up 10% year-on-year)<br><br>**A total of 1,158 children**<br>benefited from the Company's charity program |  |
| To achieve the set environmental targets, the Company is running a comprehensive program, and it made significant progress in the reporting year:<br>• specific air emissions **decreased by 8%** year-on-year to 0.132 tons per mboe.<br>• the share of waste directed to utilization and disposal **reached 83%**, up 14 p.p. year-on-year. |  |
| Programs for school students and teachers in our regions of operation (Gifted Children, Grants for Schoolchildren, Grants for Teachers, and Energy School)<br><br>**A total of 9.8 th. employees**<br>trained (up 31% year-on-year) |  |

| Priority UN SDGs | Russia's national development goals[1] | NOVATEK's goals |
|---|---|---|
| 7 Affordable and Clean Energy<br>Targets: 7.1, 7.3 | **Comfortable and safe living environment** | **up to 70 million tons per year**<br>To increase LNG production from Company projects up to 70 million tons per year by 2030<br>To supply LNG to consumers in areas remote from existing gas transmission infrastructure by 2025<br>To improve energy efficiency continuously |
| 8 Decent Work and Economic Growth<br>Targets: 8.1, 8.5, 8.8 | **Decent and effective jobs and successful enterprise** | To contribute to the economic and social development of our regions of operation through job creation, better infrastructure and programs aimed at improving living standards for local communities<br>To provide decent work and equal pay for work of equal value<br>**5% reduction**<br>A 5% reduction in LTIFR among NOVATEK employees |

Strategy goals

Climate change risks

Strategy risks

Social risks

Environmental risks

For more details on the progress toward set targets, see the relevant sections of this Report.

For more details on risks, see Appendix 2, Key Sustainability Risks, p. 164.

1. Executive Order of the Russian President No. 474 On National Goals of the Russian Federation Through to 2030 dated 21 July 2020.

**Progress** **Risks**

## to 20 million tons

LNG production increased to 20 million tons (12 million tons taking into account the proportionate share in the production of joint ventures)

## to 13

The number of LNG stations in Russia increased to 13

## to 43.2 th. GJ

Total reduction in energy consumption driven by energy-efficiency and energy-saving initiatives amounted to 43.2 th. GJ

Measures are taken under cooperation agreements with the Yamal-Nenets Autonomous Region, as well as the Leningrad, Tyumen and Murmansk Regions on regional social and economic development

We provide equal pay for work of equal value

To reduce work-related injuries, the Company has introduced a set of preventive measures, with plans to set up an OHS Coordination Council to tighten relevant controls

**When conducting its business, the Company also contributes to several other relevant UN SDGs**

1 No Poverty

6 Clean Water and Sanitation

9 Industry, Innovation, and Infrastructure

10 Reduced Inequalities

11 Sustainable Cities and Communities

12 Responsible Consumption and Production

14 Life Below Water

15 Life on Land

17 Partnerships for the Goals

# Growing a Sustainable Business

Since its foundation, NOVATEK has been committed to conducting business responsibly. As a sustainability leader in Russia, the Company aligns its goals with Russia's National Development Goals and the UN Sustainable Development Goals.

**A total of**

**42%**

**of agenda items addressed at meetings of the Board of Directors, its committees and subcommittee were related to sustainable development (vs. 27% in 2020)**

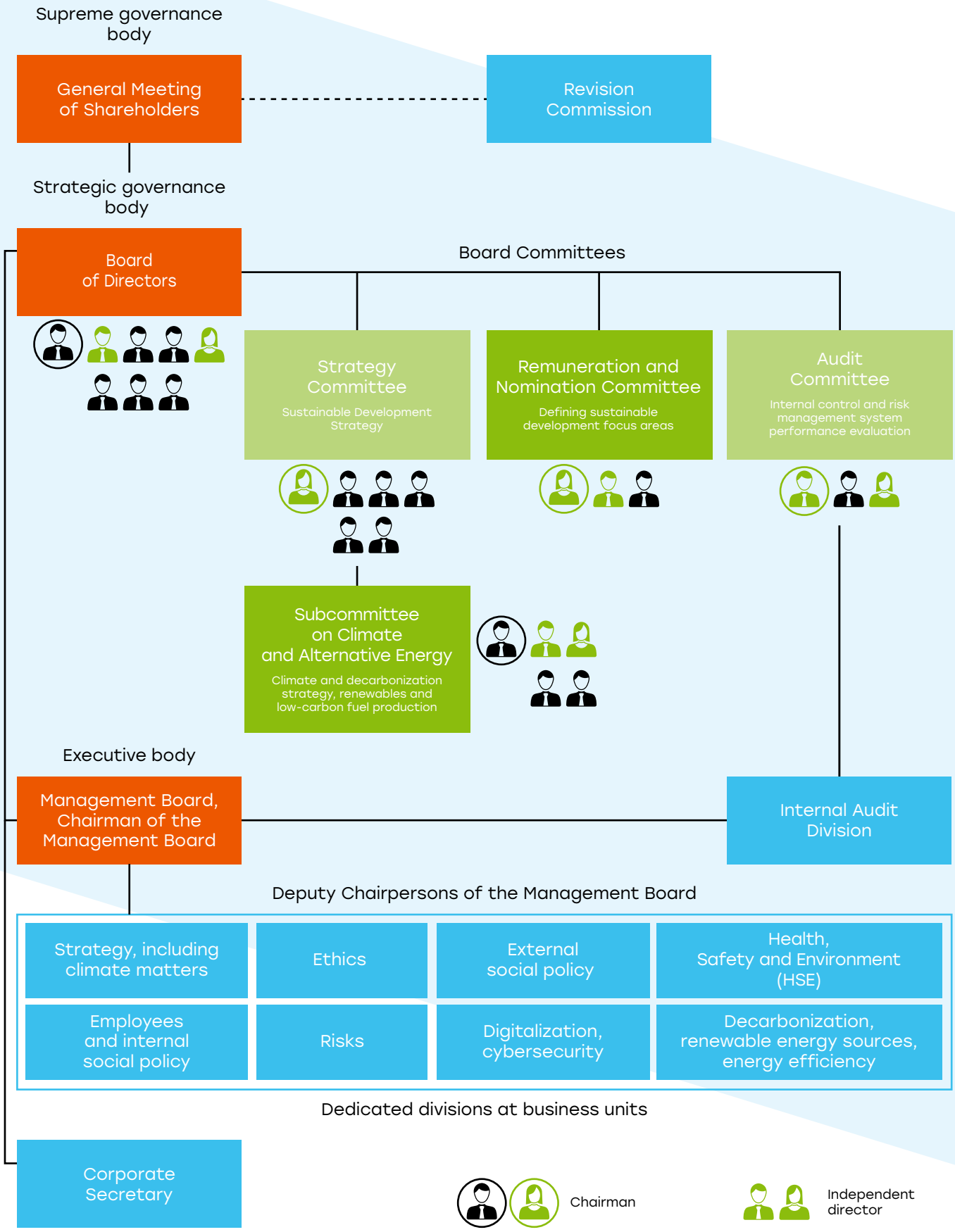
**2021 highlights**

- Subcommittee on Climate and Alternative Energy set up under the Board of Directors' Strategy Committee
- An independent performance evaluation of the Board of Directors conducted
- Risk Map updated, new sustainability risks identified

**Key corporate documents**

- Regulations on the Board of Directors of NOVATEK
- Regulations on Risk Management and Internal Control System of NOVATEK
- Corporate Governance Code of NOVATEK
- Anti-Corruption Policy of NOVATEK

**Sustainability Management Structure as of 31 December 2021**



Sustainability management is an integral part of NOVATEK's corporate governance system. The Board of Directors and its committees actively engage in sustainability management. At the level of the executive body, all key aspects of sustainable development are supervised by respective deputies of the Chairman of the Board. Sustainability is integrated into the Company's top management KPIs. This makes for proper management of both strategic and operational aspects of sustainability.

Corporate documents regulating internal sustainability and related risk management practices are in place to drive the implementation of management decisions at all levels. Every aspect of the Company's sustainability activities is normally regulated by a dedicated document. NOVATEK continuously improves its management approaches and formalizes its existing procedures for implementing sustainability practices across the Company by consistently approving new internal policies and standards.

NOVATEK's excellence in integrating best sustainability practices into strategy, culture and operations is reflected in its superior ratings by leading ESG rating agencies.

## Recognition

**In 2021, NOVATEK was the only Russian oil and gas company to be A-rated by MSCI.**
**NOVATEK was included in the FTSE4Good index of sustainable emerging-market companies in 2021.**

**NOVATEK's ratings as of 31 December 2021**

| Rating | Description |
|---|---|
| MSCI ESG rating<br>(where AAA is the highest and CCC is the lowest score) | A[1] |
| Sustainalytics Risk rating<br>(where 0 is negligible risk and 40+ is severe risk) | 32.3[2] |
| TPI international climate rating<br>(where 4 is the highest and 0 is the lowest Management Quality level) | 3 |
| FTSE Russell | NOVATEK was included in the FTSE4Good rating |
| CDP Climate | NOVATEK has historically been included in the rankings, reporting for more than 10 years |
| CDP Water | NOVATEK has historically been included in the rankings, reporting for more than 10 years |

As at April 2022, NOVATEK's ratings were downgraded or suspended along with other Russian companies due to ongoing geopolitical situation.

1. In 2022, NOVATEK, along with other Russian companies, was downgraded to B.
2. In 2022, the risk factor of NOVATEK, along with other Russian companies, was significantly increased.

# Sustainability Management System

## NOVATEK has an optimized corporate governance structure enabling effective operations management.

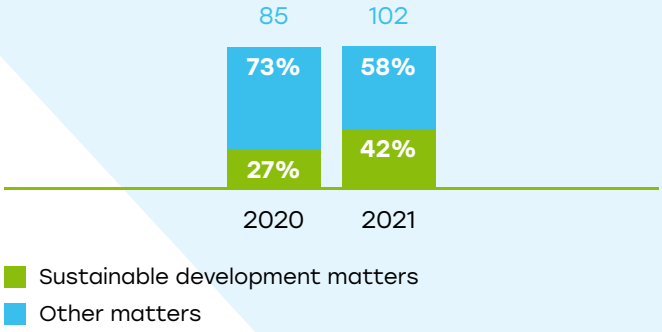
### General Meeting of Shareholders

The General Meeting of Shareholders is NOVATEK's supreme governance body.

NOVATEK places special emphasis on enabling effective communication 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. Shareholders may also ask any questions they may have about the Company's operations, including about sustainability, at the Annual General Meetings of Shareholders.

For more details on the the competence of the General Meeting of Shareholders, see NOVATEK's Articles of Association, p. 8–10.

**The total number of agenda items reviewed by the Board of Directors, its committees and the Subcommittee on Climate and Alternative Energy in 2021 corporate year[1]**




### Board of Directors

The Board of Directors has responsibility for the Company's sustainable development, defining its strategic vision and the key focus areas of its sustainability programs. The Board of Directors regularly reviews NOVATEK's performance on various aspects of sustainability and approves the Company's sustainability reports each year.

In 2021 corporate year, the Board of Directors played an increasingly important role in sustainability management. A total of 42% of agenda items reviewed at the meetings of the Board, its committees and the Subcommittee were related to sustainability, including climate change, environmental protection, occupational health and safety, ethics, anti-corruption, HR management and social investments.

NOVATEK rorganizes internal and independent external evaluations of the Board of Directors performance on a regular basis. Internal evaluations are carried out annually by each member of the Board through an anonymous self-evaluation questionnaire, while external evaluations are conducted by an independent professional consultant at least once every three years.

In 2021, an external consultant completed an independent performance evaluation of the Board of Directors, reviewing the key focus areas of the Board of Directors and its committees, including sustainability management performance. The results of the evaluation were used to inform further improvements in the Board of Directors' performance.

1. From the Annual General Meeting of Shareholders on 23 April 2021 to the Annual General Meeting of Shareholders on 21 April 2022.

On 23 April 2021, nine members were elected to the Board of Directors[2], three of whom were independent, including one woman. Four of the nine elected members of the Board of Directors, Arnaud Le Foll, Dominique Marion, Robert Castaigne, and Tatyana Mitrova, have served on the Board for less than seven years. The Chairman of the Board of Directors is not a member of the executive body.

Prior to nomination, all candidates are discussed with shareholders to establish whether they are sufficiently independent and professionally qualified to represent the interests of shareholders and the Company.

For more details, see NOVATEK's Annual Report 2021.

The Board of Directors meets as and when required, but at least once every two months. At least 60% of meetings are attended by all Board members.

Board members hold regular meetings with members of the Management Board and heads of relevant business units of NOVATEK to gain a detailed understanding of the Company's business activities, development strategy and key risks. Directors also have access to the Company's medium-level managers for both formal and informal discussions to ensure the regular exchange of information needed for the Board meetings and timely and informed decision making. Independent members of the Board are involved in identifying material topics to be disclosed in the Sustainability Report.

## Board diversity as of 23 April 2021

NOVATEK believes its Board of Directors is well balanced in terms of the number of independent directors, experience, and skill mix

**Independence**

**33%** proportion of independent directors on the Board

**44%** proportion of directors who have served on the Board for less than 7 years

**Experience and competence**

Experience in strategic planning, oil and gas, international cooperation, risk management, finance, HR management, sustainability, and climate change

**Gender diversity**

**11%** proportion of women on the Board

**Sociocultural diversity**

**33%** proportion of foreign nationals on the Board of Directors

2. As of 31 December 2021, the Board of Directors had eight members, two of whom were independent due to prematurely termination of the powers of an independent member Victor P. Orlov due to his death.

## Sustainability aspects reviewed at meetings of the Board of Directors and its committees in 2021 corporate year

All committees of the Board of Directors are directly involved in managing the Company's sustainability activities. The Board of Directors also defines the principles and approaches of the internal control and risk management system, including climate risks and opportunities.

In 2021, given the growing importance of the global climate agenda, NOVATEK's Board of Directors resolved to set up a Subcommittee on Climate and Alternative Energy under the Strategy Committee of the Board. Dominique Marion (Chairman), Arnaud Le Foll, Robert Castaigne, Tatyana Mitrova, Alexander Natalenko, and Viktor Orlov were elected to the Subcommittee. A key task of the Subcommittee is to conduct regular and detailed reviews of the progress of climate projects and to submit climate proposals to the Board of Directors in a timely manner. The Subcommittee met four times in 2021, addressing several issues, including low-carbon products, expansion of renewable energy projects, progress toward Environmental and climate change targets, and greenhouse gas emissions reporting.

### Board of Directors

Functions:

- defining the Company's sustainability agenda and strategy


80% Other 20% Sustainable development matters

- Establishment of the Subcommittee on Climate and Alternative Energy under the Strategy Committee of NOVATEK's Board of Directors
- Approval of NOVATEK's Sustainability Report 2020
- Approval of NOVATEK's updated Regulations on Risk Management and Internal Control System
- Approval of NOVATEK's Human Rights Policy

## Remuneration and Nomination Committee

Functions:

- establishing effective and transparent remuneration of members of the Company's governance bodies and building up their expertise
- preparing recommendations to the Company's Board of Directors on which focus areas to select in sustainability, industrial safety, environmental protection, climate change, corporate governance, and social activities


32% Other 68% Sustainable development matters

- Review of NOVATEK's Sustainability Report 2020 and auditors' recommendations
- Evaluation of health, safety, environmental protection, and COVID-19 prevention
- Review of an information security report
- Performance in HR management, social and charitable activities
- Recommendations on the approval of the Human Rights Policy
- Board member independence
- External performance evaluation of the Board of Directors and its committees

## Strategy Committee

Functions:

- defining strategic goals and overseeing the implementation of the sustainability strategy
- making recommendations on the dividend policy


80% Other 20% Sustainable development matters

- Proposals to update the Company IT and digitalization strategy

### Audit Committee

Functions:

- overseeing the internal audit function
- supervising the performance of the risk management, internal control, and corporate governance systems


53% Other 47% Sustainable development matters

- Approval of NOVATEK's updated Regulations on Risk Management and Internal Control System
- NOVATEK's risk management status
- The implementation of NOVATEK's Anti-Corruption Policy
- Compliance with NOVATEK's Information Policy
- Evaluation of reliability and performance of the risk management and internal control system, as well as the corporate governance system

### Subcommittee on Climate and Alternative Energy under the Strategy Committee

Functions:

- providing recommendations to the Board of Directors on matters related to NOVATEK's climate and decarbonization strategy, renewable energy development and low-carbon fuel production


100% Sustainable development matters

- The progress of activities toward the 2030 Environmental and Climate Change Targets
- Principles for selecting renewable and alternative energy projects
- The implementation status of the Yamal Peninsula wind farm project
- The implementation status of $CO_2$ capture and underground storage projects in the Yamal Peninsula
- Low-carbon ammonia and hydrogen production
- GHG accounting and reporting methodology
- NOVATEK's LNG marketing strategy amid the growing importance of the climate agenda

Tasks set by the Board of Directors are implemented by the Management Board. Various sustainability aspects are overseen by respective deputies of the Chairman of the Management Board.

A dedicated unit coordinates sustainability matters, including information disclosure and stakeholder engagement on sustainability.

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

The procedure for calculating the remuneration and compensation paid to members of NOVATEK's Board of Directors is governed by the Regulations on Remuneration and Compensations Payable to Members of NOVATEK's Board of Directors approved by the Annual General Meeting of Shareholders. Shareholders are entitled to exercise their voting rights in accordance with the "one share, one vote" rule to determine the amount of remuneration payable to the Board of Directors.

The procedure and criteria for calculating the remuneration of the Chairman and members of NOVATEK's Management Board, as well as the compensation of their expenses, are prescribed in the Regulations on the Management Board, as well as in the NOVATEK Group's Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy. In line with the Policy, remuneration is linked to KPIs, including ESG scores.

For more details on the remuneration system for members of governance bodies, see NOVATEK's Annual Report 2021.

### Sustainability KPIs

To drive the successful achievement of its Environmental and climate change targets, NOVATEK set up an executive remuneration system based, among other things, on criteria for measuring goal attainment on sustainability. To enable an evaluation of performance against these goals, key performance indicators (KPIs) have been established, with weights defining targets for a particular reporting period.

One of the ESG-related KPIs is the HSE Management System performance index reflecting, among other things, climate.

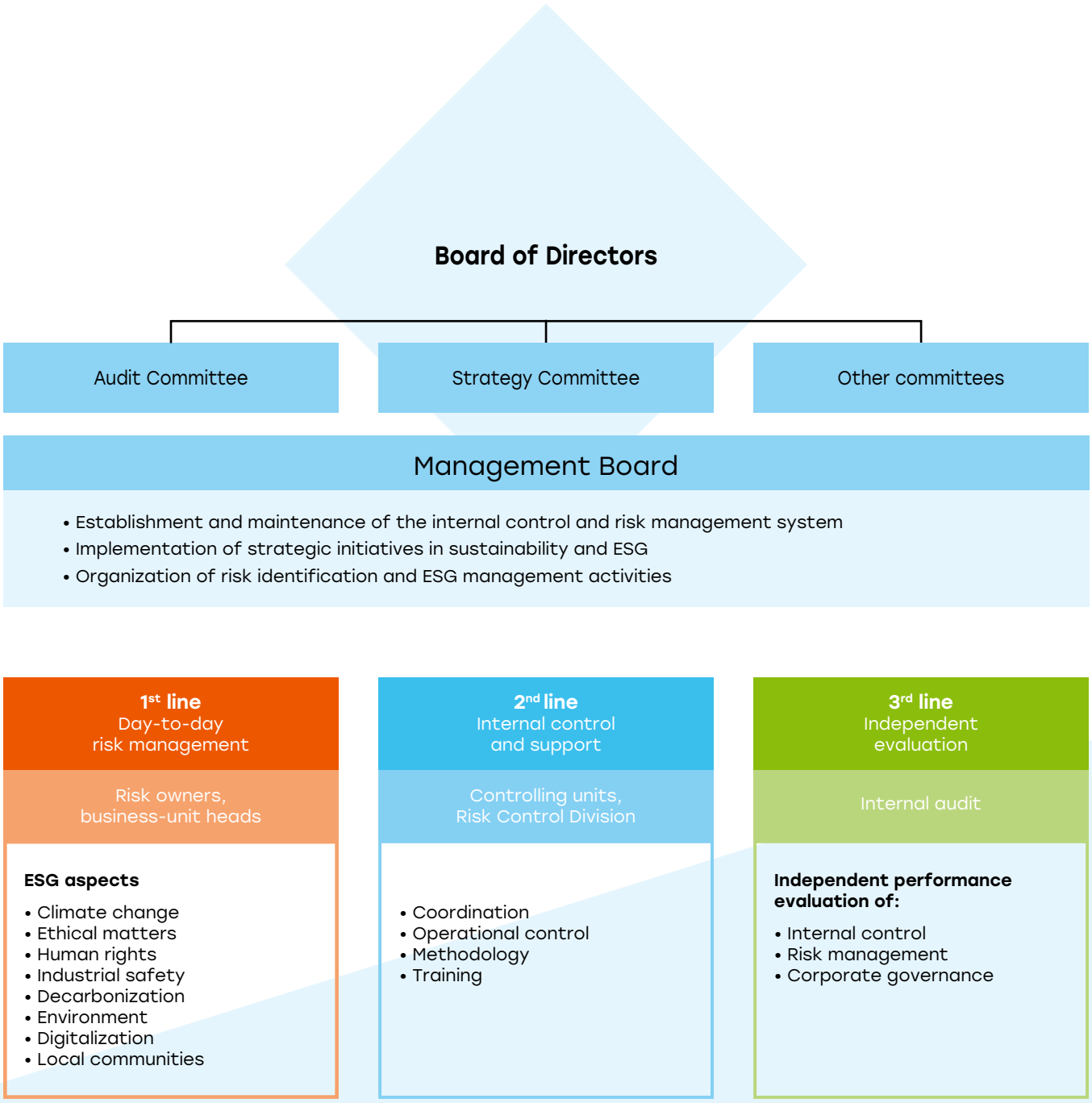
Performance against this KPI is determined by calculating an integral indicator and comparing it to the target. The integral indicator of each NOVATEK Management Board member's performance is calculated, among other factors, based on the following:

- Work-related fatal accident and lost time injury frequency rates in the reporting period
- Accidents, fires, and incidents at hazardous production facilities
- GHG emission intensity limits, equal to 2016 baseline emissions for gas production, 2017 baseline emissions for processing, and 2018 baseline emissions for LNG production
- The absence of violations of industrial safety, occupational health, and environmental protection legislation

In case of a work-related fatality, the entire integral indicator is considered not to have been achieved.

## Risk Management and Internal Control System

NOVATEK has in place a multi-tier risk management and internal control system (RMICS) that is subject to continuous improvement.



The basic principles and approaches, goals and objectives, composition, responsibilities and interaction procedures of RMICS participants are governed by NOVATEK's Regulations on Risk Management and Internal Control System approved by the Board of Directors and updated in 2021.

**Risk management process at the Company**


1 Set objectives
2 Define risk appetite
3 Identify risks
4 Evaluate risk impacts
5 Determine actions
6 Monitor and evaluate action results

The Company's RMICS has been established and operates in accordance with the best international and Russian risk management and internal control practices, including:

- COSO Enterprise Risk Management – Integrating with Strategy and Performance 2017 (COSO ERM)
- COSO Internal Control – Integrated Framework (2013)
- the Institute of Internal Auditors' Three Lines Model. An update of the Three Lines of Defense (2020)
- GOST R ISO 31000–2019, a national standard of the Russian Federation entitled Risk Management. Principles and Guidelines (2020), and other standards

Risk management aims to prevent events that can have negative impact on the Company's short- and long-term objectives. Managing risks threatening NOVATEK's sustainable development is a strategic goal of the Company, with a focus on the following objectives and areas:

- Ensuring operational safety and protecting employee health
- Reducing carbon footprint and anthropogenic impact on the environment
- Adapting to climate change
- Enabling responses to global challenges: COVID-19 and international sanctions
- Conducting business responsibly while considering the interests of local communities, respecting human rights and preserving biodiversity across the Company's footprint

The Company regularly identifies and assesses risks and defines actions to manage risks at all levels of corporate governance.

The Company describes risks with risk maps that classify the risks of all business processes and activities that may threaten the achievement of the Company's objectives on a planning horizon from one to three years.

For a list of NOVATEK's key risks and measures to manage them, see Appendix 2, Key Sustainability Risks, p. 164.

**In 2021, the Management Board and the Audit Committee reviewed the Company's Risk Map for 2022 with the following sustainability risks updated.**

Climate change risks: risks related to updates on energy transition matters, decarbonization, carbon regulation in the EU and Russia, climate change, and performance against climate and environmental goals

Conduct and corruption risks: risks of losses due to violation of ethical principles and human rights at the Company or by its contractors

## Risk management

The Company regularly conducts risk management activities, including stress testing, developing business continuity plans and taking out insurance.

### Stress testing

NOVATEK runs stress tests to assess the Company's resilience to the potential impact of the most significant risks using various tools:

- **Insurance stress testing**
  The Company annually conducts scenario modeling of emergencies to **determine potential damage to property and losses from business interruption under various risk scenarios**. Stress-testing enables the optimal insurance parameters to be selected, response plans to be developed and the probability that risk events take place in the future to be significantly reduced
- **Sensitivity analysis in financial planning**
  Strategic and operational planning, as well as the planning and implementation of major investment projects consider environmental factors with a significant potential impact on financial performance. These include internal carbon pricing, which is used to analyze investment project sensitivity to carbon regulation
- **Scenario modeling of climate change**
  The study of climate-related physical risks. The Company's operations are concentrated in the Arctic Circle and the Far North of Russia, where cold weather predominates, causing permafrost and water bodies to freeze over for prolonged periods. Stress testing of foundation strength and production cycle safety for changes in environmental parameters is used in the design and construction of buildings and other permanent structures, followed up by planning of adaptation to climate change. Conversely, global warming may reduce the logistical risks and costs of LNG transportation due to the thinner sea ice and a longer summer shipping season on the Northern Sea Route.

### Business Continuity Plans

Since 2018, the Company has been developing business continuity plans for serious accident and fault risk scenarios at process facilities to enable prompt responses, reduce costs and ensure production is restored at the critical process facilities as quickly as possible. Business continuity planning went ahead in 2021.

### Risk insurance

NOVATEK widely uses compulsory and voluntary insurance programs. All insurance programs involve the largest Russian and international insurance and reinsurance companies with a proven reputation and high ratings.

**Main types of insurance programs**

**Property damage and business interruption insurance (PD/BI)**

property damage insurance, including insurance of machines and systems against breakdowns and losses from business interruptions

**Directors' and officers' (D&O) liability insurance**

liability insurance for top managers and the Group against third-party claims following decisions made with adverse consequences

**Liability insurance of owners of hazardous production facilities and vehicles**

liability insurance of the Company's hazardous production facilities and vehicles, including damage to life or health from work-related and industrial accidents

**Investment project insurance**

comprehensive insurance programs for major projects (Yamal LNG, Arctic LNG 2, etc.) throughout the life cycle (design, exploration and production, construction and installation, operation, product transportation)

**Civil and environmental liability insurance**

liability insurance against environmental pollution or damage to life, health or property of third parties

**Property insurance**

insurance against damage to non-production facilities (office buildings, rotation camps and other social infrastructure facilities)

**Marine insurance**

insurance against damage/loss of finished products and project cargo during transportation, hull insurance, as well as ship owner's and charterer's liability insurance

**Well insurance**

insurance against well control incidents resulting from emergencies and against drilling equipment damage

# Ethics and Transparency

**NOVATEK is fully committed to ethical conduct and anti-corruption. The Company not only strictly complies with Russian law but also adheres to relevant international standards.**

The key documents that define the Company's position on business ethics are the Code of Business Conduct and Ethics, the Anti-Corruption Policy, the Corporate Governance Code, and the Supplier Code of Conduct. All NOVATEK employees are accountable for non-compliance with the business ethics standards laid down in these documents. Compliance with these and other generally accepted ethical standards is overseen by various units within the Company.

Ethics and corruption issues are addressed at the meetings of the Board of Directors and the Audit Committee. Compliance with ethical conduct and anti-corruption standards at the executive body level is overseen by a designated Deputy Chairman of the Management Board. The Code of Business Conduct and Ethics is reviewed on a regular basis by the Internal Audit Division for relevance and potential amendment.

**NOVATEK considers the following aspects of ethical conduct as the Company's priorities:**

- Respecting all aspects of human rights
- Pursuing anti-corruption efforts; having zero tolerance for corruption
- Keeping people's life and health as a top priority; ensuring safe working conditions
- Adopting a responsible attitude to the culture and traditions of local communities
- Ensuring information security and the confidentiality of personal data

The Company works consistently to integrate ethics into its strategy, culture, and day-to-day operations, and, in December 2021, it adopted a Human Rights Policy.

NOVATEK conducts its business to prevent any violation of the Code of Business Conduct and Ethics or legal requirements. The Company acknowledges the need for efficient resolution of ethical issues and has developed and introduced a grievance mechanism. Several channels have been set up for stakeholders, including local communities, to file complaints and requests: by phone, post or e-mail, and via feedback and suggestion boxes.

For a list of communication channels, see the Contacts, Channels to File Complaints and Requests section, p. 212.

For more details on grievance mechanisms, see Chapter 6, Human Rights, p. 115.

## Anti-corruption

NOVATEK strictly abides by the anti-corruption laws of Russia and other countries in which it operates. 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 NOVATEK subsidiaries and joint ventures have similar documents in place.

To prevent corruption, the Company develops Action Plans to be taken to implement the Anti-Corruption Policy.

**During the reporting year, anti-corruption initiatives were implemented as part of the 2021 Action Plan, including:**

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

The results of anti-corruption efforts and the new 2022 Action Plan were reviewed by the Audit Committee at year-end 2021.

NOVATEK is also implementing a range of measures to prevent corrupt practices. These include counterparty vetting, due diligence on prospective employees and HR management.

Vetting complies with Russian and international anti-corruption and tax laws. Should risks be identified, the Company does not enter into a contract.

An anti-corruption clause is incorporated into all the Company's agreements with third parties, whereby it's partners undertake to comply with NOVATEK's Anti-Corruption Policy and ethical norms or equivalent.

The Company identified no cases of corruption in the reporting period.

In addition to the rules for proper dealings with government officials set forth in its Anti-Corruption Policy, NOVATEK does not allow facilitation payments, i.e. payments to government officials to expedite routine actions.

To prevent corruption, the Company implements a range of measures to communicate its Anti-Corruption Policy to all stakeholders. As of 31 December 2021, 100% of employees, governance body members and business partners were informed of the Company's Anti-Corruption Policy.

Employees familiarize themselves with the Policy at the time of hiring. Furthermore, employment contracts include provisions requiring employees to comply with the Company's anti-corruption standards.

Any employee may seek clarification of the Anti-Corruption Policy provisions, advice on corruption prevention or help with any other corruption-related matter from the Company's Anti-Corruption Advisor. Calls on corruption related matters are also accepted through the 24/7 Security Hotline.

For a list of communication channels, see the Contacts, Channels to File Complaints and Requests section, p. 212.

### Anti-corruption training

In 2021, all new starters at the Company completed an online training course called Basics of the Company's Anti-Corruption Policy and Anti-Corruption Conduct of Employees, and by year-end, all employees were trained in the basics of anti-corruption conduct. The online course is available on the home page of the Company's intranet portal, in the special area for new starters and is also accessible to employees of Company subsidiaries and affiliates via a single hyperlink. Company employees can undergo refresher training at any time.

Also in 2021, the Anti-Corruption Advisor delivered training to persons responsible for the implementation of the Anti-Corruption Policy at controlled entities, who, in turn, conducted training at their respective companies.

## Approach to taxation

NOVATEK strictly complies with applicable Russian tax and transfer pricing laws, international treaties, laws of foreign jurisdictions in which Group entities operate, and the provisions of international laws, directives, and recommendations.

For more details, see Appendix 3, Approach to Taxation, p. 168.

## Transfer pricing

NOVATEK operates in full compliance with the OECD Transfer Pricing Guidance (the Framework on BEPS), as well as with local transfer pricing legislation of jurisdictions in which the Company operates.

In order to ensure transparency and complete disclosure of information on NOVATEK operations, in particular, on profits and taxes accrued and paid by jurisdiction, the Company annually prepares and submits to relevant tax authorities a Master File and a Country-by-Country Report under BEPS Action 13 and prepares a Local File in accordance with the requirements of applicable jurisdictions.

# Information Security

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

Information security matters are reviewed annually by the Remuneration and Nomination Committee of the Board of Directors. Operational responsibility for information security lies with the Deputy Chairman of the Management Board reporting to the Chairman of the Management Board.

The Company has approved several internal corporate documents to ensure a uniform approach to information security managementat NOVATEK, including the following:

- Information Security Policy
- Regulations on Corporate Information Network Building
- Corporate Information Network Policy
- Automated Workplace Roll-Out Procedures
- Backup and Recovery Procedures

## Information security risk management

The Company regularly conducts critical infrastructure facility identification to support information risk management. In 2021, information security threats modeling was carried out, including the identification of potential intruders and the assessment of possible damage. This was followed up by the design of a system to protect critical infrastructure information from identified current information security threats and potential intruders.

To prevent major incidents affecting its IT infrastructure, the Company analyzes IT vulnerabilities, including through simulated attacks. This task is performed by external contractors.

Over the past three years, the Company has not seen any breaches of information security.

NOVATEK uses information security software and hardware solutions that are predominantly certified (84%).

## Key initiatives to improve information security

Aiming to improve its information security management system, the Company continuously implements a range of information protection initiatives, including:

- user access control and management
- introduction of security requirements for information systems
- corporate network security management
- enforcement with Russian laws on information protection and engagement with information security regulators

## Cybersecurity

Cybersecurity is top of the agenda for NOVATEK. Every month, Company specialists detect and prevent, on average, over one million potentially dangerous e-mails, two million attacks from the internet, two thousand targeted attacks on data assets, and 850 virus incidents in servers and workplaces.

In 2021, NOVATEK continued designing its corporate information security monitoring center to monitor the information security of its subsidiaries and joint ventures and their critical facilities. The security monitoring center will centralize the management of security incidents, protective equipment and system performance monitoring, as well as the detection and prevention of cyber-attacks.

A key cybersecurity task is improving Company employee and counterparty awareness of cybersecurity. When engaging with third parties, the Company signs a non-disclosure agreement and includes information security provisions into contracts.

# Innovation

**NOVATEK has its own advanced R&D facilities to develop and deploy innovative technologies. The Company's consistent research and development efforts are focused on geological exploration, drilling, production, treatment, and processing of hydrocarbons.**

**The Company's key achievements in innovation include:**

- **the Scientific and Technical Center (STC):** since its establishment in 2010, the Company's STC has focused on deploying advanced geological data acquisition and interpretation technologies and supporting Arctic exploration and drilling. The center is actively incorporating machine learning into its services and using artificial intelligence to analyze geological data
- **leadership in innovation:** thanks to the use of innovative technologies, NOVATEK was one of the first Russian companies to drill horizontal gas wells, achieving record performance in Russian gas industry when developing the Achimov deposits: in 2021, the Company drilled a well with a total measured length of 6 km, the maximum achieved in the Achimov deposits
- **innovations in decarbonization and alternative energy:** an important focus area for NOVATEK is developing economically sound solutions to prevent climate change. With this aim, a feasibility study was completed for carbon dioxide capture and storage (CCS) technologies, as well as for low-carbon hydrogen and ammonia production, storage, transport, and use technologies in 2021. In the reporting year, the Company also assessed the viability of using renewable energy sources in the Arctic conditions.

### Winner of the International Competition of Scientific, Technical and Innovative Solutions

An important achievement in 2021 was the award of Laureate Diplomas "for contribution to the innovative development of the fuel and energy industry" to NOVATEK and its subsidiaries at the International Competition of Scientific, Technical and Innovative Solutions for the Energy and Extractive Sectors. The diplomas were awarded by the Ministry of Energy of the Russian Federation.

**Key innovations in production, exploration and field development**

| Technology | Effect achieved |
|---|---|
| Use of gravity-based structures in the Arctic LNG 2 project | A minimized footprint of plant facilities, low risk of accidents and a minimized impact on permafrost |
| Use of self-contained renewable energy sources at remote gas well pads | Lower greenhouse gas emissions; optimized CAPEX for the construction of high-voltage lines in areas without developed infrastructure |
| Development of eco-drilling rig concept with optimum equipment parameters to minimize $CO_2$ emissions and achieve zero discharge | Development of a holistic approach to drilling mechanization and automation, contributing to a comprehensive reduction of the Company's carbon footprint |
| Prioritization of well logging that does not release hydrocarbons into the atmosphere, for example, by using full-flow separators and multi-phase flow meters | Utilization of gas which would otherwise be flared during well logging; lower CO2 emissions |
| Use of a guar-free base with 30% less specialty chemicals in hydraulic fracturing | Lower water consumption and smaller environmental footprint |

# Supply Chain

## NOVATEK is building a sustainable and transparent supply chain by consistently embedding sustainability into its strategic and operational activities.

Procurement is a strategic element of the Company's supply chain management system. The Company annually procures large quantities of goods and services, and engages many contractors.

NOVATEK's key priority in supply chain management is operational continuity, so the Company seeks to ensure best value for money, requiring its suppliers to deliver high-quality goods, works and services on time. The Company strives to localize production as much as possible.

**The Company's sustainable procurement goals are as follows:**

- Equal treatment, non-discrimination, and respect for fair competition among bidders
- Information transparency
- Compliance with NOVATEK's business ethics, anti-corruption and HSE requirements
- Long-term relationships with key partners

The key documents governing the Company's procurement activities are NOVATEK's Procurement Policy, the Supplier Code of Conduct and the Regulations on Procurement of Materials, Equipment, Works and Services for NOVATEK.

### Procurement organization

NOVATEK's supply chain management system is a comprehensive process consisting of interrelated elements and requiring transparency and accountability across all stages of procurement.

NOVATEK has incorporated risk assessment into its supply chain management. Procurement risks are included in the Company's Risk Map, and remedial actions are defined to mitigate these risks.

NOVATEK has in place a methodology for supplier KPI selection and evaluation. KPIs include an assessment of how far supplier obligations are fulfilled vis-a-vis quality and lead time of products, works and services. The KPIs are also used to assess suppliers' process and resource capabilities. Compliance with the Supplier Code of Conduct and environmental risk assessment results are also considered.

**Procurement process**

## Procurement transparency and equal treatment of suppliers

To ensure the transparency of procedures and the equal treatment of bidders, NOVATEK conducts procurement through an electronic trading platform and favors open competitive tendering, which any bidder may join. Requirements for bidders and procured items are set to eliminate prejudice for or against any bidder.

The contract award system at NOVATEK uses a rigorous process, maximizing the transparency and objectivity of decisions. Bids are evaluated by a cross-functional team of experts who do not influence each other's opinion.

The procurement control system includes due diligence procedures and corruption risk assessment across the Company's supply chain. Moreover, tender procedures are controlled at all stages for above-threshold procurement.

## Key supplier identification and supplier assessment for risk exposure

NOVATEK's supplier pool comprises major domestic and international players. Suppliers are categorized by criticality and rating based on an integral evaluation of the results of supplier qualification and collaboration. The Company's supplier database includes about 600 counterparties, most of which are registered in Russia. The latter accounted for 83% of the procurement volume in 2021.

Supplier evaluation for risk exposure considers a variety of factors such as geographic location, size, sector, and supplier profile vis-a-vis required product characteristics. Other considerations include supplier status (manufacturer, official representative, procurement company), company size, available resources, and existing capabilities and experience. The Company also identifies critical suppliers.

Aiming to develop a competitive environment, the Company seeks to expand its supplier pool and regularly conducts market research to attract new manufacturers to bidding. Potential suppliers not meeting the respective supplier qualification criteria are given feedback to improve their production processes.

### Localizing production in Russia

NOVATEK seeks to support local producers by favoring products and services of Russian origin if they meet technical requirements and are competitively priced vs. imported counterparts.

Measures to localize production in 2021 included:

- successful preliminary bench tests of a large-capacity LNG pump manufactured in Russia at the Company's request
- the completion of a tube bundle for Russia's first large-capacity cryogenic coil-wound heat exchanger manufactured in St. Petersburg at the Company's request
- the completion of bench tests of DAFNA, a Russian-made modular well log for geophysical research of wells

Jointly with Kogalymneftegeofizika and Bashneftegeofizika, the Company successfully piloted Russian-made autonomous well-logging equipment for directional drilling operations at the Yarudeyskoye field.

## Supplier evaluation system

NOVATEK manages its supply chain in accordance with high ethical standards, and expects its suppliers to observe the principles of open and honest business conduct, business ethics and sustainable development, to maintain high standards of environmental protection, occupational health and safety, and to respect employee rights (including preventing child and forced labor).

In 2020, seeking to build a sustainable supply chain, the Company approved NOVATEK's Supplier Code of Conduct defining the Company's expectations and recommendations regarding supplier compliance with the principles of the UN Global Compact, the International Labor Organization, the Declaration on Fundamental Principles and Rights at Work and applicable environmental, occupational health and industrial safety laws. Before signing a contract, the Company informs its counterparties on this Code and expects them to comply with it. Our contracts also include the OHS requirements for any supplier to comply with.

To make sure the performance of a counterparty meets contractual requirements for time and quality, NOVATEK runs a rigorous qualification process to investigate bidders' solvency, relevant experience and capabilities, business reputation, required production capacity and human resources, as well as quality assurance systems in place.

### Supplier audits

To ensure compliance with NOVATEK's requirements for suppliers, the Company conducts on-site qualification audits either once every three years or as part of the procurement procedure involving new suppliers. Desk audits of all suppliers are conducted once a year.

The audits include the following:

- Verification of the technical and resource capabilities of suppliers to produce the required products, as well as the availability of necessary permits, a quality management system, supply experience, and codified business processes
- Supplier assessment for compliance with anti-corruption, environmental, health, safety and human rights requirements, including under Russian law, international standards, and NOVATEK's internal regulations

Suppliers who fail an on-site qualification audit have their qualified supplier status revoked and are asked to develop a corrective action plan, have it approved by NOVATEK and implement it within a set timeframe. Completion of the corrective action plan is verified by a desk audit, with a follow-up audit conducted by the Company as and when necessary. Suppliers who fail to close the identified gaps are not awarded the qualified supplier status until the full resolution of issues raised.

In 2021, NOVATEK conducted 77 on-site audits. These audits resulted in 48% of suppliers receiving comments that they were non-compliant with the Company's requirements for industrial and fire safety, occupational health, and environmental protection. Overall, 24% of suppliers had their corrective action plans developed and implemented as of 31 December 2021.

## Supplier relations

NOVATEK places a strong emphasis on strategic collaboration with its suppliers and building mutually beneficial long-term relationships. The Company holds regular open forums for suppliers and contractors to keep the market current on its capital construction plans and explain key requirements for potential counterparties.

In 2021, Belokamenka in the Murmansk Region hosted Wider Cooperation in Capital Construction, the third Forum of Contractors and Equipment Suppliers. The Forum was attended by 153 companies – suppliers, contractors and government officials. Such events contribute to localization of equipment production and import substitution for major LNG projects, and thus to lower CAPEX and a more competitive Russian LNG sector as a whole.



# Producing safe energy

NOVATEK sees its role in the global energy transition as a supplier of clean fuel and plans to build up supplies of natural gas and LNG in order to provide communities with access to relatively inexpensive and safe energy.

# Climate Change

| Priority UN SDGs | Russia's national development goals | NOVATEK's goals |
|---|---|---|
| 13 Climate Action<br>Target 13.1. | Comfortable and safe living environment | **by 6%**<br>To reduce GHG emissions per unit of production in the upstream segment by 6% from a 2019 baseline by 2030<br>**by 5%**<br>To reduce GHG emissions per ton of LNG produced by 5% from a 2019 baseline to 2030<br>**by 4%**<br>To reduce methane emission intensity by 4% from a 2019 baseline by 2030<br>**to 99%**<br>To increase APG utilization rate to 99% from a 2019 baseline by 2030<br>To expand the use of renewables |
| 7 Affordable and Clean Energy<br>Targets: 7.1, 7.3 | Comfortable and safe living environment | **up to 70 million tons per year**<br>To increase LNG production from Company projects up to 70 million tons per year by 2030<br>To supply LNG to consumers in areas remote from existing gas transmission infrastructure by 2025<br>To improve energy efficiency continuously |

**1.2 RR bln**

**spent in 2021 to achieve climate change and environmental targets**

For more details on achieving strategic climate change targets, see Management Approach section, p. 52.

## 2021 highlights

- Subcommittee on Climate and Alternative Energy set up under the Board of Directors' Strategy Committee
- Internal carbon pricing mechanism developed (introduced in early 2022)
- Wind measurement program launched to explore wind farm opportunities on the Yamal Peninsula
- A satellite project piloted to monitor for methane leaks at individual fields, confirming the absence of leaks
- The first stage of certifying storage sites for long-term underground storage of $CO_2$ to international standards successfully completed in early 2022

**Progress**

To achieve the set climate change and environmental targets, the Company is running a Comprehensive Program focused on atmospheric air protection.

Significant progress was made in the reporting year:

- GHG emission intensity was reduced
- APG utilization rate rose **to 96.7%**

**A total of 209 th. kWh**

of energy were generated from renewables, and wind measurement was launched to inform decision making on the potential expansion of own renewable capacities.

## to 20 million tons

LNG production increased to 20 million tons (12 million tons taking into account the proportionate share in the production of joint ventures)

## to 13

The number of LNG stations in Russia increased to 13

## to 43.2 th. GJ

Total reduction in energy consumption driven by energy-efficiency and energy-saving initiatives amounted to 43.2 th. GJ

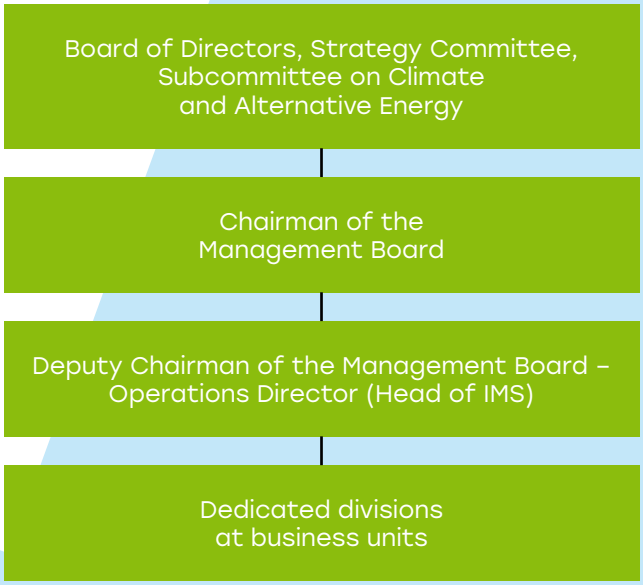
### Plans for 2022 and the medium term

- To minimize wastewater combustion in horizontal gas flaring systems
- To set up a multilevel emission measurement system, including for methane

### Key corporate documents

- Standard for Greenhouse Gas Emission Management
- Comprehensive Program of Energy-Saving Measures at NOVATEK Subsidiaries and Affiliates for 2022–2024

### Organizational structure



# Global Trends in the Transition Economy

**Climate risks have been topping the list of the most serious threats to humanity for several years in a row. At the end of 2021, climate action failure was recognized as the number one threat to the world and the risk with potentially the most severe impacts over the next decade.[1] Humanity thus faces the challenge of drastically reducing greenhouse gas emissions while maintaining economic growth and meeting the world's growing energy demand.**

## The need to cut emissions

Despite ongoing efforts to curb global warming, the past five years have been the hottest on record since record-keeping began for global temperature in 1850.[2] This threatens the Paris Agreement goal of limiting the global average temperature rise to below 2°C above pre-industrial levels.[3]

In this context, more and more countries in the Paris Agreement start to declare carbon neutrality goals, which will require an energy transition at an unprecedented speed and scale. At the beginning of 2022, 136 countries of the 195 signatories to the Paris Agreement committed to achieving full carbon neutrality by 2050 or 2060, with 44 of them adopting respective goals at the legislative level.[4]

Russia joined this list in 2021, announcing the goal of achieving carbon neutrality by 2060. To date, the Federal Law On Limiting Greenhouse Gas Emissions has been passed, the Strategy of Socio-Economic Development of the Russian Federation with a Low Level of Greenhouse Gas Emissions until 2050 has been approved, and a state system of accounting for greenhouse emissions is planned for launch.

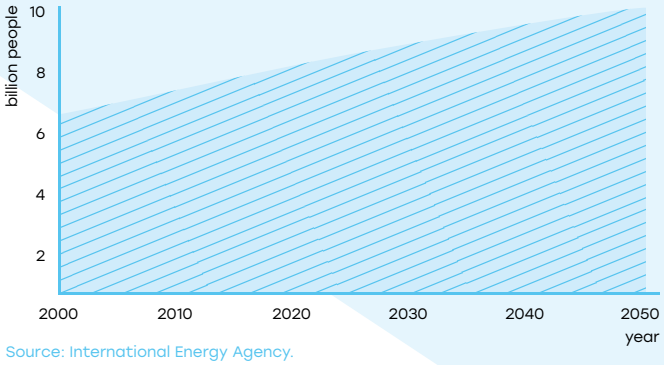
## Need for economic growth

Moving towards carbon neutrality must also consider the need for universal safe access to clean and affordable energy, in line with the UN Sustainable Development Goals.

According to the International Energy Agency (IEA), the growing global population and improving living standards across the globe will continue to drive energy demand. The problem of providing the growing global population (see the graph below) with access to affordable and safe energy resources will become very urgent in the immediate future.[5] Many developing countries often cannot afford even the cheapest and unsafe energy, while building renewable-energy infrastructure requires significant investment.

1. World Economic Forum (WEF), The Global Risks Report 2022, 17th Edition, p. 18.
2. An IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, p. 57.
3. COP26 The Glasgow Climate Pact, p. 7
4. https://eciu.net/netzerotracker.
5. IEA, World Energy Outlook 2021, p. 44.

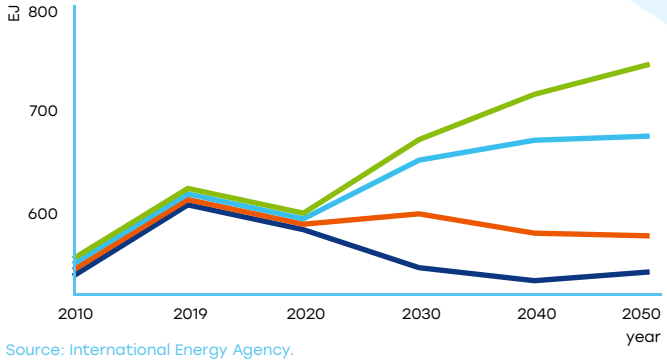
**World population**




Source: International Energy Agency.

The 2021 energy crisis clearly demonstrated that the global community is currently unable to meet this growing demand with renewable energy alone. Amid an economic recovery, unfavorable weather for renewables and disruptions to other commodity supply chains in 2021, coal-fired generation jumped by a record 9%,[6] in the process driving $CO_2$ emissions from power generation to an all-time high.

**Global energy consumption**




Source: International Energy Agency.

## The role of natural gas in the energy transition

Cleaner-burning natural gas is the most accessible and cheapest energy source to replace coal in the global energy transition.

The IEA predicts that natural gas demand will grow in all scenarios through 2025. In the Stated Policies Scenario (STEPS), natural gas demand will continue to grow beyond 2025, increasing by about 15% between 2020 and 2030, mainly due to the growing demand in developing countries. In China, demand is projected to grow by 40% by 2030. By 2050, demand for natural gas will reach 5,100 bcm, up about 30% from 2021.

In 2021, natural gas consumption was up 5%. Gas is expected to remain an essential component of global energy consumption, critical to energy market balance in many regions for decades to come.

In early 2022, the European Commission included natural gas in the EU's proposed "sustainable finance taxonomy", a classification of sustainable activities for investors to facilitate the transition to carbon neutrality.

6. IEA, Electricity Market Report, January 2022, pp. 7–13.

### Natural gas as a replacement for coal

Replacing coal-fired generation with gas-fired generation reduces greenhouse gas emissions significantly. For instance, switching from coal to natural gas reduced greenhouse gas emissions by more than 500 million tons between 2010 and 2018.[1]

The coal-to-gas switch, ongoing since 2010 primarily in the energy sector in the US and Europe but also in real estate and manufacturing in China, resulted in a 750 million tons reduction in global greenhouse gas emissions in 2020. Under the Announced Pledges Scenario (APS), many regions would continue to switch from coal to gas. Around 100 bcm of additional gas would be used to replace coal in 2030, avoiding around 180 million tons of $CO_2$ emissions in that year.[2]

Switching also helps to improve air quality, contributing to a 50% reduction in coal-based sulfur dioxide (SO2) and particulate matter (PM2.5) emissions.[3]

### Natural gas as a source of low-carbon production

Reforming natural gas is currently the most advanced and cost-effective industrial process for hydrogen production. Natural gas accounts for 60% of global hydrogen production.[4] Such hydrogen production, combined with the capture of associated carbon dioxide, is an important technological route to decarbonize the manufacturing sector and transportation in the near term. In addition to hydrogen, natural gas can be used to produce blue ammonia and other low-carbon gas products. Ammonia is seen as the most convenient hydrogen carrier for marine transportation, as well as a product for decarbonizing power generation, for instance, through co-firing of ammonia in coal-fired plants. Ammonia is one of the few alternatives to reduce greenhouse gas emissions from shipping.

### Accessibility and convenience of gas

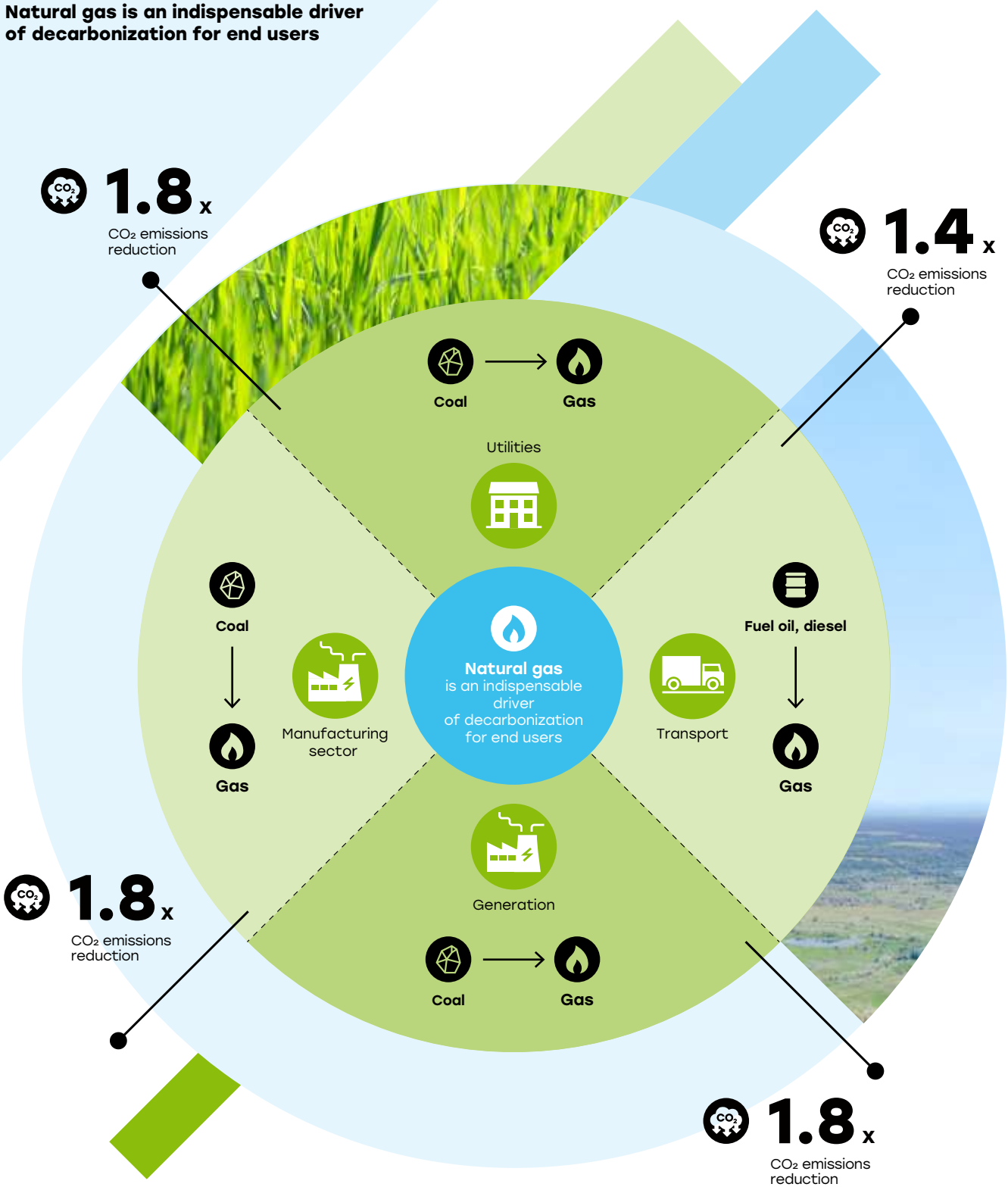
Used in industrial processes and for heating buildings in winter, natural gas allows rooms and materials to be quickly heated to high temperatures. In addition, gas enables the efficient seasonal storage of energy, which is almost impossible to do with renewables without substantially increasing the cost of energy supplies. Natural gas remains the most accessible fuel, supported by the relative ease of transportation both by pipeline and as LNG, its efficient and relatively cheap production costs and the significant reserves in various parts of the world.

### Natural gas as a complement to renewables

Natural gas remains the main backup fuel for renewable power, such as solar and wind. In cases solar or wind energy becomes unavailable for some reason at a certain moment, gas ensures uninterrupted energy supplies to consumers. Gas also helps to secure energy supplies during demand peaks, such as extreme weather, when renewable energy is insufficient.

1. IEA, The Role of Gas in Today's Energy Transitions 2019, p. 7.
2. IEA, World Energy Outlook 2021, p. 228.
3. IEA, The Role of Gas in Today's Energy Transitions 2019, p. 41.
4. IEA, Global Hydrogen Review, p. 108.

## Natural gas is an indispensable driver of decarbonization for end users




### Advantages

- Reduced GHG emissions
- Improved air quality
- Supply flexibility
- Secure storage
- Uninterrupted energy supply

# Management Approach

**NOVATEK sees its role in the global energy transition as a supplier of clean fuel, and plans to build up supplies of natural gas and LNG to provide communities with access to relatively inexpensive and safe energy. The Company's business strategy considers the increasing role of LNG in the global energy mix as it is replacing other fossil fuels to limit the global temperature rise to 2°C (the 2°C scenario). The Company has fully embraced the Paris Climate Agreement, which has been ratified by the Russian Federation, and makes every effort to curb GHG emissions.**

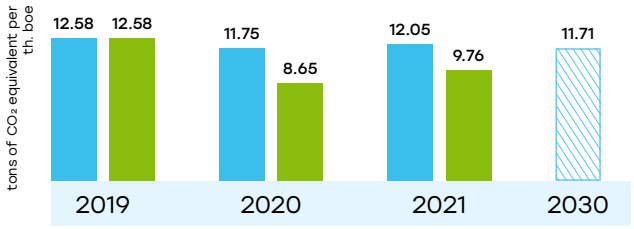
The Company has ambitious goals to further improve its efficiency on the path to carbon neutrality, despite NOVATEK already having reached one of the lowest levels of GHG emission intensity in the industry.

## Climate Change Targets

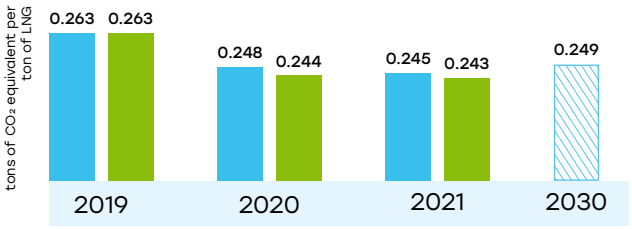
In 2020, the Company's Board of Directors approved climate change and environmental targets to 2030. The climate change targets are aimed at reducing GHG emissions to limit global temperature rise to 2°C (the 2°C scenario). The year 2019 was adopted as the baseline for establishing the targets.

For more details on environmental targets, see Chapter 4, Environmental Protection, p. 72.

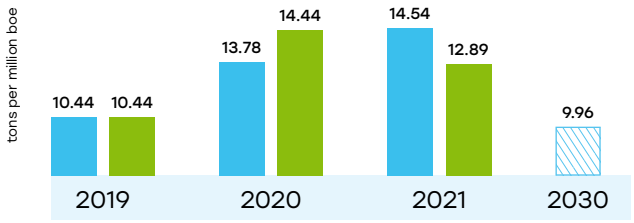
**1. To reduce GHG emissions per unit of production in the upstream segment by 6% by 2030**



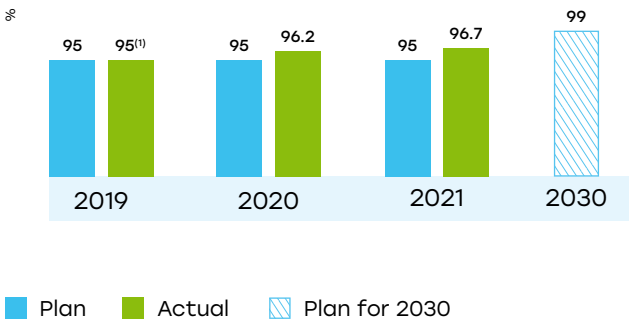

**2. To reduce GHG emissions per ton of LNG produced by 5% by 2030**




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




**4. To increase the APG utilization rate to 99% by 2030**




1. Requirement of Resolution of the Russian Government No. 1148 On Specifics of Calculating Environmental Charges for Emissions of Polluting Substances from Flaring and/or Venting of Associated Petroleum Gas, dated 8 November 2012.

The Company is implementing a Comprehensive Program to achieve its climate change and environmental target and, in 2021, the Program focused on atmospheric air protection.

For more details, see the Emissions section, p. 88.

On the back of its implemented measures, the Company has made significant progress toward its targets. The targets to reduce GHG emission intensity in the upstream segment and LNG production were exceeded.

## Climate Change Management

Climate change topics are monitored at the level of the Board of Directors and its committees. NOVATEK consistently enhances its climate change management system, for example, in 2019, the powers of the Remuneration and Nomination Committee of the Board of Directors were expanded to include reviewing the Company's progress on its climate change and environmental targets. In 2021, NOVATEK also established a Subcommittee on Climate and Alternative Energy under the Board of Directors' Strategy Committee.

The subcommittee's key tasks are to review the Company's business performance and prepare recommendations to the Board of Directors on matters related to NOVATEK's climate and decarbonization strategy, renewable energy development and low-carbon fuel production.

The subcommittee's recommendations are submitted to the Board of Directors for consideration.

At the operational level, the Deputy Chairman of the Management Board – Director for Prospective Projects oversees the Company's decarbonization projects. Matters related to GHG emissions management fall directly within the authority of the Deputy Chairman of the Management Board – Operations Director, who is responsible for the Integrated HSE Management System.

**Topics covered by the Subcommittee on Climate and Alternative Energy under the Strategy Committee of the Board of Directors in 2021, %**


| | |
|---|---|
| 37% | Renewables |
| 18% | Low-carbon ammonia and hydrogen |
| 9% | $CO_2$ capture and storage |
| 9% | Progress on climate change and environmental targets |
| 9% | GHG monitoring and reporting |
| 9% | Green LNG |
| 9% | Other |

### Introduction of internal carbon pricing

To improve the assessment and analysis of carbon regulation risks, in early 2022, the Company amended its local regulations to include internal carbon pricing impact into approval criteria for investment projects. Carbon prices will be based on a differentiated approach for projects in Russia and abroad, considering applicable laws and established industry practices.

Introducing GHG emission pricing into investment decisions through internal carbon pricing is industry best practice.

## Cooperation on decarbonization

NOVATEK makes every effort to further reduce carbon dioxide emissions from its operating assets and considers new solutions on the path to a net-zero future. To this end, the Company actively develops partnerships in decarbonization. In 2021, we signed over 10 agreements with major companies from Russia and other countries.

In 2021, joint working groups set up with partners reviewed decarbonization best practices and available low-carbon technologies, explored and conducted a technical assessment of the most effective solutions to use in the Arctic wind farm project, leveraging the existing Yamal LNG infrastructure and advanced wind energy technologies.

In 2022, the medium-scale LNG plant of Cryogas-Vysotsk started replacing conventional energy sources with renewable energy purchased from third parties under cooperation agreements.

In an effort to foster cooperation on decarbonization in 2021, NOVATEK was actively involved in preparing the MRV and GHG Neutral Framework by the International Group of Liquefied Natural Gas Importers (GIIGNL) released in November 2021. GIIGNL is focused on making LNG import operations more sustainable and disclosures on GHG emissions from LNG cargoes more transparent.

### Key Areas of Cooperation on Decarbonization

| Area of cooperation |
|---|
| • Decarbonization; carbon dioxide capture, utilization and storage; development of hydrogen production and hydrogen fuel technologies |
| • Co-development of requirements, standards and engineering solutions for the manufacturing and supply of hydrogen pipelines, turbines, hydrogen storage systems, hydrogen transport tanks, decarbonization, and carbon dioxide capture, utilization and storage |
| • Green financing for environmental and climate change projects, renewable energy development, production and transshipment of low-carbon products |

### Engaging with the government on decarbonization

NOVATEK keeps track of changes in legislation, assesses the implications of such changes and updates its plans accordingly. In addition, the Company takes an active role in preparing proposals on improving legislation and communicates its position, including on decarbonization and the achievement of climate change targets.

**In 2021, the key focus areas were:**

- the development of the energy sector, including hydrogen power
- energy efficiency
- the reduction of GHG emissions and the climate agenda
- the development of initiatives related to supporting Russian manufacturers and localization of equipment production
- preservation of the biological diversity of marine ecosystems in the license areas located in the Russian Arctic zone

## Climate change: risks and opportunities

The management of climate-related risks and opportunities is an integral part of NOVATEK's multi-tier risk management and internal control framework and is carried out in line with the procedures for identifying and assessing risks and developing measures to manage all Company risks.

Following TCFD recommendations, the Company assesses and incorporates the impact of climate-related risks and opportunities into the Company's activities across the aspects below:

- Identification, classification, management procedures
- Setting metrics and goals
- Integration into corporate governance
- Integration into strategic and financial planning

Processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management system and performed according to the established stages.

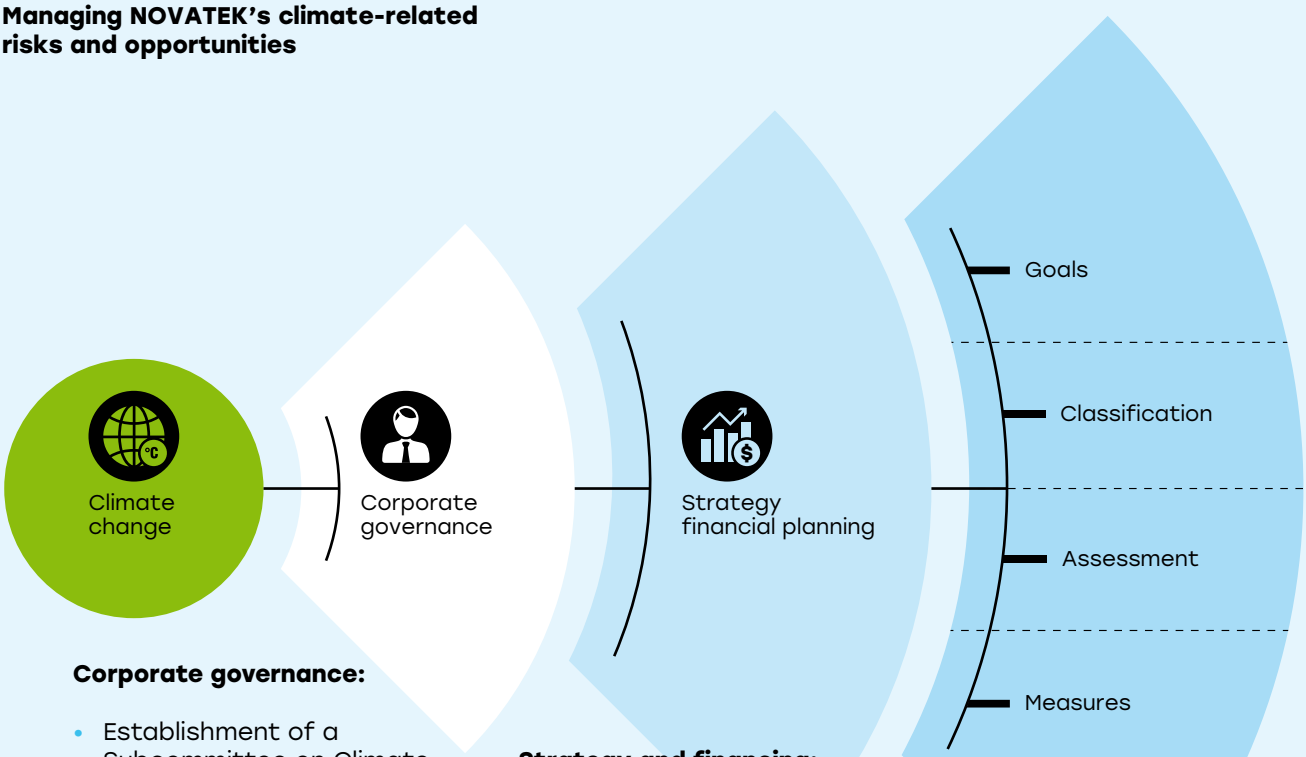
For more details, see the Sustainability Management System section, p. 21.

Climate-related risks and opportunities are identified and assessed as per the approaches outlined in NOVATEK's internal regulations, which provide climate-related risk identification, probability forecasts and quantitative assessment of their impacts. For each risk, there are measures in place to prevent or reduce its potential negative impact. The risks were monitored on an ongoing basis throughout the year.

In 2021, the Company continued to explore climate-related risks and opportunities. The Company's Risk Map includes several climate-related risks, for instance, the risks of incurring additional costs to ensure the durability of buildings and structures amid changes in the climate and permafrost and aggravating geological hazards. In the reporting period, the corporate Risk Map was updated to reflect changes in the following risks:

- Risk of damages/suspension of operations due to soil subsidence under the foundations of buildings and structures amid rising ambient temperatures
- Risk that weather conditions in the Far North may impact the Company's production activities (operation and construction of new facilities)
- Risk of reduced market capitalization if the set climate change or environmental targets are not met or fall short of expectations
- Risk of changes in carbon regulations in Russia and abroad that may impact the Company's business

**Managing NOVATEK's climate-related risks and opportunities**




**Corporate governance:**

- Establishment of a Subcommittee on Climate and Alternative Energy under the Strategy Committee of the Board of Directors
- Consideration of global trends in carbon footprint reduction, renewable energy development and carbon regulation
- Prioritization and goal setting

**Strategy and financing:**

- Incorporation of climate change targets into NOVATEK's Strategy 2030
- NOVATEK's environmental targets to reduce emissions by 2030
- Incorporation of climate change adaptation measures into financial planning

**Implementation of measures:**

- Identification of climate-related risks according to TCFD
- Environmental monitoring and measurements
- Decarbonization measures
- Research on alternative and renewable energy
- Selection of the most promising decarbonization, renewable and low-carbon energy projects

## Climate-related risk assessment

The Company identifies and assesses climate-related risks in line with the TCFD classification. Climate-related risks are identified as part of the environmental, socio-economic and public health impact assessment of the Company's key production projects, including those in the Arctic zone.

To assess the impact of a risk, a risk criticality index is used, which considers the probability of risk occurrence and quantitative assessment of its potential impact, including potential damages to assets, the probability of business suspension, increased costs and expenses, and other consequences.

## Transition risks

### Laws and regulations

Risk criticality

**Risks**

- Higher costs due to new/tighter carbon regulations in the EU, Russia or globally
- New regulatory requirements for business activities and reporting

**Measures**

- The Company's support of global initiatives to reduce the anthropogenic impact of its operations on the climate
- Prompt response to all legislative initiatives on carbon regulation in Russia and the EU
- Consideration of the requirements of the Russian Government, stock exchanges and other regulators regarding business activities and climate reporting

### Technology

Risk criticality

**Risks**

- Higher costs due to changes in operating processes to meet new environmental requirements
- Additional R&D investment in decarbonization and renewable energy solutions
- Higher prices for energy and other resources as non-renewable energy sources are phased out

**Measures**

- Development of technologies to reduce GHG emissions (cogeneration, CCUS, ground flaring and APG utilization)
- R&D of alternative energy solutions (hydrogen, ammonia, etc.)
- Expansion of the use of renewables across operating processes
- Support for government initiatives and expansion of own NGV station networks

### Market

Risk criticality

**Risks**

- Risks of lower demand (revenues) due to changing consumer preferences
- Additional investment due to market uncertainties
- Lower margins due to higher prices for raw materials and energy

**Measures**

- Monitoring market preferences and meeting consumer demands by taking measures to reduce the carbon footprint of the Company's products
- Sharpening the Company's long-term competitive edge by deploying technology solutions to reduce the carbon footprint, develop alternative energy sources and use renewables across operating processes

### Reputation

Risk criticality

**Risks**

- Changes in consumer preferences regarding the Company's products
- Investment losses due to the stigma associated with upstream operations and use of non-renewable energy
- Withdrawal of key stakeholders (banks, investors, stock exchanges, etc.)

**Measures**

- Conducting market analysis, designing a development strategy and setting environmental targets to 2030
- Developing short- and long-term strategies based on market forecasts and consumer preferences
- Integrating climate-related risks into the Company's investment projects and day-to-day operations

Risk criticality — high — medium — low

## Physical risks

### Short-term climate change (Acute)

Risk criticality

Frequency and strength **rare / weak**

**Risks**

Extreme/abnormal weather

- Minor damage / short-term suspension of gas or liquid hydrocarbon production processes
- Disruption or suspension of delivery schedules for raw materials, equipment or finished products

**Measures**

- Monitoring the impact of climatic conditions online during operations (geotechnical and geocryological monitoring, observations at geodynamic testing facilities, leveling, etc.)
- Prioritizing health and safety in severe weather situations
- Monitoring and maintaining a stable temperature under the foundations of buildings

### Long-term climate change (Chronic)

Risk criticality

Frequency and strength **often / strong**

**Risks**

- Lower durability of building foundations due to permafrost thawing
- Substantial damage / long-term suspension of gas or liquid hydrocarbon production or processing
- Disruption or suspension of delivery schedules for raw materials, equipment or finished products
- Loss of customers or market share
- Significant increase in insurance costs

**Measures**

- Integrating climate-related risks in the design and construction of production facilities and infrastructure
- Assessing the impact of long-term climate changes on the Company's operations. Modelling separate or joint impacts of changes in the external environment and assessing the impact on the Company's operational and financial activities of:
  - Higher ambient temperatures in the Far North and the Arctic zone
  - Changes in the global sea level and the level of the Arctic Ocean (flood risks)
  - Permafrost thawing under foundations of buildings
  - Changes in the timing of ice on and off dates and ice cover duration, and assessment of their impact on navigation along the Northern Sea Route

Risk criticality high medium low

## Consideration of climate change scenarios

The Company considers climate change scenarios to assess physical climate-related risks while designing large-scale LNG projects Yamal LNG and Arctic LNG 2.

The standard method to identify the climate conditions under which LNG projects can be designed or to identify the design in-use climate conditions for the equipment is the consideration of historical data as part of the engineering and hydrometeorological surveys.

Solutions implemented at the Company projects consider physical climate-related risks and the associated risks of sfoundations of buildings and structures shifting, which can damage operating sites or infrastructure.

As part of designing buildings and structures, a scenario analysis is run for the scenarios of:

- potential rise in temperature by up to 4°C
- associated rise in the upper soil temperature to 2°C

Based on the analysis of global warming scenarios, design solutions incorporate a significant safety margin.

The potential climate-related risks for gravity-based structures were identified and analyzed under the HAZID (Hazard Identification: one of the principal methods for systematic and structured assessment of HSE risks at various project stages and during its operation) and ENVID (Environmental Impact Identification: a powerful method for analyzing the environmental impacts at various stages of designing or during the operation of existing industrial facilities) procedures. The results of these procedures have been reflected in the design.

During project implementation, we oversee works to ensure the approved design solutions are rolled out.

For more details, see Chapter 5, Safety, p. 97.

In addition to projected climate change, the design also factors in the risks of natural hazards.

The main construction and engineering solutions for buildings and structures are designed to withstand natural and man-made disasters, such as strong winds, snowfalls, extremely low temperatures, fires, etc.

# GHG Emissions Management

Our GHG Emissions Management System designed in accordance with ISO 14064:1 and the Guidelines for Calculating GHG Emissions approved by the Russian Ministry of Natural Resources and Environment[1] is an integral part of the Company's Environmental Management System. As part of this broader system, NOVATEK has compiled an inventory of GHG emissions sources and developed an automated GHG estimation module within the GHG Management System, defining GHG emission intensity targets for each business line (hydrocarbon production and processing, and LNG production).

In 2021, Bureau Veritas Certification Rus, an independent auditor, confirmed the compliance of NOVATEK's GHG Emissions Management System with ISO 14064:1 "Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals". In 2022, we got the ball rolling on recertification of the GHG Emissions Management System.

To improve the accuracy of GHG emissions data, an inventory was conducted in 2021, which identified more than four thousand sources of GHG emissions, including more than two thousand sources of methane emissions. As part of the system, NOVATEK approved a standard that sets out basic principles and requirements for implementing the corporate GHG emissions management system, including:

- inventory of GHG emissions at controlled entities within the NOVATEK Group
- calculation of GHG emission factors
- creation of a GHG inventory
- reporting in line with Order of the Ministry of Natural Resources and Environment No. 300, as well as with stakeholder requests

In line with this standard, GHG emissions measurement and reporting are included in the Integrated Management System (IMS). NOVATEK assesses risks and opportunities at least once a year, reviewing GHG emissions reports that are submitted to the Company by subsidiaries and joint ventures. An unscheduled assessment of risks and opportunities is conducted when the target metrics change, or a stakeholder request is received.

Since 2008, NOVATEK has been annually disclosing information on GHG emissions and energy efficiency in line with the recommendations of the global Carbon Disclosure Project (CDP) initiative.

## GHG emissions

In 2021, controlled GHG emissions amounted to 10,317 thousand tons of $CO_2$ equivalent, with direct emissions (Scope 1) accounting for 97%. Controlled GHG emissions increased by 11% year-on-year due to growing production volumes: in 2021, gas condensate reservoirs at the fields of the North-Russkiy cluster were developed, and the fourth train of the Yamal LNG project was launched.

Indirect GHG emissions (Scope 3) came in at 177,815 thousand tons of $CO_2$ equivalent. The GHG intensity ratio (indirect GHG emissions Scope 3 divided by the volume of sold products in the single energy equivalent) was 294 kg of $CO_2$ equivalent per boe, one of the lowest levels among Russian and international oil and gas companies.

1. Resolution of the Russian Government No. 504-R dated 2 April 2014 and the Guidelines for Calculating GHG Emissions approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated 30 June 2015.

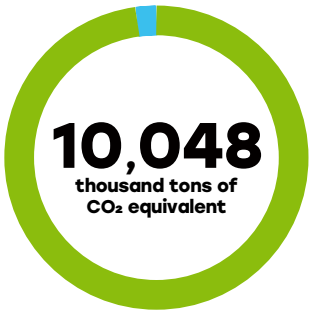
### Total GHG emissions in 2019–2021, thousand tons of $CO_2$ equivalent

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| Direct emissions (fuel combustion and operation of production facilities) – Scope 1 | 11,115 | 9,056 | 10,048 |
| Indirect energy emissions (purchased energy) – Scope 2 | 205 | 228 | 270 |
| Indirect emissions – Scope 3[2] | – | 173,251 | 177,815 |

### GHG emissions per unit of production (Scope 1) in 2019–2021

| Indicator | 2019 | 2020 | 2021 |
|---|---|---|---|
| Production facilities, tons of $CO_2$ equivalent per thousand boe | 12.58 | 8.65 | 9.76 |
| Processing facilities, tons of $CO_2$ equivalent per ton of processed hydrocarbons | 0.034 | 0.031 | 0.034 |
| LNG production facilities, tons of $CO_2$ equivalent per ton of LNG | 0.263 | 0.244 | 0.243 |

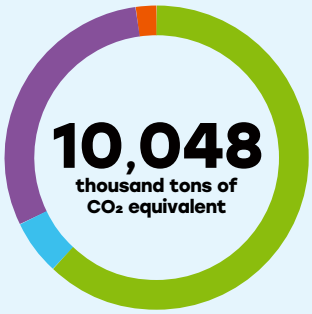
### Breakdown of direct greenhouse gas emissions (Scope 1) by source in 2021




98% Stationary combustion, including flaring

2% Fugitive emissions

### Breakdown of direct greenhouse gas emissions (Scope 1) by type of facilities in 2021



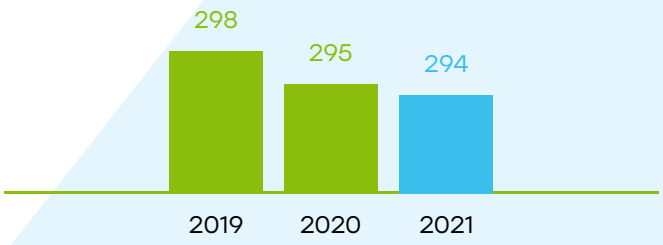

62% Production facilities

6% Processing facilities

30% LNG production facilities

2% Energy service facilities

### GHG intensity ratio, kg of $CO_2$ equivalent per boe




2. Scope 3 GHG emissions from the use of Company's production volumes are calculated using emission factors for natural gas used as fuel, approved by Order of the Russian Ministry of Natural Resources and Environment No. 300 On Approval of Recommended Practices and Guidelines for Measurement of GHG Emissions by Business and Other Entities Operating in the Russian Federation, dated 30 June 2015, and using the Corporate Value Chain (Scope 3) Accounting and Reporting Standard of the GHG Protocol, version 1.0, with the assumption for category 11 (Use of sold products) that all production volumes were combusted.

# Key Solutions for Boosting Carbon Efficiency

**Although NOVATEK is already one of the global oil and gas industry leaders in terms of carbon efficiency, the Company is implementing a wide range of decarbonization measures.**

NOVATEK's efforts are primarily focused on optimizing controlled emissions (Scope 1 and 2) by implementing measures to boost energy efficiency, increase APG utilization and reduce flaring. The Company's strategy provides for further increases in natural gas and LNG shares in its product sales mix, which will drive the reduction of indirect GHG emissions (Scope 3).

In the reporting year, the Company analyzed the key competitive advantages of scaling up decarbonization, the energy transition and alternative energy by developing renewables. The clear advantages included low production cost of natural gas from which hydrogen can be produced, huge potential of the Yamal and Gydan geological formations for reliable underground $CO_2$ storage, and a possibility to use captured carbon to increase the oil and condensate recovery factor at the Company's fields in the Yamal-Nenets Autonomous Region.

In February 2022, we completed the first stage of international certification for long-term underground $CO_2$ storage sites on the Yamal and Gydan peninsulas. Pursuant to the issued certificates, the geological formations within the Obskiy and Tadebyayakhinskiy license areas (at Yamal and Gydan, respectively) have the capacity to store at least 600 million tons of $CO_2$ each, which is supported by calculations.

**Key solutions for boosting carbon efficiency**

**Controlled emissions**
Direct emissions (Scope 1)
Indirect energy emissions (Scope 2)

| Focus area | 2021 highlights |
|---|---|
| **Boosting energy efficiency** | Approval of the Comprehensive Program of Energy-Saving Measures at NOVATEK Subsidiaries and Affiliates for 2022–2024<br>**43,2 th. GJ**<br>reduction of energy consumption in 2021<br>**115 thousand tons of $CO_2$ equivalent**<br>estimated avoided emissions resulting from the use of cogeneration technologies in 2021 |

**Methane emissions reduction**


## by 8%

Total methane emissions reduced by 8% year-on-year

A satellite project piloted to monitor for methane leaks at individual fields, confirming the absence of leaks

## 12.89 tons per million boe

methane emissions per unit of production for production, processing and LNG facilities in 2021

**Boosting APG utilization**

## to 96.7%

APG utilization rate achieved 96.7% in 2021

A project to gather, treat and deliver APG to the trunk pipeline network implemented at three facilities

A project for associated petroleum gas re-injection completed to enhance oil recovery

**Use of renewables for the Company's operational needs**

Wind measurement program launched to explore wind farm opportunities near the Sabetta seaport

## 200 tons of $CO_2$ equivalent

estimated avoided GHG emissions resulting from the use of renewable energy in 2021

## 209 th. kWh

electricity generation from renewables in 2021

## 225 RR mln

total investment in renewables in 2021

**Uncontrolled emissions**
Indirect emissions from the use of the Company's production volumes (Scope 3)

| Focus area | 2021 highlights |
|---|---|
| **Expansion of LNG distribution channels**  | Approval of the decision to establish NOVATEK – LNG Fuel, a subsidiary focused on constructing small-scale LNG plants, facilitating LNG wholesale marketing and developing a retail network for LNG as a motor fuel<br><br>**12 th. tons of $CO_2$**<br>estimated reduction of GHG emissions produced by NOVATEK consumers due to the transition to LNG as a motor fuel in 2021<br><br>**to 13**<br>The number of LNG stations in Russia increased to 13 |

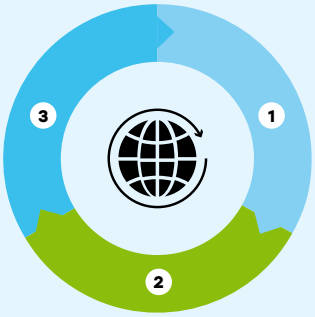
# Boosting Energy Efficiency

Rational use of resources is one of the key principles of NOVATEK's energy policy. Although NOVATEK's energy consumption is relatively low for the oil and gas industry thanks to its advanced production base, the Company seeks to boost the energy efficiency of existing facilities and apply advanced highly efficient technologies at new projects, since they unlock reduced costs and GHG emissions.

In 2020, the following targets for energy efficiency were adopted under the UN's priority SDG No. 7, Affordable and Clean Energy:

- to use energy-efficient LNG production technologies to increase the availability of LNG and reduce greenhouse gas emissions
- to continuously boost energy efficiency of hydrocarbon production and processing

**Key measures to ensure energy efficiency and reduce energy consumption**



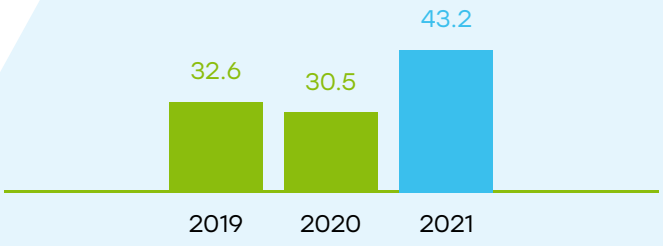

1 Use of cogeneration technologies and advanced highly- efficient technologies and equipment

2 Continuous monitoring, accounting and analysis

3 Implementation of energy-saving measures

On the back of measures taken to boost energy efficiency and savings, the reduction in energy consumption totaled 43.2 thousand GJ (0.4% of total energy consumption), up 42% year-on-year. In particular, we transitioned to frequency-controlled pumps and energy-saving lighting systems and continued implementing measures to monitor and control the operation of electric heating systems for pipelines, equipment and tanks, as well as the operation of air cooler units used in gas air-cooling units.

**Total reduction in energy consumption driven by energy-efficiency and energy-saving measures, thousand GJ[1]**




In 2021, to boost operational energy efficiency and resource efficiency, we developed the Comprehensive Program of Energy-Saving Measures at NOVATEK Subsidiaries and Affiliates for 2022–2024. The total reduction in energy consumption over three years amounts to about 1 mln GJ, equal to avoiding 50.2 thousand tons of $CO_2$ equivalent of direct GHG emissions. The program comprises measures to introduce energy-saving technologies and advanced energy-efficient equipment, as well as organizational and technical measures aimed at reducing energy consumption across all areas of production activities.

1. Initial values posted prior to the implementation of energy-efficiency initiatives are used as the baseline to calculate consumption reductions.

The Company is considering having its energy management system certified to ISO 50001.

Most of the Company's energy consumption is offset through captive power generation (gas-fired and renewable-based generation at the Company's own power plants) and secondary energy based captive heat generation (cogeneration).

### Use of secondary energy (cogeneration)

One of the key energy-saving technologies widely deployed by the Company at all new construction sites is cogeneration, which involves using heat from flue gases of gas turbines and gas engine generators as a secondary energy resource. The use of cogeneration technologies provides a net reduction in fuel gas consumption and GHG emissions.

In 2021, secondary energy-based heat generation increased by 20% to 2.4 mln GJ, or 69% of total heat consumption. In 2021, the total amount of direct GHG emissions avoided using cogeneration to produce heat was 115 thousand tons of $CO_2$ equivalent.

Electricity consumption is metered with automated commercial energy metering systems or electricity meters.

To gauge the energy intensity of technological processes, energy consumption per unit of production is measured. Electricity consumption per unit in gas production consistently stays low at 2.5 kWh per thousand cubic meters. Electricity consumption per unit in gas liquefaction increased by 2% to 93.4 kWh/ton due to the launch of the fourth train at the Yamal LNG project.

The Company set the target (upper limit) for its electricity consumption per unit in gas and gas condensate production and treatment at 4.5 kWh/ton. In 2021, electricity consumption per unit amounted to 4.4 kWh/ton, remaining below this cap.

**Energy consumption in 2019–2021, mln GJ[2]**

| Indicator | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Energy consumption, including:** | **12.90** | **13.48** | **15.47** |
| **Electricity** | **9.65** | **10.54** | **11.96** |
| • Purchased electricity | 1.44 | 1.79 | 2.33 |
| • Supporting power generation, including: | 8.28 | 8.84 | 9.73 |
| – from renewable energy sources | 0.001 | 0.001 | 0.001 |
| • Electricity sold to the grid and to consumers | 0.07 | 0.09 | 0.10 |
| **Heat** | **3.25** | **2.94** | **3.51** |
| • Supporting heat generation from non-renewable energy sources | 0.98 | 0.93 | 1.10 |
| • Supporting heat generation from renewable energy sources | 2.27 | 2.01 | 2.41 |

2. Energy consumption is calculated as the sum of purchased energy and supporting power generation, net of sales to the grid and to consumers. The following conversion factors were used: 1,000 kWh = 3.6 GJ, and 1 Gcal = 4.187 GJ.

**Electricity consumption per unit in 2019–2021**

| Process | Intensity | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Gas production, kWh/ thousand cubic meters | 2.4 | 2.5 | 2.5 |
| Condensate production, kWh/ton | 10.8 | 10.3 | 10.3 |
| Oil production, kWh/ton | 27.6 | 34.6 | 41.9 |
| **Condensate processing, kWh/ton** | **6.6** | **6.3** | **6.4** |
| **Gas liquefaction, kWh/ton,** including shipments of LNG and gas condensate at Yamal LNG | **87.9** | **91.8** | **93.4** |

**Energy (electricity and heat) consumption per unit in 2019–2021**

| Indicator | Consumption per unit | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| **Energy consumption per unit, GJ per boe, including:** | 0.02 | 0.02 | 0.02 |
| • Production facilities | 0.01 | 0.01 | 0.01 |

# Methane Emissions Reduction

**The reduction of methane emissions is one of the Company's decarbonization goals. NOVATEK has set the target to reduce methane emissions per unit of production in the production, processing and LNG segments by 4% by 2030 compared to a 2019 baseline. Specific measures under this goal are included in the Comprehensive Environmental and the Company's Climate Change Targets Program.**

In 2021, methane emissions across production and processing facilities totaled 8,155 tons, down by 8% year-on-year, mainly due to reduced wastewater combustion driven by a pilot project to treat and inject process water into the reservoirs at the Yurkharovskoye field. The share of methane emissions in total GHG emissions amounted to 2%. Methane emissions per unit of production decreased in the production, processing and LNG segments by 11% year-on-year to 12.89 tons per million boe. The Company recorded no accidents involving methane leaks in 2021.

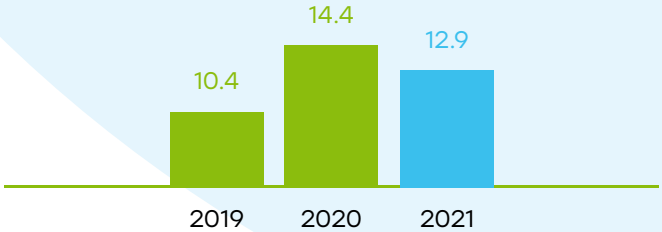
In 2021, as part of our measures to improve methane leak detection, NOVATEK set up pilot testing of methane leak detection in the Arctic zone involving space monitoring based on a geoinformation platform. Several license areas on the Yamal Peninsula featuring the more significant sources of methane emissions, such as well pads and gas and condensate transportation and treatment facilities, were selected as pilot sites. No methane leaks were detected during the test period.

We also consider using advanced equipment to facilitate the detection and quantification of methane leaks, such as thermal imaging cameras to monitor flange connections of process equipment and pipelines for methane leaks, as well as a gas leak quantification and visualization system enabling calculations of the mass and volume leak rates.

To cut process-related methane losses from LNG fueling stations, the Company has developed and is now testing an accounting methodology for process losses, which will enable more accurate quantification of methane air emissions.

In the reporting year, the Company was fully on board with several industry initiatives to reduce methane emissions and improve transparency.

**Methane emissions per unit of production for production, processing and LNG facilities in 2019–2021, tons/million boe**



**Methane emissions in 2019–2021, tons**

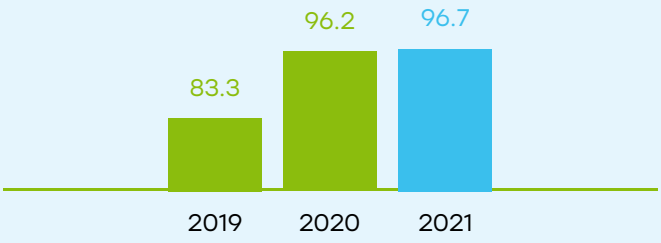
| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Methane emissions, including:** | **6,160** | **8,886** | **8,155** |
| Production facilities | 5,913 | 8,391 | 7,515 |
| Processing facilities | 88 | 84 | 81 |
| LNG production facilities | 159 | 270 | 479 |
| Energy service facilities | | 141 | 80 |

## Boosting APG Utilization

**NOVATEK pays particular attention to boosting associated petroleum gas (APG) utilization. The Company has set a goal to increase the APG utilization rate to 99% by 2030. In 2021, the APG utilization rate grew to 96.7% due to the implementation of several measures, including:**

- **APG injection into gas caps:** a project for associated petroleum gas injection to enhance oil recovery was continued at the Yarudeyskoye field in 2021.
- **Construction of infrastructure:** the commissioning of an additional gas compressor unit at the East-Tarkosalinskoye field brought the APG utilization rate up to 97%.
- **APG delivery to the trunk pipeline network:** in 2021, a project to gather, treat and deliver APG to the trunk pipeline network was implemented at three facilities of the NOVATEK Group.[1] The close proximity of natural gas treatment facilities enables gas treatment and sale through a gas trunkline system. Synergies between oil and gas treatment and transportation facilities unlock economically viable production of APG.

**APG utilization, %**

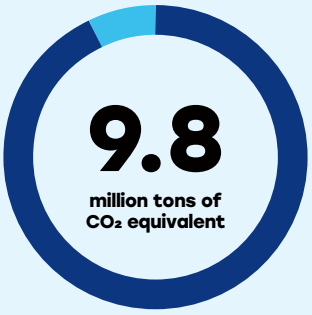



1. LLC Yargeo, LLC NOVATEK-Tarkosaleneftegas, JSC Arcticgas.

### Reduction in flaring

NOVATEK has developed a series of measures to support its goal to reduce operational GHG emissions, including the reduction of flare losses and wastewater combustion in horizontal gas flaring systems, as well as the installation of flares with air injection for soot free combustion.

### GHG combustion emissions mix




93% Stationary combustion and flaring

7% LNG combustion

## Renewable Energy Sources

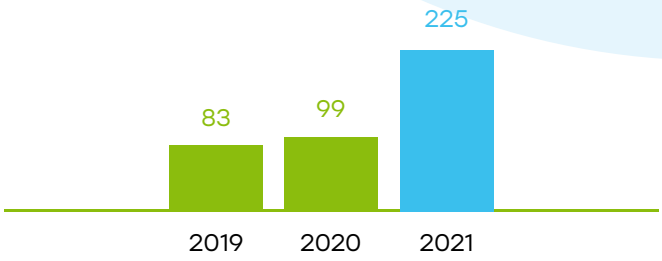
**NOVATEK considers using renewable power as a means of reducing energy indirect GHG emissions.**

For many years, the Company has been using environmentally safe renewable sources of energy based on solar panels and wind turbines. Moreover, the Company has begun purchasing renewable energy from external generators and has launched the development of new effective and economically viable solutions to expand renewable capacity.

Small-scale renewable energy installations are used to supply power to telemechanics units at trunk pipelines and well pads at the Company's gas condensate fields. The total number of such renewable energy systems in 2021 was 148.

In 2021, we generated a total of 209 thousand kWh of electricity from renewable sources (129,000 kWh and 80,000 kWh from solar panels and wind turbines, respectively), representing 0.01% of NOVATEK's total electricity generation. The greenhouse gases avoided due to the substitution of conventional generation with renewables totaled about 200 tons of $CO_2$ equivalent.

**Total investment in renewables in 2021, RR mln, including VAT**



Total investment in renewables from 2019 to 2021 amounted to RR 407 million.

In 2021, as part of our renewable capacity expansion drive, the construction and installation for a few new renewable projects were underway. The Company also started a prefeasibility study for a wind farm project near the Sabetta seaport. In 2021, we launched a wind measurement program to explore the region's wind energy potential. NOVATEK will use its results to evaluate the technical and economic viability and decide on the wind farm project, which promises to reduce the carbon footprint of our products through green generation.

Apart from the construction of our own renewable projects, in early 2022, the Company started purchasing green energy to replace non-renewable energy, which will help to partially offset the carbon footprint of LNG production at Cryogas-Vysotsk.

## Expansion of LNG distribution channels

As a natural gas and LNG producer, NOVATEK has developed a strategy that implies greater involvement in the promotion of natural gas as a motor fuel, which would reduce indirect GHG emissions from consumer fuel use. The substitution of diesel with LNG significantly reduces nitrogen oxides and carbon dioxide emissions and almost eliminates particulate emissions. The use of LNG-fueled trucks helps reduce carbon emissions by 20%–25% depending on engine efficiency and fuel components. In July 2021, the Company decided to establish NOVATEK – LNG Fuel, a subsidiary focused on constructing small-scale LNG plants in Russia, facilitating LNG wholesale marketing and developing a retail network for LNG as a motor fuel and to support a program of off-mains solutions in the Russian domestic market.

By converting to LNG, a much cleaner motor fuel, NOVATEK consumers reduced their GHG emissions by 12 thousand tons of $CO_2$ in 2021.

NOVATEK's long-term strategy stipulates the installation of LNG fueling stations along European Russia's main traffic arteries.

The launch of LNG retail stations will help fully cover Russia's key federal highways (M10, M11, M4, M5, and M7) and the Central Circular Road with fueling infrastructure.

As of 31 December 2021, a total of 13 LNG retail stations were in operation across the Russian Federation. In addition to the seven LNG retail stations previously commissioned along major arteries, in the reporting period, we commissioned another two LNG retail stations along the M7 and M5 highways near Naberezhnye Chelny and Togliatti respectively. Importantly, the demand for LNG increased more than 9x over the year resulting from a rapid expansion of the gas-fueled truck fleet due to its economic and environmental benefits.

**Small scale LNG**

To cover the growing demand for fuel on the back of the rapid expansion of the LNG-fueled truck fleet in the Russian regions, the Company is ramping up its small-scale LNG capacities. For example, in 2020, an energy-efficient small-scale LNG plant came onstream in Magnitogorsk.

The commissioning of the plant gave the Chelyabinsk Region the opportunity to become one of Russia's pioneers in shifting to clean and inexpensive transport. The LNG produced at this plant has a low carbon footprint, since operations are based on using pressure-reduction energy at the city gate. In 2021, a total of 14 thousand tons of LNG produced at the plant were sold to LNG retail stations as motor fuel and for off-mains solutions at facilities in Kazakhstan.

In December 2021, NOVATEK also began shipping LNG to boilers in the Leningrad and Murmansk Regions that use LNG instead of less environmentally friendly traditional fuels, such as diesel and fuel oil.

### Decarbonization of shipping

Using LNG as a marine fuel is one possible step towards decarbonizing shipping, primarily due to the growing availability and high technological readiness of LNG compared with other fuels with a low carbon footprint and low emissions. Back when planning the implementation of the Yamal LNG project, NOVATEK selected LNG as the main fuel for all our gas tankers.

Yamalmax LNG tankers sailing on the Northern Sea Route have engines with a total power output of 64 MW. The use of LNG as a marine fuel reduces air emissions of combustion products from engines, including greenhouse gases, vs. heavy marine fuels (fuel oil).

Another aspect associated with the decarbonization of shipping is the deployment of more energy-efficient technologies. Thus, new gas tankers under construction for NOVATEK's future projects in the Arctic will have upgraded engines, which will help further reduce $CO_2$ emissions through lower LNG consumption.

### Year-round navigation on the Northern Sea Route: reducing our carbon footprint and contributing to Russia's social and economic development

In May 2020, the Company launched a program of pilot voyages in the eastern sector of the Northern Sea Route (NSR). Its success allowed us to expand the navigation window in the eastern sector of the Arctic to 9–10 months and demonstrate in practice the possibility of year-round navigation along the entire NSR.

Using the NSR for LNG transportation to seaports in the Asia-Pacific region will also allow us to reduce our carbon footprint and cut GHG emissions by seven thousand tons per round trip on average vs. the traditional route through the Suez Canal, as the distance and transportation time are almost halved.

Year-round navigation along the entire NSR will make a significant contribution to the social and economic development of Russia by creating new jobs, primarily in the regions of the Russian Arctic zone, and increased tax payments to budgets at all levels. Apart from the economic benefits associated with creating the infrastructure needed for year-round navigation along the NSR, the possibility of using the NSR for year-round transportation will allow us to ramp up the development of Arctic natural resources and invest in the creation of transport and logistics hubs at the entrance and exit of the NSR to transship cargo from ice-breaking class ships to conventional ships. NOVATEK already does transship LNG in the Murmansk Region and together with new facilities under development in the Murmansk Region and Kamchatka Territory, will unlock a huge increase in our LNG transshipment capacity.

# Gas and LNG Production Increases

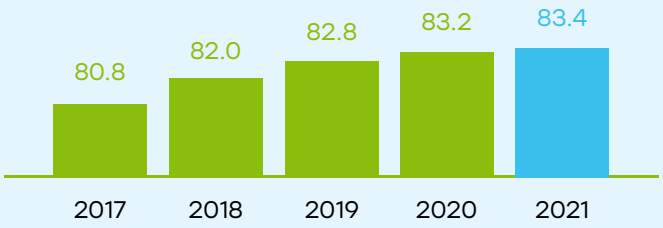
NOVATEK's corporate strategy assumes the increasing role of LNG in the future global energy mix, where it replaces coal, fuel oil and diesel fuel, thus reducing GHG emissions and harmful air pollutants. The role of natural gas as a cleaner alternative to conventional fossil fuels will be essential to decarbonization of the global energy mix.

NOVATEK is one of the leaders in the global oil and gas industry in terms of carbon efficiency due to the high share of natural gas in our production mix. The Company intends to further build up the share of gas in its production mix. In 2021, natural gas production grew by 3% to 79.9 bcm, and its share in our total output of hydrocarbons amounted to 83.4%. In 2022, the Company intends to launch gas production at several fields while scaling down oil production at mature oil fields.

Total LNG production in 2021 increased by 6% to 20.4 million tons (12 million tons considering the equity share in the production of joint ventures), primarily due to higher productivity at lower ambient temperatures and the launch of the fourth train at the Yamal LNG project and production ramp-up at Cryogas-Vysotsk.

Thanks to the use of advanced energy-efficient equipment and decarbonization, NOVATEK's LNG ranks among the world's cleanest. In 2021, GHG emission intensity of LNG production was 0.243 tons of $CO_2$ equivalent per ton of LNG produced. The Company intends to remain one of the industry leaders by expanding the use of low-carbon technologies and streamlining the technological processes involved in LNG production. The reduction of direct GHG emissions from LNG production will unlock a reduction in indirect emissions for our consumers.

**Share of natural gas in NOVATEK's total hydrocarbon production, %**




### Facilitating access to energy in emerging markets

NOVATEK is rapidly expanding its market reach in the emerging Asia–Pacific countries, where demand for natural gas is growing steadily due to phase-out of more carbon-intensive fuels, such as coal and fuel oil. Consumers are getting all the benefits of using LNG, including safety and convenient and flexible consumption.

The fast-growing Chinese market is the key region in NOVATEK's LNG marketing strategy. Under its 2060 carbon neutrality pledge, China is ramping up LNG purchases. Since shipping its first cargo from Yamal LNG to China in 2018, the Company has been increasing the volume of supplies annually, which reached 8.6 million tons of LNG as of the end of 2021. To expand its cooperation with Chinese consumers, the Company signed a number of new contracts for LNG supplies from its second large-scale LNG project, Arctic LNG 2.

# Working Green

From design to operation, we make every effort to prevent accidents, minimize potential damage and offset the Company's environmental footprint.

# Environmental Protection

| Priority UN SDGs | Russia's national development goals | NOVATEK's goals | |
|---|---|---|---|
| 3 Good Health and Well-Being<br>Targets: 3.9 | **Preservation of the population; health and welfare of the people** | **by 20%**<br>To reduce air pollutant emission intensity by 20% from a 2019 baseline by 2030 | **to 90%**<br>To increase the share of waste directed to utilization and disposal to 90% by 2030 |

**2.9 RR bln**

**environmental expenses (up 22% year-on-year)**

## 2021 highlights

- Biodiversity Conservation Management standard approved
- Comprehensive monitoring of the Gulf of Ob biodiversity completed
- Several technical initiatives implemented, reducing gross pollutant emissions by 6%
- Measures taken to protect water bodies and preserve aquatic biological resources and their habitats

For more details on attaining environmental targets, see the Management Approach section, p. 76.

**Progress**

To achieve the set environmental targets, the Company is running a comprehensive program, having made significant progress in the reporting year: GHG emission intensity was reduced by 8% to 0.132 tons per thousand boe year-on-year and the share waste directed to utilization and disposal reached 83%, up 14 p.p. year-on-year.

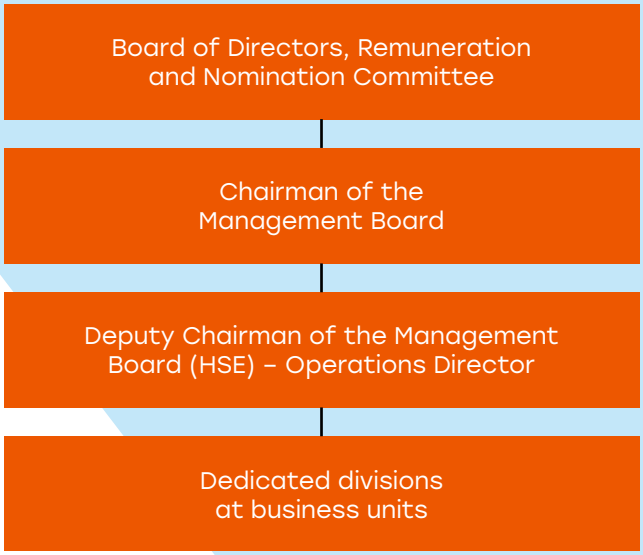
## Plans for 2022 and the medium term

- Actions under the Comprehensive Environmental Targets Program
- Ongoing environmental monitoring and environmental operational control programs
- Implementation of corporate biodiversity conservation programs
- Continued implementation of technical measures to reduce environmental footprint

## Key corporate documents

- NOVATEK Environmental, Industrial Safety and Occupational Health Policy
- NOVATEK's environmental management, reporting and control standards, and the Biodiversity Conservation Standard
- Environmental action plans

## Organizational structure



# Management Approach

**NOVATEK's operations involve potentially high environmental risks. Most of the Company's operations are concentrated in the Far North, whose unique ecosystem is particularly sensitive to anthropogenic impacts, and any production expansion increases the number of potential sources of negative environmental impact.**

The Company recognizes its responsibility for the sustainable use of natural resources, including water, and aligns all aspects of its operations with environmental conservation principles.

At the Company's top management level, matters related to environmental protection, including water management and occupational health and safety are reviewed by the Remuneration and Nomination Committee of the Board of Directors. Committee members annually evaluate progress against climate change and environmental targets, review the Sustainability Report, and analyze the internal documents and procedures governing environmental and health and safety activities in place at the Company, developing improvement recommendations. At the executive body level, HSE matters are the responsibility of the Deputy Chairman of the Management Board – Operations Director.

## Key principles

The Company's environmental protection activities are guided by the precautionary principle, also called the precautionary approach. The main use of the approach is in the environmental and social impact assessments (ESIAs) of planned projects. This procedure is carried out by independent experts in accordance with the requirements of Russian law and international standards before the construction or revamp of key Company production facilities.[1] From design to decommissioning, NOVATEK makes every effort to prevent accidents, minimize potential damage and offset the Company's environmental footprint.

**Hierarchy of measures applied at Arctic LNG 2 in line with international standards**

| | |
|---|---|
| **Prevent impact** | The Company endeavors to rule out environmental impacts wherever possible |
| **Minimize impact** | If prevention is not possible, the Company seeks to minimize the impact |
| **Restore** | In case of negative impacts, the Company makes every effort to restore the environment |
| **Offset** | If restoration in a particular location is not possible, the Company will offset the damage elsewhere in full |

1. IFC Performance Standard 1 – Assessment and Management of Environmental and Social Risks and Impacts, and IFC Performance Standard 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources.

## Environmental management system

NOVATEK is working continuously to bring its environmental management in line with the latest international standards. All NOVATEK subsidiaries use the Integrated HSE Management System, embracing environmental and climate aspects.

In environmental management, the system complies with international standard ISO 14001:2015. In 2021, a total of 10 external audits were conducted at the Company, confirming that the system is compliant with international standards.

### Environmental management system certification

| Standard | Company compliance |
|---|---|
| Environmental management system ISO 14001:2015 or ISO 45001:2018 | 11 of 19[2] (58%) Company production subsidiaries are certified to these standards. The Company regularly undergoes surveillance audits of its management system's compliance |

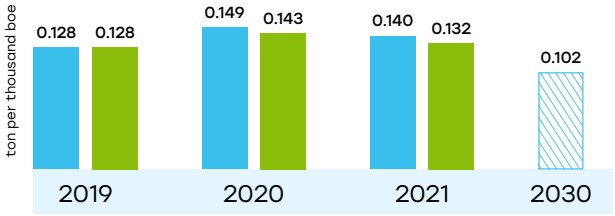
## Strategic goals in environmental protection

In 2020, the Company's Board of Directors approved climate change and environmental targets to 2030, with 2019 as the baseline.

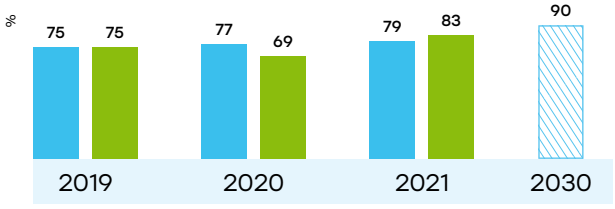
To achieve its climate change and environmental targets, the Company is implementing a Comprehensive Program. In 2021, the Program focused on atmospheric air protection.

For more details on climate change targets, see Chapter 3, Climate Change, p. 45.

**1. To reduce pollutant emission intensity by 20% by 2030**




**2. Increase the share of waste directed to utilization and disposal to 90% by 2030**





2. Excluding pilot projects (Arctic LNG 1 and Arctic LNG 3). In 2021, NOVATEK-Kamchatka and NOVATEK-Western Arctic were merged into Arctic Transshipment; NOVATEK-Pur was merged into NOVATEK-Yurkharovneftegas.

Apart from its strategic targets for environmental protection, pursuant to the effective Russian laws on environmental protection, the Company sets targets to comply with legal requirements for water discharge into surface water bodies and abides by international practices, standards, and conventions on biodiversity conservation.

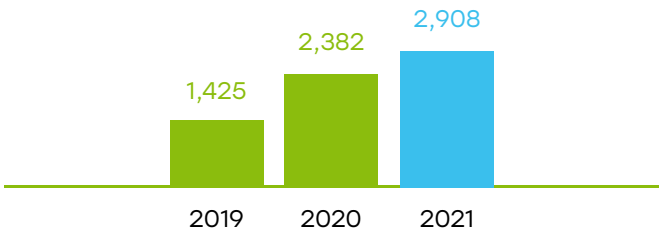
In 2021, the Company's total environmental expenses grew by 22% to RR 2.9 billion, including RR 1.2 billion for the Comprehensive Environmental and Climate Change Targets Program. Growth was led by atmospheric air protection, waste reduction and biodiversity conservation initiatives.

**NOVATEK Group's environmental expenses, RR mln**

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| Air and climate | 102 | 38 | 234 |
| Water | 562 | 1,383 | 1,333 |
| Waste | 394 | 320 | 510 |
| Land and subsoil | 85 | 303 | 402 |
| Biodiversity | 108 | 181 | 212 |
| Monitoring | 137 | 134 | 153 |
| Governance | 22 | 17 | 59 |
| Environmental charges | 14 | 6 | 5 |
| Other | 1 | 0 | 0 |
| **Total** | **1,425** | **2,382** | **2,908** |

In 2021, environmental charges came in at RR 5 mln, or 0.2% of total environmental costs. The decrease resulted from associated petroleum gas re-injection, which, in turn, reduced APG flaring.

**Total NOVATEK Group environmental expenses in 2019–2021, RR mln**



## Environmental risk tracking

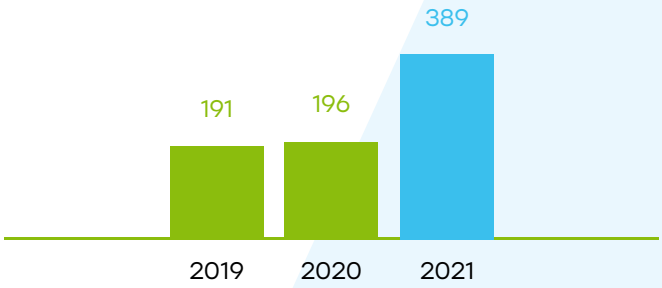
The Company manages its projects with comprehensive environmental support from start to completion to identify, assess and mitigate environmental risks. The support includes but is not limited to the following:

- **Annual environmental monitoring** by independent specialized expert contractors. Experts study the condition of the environment, plants, animals, and microorganisms within the areas affected by the Company's production facilities and gauge the environmental footprint of Company operations;
- **Environmental operational control,** primarily aimed at evaluating the performance of Company process equipment and ensuring compliance with applicable environmental norms;
- **Engaging local communities of the Company's operating regions,** including public consultations before the start of new construction or major upgrade projects. In 2021, 43 public consultations were held in the Nadymsky, Yamalsky, Tazovsky, Purovsky, and Krasnoselkupsky Districts of the Yamal-Nenets Autonomous Region, as well as the Kolsky District of the Murmansk Region;
- **Relations with government regulators** during scheduled and unscheduled inspections of the Company's core operations. A total of 217 inspections were completed in 2021.

## Environmental protection training

In 2021, 389 NOVATEK Group specialists successfully completed a range of advanced training programs in environmental protection. As in previous years, managers at various levels of the organization and young specialists involved in environmental support for projects by the NOVATEK controlled entities also took advanced training programs.

**Number of employees trained in environmental protection in 2019–2021, people**




**NOVATEK employee training in environmental protection in 2021**


34% Environmental safety for managers and general business management specialists

33% Environmental safety for handling hazardous waste

26% Other environmental programs, including environmental management

5% Professional training for persons authorized to handle Class 1–4 hazardous waste

2% Environmental safety for managers and specialists of environmental departments and environmental control systems

# Biodiversity

**In 2021, Company spending on biodiversity restoration grew by 17% amid a significant increase in fish stocking and reforestation vs. 2020.**

### Achieving “No Net Loss” of biodiversity

Biodiversity conservation management at the Company is based on an ecosystem approach ensuring a sustainable balance between impacts on biodiversity and mitigation thereof and embedding biodiversity conservation into the Company’s core business management.

In line with its principle of least impact on the environment, Arctic LNG 2 uses a hierarchy of measures for biodiversity impact prevention, mitigation, restoration and offsetting.

An important component of the Company’s efforts to conserve biodiversity consists of compensatory measures based on the “No Net Loss” principle, which means Arctic LNG 2 seeks zero net loss of biodiversity, while targeting biodiversity net gain (the “Net Gain” principle).

The Company takes a responsible approach to the preservation of natural ecosystems in all regions of operation, actively cooperates with scientific and environmental organizations and implements the principles of rational and efficient use of natural resources across all operational levels. NOVATEK’s biodiversity conservation efforts comply with Russian environmental law, as well as international practices, standards, and conventions.

# Biodiversity Conservation Management

In 2021, as part of its efforts to improve management approach and integrate biodiversity conservation into its Integrated HSE Management System, NOVATEK introduced the Biodiversity Conservation Management Standard, setting forth uniform principles and approaches to biodiversity conservation and assessment of the impact of planned activities and existing Company projects on biodiversity components.

Companies controlled by NOVATEK develop corporate biodiversity conservation programs in accordance with the guidelines of the Ministry of Natural Resources and Environment of the Russian Federation under the Ecology national project and the Business and Biodiversity initiative. Programs run by Yamal LNG and Arctic LNG 2 also comply with the International Finance Corporation Performance Standard 6, Biodiversity Conservation and Sustainable Management of Living Natural Resources. Key activities under these programs are:

- Biodiversity monitoring, including the condition of terrestrial, freshwater, and marine ecosystems
- Compensatory fish stocking
- Compensatory reforestation
- Land reclamation
- Contribution to the conservation of gene pools of ecosystems
- Investment projects to preserve national natural monuments and protected areas

# Biodiversity Impact Assessment

At NOVATEK, biodiversity impact assessment is part of the mandatory environmental impact assessment at the engineering and design stage of Company production facilities.

Assessment results go through several stages of approval at the engineering and design documentation approval stage, including public consultations and environmental expert review. The adequacy and effectiveness of these steps are confirmed by follow-up environmental monitoring in areas potentially affected by the projects.

In 2021, the above assessments were supplemented by an expanded assessment iof Arctic LNG 2's impact on biodiversity in accordance with international standards. Specifically, an independent consultant assessed, among other things, the project's cumulative impact, impacts of shipping in the Gulf of Ob, and the status of critical habitats.

### Assessment of impacts on ecologically or biologically significant areas

NOVATEK cares for the natural environment and conserves biodiversity in its regions of operation. The Company does not operate in federally protected areas designated by Russian law. NOVATEK pays particular attention to assessing the impact of its operations on lands and waters identified by international environmental organizations as ecologically or biologically significant.

Among them are several shelf areas, including in the Russian Arctic and offshore the Kamchatka Territory, as some of these waters are used by the Company for navigation and maritime transport infrastructure. As a result, the Company initiated a much wider study of the ecosystems of the Kara, Barents, and Baltic Seas.

To improve the performance of corporate biodiversity conservation programs, the Company actively engages the expert community and protected area staff, and relies on their expert opinions when planning its operations and activities.

**Kronotsky Nature Reserve** signed an agreement with the Company on cooperation in conserving biological diversity in the Kamchatka Territory and implementing a program for comprehensive research offshore the Kamchatka Peninsula.

**Gydan National Park** plays a critical role in maintaining the Eastern Atlantic Flyway of aquatic and semiaquatic birds and conserving rare and protected species of birds (white-billed diver, Bewick's swan, lesser white-fronted goose, red-breasted goose, white-tailed eagle, peregrine falcon and ivory gull) and mammals (polar bear and Atlantic walrus), as well as protecting a population of wild reindeer. Park specialists were involved in the ESIAs for Company projects.

**The Eurasian Center of Saving Far Eastern Leopards** receives sponsorship each year from the Company to conserve and restore the Amur leopard population.

## Biodiversity monitoring

With regard to biodiversity, the precautionary approach is implemented through integrated environmental monitoring programs with wide scope and geographic coverage. Annual biodiversity monitoring is one of the most effective ways to assess the status of terrestrial, freshwater and marine ecosystems across NOVATEK's operating areas. The monitoring is carried out by independent environmental contractors in accordance with approved programs and techniques in areas affected by the Company's key production facilities.

Comprehensive monitoring programs in 2021 included studies of marine mammals, avifauna and land mammals of the Far North at 45 fields and license areas.

## Coverage of NOVATEK's monitoring programs

### Marine ecosystems

**Water areas and coasts:**

- The Kara Sea near the Gulf of Ob
- The Barents Sea near the Kola Bay and the Kildin Strait
- The Baltic Sea near the Luga Bay and the Vyborg Bay

In 2021, observations showed the condition of environmental components in the target areas to be satisfactory, with a low level of environmental pollution. The fact that anthropogenic loads on ecosystems are close to background levels in the areas affected by the Company's operations is confirmed by the analysis of hundreds of samples of air, soil, snow cover, surface water, groundwater and bottom sediments.

### Terrestrial and freshwater ecosystems

**Areas in:**

- the Yamal-Nenets Autonomous Region
- the Khanty-Mansiysk Autonomous Region
- the Leningrad Region
- the Murmansk Region

Studies of terrestrial species in 2021 focused on populations of long-tailed duck and Arctic fox as indicator species of ecosystem health in the Company's operating areas. In particular, the monitoring of the Arctic fox population under the multi-year Arctic Fox project suggests that the construction and operation of the Company's production facilities have not reduced burrow density or breeding activity of the animals. Multi-year studies of avifauna suggest that the anthropogenic impact on birds in the Company's operating area is also currently absent or very mild.

Comprehensive studies in the Gulf of Ob had the largest scope of all aquatic ecosystem monitoring activities in 2021.

### Monitoring in the Gulf of Ob

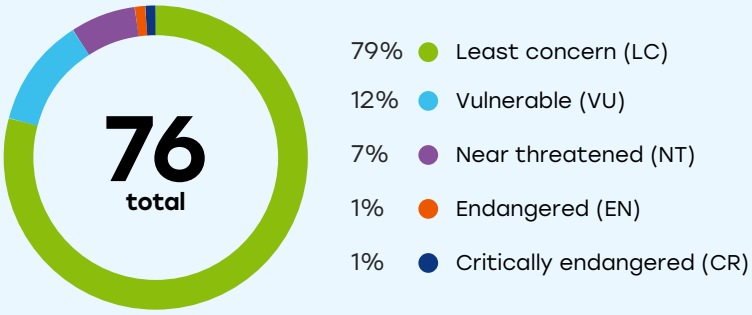
Every year, NOVATEK conducts large-scale comprehensive studies of the ecological condition of the Gulf of Ob ecosystem in the areas affected by the Company's operations and adjacent waters, engaging leading Russian research institutes to study marine ecosystems. The key objective of the program is to obtain objective, scientifically substantiated data on the status of and changes in marine ecosystems in the area affected by the Company's operations.

Monitoring in 2021 included oceanographic, hydrochemical and hydroacoustic biodiversity research and monitoring to assess environmental risks related to the Company's offshore operations and identify measures to mitigate the Company's potential impact on the ecosystems in the Gulf of Ob in 2022.

A new area of monitoring launched in 2021 was a program to study the condition of hydrobiocenosis in waters of the Sabetta seaport for early detection and prevention of the introduction of dangerous alien species. Overall, the studies did not detect changes in zooplankton phytoplankton, nor zoobenthos communities attributable to anthropogenic impact. The assessment of the ecological condition of the Sabetta seaport waters for risk of invasive alien species also did not find any such species.

NOVATEK regularly monitors the status of species on the Red List of the International Union for Conservation of Nature (IUCN) found in habitats affected by the Company's operations. As of 31 December 2021, a total of 76 such species were recorded throughout the observation period.[1]

**IUCN-listed animal species found in habitats affected by NOVATEK's operations**




## Activities to Restore Biodiversity

**The Company is fully aware of the impacts of its operations and acts to compensate any damage and restore the environment.**

In 2021, NOVATEK subsidiaries and joint ventures focused on several areas.

### Compensatory fish stocking

In 2021, the young of valuable fish species were released into the rivers of the Ob-Irtysh (in the territory the Khanty-Mansiysk Autonomous Region – Yugra and the Yamal-Nenets Autonomous Region) and North-Western Basins. The young of Siberian sturgeon, salmonids, and whitefishes (including muksun) were released to restore the populations of these commercially important fish. Over 11 million fry were released, more than triple the amount released the year prior. Fish stocking is carried out every year in large volumes preapproved by territorial bodies of the Federal Agency for Fishery, so the population of these valuable commercial fish species is forecast to grow in the long term. The young of the species are raised by several fisheries.

### Land reclamation

The Company regularly remediates lands disturbed by construction activities and field development. Completion of construction or production from a field part is followed by phased reclamation to restore vegetation cover and return the land to beneficial use. In 2021, a total of 732 ha of disturbed land were reclaimed, more than triple the area of the year prior. Of this number, 552 ha were returned to agricultural use, 175 ha were turned into forests and 5 ha were returned to other uses. Over 1,000 ha of land were returned to landlords.

1. The list is open, as the Group continually expands the geography of its operations and the status of some species changes from time to time.

**Compensatory reforestation**

Compensatory reforestation sites were selected by local forestry authorities, with reforestation projects agreed upon with the Department for Nature and Resource Regulation and Forestry Relations of the Yamal-Nenets Autonomous Region. Seeds and planting stock were obtained from the plant nurseries of the Khanty-Mansiysk Autonomous Region and the Sverdlovsk Region. In 2021, reforestation works were mainly carried out in the Tarkosalinskoye, Noyabrskoye and Nadymskoye forest districts. A total of 604.3 ha was covered by reforestation, more than 5x the area of the year prior.

**Winner of the Vernadsky National Environmental Award**

The efforts of NOVATEK-Tarkosaleneftegas, a NOVATEK subsidiary, to conserve biodiversity were recognized by the Vernadsky National Environmental Award in the Ecosystems and Biodiversity Conservation category.

**Environmental restoration in the Arctic**

The Company's biodiversity restoration efforts between 2019 and 2021 included the unique Healthy Tundra project to preserve and restore natural tundra ecosystems on the lands affected by the Company's operations and to enable their subsequent traditional uses by indigenous peoples.

It was the first ever environmental restoration project in the Arctic, with the Company actively involving indigenous peoples and using exclusively local species, rather than invasive ones, in restoration activities.

Members of 14 nomadic families took part in the project. This enabled us to tap into traditional Nenets knowledge earned through many years of observing the tundra ecosystem when selecting donor and background sites, while on the other hand, we were able to provide modern knowledge of principles and methods of ecological restoration to indigenous peoples.

The project restoration performance evaluation is scheduled for 2022 as part of environmental and biodiversity monitoring.

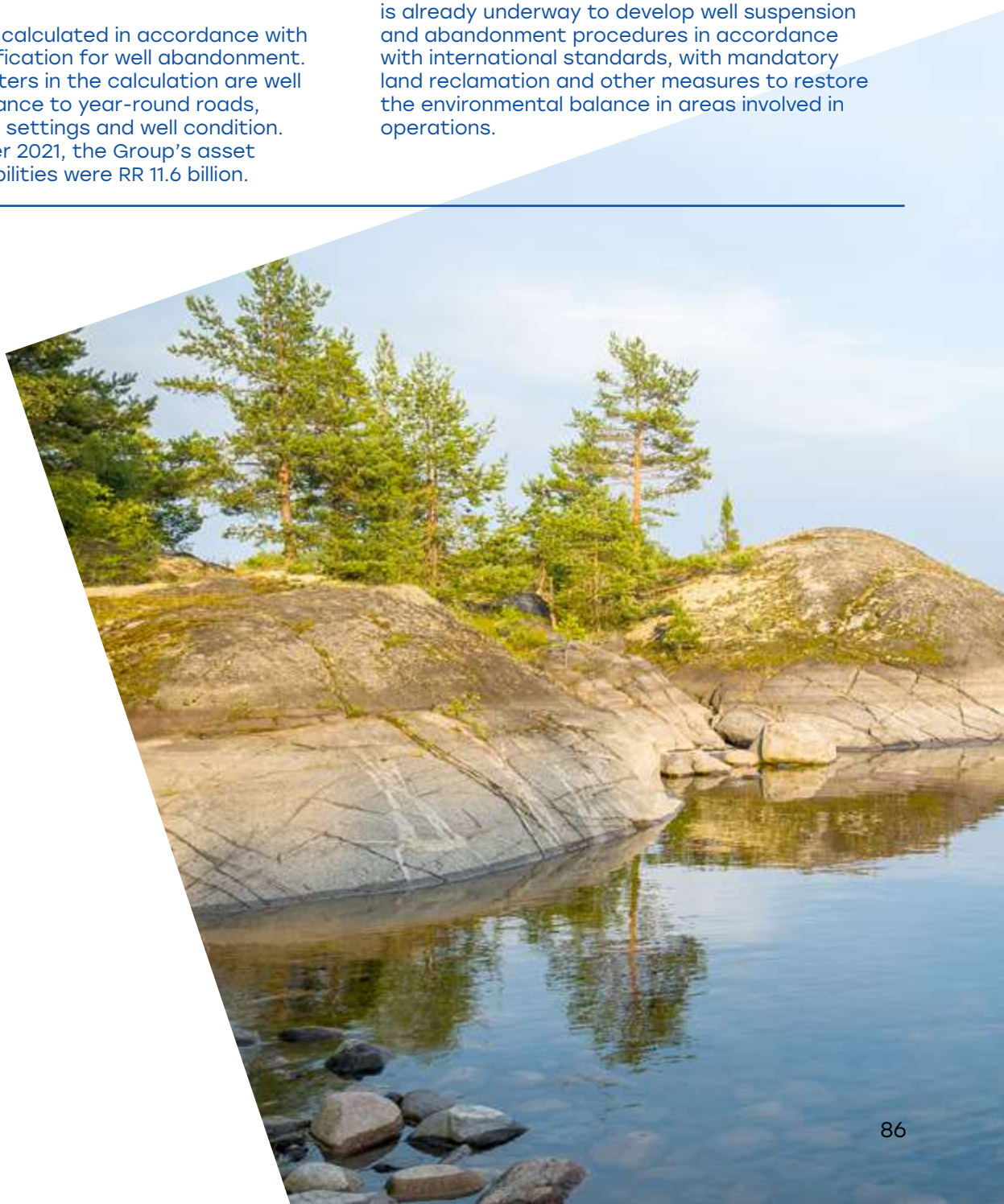
### Well suspension and abandonment

NOVATEK accepts full responsibility for well suspension and abandonment in accordance with its license obligations. The obligations include well plugging and abandonment (P&A) upon completion of production, equipment removal, land reclamation and other related activities. Wells are plugged and abandoned at the end of their useful life or for geological, technical, process, environmental, or other reasons.

P&A liabilities are calculated in accordance with a technical specification for well abandonment. The main parameters in the calculation are well location and distance to year-round roads, as well geological settings and well condition. As of 31 December 2021, the Group's asset abandonment liabilities were RR 11.6 billion.

Well suspension or abandonment is always followed by wellhead monitoring to minimize risks of blowouts and spills in accordance with applicable licenses for subsoil use. Abandoned and suspended well monitoring procedures comply with the Oil and Gas Industry Safety Rules.

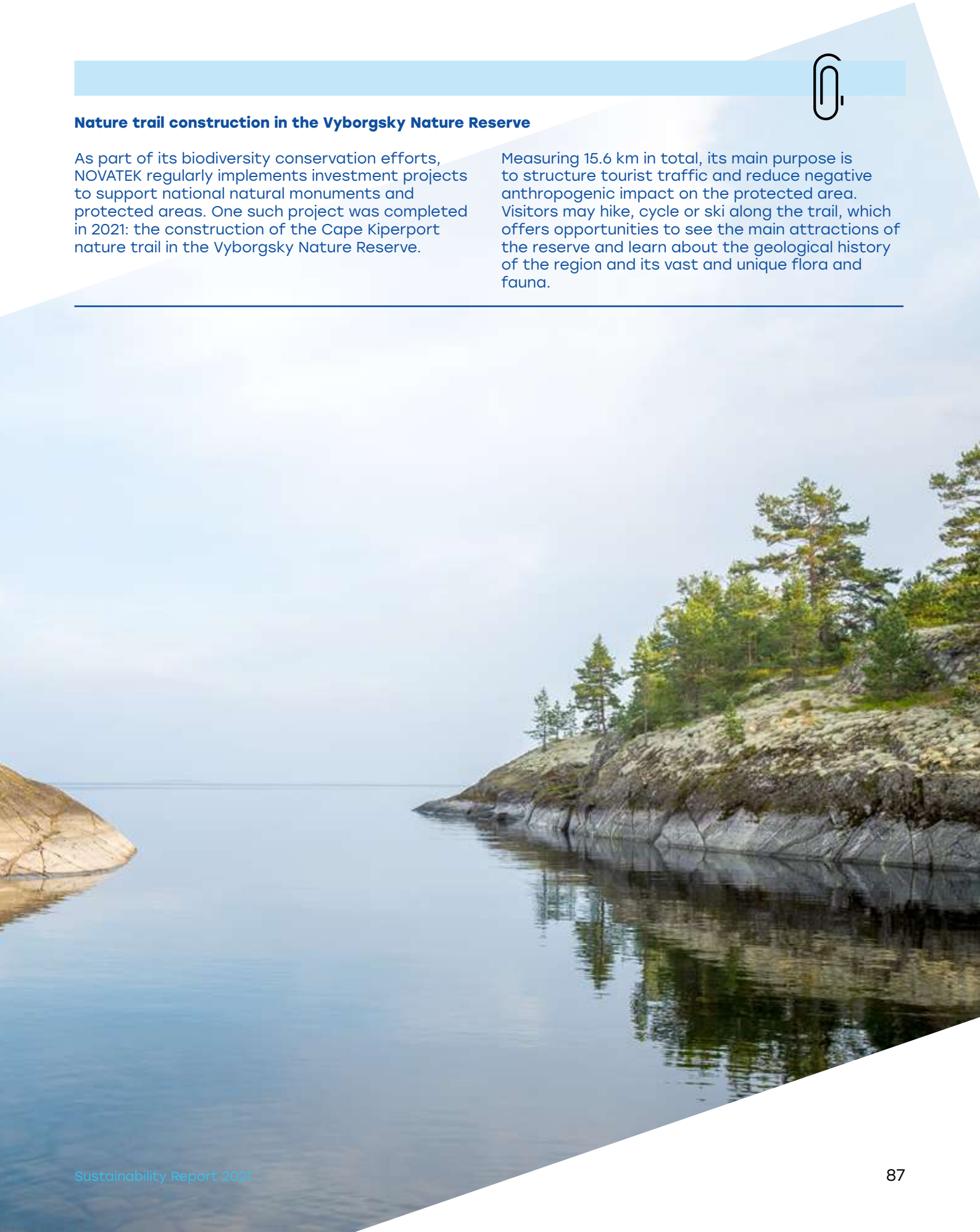
No assets at NOVATEK's flagship Yamal LNG project have yet been decommissioned; however, work is already underway to develop well suspension and abandonment procedures in accordance with international standards, with mandatory land reclamation and other measures to restore the environmental balance in areas involved in operations.



### Nature trail construction in the Vyborgsky Nature Reserve

As part of its biodiversity conservation efforts, NOVATEK regularly implements investment projects to support national natural monuments and protected areas. One such project was completed in 2021: the construction of the Cape Kiperport nature trail in the Vyborgsky Nature Reserve.

Measuring 15.6 km in total, its main purpose is to structure tourist traffic and reduce negative anthropogenic impact on the protected area. Visitors may hike, cycle or ski along the trail, which offers opportunities to see the main attractions of the reserve and learn about the geological history of the region and its vast and unique flora and fauna.



# Emissions

**Gas and oil production, processing and refining inevitably result in pollutant and greenhouse gas emissions. Therefore, reducing such emissions is a key focus of the Company's activitie in environmental protection and boosting environmental performance.**

The Company set a long-term goal to achieve a 20% reduction in air pollutant emission intensity by 2030 from a 2019 baseline.

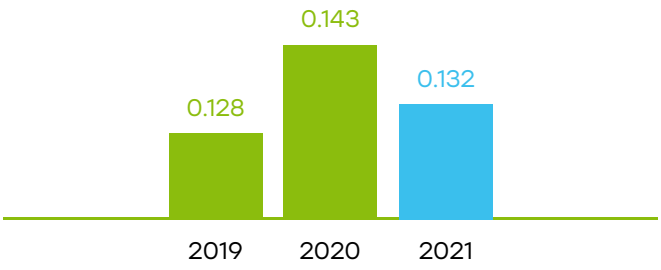
Its Comprehensive Environmental and Climate Change Targets Program includes initiatives for air protection, which, in 2021, resulted in significant progress toward lower emissions and higher carbon efficiency.

In 2021, gross emissions totaled 82.4 thousand tons, down 6% year-on-year, with air pollutant emission intensity down 8% year-on-year, at 0.132 ton per thousand boe. The Company does not emit highly toxic or ozone-depleting substances.

**Air emissions in 2019–2021, tons**

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Total air emissions, including:** | **75,603** | **87,273** | **82,382** |
| **Main pollutants:** | | | |
| • particulate matter | 2,697 | 5,590 | 4,130 |
| • carbon dioxide | 40,059 | 48,115 | 43,732 |
| • nitrogen oxides ($NO_2$ equivalent) | 13,296 | 11,083 | 13,990 |
| • sulfur dioxide | 62 | 77 | 76 |
| • hydrocarbons (including methane) | 6,166 | 8,910 | 9,635 |
| • VOCs | 13,258 | 13,418 | 10,791 |
| **Other** | **65** | **80** | **28** |

**Emission intensity in 2019–2021, tons/thousand boe**



**Key initiatives reducing negative impact on atmospheric air in 2021:**

- The deployment of cutting-edge gas and gas-condensate well testing technologies at the Urengoyskoye, Yurkharovskoye, West-Yurkharovskoye, East-Urengoyskoye, and North-Yesetinskoye fields reduced gross emissions.
- Lower consumption of flare sweep gas in flare headers reduced natural gas consumption and pollutant emissions.
- A pilot project to treat and inject process water into reservoirs at the Yurkharovskoye field reduced pollutant and GHG emissions from wastewater combustion, as well as gas losses in flaring.
- The commissioning of a reciprocating compressor at the preliminary water discharge unit of the East-Tarkosalinskoye field cut APG flaring by supplying APG to the trunk pipeline network, resulting in lower air emissions, including GHG.

## Minimizing emergency emissions

The Company strives to minimize emissions and ensures that emergency emission risks are accounted for at the earliest stages of project design. Emergency emission prevention is included in FEED and detailed documentation for field development and the construction of hazardous production facilities. All projects must include provisions for preventing emergency emissions, fires, spills, and other emergencies by various safety systems such as emergency protection, automatic fire suppression and gas detection systems.

Additionally, all NOVATEK's production facilities undergo annual preventive maintenance and diagnostics of their equipment and pipelines to prevent loss of containment and hydrocarbon release.

The NOVATEK Group subsidiaries also regularly monitor pollutant emissions to minimize the risk of exceeding maximum permissible concentrations. Approved environmental monitoring programs stipulate yearly measurement of emissions from equipment, including but not limited to:

- booster compressor stations
- gas turbine power plants
- furnaces and heaters

In order to confirm measurement accuracy, industrial emission monitoring systems at the Company facilities are certified by the Federal Information Fund for Ensuring the Uniformity of Measurements.

# Waste

## Waste is an inevitable byproduct of production, mostly consisting of drilling waste.

In waste disposal, NOVATEK pays particular attention to the safe temporary storage of waste to prevent potential threats to the fragile ecosystem of the North.

The Company set the target to increase the share of waste directed to utilization and disposal to 90% by 2030 from a 2019 baseline. In 2021, the Company utilized and disposed 83% of its waste (up 14 p.p. year-on-year).

NOVATEK uses a systemic approach to manage waste of hazard classes 1–5 throughout the life cycle, from providing safe temporary storage of waste-to-waste treatment, landfilling and recycling. The Company takes a resource-based view of waste management, seeking ways to reuse waste, whenever possible, in manufacturing and business activities by finding consumers that can recycle Company waste.

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

### Waste generation

In 2021, the NOVATEK Group's operations generated 53.5 thousand tons of waste, up 13% year-on-year. The share of very highly hazardous and highly hazardous waste (classes 1 and 2) was insignificant (below 0.1%), found mainly in mercury lamps and fluorescent tubes containing mercury, as well as spent lead-acid batteries. The rest was moderately hazardous and low-hazard waste of classes 3, 4 and 5. The bulk of waste was low-hazard or practically non-hazardous (mainly drill cuttings). A total of 41.4 thousand tons of drilling cuttings (77% of total waste) were produced in 2021, with a total of 46.6 thousand tons disposed, including waste from previous periods.

**Waste generation by hazard class in 2021, tons**

| Total, tons | 53,461 |
|---|---|
| **Class 1** – very high hazard | 3 |
| **Class 2** – high hazard | 38 |
| **Class 3** – moderate hazard | 1,466 |
| **Class 4** – low hazard | 48,728 |
| **Class 5** – practically no hazard | 3,226 |

### In-house processing of drill cuttings

The Company leverages a unique drilling waste thermal desorption technology at two cuttings disposal plants at the Yurkharovskoye and South-Tambeyskoye fields. The operation of the plants brings significant environmental and economic benefits through the reuse of oil-based mud for drilling at the Gulf of Ob coast. The Company reused 1.5 thousand cubic meters of industrial oils in total in 2021 through in-house treatment of drilling waste with this technology.

## Waste management

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

Hazardous waste is sent for recycling/treatment to contractors that specialize in such handling and treatment and have all the necessary permits. In 2021, 100% of hazardous waste was sent to such organizations for utilization or treatment according to the licensed handling method.

The bulk of non-hazardous waste was also treated or recycled. Landfilling was significantly reduced in 2021: a total of 1,179 tons of waste were landfilled within the Company's perimeter, and 750 tons of waste were landfilled outside the Company's perimeter by licensed contractors.

We have an ever-growing separate waste collection and disposal system deployed across operations. Leveraging this system, Cryogas-Vysotsk, for instance, benefits from selling its waste after separate collection.

The following types of waste were sold in 2021: waste oils, spent batteries, plastic containers, paper and cardboard waste, ferrous scrap, pipe and catalysts. The existing separate waste collection system was supplemented by introducing separate waste collection at several Company offices.

**Waste by method of disposal in 2020–2021, tons[1]**

| | 2020 | 2021 |
|---|---|---|
| **Hazardous waste** | | |
| Utilized | 27 | 36 |
| Treated | 3 | 2 |
| **Non-hazardous waste** | | |
| Utilized | 22,574 | 49,003 |
| Landfilled | 3,701 | 1,929 |
| Treated | 16,522 | 6,525 |

For more details, see Appendix 8, Key Environmental Performance Indicators, p. 185.

1. Waste is categorized into hazardous and non-hazardous waste depending on its hazard class, i.e. waste of hazard classes 1 and 2 are categorized as hazardous, while waste of classes 3–5 are non-hazardous.
Since the reporting year 2020, the Company has reported waste data in accordance with the updated GRI 306 Waste - 2020 standard, in this regard, data for 2019 are not disclosed in the table.

# Water Resources

## NOVATEK is aware of its obligations in responsible water management and sets goals for sustainable water use.

In particular, the Company is committed to sustainable water use and effective wastewater treatment in accordance with Russian regulations. The main sources of water are surface water and groundwater. Formation water is also used for reservoir pressure maintenance, reducing external water withdrawal.

### Water scarcity risk analysis and assessment

NOVATEK does not operate in water-scarce areas. The International Water Management Institute describes Russia as a “sodden” region abundant in water resources. Nevertheless, responsible water consumption is part of the Company’s environmental protection policy, therefore, NOVATEK is committed to effective wastewater treatment.

### Assessment of our impact on water resources

The Company’s impact on water resources and water scarcity risks were assessed as part of the Environmental Impact Assessments for the Company’s key production projects. Risk identification and assessment included, among others, risks related to natural water withdrawal and pollution, as well as to hydrological changes across the Company’s operating regions. Mitigation measures were identified for each risk and used as a basis for the development and implementation of a water management plan, with annual monitoring of the Company’s environmental impact on water resources.

### Ensuring water quality

In the Yamal-Nenets Autonomous Region and the Khanty-Mansiysk Autonomous Region, the NOVATEK Group subsidiaries use their own water treatment facilities to treat water for internal without recourse to urban and municipal facilities. Water quality complies with the established requirements.

### Providing access to water bodies

Access to water bodies within the areas affected by the Company operations is provided in strict compliance with national legislation and local regulations. In particular, free access to public water bodies and their shorelines is provided to all people, except in cases restricted by law. This approach protects local communities and the environment from the risk of water scarcity.

There were no conflicts with local communities over water resources recorded in 2021.

It is mandatory for all subsidiaries withdrawing water from surface water bodies to develop water management, water body protection, and aquatic biological resource and habitat conservation plans. Several of the NOVATEK Group subsidiaries have also developed water management plans based on international standards. In particular, in 2021, an environmental management plan was approved for water resource management at Arctic LNG 2 during the construction phase. This document lists specific activities to manage, mitigate and monitor impacts. The choice of activities was determined by an ESIA, considering the requirements of engineering and design documentation, international standards, Russian legislation, and permits for project facility construction and operation.

The Company keeps primary records of consumed and discharged water, and the compliance of withdrawal and discharge volumes with laws and regulations on water body protection is verified through audits by authorized state regulators at intervals depending on each operation's risk-based environmental footprint ranking. Furthermore, Company subsidiaries also have in place an environmental operational control system.

## Monitoring of the Company's impact on water resources and operational control

Surface and ground water monitoring is an integral part of annual environmental monitoring in the areas affected by NOVATEK's operations. NOVATEK subsidiaries also regularly monitor the hydrological and hydrochemical parameters of the water in the areas where pipelines cross water bodies. The majority of NOVATEK's large production subsidiaries have accredited chemical laboratories fully equipped for full and prompt analysis.

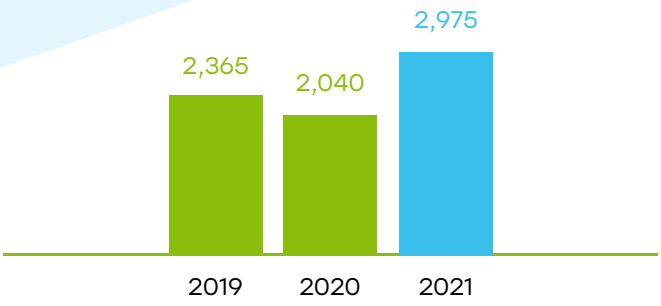
## Water consumption

In 2021, the Company's water consumption across its footprint totaled 2,975 thousand cubic meters (excluding produced water reinjected for pressure maintenance), with most water used for production needs. The 46% increase in water withdrawal vs. 2020 is attributed to the construction of an exploration well at the Geofizicheskoye gas condensate field (entailing a growth in sea water withdrawal), as well as higher water demand for construction at the Offshore Super Facility Construction Center.

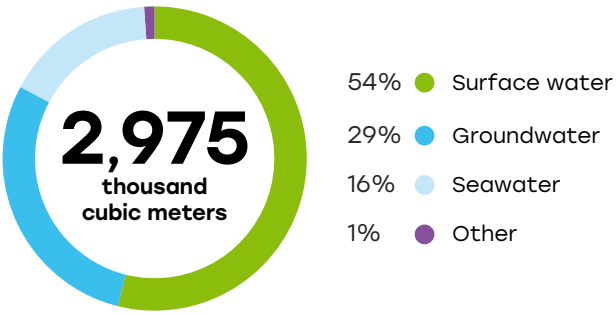
Specific water consumption by production subsidiaries was 3.61 cubic meters per thousand boe. Specific water consumption by processing subsidiaries was 0.01 cubic meters per ton of production.

Surface water and groundwater are the main sources of water, accounting for 54% and 29% of total water withdrawal in 2021, respectively.

**Water consumption in 2019–2021, thousand cubic meters**



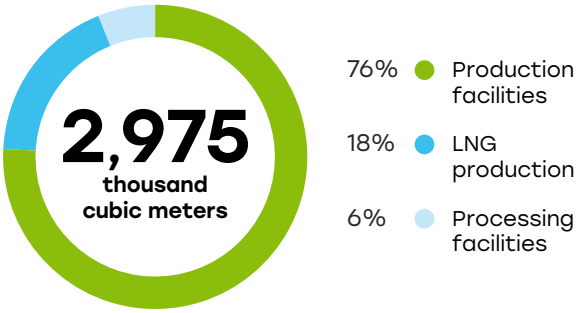

**Water withdrawal by source type in 2021, thousand cubic meters**



Of the total volume of withdrawn water, 92% was fresh water with a total salinity not exceeding 1,000 mg/l, while 8% was other water. The Company withdraws water within the established limits and without significant impact on water bodies.

In 2021, produced water totaled 7,635 thousand tons, including water from production wells (5,582 thousand tons) and water wells (2,053 thousand tons). A total of 4,827 thousand tons of water were injected into wells for pressure maintenance.

**Water consumption by destination in 2021, thousand cubic meters**




## Water discharge

Ensuring proper wastewater quality is an important objective of the Company's environmental activities. All wastewater from stationary facilities undergoes primary treatment before any discharge, including flaring and injection. NOVATEK's own laboratories and third-party specialized laboratories monitor compliance with established standards as part of environmental operational control.

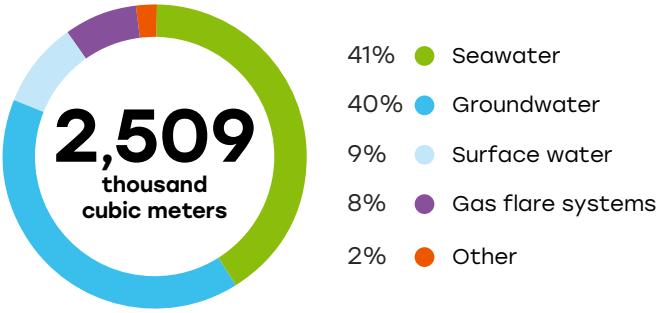
NOVATEK regularly implements initiatives to identify and prevent potential negative impacts of water discharge. In 2021, the Company completed a pilot project to treat and inject process water into the reservoirs at the Yurkharovskoye field. The project significantly reduced effluent flaring, as well as gas losses in flares.

For more details, see Appendix 8, Key Environmental Performance Indicators, p. 185.

In 2021, the Company's total water discharge (excluding water injected for pressure maintenance) stood at 2,509 thousand cubic meters, up 47% year-on-year. The increase was primarily driven by the construction of a well on the Kara Sea shelf at the Geofizicheskoye field.

All wastewater discharged into surface water bodies qualifies as treated to standard quality and as fresh in terms of salinity. A total of 223 thousand cubic meters of wastewater treated to standard quality were discharged into surface water bodies. A total of 1,026 thousand cubic meters of wastewater were discharged into the sea, including 469 thousand cubic meters qualified as not requiring treatment and 557 thousand cubic meters as treated to standard quality. The permissible impact limits in terms of salinity established for seawater are observed when discharging wastewater into the sea.

**Wastewater discharge by destination in 2021, thousand cubic meters**



## Offshore environmental safety

NOVATEK adheres to international best practices for offshore well management. Coastal operations follow the principle of delineating responsibility.

Offshore wells are constructed in accordance with the principle of integrated contracting, whereby the customer engages contractors for drilling (the floating drilling rig), drilling services and well testing services, as well as support vessels and an onshore base. The customer's scope of responsibility includes emergency response and rescue vessels, and blowout safety.

The procedure for drilling contractor selection includes the assessment of financial performance and relevant experience, as well as the availability of qualified personnel, the drilling rig, equipment, engineering and process support, and the capability to ensure industrial, environmental, fire, and occupational safety.

Construction, logging, and testing of any well is accompanied by continuous monitoring of all key parameters with advanced technology and software, both directly on the rig and remotely. The operator, the Scientific and Technical Center, and the corporate center each have a responsible employee appointed for each well.

In 2021, the Company drilled a well on the shelf of the Kara Sea at the Geofizicheskoye field with continuous environmental safety monitoring throughout the well construction period. Environmental monitoring encompassed three stages: pre-, during, and post-construction. A state environmental review approved the engineering and design documentation supporting it. Well construction was also accompanied by water body monitoring under a program approved by the local territorial body of the Federal Water Resources Agency. Monitoring stations were placed in all geographical directions 500 and 1,000 meters from the rig.

### Improving the environmental performance of hydraulic fracturing

NOVATEK designs and constructs wells in accordance with international standards and is committed to the continuous improvement of environmental performance across these operations. All of the Company's fracturing operations use continuous-running, closed-loop control systems. For this purpose, the Company's frac fleet is equipped with special sensors, with automatic emergency shutdown provided for pumps.

In 2021, hydraulic fracturing was performed at 66 wells (44% of the total number of production wells). All operations used viscoelastic nontoxic fluids. No deterioration of ground or surface water quality during fracturing operations was observed in 2021.

Key measures to minimize the risks of negative environmental impacts:

- Continuous monitoring of air condition and prevention of methane leaks
- Ground and surface water quality monitoring
- Provision of well integrity through mandatory well pressure testing
- Non-use of toxic substances in fracturing fluids to this end, including guar gum, a polysaccharide polymer

# Driving Safety

Company's key values include protecting lives and health of its employees, contractors and local residents in the regions where we operate, as well as ensuring safety throughout the entire production process.

# Safety

| Priority UN SDGs | Russia's national development goals | NOVATEK's goals |
|---|---|---|
| 8 Decent Work and Economic Growth<br>Targets: 8.8 | Decent and effective jobs and successful enterprise | **5% reduction**<br>A 5% reduction in LTIFR among NOVATEK employees |

**12 th.**

**the number of employees to receive OHS training (up 5% year-on-year)**

## 2021 highlights

- 631 inspections of hazardous production facilities conducted
- 10,302 workplaces covered by a special assessment of working conditions
- 77 contractor compliance audits conducted

**Progress**

To reduce work-related injuries, the Company has introduced a set of preventive measures, with plans to set up the OHS Coordination Council to tighten relevant controls

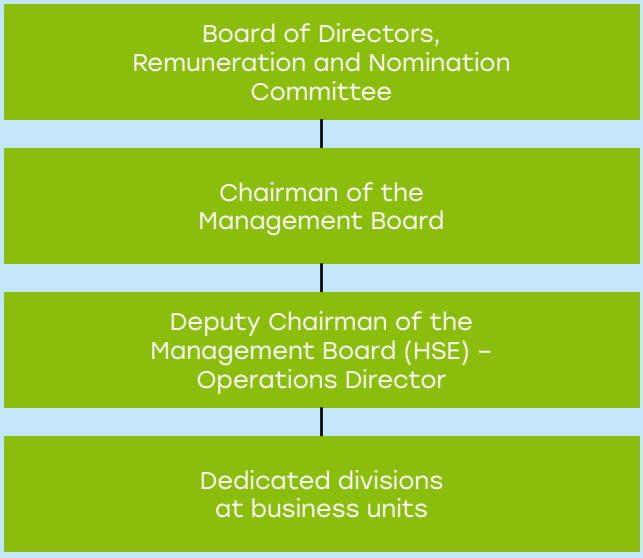
## Plans for 2022 and the medium term

- To mitigate risks and prevent accidents and injuries to the workforce
- To introduce programs to enhance employees' competencies
- To set up the OHS Coordination Council

## Key corporate documents

- Standards of the Integrated HSE Management System certified to ISO 14001 and ISO 45001
- NOVATEK's Environmental, Industrial Safety and Occupational Health Policy and corporate OHS standards

## Organizational structure



# Management Approach

NOVATEK is fully aware that its operations associated with the production, transportation and processing of hydrocarbons are a potential source of danger to the environment, workforce and local residents in the affected areas. The Company analyzes risks and implements measures to eliminate and minimize on-site work-related injuries, accidents and incidents during the operation of hazardous facilities.

The Company's key values include protecting lives and health of its employees, contractors and local residents in the regions where it operates, as well as ensuring safety throughout the entire production process.

The Company has in place the OHS Management System, which forms part of the Integrated HSE Management System (IMS).

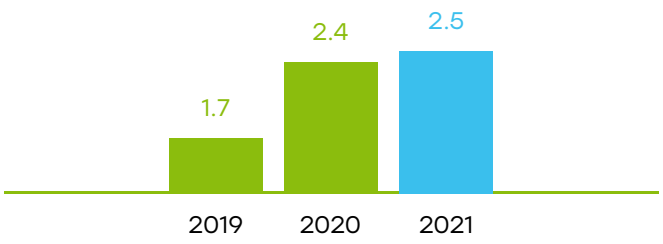
The IMS is certified for compliance with international standards, including HSE standards. In 2021, combined occupational health, fire safety and security spending at NOVATEK subsidiaries totaled RR 2.5 billion.

For more details, see Chapter 4, Environmental Protection, p. 72.

**HSE standards**

| Standard | Compliance by the Company |
|---|---|
| Occupational health and safety management system ISO 14001:2015 or ISO 45001:2018 | 11 of 19[1] (58%) production subsidiaries of the Company are certified to these standards.<br><br>The Company regularly undergoes surveillance audits of its management system's compliance |
| Environmental management system ISO 14001:2015 and ISO 45001: 2018 | NOVATEK's IMS is certified to ISO 14001 and ISO 45001 |

**Occupational health, fire safety and facility security spending, RR bln**




1. Excluding pilot projects (Arctic LNG 1 and Arctic LNG 3). In 2021, NOVATEK-Kamchatka and NOVATEK-Western Arctic were merged into Arctic Transshipment; NOVATEK-Pur was merged into NOVATEK-Yurkharovneftegas.

## Safety culture

NOVATEK builds a strong safety culture and engages employees and managers at all levels, as well as contractor employees, in reducing operational risks.

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

NOVATEK has a system of communication channels devoted to OHS:

- Conference calls between NOVATEK top managers and the CEOs of subsidiaries and joint ventures
- Meetings between HSE Department managers and units and services of subsidiaries
- Internal inspections and audits
- Daily monitoring of working conditions by operational staff and reporting non-compliance with OHS requirements to the manager
- Collection of comments from Company employees and contractors, trade union representatives, local government representatives, local non-profit communities and other stakeholders via telephone, e-mail, message boxes and community liaison offices
- Communication of HSE matters to employees (information boards, signs with phone numbers of control room operators and emergency services, publications and videos)
- OHS training

# Preventing Work-Related Accidents, Incidents and Emergencies

## System for assessing risks of accidents, incidents, and emergencies

In accordance with Russian and international standards, the Company assesses health and safety risks at all stages of project implementation. Risk analysis is carried out during pre-project activities and at the design, operation and decommissioning stages. Prior to launching the Yamal LNG and Arctic LNG 2 projects, an Environmental and Social Impact Assessment (ESIA) was conducted, considering the full range of potential impacts, including on industrial safety. The Company has in place a Risk Map and a procedure for identifying and assessing hazards and risks, as well as environmental and social aspects. The risk assessment process involves Company employees, including blue-collar employees.

**Hazardous facilities operated by NOVATEK, %**


65% Hazard Class 3
20% Hazard Class 2 (hazardous)
10% Hazard Class 4
5% Hazard Class 1 (hazardous)

Industrial safety management systems and industrial safety declarations have been developed for Class 1 and 2 hazardous industrial facilities. To mitigate the risk of potential accidents and incidents, industrial safety measures are carried out on a regular basis, including scheduled inspections of equipment, technical inspections, diagnostics of equipment, buildings, and facilities, taking out compulsory civil liability insurance for organizations operating hazardous production facilities, arrangement of employee training and certification, etc.

The Company takes extra care to minimize the risk of accidental releases of hydrocarbons. All projects are subject to state expert review and are approved prior to the start of construction. All projects must contain provisions for the prevention of accidental releases, fires, spills and other emergencies through various safety systems, including automated control systems. Additionally, all NOVATEK production facilities undergo annual preventive maintenance and diagnostics of their equipment and pipelines.

## Accidents and incidents

In the reporting year, the Company had two accidents.

- In January 2021, Arcticgas recorded a fire in an air cooler unit caused by a loss of containment in a bundle tube. Operational staff, together with the fire department, cut off the air cooler unit, which contributed to the rapid extinction of the fire. The accident did not result in any casualties.
- In August 2021, as a subcontractor carried out works to install scaffolding inside the cavity of a vertical steel tank at Yargeo, there was an explosion of a gas and air mixture, which caused a brief fire. The fire was extinguished by the fire department. Five subcontractor employees were injured, three of them died.

In both cases, investigations were conducted by a commission led by the North Ural Department of the Federal Environmental, Industrial and Nuclear Supervision Service of Russia (Rostechnadzor). Measures to contain the emergency and eliminate its causes were implemented within the timeframe established by the commission.

To prevent similar work-related accidents, a set of measures were introduced following the investigations, including:

- verifying compliance with the process mode, timing and completeness of equipment maintenance and repair, as well as checking the operation of the automatic process control system for compliance with the approved design solutions
- conducting drills following potential emergency scenarios, training responsible persons in hazardous work procedures and testing their knowledge

## Accident and incident prevention measures

Emergency Prevention and Response Action Plans are in place at all NOVATEK facilities. In addition, the Company has the following emergency preparedness and response procedures:

- Emergency containment and management plans
- Oil and petroleum product spill response plans
- Firefighting plans and information cards

At least once every three years, comprehensive emergency training exercises are held to confirm that the operator is prepared to contain and respond to an oil or petroleum product spill of the maximum estimated volume.

The Company engages with local communities on matters related to emergency response planning and training exercises. Specifically, Yamal LNG signed an agreement to share information related to emergency forecasting, prevention, and response with the Yamalsky District Administration.

Subsidiaries operating hazardous facilities that produce, collect, process, and manufacture explosive and flammable substances were protected by 29 professional emergency response and rescue teams comprised of 1,123 people in 2021.

Inspections are regularly carried out at the facilities of controlled entities to assess the emergency preparedness and response capabilities of the Company's business units and employees. In 2021, a total of 22,476 patrols and rounds were made of facility areas as part of day-to-day operations safety monitoring. Professional emergency response and rescue teams carried out 20,418 activities to monitor the fire and gas safety of hot works.

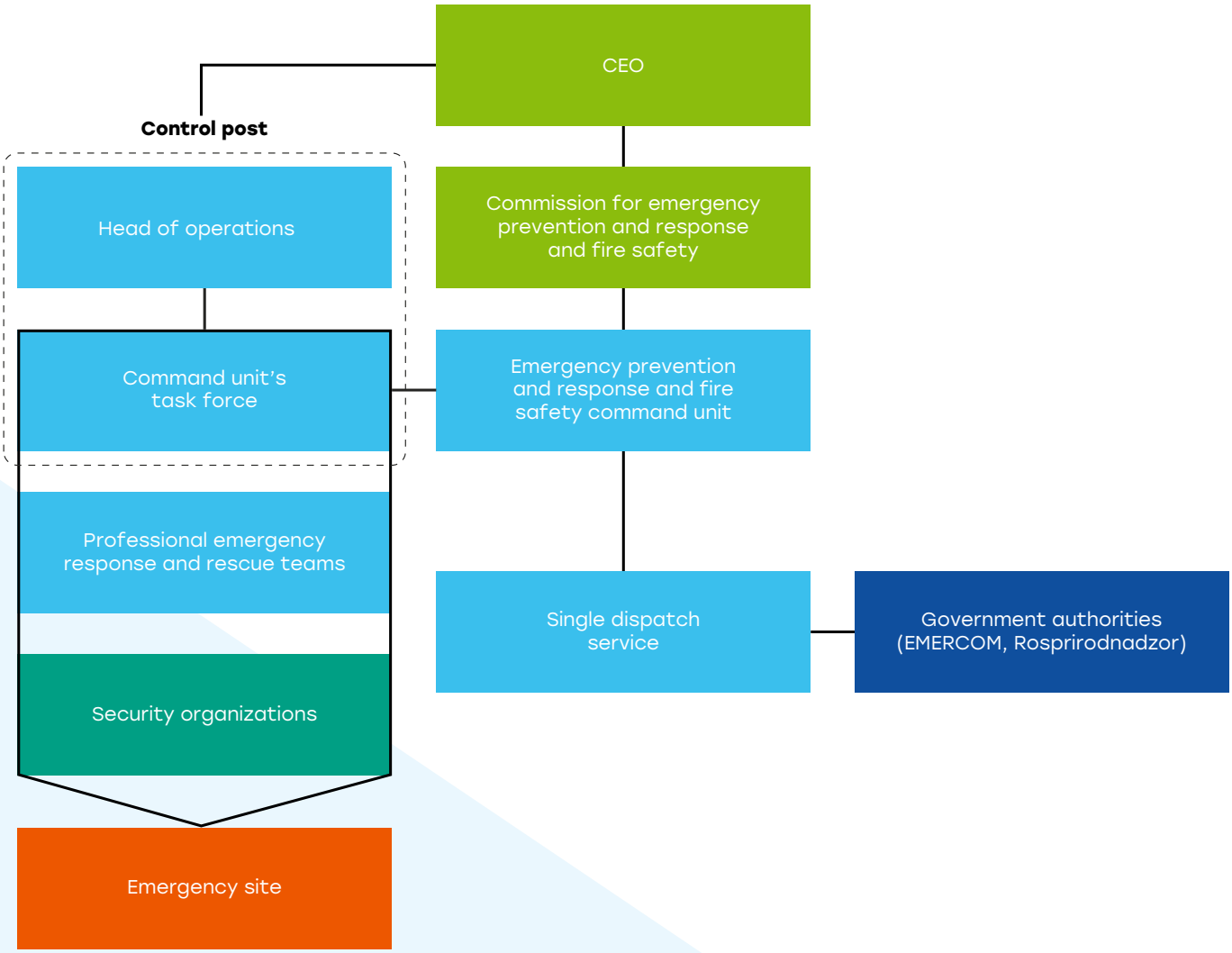
The Company fully complies with fire safety, civil defense and emergency response regulations: all protected facilities are equipped with automatic fire detection, alarm and extinguishing systems.

In 2021, NOVATEK recorded one fire at a non-production facility, which caused no injuries.

### Emergency response plans at Yamal LNG

Yamal LNG has in place detailed plans to respond to natural or man-made emergencies, detailing possible scenarios and actions to be taken by Yamal LNG employees, contractors and professional emergency response and rescue teams.

### Rapid response scheme when responding to an emergency



## Operational control

Operational control at the Company's hazardous production facilities is carried out by standing commissions in line with the applicable industrial safety legislation.

In 2021, subsidiary and joint venture commissions conducted a total of 631 audits for compliance with industrial safety requirements.

In 2021, NOVATEK's commission continued auditing controlled entities for compliance with occupational health, industrial, fire and environmental safety requirements. Targeted audits were carried out at Yargeo, NOVATEK-Ust-Luga and Arcticgas. Based on their findings, relevant reports were produced, and remedial measures were developed.

### Ensuring safe operations in the Arctic

Most of NOVATEK's production facilities are located in the parts of Russia that fall within the Arctic Circle, which is known for its harsh environmental and climate conditions, extremely low population density, underdeveloped transport and social infrastructure, and ecosystems that are highly sensitive to external influences.

#### Risk analysis

When designing new production facilities, the Company caries out a comprehensive analysis of risks, including climate change risks. Proposed solutions incorporate an important safety margin.

For more details on assessing the physical risks of climate change, see Chapter 3, Climate Change, p. 45.

#### Risk-based design solutions

Considering this analysis and economic efficiency parameters, the design of our second large-scale project, Arctic LNG 2, envisaged the construction of a terminal and production trains on gravity-based structures (GBSs), which minimizes environmental impact. The potential rise of soil temperatures does not pose a risk to the integrity of the Arctic LNG 2 facilities, since the GBSs rest on the seabed and not on permafrost soils.

#### Regular monitoring of:

- air and soil temperatures, the state of permafrost, cryogenic processes and snow cover thickness and density
- compliance with approved design solutions, in particular, by checking the structures for deformation, verifying the operability of heat pipes, etc.

Monitoring is performed throughout the entire construction and operation period. Monitoring frequency depends on the actual condition and criticality level of a facility, and varies from once a week to bi-annual. Monitoring indicates that the most favorable scenario is currently playing out.

Special measures to preserve the stability and bearing capacity of soils are taken at facilities located in areas of confirmed permafrost. Throughout the project lifecycle, special attention is paid to the detection and prediction of permafrost hazards, such as frost mounds (landforms resulting from the freezing of heavily hydrated soils), gas hydrates (crystalline compounds formed by water and gas under certain conditions) and cryopegs (natural saline groundwater at a temperature below zero). The environmental monitoring program includes actions to identify areas with intensifying cryogenic processes. In 2021, these studies covered several license areas in the Yamalsky and Tazovsky Districts of the Yamal-Nenets Autonomous Region.

## Pipeline integrity

NOVATEK consistently focuses on reducing the risk of pipeline accidents, combining measures to improve pipeline reliability and those aimed at enhancing the safety of production facilities, all while increasing contractor accountability. The Company analyses risks to pipeline integrity, considering factors such as corrosion, deterioration, pipe sinking, and other factors that can lead to material consequences.

NOVATEK implements several preventive measures directly from the construction phase to ensure the safe operation of its pipelines. To protect pipelines from corrosion, pipe products with a three-layer polyethylene coating are used. Linear facilities are also protected electrochemically by leveraging cathodic protection stations, deep anode beds of various designs, and sacrificial protection at intersections with water bodies, roads, and railroads.

Leak detection systems are deployed on pipelines transporting liquid hydrocarbons. The systems use high-precision pressure sensors installed on valve assemblies and can track unplanned leaks.

Inline comprehensive technical diagnostics are carried out to analyze risks, ensure safe and reliable operation and monitor pipeline integrity. To monitor the technical condition of external transport pipelines, NOVATEK conducts monthly inspections, regular inline instrumental diagnostics (based on the results of a previous inspection), inspections of upstream pipelines where inline diagnostics are impossible, and annual heat treatment of bypass lines of upstream pipelines.

Upon receipt of technical reports, a schedule for fixing defects is drawn up. Thanks to the Company's efficient and reliable pipeline operation and integrity management system, there were no spills in 2021.

## Occupational health and safety at contractors' facilities

NOVATEK monitors OHS standards at contractors' facilities. Compliance with OHS requirements forms an integral part of agreements between controlled entities and contractors. The agreements provide for penalties if OHS rules are breached.

Contractors are obliged to participate in OHS incident response plans through their contracts.

During emergency drills for employees, contractor employees also participate in the actions designated by emergency containment and management plans.

The Company's production facilities operate registration systems for contractor employees. Specifically, a remote access control system has been installed at all Yamal LNG facilities; both Yamal LNG and contractor employees access the premises using a personal pass, with the system logging each entry and exit. Contractor employees are also entered in the register of construction, commissioning and operating area passes, as well as in the induction briefing logbook.

NOVATEK conducts annual qualification audits to improve the work quality and monitor compliance with all OHS requirements.

For more details, see the Supply Chain section, p. 40.

# Preventing Work-Related Injuries

## Work-related injury prevention system

NOVATEK is committed to creating and maintaining a working environment that minimizes work-related risks of accidents and health hazards for employees and contractors working at the Company's operating facilities.

All new operations and projects undergo health and safety risk assessments. In particular, the Environmental and Social Impact Assessments (ESIAs) for the Yamal LNG and Arctic LNG 2 projects focus on acclimatizing and adapting employees to their harsh climate and remote location, as well as the possible impacts to employee health, performance, and mental health and well-being.

NOVATEK identifies hazards and assesses injury risks to meet the requirements of ISO 45001 and applicable Russian laws.

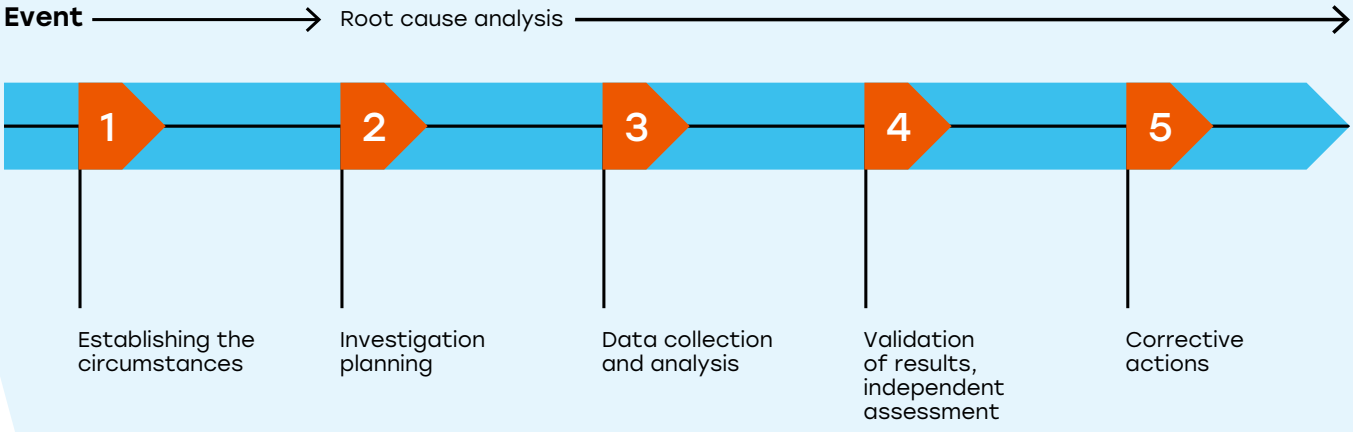
The updated Risk Map for 2022 features the updated risk of additional costs/fines/reputational losses due to an accident caused by the employer.

The Company considers employees' suggestions for identifying potential work-related health and/or injury hazards at their workplaces. We promote risk awareness among our employees and design risk management initiatives, including for risk prevention and mitigation.

All incidents are recorded, and all accidents are investigated in a timely manner.

Each accident involving employee exposure to work-related health and/or injury hazards is followed by an unscheduled special assessment of working conditions.

**Incident root cause analysis**



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

The Occupational Health Management System operates as part of the Integrated OHS Management System, the main objective of which is to move from reactive incident responses to proactive management of health risks to Company employees.

Pursuant to effective legislation, workplaces undergo special assessment of working conditions. As of 31 December 2021, 10,302 workplaces were covered by the assessments. The assessment determined that 9,065 workplaces (87.9%) meet or exceed standards. At workplaces harmful working conditions, a set of measures to eliminate or mitigate harmful factors is being implemented. No workplaces with hazardous working conditions were identified.

## Work-related injuries[1]

In 2021, the Company recorded 15 work-related accidents, two of which resulted in fatalities. A total of 18 persons were affected, two of whom died.

Dedicated commissions were set up at NOVATEK's subsidiaries to investigate the circumstances and causes of the accidents. The main causes of accidents were:

- failure to use or the incorrect use of safety harnesses
- flaws in operational projects and processes
- absence of the site's responsible person
- ignorance of process flow diagrams
- defective equipment
- failure to use gas analyzers
- traffic violations.

Based on the causes revealed, areas for enhancing the OHS management system were identified. To prevent similar incidents in the future, a set of preventive measures was introduced at the Company's other production sites, and in some cases, further hazardous work was halted until the completion of preparatory activities.

To unify OHS approaches in 2022, the Company plans to set up a coordination council, a governance body in charge of OHS matters, which will include senior executives of the Company and its subsidiaries and subject experts from business units responsible for occupational health and safety.

Given the importance of knowledge of operations and OHS requirements, in 2022, the Company intends to implement measures to enhance employees' competencies. Additional methodological support will cover operations involving high risks of injuries and accidents. There are plans to deploy dedicated software to test knowledge and develop practical modules (simulators).

1. The 2021 Report used a new approach to counting accidents in accordance with OSHA Regulations 1904.5 – Determination of Work-Relatedness: non-work-related injuries were excluded from the calculation. Comparable data were recalculated.

### Work-related injury rates at the NOVATEK Group

| Indicator | 2019 | 2020 | 2021 |
|---|---|---|---|
| Fatality rate (FR) | 0 | 0 | 0.07 |
| Lost time injury frequency rate (LTIFR) | 0.37 | 0.45 | 0.53 |
| Severe injury rate | 0 | 0.08 | 0 |

### Accidents and work-related injuries at the NOVATEK Group

| Indicator | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Total work-related accidents, including:** | **8** | **12** | **15** |
| • Fatalities | 0 | 0 | 2 |
| • Severe injuries | 0 | 2 | 0 |
| • Minor injuries | 8 | 10 | 13 |
| **People affected by work-related accidents** | **9** | **12** | **18** |

### Work-related injury rates at contractors' facilities[1]

| Indicator | 2020 | 2021 |
|---|---|---|
| Fatality rate (FR) | 0.01 | 0.02 |
| Lost time injury frequency rate (LTIFR) | 0.30 | 0.42 |

### Accidents and work-related injuries at contractors' facilities

| Indicator | 2020 | 2021 |
|---|---|---|
| Total work-related accidents, including: | 112 | 110 |
| Fatalities | 3 | 6 |
| People affected by work-related accidents | 112 | 122 |

1. Since 2020, the Company has been consolidating data on accidents and work-related injuries at contractors' facilities.

NOVATEK also keeps records of work-related injuries at contractors' facilities, including accidents without lost time. In 2021, contractors recorded a total of 110 work-related accidents, six of which resulted in fatalities. A total of 12 people were killed.

All accidents were investigated in accordance with the applicable laws and local regulations. A commission was established to investigate each incident. The commissions identified both the immediate and underlying causes of the incidents and developed respective measures to prevent similar incidents from happening in the future. The employees at fault were held liable and accountable for their actions.

The Company regularly publishes and distributes to employees Incident Reports on incidents and accidents as well as remedial and preventative actions. Employees are also required to attend unscheduled briefings and team meetings.

The Company provides relevant practical training and monitors operations associated with increased risks (work at height, fire and gas-hazardous operations). Production managers join efforts with occupational health specialists to conduct safety inspections of facilities and implement these measures.

# Occupational Health

## The Company has in place a healthcare management system to protect employee health.

The NOVATEK Group has 85 medical and paramedical aid posts, including 57 contractor health posts. The NOVATEK Group has taken effective measures to prevent occupational diseases among its employees over the past five years.

In 2021, the spread of the COVID-19 pandemic remained one of the main health challenges. Emergency operations centers continued their work. The Company's continuing vaccination drive has covered 89% of NOVATEK employees and 88% of contractor employees. Through timely and efficient measures, the Company ensured the uninterrupted operation of production facilities and was able to meet performance targets.

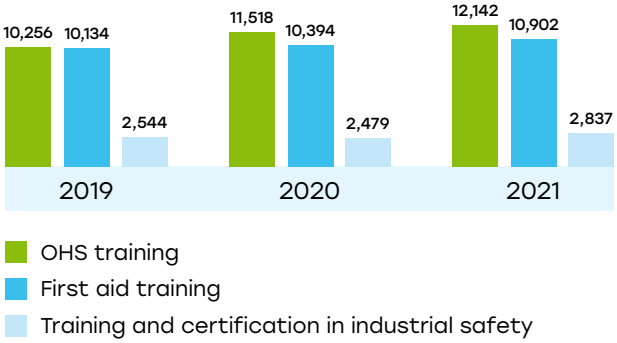
# OHS Training for Employees

**NOVATEK strives to raise OHS awareness among its employees through an annual employee training and professional development program based on the results of root cause analysis. In 2021, OHS training covered 5% more employees' year-on-year.**

The Company places particular emphasis on the training of blue-collar employees and holds regular briefings for them. OHS training and testing take place on the job. The Company has a licensed automated training and knowledge testing system.

NOVATEK regularly trains employees in fire safety, civil defense, and emergency response. In 2021, the Company held 33,972 fire safety briefings, up 31% year-on-year. Basic fire safety training was provided to 10,084 people, with 2,409 tactical fire exercises performed as part of emergency spill response plans, emergency containment and response plans, as well as evacuation drills.

**Number of employees who completed training in OHS and first aid and were trained and certified in industrial safety in 2019–2021**




### Russia's first practical training facility for LNG accident response

In 2019, the Company signed a cooperation agreement with the All-Russian Research Institute for Fire Protection of EMERCOM of Russia to organize joint practical training for employees in emergency containment and management covering a range of potential emergency scenarios.

The Company partially upgraded EMERCOM's testing ground in the Orenburg Region, a unique site featuring life-size models of various oil and gas process equipment.

In 2021, 145 employees from seven NOVATEK subsidiaries received training in fire safety at EMERCOM's testing ground for the first time. In the closest simulation to a real emergency as possible, the training enhanced employees' skills to swiftly respond to incidents, rapidly and accurately carry out operations and effectively manage the consequences of accidents while minimizing damage.

# Respecting rights

NOVATEK adheres to human rights best practices and views respect for human rights as a fundamental factor in ensuring its sustainable development.

# Human Rights

| Priority UN SDGs | Russia's national development goals | NOVATEK's goals |
|---|---|---|
| 8 Decent Work and Economic Growth<br>Targets: 8.5 | **Decent and effective jobs and successful enterprise** | Provide decent work and equal pay for work of equal value |

**145 RR mln**

**support of the indigenous peoples of the Far North**

## 2021 highlights

- Human Rights Policy approved
- An assessment of our impact on human rights was conducted, and the Plan to Promote the Sustainable Development of Indigenous Peoples at the Arctic LNG 2 Project was developed
- Consultations held with residents of the Yamalsky District on the construction of Jurassic wells at the Yamal LNG project

**Progress**

**A total of 27 representatives**

of indigenous peoples of the Far North are employed at Yamal LNG-related projects

## Plans for 2022 and the medium term

Implementation of efforts under the Plans to Promote the Sustainable Development of Indigenous Peoples through the Yamal LNG and Arctic LNG 2 projects

## Key corporate documents

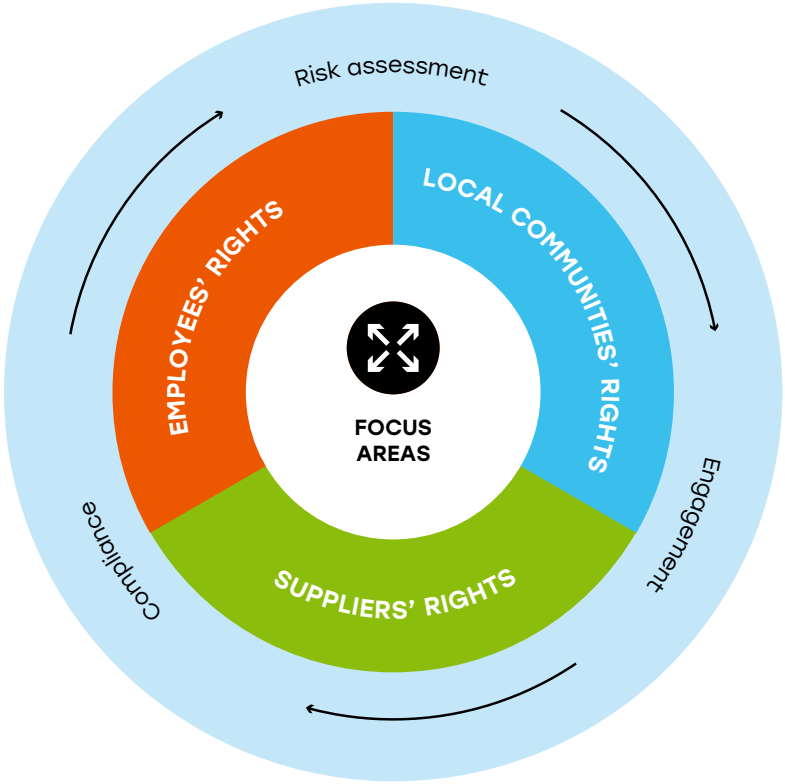
- Human Rights Policy
- Corporate Governance Code
- Code of Business Conduct and Ethics
- Supplier Code of Conduct

## Organizational structure

# Management Approach

## Regulations

- Human Rights Policy
- Corporate Governance Code
- Code of Business Conduct and Ethics
- Supplier Code of Conduct




## Query mechanisms

- General query and grievance channel
- Security Hotline
- Query and grievance channels in our regions of operation

### Employees' rights

We guarantee respect for human rights and freedoms, including zero tolerance for any kind of discrimination or persecution, ensuring the safest and healthiest possible working environment and decent working conditions, and ensure freedom of association and collective bargaining, operating in accordance with the principles of international law, Russian law, and internal regulations.

### Local communities' rights

We recognize that our operations have an impact on the life and well-being of local communities in our regions of operation. We make every effort to ensure mutually beneficial engagement with local communities by building efficient communication mechanisms. We place a special focus on human rights matters related to engagement with indigenous peoples of the Far North.

### Suppliers' rights

We strictly comply with all the basic principles of respecting human rights when dealing with suppliers and contractors. In return, we expect our suppliers and contractors to comply with the human rights principles set out in the Supplier Code of Conduct. We ensure a safe working environment by including mandatory health, safety and environmental protection requirements in our contractor agreements.

The Company fully respects human rights and freedoms in accordance with universally accepted principles and standards of international law. While implementing its flagship Yamal LNG and Arctic LNG 2 projects, the Company follows the strictest international human rights standards, in particular the International Finance Corporation (IFC) standards.

Abiding by the principles of openness and transparency, the Company has been regularly publishing information on the protection of human rights in its Sustainability Reports since 2004.

In 2021, to formalize its existing approach, the Board of Directors approved the Human Rights Policy. The Policy enshrines NOVATEK's fundamental principles, including a zero-tolerance approach toward any kind of discrimination or persecution, respect for our employees' freedom of association, the prohibition of child and forced labor, ensuring a safe and healthy working environment and decent working conditions, respect for the rights, culture, and customs of local communities, etc.

The Human Rights Policy is publicly available on the Company's website in English and Russian. All of the Company's employees have been informed of the new regulations.

Human rights matters are reviewed by the Audit Committee and the Remuneration and Nomination Committee of the Board of Directors. In 2021, the updated Risk Map containing human rights risks was reviewed at the Audit Committee meetings. The 2022 Risk Map was updated to cover the risk of losses due to the violation of ethical principles and human rights by the Company or its contractors. Human rights risks are considered when planning and updating NOVATEK's development strategy and assessing new investment projects.

The Remuneration and Nomination Committee discussed occupational health and safety, employee turnover, social programs for vulnerable categories of employees, employee recruitment and selection, the training of young specialists, social and charitable activities, and much more. At the executive body level, all aspects of human rights are supervised by the respective Deputy Chairpersons of the Management Board responsible for HR management, internal and external social policies, ethics, anti-corruption, environmental protection, and occupational health and safety.

NOVATEK seeks to eliminate any potential negative impact of its operations on human rights. For this purpose, Company considers the principles of protecting human rights in building its business relationships, while regularly assessing the potential impact of its operations on human rights, monitoring possible violations and establishing procedures for their prevention, launching and supporting integrated feedback mechanisms, and enhancing human rights standards and practices.

# Employee rights

## Securing employees' rights is one of the Company's human rights priorities.

The Company seeks to provide its employees across all levels of operations with decent and safe working conditions and has in place an OHS training program. NOVATEK recognizes the right of employees to form and join (or refrain from joining) trade unions in order to protect their interests and aims maintaining a constructive and effective dialogue with trade unions.

### Equal opportunity and diversity

Zero tolerance toward any kind of discrimination or persecution is one of the Company's key human rights values.

The Company implements measures to promote equal opportunity and diversity, including action plans and programs, training, grievance procedures, audits, and assessments. In particular, NOVATEK hires people with special needs. The Company also has in place local hiring policies for the Yamal-Nenets Autonomous Region. In 2021, 27 representatives of indigenous communities were employed at the Yamal LNG project.

## Freedom of association and collective bargaining

Trade unions operate in the majority of the Company's subsidiaries, encompassing 61.8% of employees.[1] The engagement between the Company and trade unions is driven by social partnership, cooperation, and mutual respect.

Through effective engagement with trade unions, the Company is able to defuse tensions, successfully handle current issues facing professional teams and balance its social package in line with employees' requirements. As a result of this policy, the Company did not see a single case of stoppages or strikes due to labor disputes in the reporting period.

NOVATEK guarantees the protection of rights of employees elected to trade union bodies. In particular, the Company ensures the decent remuneration of the trade union's Chairman, provides members of trade unions' elected bodies with time away from their main job during working hours with protected average earnings, and ensures that employees elected to positions in trade unions can return to their previous positions afterwards.

The Company has in place a collective bargaining agreement covering 91% of employees as of 31 December 2021. Collective bargaining agreements regulate the Company's engagement with employees on all key labor matters. In particular, collective bargaining agreements at the NOVATEK Group stipulate various working hours, including normal working hours (40 hours per week) and reduced working hours for certain employee categories (women working in the Far North, employees under 18, employees with Group 1 and 2 disabilities, and employees whose jobs are associated with health hazards).

The Company provides an opportunity to establish part-time, part-week or flexible working hours by agreement between the employee and the employer. Long periods of leave, in particular maternity leaves and parental leaves (until the child reaches the age of three), are granted to employees in accordance with the Labor Code. The Company also provides additional leave to employees sitting entrance exams or studying under secondary, vocational and higher education programs.

The Company also strives to ensure that work and rest patterns comply with the International Labor Organization's standards, providing fair overtime pay, paid leave and holidays.

**61.8%**

**of the Company's employees are encompassed in trade unions**

1. Calculation includes the companies with trade unions in place: PAO NOVATEK, Terneftegas, NOVATEK-Yurkharovneftegas, NOVATEK-Tarkosaleneftegas, NOVATEK-Purovsky ZPK, NOVATEK-Transervice, Arcticgas, and NOVATEK-Energo.

# Supplier rights

**Supplier management is built upon the core pillars of equal rights, non-discrimination, protection of competition, and non-prejudice for or against any supplier.**

In accordance with the Supplier Code of Conduct, NOVATEK expects its suppliers to comply with the human rights principles in their operations. Before signing a contract, the Company informs its suppliers about Code and expected compliance with it.

More specifically, contractor agreements at the Yamal LNG and Arctic LNG 2 projects require contractors to comply with occupational health, industrial and fire safety requirements, as well as environmental protection and social requirements, as set out in the respective register of internal documents, including the Corporate Social Responsibility Policy and the Indigenous Peoples of the Far North Engagement Guide, which stipulates the rules for respecting the rights of these peoples. Contractors are also obliged to arrange relevant training for their employees and third parties engaged to work at the project.

The Company is committed to creating and maintaining a working environment that minimizes risks of work-related of accidents, injuries and health hazards for employees and contractors working at the Company's operating facilities, and to provide for their daily needs, including access to drinking water.

Contractor employees' right to safe and healthy working conditions are considered during the Company's counterparty qualification process. NOVATEK also sets a number of mandatory health, safety and environmental requirements when signing agreements with contractors.

# Local community rights

## NOVATEK's operations in the Arctic region affect the interests of the indigenous peoples of the Far North, including the Nenets and the Khanty.

The Company carefully analyzes its potential negative impact on the indigenous peoples of the Far North and makes every effort to minimize it. In 2021, a total of RR 145 mln was allocated to support of the indigenous peoples of the Far North.

NOVATEK respects the interests, culture, customs, and values of local communities, paying particular attention to protecting the rights and preserving the cultural heritage and traditional ways of life of the indigenous peoples of the Far North in NOVATEK's regions of operation, including their right to land and clean and accessible water.

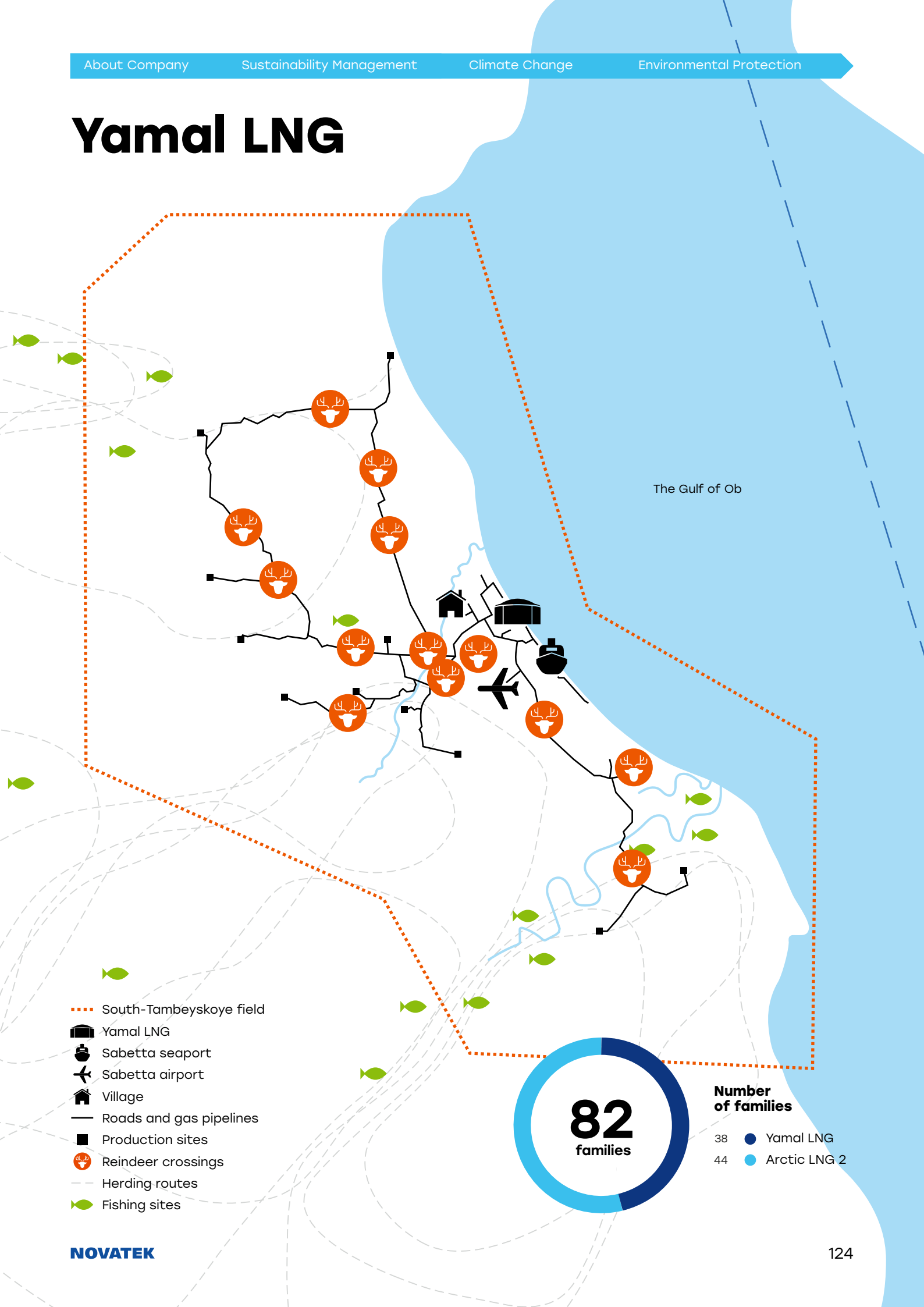
As part of the Yamal LNG and the Arctic LNG 2 projects, we carry out a set of stakeholder engagement measures aimed at preventing, avoiding or (if those are not possible) mitigating the consequences of risks and adverse impacts on local communities.

Owing to its use of top international human rights standards that set examples of best practices in the oil and gas industry, NOVATEK had no disputes with local communities, including indigenous peoples, or cases of involuntary resettlement of local residents in 2021. There were no incidents of the rights of indigenous peoples being violated in the reporting period.

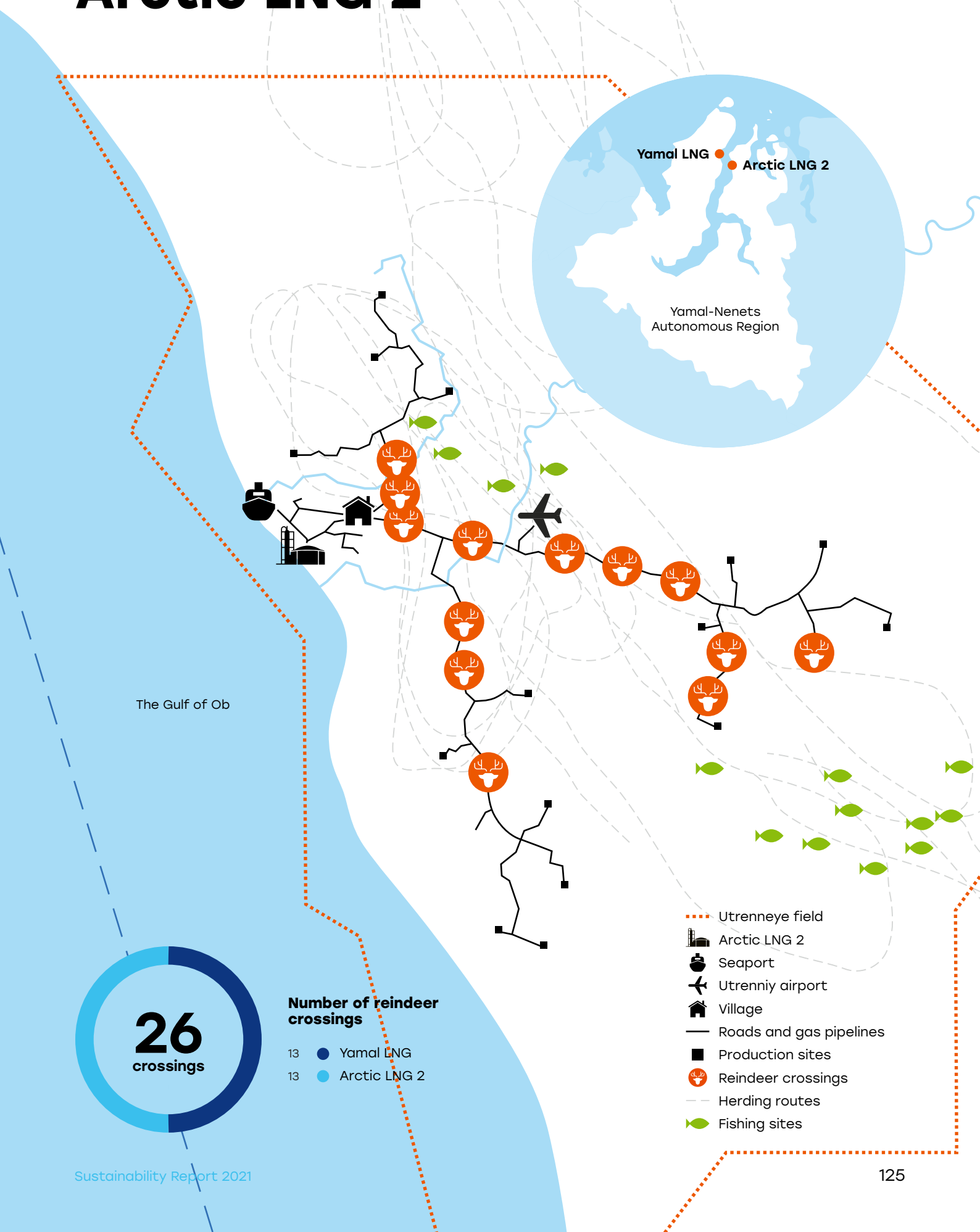
**Regulations governing the Company's projects on engagement with the indigenous peoples of the Far North**

| Regulation | Objectives |
|---|---|
| ESIA (Environmental and Social Impact Assessment) | Identifies the nature, complexity and significance of any adverse public health and environmental impact of planned operations.<br><br>ESIA also encompasses an impact assessment of human rights. |
| ESMP (Environmental and Social Management Plan) | Defines the expected environmental and social risks and the measures needed to mitigate these risks, including measures to reduce the negative impact on the rights of the indigenous peoples of the Far North. |
| FPIC (Free, Prior and Informed Consent) | The principle of engaging with indigenous peoples through consultation and special work involving experts to protect the rights of and build a dialogue with indigenous peoples in major industrial projects. |
| Plan to Promote the Sustainable Development of Indigenous Peoples | Regulates mandatory measures to manage the impact on ecosystem services (including traditional natural resource governance and the ethnic and cultural landscape), based on compliance with international standards (first and foremost, IFC standards). |
| Regulations on the Advisory Board<br><br>The Advisory Council is an advisory body comprising representatives of Yamal LNG, the Yamalsky District Administration, and the Yamalsky District Grassroots Movement of the Indigenous Peoples of the Far North. | The key matters reviewed by the Board cover environmental protection, healthcare, culture, preservation of ancestral lands, protection and support of traditional ways of life, economy and crafts of the indigenous peoples of the Far North. |
| Stakeholder Engagement Plan | Ensures continuous engagement with the public and other stakeholders during project implementation, including the assessment of impact on human rights and measures to mitigate violations. The Plan is regularly updated through consultations with stakeholders. |

# Yamal LNG


The Gulf of Ob
South-Tambeyskoye field
Yamal LNG
Sabetta seaport
Sabetta airport
Village
Roads and gas pipelines
Production sites
Reindeer crossings
Herding routes
Fishing sites
82
families
Number of families
38 Yamal LNG
44 Arctic LNG 2

# Arctic LNG 2


Yamal LNG
Arctic LNG 2
Yamal-Nenets Autonomous Region
The Gulf of Ob
26 crossings
Number of reindeer crossings
13 Yamal LNG
13 Arctic LNG 2
Utrenneye field
Arctic LNG 2
Seaport
Utrenniy airport
Village
Roads and gas pipelines
Production sites
Reindeer crossings
Herding routes
Fishing sites

## 2021 events

In 2021, as part of the Plan to Promote the Sustainable Development of Indigenous Peoples through the Yamal LNG Project, a number of events were held, with the Company sponsoring celebrations related to national and cultural traditions; for example, the 60th anniversary meeting of reindeer herders and hunters at the Yar-Sale settlement and the International Day the World's of Indigenous Peoples at the Matyuy-Yakha trading post. On top of this, the Limbya Nomad Camp ethnographic park was funded by the Company, indigenous peoples' sacred sites and reindeer crossings were monitored, a winter road was laid for sledges, and much more. Two meetings of the Advisory Board took place in the reporting period.

An important 2021 highlight included the consultations held with the indigenous peoples of the Far North in the settlements of the Yamalsky District of the Yamal-Nenets Autonomous Region and nomad camps at the South-Tambeyskoye license area regarding the construction and operation of Jurassic wells.

The Company ensured informed consulting and participation of the Yamalsky District residents in discussing the FEED documentation for the well construction project. As part of the initiative, Yamal LNG employees visited five indigenous families practicing traditional reindeer husbandry in the Jurassic wells area. The closest family resides 3 km from the well pad.

The participants received answers to all their questions about the timeframe of planned activities, well depth, land remediation, and waste disposal.

In the reporting period, as in 2020, we also continued informing nomadic families about COVID-19, including explaining ways to curb its spread and how best to act in the settlements and trading posts of the Yamalsky District to avoid COVID-19.

In 2021, we developed the Plan to Promote the Sustainable Development of the Indigenous Peoples of the Far North through the Arctic LNG 2 Project, which defines a set of measures aimed at fostering traditional use patterns for natural resources and support for traditional ways of life, including the provision of necessary goods, energy sources, transport services, and opening access to modern infrastructure for the nomadic population. The Plan was based on several stages of consultations with families of reindeer herders, representatives of municipal authorities and non-governmental organizations from the Tazovsky District of the Yamal-Nenets Autonomous Region. Consultations with representatives of indigenous communities regarding the Arctic LNG 2 project were carried out in line with FPIC.

In 2021, to foster sustainable reindeer herding in the Arctic LNG 2's Utrenneye oil, gas and condensate field, 13 reindeer crossings were built to ensure that animals have free access to vital facilities, including water sources. When selecting crossing sites, we took advice from indigenous communities regarding the best positioning. The Company also assisted reindeer herders in delivering food and firewood to nomad camps and transporting children to schools.

### Emergency aid to the indigenous peoples of the Far North in Yamal following abnormal icing

In 2021, OAO Yamal LNG proved to be a reliable partner of local authorities and a pillar of support for the nomadic population. In late 2020, abnormal warming and rains were followed by extreme cold, resulting in the tundra ground icing up. Due to glazed frost and the icing of pastures, reindeers had difficulty foraging from under the snow. As a result, reindeer herding in the north of the Yamal Peninsula, from Seyakha to Malygin Strait, was threatened by increased reindeer mortality.

Yamal LNG decided to provide support for reindeer herders living in the Seyakha and Tambey tundras. Supported by the Yamalsky District Administration and the Yamal NGO working with the indigenous peoples of the Far North, we delivered reindeer fodder, food baskets and 110 tons of gasoline and diesel fuel to the nomadic families affected by the glazed frost.

### Community monitoring at Yamal LNG

The Plan to Promote the Sustainable Development of Indigenous Peoples for 2019–2023 boosts local residents' involvement in the management of the Plan through annual monitoring of ecosystem service quality and sustainability performance. One such action is community monitoring, which provides for the active involvement of the nomadic population. The monitoring is based on the analysis of data collected by surveying reindeer herder families whose herding routes pass through the South-Tambeyskoye license area.

The monitoring aims at collecting data on the socio-economic standing of nomadic families and their level of satisfaction with the quality of ecosystem services they receive in order to enhance measures aimed at improving living standards for the indigenous communities of the South-Tambeyskoye license area.

The bi-annual monitoring has been conducted for four years, from 2019 to 2022, in spring and late fall. Over our four-year research, we plan to survey all 38 nomadic families potentially impacted by the Yamal LNG project. In 2021, 19 households were surveyed. Early data suggest that the thresholds established for the quality of ecosystem services and the quality of life of the indigenous peoples of the Far North are sustainable.

## Assessment of our impact on human rights

NOVATEK regularly assesses the impact of its operations on human rights in accordance with leading international standards. For the Arctic LNG 2 project, this analysis was carried out as part of the Environmental and Social Impact Assessment (ESIA). Measures to mitigate negative impact on human rights are defined in the Environmental and Social Impact Management Plans, the Plan to Promote the Sustainable Development of Indigenous Peoples, and the Stakeholder Engagement Plan.

During the assessment, a special focus is placed on the analysis of the potentially adverse human rights impact of operations associated with the Yamal LNG and the Arctic LNG 2 projects. The analysis identified two groups associated with the most significant human rights risks: nomadic indigenous communities and guest workers involved in the project.

Human rights impact management, including the implementation of planned measures, is supervised on an annual basis.

### Human rights training

Yamal LNG runs all necessary employee training in human rights. Trainings are held for employees who may be involved in public and other stakeholder relationships due to the nature of their professional activities, as well as for the senior management of Yamal LNG. Special training is also provided to employees appointed to process and review stakeholders' complaints.

In addition, contractors receive necessary recommendations on the basics of PR. For example, the Indigenous Peoples of the Far North Engagement Guide is binding for both Yamal LNG and contractor employees.

To ensure the rights to safe and healthy working conditions, we conduct the full range of trainings in the form of briefings for Company employees and contractors.

During induction and refresher briefings conducted by Company employees, contractor employees are informed of the existing grievance mechanisms. This information is also communicated to contractors through announcements posted in the dormitories and canteens of the Sabetta rotation camp.

Company employees sit annual training in occupational safety, first aid, fire safety, civil defense, and emergency response.

**Potential impacts on vulnerable stakeholders and mitigation measures**

| Potential impacts | Mitigation measures |
|---|---|
| **Indigenous peoples of the Far North** | |
| Economic displacement; impact on indigenous lands and traditional ways of using the land, primarily reindeer herding and its associated pastures, as well as nomadic/ herding routes | Design of reindeer crossings across linear infrastructure facilities on relevant sites, directly aligned with the needs of reindeer herders<br><br>Lichen and flora preservation<br><br>Construction of communications and engineering infrastructure within a single specialized corridor |
| Impacts on indigenous livelihoods based on the use of natural resources; impacts on fishing, hunting and gathering | Supervision of hunting, fishing and gathering by Company and contractor employees<br><br>Ban on the possession and ability to bring in any animal hunting equipment to the project area<br><br>Use of flyovers and suspension bridges to cross waterways and minimize the impact on rivers<br><br>Adequate supervision of dredging works |
| Cultural heritage, including tangible and intangible heritage | Conducting detailed field research to identify objects of cultural and historical heritage near the project area and to prevent impact to them, including the development of a procedure for dealing with accidental findings |
| Potential risk associated with the possible spread of infectious or non-endemic diseases due to the presence of project employees, as well as any psychological harm experienced by the local population as a result of the project | Providing accommodation for Company employees within the rotation camp or near construction sites in the project area and enforcing strict rules of conduct |
| **Guest workers involved in the project** | |
| Labor exploitation risks, respect for labor rights | Grievance mechanism<br><br>Monitoring that human rights are respected at contractors' facilities<br><br>Introduction of additional health, safety and environmental regulations |
| Working conditions and operational conditions, including occupational ethics, employee demobilization upon completion of major phases of the project and engagement with contractors | Inclusion of mandatory health, safety and environmental requirements in contractor agreements<br><br>Certification audits<br><br>Supplier Code of Conduct<br><br>Grievance mechanisms |

# Grievance Mechanisms

## Ethics and Human Rights Line

NOVATEK has established a dedicated channel for reporting business ethics and human rights violations. The Company guarantees confidentiality and undertakes to review all reports and take appropriate action if improper or unethical practices are identified.

In 2021, the Ethics and Human Rights Line received 21 reports regarding compliance with the Code of Business Conduct and Ethics in procurement management, retail sales, ethics, and labor regulations. Internal audits confirmed four cases of the Code being violated. Yet, there were no violations that could have resulted in material impacts on the achievement of the Company's strategic goals.

Clarifications and advisory services were provided to promptly address the violations, and in some cases disciplinary action was taken. All corrective actions were supervised by the Internal Audit Division.

## Security Hotline for fraud and corruption

Moreover, human rights matters may be raised via NOVATEK's Security Hotline, the main purpose of which is to prevent and combat fraud, corruption, and other crimes (offenses). The Security Hotline accepts messages via e-mail at security_hotline@novatek.ru and calls on +7 495 232 39 59.

In 2021, the number of queries to the Security Hotline totaled 982.

**Queries and complaints filed to the Ethics and Human Rights Line (ethics@novatek.ru) in 2021**


19% Violations confirmed, %
81% Violations not confirmed, %

**Messages to the Security Hotline (security_hotline@novatek.ru) in 2021, %**


64% Residential natural gas supply
14% COVID-19 response across the Company's facilities
7% Delay of payment to contractor employees, conducting tenders
6% Operations at natural gas fueling stations / multi-fuel filling stations
5% Fake invitations sent on behalf of the Company to participate in procurement procedures
4% Provision of domestic and daily needs while staying at the facilities of controlled entities

## Local grievance mechanisms

Yamal LNG and Arctic LNG 2 have in place their own grievance mechanisms.

As per IFC standards, the Equator Principles and other international standards, these mechanisms are available for all stakeholders, including local residents and/or representatives of the indigenous peoples of the Far North, the Company employees and contractors.

Queries are received through several channels, including by phone, hotline, e-mail, suggestion boxes, and direct communication with the population.

In 2021, Yamal LNG received a total of 52 queries, including 42 queries from the indigenous peoples of the Far North. The queries concerned the allocation of firewood for heating to the nomadic population, the delivery of food and medicines, air and road transportation, providing nomadic reindeer herders with dormitories in the rotation camp due to bad weather, and requests for clarification regarding the construction of Jurassic wells. Yamal LNG also received six queries from the authorities, three queries from employees and one query from a contractor. All queries were reviewed and duly addressed.

List of communication channels is given in the Contacts, Channels to File Complaints and Requests, p. 212.

The vast majority of the 99 queries received through the Arctic LNG 2's grievance mechanisms were related to operational relationships between contractors and subcontractors due to the high level of contractor participation in the current phase of the project. Representatives of the indigenous peoples of the Far North filed three queries, mostly regarding the delivery of firewood and air transportation from schools to nomad camps within the Arctic LNG 2 license area. All queries were processed and duly addressed.

# Developing human capital

The Company considers human capital to be its core asset and offers its employees competitive salaries and other financial incentives, as well as opportunities for unlocking their professional potential and achieving personal development.

# Our People

| Priority UN SDGs | Russia's national development goals | NOVATEK's goals |
|---|---|---|
| 3 Good Health and Well-Being<br>Targets: 3.8 | **Preservation of the population; the health and welfare of the people** | Ensure that NOVATEK employees are covered by voluntary health insurance (VHI) |
| 4 Quality Education<br>Targets: 4.1, 4.3 | **Conditions for self-fulfillment and the unlocking of talent** | Ensure that NOVATEK employees have access to quality education |
| 8 Decent Work and Economic Growth<br>Targets: 8.5 | **Decent and effective jobs and successful enterprise** | Provide decent work and equal pay for work of equal value |

**2** RR bln

**expenses on social programs for employees (up 25% year-on-year)**

**9.8** th.

**employees trained (up 31% year-on-year)**

## 2021 highlights

- The collective bargaining agreement for 2022–2024 updated
- 100% of employee training programs were delivered

**Progress**

**260 RR mln**
spent on VHI programs (up 10% year-on-year)

**A total of 9.8 th. employees**
trained (up 31% year-on-year)

Providing equal pay for work of equal value

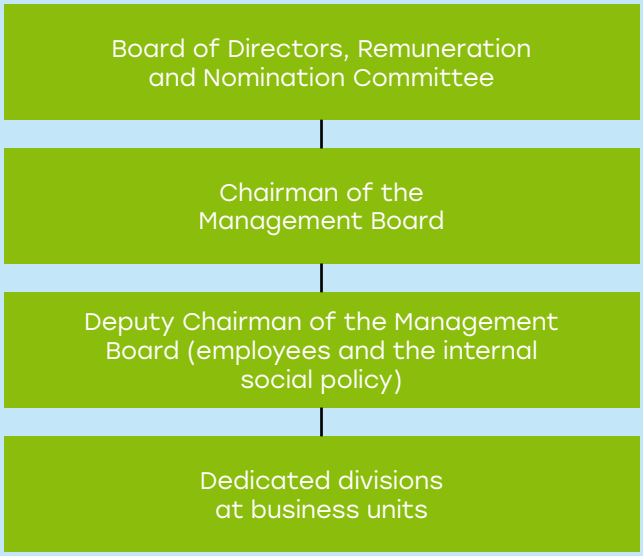
## Plans for 2022 and the medium term

Continue HR management programs, including improvements to the recruitment, motivation and remuneration systems, and enhancement of the employee training system

## Key corporate documents

- NOVATEK's Collective Bargaining Agreement
- NOVATEK's Core Concept of Social Policy
- NOVATEK's Human Rights Policy
- NOVATEK's Code of Business Conduct and Ethics
- Internal rules and regulations

## Organizational structure



# HR Management Approach

**As a major employer, NOVATEK recognizes its responsibility for building long-term mutually beneficial relationships with its employees, while ensuring decent and safe working conditions.**

The Company considers human capital to be its core asset and offers its employees competitive salaries and other financial incentives, as well as opportunities for unlocking their professional potential and achieving personal development.

At the Board of Directors level, matters related to HR management are reviewed by the Remuneration and Nomination Committee. At the level of the Company's executive bodies, these matters are supervised by the Deputy Chairman of the Management Board responsible for HR management and the internal social policy, including workplace diversity.

HR risks are assessed for all new Company projects as part of the ongoing ESIA (Environmental and Social Impact Assessment). In particular, the FEED stages of the Yamal LNG and Arctic LNG 2 projects included an analysis of HR potential, supply and demand in the employment market of the Russian Arctic, risks and opportunities for workforce migration, as well as an assessment of the local population's mental well-being. NOVATEK's Risk Map covers HR management risks, in particular the risk of losses due to the lack of qualified talent and tight competition for talent with industry peers.

NOVATEK has zero tolerance for any kind of discrimination or persecution based on any grounds that warrant protection under universally accepted principles and standards of international law. When recruiting, hiring, training, establishing job duties, wages and promotions, the Company takes into account the qualifications, performance, skills, and experience of a person and adheres to the equal opportunity principle.

## Workforce overview

At the end of 2021, NOVATEK's headcount was 18,404 employees, with the Yamal-Nenets Autonomous Region, the Company's core operating region, accounting for most jobs (59% of the headcount).

The Company seeks to build strong long-term relationships with every employee and makes all related commitments, with 91% of employees working under permanent contracts. In cases provided for by law, the Company executes fixed-term employment contracts. Over 99% are full-time contracts.[1]

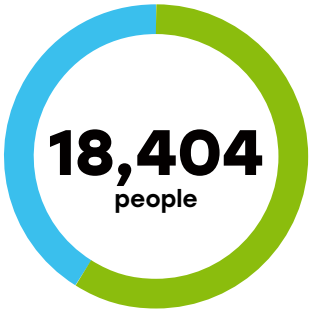
Blue-collar employees make up 42% of the total headcount, white-collar employees 38%, and managers 20%.

Employee turnover increased only slightly, totaling 8% in 2021 (4% in the Yamal-Nenets Autonomous Region) due to timely measures to support employees amid the adverse impact of COVID-19 lockdowns. NOVATEK uses employee exit surveys to identify areas for improvement in its HR policy and provide better working conditions at the Company.

1. The proportion of part-timers is marginal to the Company (below 0.5%) and is not included in this Report.

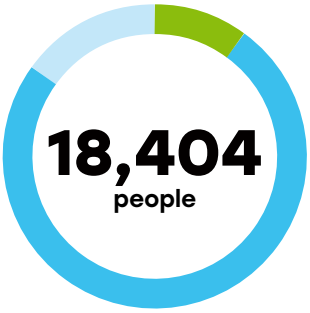
## Personnel structure of the NOVATEK Group in 2021

### Headcount by region, %




59% Yamal-Nenets Autonomous Region
41% Other regions

### Headcount by age, %




10% Under 30
75% 30 to 50
15% Over 50

### Headcount by gender, %

78% Male
22% Female

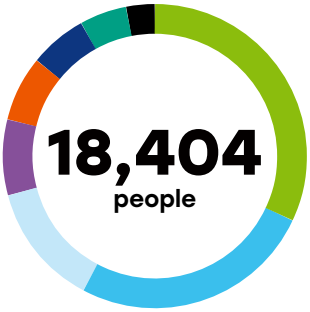
### Management breakdown by gender, %

80% Male
20% Female

### Headcount by type of employment contract, %

91% Permanent
9% Fixed-term

### Headcount by line of work, %




32% Exploration and production
26% LNG production
13% Marketing
8% Processing
7% Power supply
6% Administrative staff
5% Transportation
3% Auxiliary operations

For more details, see Appendix 7, Personnel Structure, p. 179.

# Diversity and Gender Equality

**NOVATEK embraces diversity, offering equal opportunities to employees of different ethnic origins, genders, religious beliefs, ages, and physical abilities.**

Combining different personal experiences at the workplace helps to fully unlock all aspects of the team's potential, all while improving the Company's decision-making and sharpening its competitive edge.

At NOVATEK, wage rates for women and men are based on equal pay structures. Women working at the Company have the same opportunities for development and career advancement as men. Men make up 78% of the Company's headcount, while women make up 22%. The gender imbalance in NOVATEK's headcount is mainly due to the nature of its operations in severe climatic conditions of the Russian Far North, which mainly involve a workforce comprised of men. Wherever possible, the Company strives to ensure a more balanced gender split. For example, in our marketing subsidiaries, the proportion of women employed is 49%.

NOVATEK hires people with special needs, contributing to their inclusion in society. The Company also provides retraining and relocation opportunities for employees injured on the job.

The Company has initiatives in place to ensure a diverse workforce, including age diversity. Younger employees (under 30) account for 10% of the workforce and employees over 50 comprise 15%. Employees aged between 30 and 50 years old make up the core of our team (75%).

The Company designs and implements programs to engage and retain young talents, including applied research conferences engaging younger employees on key topics related to the Company's operations, as well as Steps in Discovering Talents, a two-year program for the onboarding and professional development of newly hired graduates. A mentor is assigned to each young specialist participating in the Steps in Discovering Talents program, who helps onboard their younger colleague during their first year of employment with the Company, drafting up an Individual Development Plan for the year ahead and holding monthly working meetings to discuss goals and objectives, and progress toward them, as well as to offer feedback.

Young specialists with a high final program score and documented proof of outstanding professional performance can be recommended for inclusion in the talent pool.

**22%**

**share of women in the Company's headcount**

## Evolution of the regional labor market

When sourcing its workforce, NOVATEK prioritizes local hiring, while also promoting regional education, creating a supportive environment and minimizing talent sourcing costs. The Company cooperates with regional employment centers, centers for people with special needs, educational institutions and administrations.

The following documents govern local hiring at NOVATEK's flagship projects: the Cooperation Agreement between the Government of the Yamal-Nenets Autonomous Region and PAO NOVATEK for 2020–2024, and the Local Hiring Policy of OOO Arctic LNG 2.

The proportion of local residents[1] employed by the Company's subsidiaries varies from region to region. In the Yamal-Nenets Autonomous Region, where 59% of the Company's workforce is concentrated, the proportion of local residents in 2021 was 32.4%, while in a number of other regions it was 100%, including the Arkhangelsk Region, Astrakhan Region, Republic of Bashkortostan, Volgograd Region, Kamchatka Territory, Novosibirsk Region, Perm Territory, Rostov Region, Samara Region, Sverdlovsk Region, Republic of Tatarstan, and Tula Region.


1. "Local residents" means the population of a certain territory, regardless of their ethnic origins or culture.

## Hiring and exit

All of NOVATEK's recruitment procedures are strictly in line with Russian labor law, the Company's collective bargaining agreement and other regulations. The Company is committed to building a highly professional team, leveraging their potential and skills in the most effective way.

To attract top talent in today's market, NOVATEK continuously improves its procedures for recruiting highly skilled employees. In particular, the Company is building up its own expertise in staffing for critical projects, while also focusing on closing vacancies faster using advanced recruitment solutions.

In some cases, particularly when sourcing and staffing for subsidiary projects, NOVATEK engages recruitment agencies. When selecting and hiring candidates referred by recruitment agencies, the Company fully observes their human rights and freedoms, labor law, the provisions of its collective bargaining agreement, as well as the terms of the employment contract. The Company favors internal candidates for open roles to expand career and professional growth opportunities for its people.

NOVATEK offers job security, striving to minimize forced exits. Downsizing becomes an option only when all possible prevention measures have been exhausted, including cutting administrative expenses, temporary restrictions on new hiring, retraining, and relocating staff.

When selecting among employees with equal productivity and qualifications during downsizing or job elimination, preference is given to retaining those who have worked for the Company for more than 10 years, as well as single mothers and fathers raising children under 18.

In line with the collective bargaining agreement, the Company develops employment programs and social protection measures for employees laid off due to reorganization, liquidation, reduced operations, or the deterioration of the Company's financial and economic position. In particular, employees who have been notified, in line with the procedure established by law, of their dismissal due to winding-up, downsizing or job elimination are provided one day a week (paid at their average pay rate) to look for another job.

## Interaction between personnel and management

The Company has in place a system allowing its employees to contact management, report emerging problems, and receive feedback on their review and solution. Employee reports are discussed at meetings of subsidiary heads with NOVATEK's Chairman of the Management Board. The Company conducts town hall meetings for employees and management to discuss and investigate matters and problems that concern the Company's personnel.

NOVATEK has established a whistleblowing channel for reporting human rights violations, harassment or persecution, or breach of OHS rules.

For more details, see Chapter 6, Human Rights, p. 115.

Matters related to HR management are reviewed by the Board of Directors and the Remuneration and Nomination Committee on an annual basis.

In 2021, NOVATEK subsidiaries also held meetings, with resulting proposals submitted to the Management Board. As a result of all these efforts, the Management Board resolved to amend the Core Concept of Social Policy, the Core Concept of Remuneration, and other local social and labor regulations.

### Innovator Corporate Idea Management System

The Innovator Corporate Idea Management System, an automated engine to collect and process employee suggestions for business improvement and development, including efficiency proposals, has been in place at NOVATEK since 2017. The system also aims to enhance employees' intellectual potential, with the most valuable ideas rolled out company-wide in a variety of areas, including – but not limited to – operations and management.

With NOVATEK and 20 of its subsidiaries currently connected to the system, a total of 718 ideas were submitted by employees in 2021, an almost 3x increase from the previous year.

This growth was primarily due to the connection of NOVATEK-Energo to the system. Suggestions submitted by employees involved improvements to operating processes, the reduction of production costs and the adoption of new ways of working.

More than 1,700 ideas have been submitted over just five years since the project launch, with 339 of them approved for implementation and 175 ideas implemented, generating a total economic benefit of RR 4.57 billion.

## Trade union relations and collective bargaining agreements

The feedback provided through discussions, meetings of trade unions and conferences is an integral element of social partnership. Open discussions of disputes and issues strengthen the foundation of the partnership and help enhance the Company's capabilities.

NOVATEK regularly monitors changes in the labor market and boosts social support for its employees. In 2021, NOVATEK and its subsidiaries signed collective bargaining agreements for 2022–2024, taking relevant measures such as indexing retirement benefits, one-off vacation payments, monthly social benefits for retired employees, and much more.

For more details, see Chapter 6, Human Rights, p. 115.

## Motivation and remuneration system

NOVATEK's performance-based remuneration system aims to source, motivate, and retain employees with the necessary qualifications to achieve the Company's objectives in the most effective and efficient way.

NOVATEK personnel minimum wage in its regions of operation has been traditionally higher than the local minimum wage. In addition, NOVATEK performs salary indexation on a regular basis in line with its collective bargaining agreement.

In the Yamal-Nenets Autonomous Region, NOVATEK's core operating region, the Company's minimum wage is twice as high as the region's minimum wage. The average monthly pay of an employee in the Yamal-Nenets Autonomous Region is RR 190,000.

Employee remuneration is determined in a manner providing for a reasonable and justified ratio of the fixed and variable parts, depending on the Company's performance and the employee's personal (individual) contribution. Compensation and benefits packages offered by the Company are also an important part of the remuneration system.

The variable part of remuneration payable to Management Board members and key employees uses KPIs aligned with the Company's strategic goals.

NOVATEK's KPI system is based on financial, economic and industry-specific drivers. It also considers the Company's sustainability performance across different aspects. The list of KPIs for management comprises a consolidated index reflecting the performance of the HSE Management System, including climate change management.

To calculate annual bonus payments for managers and employees, the Company evaluates progress against KPIs following the annual performance review. Every year, the Company tracks and evaluates performance against each corporate and individual KPI set to calculate the annual bonus payments for management of NOVATEK and its subsidiaries.

For more details, see Chapter 2, Sustainability Management, p. 21.

# Social Policy

## Social programs for employees

Striving to build long-term partnerships with its workforce, NOVATEK runs a range of social programs described in the collective bargaining agreement and aimed at supporting employees. The collective bargaining agreement applies to all employees. The Company develops and runs social programs in close cooperation with trade unions and employees, considering their demands and the most relevant issues. Social measures help to boost employees' motivation for professional and personal development. At the same time, the Company provides support to employees coming from vulnerable groups and those in difficult life situations.

All projects and commitments made through collective bargaining are a priority for NOVATEK. To obtain financing, programs need to be targeted, effective and socially-oriented. In 2021, amid the challenging epidemiological situation, the Company offered even more support to its employees, posting a 25% year-on-year increase in spending on social programs, or RR 2 billion.

### Care for veterans of the oil and gas industry

NOVATEK places special emphasis on caring for vulnerable social groups; in particular, the Company implements measures to support oil and gas industry veterans. Since 2005, the Company has supported the NOVATEK-Veteran Social Protection Foundation, the only non-governmental organization in the Purovsky District of the Yamal-Nenets Autonomous Region offering assistance and care to retirees who devoted their lives to the Russian oil and gas industry in the Far North. As of 31 December 2021, there were 782 oil and gas industry veterans registered with the Foundation. Quarterly financial assistance per person amounted to RR 7,260 in 2021.

Despite COVID-19 limitations, events were organized in the reporting period, including honoring veterans of the Great Patriotic War, celebrations of members' anniversaries, creative workshops, concerts, and much more. In 2021, a total of RR 32.6 million was allocated to the NOVATEK-Veteran program.

## NOVATEK's social programs:

### Targeted compensation and social support payments

The program provides targeted and free support to employees in specific personal circumstances; in particular, compensation for caring for children up to the age of three, financial assistance to large families, support in caring for disabled children, assistance to employees who need surgical treatment, etc. In the reporting year, funding for this program was ramped up by 18%, to RR 803 million

### Therapeutic resort treatment and rehabilitation

In 2021, a total of 6,253 people benefited from the program, with the program funding up 2.5x year-on-year, to RR 288 million

### Voluntary health insurance for employees

The program includes outpatient care, dental care, and emergency and scheduled hospitalization. To reduce the risk of occupational diseases, employees of NOVATEK subsidiaries located in the Far North undergo in-depth medical examinations once every two years. The program's funding was up 10% in 2021, to RR 260 million

### State guarantees support

with two focus areas: short-term loans to employees for training and social needs, and interest-free special-purpose loans to purchase housing. In 2021, funding increased by 5% year-on-year, to RR 264 million

### Pension program

The program provides comprehensive care for retired employees, covering 1,254 people in 2021. Average monthly social benefits in Moscow, St. Petersburg, the Far North and areas of equal status stood at RR 10,699. In 2021, funding for the program increased by 12% year-on-year and totaled RR 139 million

### Support for state guarantees

(for employees living in the Far North and areas of equal status). In 2021, compensation was paid to 4,723 employees and their unemployed family members. In the reporting year, funding for this program was ramped up by 45%, to RR 124 million

### Cultural and sports events

In 2021, funding increased by 41% year-on-year, to RR 75 million

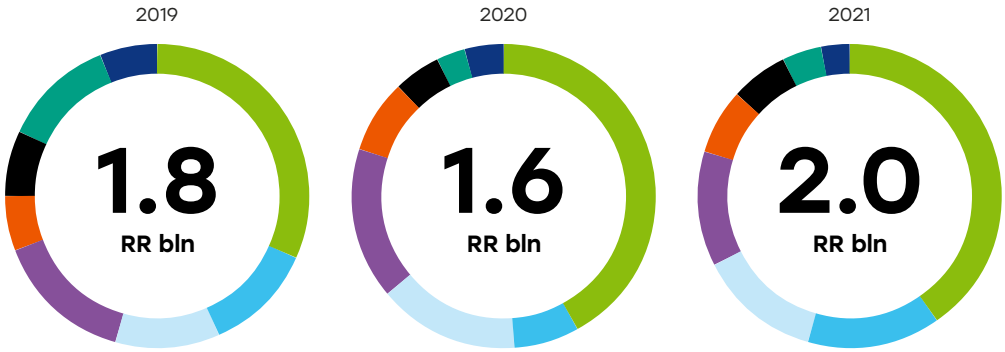
### Corporate awards

In 2021, a total of 1,055 employees received various awards, including the Honored Employee of NOVATEK title – the highest level of employee recognition. In 2021, funding for the program increased by 5% year-on-year, to RR 25 million

### Rehabilitation of children with disabilities

More than 190 Company employees have children with disabilities, and the Company offers them support. In 2021, 51 children completed a two-week personal rehabilitation course. The program funding in 2021 was up 2.5x year-on-year, to RR 16 million

**Evolution of the Company's spending on social programs, RR bln**




| | 2019 | 2020 | 2021 |
|---|---|---|---|
| Targeted compensation and social support payments | 32% | 42% | 40% |
| Therapeutic resort treatment and rehabilitation | 12% | 7% | 14% |
| Voluntary health insurance for employees | 11% | 15% | 13% |
| Repayable financial aid program | 15% | 16% | 13% |
| Pension program | 6% | 8% | 7% |
| State guarantees support | 7% | 5% | 6% |
| Cultural and sports events | 12% | 3% | 4% |
| Other[1] | 5% | 4% | 3% |

1. Other expenditures include the NOVATEK-Veteran program, corporate awards, rehabilitation costs for children with disabilities, as well as funding for trade unions.

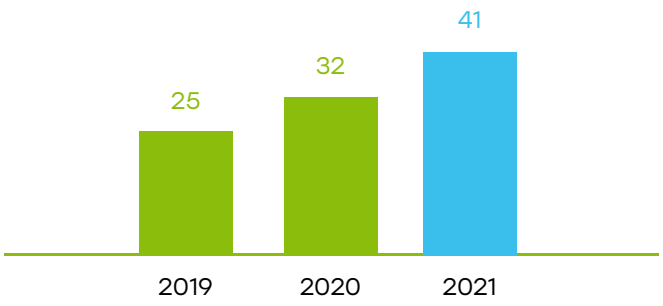
# Training and Development

## Employee training and development system

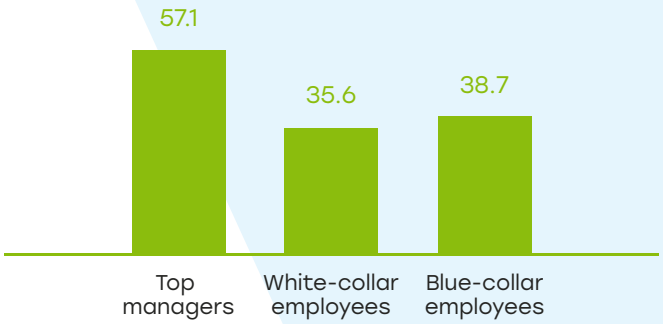
NOVATEK is committed to ensuring that its employees have access to quality education. For employees to achieve and maintain high levels of professional competencies, the Company runs a range of educational programs aimed at improving qualifications while also developing individual skills that help fulfill their career potential.

In 2021, training was provided to 9.8 th. NOVATEK employees, up 31% year-on-year. The Company allocated RR 87.58 million toward training programs. These results are fully consistent with the Company's commitment to employee training. Average training hours per employee reached 41.01 hours (5.1 days) in 2021. Due to the COVID-19 pandemic, most trainings, seminars, and professional development courses took place remotely.

**Average training hours per employee**




**Average training hours by position in 2021**




## Training programs

In 2021, professional development programs covered 57% of NOVATEK's employees. The Company also runs a system of individual employee training based on the goals and objectives of the Company and its business units. Training covers a wide range of topics, including relevant topics dealing with NOVATEK's core business and employees' personal development (negotiation skills, public speaking, mentoring, etc.).

For more details, see Chapter 8, Support for Local Communities, p. 149.

In addition, the NOVATEK Group has in place a corporate technical competency assessment system which allows to monitor the competence development of the engineering staff. In 2021, a total of 1,240 employees were tested through the Corporate Technical Competency Assessment System.

For years, NOVATEK has been developing its continuing education program, which enables the Company to recruit highly qualified and educated youth from the regions of our operation. Training of potential employees starts in middle school with the Gifted Children and Natural Science Center projects.

The Company has developed and successfully implemented the NOVATEK-University program – an action plan for targeted and focused high-quality specialist training for university students in key areas of expertise critical to our business growth. The program is based at Saint Petersburg Mining University, Gubkin University and the Industrial University of Tyumen. A total of 55 students completed internships with the Company in 2021, and eight program graduates stayed on as NOVATEK employees. All in all, 99 program graduates are employed by the Company. NOVATEK spent RR 89.2 million on the program in the reporting year.

### The Cryogenic Technology and Equipment for Gas Industry master's degree program

NOVATEK finances the Cryogenic Technology and Equipment for Gas Industry master's degree program offered by the Department of Oil Refining and Gas Processing Equipment at Gubkin University. The program is based on an interdisciplinary approach and combines the development of managerial skills with technical expertise in LNG production, storage and regasification. In addition to knowledge and skills related to oil and gas production and oil and gas chemistry, LNG industry specialists need to be well-versed in cryogenic technology and equipment. Training students through the program is vital for long-term climate risk management.

### The 16th Interregional Research-to-Practice Conference for the Company's young specialists

In October 2021, Moscow hosted the 16th Interregional Research-to-Practice Conference for the Company's young specialists. Over the years, the Conference has turned into a productive discussion platform promoting the development of innovative ideas and technologies. A total of 74 employees from 14 subsidiaries and joint ventures attended the 2021 conference.

The contest commission reviewed 55 projects focused on current scientific and practical tasks related to NOVATEK's core production activities and resource base development, as well as on innovations and technology solutions. All winners and runners-up received cash prizes.

### Launching a training center for natural gas fueling station employees

In 2021, NOVATEK launched a training center designed to develop employees' skills in engaging with customers and operating the equipment at natural gas fueling stations. The training center will cover 11 Russian regions where NOVATEK operates. At least 350 Company employees will be trained in each classroom annually. Similar training classrooms currently operate in Volgograd, Chelyabinsk, and Rostov-on-Don.

The training center aims to boost employee qualifications across the Company's lines of business. The classrooms are fitted with equipment that simulates the operation of natural gas fueling stations, from fuel dispensers to gas piping and control panels. The equipment offers an exact simulation of their real-life counterparts.



# Supporting local communities

NOVATEK is committed to raising the quality of life for local communities by financing a wide range of activities to achieve its social and youth policy goals, support educational programs, foster culture and sports, and assist people with special needs, children and the elderly.

# Support for local Communities

| Priority UN SDGs | Russia's national development goals | NOVATEK's goals |
|---|---|---|
| 3 Good Health and Well-Being<br><br>Targets: 3.8, 3.9 | **Preservation of the population; the health and welfare of the people** | Assist severely ill people in desperate need in meeting their healthcare needs |
| 4 Quality Education<br><br>Targets: 4.1 | **Conditions for self-fulfillment and the unlocking of talent** | Support educational institutions and run youth educational programs |
| 8 Decent Work and Economic Growth<br><br>Targets: 8.1 | **Decent and effective jobs and successful enterprise** | Contribute to the economic and social development of our regions of operation through job creation, better infrastructure and programs aimed at improving living standards for local communities |

**2.8** RR bln

**funds allocated to social support for our regions of operation**

## 2021 highlights

- Traditional ethnic festivals of the indigenous peoples of the Far North
- Further implementation of the Gifted Children program
- Support for the Cosmism in Russian Art exhibition at the State Russian Museum
- Further support for youth soccer

**Progress**

**A total of 1,158 children**
benefited from the Company's charity program

Programs for school students and teachers in our regions of operation (Gifted Children, Grants for Schoolchildren, Grants for Teachers, and Energy School)

Measures under cooperation agreements with the Yamal-Nenets Autonomous Region, as well as the Leningrad, Tyumen and Murmansk Regions in regional social and economic development

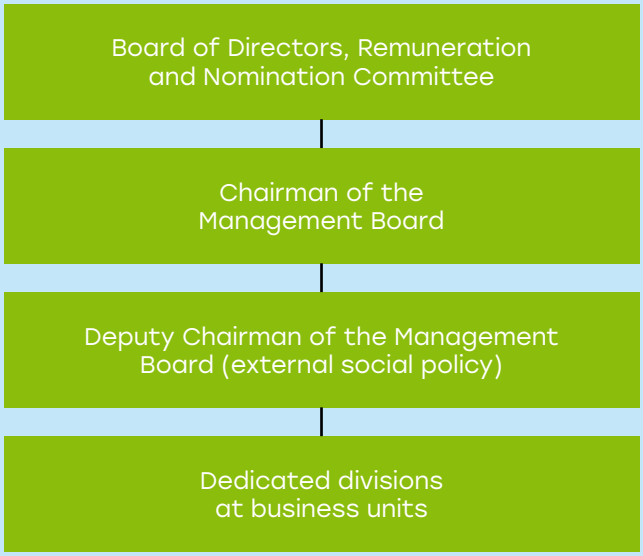
## Plans for 2022 and the medium term

Further implementation of charity projects, cultural and educational programs and support for healthcare institutions and the indigenous peoples of the Far North

## Key corporate documents

- NOVATEK's Charity Policy
- Agreements with Russian regions

## Organizational structure



# Management Approach

**NOVATEK is committed to corporate social responsibility and aligns its social policy with the interests of local communities in its regions of operation.**

The Company's key considerations in this area are the focus and consistency of support and the impact of social investments. By providing targeted support, the Company maximizes the focus and impact of its social policy.

At the Board of Directors level, matters related to external social policy are addressed by the Remuneration and Nomination Committee. In particular, the committee annually reviews the Report on PAO NOVATEK's Social and Charitable Activities in the Regions of Operation. At the executive body level, a Deputy Chairman of the Management Board is responsible for social matters, including engagement with local communities. At the business unit level at the Yamal LNG and Arctic LNG 2 projects, designated officers are responsible for stakeholder engagement.

When planning social activities in its regions of operation, NOVATEK analyzes the current situation and identifies vital areas in need of investment. Decisions are driven by the Company's priorities and identified needs while considering stakeholder views. The Company regularly engages with local governments, municipal administrations and non-profits that represent the interests of various stakeholder groups. Productive cooperation and systematic funding of social-impact programs help to raise people's quality of life in the Company's regions of operation.

The Company regularly receives feedback on implemented social projects; both directly, during the Company's meetings with representatives of local communities, and through grievance mechanisms in place at NOVATEK and at the Yamal LNG and Arctic LNG 2 projects.

For more details, see Chapter 6, Human Rights, p. 115.

The Company listens carefully to all comments and makes every effort to align its social policy with the views and wishes of its stakeholders as far as possible. This is an important part of promoting human rights across the Company's footprint.

In 2021, the Company spent RR 2.8 billion on external social support, including charity projects, cultural and educational programs, and support for healthcare institutions and the indigenous peoples of the Far North.

# Contribution to regional development

## NOVATEK fully recognizes its responsibility to drive the sustainable development of the regions where it operates.

On top of paying taxes to local budgets, creating jobs, and contributing to the development of related industries, NOVATEK strives to improve the quality of life of local communities. In line with its strategy, the Company finances a wide range of activities to achieve its social and youth policy goals, to support educational programs, to foster culture and sports and to assist people with special needs, children, and the elderly.

NOVATEK's efforts in these areas are governed by agreements with local administrations. In 2021, there were four framework agreements with the Yamal-Nenets Autonomous Region, as well as the Leningrad, Tyumen and Murmansk Regions. Addenda to these agreements were signed in the reporting year, listing the specific activities to be financed during the year.

In 2021, the Company invested in the development of the Yamal-Nenets and Khanty-Mansiysk Autonomous Regions, the Tyumen, Chelyabinsk, Leningrad, Murmansk, Kostroma Regions, and the Kamchatka Territory. In these regions, the Company financed programs aimed at social and economic development, upgrading infrastructure, raising living standards and providing support for the indigenous peoples of the Far North.

Amid the COVID-19 pandemic, NOVATEK continued to help fighting the spread of the coronavirus in its regions of operation. The Company purchased and delivered ventilators to regional hospitals; helped provide necessary equipment, reagents, and medical supplies to local diagnostic laboratories; and provided healthcare institutions with personal protective equipment (protective suits, medical masks, gloves, and shoe covers).

### Partnership for the responsible development of the Arctic

In early 2021, the Company joined the Arctic Economic Council, focused on strengthening business contacts in the Arctic and promoting the responsible economic development of the region. The Council is an international business forum that brings together various businesses, from start-ups and small- and medium-sized subsidiaries to national and international corporations operating in the Arctic.

The Company is committed to operating its business responsibly, in compliance with international standards and best practices in environmental protection and climate change prevention. Through its involvement in the Arctic Economic Council, NOVATEK will make an additional contribution to boosting the sustainability of the region's economic development.

## The development of the Yamal-Nenets Autonomous Region

The Yamal-Nenets Autonomous Region is the Company's core area of operation, hence the particular importance of implementing projects to support its local communities.

In 2021, NOVATEK financed the construction of a social infrastructure facility – a 300-bed dormitory building for a school in the Gyda village, Tazovsky District. The Company also supported the construction of a recreational area at the site of the Kharbeisky natural geological monument.

In line with the long-standing agreement between NOVATEK and the Government of the Yamal-Nenets Autonomous Region, in 2021 the Company supported the Natural Science Center and the corporate resource training center at the Tarkosalinsky Vocational College, and helped the elderly, veterans, seriously ill children and children with disabilities, as well as people in difficult life situations.

The Company's operations in the Russian regions have an impact on the lives of indigenous peoples, which is why NOVATEK pays special attention to engaging with local communities and supporting social projects to raise their quality of life. The Company runs a comprehensive program to raise the living standards of indigenous peoples, preserve their traditional ways of life, culture, and ethnic identity, and protect their ancestral lands. In 2021, a total of RR 145 million was allocated to support of the indigenous peoples of the Far North.

All projects are preceded by an assessment of potential negative impacts of the Company's operations on the indigenous peoples of the Far North and the development of measures to minimize them. NOVATEK engages with stakeholders during the planning and construction phases of new projects. When planning economic or other activities in the areas where indigenous peoples of the Far North traditionally live, the Company holds mandatory public consultations to take into account the interests of the indigenous population. The Company cooperates with the Yamal-Nenets Autonomous Region Government, municipal authorities, NGOs of indigenous peoples of the Far North, and nomadic families engaged in traditional economic activities. The Company has internal regulations governing engagements with indigenous peoples. In particular, the Indigenous Peoples of the Far North Engagement Guide of OAO Yamal LNG is binding for both NOVATEK and contractor employees.

For more details, see Chapter 6, Human Rights, p. 115.

The Company strives to minimize the negative impact of its operations and supports the indigenous peoples of the Far North. NOVATEK finances refueling services, purchases snowmobiles and boat motors for indigenous communities, and ensures the delivery of forage to prevent mass reindeer mortality. In 2021, the Company also financed the acquisition and equipping of a modular nomadic kindergarten, which makes pre-school education available to children from nomadic families at the Nareidalva camp near the village of Nakhodka.

Another focus area is participation in organizing and holding events related to ethnic and cultural traditions. The Company takes part in organizing and staging traditional festivals of indigenous peoples, such as Reindeer Herder's Day, Fisherman's Day, Indigenous Peoples' Day, events commemorating anniversaries and memorable dates of Nenets writers and poets. NOVATEK supports the preservation of cultural heritage sites, funding the Limbya Nomad Camp ethnographic park, implementing Khorei – the Yamal Literary Map project – and supporting activities to preserve the traditional ways of life, culture, and language of the indigenous peoples of the Far North.

# Supporting Education

### Gifted Children program

In 2021, the Gifted Children program, run at secondary schools across the Samara and Murmansk Regions, the Yamal-Nenets Autonomous Region, and Tyumen, was expanded further. Established in 1999, the project forms special classes comprising the most talented high-school students. The educational program encompasses additional subjects and career guidance site visits to NOVATEK enterprises. In line with the agreement between NOVATEK and HSE University, all students can take in-depth courses to prepare for the Unified State Examination at the Shkolkovo online school.

### Grants for schoolchildren and teachers

In 2021, school students and teachers from the Purovsky District, the Yamal-Nenets Autonomous Region, continued to benefit from the Company's ongoing Grants for Schoolchildren and Grants for Teachers programs. The project aims at fostering the intellectual and creative development of schoolchildren and raising the prestige of the teaching profession. In 2021, a total of 52 grants were awarded to school students from the Purovsky District, the Yamal-Nenets Autonomous Region, bringing total grants awarded since the program launch to 1,767. Teachers from the Purovsky District received eight grants in the reporting year (99 grants since the project launch).

### Launch of the Energy School, an educational project for school students from the Yamal-Nenets Autonomous Region

In 2021, the Company launched the Energy School educational project, targeting students in grades 8 through 11 from the Purovsky and Tazovsky Districts, the Yamal-Nenets Autonomous Region. The main is to provide students with career guidance in the energy industry.

Classes are held at a NOVATEK office, and students from remote communities can join via video call. The program also includes on-site workshops and hands-on classes at Tazovsky Secondary School. Students listen to presentations by geologists, construction engineers, environmental engineers, employees of the Chief Engineer's service for communication and automated control systems, as well as mechanics, chemical laboratory assistants, and other Company specialists. In addition to classes, students work on their own projects in energy saving, environmental protection, geology, security, IT and landscaping.

# Support for Cultural Institutions

### Supporting exhibitions and educational activities

NOVATEK cooperates with Russia's largest cultural institutions, supporting exhibitions and educational projects. Key projects in 2021:

- The "Cosmism in Russian Art" exhibition at the State Russian Museum, which featured paintings and graphics by early 20th century artists
- The "Vyacheslav Koleichuk. Live Line" exhibition, dedicated to a pioneer of Russian kinetic art
- The "Strokes of Joy" retrospective exhibition of the World Champions art group, a late 1980s association of Moscow artists, at the Moscow Museum of Modern Art
- Continued long-standing collaboration with the Moscow Soloists Chamber Ensemble (led by under the direction of Yuri Bashmet) as its General Partner

# Promotion of Sports

### Supporting acrobatic rock‘n’roll

In 2021, NOVATEK supported the Corporate Clubs for Acrobatic Rock‘n’Roll, a joint project with the All-Russian Federation of DanceSport and Acrobatic Rock‘n’Roll. The project covers more than 220 boys and girls, with clubs in five cities: Moscow, Kostroma, Murmansk, Tyumen, and Chelyabinsk.

Despite the COVID-19 pandemic, both trainings and competitions continued in 2021. Corporate club participants took part in regional acrobatic rock‘n’roll competitions and competitions for the whole Central Federal District.

### Supporting student basketball

In 2021, NOVATEK continued its cooperation with the Student Basketball Association, supporting competitions between student basketball teams across the country. The competitions involved more than 800 teams and over 10,000 athletes from 70 regions of Russia.

### Support for youth football

In 2021, NOVATEK continued to support children’s and youth sports in its regions of operation. The Company held the NOVATEK – Step to Bigger Football Indoor Football Cup for schools in the Chelyabinsk and Kostroma Regions and the Kamchatka Territory. More than 17,000 boys and girls took part in the competition.

The winners of the NOVATEK Cup receive the grand prize of a full futsal court with an artificial turf that feels as close to a natural Football turf as possible. In 2021, five such courts were built for the schools of the Cup-winning teams: three in the Chelyabinsk Region and two in the Kostroma Region.

# Supporting Healthcare

### Helping children in desperate need

In 2021, in line with NOVATEK's Charity Policy, the Company continued to run projects aimed at helping children in desperate need in the Company's regions of operation. In 2021, a total of 1,158 children received help through this project. In 2021, as part of the Targeted Therapy project, aimed at helping children with cancer undergoing treatment at the Rogachev National Research Center of Pediatric Hematology, Oncology and Immunology, 74 children received molecular tests for individualized treatment, which significantly increased their chances of recovery.

### The Health Territory project

The Company continued the Health Territory project, a joint initiative with the Pirogov Russian Children's Clinical Hospital of the Russian Ministry of Health aimed at developing healthcare services in the Company's regions of operation and providing high-quality medical assistance to children in desperate need of treatment. In 2021, teams of leading doctors from the hospital visited eight cities covered by the project: Murmansk, Tyumen, Chelyabinsk, Magnitogorsk, Kostroma, Petropavlovsk-Kamchatsky, Novy Urengoy and Tarko-Sale. During the year, a total of 716 seriously ill children received professional medical assistance, and 153 children were referred to hospitals.

### Telemedicine Center project

In 2021, the Company continued the Telemedicine Center project and finished equipping and connecting the Kamchatka Regional Children's Hospital and the Magnitogorsk Maternal Health and Childhood Protection Center to the unified telemedical network. Currently, the unified telemedical network connects the RCCH multimedia center with regional partner clinics in the cities where NOVATEK operates: Novy Urengoy, Tarko-Sale, Murmansk, Chelyabinsk, Magnitogorsk, Petropavlovsk-Kamchatsky, Tyumen, and Kostroma.

# Corporate Volunteering

### The All Together corporate volunteer movement

In 2021, the Company's All Together volunteer movement continued its activities. The Company's collective bargaining agreement provides for a paid days off to participate in charity campaigns at social institutions.

The main focus areas of the movement traditionally center around assistance to orphans and children with various diseases, children in the care of orphanages and rehabilitation centers, the elderly and veterans. In the reporting year, employee volunteers took part in the Gifts for Veterans event held at nursing homes in the Tver, Yaroslavl and Smolensk Regions; the Books for Children event to collect books for the library of the Children's Social Rehabilitation Center at the Trinity Church in Kolomna; and the Box of Courage event for children undergoing treatment at the Pirogov Russian Children's Clinical Hospital. Every year on New Year's Eve, our employee volunteers hold the Tree of Wonders event: children in orphanages write New Year letters to Ded Moroz, the "Russian Father Christmas", and NOVATEK employees help make their dreams come true. In 2021, gifts were presented to children in the care of the Noginsk orphanage.

# Appendix 1. About the Report

This Sustainability Report 2021 is NOVATEK's 15th report. The most widely recognized international standards – GRI and SASB – were used in preparing the Report, considering the recommendations of the TCFD, Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, IPIECA/API/OGP as well as the AA1000SES Stakeholder Engagement Standard.

When disclosing information in the Report, the Company also took into account the Bank of Russia's recommendations on non-financial disclosures by public joint stock companies,[1] including the principles of disclosing non-financial information, its content, disclosure of material topics, the disclosure procedure and time, as well as the draft law on public non-financial reporting prepared by the Russian Ministry of Economic Development, recommendations for information disclosure in non-financial reporting issued by the Russian Union of Industrialists and Entrepreneurs, etc.

The information included in the Report has been externally assured by an independent auditor. The independent assurance report is available on p. 208.

The Report is approved by the Company's Board of Directors and is preliminarily reviewed by the Remuneration and Nomination Committee in charge, inter alia, of sustainable development matters.

1. Information Letter No. IN-06-28/49 containing recommendations for disclosure by public joint stock companies of non-financial information related to their activities, dated 12 July 2021.

| **Report title** | **Sustainability Report of Public Joint Stock Company NOVATEK** |
|---|---|
| Reporting cycle | Annual |
| Reporting period | 1 January–31 December 2021 |
| Date of the Report 2021 | Q2 2022 |
| Date of most recent Report | Q3 2021 |
| Key standards applied | • GRI Standards: Core option<br>• GRI G4 Oil & Gas Sector disclosures (GRI G4 – OG)<br>• Oil & Gas Exploration & Production Sustainability Accounting Standard of the Sustainability Accounting Standards Board (SASB)<br>• Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) |
| Additional standards and requirements used | • Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, IPIECA/API/IOGP, 2015<br>• AA1000SES Stakeholder Engagement Standard<br>• National GOST R ISO 26000:2012 national Standard |
| The highest corporate governance body that approves the Report | NOVATEK's Board of Directors |
| Number of published reports | 15 |
| Report boundaries | The Report covers key business units, subsidiaries and joint ventures of PAO NOVATEK in Russia, Poland, Germany, Switzerland, Singapore, Montenegro, Lebanon, and Cyprus |
| Company names used in the Report | Information contained in the Report comprises information of PAO NOVATEK, its consolidated subsidiaries and joint ventures (hereinafter jointly referred to as "NOVATEK", the "Company", the "NOVATEK Group" or the "Group") |
| Auditor | Joint Stock Company Technologies of Trust – Audit (in June 2022, Joint Stock Company PricewaterhouseCoopers Audit was renamed to Joint Stock Company Technologies of Trust– Audit). |

## Defining Report content and material topics

The Company identified material topics in late 2021–early 2022 as part of its Sustainability Report 2021 preparation process. The procedure was conducted in several stages:

1. In preparation for determining the Report content, industry-specific, overall economic and climatic trends, the requirements of international reporting standards, including the SASB Oil and Gas Standard, rating agencies' metrics and requests, and macroeconomic indicators were analyzed, resulting in a comprehensive list of material topics relevant to the oil and gas industry. To determine the topics' materiality, requests from internal and external stakeholders received via the Company's official feedback channels were analyzed. In addition, a survey of departments was conducted, with responses based on the results of regular stakeholder engagement.

2. A list of topics material to the Company was made up based on the analysis of collected data, and each topic was assigned a rating between 1 and 5, reflecting the topics' materiality to stakeholders on the one hand, and the Company's potential positive or negative impact on the other.

3. The cutoff limit for material topics was set at 3.5. These procedures resulted in the identification of 24 material topics within key subject matters.

In preparing the Report's content, all material topics were disclosed as fully as possible in terms of the description of approaches as well as 2021 performance. Quantitative information is presented for three years to ensure comparability.

In 2021, disclosure of the Company's climate agenda was significantly expanded to include an analysis of key global trends in this area and an assessment of the Company's influence on end-users' decarbonization and access to energy. The management approach to human rights throughout the Company's value chain was also disclosed.

## List of material topics

| Subject matters | Material topics |
|---|---|
| Climate | The Company's Climate Change Strategy |
| | GHG Emissions |
| | Energy Consumption and Energy Efficiency Improvement |
| Human Rights | Respect for the Rights of Indigenous Peoples, Including the Rights of Local Communities in Land Use Matters |
| | Non-discrimination and Equal Opportunity |
| | Freedom of Assembly, Interaction with the Trade Union, and Collective Bargaining |
| Environmental Protection | Biodiversity |
| | Environmental Compliance |
| | Air Pollutant Emissions |
| | Waste Management |
| | Water Resources |
| | Shutdown of Production Sites and Reclamation (Restoration) of Contaminated Areas |
| Occupational Health and Safety | Emergency Preparedness |
| | OHS, Health and Safety of Employees |
| | Accidents and Incidents |
| Employees | HR Policy, Social Benefits for Employees, and Labor/Management Interaction |
| | Employee Training and Development |
| Community Investments | The Company's Charitable Activities |
| | The Impact of the Company's Operations on the Economies of the Regions Where It Operates |
| | Engagement with Local Communities |
| Responsible Governance Practices | Anti-corruption |
| | Procurement |
| | The Company's Innovation Activities |
| | Information Security |

## Report boundaries

All material topics are covered within the boundaries of the Group companies (perimeter 1). Key financial indicators are disclosed within the boundaries of IFRS reporting (perimeter 2). The boundaries for all material indicators for the Group companies, based on a 100% share in joint ventures (perimeter 3) or in proportion to the Group's ownership interest in joint ventures (perimeter 4), are published on the NOVATEK website at the link.

# Appendix 2.
# Key Sustainability Risks

**Business conditions.** In 2022, the USA, UK, EU member states and some other countries imposed new sanctions on the Russian Government, as well as on certain Russian legal entities and individuals. These developments may have a significant impact on the Russian economy, including rising inflation and volatility in the national currency, as well as on the international commodity and financial markets.

Management is taking the necessary steps to ensure the Group's operational resilience. Nevertheless, it is hard to predict future implications of the current economic situation and global political environment, and actual results may differ from the current expectations and estimates of the Group management.

| Key risks / Risk drivers | Main risk management efforts |
|---|---|
| **Process risks** | |
| • Risks of property damage and losses from business interruption due to accidents at production facilities (including catastrophic and tail-end risks)<br>• Risks of damage to third parties, harm to employees' life or health during the operation of hazardous production facilities and marine vessels | 1. Continuous monitoring of process conditions of machines and equipment operation, identification and elimination of risks in the plan-do-check-act (PDCA) cycle<br>2. Development of and compliance with industrial safety requirements across all enterprises; employee training<br>3. Insurance against risks of emergencies (damage, suspension of operations, risks of harm to the life and health of employees and third parties)<br>4. Development of business continuity plans, including procedures for emergency response, evacuation, etc. |
| **Climate-related risks** | |
| • Risks associated with operating in adverse weather conditions of the Far North<br>• Risks of the negative impact of climate change on the Company's business (physical risks)<br>• Risks associated with the global Energy Transition (transition risks) | 1. Online monitoring of the impact of climatic conditions during operations (geotechnical and geocryological monitoring, observations at geodynamic testing facilities, leveling, etc.)<br>2. Consideration of climate scenarios in the design and construction of production facilities and infrastructure, as well as in financial and economic models<br>3. Environmental Goals 2030 as the Company's contribution to global initiatives to reduce carbon footprint<br>4. Expanding the use of LNG as a low-carbon fuel and energy source<br>5. Forecasting and monitoring initiatives to introduce/tighten carbon regulation in Russia and globally<br>6. Insurance against natural disaster risks |

| Key risks / Risk drivers | Main risk management efforts |
|---|---|
| **Environmental risks** | |
| 3.1 Global environmental impact from industrial accidents<br>• Risks of the negative impact on (damage to) the environment, biodiversity and local communities as a result of accidents at production facilities | 1. Operating in accordance with the environmental management system of ISO 14001:2015<br>2. Incident reporting system and incident response plans<br>3. GHG Emissions Management System<br>4. Environmental Goals 2030 (approved in 2020)<br>5. Accession to and support of global initiatives on climate and reduction of greenhouse gas emissions<br>6. Insurance against risks of environmental damage and liability in case of accidents<br>7. Implementation of comprehensive programs on environmental protection and protection of local communities |
| 3.2 Changes in environmental laws<br>• Updated standards for pollutant emissions<br>• Higher price of pollutant emissions<br>• Introduction/tightening of carbon regulation in Russia and globally<br>• Tightening of environmental standards or regulation in specially protected areas (the Arctic) | 1. Online monitoring of all changes in environmental laws, including laws on carbon regulation; participation in meetings of State Duma committees and dedicated associations<br>2. Development and implementation of technical design solutions for decarbonization and carbon footprint reduction<br>3. Control of compliance with all environmental standards in specially protected natural areas |
| 3.3 Environmental impact from oil and petroleum product spills<br>• Risks of environmental damage from oil / petroleum product spills during storage or transportation via pipelines<br>• Risks of environmental damage from oil / petroleum product spills during marine transportation by vessels | 1. Development of and compliance with the rules for operating industrial facilities in accordance with the established health and safety standards<br>2. Constant monitoring of the proper technical condition of the pipeline (corrosion, deterioration, pipe sinking, etc.)<br>3. Development of plans to prevent and eliminate emergency oil and petroleum product spills to ensure prompt response and containment of consequences, considering potential scenarios for each enterprise<br>4. Insurance against risks of damage and civil liability in case of environmental incidents, including oil / petroleum product spills<br>5. Pipeline integrity risk analysis based on the analysis of high consequence areas (HCAs), including the analysis of potential impacts from pipeline spills by area:<br>– Settlement residents and indigenous communities<br>– Water supplies<br>– Habitats / sites of rare and endangered species of fauna and flora |

| Key risks / Risk drivers | Main risk management efforts |
|---|---|
| 3.4 Impact on water resources<br>• Shortage of water resources to feed production processes and sustain the life of Company employees<br>• Pollution of the water system in the regions where the Company operates as a result of the Company's operations<br>• Violation of the rights of local communities to free access to natural water resources | 1. The Company's core production facilities are in an area with a surplus of water resources, which makes the risks of a shortage of water resources for the Company's operations negligible<br>2. Production organization and control in accordance with the established environmental standards (environmental requirements, drainage procedures) and regular monitoring by supervisory bodies<br>3. Ensuring free access to water resources for local communities |
| **Social risks** | |
| 4.1 Ethical risks<br>• Risks of ethical violations by employees or counterparties (conflict of interest, corruption risks, etc.)<br>• Risks of human rights violations by the Company | 1. Organization of activities in accordance with the Anti-Corruption Policy, Human Rights Policy, RMICS Policy, and other internal documents<br>2. Basic employee training in ethics and business cooperation (online course)<br>3. Receiving and processing reports from employees and counterparties via the Company's hotlines (safety, ethics) |
| 4.2 Human rights risks<br>• Risks of ethical violations by Company employees or counterparties (fraud, discrimination based on gender, race and nationality, etc.)<br>• Risks of the negative effect on the Company's business due to unresolved conflicts of interest of Company employees<br>• Risks of non-compliance with procedures for access to, confidentiality and use of insider information<br>• Risks of failure to provide safe working conditions for Company employees | 1. Operating in compliance with the Human Rights Policy at all subsidiaries<br>2. Ensuring and continuously monitoring compliance with industrial safety and workplace safety rules<br>3. Training Company employees in the Company's ethical standards in anti-corruption and requirements regarding conflicts of interest and the use of insider information |
| 4.3 Risks of availability of human resources<br>• Shortage of skilled employees to implement the Company's projects<br>• Unsatisfactory working conditions, unfair pay for work<br>• Operating without regard to or to the detriment of employees and local communities<br>• Prohibition of free assembly and trade union associations of employees | 1. Competitive payment terms for Company employees<br>2. Implementation of a set of social programs for Company employees (voluntary health insurance, payment for training and professional development, etc.)<br>3. Supporting the activities of and interaction with trade union organizations set up at Company enterprises<br>4. Supporting employees' initiatives to improve the Company's operation (the Innovator system)<br>5. Implementation of career development programs within the Company (job rotation, talent pool, etc.)<br>6. Offering attractive conditions for career development and implementation of proposals for business improvement |

| Key risks / Risk drivers | Main risk management efforts |
|---|---|
| 4.4 Risks of local communities' rights and interests<br>• Limited access to resources<br>• Forced relocation<br>• Impeded process for submitting and reviewing reports on violations of local communities' rights | 1. Operating in compliance with the Human Rights Policy at Company enterprises<br>2. Public consultation prior to implementing major investment projects, assessment of the impact of future projects on the environment and the living conditions of local communities<br>3. Implementing social support and financial assistance programs targeting local communities<br>4. Free access to the Company's safety and ethics hotlines and processing of all reports |
| **Force majeure risks** | |
| • Implications of the COVID-19 pandemic<br>• Changes in the political situation in Russia and emerging obstacles to doing business<br>• Sanctions against Russia, NOVATEK or the Company's counterparties | 1. Protecting Company employees and taking measures to prevent the spread of COVID-19 (providing PPE, regular testing, containing disease outbreaks, switching to remote work, etc.)<br>2. Import substitution, use of the Russian-made equipment, programs to localize production in Russia<br>3. Implementing a set of measures to reduce the impact of the imposed restrictions on the Company's business |
| **Strategic risks** | |
| • Development of alternative fuel and energy production technologies<br>• Increased competition for LNG technologies and markets<br>• Failure to meet deadlines for commissioning new production facilities | 1. Implementing Development Strategy 2030 and attaining the Company's Environmental Goals 2030<br>2. Initiating and implementing projects aimed at decarbonization and reduction of the carbon footprint, including programs implemented jointly with foreign partners<br>3. Control of schedules and deadlines of the Company's major investment projects<br>4. Participation in industry associations to share information and solutions relating to addressing and meeting consumer preferences<br>5. Implementing programs to expand the use of LNG as a fuel and energy source<br>6. Developing and implementing proprietary solutions to produce alternative fuels (hydrogen, ammonia) |

For more details on key risks, see Annual Report 2021.

# Appendix 3. Approach to Taxation

NOVATEK strictly complies with applicable Russian tax and transfer pricing laws, international treaties, laws of foreign jurisdictions in which Group entities operate, and the provisions of international laws, directives, and recommendations, including the recommendations of the Organization for Economic Cooperation and Development on transfer pricing.

NOVATEK does not carry out transactions aimed at obtaining tax savings, does not use any tax minimization schemes, including those promoting base erosion and profit shifting using offshore companies or tax havens, and does not create artificial structures to avoid or reduce taxation in the countries where it operates.

NOVATEK's system for managing and controlling tax relationships is integrated into the general system of strategic and corporate management, planning and control, and is aimed at minimizing tax risks and ensuring the completeness and timeliness of tax obligations. All key processes for monitoring and fulfilling tax obligations are automated, and their effectiveness is regularly assessed.

The Company's reputation as a bona fide taxpayer is supported by the tax administration of NOVATEK's key Russian entities in the tax monitoring regime, which provides for real-time access of tax authorities to data in accounting systems and to documents.

# Appendix 4. Stakeholder Engagement

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

The Company engages a wide range of stakeholders. Our key stakeholders were identified based on the Company's experience, the scale of its business, geographic location, the specific nature of the oil and gas industry, and relevant dependencies. The Company maintains positive engagement with each stakeholder group using the entire mix of available channels.

| Channels | Frequency | Key events in 2021 | Focus areas |
|---|---|---|---|
| **SHAREHOLDERS** | | | |
| Shareholder meetings | At least once a year | Annual General Meeting of Shareholders held on 23 April 2021<br>Extraordinary General Meeting of Shareholders held on 30 September 2021<br>Shareholder queries replied to; public information prepared and disclosed | Profit distribution, dividend payout<br>Appointment and remuneration of the Board of Directors and the Revision Commission<br>Approval of the Company's external auditor<br>Approval of the annual report and annual financial statements (in accordance with the Russian Accounting Standards) |
| Press releases and material fact notifications | All year | | |
| Shareholder requests | All year | | |
| Financial disclosures | Quarterly, annually | | |
| Annual and sustainability reports | Annually | | |
| Corporate Secretary | All year | | |
| Information updates on the corporate website | All year | | |
| **INVESTORS AND ANALYSTS** | | | |
| Press releases and material fact notifications | All year | Financial disclosures and conference calls held quarterly and annually<br>75 press releases published<br>Annual Report and Sustainability Report 2020 published<br>Participation in 21 key industry conferences and more than 35 investment conferences. Approximately 200 one-on-one meetings in person and via phone, as well as meetings at industry and investment conferences, forums, and exhibitions at various financial centers across the globe<br>Investor and analyst queries replied to; public information, including data for indices and rating agencies, prepared and disclosed<br>Online participation in various industry events (conferences, exhibitions, forums): Baker Hughes Energy Summit 2021 in Florence (Italy), European Gas Conference 2021 in Vienna (Austria), Annual Credit Suisse Energy Summit 2021 in Vail (USA), International Petroleum Week 2021 in London (UK), CERAWeek 2021, 2nd CEE Small-Scale LNG Forum, 7th China LNG & Gas Summit, China-Russia Energy Transition Forum, LNG Producer-Consumer Conference 2021, AIPN International Petroleum Summit | The Company's development strategy<br>The Company's operating and financial performance<br>The Company's competitive position<br>Company and industry outlook<br>A wide range of matters relating to sustainable development, climate change, and progress toward achieving the set Environmental and climate change targets |
| Financial disclosures and conference calls | Quarterly, annually | | |
| Annual and sustainability reports | Annually | | |
| Inclusion in leading sustainability rankings | All year | | |
| One-on-one and group meetings, conference calls, presentations | All year | | |
| Investor requests | All year | | |
| Information updates on the corporate website | All year | | |
| Participation in conferences and summits | All year | | |

| Channels | Frequency | Key events in 2021 | Focus areas |
|---|---|---|---|
| **EMPLOYEES** (including family members and retired employees) | | | |
| In-person meetings between management and employees | All year | Publication of a corporate newspaper and magazine<br><br>Tours, including online, organized for employees and their family members to visit partner museums, along with visits to attend theater performances and classical music concerts<br><br>Futsal tournaments for schoolchildren held in the Kostroma and Chelyabinsk Regions and Kamchatka Territory.<br><br>Corporate clubs for acrobatic rock'n'roll continued their activities<br><br>Futsal trainings for employees organized at the Luzhniki Stadium, along with visits to matches of the Russian national team and Russian Cup matches<br><br>Employees had the opportunity to participate in events of the Student Basketball Association | Operations of the NOVATEK Group<br><br>Key art movements of the 20th and 21st centuries<br><br>Promotion of a healthy lifestyle and sports among employees and their families |
| Corporate social programs | All year | | |
| Collective bargaining agreement | All year | | |
| Corporate media | All year | | |
| Educational and advanced training programs | All year | | |
| Steps in Discovering Talents program for young specialists | All year | | |
| Developing and improving the Corporate Technical Competency Assessment System program for various lines of business | All year | | |
| Sustainability reports | Annually | | |
| Security Hotline | 24/7 | | |
| Cultural and sports events | All year | | |
| **TRADE UNIONS** | | | |
| Discussion and signing of the collective bargaining agreement | Once every three years | Participation of the Company's management in meetings with trade unions | Performance under the collective bargaining agreement<br><br>Occupational Health and Safety<br><br>Protection of employees' rights and interests |
| Discussion and signing of addenda to the collective bargaining agreement | Ad hoc | | |
| Participation of the Company's management in the meetings of trade union committees | All year | | |
| Attendance of trade union conferences by the Company's management | All year | | |
| Participation in joint occupational health and safety committees | All year | | |
| Joint efforts as regards recreational, sports and cultural events | All year | | |
| Sustainability reports | Annually | | |

| Channels | Frequency | Key events in 2021 | Focus areas |
|---|---|---|---|
| **GOVERNMENT AUTHORITIES** | | | |
| **Federal** | | | |
| Contribution to law-making | All year | Interaction with the Russian 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<br>Participation in the working group responsible for the action plan to form a common gas market in the Eurasian Economic Union<br>Participation in the activities of the Marine Board under the Government of the Russian Federation<br>Participation in the activities of the Russian–Asian Pacific and Russian–European intergovernmental commissions on energy, economic, industry, and R&D cooperation<br>Participation in the activities of the working group on the removal of administrative barriers at the Government Commission on the Use of Natural Resources and Environmental Protection<br>Participation in the activities of 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<br>Participation in the activities of the working group on enhancing regulation for responsible forest management, as well as forest preservation, prosperity and care at the Federal Forestry Agency<br>Participation in events organized by the Russian Union of Industrialists and Entrepreneurs<br>Participation in the activities of the Committee on Environment and Nature Management at the Chamber of Commerce and Industry of the Russian Federation<br>Participation in the working groups of the Russian Ministry of Natural Resources and Environment on entrepreneurship, biodiversity conservation, and pressing forest management matters<br>Participation in meetings of the working groups on energy, environment and nature management, occupational, fire, sanitary and epidemiological safety, forestry, land use, real estate, and water transport to apply the “regulatory guillotine” concept<br>Participation in meetings held by the Russian Ministry of Energy, Ministry of Industry and Trade, Ministry of Economic Development, Ministry of Natural Resources and Environment, Ministry of Transport, Federal Agency for Maritime and River Transport, and other relevant federal authorities | Fuel and energy sector development in the current and future conditions<br>Developing the Arctic transport system<br>Energy efficiency and energy development<br>Eliminating administrative barriers in the subsoil and natural resource use<br>Industrial safety<br>Replacement of mineral resources<br>Implementing the Concept of Forming a Common Gas Market in the Eurasian Economic Union<br>Protecting the rights of the indigenous peoples of the Far North<br>Biodiversity matters<br>Subsoil resource development in forests, reforestation and afforestation matters<br>Developing initiatives related to supporting Russian manufacturers and equipment localization<br>Developing criteria for classifying products as manufactured in Russia<br>Promoting hydrogen energy in Russia<br>Climate change and reduction of GHG emissions |
| Participation in working groups, joint meetings, round-table discussions, conferences, and forums | All year | | |

| Channels | Frequency | Key events in 2021 | Focus areas |
|---|---|---|---|
| **Local** | | | |
| Interactions under cooperation agreements on the social and economic development of local communities | All year | Implementation of social and economic programs pursuant to agreements with the Yamal-Nenets Autonomous Region, Khanty-Mansiysk Autonomous Region, and the Leningrad, Murmansk and Tyumen Regions<br><br>Environmental events under the agreement with the Kamchatka Territory and the Federal Service for Supervision of Natural Resources (Rosprirodnadzor)<br><br>Implementing projects related to the organization of sanitary and epidemiological activities, as well as purchasing and transferring medical and laboratory equipment, medical protective suits and masks to healthcare facilities in Moscow, the Yamal-Nenets Autonomous Region, and the Tula, Murmansk and Kostroma Regions | Economic development of regions<br><br>Improving living standards; educational programs<br><br>Improving utility infrastructure and upgrading social infrastructure facilities |
| Participation in meetings, round-table discussions, conferences, forums, etc. | All year | | |
| **LOCAL COMMUNITIES** | | | |
| Cooperation agreements on social and economic development of local communities | All year | Sponsoring traditional ethnic festivals and activities to preserve the traditional ways of life, culture, and language of the indigenous peoples of the Far North<br><br>Financial support provided to the Yamal for Descendants Association of Indigenous Peoples in the Yamal-Nenets Autonomous Region and its district branches<br><br>Purchasing medical devices for people with disabilities, financing treatment, aiding people in financial distress<br><br>Consultations within the ESIA procedures; community monitoring | Preserving the national identity of the peoples of the Far North<br><br>Supporting low-income groups<br><br>Social programs aimed at improving the quality of life for indigenous communities |
| Interaction with associations of the indigenous peoples of the Far North | All year | | |
| **PARTNERS** (under joint initiatives) | | | |
| Cooperation agreements | All year | Effective interaction under joint initiatives and cooperation agreements<br><br>A number of executive meetings between companies<br><br>Participation in exhibitions and conferences: Tyumen Oil and Gas Forum, St. Petersburg International Economic Forum, 15th International Exhibition and Conference for oil & gas resources development of the Russian Arctic and continental shelf (RAO/CIS Offshore), Eastern Economic Forum Arctic: Today and the Future International Forum, and COMTRANS 2021 International Commercial Vehicle Show | Joint initiatives<br><br>Prospects and areas for cooperation<br><br>Import substitution and local manufacturing of equipment in Russia |
| Joint initiatives | All year | | |
| Shareholder meetings | All year | | |
| Management meetings | All year | | |
| Working group meetings | All year | | |
| Security Hotline | 24/7 | | |
| Briefings | Ad hoc | | |
| Participation in exhibitions and conferences | All year | | |

| Channels | Frequency | Key events in 2021 | Focus areas |
|---|---|---|---|
| **SUPPLIERS AND CONTRACTORS** | | | |
| Supplier selection process | All year, using an electronic bidding platform (as needed) | Meetings with manufacturers of oil and gas equipment and materials<br><br>Qualification assessments for Russian and international manufacturers to participate in the NOVATEK Group's project<br><br>Tenders on the electronic bidding platform for selecting NOVATEK Group suppliers<br><br>Sharing experience with the largest Russian and international manufacturers and engineering companies<br><br>Signing strategic agreements with key partners<br><br>The 3rd Contractors and Suppliers Forum dedicated to Expanding Cooperation in Capital Construction<br><br>NOVATEK's Arctic LNG Projects Shipowners Conference | Discussions with key market participants on the following:<br><br>– The needs for process equipment, pipe products and steelwork for the NOVATEK Group's projects, including LNG projects<br><br>– Possible ways to improve the competitiveness of Russian enterprises<br><br>– Creating favorable conditions for import substitution and local manufacturing of equipment in Russia |
| Participation in trade shows, forums, and other events | All year | | |
| Responding to queries received via the website (Sales and Tenders page) | All year as per requests | | |
| Qualification procedures for suppliers (including facility audits) | All year | | |
| Security Hotline | 24/7 | | |
| **CUSTOMERS** | | | |
| Telephone inquiry service | Daily (business days) | Receipt and distribution of phone calls to NOVATEK's Help Desk number specified on the corporate website: handling incoming calls, forwarding calls to respective business units as well as subsidiaries and joint ventures<br><br>Meeting visitors to the Company's head office<br><br>Enhancing administrative support to facilitate business networking during official negotiations and meetings<br><br>Providing brief information on NOVATEK's profile during the Company's participation in major forums and conferences (meeting visitors at the Company's booth)<br><br>Responding to questions on technical support of services and suggestions for improving Customer Account service on the website<br><br>Daily interactions with business customers<br><br>Publications to inform customers on gas supply terms, promotion campaigns and events | Production and supply of gas, liquid hydrocarbons and LNG (in Russia and abroad), pricing |
| Customer Account service on the website | 24/7 | | |
| Contact Information | All year | | |
| Security Hotline | 24/7 | | |
| Counterparty Account service for business customers on the website | 24/7 | | |
| Meetings on payment discipline | All year | | |
| Publication of information in the media | All year | | |
| Mobile application | All year | | |
| **CIVIL SOCIETY ORGANIZATIONS** | | | |
| Membership and cooperation | All year | Supporting programs for the rollout and operation of a monitoring system to preserve and protect the Siberian tiger and the Amur leopard populations<br><br>Supporting long-term programs for preserving the Siberian tiger and the Amur leopard populations | Biodiversity and biological resources conservation<br><br>Environmental protection<br><br>Sustainable development<br><br>Climate change and GHG emissions |
| Participation in conferences, forums and other events | All year | | |
| Sustainability reports | Annually | | |

| Channels | Frequency | Key events in 2021 | Focus areas |
|---|---|---|---|
| **SOCIETY** | | | |
| Interaction with leading sports and cultural institutions | All year | Support for major Russian museums, theaters and creative teams<br><br>Support and implementation of sports projects and programs on the federal and local level<br><br>Assistance to children in desperate need in the regions of the Company's operation, under NOVATEK's charity program aimed at running projects for children with severe medical conditions, disabilities, cancer, as well as visually impaired children and extremely low birth weight babies<br><br>Assistance to children in orphanages, children suffering from various illnesses, lonely elderly people, and disabled people | Philanthropy and sponsorship efforts<br><br>Support and development of cultural projects<br><br>Promoting sports, organizing and supporting competitions for schoolchildren, students, and professional sports teams<br><br>Targeted assistance to ill children, development of healthcare and medical education programs in the regions of the Company's operation<br><br>Promoting new technologies in the Russian healthcare sector<br><br>Developing and implementing corporate volunteering programs |
| Interaction with non-profit organizations | All year | | |
| Philanthropic efforts | All year | | |
| Volunteer movements | All year | | |
| **MEDIA** | | | |
| Press releases | All year | Three press tours for the media and 11 site visits for film crews; four briefings with the Chairman of the Management Board; media coverage of 13 events involving senior management<br><br>TV news stories and special reports for federal and regional TV channels on topics related to the Company's operations, assistance to healthcare and education systems in the regions of operation, and support of the indigenous peoples of the Far North<br><br>More than 78 thousand publications with Company mentions reported by Russian and foreign media in 2021<br><br>More than seven thousand publications with Company mentions reported by foreign media in 2021 | Advancement of the Company's projects (LNG Construction Center, Arctic LNG 2, Obskiy Gas Chemical Complex, Yamal LNG, etc.); raising funds for the Company's projects; expanding into new markets<br><br>ESG agenda, social projects and programs<br><br>Media coverage of the Company's current activities, engagement of Russian industrial subsidiaries in the implementation of NOVATEK's LNG projects<br><br>Comments on pressing matters concerning the Company's operations and the development of the LNG market in Russia and globally |
| Press tours | All year | | |
| Interviews with and comments from top executives | All year | | |
| Briefings, press conferences | All year | | |
| Comments and replies to media requests | All year as per requests | | |
| Drafting articles and information materials for the media | All year | | |
| Developing social media accounts, posting materials about the Company's operations, as well as its social, cultural and charitable activities | | | |

| Channels | Frequency | Key events in 2021 | Focus areas |
|---|---|---|---|
| **INDUSTRIAL COMMUNITY,** including academic and research community | | | |
| Participation in conferences, forums, round-table discussions, etc. | All year | Participation in the Tyumen Oil and Gas Forum and Extended Board of the Ministry of Defense. Participation in exhibitions and conferences: Tyumen Oil and Gas Forum, St. Petersburg International Economic Forum, 15th International Exhibition and Conference for oil & gas resources development of the Russian Arctic and continental shelf (RAO/CIS Offshore), Eastern Economic Forum Arctic: Today and the Future International Forum, and COMTRANS 2021 International Commercial Vehicle Show | Promising projects being implemented by the Company<br><br>Development of the fuel and energy sector and the oil and gas industry in general<br><br>Competition development |
| Participation in joint sessions | As per requests | | |
| Partnerships | As per events calendar | | |
| Cooperation with leading oil and gas universities | All year | | |
| Participation in industry organizations | All year | | |

# Appendix 5. Participation in the UN Global Compact and Industry Organizations

Over the years, NOVATEK has been consistently bringing its activities into strict compliance with the UN Global Compact's ten universal principles in the areas of human rights, labor, the environment, and anti-corruption by formalizing and regulating key aspects of its sustainability activities at the top management level.

As a part of its commitment to embedding sustainability into its business strategies and core activities, NOVATEK became a signatory to the UN Global Compact principles in 2021. The Company has formalized its intention to integrate the UN Global Compact's principles into its strategy, culture and day-to-day activities while also announcing its willingness to participate in joint projects contributing to the achievement of the UN Sustainable Development Goals.

| The UN Global Compact's principles | Report's chapter |
|---|---|
| 1. Businesses should support and respect the protection of internationally proclaimed human rights | Human Rights |
| 2. Businesses should make sure that they are not complicit in human rights abuses | |
| 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | Our People, NOVATEK's Human Rights Policy |
| 4. Businesses should uphold the elimination of all forms of forced and compulsory labor | |
| 5. Businesses should uphold the effective abolition of child labor | |
| 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation | |
| 7. Businesses should support a precautionary approach to environmental challenges | Environmental Protection |
| 8. Businesses should undertake initiatives to promote greater environmental responsibility | |
| 9. Businesses should encourage the development and diffusion of environmentally friendly technologies | Safety |
| 10. Businesses should work against corruption in all its forms, including extortion and bribery | Sustainability Management |

## Membership and participation in industry organizations

| Organization | Year of joining |
|---|---|
| Scientific and Technical Council under the Working Group on Hydrogen Economy Development at the Ministry of Industry and Trade of the Russian Federation | 2021 |
| Russian-Italian Committee of Entrepreneurs | 2021 |
| Council for Gas Infrastructure Development in Russian Regions under the Federation Council | 2020 |
| Section on Legislative Support for Hydrogen Economy Development at the Expert Council under the Russian Federal Assembly's State Duma Committee on Energy | 2020 |
| Arctic Economic Council | 2020 |
| Methane Guiding Principles, an international non-profit partnership | 2020 |
| Organizing Committee for the Arctic: Territory of Dialogue International Arctic Forum | 2020 |
| Supervisory Board of Murmansk State Technical University | 2020 |
| The Future of Natural Gas Association (Zukunft Erdgas e.V.), Germany | 2019 |
| International Group of LNG Importers (GIIGNL) | 2019 |
| National Gas Vehicle Association | 2019 |
| Working Group on Energy Sector Development (Ministry of Energy of the Russian Federation) | 2018 |
| Polish LPG Chamber (Polska Izba Gazu Płynnego) | 2018 |
| Polska Platforma LNG | 2018 |
| Moscow Annual Oil and Gas Conferences | 2018 |
| Advisory Council of the Central Development Commission | 2017 |
| National Association of Technology Transfer | 2017 |
| Russian Drilling Contractors Roundtable | 2017 |
| Society for Gas as a Marine Fuel | 2017 |
| Union of Builders of the Yamal-Nenets Autonomous Region, a self-regulatory organization | 2017 |
| Design Engineer (Association of Oil and Gas Design Organizations) | 2017 |
| Surveying Engineer (Association of Oil and Gas Engineering Survey Organizations) | 2017 |
| European Association of Geoscientists & Engineers | 2017 |
| Board of Trustees of Innopraktika, a non-governmental institute for human-capital development | 2017 |
| Working Group on Public-Private Partnership Development in the Cultural Sector at the Ministry of Culture of the Russian Federation | 2017 |
| Expert Council of the State Commission for Mineral Reserves of the Russian Federation | 2016 |
| Eurasian Union of Experts on Subsoil | 2016 |
| Russian-Spanish Business Council | 2016 |
| The Saint Petersburg International Mercantile Exchange<br>*NOVATEK is a member of the Natural Gas Section, involved in the Section Council's activities* | 2015 |
| Russian-Chinese Business Council (NPO) | 2015 |
| Forum-Dialog (NPO) | 2014 |
| Polish LPG Association (Polska Organizacja Gazu Płynnego) | 2010 |
| Society of Petroleum Engineers | 2006 |
| V.I. Vernadsky Non-Governmental Ecological Foundation | 2005 |

# Appendix 6.
# Economic Value Generated and Distributed

**Direct economic value generated and distributed in 2021, RR mln [1]**

| Economic value generated, RR mln | |
|---|---|
| Income | 1,172,724 |
| **Economic value distributed, RR mln, including:** | |
| Operating costs | 682,238 |
| Salaries and other payments and benefits to employees | 43,155 |
| Payments to providers of capital | 166,143 |
| Payments to governments | 133,237 |
| Community investments | 2,753 |
| **Economic value retained** | **145,198** |

1. Calculations use data from NOVATEK's IFRS consolidated financial statements and the following methodology:
   - Income – Revenues plus Interest Income.
   - Operating Costs – Operating Expenses less Depreciation, Depletion and Amortization, less Impairment Expenses, less Employee Compensation, less Taxes Other Than Income Tax, and less Social Expenses and Compensatory Payments.
   - Payments to providers of capital – Dividends Paid plus Interest on Debt Paid.
   - Payments to governments – Current Income Tax Expense plus Taxes Other Than Income Tax.
   - Community investments – Social Expenses and Compensatory Payments These expenses include charity expenses, sponsorships, and support for local communities, and are not directly related to the Company's operations and its employees.

# Appendix 7. Personnel Structure

**Personnel structure by gender and age as of 31 December 2021**

| Age of employees, years | Female, people | % | Male, people | % | Total, people | % |
|---|---|---|---|---|---|---|
| Under 30 | 430 | 11 | 1,355 | 9 | 1,785 | 10 |
| 30 to 50 | 3,113 | 76 | 10,734 | 75 | 13,847 | 75 |
| 50+ | 544 | 13 | 2,228 | 16 | 2,772 | 15 |
| **Total** | **4,087** | | **14,317** | | **18,404** | |

**Personnel structure by line of work and gender as of 31 December 2021**

| Line of work | Total headcount, people | % of total headcount | Female, people | Male, people | Female, % | Male, % |
|---|---|---|---|---|---|---|
| Exploration and production | 5,975 | 32.5 | 1,152 | 4,823 | 28.2 | 33.7 |
| Transportation | 948 | 5.2 | 146 | 802 | 3.6 | 5.6 |
| Marketing | 2,306 | 12.5 | 1,122 | 1,184 | 27.5 | 8.3 |
| Processing | 1,485 | 8.1 | 264 | 1,221 | 6.5 | 8.5 |
| Administrative staff | 1,106 | 6 | 440 | 666 | 10.8 | 4.6 |
| Power supply | 1,346 | 7.3 | 80 | 1,266 | 1.9 | 8.8 |
| Auxiliary production | 486 | 2.6 | 105 | 381 | 2.5 | 2.7 |
| LNG production | 4,752 | 25.8 | 778 | 3,974 | 19.0 | 27.8 |
| **Total** | **18,404** | | **4,087** | **14,317** | | |

**Personnel structure by gender and region as of 31 December 2021**

| Region | Female, people | Male, people | **Total, people** |
|---|---|---|---|
| **Russian Federation,** including: | **3,985** | **14,154** | **18,139** |
| Yamal-Nenets Autonomous Region | 1,280 | 9,670 | **10,950** |
| Moscow and Moscow Region | 1,020 | 1,576 | **2,596** |
| Chelyabinsk Region | 707 | 583 | **1,290** |
| St. Petersburg and Leningrad Region | 257 | 858 | **1,115** |
| Tyumen Region | 264 | 450 | **714** |
| Rostov Region | 77 | 131 | **208** |
| Kostroma Region | 112 | 89 | **201** |
| Volgograd Region | 89 | 114 | **203** |
| Murmansk Region | 136 | 527 | **663** |
| Khanty-Mansiysk Autonomous Region | 5 | 59 | **64** |
| Perm Territory | 13 | 10 | **23** |
| Astrakhan Region | 8 | 12 | **20** |
| Krasnodar Territory | 0 | 4 | **4** |
| Samara Region | 4 | 14 | **18** |
| Arkhangelsk Region | 0 | 4 | **4** |
| Kamchatka Territory | 8 | 6 | **14** |
| Republic of Bashkortostan | 5 | 12 | **17** |
| Novosibirsk Region | 0 | 1 | **1** |
| Sverdlovsk Region | 0 | 12 | **12** |
| Tver Region | 0 | 9 | **9** |
| Tula Region | 0 | 7 | **7** |
| Republic of Tatarstan | 0 | 6 | **6** |
| **Other countries** | **102** | **163** | **265** |
| **Total** | **4,087** | **14,317** | **18,404** |

**Personnel structure by type of employment contract and gender as of 31 December 2021**

| | Fixed-term, people | Permanent, people |
|---|---|---|
| Female | 576 | 3,511 |
| Male | 1,142 | 13,175 |
| **Total** | **1,718** | **16,686** |

**Personnel structure by type of employment contract and region as of 31 December 2021**

| Region | Fixed-term, people | Permanent, people |
|---|---|---|
| **Russian Federation,** including: | **1,662** | **16,477** |
| Yamal-Nenets Autonomous Region | 565 | 10,385 |
| Moscow and Moscow Region | 465 | 2,131 |
| Chelyabinsk Region | 57 | 1,233 |
| St. Petersburg and Leningrad Region | 100 | 1,015 |
| Tyumen Region | 61 | 653 |
| Rostov Region | 8 | 200 |
| Kostroma Region | 15 | 186 |
| Volgograd Region | 5 | 198 |
| Murmansk Region | 377 | 286 |
| Khanty-Mansiysk Autonomous Region | 0 | 64 |
| Perm Territory | 4 | 19 |
| Astrakhan Region | 0 | 20 |
| Krasnodar Territory | 2 | 2 |
| Samara Region | 1 | 17 |
| Arkhangelsk Region | 2 | 2 |
| Kamchatka Territory | 0 | 14 |
| Republic of Bashkortostan | 0 | 17 |
| Novosibirsk Region | 0 | 1 |
| Sverdlovsk Region | 0 | 12 |
| Tver Region | 0 | 9 |
| Tula Region | 0 | 7 |
| Republic of Tatarstan | 0 | 6 |
| **Other countries** | **56** | **209** |
| **Total** | **1,718** | **16,686** |

**Personnel by type of employment and gender as of 31 December 2021**

| | Part-time, people | Full-time, people |
|---|---|---|
| Female | 56 | 4,031 |
| Male | 28 | 14,289 |
| **Total** | **84** | **18,320** |

### Personnel hired in 2021 by gender and age

| Age of employees, years | Female, people | Male, people | **Total, people** |
|---|---|---|---|
| Under 30 | 126 | 457 | **583** |
| 30 to 50 | 427 | 1,766 | **2,193** |
| 50+ | 35 | 187 | **222** |
| **Total** | **588** | **2,410** | **2,998** |

### Personnel hired in 2021 by gender and region

| Region | Female, people | Male, people | **Total, people** |
|---|---|---|---|
| **Russian Federation,** including: | **573** | **2,379** | **2,952** |
| Yamal-Nenets Autonomous Region | 131 | 1,331 | **1,462** |
| Moscow and Moscow Region | 133 | 317 | **450** |
| Chelyabinsk Region | 115 | 126 | **241** |
| St. Petersburg and Leningrad Region | 39 | 169 | **208** |
| Tyumen Region | 76 | 110 | **186** |
| Rostov Region | 16 | 24 | **40** |
| Kostroma Region | 6 | 10 | **16** |
| Volgograd Region | 24 | 33 | **57** |
| Murmansk Region | 24 | 212 | **236** |
| Khanty-Mansiysk Autonomous Region | 0 | 9 | **9** |
| Perm Territory | 0 | 2 | **2** |
| Astrakhan Region | 1 | 2 | **3** |
| Krasnodar Territory | 0 | 0 | **0** |
| Samara Region | 1 | 9 | **10** |
| Arkhangelsk Region | 0 | 1 | **1** |
| Kamchatka Territory | 4 | 2 | **6** |
| Republic of Bashkortostan | 3 | 2 | **5** |
| Novosibirsk Region | 0 | 0 | **0** |
| Sverdlovsk Region | 0 | 5 | **5** |
| Tver Region | 0 | 7 | **7** |
| Tula Region | 0 | 2 | **2** |
| Republic of Tatarstan | 0 | 6 | **6** |
| **Other countries** | **15** | **31** | **46** |
| **Total** | **588** | **2,410** | **2,998** |

**Employee turnover in 2021 by gender and region**

| Gender/Region | Average headcount, people | Resignations, people | Employee turnover rate,[1] % |
|---|---|---|---|
| Female | 3,652 | 414 | 11 |
| Male | 13,714 | 937 | 7 |
| **Total** | **17,366** | **1,351** | **8** |
| **Russian Federation,** including: | **17,127** | **1,338** | **8** |
| Yamal-Nenets Autonomous Region | 10,525 | 427 | 4 |
| Moscow and Moscow Region | 2,429 | 232 | 10 |
| Chelyabinsk Region | 1,242 | 287 | 23 |
| St. Petersburg and Leningrad Region | 1,020 | 93 | 9 |
| Tyumen Region | 593 | 24 | 4 |
| Rostov Region | 205 | 70 | 34 |
| Kostroma Region | 190 | 14 | 7 |
| Volgograd Region | 200 | 83 | 42 |
| Murmansk Region | 541 | 69 | 13 |
| Khanty-Mansiysk Autonomous Region | 63 | 5 | 8 |
| Perm Territory | 21 | 1 | 5 |
| Astrakhan Region | 20 | 2 | 10 |
| Krasnodar Territory | 6 | 0 | 0 |
| Samara Region | 10 | 2 | 20 |
| Arkhangelsk Region | 4 | 1 | 25 |
| Kamchatka Territory | 9 | 4 | 44 |
| Republic of Bashkortostan | 19 | 6 | 32 |
| Novosibirsk Region | 1 | 0 | 0 |
| Sverdlovsk Region | 11 | 4 | 36 |
| Tver Region | 7 | 8 | 114 |
| Tula Region | 6 | 1 | 17 |
| Republic of Tatarstan | 5 | 5 | 100 |
| **Other countries** | **239** | **13** | **5** |
| **Total** | **17,366** | **1,351** | **8** |

1. The employee turnover rate is calculated as resignations divided by average headcount in 2021. Percentage is calculated as the resulting value multiplied by 100.

**Number of employees that took parental leave or returned to work after parental leave ended in 2021**

| | Number of employees that took parental leave during 2021, people | Number of employees that returned to work in 2021 after parental leave ended, people |
|---|---|---|
| Female | 152 | 102 |
| Male | 12 | 8 |
| **Total** | **164** | **110** |

**Management breakdown by gender and age as of 31 December 2021**

| Age, years | Female, people | % | Male, people | % | Total | % |
|---|---|---|---|---|---|---|
| Under 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 to 50 | 31 | 65 | 147 | 76 | 178 | 74 |
| 50+ | 17 | 35 | 46 | 24 | 63 | 26 |
| **Total** | **48** | **20** | **193** | **80** | **241** | |

For more details, see ESG Data on the Company's website.

# Appendix 8. Key Environmental Performance Indicators[1]

### Air pollutant emissions

| Indicator | Unit of measurement | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Scope 1 GHG emissions,** including by type of activity: | **thousand tons of $CO_2$ equivalent** | **11,115** | **9,056** | **10,048** |
| production facilities | thousand tons of $CO_2$ equivalent | 7,494 | 5,518 | 6,242 |
| processing facilities | thousand tons of $CO_2$ equivalent | 594 | 589 | 665 |
| LNG production facilities | thousand tons of $CO_2$ equivalent | 2,905 | 2,806 | 2,977 |
| energy service facilities | thousand tons of $CO_2$ equivalent | 122 | 143 | 164 |
| including by source type:[2] | | | | |
| from stationary combustion, including flaring | thousand tons of $CO_2$ equivalent | – | 8,855 | 9,823 |
| fugitive emissions | thousand tons of $CO_2$ equivalent | – | 167 | 197 |
| petrochemical facilities | thousand tons of $CO_2$ equivalent | – | 34 | 28 |
| **Scope 2 GHG emissions** | **thousand tons of $CO_2$ equivalent** | **204.8** | **228.5** | **269.8** |
| **Scope 3 GHG emissions** | **thousand tons of $CO_2$ equivalent** | **–** | **173,251** | **177,815** |
| **GHG emissions per unit of production,** including: | | | | |
| production facilities | tons of $CO_2$ equivalent per thousand boe | 12.58 | 8.65 | 9.76 |
| processing facilities | tons of $CO_2$ equivalent per ton of processed hydrocarbons | 0.034 | 0.031 | 0.034 |
| LNG production facilities | tons of $CO_2$ equivalent per ton of LNG | 0.26 | 0.24 | 0.24 |
| **APG utilization rate** | **%** | **83.3** | **96.2** | **96.7** |
| **Air pollutant emissions,** including: | **tons** | **75,603** | **87,273** | **82,382** |
| particulate matter | tons | 2,697 | 5,590 | 4,130 |
| carbon dioxide | tons | 40,059 | 48,115 | 43,732 |
| nitrogen oxide (NO2 equivalent) | tons | 13,296 | 11,083 | 13,990 |

1. Environmental performance data are calculated based on the Company's proportional share in joint ventures, except for energy efficiency data that were based on a 100% share.
2. Since 2020, the Company has reported Scope 1 emissions by source type.

| Indicator | Unit of measurement | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| sulfur dioxide | tons | 62 | 77 | 76 |
| hydrocarbons (including methane) | tons | 6,166 | 8,910 | 9,635 |
| VOCs | tons | 13,258 | 13,418 | 10,791 |
| Other | tons | 65 | 80 | 28 |
| **Pollutant emissions per unit of production** | **tons per thousand boe** | **0.128** | **0.143** | **0.132** |
| **Pollutant emissions in cities** | **tons** | **15** | **19** | **51** |
| Methane emissions, including: | tons | 6,160 | 8,886 | 8,155 |
| by production facilities | tons | 5,913 | 8,391 | 7,515 |
| by processing facilities | tons | 88 | 84 | 81 |
| by LNG production facilities | tons | 159 | 270 | 479 |
| by energy service facilities | tons | – | 141 | 80 |
| **Methane emissions per unit of production for production, processing and LNG facilities** | **tons per million boe** | **10.44** | **14.44** | **12.89** |
| **The GHG intensity ratio[1]** | **kg of $CO_2$ equivalent per boe** | **298** | **295** | **294** |

## Waste management

| Indicator | Unit of measurement | 2020 | 2021 |
|---|---|---|---|
| **Waste at the beginning of the year,** including: | **thousand tons** | **9.7** | **13.2** |
| Hazardous waste | thousand tons | – | 0.0004 |
| Non-hazardous waste | thousand tons | – | 13.2 |
| **Volume of waste generated,** including: | **thousand tons** | **47.2** | **53.5** |
| drill cuttings | thousand tons | 37.4 | 41.4 |
| **Utilized waste,** including: | **thousand tons** | **22.6** | **49.0** |
| Hazardous waste | | | |
| Processing<br>*Outside the Company's premises* | thousand tons | 0.03 | 0.04 |
| Non-hazardous waste | | | |
| Processing<br>*Within the Company's premises* | thousand tons | 6.2 | 5.3 |
| Processing<br>*Outside the Company's premises* | thousand tons | 16.4 | 43.7 |
| **Unutilized waste,** including: | **thousand tons** | **23.5** | **11.3** |
| Hazardous waste | | | |
| Treatment<br>*Outside the Company's premises* | thousand tons | 0.003 | 0.002 |
| Treatment<br>*Within the Company's premises* | thousand tons | – | 0.000021 |

1. The GHG intensity ratio is calculated by dividing indirect GHG emissions outside the Company's control (Scope 3) by the volume of sold products in the single energy equivalent (per boe).

| Indicator | Unit of measurement | 2020 | 2021 |
|---|---|---|---|
| Non-hazardous waste | | | |
| Treatment<br>*Outside the Company's premises* | thousand tons | 10.6 | 2.0 |
| Treatment<br>*Within the Company's premises* | thousand tons | 5.9 | 4.6 |
| Storage (temporary) at a specialized facility<br>*Outside the Company's premises* | thousand tons | 0.003 | 0 |
| Storage (temporary) at a specialized facility<br>*Within the Company's premises* | thousand tons | 3.3 | 2.7 |
| Landfilling<br>*Outside the Company's premises* | thousand tons | 1.4 | 0.8 |
| Landfilling<br>*Within the Company's premises* | thousand tons | 2.3 | 1.2 |
| **Waste transferred to the regional MSW operator** | **thousand tons** | **0.9** | **1.2** |
| Hazardous waste | thousand tons | – | 0 |
| Non-hazardous waste | thousand tons | – | 1.2 |
| **Waste at the end of the year,** including: | **thousand tons** | **13.2** | **7.9** |
| Hazardous waste | thousand tons | – | 0.0024 |
| Non-hazardous waste | thousand tons | – | 7.9 |

Waste utilization means waste treatment and recovery in accordance with the terms and definitions established by Russian law.

Since the reporting year 2020, the Company has reported waste data in accordance with the updated GRI 306 Waste - 2020 standard, in this regard, data for 2019 are not disclosed in the table.

Data on the lines "Waste at the beginning of the year", "Waste transferred to the regional MSW operator" and "Waste at the end of the year" with the breakdown into hazardous and non-hazardous are disclosed from the 2021 reporting year.

Waste volumes at the end of the year were calculated in accordance with Rosstat Order No. 627 dated 9 October 2020 (as amended on 13 November 2020) and are the sum of "Waste at the beginning of the year" and "Volume of waste generated" minus "Treatment" "Landfilling", "Utilization" and "Waste transferred to the regional MSW operator".

| Indicator | Unit of measurement | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Significant spills[2] | events | 0 | 0 | 0 |

2. Significant spills are determined based on the requirements of applicable laws and regulations of the Russian Federation and the Company's relevant local regulations.

## Water use and discharge

| Indicator | Unit of measurement | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Water consumption (excluding water for RPM[1]),** including: | **thousand cubic meters** | **2,365** | **2,040** | **2,975** |
| freshwater | thousand cubic meters | 1,711 | 1,952 | 2,738 |
| **Water withdrawal,** including: | **thousand cubic meters** | **2,365** | **2,040** | **2,975** |
| freshwater | thousand cubic meters | 1,711 | 1,952 | 2,738 |
| **Water discharge (excluding water for RPM)** | **thousand cubic meters** | **2,395** | **1,705** | **2,509** |
| **Water consumption per unit of production,** including: | | | | |
| production facilities | cubic meters per thousand boe | 3.7 | 2.17 | 3.61 |
| processing facilities | cubic meters per ton | 0.011 | 0.010 | 0.010 |
| **Volume of produced and flowback water** | **million tons** | **7.6** | **7.7** | **7.6** |
| **Injection for reservoir pressure maintenance** | **million tons** | **5.7** | **5.5** | **4.8** |

## Energy consumption and efficiency

| Indicator | Unit of measurement | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Total consumption of heat and electricity | thousand GJ | 12,904 | 13,482 | 15,473 |
| Total renewable energy systems | events | 132 | 148 | 148 |
| Share of renewables in total electricity generation | % | 0.01 | 0.01 | 0.01 |
| Total electricity generation from renewables | thousand kWh | 263 | 222 | 209 |

## Environmental costs

| Indicator | Unit of measurement | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Environmental costs | RR mln | 1,425 | 2,382 | 2,908 |
| Environmental charges | RR mln | 14.1 | 5.9 | 5.1 |
| Total amount of fines for environmental breaches | RR mln | 0.4 | 1.7 | 1.4 [2] |

For more details, see ESG Data on the Company's website.

1. RPM – reservoir pressure maintenance.
2. Breaches were mainly directly related to the inspection scope and were remedied within the prescribed period. No sanctions were imposed to suspend operations of the Company's enterprises.

# Appendix 9. Compliance with GRI Standards

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| **General disclosures** | | | |
| **Organization Profile** | | | |
| 102-1 | Name of the organization | About the Company, p. 6 | 1 |
| 102-2 | Activities, brands, products, and services | About the Company, p. 6<br>Annual Report 2021, p. 30<br>*The Company does not produce goods or provide services prohibited in any market.* | 1 |
| 102-3 | Location of headquarters | About the Company, p. 212<br>*Headquarters: 2, Udaltsova Street, 119415, Moscow, Russia* | 1 |
| 102-4 | Location of operations | About the Company, p. 10<br>Annual Report 2021, Hydrocarbon Reserves section, p. 14 | 1 |
| 102-5 | Ownership and legal form | About the Company, p. 212 | 1 |
| 102-6 | Markets served | About the Company, p. 10<br>Annual Report 2021, About the Company section, p. 30<br>*NOVATEK sells its natural gas on the Russian domestic market through the Unified Gas Supply System and on international markets (mainly in the form of liquefied natural gas (LNG).* | 1 |
| 102-7 | Scale of the organization | About the Company, p. 6<br>Our People, p. 132<br>Annual Report 2021, Corporate Governance section, p. 60<br>IFRS Consolidated Financial Statements for 2021, p. 15 | 1 |
| 102-8 | Information on employees and other workers | Our People, p. 132<br>Appendix 7. Personnel Structure, p. 179<br>*Workers who are not employees do not perform a significant portion of the Company's activities.*<br>*There are no seasonal or other variations in headcount.* | 3 |
| 102-9 | Supply chain | Supply Chain, p. 40 | 1 |
| 102-10 | Significant changes to the organization and its supply chain | About the Company, p. 6 | 1 |
| 102-11 | Precautionary Principle or approach | Environmental Protection, p. 72 | 1 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| 102-12 | External initiatives | About the Company, p. 6<br>Sustainable Development Strategy, p. 14<br>Climate Change, p. 45 | 1 |
| 102-13 | Membership of associations | Appendix 5. Participation in the UN Global Compact and Industry Organizations, p. 176 | 1 |
| **Strategy** | | | |
| 102-14 | Statement from senior decision-maker | Letter from the Chairman of the Management Board, p. 2 | 1 |
| 102-15 | Key impacts, risks and opportunities | Sustainability Management System, p. 21<br>Annual Report 2021 | 1 |
| **Ethics and Integrity** | | | |
| 102-16 | Values, principles, standards, and norms of behavior | Ethics and Transparency, p. 34 | 1 |
| 102-17 | Mechanisms for advice and concerns about ethics | Ethics and Transparency, p. 34<br>Human Rights, p. 115 | 3 |
| **Sustainability Management System** | | | |
| 102-18 | Governance structure | Sustainability Management System, p. 21<br>*The Company's Articles of Association do not restrict voting at the General Meeting of Shareholders, except as required by Russian law (e.g., approval of interested-party transactions). Also, there are no thresholds (ceilings) above which shareholders are not allowed to vote at the General Meeting, even if they own a large amount of stock/shareholding.* | 1 |
| 102-19 | Delegating authority | Sustainability Management System, p. 21 | 1 |
| 102-20 | Executive-level responsibility for economic, environmental, and social topics | Sustainability Management System, p. 21 | 1 |
| 102-21 | Consulting stakeholders on economic, environmental, and social topics | Sustainability Management System, p. 21<br>Human Rights, p. 115 | 1 |
| 102-22 | Composition of the highest governance body and its committees | Sustainability Management System, p. 21<br>Annual Report 2021, Corporate Governance, p. 60 | 1 |
| 102-23 | Chair of the highest governance body | Sustainability Management System, p. 21<br>Annual Report 2021, Corporate Governance, p. 60 | 1 |
| 102-24 | Nominating and selecting the highest governance body | Sustainability Management System, p. 21<br>Annual Report 2021, Corporate Governance, p. 60 | 1 |
| 102-25 | Conflicts of interest | Ethics and Transparency, p. 34<br>Annual Report 2021, Corporate Governance, p. 60 | 1 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| 102-26 | Role of the highest governance body in setting purpose, values, and strategy | Sustainability Management System, p. 21 | 1 |
| 102-27 | Collective knowledge of the highest governance body | Sustainability Management System, p. 21 | 1 |
| 102-28 | Evaluating the highest governance body's performance | Sustainability Management System, p. 21<br>Annual Report 2021, Corporate Governance, p. 60 | 1 |
| 102-29 | Identifying and managing economic, environmental, and social impacts | Sustainability Management System, p. 21 | 1 |
| 102-30 | Effectiveness of risk management processes | Sustainability Management System, p. 21<br>Annual Report 2021, Corporate Governance, p. 60 | 1 |
| 102-31 | Review of economic, environmental, and social topics | Sustainability Management System, p. 21 | 1 |
| 102-32 | The highest governance body's role in sustainability reporting | Appendix 1. About the Report, p. 160 | 1 |
| 102-33 | Communicating critical concerns | Sustainability Management System, p. 21 | 1 |
| 102-34 | Nature and total number of critical concerns | Sustainability Management System, p. 21 | 1 |
| 102-35 | Remuneration policy | Sustainability Management System, p. 21<br>Annual Report 2021, Corporate Governance, p. 60 | 1 |
| 102-36 | Process for determining remuneration | Sustainability Management System, p. 21<br>Annual Report 2021, Corporate Governance, p. 60<br>*The Company does not engage external consultants on remuneration matters, which fall within the remit of the Remuneration and Nomination Committee made up of independent directors.* | 1 |
| **Stakeholder Engagement** | | | |
| 102-40 | List of stakeholder groups | Appendix 4. Stakeholder Engagement, p. 169 | 1 |
| 102-41 | Collective bargaining agreements | Our People, p. 132<br>*Collective bargaining agreements cover 91% of the Company's employees.* | 3 |
| 102-42 | Identifying and selecting stakeholders | Appendix 4. Stakeholder Engagement, p. 169<br>Human Rights, p. 115 | 1 |
| 102-43 | Approach to stakeholder engagement | Appendix 1. About the Report, p. 160<br>Appendix 4. Stakeholder Engagement, p. 169<br>Support for Local Communities, p. 149 | 1 |
| 102-44 | Key topics and concerns raised | Appendix 1. About the Report, p. 160<br>Appendix 4. Stakeholder Engagement, p. 169 | 1 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| **Reporting Practice** | | | |
| 102-45 | Entities included in the consolidated financial statements | Appendix 1. About the Report, p. 160<br><br>About the Company, p. 6<br><br>IFRS Consolidated Financial Statements for 2021 | 2 |
| 102-46 | Defining report content and topic boundaries | Appendix 1. About the Report, p. 160 | 1 |
| 102-47 | List of material topics | Appendix 1. About the Report, p. 160 | 1 |
| 102-48 | Restatements of information | *The methodology for calculating injury rates has been changed.*<br><br>*The 2021 report used a new approach to counting accidents in accordance with the OSHA regulations 1904.5 – Determination of Work-Relatedness: non-work-related injuries were excluded from the calculation. Comparable data were recalculated.* | 1 |
| 102-49 | Changes in reporting | Appendix 1. About the Report, p. 160 | 1 |
| 102-50 | Reporting period | Appendix 1. About the Report, p. 160 | 1 |
| 102-51 | Date of most recent report | Appendix 1. About the Report, p. 160 | 1 |
| 102-52 | Reporting cycle | Appendix 1. About the Report, p. 160 | 1 |
| 102-53 | Contact point for questions regarding the report | *Alexander Nazarov, Head of IR*<br><br>*Kristina Popilyuk, Head of Sustainable Development*<br><br>*+7 495 730 6013*<br>*ir@novatek.ru* | 1 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Appendix 1. About the Report, p. 160 | 1 |
| 102-55 | GRI content index | Appendix 9. Compliance with the GRI Standards, p. 189 | 1 |
| 102-56 | External assurance | Appendix 12. Independent Auditor's Assurance, p. 208 | 1 |
| **Specific standard disclosures** | | | |
| **Category: Economic** | | | |
| **201 Economic Performance** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Annual Report 2021 | 1 |
| | 103-3 Evaluation of the management approach | Annual Report 2021 | 1 |
| 201-1 | Direct economic value generated and distributed | Appendix 6. Economic Value Generated and Distributed, p. 178 | 2 |
| 201-2 | Financial implications and other risks and opportunities due to climate change | Climate Change, p. 45 | 1 |
| 201-3 | Defined benefit plan obligations and other retirement plans | *The total of employee benefits is included in other non-current liabilities in the consolidated financial statements and stands at RR 5.6 bln as of 31 December 2021.* | 2 |
| **202 Market Presence** | | | |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | Our People, p. 132 | 3 |
| **203 Indirect Economic Impacts** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Support for Local Communities, p. 149 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 203-1 | Infrastructure investments and services supported | Support for Local Communities, p. 149 | 3 |
| 203-2 | Significant indirect economic impacts | Support for Local Communities, p. 149 | 3 |
| **204 Procurement Practices** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Supply Chain, p. 40 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 204-1 | Proportion of spending on local suppliers | Supply Chain, p. 40 | 1 |
| **205 Anti-corruption** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Ethics and Transparency, p. 34 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 205-1 | Operations assessed for risks related to corruption | *Fraud and corruption risks are identified and assessed at the Group level; risk identification and assessment were not carried out across operations.* | 1 |
| 205-2 | Communication and training about anti-corruption policies and procedures | Ethics and Transparency, p. 34 | 1 |
| 205-3 | Confirmed incidents of corruption and actions taken | *The Company identified no incidents of corruption in the reporting period.* | 1 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| **Category: Environmental** | | | |
| **302 Energy** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Climate Change, p. 45 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 302-1 | Energy consumption within the organization | Climate Change, p. 45 | 3 |
| 302-2 | Energy consumption outside of the organization | *The company keeps complete records of the energy consumed within the Group. Energy consumption by third parties in NOVATEK's supply chain is not assessed.* | 1 |
| 302-3 | Energy intensity | Climate Change, p. 45 | 3 |
| 302-4 | Reduction of energy consumption | Climate Change, p. 45 | 3 |
| 302-5 | Reductions in energy requirements of products and services | Climate Change, p. 45 | 3 |
| **303 Water and Effluents** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Environmental Protection, p. 72 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 303-1 | Interactions with water as a shared resource | Environmental Protection, p. 72 | 1 |
| 303-2 | Management of water discharge-related impacts | Environmental Protection, p. 72 | 1 |
| 303-3 | Water withdrawal | Environmental Protection, p. 72<br>*The data on the Company's water withdrawal are obtained based on the state statistic reporting by the Group's subsidiaries available from form 2TP-Water approved by Order No. 230 of the Federal State Statistics Service dated 19 October 2009.* | 4 |
| 303-4 | Water discharge | Environmental Protection, p. 72<br>*The Company does not consolidate at the Group level information on wastewater discharge volumes broken down by total salinity into less than or greater than 1,000 mg/l.* | 4 |
| 303-5 | Water consumption | Environmental Protection, p. 72<br>*The data on the Company's water discharge are obtained based on the state statistic reporting by the Group's subsidiaries available from form 2TP-Water approved by Order No. 230 of the Federal State Statistics Service dated 19 October 2009.* | 4 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| **304 Biodiversity** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Environmental Protection, p. 72 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Environmental Protection, p. 72 | 1 |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | Environmental Protection, p. 72 | 1 |
| 304-3 | Habitats protected or restored | Environmental Protection, p. 72 | 3 |
| 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | Environmental Protection, p. 72 | 1 |
| **305 Emissions** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Environmental Protection, p. 72 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 305-1 | Direct (Scope 1) GHG emissions | Climate Change, p. 45<br>*b. $CO_2$, CH4*<br>*e. Guidelines approved by Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation dated 30 June 2015.*<br>*f. Operational control method.* | 4 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | Climate Change, p. 45<br>*c. $CO_2$*<br>*e. Guidelines approved by Order № 330 of the Ministry of Natural Resources and Environment of the Russian Federation dated 29 June 2017.*<br>*f. Operational control method.* | 4 |
| 305-3 | Other indirect (Scope 3) GHG emissions | Climate Change, p. 45<br>*b. $CO_2$*<br>*e. Guidelines approved by Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation dated 30 June 2015.*<br>*f. Operational control method.* | 4 |
| 305-4 | GHG emission intensity | Climate Change, p. 45<br>*c. Direct (Scope 1) emissions*<br>*d. $CO_2$, CH4* | 4 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| 305-5 | Reduction of GHG emissions | Climate Change, p. 45<br><br>*b. $CO_2$, CH4*<br><br>*e. Guidelines approved by Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation dated 30 June 2015.* | 1 |
| 305-6 | Emissions of ozone-depleting substances (ODS) | Climate Change, p. 45 | 1 |
| 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant pollutant emissions | Climate Change, p. 45<br><br>*b, c. Pollutant emission factors are determined based on emission calculation methodologies approved by the Ministry of Natural Resources and Environment of the Russian Federation, taking into account industry emission calculation methodologies depending on emission sources, pollutant release parameters, technological process, volume and composition of fuel used, environmental conditions in the source location area, as well as direct measurements of volume, physical properties and composition of emissions as part of environmental operational control.* | 4 |
| **306 Waste** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Environmental Protection, p. 72 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 306-1 | Waste generation and significant waste-related impacts | Environmental Protection, p. 72 | 1 |
| 306-2 | Management of significant waste-related impacts | Environmental Protection, p. 72 | 1 |
| 306-3 | Waste generated | Environmental Protection, p. 72 | 4 |
| 306-4 | Volume of waste directed to disposal | Environmental Protection, p. 72 | 4 |
| 306-5 | Waste not directed to disposal | Environmental Protection, p. 72 | 4 |
| **307 Environmental Compliance** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Environmental Protection, p. 72<br><br>*The Company operates in accordance with Russian laws[1].* | 1 |
| | 103-3 Evaluation of the management approach | | |
| 307-1 | Non-compliance with environmental laws and regulations | Environmental Protection, p. 72<br><br>Appendix 8. Key Environmental Performance Indicators, p. 185 | 4[2] |

1 Hereinafter NOVATEK's management approach in this area is primarily based on, although may not be limited to, Russian laws.
2 The number of audits with respect to environment protection and sustainable management of natural resources is given based on 100% Company's share in joint ventures.

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| **Category: Social** | | | |
| **401 Employment** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 401-1 | New employee hires and employee turnover | Our People, p. 132<br>Appendix 7. Personnel Structure, p. 179<br>*The proportion of vacancies filled in 2021 by internal candidates was 5% (relocations within the NOVATEK Group).*<br>*Turnover data broken down by age are not consolidated at the Group level.* | 3 |
| 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.* | 1 |
| 401-3 | Parental leave | Appendix 7. Personnel Structure, p. 179 | 3 |
| **402 Labor/Management Relations** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 402-1 | Minimum notice periods regarding operational changes | *Under Russian laws, the minimum notice period as regards the Company's significant operational changes is eight weeks (incorporated into the collective bargaining agreement).* | 1 |
| **403 Occupational Health and Safety** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Safety, p. 97 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 403-1 | Occupational health and safety management system | Safety, p. 97 | 1 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Safety, p. 97 | 1 |
| 403-3 | Occupational health services | Safety, p. 97 | 1 |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | Safety, p. 97 | 1 |
| 403-5 | Worker training on occupational health and safety | Safety, p. 97 | 3 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| 403-6 | Promotion of worker health | Our People, p. 132<br>Safety, p. 97 | 1 |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Safety, p. 97 | 1 |
| 403-8 | Workers covered by an occupational health and safety management system | Safety, p. 97<br>*All employees of companies included in the indicator are covered by an occupational health and safety management system.* | 1 |
| 403-9 | Work-related injuries | Safety, p. 97 | 3 |
| 403-10 | Occupational diseases | Safety, p. 97<br>*No occupational diseases were identified or registered at NOVATEK over the past five years.* | 1 |
| **404 Training and Education** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Safety, p. 97 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 404-1 | Average hours of training per year per employee | Our People, p. 132<br>Men – 49 hours<br>Women – 13 hours | 3 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Our People, p. 132 | 3 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | Our People, p. 132<br>*Information by employee category and gender is not consolidated at the Group level* | 3 |
| **405 Diversity and Equal Opportunity** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132<br>Human Rights, p. 115 | 1 |
| | 103-3 Evaluation of the management approach | | |
| 405-1 | Diversity of governance bodies and employees | Our People, p. 132<br>Appendix 7. Personnel Structure, p. 179 | 3 |
| 405-2 | Ratio of basic salary and remuneration of women to men | Our People, p. 132<br>Human Rights, p. 115 | 1 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| **406 Non-discrimination** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132<br>Ethics and Transparency, p. 34<br>Human Rights, p. 115 | 1 |
| | 103-3 Evaluation of the management approach | | |
| 406-1 | Incidents of discrimination and corrective actions taken | *The Company identified no incidents of discrimination in the reporting period.* | 1 |
| **407 Freedom of Association and Collective Bargaining** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132<br>Ethics and Transparency, p. 34<br>Human Rights, p. 115<br>Human Rights Policy | 1 |
| | 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.* | 3 |
| **408 Child Labor** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132<br>Ethics and Transparency, p. 34<br>Human Rights, p. 115<br>Human Rights Policy | 1 |
| | 103-3 Evaluation of the management approach | | |
| 408-1 | Operations and suppliers considered to have significant risk for incidents of child labor and measures taken to contribute to the effective abolition of child labor | Ethics and Transparency, p. 34<br>Human Rights, p. 115<br>*The Company identified no operations at significant risk for incidents of child labor.* | 1 |
| **409 Forced or Compulsory Labor** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Our People, p. 132<br>Ethics and Transparency, p. 34<br>Human Rights, p. 115 | 1 |
| | 103-3 Evaluation of the management approach | | |
| 409-1 | Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor | Ethics and Transparency, p. 34<br>Human Rights, p. 115<br>*The Company identified no operations at significant risk for incidents of forced or compulsory labor.* | 1 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| **411 Rights of Indigenous Peoples** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Human Rights, p. 115 | 1 |
| | 103-3 Evaluation of the management approach | | |
| 411-1 | Incidents of violations involving rights of indigenous peoples | *There were no incidents of violations involving rights of indigenous peoples.* | 1 |
| **413 Local Communities** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Support for Local Communities, p. 149<br>Human Rights, p. 115 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | Support for Local Communities, p. 149<br>Human Rights, p. 115 | 3 |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | Support for Local Communities, p. 149<br>Human Rights, p. 115 | 1 |
| **415 Public Policy** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Climate Change, p. 45<br>*NOVATEK does not participate directly or indirectly in political parties, organizations and foundations associated with them. The Company does not allow employees to engage in political activities on behalf of the Company.* | 1 |
| | 103-3 Evaluation of the management approach | | |
| 415-1 | Total value of political contributions by country and recipient/beneficiary | *The Company does not make illegal payments in favor of federal and municipal authorities, law enforcement or regulatory authorities, their representatives and other persons, including intermediaries. The Company does not envisage expenses for activities aimed at interaction with government authorities.*<br>*The Company does not make sponsorship or other payments in support of political parties, or organizations and foundations associated with them.*<br>*Incentive payments to representatives of government authorities – 0.*<br>*Political contributions – 0* | 1 |
| **Sector disclosures** | | | |
| OG1 | Volume and type of estimated proved reserves and production | About the Company, p. 6<br>Annual Report 2021, p. | 2 |
| OG2 | Total amount invested in renewable energy | Climate Change, p. 45 | 3 |
| OG3 | Total amount of renewable energy generated by source | Climate Change, p. 45 | 3 |

| Indicator index | Indicator description | Section of the Report | Report Scope / Notes |
|---|---|---|---|
| OG4 | Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored | Environmental Protection, p. 72 | 3 |
| OG5 | Volume and disposal of produced water | Environmental Protection, p. 72 | 3 |
| OG6 | Volume of flared and vented hydrocarbons | Climate Change, p. 45 | 4 |
| OG7 | Amount of drilling waste (muds and cuttings) and strategies for treatment and disposal | Environmental Protection, p. 72 | 4 |
| OG8 | Benzene, lead and sulfur content in fuels | *Produced natural gas and LNG are free of benzene and lead, sulfur content is in line with standard values.* | 3 |
| OG9 | Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place | Support for Local Communities, p. 149<br>Sustainable Development Strategy, p. 14<br>Human Rights, p. 115 | 1 |
| OG10 | Number and description of significant disputes with local communities and indigenous peoples | Human Rights, p. 115<br>Appendix 4. Stakeholder Engagement, p. 169<br>*In 2021, NOVATEK had no disputes with local communities, including indigenous peoples.* | 1 |
| OG11 | Number of sites that have been decommissioned and sites that are in the process of being decommissioned | Environmental Protection, p. 72<br>*In 2021, the Group operational sites were not decommissioned.* | 1 |
| OG12 | Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process | Human Rights, p. 115<br>*In 2021, there were no cases of involuntary resettlement of local residents related to NOVATEK's operations.* | 1 |
| OG13 | Number of process safety events, by business activity | Safety, p. 97 | 1 |
| OG14 | Volume of biofuels produced and purchased meeting sustainability criteria | *The Company does not produce or purchase biofuel.* | 1 |
| **Specific material topics relevant for NOVATEK** | | | |
| **Innovation** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Innovation, p. 39 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |
| **Information security** | | | |
| 103 Management Approach | 103-1 Explanation of the material topic and its boundary | Appendix 1. About the Report, p. 160 | 1 |
| | 103-2 The management approach and its components | Ethics and Transparency, p. 34 | 1 |
| | 103-3 Evaluation of the management approach | | 1 |

# Appendix 10. Compliance with SASB

| SASB code | Metric description | Information and link to the source | Report scope |
|---|---|---|---|
| **GHG Emissions** | | | |
| EM-EP-110a.1 | Gross global Scope 1 emissions | 10,047,733 tons of $CO_2$ equivalent | 4 |
| | Percentage of methane | 2%<br><br>Methane emissions totaled 8,155 tons | |
| | Percentage covered under emissions-limiting regulations | As of 31 December 2021, no GHG emission reduction targets were set by laws | |
| EM-EP-110a.2 | Amount of gross global Scope 1 emissions from: (1) hydrocarbon combustion, (2) other combustion, (3) process emissions, (4) other vented emissions, and (5) fugitive emissions | Emissions from:<br>• stationary combustion, including flaring: 9,822,746 tons of $CO_2$ equivalent<br>• fugitive emissions 196,675 tons of $CO_2$ equivalent<br>• emissions from petrochemical production 28,312 tons of $CO_2$ equivalent | 4 |
| EM-EP-110a.3 | Description of emission reduction targets and long-term and short-term strategies or plans to manage Scope 1 GHG emissions, and an analysis of performance against these targets | Climate Change, p. 45 | 1 |
| **Air Quality** | | | |
| EM-EP-120a.1 | Air pollutant emissions: | | 4 |
| | (1) NOX (excluding N2O) | 13,990 tons (as NO2 equivalent) | |
| | (2) sulfur dioxides | 76 tons | |
| | (3) volatile organic compounds (VOCs) | 10,791 tons | |
| | (4) particulate matter | 4,130 tons | |
| **Water Management** | | | |
| EM-EP-140a.1 | Total freshwater withdrawal | 2,738 thousand cubic meters | 4 |
| | Total freshwater consumption | 2,738 thousand cubic meters | |
| | Percentage of freshwater withdrawal/ consumption in areas of high or extremely high water stress | The Company does not operate in areas with water stress. According to the International Water Management Institute and World Resources Institute's Water Risk Atlas tool, Russia is a region with abundant water resources.<br><br>See also the Water Resources section, p. 92 | |

| SASB code | Metric description | Information and link to the source | Report scope |
|---|---|---|---|
| EM-EP-140a.2 | Volume of produced and flowback water; percentage (1) discharged, (2) injected, (3) reused | Volume of produced and flowback water: 7,635 thousand tons;<br>• the percentage of discharged water – 37%<br>• the percentage of injected water – 63%<br>• the percentage of reused water – 0% | 3 |
| | Hydrocarbon content in discharged water | The Company does not discharge hydrocarbon contaminated water into water bodies | 3 |
| EM-EP-140a.3 | Percentage of hydraulically fractured wells for which all fracturing fluid chemicals used are disclosed | 0%<br>Hydraulic fracturing was performed using viscoelastic fluids, all fracturing fluid chemicals used are not disclosed.<br>Water Resources, p. 92 | 1 |
| EM-EP-140a.4 | Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to the baseline | 0%<br>*All fluid used for hydraulic fracturing is not discharged into ground or surface water, but is evaporated, so ground and surface water quality does not deteriorate compared to the baseline.*<br>Water Resources, p. 92 | 1 |
| **Biodiversity Impacts** | | | |
| EM-EP-160a.1 | Description of environmental management policies and practices for existing plants | Biodiversity section, p. 80 | 1 |
| EM-EP-160a.2 | Number and aggregate volume of hydrocarbon spills, volume of spills in the Arctic, volume impacting shorelines with ESI rankings 8–10, and volume recovered | Hydrocarbon spills greater than one barrel in 2021 – 0 | 1 |
| EM-EP-160a.3 | Percentage of (1) proved and (2) probable reserves in or near protected areas or habitats of endangered species | *The Company does not operate in federally-protected areas designated by Russian law.*<br>Biodiversity, p. 80 | 2 |
| **Security, Human Rights and Rights of Indigenous Peoples** | | | |
| EM-EP-210a.1 | Percentage of (1) proved and (2) probable reserves in or near conflict areas | 0% | 2 |
| EM-EP-210a.2 | Percentage of (1) proved and (2) probable reserves in or near indigenous land | 100% of the Company's reserves are located in indigenous lands of the North[1] | 2 |
| EM-EP-210a.3 | Discussion of stakeholder engagement processes and responsible practices with respect to human rights, indigenous rights, and operation in conflict areas | The Company does not operate in conflict areas<br>Human Rights, p. 115 | 1 |
| **Engagement with Local Communities** | | | |
| EM-EP-210b.1 | Description of the process to manage risks and opportunities associated with community rights and interests | Ethics and Transparency, p. 34<br>Human Rights, p. 115<br>Support for Local Communities, p. 149 | 1 |
| EM-EP-210b.2 | Number and duration of non-technical delays | The Company has never seen a single case of stoppages or strikes due to labor disputes | 1 |

1 According to Decree No. 1049 of the Government of the Russian Federation On Approval of the List of the Indigenous Peoples of the North and the List of Areas of Residence of the Indigenous Peoples of the North in Order to Establish a Social Pension for Old Age dated 1 November 2015.

| SASB code | Metric description | Information and link to the source | Report scope |
|---|---|---|---|
| **Occupational Health and Safety** | | | |
| EM-EP-320a.1 | (1) Total recordable incident rate (TRIR)<br><br>(2) Fatality rate<br><br>(3) Near miss frequency rate<br><br>(4) Average hours of health and safety, and emergency response training for a) full-time employees, b) contractor employees, and c) part-time employees | Injury frequency rate[1] was 0.88<br><br>In 2021, there were two fatal accidents among employees<br><br>Near miss frequency rate is not consolidated at the Group level<br><br>Average hours of health and safety, and emergency response training broken down by employee category a) full-time employees, b) contractor employees, and c) part-time employees – are not calculated at the Group level<br><br>For information on employee and contractor training, see the Safety section, p. 97 | 3 |
| EM-EP-320a.2 | Description of management systems used to integrate a safety culture throughout the exploration and production lifecycle | See the Safety section, p. 97 | 1 |
| **Evaluation of Reserves and Capital Expenditures** | | | |
| EM-EP-420a.1 | Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for carbon price | This information is not consolidated at the Group level | |
| EM-EP-420a.2 | Estimated (potential) GHG emissions from proved hydrocarbon reserves | 4,809 million tons of $CO_2$ equivalent[2] (for natural gas, oil and gas condensate reserves) | 2 |
| EM-EP-420a.3 | Investments in renewable energy, revenue generated by renewable energy sales | RR 225 mln – total investment in renewables<br><br>*The Company does not sell renewable energy* | 3 |
| EM-EP-420a.4 | Descriptions of the influence of price and demand for hydrocarbons and/or climate regulation on the capital expenditure strategy for exploration, acquisition and development of assets | Climate Change, p. 45<br><br>*Management closely monitors the economic and political environment in Russia and abroad, including the domestic and international capital and commodity markets, to determine if any further corrective or preventive measures are required to sustain and grow the Group's business.*<br><br>*We do not expect any asset impairments or write-offs resulting from a lower commodity price environment.*<br><br>*In early 2022, the effect of applying internal carbon pricing was included in the criteria for approving the Company's investment projects. Carbon prices will be based on a differentiated approach for projects in Russia and abroad, taking into account applicable laws and established industry practices.* | 2 |
| **Business Ethics and Transparency** | | | |
| EM-EP-510a.1 | Percentage of (1) proved and (2) probable reserves in countries with the bottom 20 rankings in Transparency International's Corruption Perception Index | 0% | 2 |
| EM-EP-510a.2 | Description of the system for preventing corruption and bribery throughout the value chain | Ethics and Transparency, p. 34 | 1 |

1 Number of injuries divided by the average headcount.
2 Calculations use the methodology of the World Resources Institute.

| SASB code | Metric description | Information and link to the source | Report scope |
|---|---|---|---|
| **Management of the Legal and Regulatory Environment** | | | |
| EM-EP-530a.1 | Description of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry | Sustainability Management, p. 24<br><br>Climate Change, p. 45 | 1 |
| Critical Incident Risk Management | | | |
| EM-EP-540a.1 | The rate of process safety events (PSE) resulting in the loss of primary containment (LOPC) or graver consequences | This information is not consolidated at the Group level | |
| EM-EP-540a.2 | Description of management systems used to identify and mitigate catastrophic and tail-end risks | Catastrophic and tail-end risks include risks of major accidents and serious incidents threatening the sustainability of the Company's entire business model<br><br>Company manages catastrophic and tail-end risks based on unified approaches to risk management described in Chapter 2, Sustainability Management, p. 24<br><br>Key efforts in managing catastrophic and tail risks are described in Appendix 2 (Technological Risks and Strategic Risks), p. 164 | 1 |
| **Performance** | | | |
| EM-EP-000.A | Production of[3]: | | 2 |
| | (1) oil | 4,304 thousand tons | |
| | (2) natural gas | 79.9 billion cubic meters | |
| | (3) synthetic oil | The Company does not produce synthetic oil or gas | |
| | (4) synthetic gas | | |
| EM-EP-000.B | Number of offshore license areas | 3 license areas located completely in water areas | 2 |
| EM-EP-000.C | Number of onshore license areas | 76 license areas | |

3 Production volumes in 2021.

# Appendix 11.
# TCFD Disclosure Index

| Section | Disclosure element | Information and link to the source |
|---|---|---|
| **Corporate governance** | | |
| Disclosure of the organization's governance around climate change risks and opportunities | Description of the board's oversight of climate change risks and opportunities | Key climate change topics, including corporate governance, strategy, risk management, and climate change targets, are the responsibility of the Company's senior management and are reviewed at the meetings of NOVATEK's Board of Directors.<br><br>In 2021, NOVATEK established the Subcommittee on Climate and Alternative Energy within the Board of Directors' Strategy Committee in order to strengthen climate change governance.<br><br>For more details, see Chapter 3, Climate Change, p. 45. |
| | Description of management's role in assessing and managing climate change risks and opportunities | Matters related to assessing and managing climate-related risks and opportunities are considered directly by NOVATEK's senior management at the Management Board level: Deputy Chairman of the Management Board – Director for Perspective Projects supervises the implementation of decarbonization projects, Deputy Chairman of the Management Board – Director for Production – Head of the Integrated HSE Management System is in charge of managing greenhouse gas emissions. |
| **Strategy** | | |
| Disclosure of the actual and potential impacts of climate change risks and opportunities on the organization's business, strategy and financial planning where such information is material | Description of the climate change risks and opportunities the organization has identified over the short, medium and long term | The Company identifies the following climate change risks: transition risks (risks in the following key areas: laws and regulation, technology, market, reputation) and physical impact risks (risks caused by short-term and long-term impacts of climate change).<br><br>For more details, see Chapter 3, Climate Change, p. 45. |
| | Description of the impact of climate change risks and opportunities on the organization's business, strategy and financial planning | For more details, see Chapter 3, Climate Change, p. 45. |
| | Description of the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including the 2°C or lower scenario | The Company considers climate change scenarios while designing the large-scale LNG projects Yamal LNG and Arctic LNG 2. The standard method to identify the climatic conditions under which LNG projects can be designed or to identify the realistic in-use climatic conditions for the equipment is the consideration of historical data as part of the engineering and hydrometeorological surveys. As to future LNG projects, the risk of climate warming will be forecast on a project-specific basis.<br><br>For more details, see Chapter 3, Climate Change, p. 45. |

| Section | Disclosure element | Information and link to the source |
|---|---|---|
| **Risk Management** | | |
| Disclosure the processes used by the organization to identify, assess and manage climate change risks | Description of the organization's processes for identifying and assessing climate change risks | The Company analyzes climate change risks on an annual basis in order to properly address them and work out appropriate management measures. NOVATEK has a procedure for assessing climate change risks relating to its physical impact on the Company's operations at the facility design, construction and operation stages as well as when preparing surveyor's reports for risk insurance purposes. This procedure is a standard element of NOVATEK's Environmental Management System certified to ISO 14001:2015.<br><br>For more details, see Chapter 3, Climate Change, p. 45. |
| | Description of the organization's processes for managing climate change risks | Climate change risk management is an integral part of NOVATEK's multi-tier risk management system. Climate change risks are identified, analyzed and assessed by risk owners (heads of business lines and structural units) in coordination with the Risk Control Division. Risks are identified in line with a classification according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).<br><br>For more details, see Chapter 3, Climate Change, p. 45. |
| | Description of how processes for identifying, assessing and managing climate change risks are integrated into the organization's overall risk management system | NOVATEK's business strategy recognizes risks and opportunities related to climate change. The Company regularly monitors market trends, considers the risks and opportunities of current and expected environmental conditions to efficiently manage the project portfolio and maintain sustainable development, keeps track of changes in legislation regulating greenhouse gas emissions, assesses the impact of such changes and updates its plans accordingly, and invests into the development of innovative energy-efficient zero-emission technologies.<br><br>For more details, see Chapter 3, Climate Change, p. 45. |
| **Metrics and Targets** | | |
| Disclosure of the metrics and targets used to assess and manage relevant climate change risks and opportunities where such information is material | Disclosure of the metrics used by the organization to assess climate change risks and opportunities in line with its strategy and risk management process | See the Climate Change section, p. XX: Scope 1, 2 and 3 GHG emissions; potential GHG emissions; Scope 1 GHG emissions with a breakdown into emissions from stationary combustion (including flaring) and fugitive emissions.<br><br>See the Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended 31 December 2021, p. XX: oil and gas production lifting costs. |
| | Disclosure of Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and related risks | Total Scope 1 emissions: 10,047,733 tons of $CO_2$ equivalent;<br><br>Total Scope 2 emissions: 270 thousand tons of $CO_2$ equivalent;<br><br>Total Scope 3 emissions: 177,815 thousand tons of $CO_2$ equivalent;<br><br>For more details, see Chapter 3, Climate Change, p. 45. |
| | Description of the targets used by the organization to manage climate change risks and opportunities and performance against targets | In August 2020, NOVATEK's Board of Directors approved the Company's Environmental and climate change targets for the period up to 2030, including emissions reduction and an increase in the APG utilization rate.<br><br>For more details, see Chapter 3, Climate Change, p. 45, and Chapter 4, Environmental Protection, p. 72. |

# Appendix 12.
# Independent Auditor's Assurance

## Independent Limited Assurance Report

To the management of PAO NOVATEK:

**Introduction**

We have been engaged by the management of PAO NOVATEK (the "Company") to provide limited assurance on the selected information described below and included in the Sustainability Report of the Company for the year ended 31 December 2021 (the "Sustainability Report").

The Sustainability Report presents information related to the Company and its subsidiaries and affiliates (together – the "Group").

**Selected Information**

We assessed the qualitative and quantitative information that is disclosed in the Sustainability Report and referred to or included in the Appendix 9 "Compliance with GRI Standards" and in the Appendix 10 "Compliance with SASB" (the "Selected Information"). The Selected Information has been prepared in accordance with:

- GRI Sustainability Reporting Standards (Core option), including GRI G4 Oil & Gas Sector Disclosures (together – the "GRI Standards") published by the Global Reporting Initiative;
- Oil & Gas Exploration & Production Sustainability Accounting Standard (the "SASB Standard") published by the Sustainability Accounting Standards Board (SASB), respectively.

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2021. We have not performed any procedures with respect to any other items included in the Sustainability Report and, therefore, do not express any conclusion thereon.

**Reporting Criteria**

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards and the SASB Standard (the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

**Responsibilities of the management of the Company**

The Company's management is responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology, including objective reporting criteria, and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

**Our responsibilities**

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company's management.

This report, including our conclusion, has been prepared solely for the Company's management in accordance with the agreement between us, to assist the management in reporting on the Group's sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report, which may be published on the Company's website[1], to assist the management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the management of the Company for our work or this report.

**Professional standards applied and level of assurance**

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information'' issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our limited assurance engagement in respect of the Selected Information in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

1. The maintenance and integrity of the Company's website is the responsibility of the Management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

**Work done**

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Company's management, including the Sustainability Reporting (SR) team and those with responsibility for SR management and Group reporting;
- conducted interviews of personnel responsible for the preparation of the Sustainability Report and collection of underlying data;
- performed an analysis of the relevant internal methodology and guidelines, gaining an understanding and evaluating the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- reviewed the Selected Information for compliance of the disclosures with the relevant requirements of the Reporting Criteria.

**Reporting and measurement methodologies**

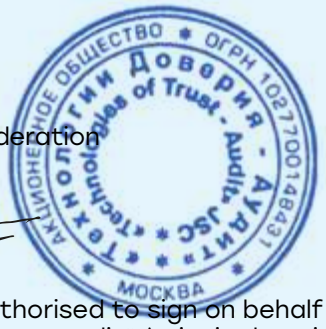
Under the GRI Standards and SASB Standard there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by the management in preparing the Sustainability Report, described therein, and which the Company is solely responsible for.

**Limited assurance conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

10 June 2022

Moscow, Russian Federation




M.E. Timchenko is authorised to sign on behalf of the general director of Joint-Stock Company "Technologies of Trust – Audit" (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906100451)

# Appendix 13. List of Documents and Websites Mentioned in the Report

## Company documents

The Company's Articles of Association and internal documents

- Corporate Governance Code
- Code of Business Conduct and Ethics
- Supplier Code of Conduct
- Anti-Corruption Policy
- Human Rights Policy
- Regulations on the Board of Directors
- Regulations on the Audit Committee
- Regulations on the Remuneration and Nomination Committee
- Regulations on the Strategy Committee
- Regulations on Risk Management and Internal Control System
- Regulations on Information Policy

NOVATEK's HSE standards

Documents regulating the key aspects of sustainable development of Yamal LNG's

Documents regulating the key aspects of sustainable development of Arctic LNG 2

## Company reports

Annual reports

Sustainability reports

ESG Data Book

IFRS consolidated financial statements

Reports on payments to governments

## External sources of information

Russia's national goals

UN Sustainable Development Goals

IEA: The Role of Gas in Today's Energy Transitions

IEA: Net Zero by 2050. A Roadmap for the Global Energy Sector

IEA: Global Hydrogen Review

IEA: Electricity Market Report January 2022

IEA: World Energy Outlook 2021

WEF: The Global Risks Report, 17th Edition

An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathway

COP26 The Glasgow Climate Pact

The Energy and Climate Intelligence Unit – Net Zero Scorecard

EIA. Carbon Dioxide Emissions Coefficients

OSHA (US Occupational Safety and Health Administration, Determination of work-relatedness 1904.5)

# Contacts, Channels to File Complaints and Requests

## Company details

Joint Stock Company NOVATEK

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

**Registered address:** 629850, Tarko-Sale, Purovsky district, Yamal-Nenets Autonomous Region, Russia

| Name | Contacts | Matters | Stakeholders |
|---|---|---|---|
| Investor relations, sustainable development | +7 495 730 6013, ir@novatek.ru<br><br>Alexander Nazarov, Head of IR; Kristina Popilyuk, Head of Sustainable Development | The Company's equity story and sustainable development | A wide range of capital market players, ESG rating agencies and other stakeholders |
| Press Service | +7 495 721 2207, press@novatek.ru | A wide range of topics | Media |
| Help Desk | +7(495)730-60-00, novatek@novatek.ru | General matters | A wide range of persons |
| Ethics and Human Rights Hotline<br><br>(24/7) | ethics@novatek.ru | Compliance with the Human Rights Policy, the Code of Business Conduct and Ethics, and other Company documents related to ethics and human rights | Employees, external stakeholders including suppliers, contractors and community representatives |
| Security Hotline (24/7) | +7(495)232-39-59, security_hotline@novatek.ru | Compliance with the Anti-Corruption Policy and other Company documents related to security | A wide range of persons |
| Customer Account service | http://www.novatek.ru/ru/business/marketing/ | Contracting, delivery procedures and other information for customers | Customers |

## Queries to Yamal LNG

Engagement with local communities, indigenous people, suppliers, contractors and other stakeholders on human rights, fraud and corruption, business ethics, environmental protection, occupational health and safety

- **Tel:** +7 495 775 0480, +7 495 228 9850
- **E-mail:** yamalspg@yamalspg.ru
- **Security Hotline:** +7 499 941 1445, hotline@yamalspg.ru
- **HSE:** vopros@yamalspg.ru
- **Community liaison offices in Salekhard, Yar-Sale, and Sabetta**

## Queries to Arctic LNG 2

Engagement with local communities, indigenous people, suppliers, contractors and other stakeholders on human rights, fraud and corruption, business ethics, environmental protection, occupational health and safety

- **Tel:** +7 495 720 5053
- **HSE:** +7 495 488 6299, vopros@yamalspg.ru
- **Security Hotline:** +7 495 720 5053 ext. 14-044, hotline@arcticspg.ru
- **Business ethic:** ethics@arcticspg.ru

# Glossary

## Abbreviations

**AO** – Joint Stock Company

**APG** – Associated Petroleum Gas

**APS** – Announced Pledgeps Scenario

**BEPS** – Base erosion and Profit Shifting

**CAPEX** – Capital Expenditure

**CDP** – Carbon Disclosure Project

**CCS** – Carbon Dioxide Capture and Storage

**EBITDA** – Earnings before interest, taxes, depreciation and amortization

**EIA** – Environmental Impact Assessment

**EITI** – Extractive Industries Transparency Initiative

**ERM** – Enterprise Risk Management

**ESG** – Environmental, Social and Governance, a concept, according to which a company's sustainable development is measured by environmental, social and corporate governance factors

**ESIA** – Environmental and Social Impact Assessment

**ESMP** – Environmental and Social Management Plan

**FEED** – Front-end Engineering Design

**FPIC** – Free, Prior and Informed Consent

**FR** – Fatality Rate

**FTSE** – Financial Times Stock Exchange Index

**GBS** – Gravity-Based Structure

**GHG** – Greenhouse Gas

**GIIGNL** – International Group of Liquefied Natural Gas Importers

**GOST** – Intergovernmental Standard

**GRI** – Global Reporting Initiative

**HAZID** – Hazard Identification

**IEA** – International Energy Agency

**IFC** – International Finance Corporation

**IFRS** – International Financial Reporting Standards

**IMS** – Integrated HSE Management System

**IPIECA** – International Petroleum Industry Environmental Conservation Association

**ISO** – International Organization for Standardization

**ISS** – Institutional Shareholder Services

**IUCN** – International Union for Conservation of Nature

**KPI** – Key performance indicators

**LNG** – Liquefied natural gas

**LTIFR** – Lost Time Injury Frequency Rate

**MSCI** – Morgan Stanley Capital International

**NSR** – Northern Sea Route

**OAO** – Open joint stock company

**OECD** – Organisation for Economic Co-operation and Development

**OHS** – Occupational Health and Safety

**OOO** – Limited Liability Company

**PAO** – Public Joint Stock Company

**PPE** – Personal Protective Equipment

**RAS** – Russian Accounting Standards

**RMICS** – Risk Management and Internal Control system

**SASB** – Sustainability Accounting Standards Board

**SGC** – Stable Gas Condensate

**STEPS** – Stated Policies Scenario

**TCFD** – Task Force on Climate-related Financial Disclosures

**TPI** – Transition Pathway Initiative

**UN SDGs** – United Nations Sustainable Development Goals

**UN** –United Nations

**VHI** – Voluntary Health Insurance

## Units

**bcm** –billion cubic meters

**bln** – billion

**boe** – barrels of oil equivalent

**bps** – basis points

**GJ** – gigajoule

**ha** – hectare

**km** – kilometer

**kWh** – kilowatt hour

**mboe** – thousand barrels of oil equivalent

**mcm** – thousand cubic meters

**mln** – million

**mmboe** – million barrels of oil equivalent

**mmcm** – million cubic meters

**mmt** – million tons

**mmtpa** – million tons per year

**mt** – thousand tons

**MW** – megawatt

**p.p.** – percentage points

**ton** – metric ton

APPROVED by the decision of the Board of
Directors of PAO NOVATEK on June 30, 2022
Minutes No. 254