



NOVATEK



**Focusing on what
really matters**

Sustainability Report 2022

(Focusing) on what really matters

NOVATEK is Russia's largest independent natural gas and LNG producer, with one of the lowest carbon footprints in the world. Since the Company's inception in 1994, we have been guided by our commitment to responsible business principles, **focusing on the supply of affordable and reliable energy, meeting the increasing consumer demand and driving the global energy transition.**

The Company is already contributing to the global energy transition by meeting the increasing consumer demand for reliable low-carbon energy supplies.



Annual Report is available for downloading on the [corporate website](#).



[ESG data](#).



Growing a Sustainable Business



Fueling a Low-carbon Future Today



Preserving the Natural Wealth



Ensuring Production Safety



Empowering Our Employees



Caring For the Well-being of Local Communities

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The NOVATEK Group's Sustainability Report 2022 (the "Report") was published on 30 June 2023.

The Report has been approved by PAO NOVATEK's Board of Directors (Minutes No. 263 dated 30.06.2023).

An independent auditor verified the selected information included in the Report.

Standards and recommendations

International



Verified by an independent auditor



AA1000SES



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

ipieca TCFD



For more details, see Appendix 10. [Independent Auditor's Limited Assurance Report](#), p. 183

Russian

- Recommendations of the Bank of Russia on non-financial disclosures
- Draft Federal Law On Public Non-financial Reporting
- Recommendations of the Russian Union of Industrialists and Entrepreneurs (RSPP) on non-financial reporting

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Letter from the Chairman of NOVATEK's Management Board

NOVATEK has adapted quickly, maintained its strategic priorities and stayed focused on what matters most – delivering affordable, reliable, and cleaner-burning energy that supports the society's goals of sustainable development.

Leonid Mikhelson
Chairman of NOVATEK's Management Board



2022 was marked by unprecedented challenges and changes that dramatically altered the usual operating environment. External constraints, rising inflation, governmental interventions, and supply chain disruptions – all required us to be agile in our decision-making and flexible in our approaches.

At NOVATEK, our strategy is to leverage our strengths by securely and safely delivering lower carbon energy to an increasingly growing world.

Our multi-facet approach underlies our sixteenth Sustainability Report, entitled **Focusing on What Really Matters**. We remain strongly committed to universal values, contributing to the achievement of both the national goals of the Russian Federation and the UN Sustainable Development Goals.

As we increase our natural gas and LNG supplies with one of the lowest carbon footprints in the world, we unlock even more opportunities for our valued customers to decarbonize their industrial base by transitioning away from carbon-intensive fuels. In 2022, our natural gas production reached 82 bcm with its respective share in the Company's total hydrocarbon output increasing to 84%. Our flagship large-scale Yamal LNG project operated steadily above its design capacity, while the significant progress achieved in the construction of our second, large-scale Arctic LNG 2 project during the reporting year brings us closer to the expected launch in 2023 as scheduled.

The steady growth of our business enables us to focus on the needs of our key stakeholders and to reinvest in further expansion of production, and invest in our decarbonization initiatives. In 2022, our total investments in various sustainability areas exceeded RR 12 billion. We maintained favorable working conditions for our employees by indexing their salary three times throughout the year and increasing our social support for employees by 15% to offset mounting inflation. We also contributed to the development of our local communities by increasing social spending by 3%. Despite external constraints and supply chain disruptions, we significantly increased our investments in research and development as well as in renewable energy sources.

In 2022, we made significant progress in achieving our climate goals. Apart from improving our GHG emissions intensity, we have also reduced absolute GHG emissions – all of this achieved despite rising hydrocarbon production.

The Company was successful in reducing direct GHG emissions by 6% through a range of measures, including boosting associated petroleum gas utilization and energy efficiency. To reduce indirect energy GHG emissions, we are gradually phasing in renewable energy sources across our operations. For instance, in 2022, our Cryogas-Vysotsk LNG plant transitioned to renewable sources of energy, and in the future we plan to transit the Ust-Luga Complex to renewable energy sources.



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Our LNG supplies helped our customers reduce carbon emissions by approximately 21 million tons of CO₂ equivalent in 2022 due to the substitution of coal. Also in the reporting year, we developed our own accounting methodology based on international standards to report greenhouse gas emissions of LNG shipments by Yamal LNG, which enables our customers to better manage their carbon footprints and plan decarbonization initiatives.

Our competitive edge is maintained by leveraging the latest technologies and breakthroughs, relying on Russian innovations through our direct involvement and investments. In 2022, we launched the development of a domestic low-carbon ammonia production technology. We inaugurated a Laboratory and Research Center in Tyumen to further boost our R&D capabilities.

As part of our Comprehensive Environmental and Climate Change Targets Program, we significantly reduced specific emissions of pollutants and specific water withdrawal in 2022 and cut landfilled waste by almost half. We also delivered on a range of initiatives to support biodiversity in close cooperation with the relevant research community and consistent with advanced international norms and standards.

We focus on protecting the health and safety of our people as one of our key operational priorities. Our lost time injury frequency rate (LTIFR), the standout success of last year, was reduced by a significant 25% year-on-year, driven by our improved occupational health management performance.

We invested significant efforts to remain an attractive employer and offer decent working conditions for our employees, even amidst the current crisis. We increased our social support and raised the average salary to maintain a high quality of life for our people. Our employee turnover decreased to 7%, even with over 2 thousand new people joining our team and our headcount exceeding 19 thousand people over the reporting year.

Protecting the rights of the indigenous peoples of the Far North has always been one of the fundamental goals at NOVATEK. This goal is achieved through targeted initiatives to preserve their ancestral lands, traditional ways of life, culture, and ethnic identity. The four-year community monitoring program completed at Yamal LNG in 2022 verified that nomadic communities continue to engage in reindeer herding, fishing, hunting, and gathering.

We remain highly confident that our commitment to responsible business principles and practices, combined with our keen focus on delivering on our strategic goals and objectives will further drive success in our business and significantly contribute to a sustainable future – **focusing on what really matters**.

Leonid Mikhelson
Chairman of NOVATEK's
Management Board

Letter from the Chairman of NOVATEK's Board of Directors

The robust corporate governance system that we have built over the years, the quality and dedication of our professional team, and our strong commitment to our shared values will drive further profitable and sustainable growth for the Company.



The Board of Directors were called upon to meet unprecedented challenges throughout 2022 and, accordingly, paid particular attention to mitigating risk measures to ensure that the Company delivers on its corporate strategy. The Board's Audit Committee reviewed an updated risk map that included new risks associated with external constraints to increase our financial and operational flexibility and ensure the new risks are adequately addressed.

In 2022, the Board of Directors and its committees focused on the most critical strategic matters, including delivering on prospective projects, developing our resource base, and other various aspects related to sustainability and corporate governance.

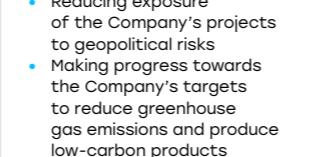
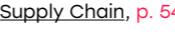
The Board focused on the quality and adequacy of sustainability disclosures by directly engaging in robust discussions on determining the material topics for the Sustainability Report 2022. A new version of the Code of Business Conduct and Ethics was also approved, while a new version of the Occupational Health, Industrial and Fire Safety, and Environmental Policy for the Group was reviewed and approved in early 2023.

Two workshops were conducted for Board members in 2022, based on themes on Sustainability in the New Normal and The Current Status of LNG Markets, involving leading industry experts and climate researchers. This was part of our work to implement the recommendations from an external independent performance evaluation of the Board of Directors. The training provided our Company directors and management with expert insights.

As one of the largest LNG exporters globally, NOVATEK contributes meaningfully to the global energy transition and helps our customers to smaller carbon footprint. For this reason, the Board of Directors considers it to be of the utmost importance that we continue following the best practices and guidance outlined in the United Nations Global Compact as well as the standards of the International Finance Corporation and other international standards.

Alexander Nataленко
Chairman of the Board
of Directors

Adapting to External Challenges in 2022

KEY CHALLENGES								
COMPANY RESPONSE	RESULT	STAKEHOLDERS	CHAPTER	COMPANY RESPONSE	RESULT	STAKEHOLDERS	CHAPTER	
        <p>Exit of foreign suppliers and contractors from hydrocarbon exploration, production, and processing</p> <p>Ban on supplies of foreign LNG equipment to Russian Federation</p> <p>Restrictions on Western technology imports for decarbonization projects</p> <p>Refusal of foreign shipowners to provide transportation services</p> <p>International insurance companies having a low appetite for Russian risks</p> <p>Impacts of imposed external restrictions</p> <ul style="list-style-type: none"> Longer supply chains Rising inflation Risk of worse living standards <p>Likelihood of worse living standards for employees due to rising inflation in Russia</p> <p>Increased threats to information security, higher risks of cyber-attacks, import substitution of software and hardware</p>								
<ul style="list-style-type: none"> Changing contracting strategies, identifying, and engaging partners from Russia and countries open to cooperation Implementing the import substitution program Developing proprietary technology solutions, increasing R&D investment 	<ul style="list-style-type: none"> Successfully piloting a series of projects to improve drilling performance Engaging with the government agencies to deliver on import substitution programs, support strategic industries, and develop critical technologies 	 <ul style="list-style-type: none"> Replacing Western equipment for a prospective wind farm project on the Yamal Peninsula with equipment supplied by countries open to cooperation Developing Russian low-carbon ammonia production technology Increasing R&D investment in decarbonization 		<ul style="list-style-type: none"> Expanding cooperation with available logistics companies Identifying alternative suppliers of ships and marine equipment Expanding FOB LNG supply options⁽¹⁾ Switching shipbuilding contracts to Russian shipyards 	<ul style="list-style-type: none"> Switching insurance and reinsurance contracts to the Russian National Reinsurance Company Identifying alternative reinsurance options offered by countries open to cooperation 	<ul style="list-style-type: none"> Using alternative supply routes, developing the Northern Sea Route Engaging with the government agencies to deliver on import substitution programs, support strategic industries, and develop critical technologies Using various commercial tools to ease inflation pressures Signing long-term contracts Supporting local communities in our regions of operation 	<ul style="list-style-type: none"> Additional cost-of-living increase for employees Expanding social programs 	<ul style="list-style-type: none"> Implementing measures to mitigate information security risks Reviewing pilot projects and selecting a firewall solution Partnering with Russian software companies, implementing the import substitution program
<ul style="list-style-type: none"> Meeting production targets and deadlines for commissioning new facilities Ensuring operational continuity Registering new patents for LNG production and processing 	<ul style="list-style-type: none"> Expanding the use of Russian-built equipment and the list of government programs in which NOVATEK participates 	 <ul style="list-style-type: none"> Reducing exposure of the Company's projects to geopolitical risks Making progress towards the Company's targets to reduce greenhouse gas emissions and produce low-carbon products 		<ul style="list-style-type: none"> Fulfilling obligations to deliver finished products to consumers Delivering project cargo on schedule Delivering on shipbuilding schedules for the Company's future projects 	<ul style="list-style-type: none"> Providing insurance coverage for all key risks of adverse events (real estate liability, business risks, etc.) Maintaining the Company's insurance programs in full 	<ul style="list-style-type: none"> Ensuring the continuity of international business Consistently implementing the import substitution policy Maintaining team well-being and stability in our regions of operation 	<ul style="list-style-type: none"> Reducing employee turnover rates Providing skilled talent for the Company's growing business 	<ul style="list-style-type: none"> No significant information security incidents related to cyber-attacks Switching to an import-substituting solution
								
 Innovation, p. 50.  Supply Chain, p. 54.	 Innovation, p. 50.  Supply Chain, p. 54.	 Key Solutions for Boosting Carbon Efficiency, p. 80.		 Sustainability Risks, p. 40.	 Supply Chain, p. 54. Contribution to Regional Development, p. 136. Key Community Support Projects, p. 140.	 Social Policy, p. 131.	 Information Security, p. 49.	

⁽¹⁾ Free on Board (FOB) is a type of supply contract, under which the seller is deemed to have made delivery when the goods are delivered to the ship at the designated port of shipment.

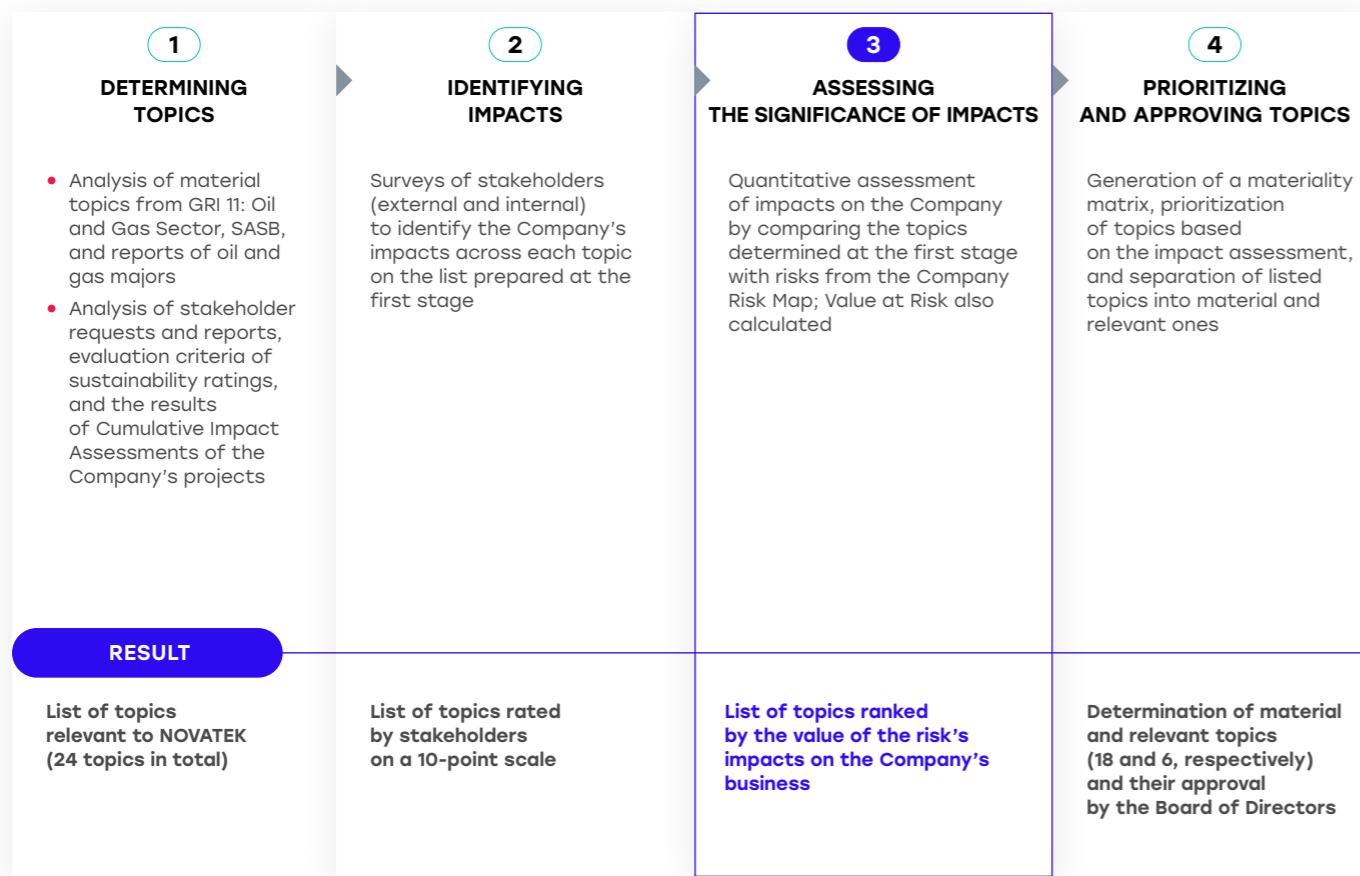
LEGEND

-  Partners, suppliers, and contractors
-  Government authorities
-  Shareholders and investors

-  Local communities
-  Customers
-  Employees and trade unions

Determining Material Topics

In 2022, we revised our approach to determining material topics for disclosure in the Report. Drawing on our stakeholder engagement experience of past years, we proactively introduced new elements in line with the recommendations of GRI Standards 2021. In 2022, we introduced the double materiality principle and expanded the scope of impacts



Double materiality principle

When determining the material topics to be disclosed in the Report, we considered two interrelated aspects.

The first aspect is how NOVATEK's activities impact society, the environment, and economy.

Such impacts indirectly affect value creation through their perception by stakeholders, who are interested in how the Company contributes to sustainable development goals.

analyzed, which are the two principal changes in our procedure to determine material topics for the reporting year.

The process to determine content and assess materiality comprised four stages.

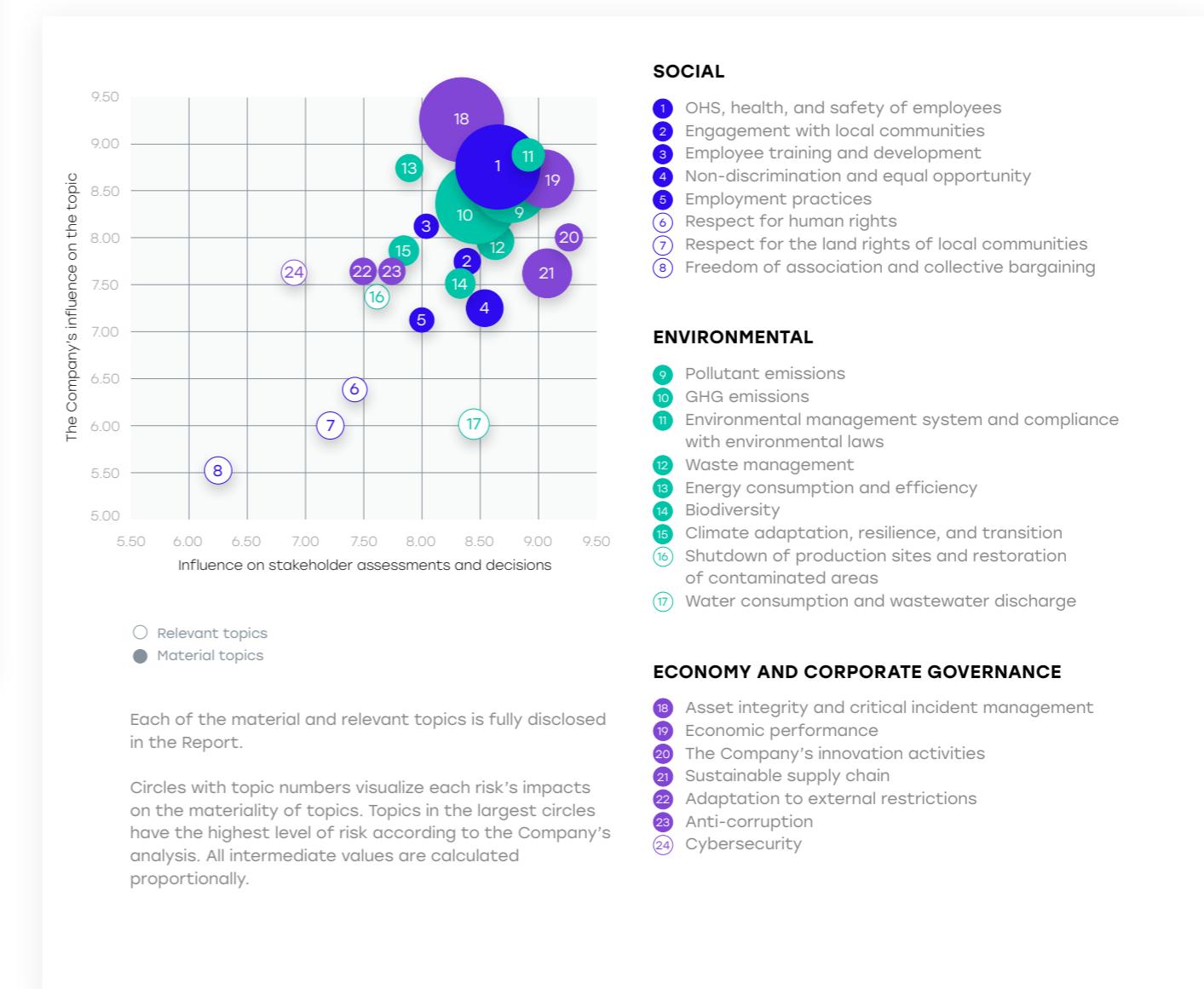
The second aspect is related to risk management and sustainability opportunities.

Since our activities directly translate to financial and business results, this aspect is financial in nature and directly affects Company value creation, making it crucial for shareholders and investors.

NOVATEK regularly assesses the potential impacts of risks using its own multi-tier risk management and internal control system. In 2022, the Board of Directors reviewed the Risk Map to include sustainability risks and discussed **the Company's first**

Opportunity Map. To prepare this Report, the Company conducted its first Value-at-Risk (VaR) analysis by comparing sustainability risks from the Risk Map with the topics determined through the stakeholder survey. This way, the topics were prioritized, and material ones were determined, which are subject to full disclosure in this Report.

In the reporting year, to enhance control over the process of determining material topics, the Company's Board of Directors reviewed it for the first time and approved the final list for disclosure in the Report.



1 Strategy Review

ESG Highlights in 2022



Environment



Social



Governance

IMPROVING CARBON EFFICIENCY

289 ↓2%
KG OF CO₂
EQ. PER BOE

GHG intensity
of hydrocarbon
production

229 ↑6%
KG OF CO₂
EQ. PER TON

GHG intensity
of LNG production

98.0% ↑135 bps

APG utilization

REDUCING OUR IMPACT ON THE ENVIRONMENT

95% ↑12 p.p.

share of waste directed
to utilization and
treatment

TAKING CARE OF THE TEAM'S WELL-BEING

0.4 ↑25%

lost time injury
frequency rate (LTIFR)

54 ↑32%

average training
hours per employee

7% ↑1 p.p.

employee turnover

ENGAGING WITH LOCAL COMMUNITIES

53 ↑23%

public consultations held
in the Yamal-Nenets
Autonomous Region,
Murmansk and Leningrad
Regions as part of EIA

DEVELOPING INNOVATIONS



Opening of the
Laboratory and
Research Center

5

patents
registered
in 2022

DEVELOPING SUSTAINABILITY PRACTICES

28% ↑8 p.p.

of items on the overall
agenda of the Board
of Directors focused
on sustainability

- Climate training
for Board members
on climate issues
- Development
of NOVATEK's
Opportunities Map

Investing in sustainable development



RR 12.6 ↑3%
BILLION

2.6 ↓10% Environment
0.3 ↑24% Renewables

RR 2.8 ↑9%
BILLION

3.6 ↓3% OHS
3.3 ↑3% Local
communities
2.3 ↑15% Employees

RR 9.2 ↑3%
BILLION

R&D

RR 0.6 ↑220%
BILLION

Business Model

The Company's business model covers the entire hydrocarbon and liquefied natural gas (LNG) production cycle, including exploration, production, liquefaction, processing, and sales of finished products. Value is created at each stage of the production cycle: exploration ensures efficient extraction while maximizing volume, processing leverages the most advanced facilities, and sales seek optimal logistics routes.

Our products are used by power plants, chemical, and petrochemical enterprises, cities for expanding heating and gas infrastructure, and LNG fueling stations.

Our business model is rooted in responsible business practices and – constantly improved in line with best sustainability practices. Our risk-based approach enables us to rapidly assess potential impacts and effectively manage associated risks.

In the current energy transition, while remaining focused on producing the best quality products with a minimal carbon footprint, we are:

- 1 continuously expanding our natural gas and LNG production capacity to meet the growing demand
- 2 expanding sales in emerging markets, increasing the availability of cleaner energy sources
- 3 developing our own technology, investing in R&D, and investing in our team and the communities we are a part of



For more details, see the [Sustainable Development Strategy](#) section, p. 20.

Amid global uncertainty, our vertically integrated business model helps us to remain resilient to external challenges and proactively prepare for changes.

CORE BUSINESS PROCESSES

Exploration



Production



Liquefaction and processing



Sales



WHAT WE DO

- Conducting geological exploration, seismic studies, modeling
- Construction of exploration wells, drilling

- Construction of production wells, drilling
- Gas and liquid hydrocarbons production
- Intensification of production

- Gas liquefaction at the Company's large-, medium- and low-scale LNG plants
- Stabilization and fractionation of gas condensate

- Sales of LNG on foreign markets (transportation by tankers), on domestic markets through a network of own filling stations
- Gas sales on the domestic market through the gas pipelines and distribution networks
- Sales of other refined products and oil

OUR COMPETITIVE ADVANTAGES



Large-scale and high-quality resource base, 28 years – proved reserves life



Modern production assets



Effective cost control



Successful LNG project execution experience

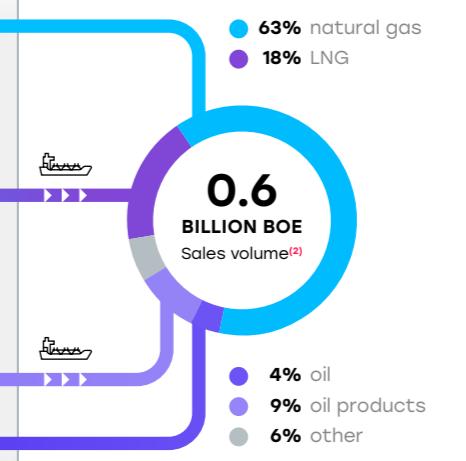
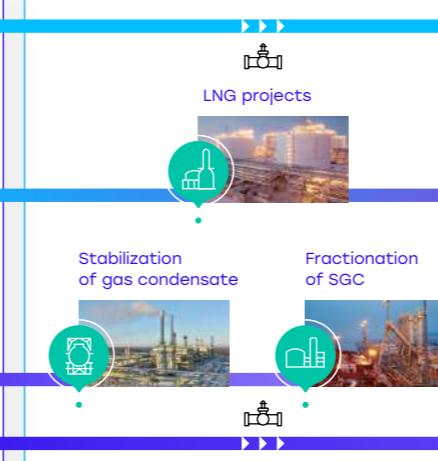
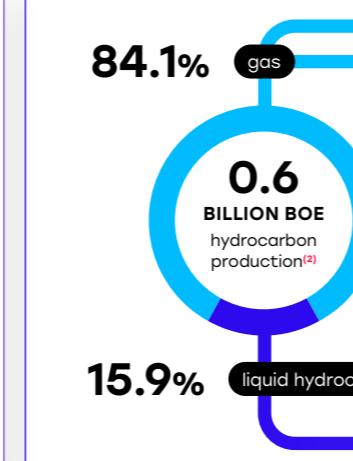
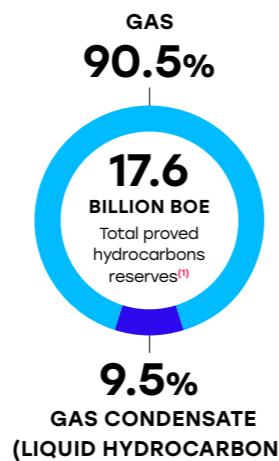


Own technological innovations



Diversified sales channels

RESULTS



OUR IMPACTS



MANAGEMENT

- Application of cutting-edge technologies
- Development of own Scientific and Technical Center
- Providing decent remuneration to employees

- Implementation of the HSE management system
- Improvement of control and efficiency of processes, transition to renewable energy sources, cooperation with the scientific community
- Consultations with the indigenous people, financial and material support
- Providing decent remuneration to employees

- Implementation of the HSE management system
- Improvement of control and efficiency of processes, transition to renewable energy sources, cooperation with the scientific community
- Consultations with the indigenous people, financial and material support
- Providing decent remuneration to employees

- Application of a modern system for detecting leaks during transportation, optimization of logistics chains
- Providing gas with low carbon intensity
- Providing decent remuneration to employees

⁽¹⁾ As of 31 December 2022, NOVATEK does not have reserves whose development has an extremely high man-caused load (oil sands, tar sands, heavy oil, tight/shale oil) and reserves on Arctic shelf.
⁽²⁾ In 2022.

END CUSTOMERS



Households



LNG vehicles



LNG ships



Industry



Petrochemical plants



Power plants

LEGEND

Our impacts:



on the health and safety of people



on labor relations



on geology



on environment



on climate



on biodiversity

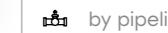


on local communities



on consumers

Transportation:



by pipeline



by tankers

**KEY STAKEHOLDERS**

- Local communities
- Employees and trade unions
- Government authorities
- Partners, suppliers, and contractors
- Shareholders and investors
- Customers
- Industrial community

VALUE CHAIN**1****Revenue**

Most of the Company's revenue comes from sales of gas, LNG, liquid hydrocarbons, and refined products. Our customers are electricity, petrochemical, and chemical companies as well as the transport sector. We are continuously expanding our capacity to meet the growing demand for gas and LNG. In 2022, we increased gas production by 2.8% and LNG production by 6.7%, growing the Company's share in the global LNG market to 5.4%. Our natural gas sales to the Russian domestic market are mainly made through trunk pipelines and regional distribution networks,

while LNG is mainly sold through NOVATEK's own fueling facilities. In international markets, we deliver LNG and processed products by sea. The strong demand for our LNG in leading international markets, coupled with flexible and optimized logistics solutions that help to reduce the already low carbon footprint of our products, demonstrate that our LNG is highly competitive anywhere in the world.

5.4%

NOVATEK's share in the global LNG market

2**Dividends**

The Company's operating margins ensure prompt dividend payouts and shareholder returns. NOVATEK's dividend policy is based on keeping the balance between the Company's business goals and shareholder interests. Each dividend resolution, the amount of the dividend, the payment deadline, and form of the dividend are subject to approval at the General Meeting of Shareholders upon the recommendation of the Board of Directors.

Dividends for 2022 amounted to

RR 105.58

per share

4**Contribution to sustainable development**

We care not only about financial value, but also about the impact we make in the value creation process. Therefore we always dedicate part of our efforts and resources to identifying and managing impacts. We develop human capital, promote economic and social well-being across our regions of operation, and continuously invest in innovation. In 2022, we increased our investments in environmental protection, workplace safety, employee and local community care, renewables, and R&D, which topped RR 12 billion. When developing new projects, the Company strives to assess the environmental and social impact assessment

(ESIA), which involves a detailed study of all impacts and the development of an action plan to manage them. This approach was already adopted at the Yamal LNG and Arctic LNG 2 projects, enabling us to significantly mitigate environmental and social risks.

**RR 12.6
BILLION**

investments in environmental protection, industrial safety, care for workers and local communities, renewable energy and R&D in 2022

3**Reinvestment**

To sustain business growth and meet the demand for low-carbon products amid the energy transition, we are continuously investing in development. NOVATEK continues constructing its second large-scale LNG project, Arctic LNG 2, with a total capacity of 19.8 million tons per year. The three project trains are scheduled for launch in 2023, 2024, and 2026, respectively. Another large-capacity project we are currently

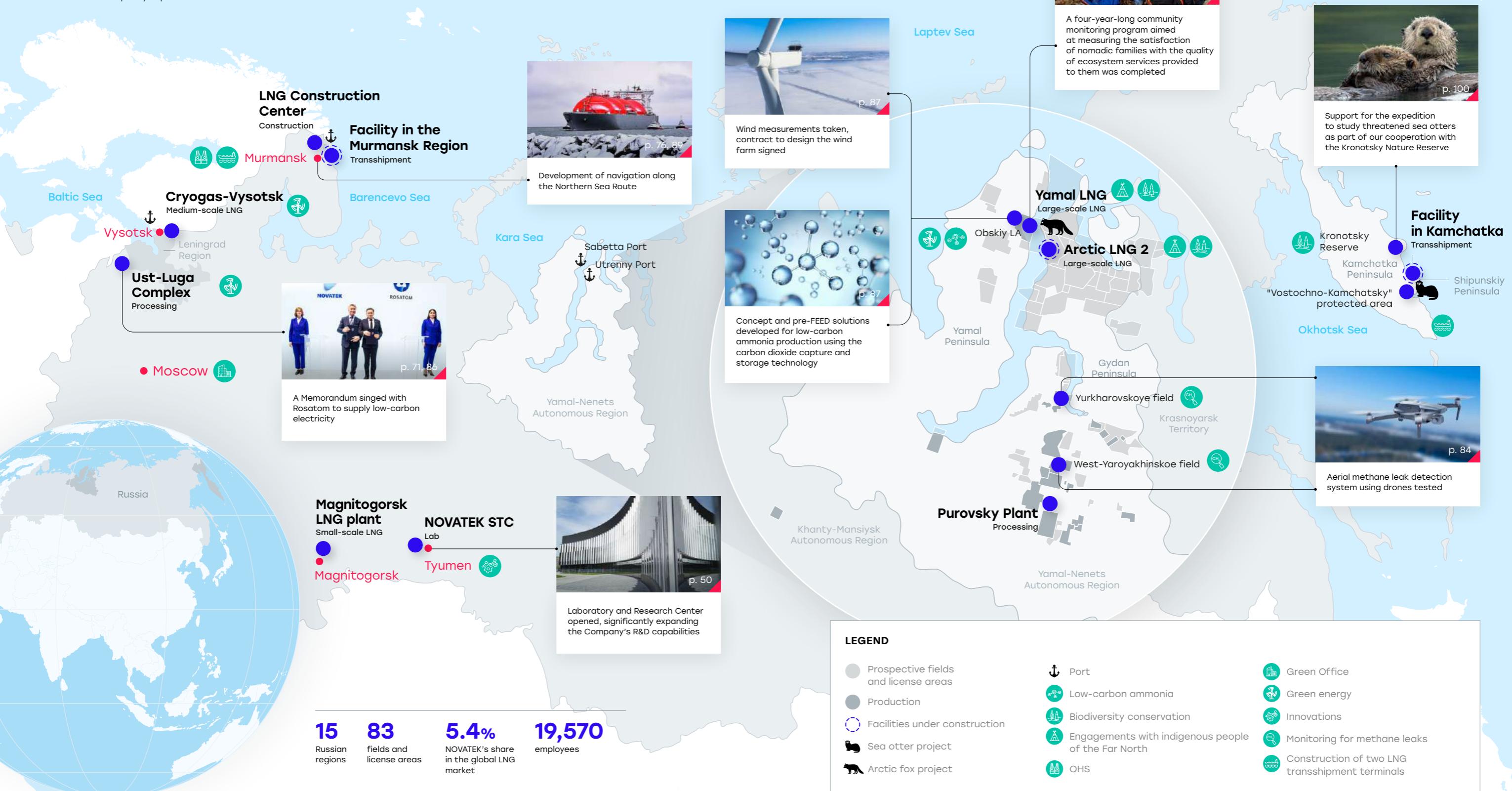
73%

the overall progress on the Arctic LNG 2 project at the end of 2022

considering is the 5+ million tons per year Obskiy LNG. The Company also invests in advanced LNG technologies, equipment localization, and research and development (R&D). We are successfully building the Offshore Superfacility Construction Center (LNG Construction Center), the world's first facility for mass production of natural gas liquefaction trains on gravity-based structures (GBS). To effectively ship LNG along the Northern Sea Route, NOVATEK plans to build two terminals in the Murmansk Region and in Kamchatka. The Company also reinvests in renewable energy and low-carbon projects. Under the project to build a wind farm on the Yamal Peninsula, a series of wind measurements was completed in 2022, and construction design options were reviewed. We resolved to contribute to developing Russian low-carbon ammonia production technology with carbon dioxide capture and long-term storage in geological structures.

Footprint and 2022 Key Events

The Company implements large-scale projects to ensure societal well-being and development across its regions of operation, closely cooperating with all stakeholders, paying special attention to the views of vulnerable groups, such as the indigenous population of the areas where the Company operates.



Sustainable Development Strategy

NOVATEK sees its role in the global energy transition as supplying one of the cleanest fuels and plans to increase natural gas and LNG production while maintaining high carbon efficiency to meet the growing demand.



⁽¹⁾ Economic Research Institute for ASEAN and East Asia, *Natural Gas Crucial as Global Energy Transition Efforts Poised to Intensify*.

⁽²⁾ S&P Global Commodity Insights, *Energy Transition Needs Involvement of Oil and Gas Industry to Cut Emissions*.

⁽³⁾ 2022 GECF Global Gas Outlook 2050.

Contribution to the UN Sustainable Development Goals

In 2022, the Company continued working towards the environmental and climate change targets approved by the Board of Directors as well as on increasing its contribution to the priority UN SDGs and Russia's National Development Goals to 2030.

Priority UN SDGs / National Sustainable Development Goals	Strategic priorities	Targets	2022 Progress	Risks	Priority UN SDGs / National Sustainable Development Goals	Strategic priorities	Targets	2022 Progress	Risks																																																										
 3 GOOD HEALTH AND WELL-BEING  Target: Preservation of the population; the health and welfare of the people	 	<p>Voluntary health insurance (VHI) for Company employees</p> <p>Air pollutant emission intensity tons per th. boe</p> <p>By 20% (to 0.102 tons per thousand boe) from a 2019 baseline by 2030</p> <p>Increase the share of waste directed to utilization and treatment</p> <p>To 90% from a 2019 baseline by 2030</p>	<p>VHI programs expenses RR mln</p> <table border="1"> <tr><td>2022</td><td>301</td></tr> <tr><td>2021</td><td>260</td></tr> <tr><td>2020</td><td>236</td></tr> </table> <p>Social risks Force majeur risks</p> <p>Implementation of the Health Territory and Targeted Therapy programs</p> <p>Implementation of the High-Tech Equipment project</p> <p>Financial support for dedicated non-profit organizations</p> <p>Air pollutant emission intensity tons per th. boe</p> <table border="1"> <tr><td>2030 target</td><td>0.102</td></tr> <tr><td>2022</td><td>0.111</td></tr> <tr><td>2021</td><td>0.132</td></tr> <tr><td>2020</td><td>0.143</td></tr> <tr><td>2019</td><td>0.128</td></tr> </table> <p>The share of waste directed to utilization and treatment %</p> <table border="1"> <tr><td>2030 target</td><td>90</td></tr> <tr><td>2022</td><td>95</td></tr> <tr><td>2021</td><td>83</td></tr> <tr><td>2020</td><td>69</td></tr> <tr><td>2019</td><td>75</td></tr> </table>	2022	301	2021	260	2020	236	2030 target	0.102	2022	0.111	2021	0.132	2020	0.143	2019	0.128	2030 target	90	2022	95	2021	83	2020	69	2019	75	Social risks	 8 DECENT WORK AND ECONOMIC GROWTH  Target: Decent and effective jobs and successful enterprise	<p>Contribute to the economic and social development of our regions of operation by creating jobs, better infrastructure, and programs aimed at improving living standards for local communities</p> <p>External social expenses RR bln</p> <table border="1"> <tr><td>2022</td><td>3.3</td></tr> <tr><td>2021</td><td>3.2</td></tr> <tr><td>2020</td><td>4.2</td></tr> </table> <p>Social risks</p>	2022	3.3	2021	3.2	2020	4.2	<p>RR 222 THOUSAND – average monthly salary (34% above the industry average)</p> <p>LTIFR</p> <table border="1"> <tr><td>2022</td><td>0.40</td></tr> <tr><td>2021</td><td>0.53</td></tr> <tr><td>2020</td><td>0.45</td></tr> </table>	2022	0.40	2021	0.53	2020	0.45	Social risks																					
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2020	0.45																																																																		
 4 QUALITY EDUCATION  Target: Conditions for self-fulfillment and the unlocking of talent	 	<p>Support educational institutions and run youth education programs</p> <p>Average number of hours of training per employee</p>	<p>Implementation of the Teacher for Russia, Gifted Children, and NOVATEK-University programs</p> <p>Financing of grant programs for schoolchildren and teachers RR th.</p> <table border="1"> <tr><td>2022</td><td>607</td></tr> <tr><td>2021</td><td>442</td></tr> <tr><td>2020</td><td>377</td></tr> </table> <p>Social risks</p> <p>Average number of hours of training per employee</p> <table border="1"> <tr><td>2022</td><td>54</td></tr> <tr><td>2021</td><td>41</td></tr> <tr><td>2020</td><td>32</td></tr> </table>	2022	607	2021	442	2020	377	2022	54	2021	41	2020	32	Social risks	 13 CLIMATE ACTION  Target: Comfortable and safe living environment	<p>Reduce GHG emission intensity in the upstream segment</p> <p>By 6% (to 11.71 tons of CO₂ per thousand boe) from a 2019 baseline by 2030</p> <p>Reduce GHG emission intensity in LNG production</p> <p>By 5% (to 0.25 tons of CO₂ equivalent per ton of LNG) from a 2019 baseline by 2030</p> <p>Reduce methane emission intensity</p> <p>By 4% (to 9.96 tons per million boe) from a 2019 baseline by 2030</p> <p>Increase the associated petroleum gas (APG) utilization rate</p> <p>To 99% from a 2019 baseline by 2030</p> <p>Expand the use of renewables</p>	<p>GHG emission intensity in the upstream segment tons of CO₂ per th. boe</p> <table border="1"> <tr><td>2030 target</td><td>11.71</td></tr> <tr><td>2022</td><td>8.63</td></tr> <tr><td>2021</td><td>9.76</td></tr> <tr><td>2020</td><td>8.65</td></tr> <tr><td>2019</td><td>12.58</td></tr> </table> <p>GHG emission intensity in LNG production tons of CO₂ per ton of LNG</p> <table border="1"> <tr><td>2030 target</td><td>0.249</td></tr> <tr><td>2022</td><td>0.229</td></tr> <tr><td>2021</td><td>0.243</td></tr> <tr><td>2020</td><td>0.244</td></tr> <tr><td>2019</td><td>0.263</td></tr> </table> <p>Methane emission intensity tons per mln boe</p> <table border="1"> <tr><td>2030 target</td><td>9.96</td></tr> <tr><td>2022</td><td>9.83</td></tr> <tr><td>2021</td><td>12.89</td></tr> <tr><td>2020</td><td>14.44</td></tr> <tr><td>2019</td><td>10.44</td></tr> </table> <p>APG utilization rate %</p> <table border="1"> <tr><td>2030 target</td><td>99.0</td></tr> <tr><td>2022</td><td>98.0</td></tr> <tr><td>2021</td><td>96.7</td></tr> <tr><td>2020</td><td>96.2</td></tr> <tr><td>2019</td><td>83.3</td></tr> </table> <p>Renewable electricity generation th. kWh</p> <table border="1"> <tr><td>2022</td><td>22,884</td></tr> <tr><td>2021</td><td>20,206</td></tr> <tr><td>2020</td><td>22,22</td></tr> </table>	2030 target	11.71	2022	8.63	2021	9.76	2020	8.65	2019	12.58	2030 target	0.249	2022	0.229	2021	0.243	2020	0.244	2019	0.263	2030 target	9.96	2022	9.83	2021	12.89	2020	14.44	2019	10.44	2030 target	99.0	2022	98.0	2021	96.7	2020	96.2	2019	83.3	2022	22,884	2021	20,206	2020	22,22	<p>For more details on risks, see Appendix 1. Key Sustainability Risks and Opportunities, p. 146.</p>	Climate change risks Environmental risks Force majeure risks
2022	607																																																																		
2021	442																																																																		
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 7 AFFORDABLE AND CLEAN ENERGY  Target: Comfortable and safe living environment	 	<p>Increase LNG production</p> <p>To 57–70 MILLION TONS PER YEAR by 2030</p> <p>Supply LNG to consumers in areas remote from existing gas transmission infrastructure by 2025</p> <p>Continuously improve energy efficiency</p>	<p>LNG production volume mln tons⁽¹⁾</p> <table border="1"> <tr><td>2030 target</td><td>57-70</td></tr> <tr><td>2022</td><td>22</td></tr> <tr><td>2021</td><td>20</td></tr> <tr><td>2020</td><td>19</td></tr> </table> <p>Sales of LNG through LNG fueling stations th. tons</p> <table border="1"> <tr><td>2022</td><td>51</td></tr> <tr><td>2021</td><td>22</td></tr> <tr><td>2020</td><td>2</td></tr> </table> <p>Integrated energy savings th. GJ</p> <table border="1"> <tr><td>2022</td><td>264.2</td></tr> <tr><td>2021</td><td>43.2</td></tr> <tr><td>2020</td><td>30.5</td></tr> </table>	2030 target	57-70	2022	22	2021	20	2020	19	2022	51	2021	22	2020	2	2022	264.2	2021	43.2	2020	30.5	<p>Climate change risks Process risks Social risks</p> <p>Climate change risks Process risks</p>	 	<p>For more details on the progress toward set Targets, see the relevant sections of this Report.</p>																																									
2030 target	57-70																																																																		
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Strategic priorities of sustainable development

-  Ensure security and respect for human rights
-  Reduce and prevent negative environmental impacts
-  Increase the efficiency and rational use of natural resources
-  Adapt to climate risks

The Company also contributes to other UN SDGs:



Human Rights

The Company recognizes the impact of its business on the rights of various stakeholder groups. To manage this impact, NOVATEK has developed an approach in line with international standards and best practices.⁽¹⁾

Human rights protection is monitored across the Company's management levels, which enables informed decision making and effective management of relevant risks.



For more details on complying with the UN Global Compact Principles, see Appendix 3. [Participation in the UN Global Compact and Industry Practices](#), p. 155.



Human rights management approach



We are convinced that all people are equal in their rights. We structure our work to protect the human rights of all our stakeholder groups, with a particular attention to vulnerable groups.

Regulations

1. Human Rights Policy
2. Corporate Governance Code
3. Code of Business Conduct and Ethics
4. Supplier Code of Conduct

Query mechanisms

1. General query and grievance channel
2. Security Hotline
3. Query and grievance channels across our regions of operation



For more details on identifying vulnerable stakeholder groups, see Appendix 2. [Stakeholder Engagement](#), p. 151.

Responsibility for human rights management

Key corporate documents

Regulation	Key stakeholders
Human Rights Policy	
Code of Business Conduct and Ethics	
Supplier Code of Conduct	
Collective bargaining agreement	
	Employees and trade unions Partners, suppliers and contractors Local communities

Human rights matters are monitored at the level of the Board of Directors and its committees. At the executive level, human rights protection is the responsibility of the Deputy Chairmen of the Management Board in charge of HR management, internal and external social policies, ethics and corruption, occupational health, environment, and industrial safety.

In 2022, the Remuneration and Nomination Committee discussed the impacts on employee rights to a safe environment and decent working conditions, social programs for vulnerable employee categories, as well as charity and philanthropy. The Committee also approved a new version of the Code of Business Conduct and Ethics. The Audit Committee reviewed the Risk Map, including human rights risks, and the report on queries filed to Ethics and Human Rights Line.

Assessment of our impact on human rights



In 2021, the Company carried out the first human rights impact assessment of the Arctic LNG 2 project, which identified the key affected stakeholder groups, analyzing and ranking human rights impacts by scale, scope, remediability, and likelihood of impact.

The assessment was followed up by a developed action plan to reduce human rights impacts, under which a set of regulations on a wide range of human rights topics was approved in 2022:

- Employee Code of Conduct;
- Security Management Plan; and
- Employee Accommodation Policy and Plan.

The Company is also developing a Human Rights Action Plan, which will consider the results of the human rights impact assessment of Arctic LNG 2.

⁽¹⁾ In particular, the principles of the UN Global Compact, ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, and several other human rights documents, as well as considering the standards of the International Finance Corporation (IFC).



Employee rights

Safeguarding employee rights is the Company's priority. We do not tolerate forced or child labor and guarantee our employees protection from any kind of discrimination or persecution. We believe that the diverse backgrounds of our employees contribute to teams' strong performance, and we strive for diversity in our team.

The Company communicates its human rights commitments to employees through the internal corporate system and training courses in various areas.

We recognize and value our employees' right to collective bargaining and freedom of association. Collective bargaining agreements cover 90% of the Company's employees.

For more details on protecting employee rights, see the [Diversity and Inclusion](#) section, p. 126.

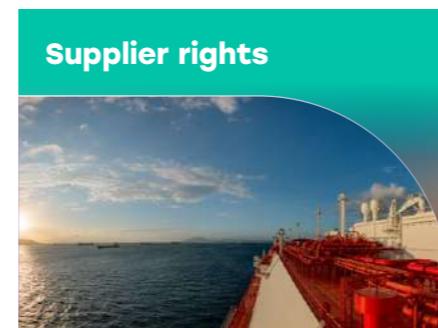


Local community rights

The Company makes every effort to reduce its negative impact and increase its positive contribution to regional development, especially since most of its production operations take place in indigenous lands of the North. We pay particular attention to respecting their rights to preserve traditional ways of life and conduct regular community monitoring of nomadic families, making sure their rights are not violated and controlling the quality of ecosystem services provided.

Under plans to help the indigenous people of the Far North develop sustainably, the Company is continuing the procedure to obtain their free, prior, and informed consent (FPIC)⁽¹⁾ for the Yamal LNG and Arctic LNG 2 projects and regularly assesses the effectiveness of the planned initiatives.

For more details on protecting the rights of local communities and indigenous peoples of the Far North, see the [Contribution to Regional Development](#) section, p. 136.



Supplier rights

We are committed to protecting human rights, not only within the Company, but also across its footprint. NOVATEK strictly observes all human rights standards when working with contractors and expects them to adhere to the same principles. We take all the necessary steps to mitigate risks when contractors work at our production facilities. In 2022, 100% of suppliers of the core process equipment passed the audit for compliance with social criteria.

We also take seriously our responsibility to monitor cumulative environmental and social impacts from our production, expecting our suppliers to be environmentally and socially responsible. When starting to work with new suppliers, we implement due diligence procedures to assess, among other things, human rights risks.

For more details, see the [Supply Chain](#) section, p. 54.

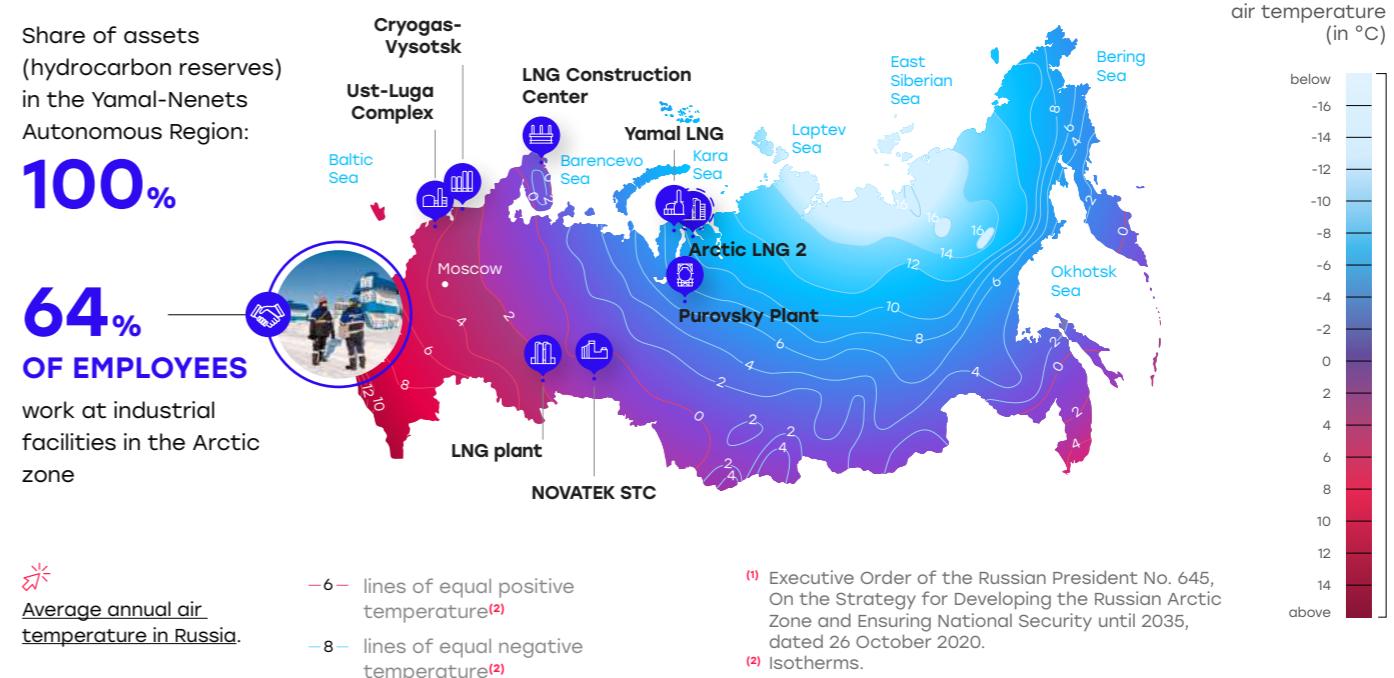
Operating in Harsh Arctic Conditions

NOVATEK's core business is based in the Arctic zone, which accounts for not only 100% of the Company's reserves, but also its key operating assets, employing 64% of NOVATEK employees (59% of them working in the Yamal-Nenets Autonomous Region). Protecting and developing the Arctic territories is a priority on the national level.



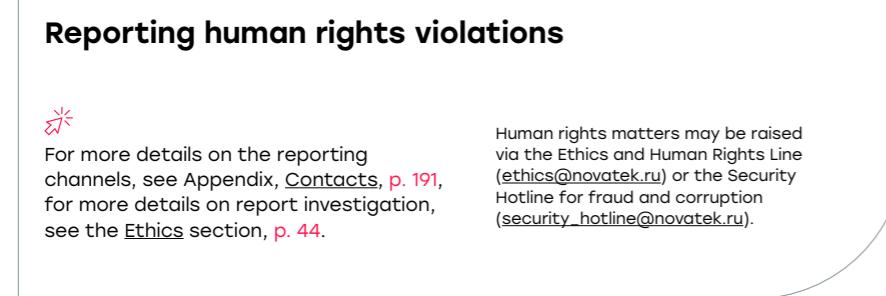
For instance, in 2020, the Strategy for Developing the Russian Arctic Zone until 2035 was approved.⁽¹⁾

The Company fully supports the implementation of the Strategy in each of its key aspects, strengthening the regional economic well-being, taking a responsible approach to exploration and production, developing logistics along the Northern Sea Route, supporting indigenous communities, and protecting the environment.



⁽¹⁾ Executive Order of the Russian President No. 645, On the Strategy for Developing the Russian Arctic Zone and Ensuring National Security until 2035, dated 26 October 2020.

⁽²⁾ Isotherms.



Reporting human rights violations

For more details on the reporting channels, see Appendix, [Contacts](#), p. 191, for more details on report investigation, see the [Ethics](#) section, p. 44.

Human rights matters may be raised via the Ethics and Human Rights Line (ethics@novatek.ru) or the Security Hotline for fraud and corruption (security_hotline@novatek.ru).

⁽¹⁾ FPIC (Free, Prior, and Informed Consent) – the right of indigenous peoples and communities to make go/no-go decisions to control business projects before they affect their traditional crafts and occupations.



Ensuring the well-being of employees and local communities

Work in the Arctic is a serious challenge for those living and working in this region.



Understanding this, we make every effort to mitigate or compensate for the impact of the Arctic conditions on the health and quality of life of our employees as well as the fact that, due to the low population density of the region, most employees work at the Company's Arctic enterprises on a rotational basis, meaning they stay away from home and their families for a defined period of time.



Preserving Arctic nature

The Arctic has unique, almost pristine nature. At the same time, the nature of the region is very vulnerable and sensitive to any changes and interventions.

Our operations are aligned with the most stringent international standards, adhering to much stricter restrictions than stipulated by environmental laws. We seek to manage impacts from the Company's future projects according to a hierarchy of measures, such as prevention, mitigation, restoration, and offsetting.



Challenges of working in the Arctic	<ul style="list-style-type: none"> Extremely low temperatures Short daylight hours 	Geographical remoteness	Low population density and lack of skilled labor	Substantial share of indigenous peoples preserving their traditional ways of life in the ethnic composition of the regions
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Stakeholders	Employees and trade unions	Employees	Employees	Local communities
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The Company's measures	<ul style="list-style-type: none"> Reduced working hours Additional days off Financial compensation exceeding government benefits, extra pay for working outdoors on extremely cold days VHI Additional days off for health screening 	<ul style="list-style-type: none"> Comprehensive infrastructure development by the Company: construction of settlements, airports, ports, etc. Air and rail transportation services for nomadic residents 	<ul style="list-style-type: none"> Continuous professional development of employees, creation of an enabling working environment Decent remuneration to attract employees from other regions Active local hiring Programs to support the indigenous peoples of the Far North 	<ul style="list-style-type: none"> Active engagement with local residents and obtaining FPIC (free, prior, and informed consent) Activities under plans to help the indigenous people of the Far North develop sustainably Organization and staging of traditional festivals of the indigenous people Support for traditional crafts
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For more details on employee support programs, see the [Social Policy](#) section, p. 131.

For more details on engaging with the indigenous people of the Far North in our regions of operation, see the [Contribution to Regional Development](#) section, p. 136.

⁽¹⁾ About the Yamalsky District and the Tazovsky District.

⁽²⁾ Average annual temperature in Russia and the Yamal-Nenets Autonomous Region, <https://2021.ecology-gosdoklad.ru> and <https://eng.rosstat.gov.ru/>.

⁽³⁾ Yamalstat. Population of municipalities in the Yamal-Nenets Autonomous Region by nationality and number of Russian speakers.

For more details on measures to protect the nature of the Arctic, see the [Biodiversity](#) section, p. 96.

Following global best standards at Yamal LNG and Arctic LNG 2

- Equator Principles 4
- IFC standards for managing environmental and social risks and impacts, including biodiversity conservation
- The World Bank/IFC Environmental, Health, and Safety Guidelines
- Uniform guidelines of the Organization for Economic Co-operation and Development (OECD)
- The World Bank Environmental and Social Framework

Key risks for Arctic nature	Climate change resulting in melting ice	The changing Arctic ecosystem	Vulnerable species
The Company's measures	<ul style="list-style-type: none"> Gravity-based structures for the Arctic LNG 2 project to minimize the load on permafrost soils Continuous efforts to reduce the Company's carbon footprint A carbon dioxide underground storage project under development 	<ul style="list-style-type: none"> The Arctic fox project to monitor the Arctic fox population The Healthy Tundra project to restore the disturbed environment Compensatory fish stocking Reduction of environmental footprint with the help of advanced technology Comprehensive research and monitoring of the environment of the Gulf of Ob 	<ul style="list-style-type: none"> Biodiversity conservation projects in partnership with the academic and research community The Company's own methodology for the Arctic LNG 2 project to assess loss of biodiversity Measures to prevent the introduction of alien species to the Arctic Project to reintroduce rare and threatened plants

⁽⁴⁾ Council of the Yamal-Nenets Autonomous Region Municipalities; Northern (Arctic) Federal University named after M. V. Lomonosov; About the Yamalsky District; Arctic Research Center; Northern (Arctic) Federal University named after M.V. Lomonosov.

⁽⁵⁾ Roshydromet. Report on the peculiarities of the climate in the territories of the Russian Federation.



2 Sustainability Management

Growing a Sustainable Business

2022 HIGHLIGHTS

RR 586 ^{↗220%}
MILLION

invested in R&D in 2022

28% ^{↗8 p.p.}

of items on the overall agenda of the Board of Directors and committees focused on sustainability

100%

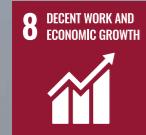
of suppliers of basic technological equipment tested for compliance with environmental and social criteria in 2022

KEY EVENTS

- Laboratory and Research Center opened in Tyumen
- Opportunities Map developed
- The Board of Directors' expertise in sustainable development issues strengthened

CONTRIBUTION TO THE UN SDGs

Priority UN SDGs



For more details on the priority SDGs, the Company's goals and progress on p. 22.

PLANS FOR 2023 AND THE MEDIUM TERM

- Further improve the corporate governance system
- Implement recommendations resulting from an independent performance evaluation of the Company's Board of Directors

WE ARE GUIDED BY

External documents:

- United Nations Global Compact
- International and national risk management and internal control standards (COSO, GOST R ISO 31000-2019, etc.)
- National Legislation and Regulatory Requirements

Corporate documents:

- Regulations on the Board of Directors, its committees, and risk management and internal control system
- Anti-Corruption Policy
- Code of Business Conduct and Ethics
- Procurement Policy
- Human Rights Policy



Sustainability Management System

NOVATEK places a high strategic importance on upholding the highest sustainability standards and monitoring the impact on its stakeholders.

The Company ensures effective oversight of its approach to and performance on sustainability through dedicated Board of Directors committees, with top management's motivation system containing relevant sustainability-linked key performance indicators.

Sustainability management is seamlessly integrated into the corporate governance system, ensuring comprehensive attention is paid to these matters across different levels, from the Board of Directors – the highest strategic management body – to the executive bodies and heads of specific business units.

 Over the years, NOVATEK has built a robust governance structure, enabling the Company to effectively manage its operations.

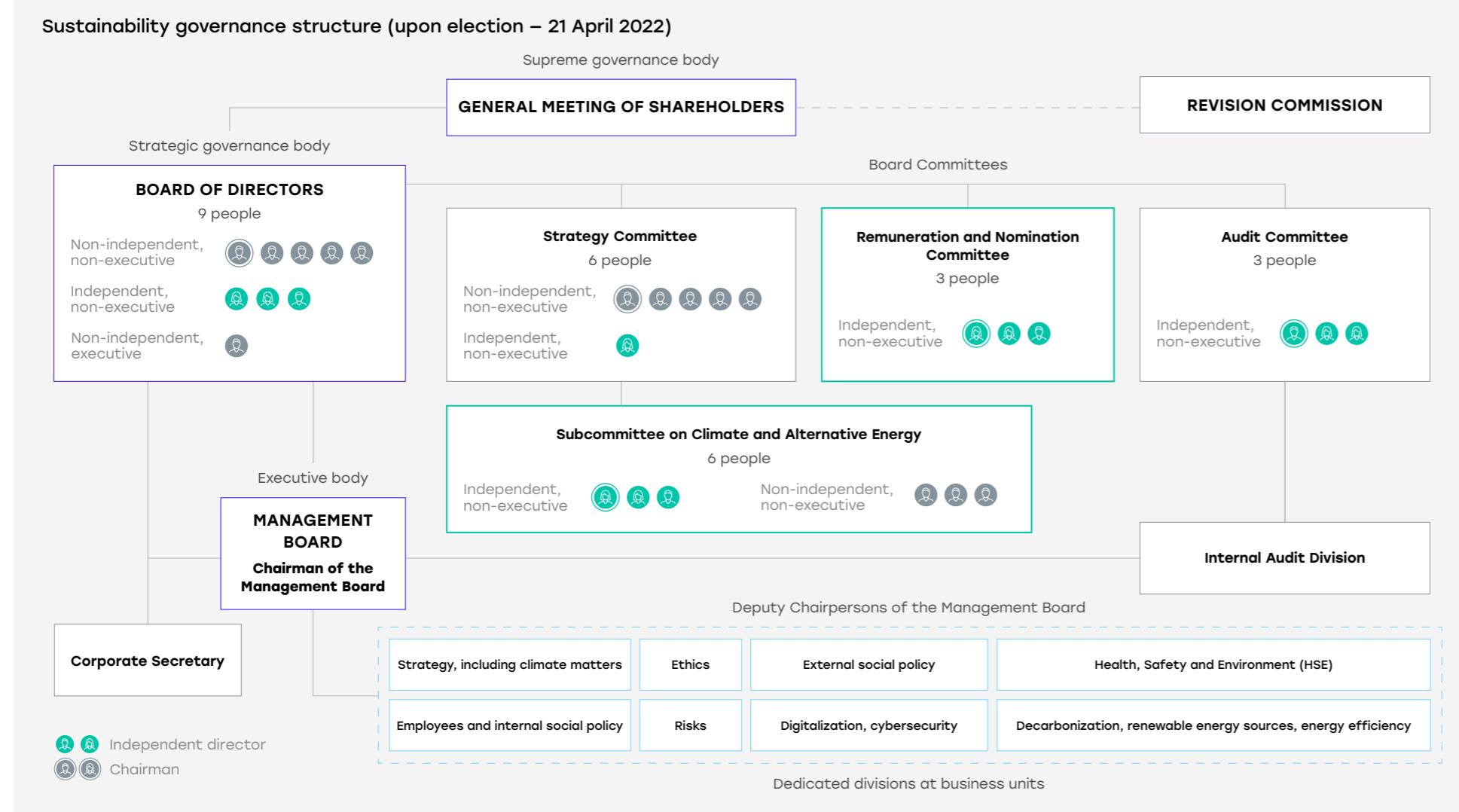


 For more details, see [PAO NOVATEK's Annual Report 2022](#).

Within the executive bodies, responsibility for each sustainability dimension is assigned to the respective Deputy Chairman of the Management Board.

To drive the implementation of management decisions, corporate documents have been developed to regulate internal sustainability and related risk management practices. NOVATEK is continuously improving its management approaches and formalizing its existing procedures for embedding sustainability practices by consistently approving new internal policies and standards.

 For more details on the internal documents, please visit [the Company's website](#).



Evolution of the Company's sustainability practices

2004–2006

-  Inaugural Sustainability Report, independent verification
- First HSE Policy
- Application of GRI Standards

2020

-  Setting environmental and climate change targets to 2030
- Setting the Company's goals related to UN SDGs

2008

-  Developing a Supplier Code of Conduct

2011

-  First CDP submission
- Code of Business Conduct and Ethics

2021

-  Establishing a Subcommittee on Climate and Alternative Energy

2014

-  Anti-Corruption Policy

- Introducing internal carbon pricing
- Developing the Human Rights Policy
- Developing the Biodiversity Standard

2017

-  ISO-compliant GHG Emissions Management System

- Becoming a signatory to the UN GC

2018

-  Incorporating the UN SDGs into the Strategy
-  Adopting SASB and IPIECA, incorporating TCFD recommendations

2022

-  Transition to GRI 2021
- Updating the Code of Business Conduct and Ethics
- Updating the Occupational Health, Industrial and Fire Safety, and Environmental Policy
- Implementing internal carbon pricing

2019

-  Selecting primary UN SDGs
- Setting targets for greenhouse gas emission intensity
- Adding sustainability matters to the remit of the Remuneration and Nomination Committee of the Board of Directors

NOVATEK's ESG ratings and awards

NOVATEK embedded best sustainability practice into its strategy, culture and operations, receiving high recognition.

Achievements and awards as of 31.12.2022

Best Sustainability Disclosure
For the first time, NOVATEK won this category in the annual report competition held by Moscow Exchange



Industry leader
NOVATEK has emerged as an oil and gas industry leader in Expert RA's ESG Transparency Ranking



The highest level of transparency
The Company's outstanding performance in the ESG rankings compiled by RBC and NCR has positioned it within the top tier of organizations with the highest level of transparency



Advanced Level status
NOVATEK stands out as the sole company in the Russian oil and gas sector to achieve the UN GC's Advanced Level



Leader in corporate ESG practices in Russia
The Company has received an A+ rating from Da-Strategia Group



Top-tier A Group
For the first time, NOVATEK has made it into the top-tier A Group of the RSPP's ESG Responsibility and Transparency Index for its sustainability disclosures and was also named among the leaders on disclosures about UN SDG commitments



International recognition

Despite the heightened risk factors affecting all Russian companies and the relevant downgrades, top international ESG rating agencies continue to rate NOVATEK.

B
MSCI ESG RATING
(where AAA is the highest and CCC is the lowest score)



43.3
SUSTAINALYTICS RISK RATING
(where 0 is negligible risk and 40+ is severe risk)



C-
ISS
(where A+ is the best and D- is the worst score)



3
TPI INTERNATIONAL CLIMATE RATING
(where 4 is the highest and 0 is the lowest management quality level)



CDP CLIMATE AND WATER
NOVATEK has historically been listed in rankings and has been reporting for more than 10 years



Corporate governance system

General Meeting of Shareholders

The General Meeting of Shareholders is NOVATEK's highest governance body. NOVATEK places significant emphasis on fostering effective communication with its shareholders. Shareholders can seek clarifications, ask questions, and engage in discussions regarding the Company's activities, including those pertaining to sustainability, during the Annual General Meetings of Shareholders.



For more details on the competencies of the General Meeting of Shareholders, see [the Articles of Association of PAO NOVATEK](#).

Board of Directors

The Board of Directors has responsibility for the Company's sustainable development, establishing its strategic vision, and identifying the key focus areas for its sustainability programs. The Board of Directors is constantly closer involved in sustainability matters, leading to a greater emphasis on sustainability across the overall agenda. This increased engagement enables greater oversight over all aspects of sustainable development, encompassing climate, biodiversity, water resources, and the well-being of the indigenous peoples of the North.



The Board of Directors is actively involved in the preparation of the Sustainability Report. Starting from 2022, the Board of Directors has taken on an expanded role by not only approving the text of the Reports each year, but also overseeing the process to determine material topics. Given the paramount importance of this process, heightened control measures are essential to effectively manage escalating risks associated with it. In early 2023, the Board of Directors reviewed and approved for the first time the revised Occupational Health, Industrial and Fire Safety, and Environmental Policy of NOVATEK Group. Previously, this responsibility was within the Management Board's competence.

Incorporating stakeholder perspectives into management decision-making processes

In order to ensure fairness and transparency in the decision-making process, the Board of Directors takes into account the takeaways from its engagement with, and the views of, various stakeholders. This approach helps the Company enhance the effectiveness of its impact management by fostering strategic partnerships seeking to maximize shareholder value.



For more details on communication mechanisms, see [Appendix 2. Stakeholder Engagement, p. 151](#).

The current members of the Board of Directors were elected at the Annual General Meeting of Shareholders on 21 April 2022. The Board of Directors comprises a total of nine members, including three independent directors. As of the end of 2022, three directors, including one independent director, stepped down from the Board of Directors.

The Board of Directors was elected at the Annual General Meeting of Shareholders held on 21 April 2023 and currently counts nine directors, including five independent directors (56%). The Board of Directors is currently chaired by Alexander Natalenko.

Structure of the Board of Directors upon election

Independence	33% of directors are independent
Tenure	67% of directors have served on the Board of Directors for less than seven years
Gender diversity	22% of directors are women
Sociocultural diversity	33% of directors are foreign nationals
Expertise and training	Strategic planning, oil and gas, international cooperation, risk management, finance, HR management, sustainable development, and climate change

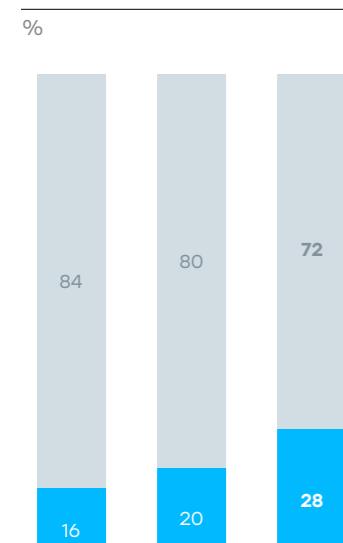
For more details on the Board of Directors, see [PAO NOVATEK's Annual Report 2022](#).



● 28% sustainability matters
● 72% other matters

Shareholders and investors
 Employees and trade unions
 Government authorities

Proportion of sustainability items on the overall agenda of the Board of Directors



● Sustainability
● Other

Key sustainability matters addressed at meetings of the Board of Directors in 2022⁽¹⁾

Relevant stakeholders

Shareholders and investors
 Employees and trade unions
 Local communities
 Partners, suppliers, and contractors
 Industrial community

In an effort to boost corporate governance standards, the Company engages an independent consultant to conduct an external evaluation of the Board of Directors and its committees once every three years, along with annual self-evaluation.

Building upon the recommendations of the external evaluation conducted in 2021, dedicated sustainability sessions for members of the Board of Directors and executives were arranged during the reporting year, inviting prominent industry experts and leading climate researchers, in the following areas: Sustainability in New Normal and The Current Status of LNG Markets.

In early 2023, PAO NOVATEK's Board of Directors conducted a self-evaluation of its performance during the 2022 corporate year, and then reviewed the self-evaluation's results at its meeting, identifying key areas where its performance could be improved.

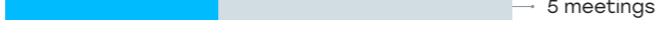
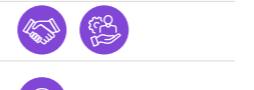
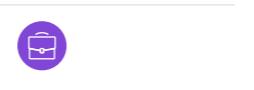
Board committees

The Company has established three Board of Directors committees, along with one subcommittee, each actively engaged in sustainability management within their respective areas of expertise. The Remuneration and Nomination Committee and the Strategy Committee's Subcommittee on Climate and Alternative Energy play the most active roles in addressing these issues.

Sustainability aspects addressed during the 2022 corporate year⁽¹⁾

Sustainability functions of governance bodies	Key sustainability matters addressed in 2022	Relevant stakeholders
REMUNERATION AND NOMINATION COMMITTEE		
Functions:		
• establishing effective and transparent remuneration of members of the Company's governance bodies and building up their expertise	67% Sustainability matters	33% Other matters
• planning HR management activities		
• reviewing reports on industrial safety, environmental protection, climate impact, corporate governance, and social activities, as well as the Company's sustainability reports on an annual basis		
Sustainable development progress		
Environmental conditions and occupational health and safety status		
Social initiatives in our regions of operations		
Revised version of the Occupational Health, Industrial and Fire Safety, and Environmental Policy for NOVATEK Group		
PAO NOVATEK's Sustainability Report 2021		
Preliminary sustainability results for 2022		
Approval of material topics for the Sustainability Report 2022		
Performance self-evaluation of the Board of Directors and its committees		
STRATEGY COMMITTEE		
Functions:		
• defining strategic goals and overseeing the implementation of the sustainability strategy	22% Sustainability matters	78% Other matters
• making recommendations on the dividend policy		
• evaluating the long-term effectiveness of the Company's operations		
Progress achieved at the Arctic LNG 2 project		
Changes in the raw material base of the Arctic LNG 1 project		
Current state and effectiveness of resource base utilization		
Shareholders and investors		
Local communities		
Partners, suppliers, and contractors		
Industrial community		

⁽¹⁾ The 2022 corporate year is counted from the date of the Annual General Meeting of Shareholders on 21 April 2022 to the Annual General Meeting of Shareholders on 21 April 2023.

Sustainability functions of governance bodies	Key sustainability matters addressed in 2022	Relevant stakeholders
AUDIT COMMITTEE		
Functions: <ul style="list-style-type: none"> overseeing the internal and external audit functions supervising the performance of the risk management, internal control, and corporate governance systems 		
	 <p>42% Sustainability matters 58% Other matters</p> <p>→ 5 meetings</p>	
	<p>Risk Map for 2023–2025</p> 	
	<p>Implementation of the Anti-Corruption Policy</p> 	
	<p>Internal Audit Division proceedings</p> 	
	<p>Compliance with the Information Policy</p> 	
	<p>Approving the Code of Business Conduct and Ethics</p> 	
	<p>Internal Audit Division's final report on reliability and effectiveness of risk management, internal control, and corporate governance system in 2022</p> 	
	<p>Self-evaluation of the internal audit function for 2022</p> 	
SUBCOMMITTEE ON CLIMATE AND ALTERNATIVE ENERGY UNDER THE STRATEGY COMMITTEE		
Function: providing recommendations to the Board of Directors on matters related to NOVATEK's climate and decarbonization strategy, renewable development, and low-carbon fuel production		
	 <p>100% Sustainability matters</p> <p>→ 4 meetings</p>	
	<p>Activity plan for the Subcommittee on Climate and Alternative Energy of the Board of Directors</p> 	
	<p>Comparative analysis of emissions accounting and verification routines at PAO NOVATEK</p> 	
	<p>The implementation status of CO₂ capture and underground storage projects on the Yamal Peninsula</p> 	
	<p>Progress achieved toward environmental and climate change targets</p> 	
	<p>Progress on the Sabetta-based wind farm construction project</p> 	
 Shareholders and investors  Employees and trade unions  Government authorities	 Local communities  Partners, suppliers, and contractors  Industrial community	

Executive bodies

The Management Board is a collegial executive body responsible for the day-to-day management of the Company's operations. Members of the Management Board are elected by the Board of Directors from among NOVATEK's key employees. A dedicated unit coordinates sustainability management matters, including information disclosure and stakeholder engagement on this topic.

For more details on the Board of Directors, see [PAO NOVATEK's Annual Report 2022](#).

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

The procedure for calculating the remuneration and compensation paid to members of PAO 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.



For more details regarding the governance body remuneration system, including the remuneration due to its members, see [PAO NOVATEK's Annual Report 2022](#).



The procedure and criteria for calculating remuneration due to the Chairman and members of PAO NOVATEK's Management Board, along with the reimbursement of their expenses, are stipulated by the Regulations on the Management Board and the NOVATEK Group's Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy. Remuneration of members of the Management Board consists of salaries and bonuses. In determining remuneration, the Policy considers KPIs, including against ESG criteria.

Sustainability KPIs

To drive the successful achievement of its strategic, 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, including their scope and weights.

One of the ESG-related KPIs is the HSE Management System performance index, reflecting, among other things, climate. It constitutes a proportion of 10–15% within the overall set of KPIs for top managers of both subsidiaries and the Company.

Performance against this KPI is assessed by calculating an integral indicator and comparing it against the set target. The assessment of whether this KPI has been achieved depends on several indicators:



INDUSTRIAL AND FIRE SAFETY



OCCUPATIONAL HEALTH



ENVIRONMENTAL PROTECTION



CLIMATE

Accidents, fires, and incidents

Accidents, fires, and incidents at hazardous production facilities, that results in production being discontinued

Penalties for violation of the law

The results of inspections by government authorities, that such violations of the law were revealed, and significant penalties were imposed

Frequency of accidents

Work-related accident, lost time injury in 2022. In the event of a work-related fatality, the entire integral indicator is considered not to have been achieved

Penalties for violation of the law

The results of inspections by government authorities, that such violations of the law were revealed, and significant penalties were imposed

Penalties for violation of the law

The results of inspections by government authorities, that such violations of the law were revealed, and significant penalties were imposed, as well as significant excess payments for negative impact

Specific greenhouse gas emissions for the upstream segment

Avoiding exceeding GHG emission intensity limits, equal to 2016 baseline emissions for the upstream segment

Specific greenhouse gas emissions for processing

Avoiding exceeding GHG emission intensity limits, equal to 2017 baseline emissions for processing

Specific greenhouse gas emissions for LNG production

Avoiding exceeding GHG emission intensity limits, equal to 2018 baseline emissions for LNG production

Sustainability Risks

Effective risk management is an integral part of our business model, enabling NOVATEK to mitigate risks for all stakeholders while successfully achieving operational and strategic objectives.

NOVATEK has in place a multi-tier risk management and internal control system (RMICS), which is subject to continuous improvement. The RMICS is structured in accordance with international and Russian best practices, incorporating concepts from organizations such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Institute of Internal Auditors, recommendations from the Bank of Russia, etc.

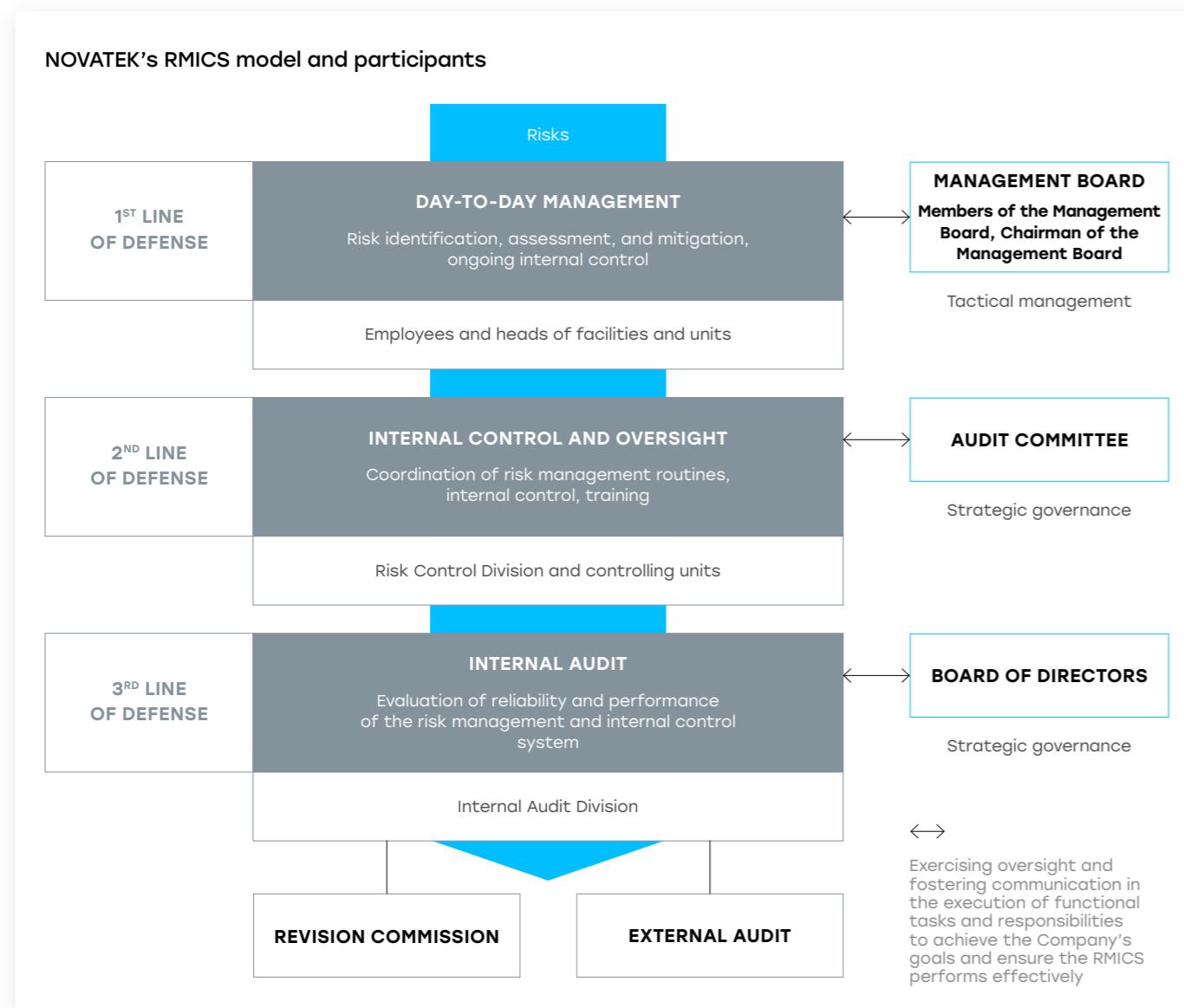


For more details on the Company's RMICS standards, see [PAO NOVATEK's Annual Report 2022](#).



NOVATEK constantly monitors changes in the market environment, geopolitical situation, and regulatory requirements to assess the potential impact of such changes on the Company's goals and operations. In 2022, the system demonstrated its effectiveness amidst unprecedented challenges and external constraints.

NOVATEK's RMICS model and participants



The main principles, approaches, goals, objectives, participant obligations, and engagement procedures of the RMICS are governed by PAO NOVATEK's Regulations on Risk Management and Internal Control System (the Regulations), approved by the Board of Directors.

To implement the Regulations, the Company has developed internal documents governing various aspects of the RMICS functioning, including risk management, internal audit, combating corruption, compliance with business ethics, control over insider information, processing and use of personal data, etc.



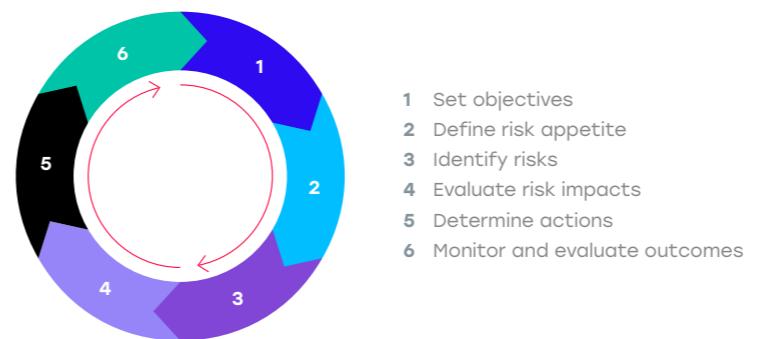
For more details on the internal documents describing how the RMICS operates, see [the Company's website](#).

The Company has established a dedicated Risk Control Division, which is responsible for coordinating risk management activities and maintaining a centralized approach to securing insurance coverage for the Company.



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

PAO NOVATEK's risk management process



The Company utilizes a Risk Map to categorize and describe risks, including those related to sustainability that may threaten the achievement of the Company's Targets on a planning horizon from one to three years. The Company's Risk Map undergoes annual updates and is subject to review by both the Management Board and the Audit Committee of the Board of Directors.

Sustainability risks on the Risk Map

Risk category	Risk description
Process risks	Risks of damage resulting from accidents, including property damage, business interruption, and threats to the life and health of employees
Climate-related risks	Risks associated with the negative impacts of climate change on the Company and the global energy transition
Environmental risks	Risks associated with the Company's negative environmental impact resulting from accidents and changes in legislation
Social risks	Risks related to ethics, human rights, community interests, and labor availability
Force-majeure risks	Risks associated with unforeseen circumstances, such as the imposition of sanctions and restrictions, natural disasters, changes in the epidemiological situation, terrorist attacks, etc.



For more detail on PAO NOVATEK's key risks and measures to manage them, see Appendix 1, [Key Sustainability Risks and Opportunities, p. 146](#).

In 2022, the Company presented the Risk Map for 2023–2025 to the Management Board and Audit Committee, identifying several risks associated with addressing current challenges. The Risk Map also included updates to previously identified risks, encompassing the following:

- the impact of external restrictions on the Company's operations, such as the exit of foreign service providers, equipment and technology suppliers, embargoes on product sales, etc.;
- property damage, suspension of operations, and environmental impacts resulting from potential accidents; and
- physical and transitional climate risks, achieving 2030 environmental goals, etc.

Risk-based approach in defining material topics of the Report

In the reporting year, the Company implemented the Double Materiality Principle for the first time to define material topics of the Report. The cost estimate of the impact of potential sustainability risks was factored into the prioritization of material topics of the Report.

Assessing opportunities

In 2022, we took a significant step by organizing existing development opportunities for the Company and creating NOVATEK's Opportunities Map, which was presented to the Management Board and the Audit Committee for consideration.

A significant portion of the opportunities identified pertains to climate change-related issues, encompassing both the physical consequences of climate change and the pressing matters of energy transition in reducing the carbon footprint resulting from human activities:

- expanding LNG production as the primary energy resource during the transition from carbon-intensive energy sources, such as oil and coal, toward carbon-free (renewable) sources;
- developing decarbonization projects to meet consumer demands for products (including electricity) with a minimal carbon footprint;
- using the opportunities presented by the Northern Sea Route because of changing climatic conditions in the Arctic; and
- enhancing operational efficiency by digitizing business processes, etc.



For more details on key opportunities and measures to implement them, see Appendix 1. Key Sustainability Risks and Opportunities p. 146, and the Chapter 3. Climate Change, p. 60.



For more details on defining material topics and aligning estimates with risks, see the Determining Material Topics chapter, p. 10.



Risk management

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

Adaptation to external challenges

In 2022, external restrictions were imposed on Russian companies. Top management is actively taking essential measures to ensure the Company operates efficiently in a constrained environment and to minimize any adverse impact on NOVATEK's operational and strategic goals.



For more detail on key events and efforts to adapt to external constraints, see the Adapting to External Challenges in 2022 chapter, p. 8.

Stress testing

PAO 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 Company to identify optimal insurance parameters, facilitates the development of response plans, and significantly reduces the probability of future risk events.

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 Company studies climate-related physical risks. 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 within the key regions of operation, followed up by planning of adaptation to climate change.

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 expedite the restoration of production at critical process facilities. Business continuity planning went ahead in 2022.

Risk insurance

NOVATEK widely uses compulsory and voluntary insurance programs. All insurance programs involve major Russian insurance companies with a proven reputation and high ratings of insurance companies.



For more details on PAO NOVATEK's insurance programs, see PAO NOVATEK's Annual Report 2022.



Ethics

Upholding high ethical standards is a fundamental principle of PAO NOVATEK's business conduct. Our approach is guided by the highest standards and best practices, and we actively seek to share this expertise across the entire value chain.

NOVATEK's zero tolerance for any form of human rights violation, corruption, or fraud is essential for the long-term success of its business and society as a whole.

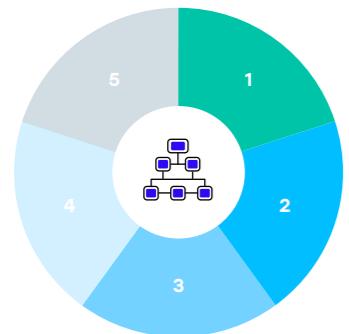
Code of Business Conduct and Ethics

The primary document that defines the Company's position on business conduct is the Code of Business Conduct and Ethics (the "Code"). Its primary objective is to effectively communicate our core values and ethical principles to all stakeholders. In 2022, the Board of Directors approved a new version of the Code, considering current legislation, international practices, and the Company's commitments.

The Chairman of the Management Board is responsible for upholding compliance with the Code, and the Audit Committee of the Board of Directors exercises general compliance oversight. This includes receiving annual reports on the operation of the Ethics and Human Rights Line and any identified Code violations.

For more details, see further in the [Grievance mechanisms](#) subsection, p. 47.

The Company's approach is based on five key principles:



- 1 Knowledge of and compliance with legislation
- 2 Transparency, reliability, and integrity
- 3 Respect for property rights
- 4 Professionalism and effectiveness
- 5 Respect for human rights

The Code is regularly reviewed by a dedicated unit to assess the need for updates, ensuring alignment with current legal rules, and the Company's obligations and routines. The Code applies to all employees of PAO NOVATEK. In 2022, all employees acknowledged receipt of, and signed, the new version of the Code, which was made available on both the Company's website and its intranet portal.

In addition to the Code, the Company's business ethics position is further defined through other key documents, including the Anti-Corruption Policy, the Supplier Code of Conduct, the Human Rights Policy, and the Regulations on the Management of Conflicts of Interest.

Respecting human rights

Ethical business conduct entails ensuring and respecting the rights of all stakeholders the Company engages with, including employees, contractors, and local community members.

That is why NOVATEK not only complies with all applicable laws and regulations in the countries where it operates, but also incorporates international best practices into its internal corporate policies and standards.

Over the past year, we continued to ensure our employees' right to a safe and comfortable work environment, and maintain a healthy environment, which supports traditional economic activities within our communities.

For more details on the protection of human rights, see the [Human Rights](#) section, p. 24.

Conflicts of interest

The Company recognizes conflicts of interest as a primary factor contributing to corrupt behavior. Both the Code of Business Conduct and Ethics and the Regulations on the Management of Conflicts of Interest mandate that employees disclose any potential or actual conflict of interest. To manage the associated risks, the Company has implemented a routine of regular employee disclosure by asking them to complete the relevant declaration forms on conflicts of interest. Candidates for vacant positions are also screened for conflicts of interest during the job application process through a special questionnaire.

Anti-corruption

NOVATEK operates in strict compliance with the anti-corruption laws of the Russian Federation and the laws of the countries in which the Company operates. The Company's anti-corruption position is set forth in the Anti-Corruption Policy.

Annually, the Company formulates an action plan to prevent corruption, ensuring effective implementation of the provisions of the Anti-Corruption Policy. The plan is adjusted based on the outcomes of the previous period. The results of the undertaken efforts and new plans are reviewed annually at a meeting of the Audit Committee of the Board of Directors.

NOVATEK ensures the Anti-Corruption Policy is communicated to all employees and other stakeholders as a matter of course. At 2022-end, 100% of employees, senior management and business partners had reviewed and signed the provisions of the Policy.

No instances of non-compliance with anti-corruption laws were reported, and no internal investigations regarding potential violations were conducted in 2022.

Anti-corruption training

Proportion of employees who have received anti-corruption training



- 13% Anti-corruption training completed in 2022
- 87% Anti-corruption training completed previously

★
Officials and employees responsible for anti-corruption management regularly undergo advanced training and receive relevant supporting documents upon completion.

NOVATEK has been implementing several initiatives to improve employee awareness of anti-corruption measures and ethical conduct. For example, an online course called The Basics of the Company's Anti-Corruption Policy and Employee Anti-Corruption Conduct has been developed and made available to all employees through the intranet portal. The course is mandatory for new starters and available at any time for refresher training. In addition to covering the key provisions of the Anti-Corruption Policy, the course also includes information on various aspects of human rights protection and the principles of business ethics. In 2023, the Company plans to conduct training sessions for its employees and controlled entities, focusing on anti-corruption prevention and enforcement, and avoidance of conflict of interest.

To evaluate and improve the knowledge of executives responsible for implementing the Anti-Corruption Policy at NOVATEK's controlled entities, the Anti-Corruption Policy Advisor conducts annual assessments and training sessions focusing on changes in legislation. In 2022, all executive employees who completed the testing and training subsequently held educational events in their respective organizations.

Corruption risk assessment

In 2023, the Company intends to undertake a corruption risk assessment aimed at identifying individuals, business processes, and transactions comprising PAO NOVATEK's operations that are at higher risk of involvement in corruption.

Anti-trust measures

★
Anti-trust risks are assessed by the Company's units. In 2022, NOVATEK was not subject to any administrative or criminal litigation initiated for violations of anti-trust laws.

The Company does not hold a dominant position in any market. NOVATEK regularly and thoroughly assesses risks related to competition constraints, unfair competition practices, and other violations of anti-trust laws.

Grievance mechanisms

The Company has implemented multiple mechanisms that enable stakeholders to file complaints or queries around the clock on any day of the year. PAO NOVATEK's Ethics and Human Rights Hotline is available in Russian and English for queries related to violations of business conduct and human rights. The Audit Committee of the Board of Directors is annually informed about the facts of violations in the field of business ethics, which have been identified, including through the grievance mechanisms. In 2022, the hotline received a total of ten queries, with each of the queries thoroughly reviewed and violations confirmed in 20% of the cases. The identified violations had no adverse impact on the Company's ability to achieve its strategic goals.

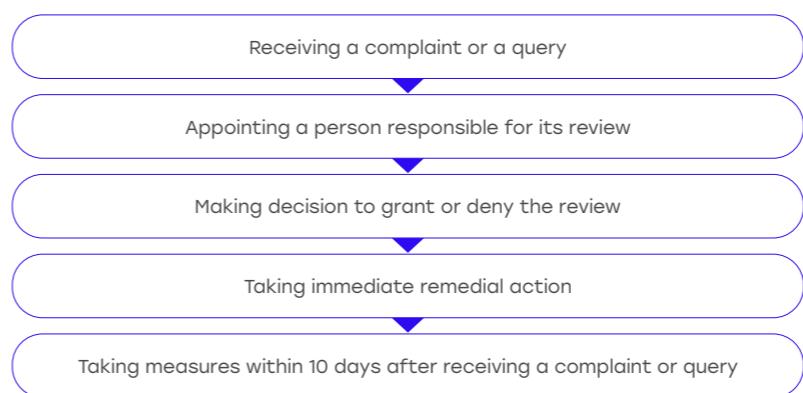
PAO NOVATEK and its subsidiaries maintain security hotlines to address concerns regarding conflicts of interest and corruption. In 2022, these hotlines received a total of 1,264 calls. Many of these calls concerned residential natural gas supply.



Regardless of the feedback channel utilized, NOVATEK guarantees confidentiality, anonymity, and protection against retaliation for anyone who reaches out to us. The oversight of measures taken to eliminate identified ethics violations is carried out by the Internal Audit Division, an independently operating unit within the Company that reports directly to the Company's Board of Directors.

Furthermore, the Yamal LNG and Arctic LNG 2 projects have implemented additional channels for submitting complaints, queries, requests, and suggestions across various domains. These channels also welcome feedback regarding the operation of the grievance mechanisms themselves. The procedures for receiving and processing queries and complaints, including deadlines and the sequence of actions, are established in the applicable local regulations. Queries can be submitted both in person, and by e-mail or over the phone.

Procedure for receiving and processing complaints and queries as illustrated by the Yamal LNG project



All contacts for local queries can be found in the Appendix, [Contacts](#), p. 191.

1,264 CALLS

were received by the security hotlines

Queries and complaints filed to the Ethics and Human Rights Line in 2022



- 20% Violations confirmed
- 80% Violations not confirmed

Queries and complaints filed to security hotlines in 2022



- 58% Residential natural gas supply
- 19% Fictitious invitations purportedly from PAO NOVATEK to participate in procurement procedures for the supply of goods, works, or services
- 12% Operations at natural gas fueling stations / multi-fuel filling stations
- 9% Delay of payment to contractor and sub-contractor employees
- 2% Provision of domestic and daily needs



In 2022, the Yamal LNG project received a total of 28 queries. Out of these, three complaints (accounting for 11% of the total number of queries) were related to labor remuneration. Additionally, the project received 22 queries from indigenous people of the Far North, which constituted 78% of the total number, addressing various areas of support.



For more details on the queries from indigenous people recorded at the Yamal LNG and the Arctic LNG 2 projects and the Company's corresponding response, see the [Key Community Support Projects](#) section, p. 140.

In 2022, the Arctic LNG 2 project received a total of 226 queries. Most of the queries (79%) were related to operational relationships between contractors and subcontractors. Indigenous people of the Far North submitted a total of 43 queries (19% of the overall number), addressing various aspects of support.

Approach to taxation

NOVATEK demonstrates responsible tax compliance by strictly adhering to all relevant provisions of Russian tax legislation. The Company refrains from engaging in transactions aimed at optimizing tax and does not employ any tax minimization schemes, including those that promote tax base erosion and profit shifting using offshore entities and other methods. Group companies rank among the top taxpayers in the regions where they operate. By making all applicable tax payments to local authorities, NOVATEK makes a substantial contribution to the sustainable social and economic development of the regions in which it operates.

Since 2017, PAO NOVATEK, along with eleven of its subsidiaries and affiliates, has actively engaged in tax monitoring programs. This process guarantees maximum transparency by granting the Federal Tax Service of Russia remote access to taxpayer information systems and tax returns.

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 the jurisdictions in which the Company operates.

To ensure transparency and complete disclosure of information on its operations, in particular, on profits and taxes accrued and paid in each jurisdiction in which the Company operates,

The internal audit assesses the impact of audit findings, including their effect on the tax obligations of the Company and the Group. The external independent auditor is also responsible for certifying NOVATEK's financial statements. During the reporting year, there were no reports of unethical conduct concerning tax matters from our stakeholders.

Information Security

Approach to 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 key challenges in 2022 included the increased number of information security threats and the urgent need for software and hardware import substitution. Nevertheless, no serious

information security incidents, including those related to cyberattacks or data leaks, occurred during the reporting year.



On top of this, the Company has not received any complaints about breaches of confidentiality.

Information security risk management

One of the Company's key focus areas for mitigating information security risks is improving its IT infrastructure security posture. NOVATEK permanently upgrades its existing monitoring system within the framework of its well-developed vulnerability management process.

Each year, the Company engages external contractors who are fully licensed to protect confidential information to detect and fix vulnerabilities in the corporate data network. NOVATEK also deploys a centralized remote access control system for the entire Group to minimize its IT security threat related risks.

Standard

In the medium-term, the Company is committed to improving the maturity of its information security posture in line with

ISO 27001



Key initiatives to improve information security

Aiming to boost the performance of its information security management system, NOVATEK continuously:

- improves employee awareness;
- conducts independent external audit; and
- engages with supervisory authorities.

The Company is also developing a pilot project to ensure secure access to corporate assets from users' personal mobile devices. It pays special attention to involve each employee in the process. To this end, a training course is to be developed in 2023, envisaging both theory and practical cyberattack simulations, so that trainees can practice deploying appropriate countermeasures.



Innovation

Innovation development is a key to sharpening NOVATEK's competitive edge and boosting its performance. For this very reason, since its establishment, the Company has been actively investing in building its own R&D infrastructure and constantly developing its research potential.

NOVATEK has built its own advanced R&D infrastructure to develop and deploy innovative technologies, which includes the Scientific and Technical Center (STC) and the Laboratory and Research Center (LRC), constituting an integral part of the STC. Its innovations include 32 registered patents; Arctic Cascade, the Company's proprietary natural gas liquefaction technology; new well drilling technologies; and AI tools. In addition to this, the Company runs the Innovator idea management system, enabling employees to put forward initiatives aimed at optimization, reducing costs, and introducing new work practices.

 Our cutting-edge R&D base was one of the tailwinds that helped the Company stay sustainable as external restrictions were imposed in 2022. Now that we are facing new challenges, primarily complicated supply chains and a lack of imported equipment, NOVATEK has significantly increased investments into the development of its own proprietary technologies.

Investment in R&D

In 2022, NOVATEK increased R&D investments three-fold to
RR 586 MILLION
(RR 183 million in 2021)

The growth is primarily attributed to the development of technologies for LNG equipment localization and efficiency gains. In 2023, investments into the development of the Company's own LNG technologies and into Russian technology solutions for low-carbon ammonia production will continue.

Innovation plays a key role in the energy transition. The benefits of innovation enables the Company to effectively extract energy resources with the lowest carbon footprint while ensuring they substitute out more carbon-intensive energy sources, but also to streamline its own carbon footprint management. In 2022, NOVATEK invested in the procurement and installation of solar panels and wind turbines. Moreover, at the beginning of 2023, the Company became a founding member of the Institute for Initiatives in Oil and Gas Technologies, which coordinates industry standardization and technology development efforts between major Russian oil and gas companies.



For more details, Chapter 3. [Climate Change, p. 60.](#)

Expansion of the Scientific and Technical Center

In May 2022, a Laboratory and Research Center was opened within the STC, which encompasses five laboratories designed to tackle comprehensive research with the use of cutting-edge technologies and equipment. Two laboratories will directly deal with security and environmental monitoring.



Key innovations of the Company in 2022

Field development

Technology	Effect achieved	Location
Multistage hydraulic fracturing followed by zero-emission flowback through a mobile flowback and well testing package removing all produced proppant	<ul style="list-style-type: none"> Utilization of gas that would otherwise be flared during long well flowback operations Lower CO₂ emissions 	Yamal Peninsula
An object-oriented approach to interpreting seismic data to determine the objectives of production well drilling	Hard-to-recover deposits have started to be developed, increasing hydrocarbon production	<ul style="list-style-type: none"> Yamal Peninsula Gydan Peninsula
Hydraulic fracturing using completion technology without openhole packers	Improved strength and reliability of multistage hydraulic fracturing wells	Yamal Peninsula
<ul style="list-style-type: none"> Core drilling at the Achimov deposits using a 90° core taking angle and 100% cuttings transport Multisensory spectral noise logging 	<ul style="list-style-type: none"> Streamlined well operation Improved predicted capability of calculations for multistage hydraulic fracturing wells 	Yamal Peninsula
The Unified Digital Platform to provide geological and technological support for drilling	Improved efficiency and increased reliability of drilling processes	<ul style="list-style-type: none"> Yamal Peninsula Gydan Peninsula
A new, modular SW-defined data storage system	<ul style="list-style-type: none"> More precise calculations in less time Increased ROI in well drilling 	OOO NOVATEK STC

LNG production

Technology	Effect achieved	Location
Arctic Cascade, an enhanced natural gas liquefaction technology	<ul style="list-style-type: none"> Increased productivity Higher technological reliability and efficiency 	Yamal Peninsula

Occupational health and safety

Technology	Effect achieved	Location
AIDrilling 1.0, an AI-enabled software solution	<ul style="list-style-type: none"> Lower load on monitoring teams Early warning of emergency risks Reduced risks threatening the production process and workforce 	OOO NOVATEK STC

Decarbonization and resource efficiency

Technology	Effect achieved	Location
Testing a multi-level methane leak detection system	Reduced risks related to the negative effects of methane leaks	<ul style="list-style-type: none"> Yurkharovskoye field West-Yaroyakhinskoye field
Recirculating water supply system	<ul style="list-style-type: none"> Efficient use of water resources Reuse of water in production processes 	Cryogas-Vysotsk project

HOBATOP

Innovator, the corporate idea management system

The Company has now deployed Innovator, our Corporate Idea Management System. The System acts as an automated engine, collecting and processing employees' business improvement and development suggestions.

Since 2017, when the system was launched, over two thousand ideas have been submitted by employees, with 313 implemented, generating a total economic benefit of

RR 5.9 BILLION

In 2022, the number of submitted ideas increased to 737 (718 in 2021).

Many of the implemented initiatives were aimed at improving production efficiency and streamlining technological processes. A total 15% of implemented ideas were related to sustainability, ranging from occupational safety, and mitigating environmental impacts to digitizing production processes.

Ideas implemented since the launch of Innovator

313 IDEAS

- 48 Sustainability-related
- 265 Other

Empowering employees to get involved in the business has two key benefits: not only are they better motivated, but they also enjoy better remuneration, with up to RR 1.6 million paid to those who come up with the most impactful initiatives, which were implemented and brought economic benefits. In addition to the financial incentives, the best innovators receive various corporate awards.

Patented inventions

As a leader in developing Russian LNG, the Company actively promotes and develops science, investing into R&D and registering its intellectual inventions.

In 2022, five patents were granted for inventions filed by PAO NOVATEK and NOVATEK STC.

The Company has in total 30 inventions and two utility models patented.

About 40% of all inventions are related to technologies ensuring enhanced LNG production efficiency. The rest of the developments are related to a broad range of chemical engineering processes. In addition, all technological innovations are aimed at ensuring a higher level of safety and continuity of production processes.

All in all, **21 INNOVATIONS** are already in full use at the Company's production facilities

The Company's patented inventions as of the end 2022

32 INVENTIONS

- 12 LNG production
- 20 Other



Green office

In December 2022, NOVATEK completed the multifunctional complex (MFC) construction project to house its new headquarters.



In terms of efficiency, environmental friendliness, and comfort, the Company's new headquarters are Class A and meet BREEAM's bronze level criteria.⁽¹⁾

INDOOR AIR QUALITY

99% of microbes in the air are removed using intake air purification units

In some areas **additional steam humidification** is used.

USE OF LAND AND ENVIRONMENTAL PROTECTION

- **Over four thousand trees** have been planted on the adjacent grounds
- The development of indoor green islands and the planting of more trees outside the building will greatly contribute to **improving the microclimate** of the area

This progressive approach enabled the Company to construct a building that surpasses the majority of office premises in Russia in terms of comfort, security, and environmental friendliness, but is prominent as a combination of architecture and art.

57 W PER SQUARE M specific energy consumption at the MFC thanks to up-to-date energy efficiency technologies

The ventilation plants are equipped with regenerative heat exchangers, allowing for outdoor fresh air to be heated with residual indoor heat, while all tubes are thermally insulated to prevent heat loss, which allows us to **significantly reduce energy and water consumption** and minimize our related environmental impact.

VISUAL COMFORT

The building interior is primarily light-colored with dominating laconic forms. Special attention is paid to insulating the internal area, which **helps building residents to stay alert and feel good**.



⁽¹⁾ BREEAM (BRE Environmental Assessment Method) is an international standard for evaluating the environmental friendliness and efficiency of buildings. Buildings are assessed against criteria including operational energy, water consumption and efficiency, accessibility to public transport, pollution, health (light, heat, air quality), etc. There are five levels of BREEAM certification: Outstanding, ≥ 85%; Excellent, 70%-84%; Very Good, 55%-69%; Good, 45%-54%; Pass, 30%-44%.

Supply Chain

The Company managed to ensure continuity of production and the implementation of its investment projects during the period of uncertainty in 2022, inter alia due to efficient management of all links in the value chain.



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

The diagram below shows the integration of various ESG-criteria into each stage of the procurement process.

The Company is guided by the following key procurement principles:

- equal treatment, non-discrimination, and respect for competition among bidders;
- information transparency;
- long-term relationships with key partners;
- support for local suppliers;
- localization of production and reduction of dependence on imported technologies; and
- promotion of responsible business practices among participants across the supply chain.

Aiming at the implementation of the highest ethical standards and open and fair business principles, PAO NOVATEK has in place the Supplier Code of Conduct. The Code sets forth the Company's expectations as to how its counterparties should act to observe the human rights and business ethics, safeguard occupational health and safety and environmental protection principles; and ensure employee relation best practices.

ESG criteria are integrated into all stages of the procurement process, from procurement planning to putting the inventory into operation. For instance, when specifying the process equipment procurement criteria, we also consider its environmental impact: energy and

resource efficiency, its service life and safety for operating personnel as well as environmental safety. When entering into contracts, we set out our expectations with counterparties and monitor how they are observed at various stages of the procurement process. The Company also pays attention to whether its suppliers observe the human rights requirements, inter alia preventing child and forced labor.

Procurement risks are identified, assessed, and reflected in the Company Risk Map. To reduce the impact of such risks, the Company defines remedial actions and monitors how they are implemented on a regular basis.



For more details, see Appendix 1.
[Key Sustainability Risks and Opportunities, p. 146.](#)

Procurement process



Procurement process						
ESG ELEMENT	1. REQUIREMENT PLANNING	2. SUPPLIER QUALIFICATION	3. SUPPLIER SELECTION	4. OBLIGATION MANAGEMENT	5. INCOMING INSPECTION AND ACCEPTANCE	6. CONTROL OF INVENTORY TRANSACTIONS
STAGE DESCRIPTION	Engaging with suppliers beyond procurement procedures at industry-specific forums/conferences	Carrying out bidder due diligence, involving analysis of documentation and data for compliance with the established requirements, including HSE	Selecting the principal supplier who succeeded in the qualification round, and confirmation of their engagement in the procurement procedure	Incorporating the key governing provisions into the structure of the contract between the parties	Selecting the functionality principles of devices and means ensuring safe inventory operation in line with occupational safety and health regulations	Ensuring that the equipment operation meets all criteria set out by the Company
INTEGRATION OF ESG CRITERIA	When specifying the process equipment procurement criteria, we consider its environmental impact: energy and resource efficiency, its service life and safety for operating personnel as well as environmental safety	Supplier qualification: <ul style="list-style-type: none"> • good standing (anti-corruption) due diligence • desk audit (analyzing documents against the HSE requirements) • accreditation audit (checking whether new suppliers actually match the information they provided for the desk audit) 	<ul style="list-style-type: none"> • Prioritizing local suppliers • Bidder signs the Supplier Code of Conduct, Code of Business Conduct and Ethics, Anti-Corruption Policy, and HSE Policy 	<ul style="list-style-type: none"> • An anti-corruption clause (a mandatory clause of supply contracts) • Appendices to supply contracts: <ul style="list-style-type: none"> - stipulating obligations to comply with environmental safety, fire safety, and occupational health requirements; and - setting out fines for non-compliance with environmental laws, fire safety regulations, occupational health requirements as well as the internal security and access control policies. • Appendix to R&D contracts: <ul style="list-style-type: none"> - PAO NOVATEK's HSE policy. • Mandatory agreements ensuring owners of hazardous production facilities with high ratings are liable⁽¹⁾ 	Verifying whether the item to be procured meets the established criteria, including the regulations of the Federal Environmental, Industrial, and Nuclear Supervision Service of Russia (Rostechnadzor) and other supervisory bodies, in terms of resource efficiency and safety for employees and the environment	Verifying whether the supplier observes the HSE requirements at the Company's production sites during start-up and commissioning works and installation supervision
SCHEDULED QUALIFICATION PROCESS	<ul style="list-style-type: none"> • studying the market of suppliers/manufacturers of inventory items and checking whether they have technical capabilities, technologies, and resource to manufacture/supply certain inventory items • auditing existing suppliers to check whether they meet the Company's requirements (audit is conducted once every three years against 17 ESG criteria) 					

Key supplier identification and supplier assessment for risk exposure

When evaluating suppliers for risk exposure, the Company considers a variety of factors, such as geographic location, size, sector, and supplier profile as well as its ability to ensure the supplied products will comply with the required characteristics.

Aiming to develop a competitive environment, NOVATEK constantly seeks to expand its supplier pool while regularly conducting market research and participating in industry-specific forums/conferences to attract new suppliers to bidding. Potential suppliers not meeting the respective supplier qualification criteria are given feedback to improve their production processes and take part in tenders to be held in the future.

A decision to invite suppliers to participate in procurement procedures is taken with due regard to their rating scores. Rating scores are calculated through an assessment of the supplier's performance under contracts that are already signed with the Company against defined and established criteria, such as the quality and term of developing detailed engineering design documentation, comments on quality as appraised at incoming inspections and on operation, as well as the general level of engagement with the supplier. Based on the appraisal results, a reliability level defined by the rating scale is assigned, ranging from A (high reliability level) to D (critical reliability level). The ESG criteria are considered in the rating structure indirectly: the Company, with all else being equal, gives priority to a supplier who has no or minimal negative environmental and social impacts.



In 2022, due to general economic uncertainty caused by external restrictions, the Company increased the volume of inventories bought from local suppliers and delivered from foreign counterparties under existing supply contracts to have the required stock of inventories and ensure business continuity while it restructured its supply chains.

Total procurement volume in 2022	Percentage of local sourcing
RR 891 BLN	71%

Supplier evaluation system and observing the rights of parties in the supply chain

The Company runs a rigorous qualification process to evaluate whether each counterparty has the required professional experience, competences, financial resilience, and business reputation, including whether they have ever violated environmental or labor laws, or standards of business ethics, or human rights.

Requirements for bidders and procured items are set to eliminate prejudice for or against any bidder while minimizing the risk of non-performance (improper performance) of the contract.

PAO NOVATEK favors open competitive tendering and conducts procurement through an electronic trading platform to ensure the transparency of procedures and the equal treatment

of bidders. During the procurement process all bidders get equal access to the documents stipulating the terms, procedure, and deadlines of the tender. They can also request any information they need in greater detail.



All bids are evaluated by a cross-functional team of experts who do not influence each other's opinion.

New suppliers screened against social and environmental criteria

In 2022, 100% of suppliers of the core process equipment passed the audit for compliance with environmental and social criteria as part of their qualification process. The new suppliers passed an audit vis-a-vis availability of waste treatment licenses, certificates of environmental registration, compliance of their occupational health system with the Company's requirements, and availability of relevant permits, licenses, certificates, and other documents confirming that the supplier complied with the established criteria.

Many of the new suppliers audited were for the Arctic LNG 2 project, where the Company managed to adhere to completion deadlines for the continued construction works by competently managing the supply chain despite the external restrictions and challenges encountered during the year.



**100%
OF SUPPLIERS**

of the core process equipment passed the audit for compliance with environmental and social criteria as part of their qualification process in 2022

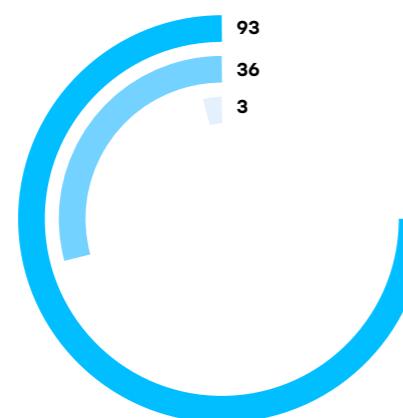
Quantitative results of supplier evaluation

Scheduled audit of suppliers for conformity with environmental and social criteria is conducted once every three years as part of recurring qualification audits. If a supplier fails the qualification audit but wishes to maintain relationships with the Company, it develops a corrective action plan, has it approved by NOVATEK, and implements it within a set timeframe, providing supporting documentation.

In 2022, the Company audited 93 existing and new suppliers. A total of 36 suppliers were found to have a negative impact, with most comments related to potential impact (expired licenses, opacity regarding improvement notices issued by regulators, etc.) rather than actual impact.

Evaluation of suppliers vis-a-vis environmental and social impact

suppliers



Although suppliers address discrepancies voluntarily, three of the suppliers who had a negative impact detected agreed with the Company on improvement measures, with the rest in the process of doing so as of the end of 2022. Until the discrepancies are addressed, the Company has the right to suspend cooperation with the supplier at its own discretion.

Supplier relations

NOVATEK places a strong emphasis on strategic collaboration with its suppliers and the building of mutually beneficial long-term relationships. The Company not only selects its suppliers and follows up on their performance of contractual obligations, but also fosters growth in its manufacturers and provides them with relevant technical support.

Industrial and Energy Forum

In September 2022, PAO NOVATEK held a Supplier's Day as part of the Industrial and Energy Forum in Tyumen. Experts told the audience about the Company's current and upcoming projects, its needs in equipment and materials, and explained the requirements set for suppliers. Furthermore, as part of the presentation, they highlighted matters relating to supporting Russian entities and import substitution.

Institute of Oil and Gas Technology Initiatives



In early 2023, the Board of Directors of NOVATEK decided to join the Institute of Oil and Gas Technology Initiatives (INTI) as a founding member. INTI brings together Russian oil and gas industry companies who are spearheading the creation of a local industry-specific standardization system that would allow the single industry-specific standards to be established for equipment and technologies, a single industry-specific base of tried and trusted suppliers be drafted, and for efforts on import substitution to be implemented across the industry. As a member of INTI, NOVATEK has put forward an initiative to establish and lead an LNG Committee, which can shape technical policy and standardize the rules and regulations for designing LNG projects and developing LNG-related facilities.

Support for Russian manufacturers

NOVATEK is consistent in pursuing its import substitution policy regarding critical foreign technologies and equipment to ensure the technological independence of its projects. In particular, we:

- invest in setting up our own LNG production and related technologies and capacities to manufacture liquefaction trains;
- allocate funds to promote R&D activities among Russian manufacturers to operationalize the production of competitive equipment and materials for LNG-projects;
- have developed a mechanism that guarantees that orders are placed with Russian manufacturers who offer innovative products for promising LNG projects on agreed commercial terms and conditions (tentative contracts); and
- proactively work with federal executive authorities and contribute to the efforts of cross-functional working groups to localize the production of technologies and equipment in Russia, including through the government support mechanisms.

Import substitution of natural gas liquefaction equipment

In 2022, as part of import substitution efforts for unique equipment, comprehensive bench tests of a prototype large-capacity LNG cargo pump were successfully completed.

The tests were conducted in line with a program developed in partnership with a leading international oils and gas EPC contractor. The pump was fully dismantled and disassembled between the test stages to examine each element of the equipment. The tests were carried out in St. Petersburg at a test bench that is completely unique in Europe. It was specially constructed to examine cryogenic equipment manufacturing technology for the LNG industry.

During the first half of 2023, an order for a batch of Russian large capacity pumps was placed for the Arctic LNG 2 project.



3 Climate Change

Fueling a Low-carbon Future Today

2022 HIGHLIGHTS

RR 279^{↗24%}

MILLION

the volume of investments in renewable energy in 2022

625

THOUSAND TONS OF CO₂ EQUIVALENT

the volume of reduction of direct greenhouse gas emissions⁽ⁱ⁾

23,206

THOUSAND KWH

energy consumption from renewables in 2022 (209 thousand kwh in 2021)

KEY EVENTS

- Tests of a system for monitoring methane leaks using unmanned aerial vehicles have been carried out
- A methodology was developed to quantify greenhouse gas emissions associated with the delivery of LNG cargoes
- The Company began to purchase renewable energy for Cryogas-Vysotsk

CONTRIBUTION TO THE UN SDGs

Priority UN SDGs



For more details on the priority SDGs, the Company's goals and progress on p. 22.

PLANS FOR 2023 AND THE MEDIUM TERM

- Continue increasing energy efficiency and APG utilization
- Increase renewable energy procurement
- Develop the Company's own LNG and low carbon (blue) ammonia manufacturing technologies

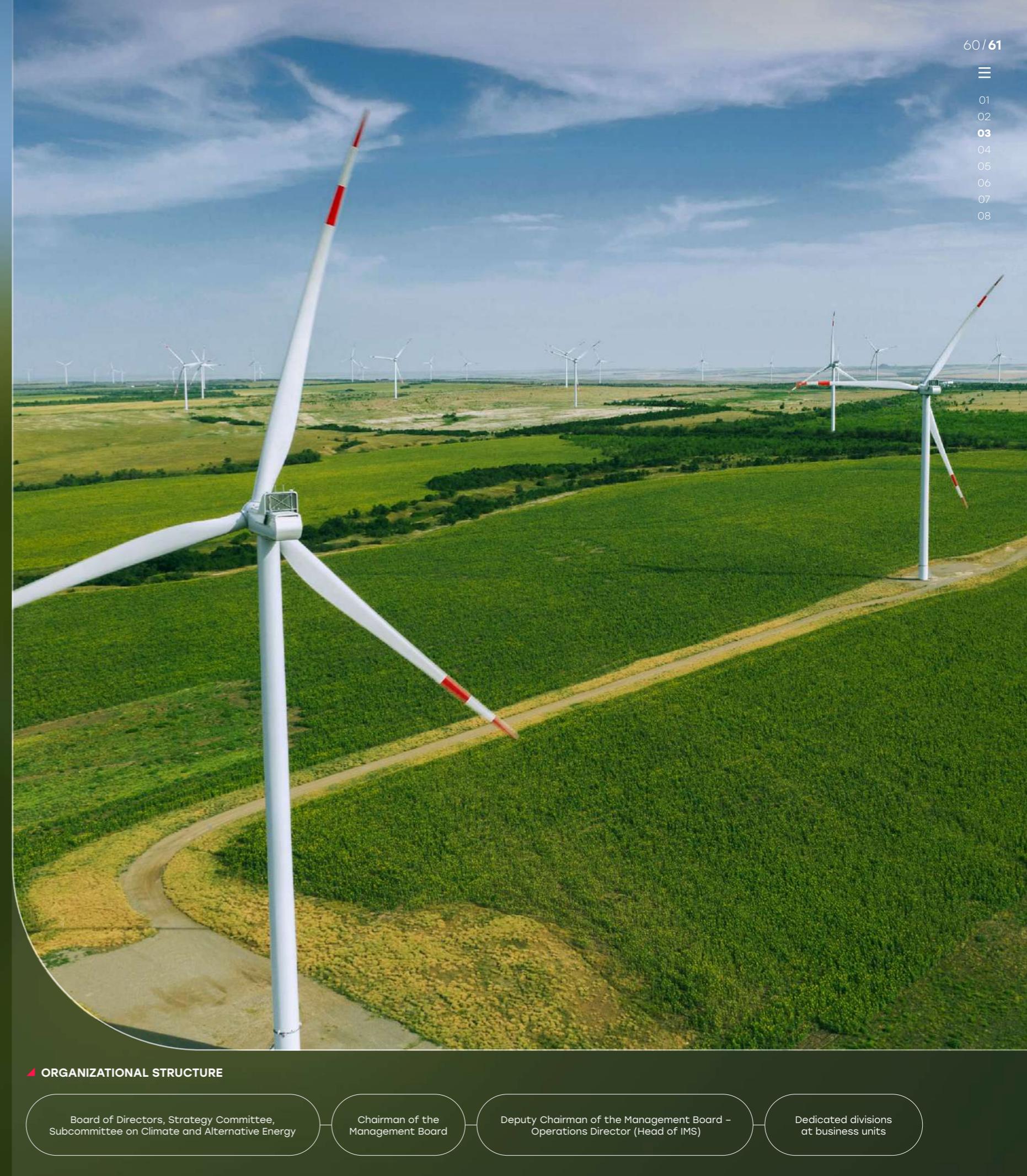
WE ARE GUIDED BY

External documents:

- UN GC
- United Nations Framework Convention on Climate Change
- Methane Guiding Principles
- Strategy of Socio-Economic Development of the Russian Federation with a Low Level of Greenhouse Gas Emissions until 2050

Corporate documents:

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



ORGANIZATIONAL STRUCTURE

Board of Directors, Strategy Committee, Subcommittee on Climate and Alternative Energy

Chairman of the Management Board

Deputy Chairman of the Management Board – Operations Director (Head of IMS)

Dedicated divisions at business units



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Global Climate Action Agenda

The past eight years proved to be the warmest on record,⁽¹⁾ which renders the climate action agenda more urgent than ever. According to the reports of the World Economic Forum, climate change risks, risks related to the increased number of extreme weather events, large-scale environmental incidents, and risks of missing international climate targets continue to be ranked among the world's top risks.

International climate action agenda

As climate change continues, humanity faces an ambitious challenge: to radically cut GHG emissions, while ensuring the development of the global economy and satisfying the needs of developing economies.

The Paris Agreement member states constantly build up their efforts to curb climate change, aiming at achieving net zero carbon and accelerating the energy transition.⁽²⁾ As of the beginning of 2023, 130 countries, representing 88% of GHG global emissions, set themselves such goals.⁽³⁾

The European Union (EU) aims to be net zero by 2050, while China and India have committed to the same goal by 2060 and 2070, respectively.

However, despite the measures taken in 2022, global GHG emissions increased to record-breaking values on the back of a change in the energy mix. During the global energy crisis⁽⁴⁾ the consumption of more accessible but carbon-intensive fuels such as coal has significantly increased.

CLIMATE ACTION AGENDA IN RUSSIA

Despite external challenges and geopolitical instability in 2022, Russia maintained its focus on achieving net zero by 2060. The relevant regulatory framework and practices are steadily being developed. In particular, in 2022, an experiment aimed at accelerating efforts to achieve carbon neutrality was launched in the Sakhalin Region. In addition, the Register of Carbon Units has been established in Russia, with the first units related to climate projects already registered (e.g., the project to convert Vladivostok CHPP-2 from coal to gas).

In the Yamal-Nenets Autonomous Region, where the Company carries out its core operations, climate change issues are also top of mind. Local researchers and their Moscow colleagues have

assessed potential climate change consequences for the region and worked out a number of measures to mitigate the impact. Such measures include the development of the construction standard for the Yamal-Nenets Autonomous Region, which pays due regard to climate change, as well as the creation of a climate change monitoring system and a system to forecast climate change impact on the ecosystem.

Climate change not only fuels the growth of risks, but also creates opportunities. For instance, year-round use of the Northern Sea Route is of special importance for Russia, and its development would facilitate enhanced energy security across South-East Asian countries.





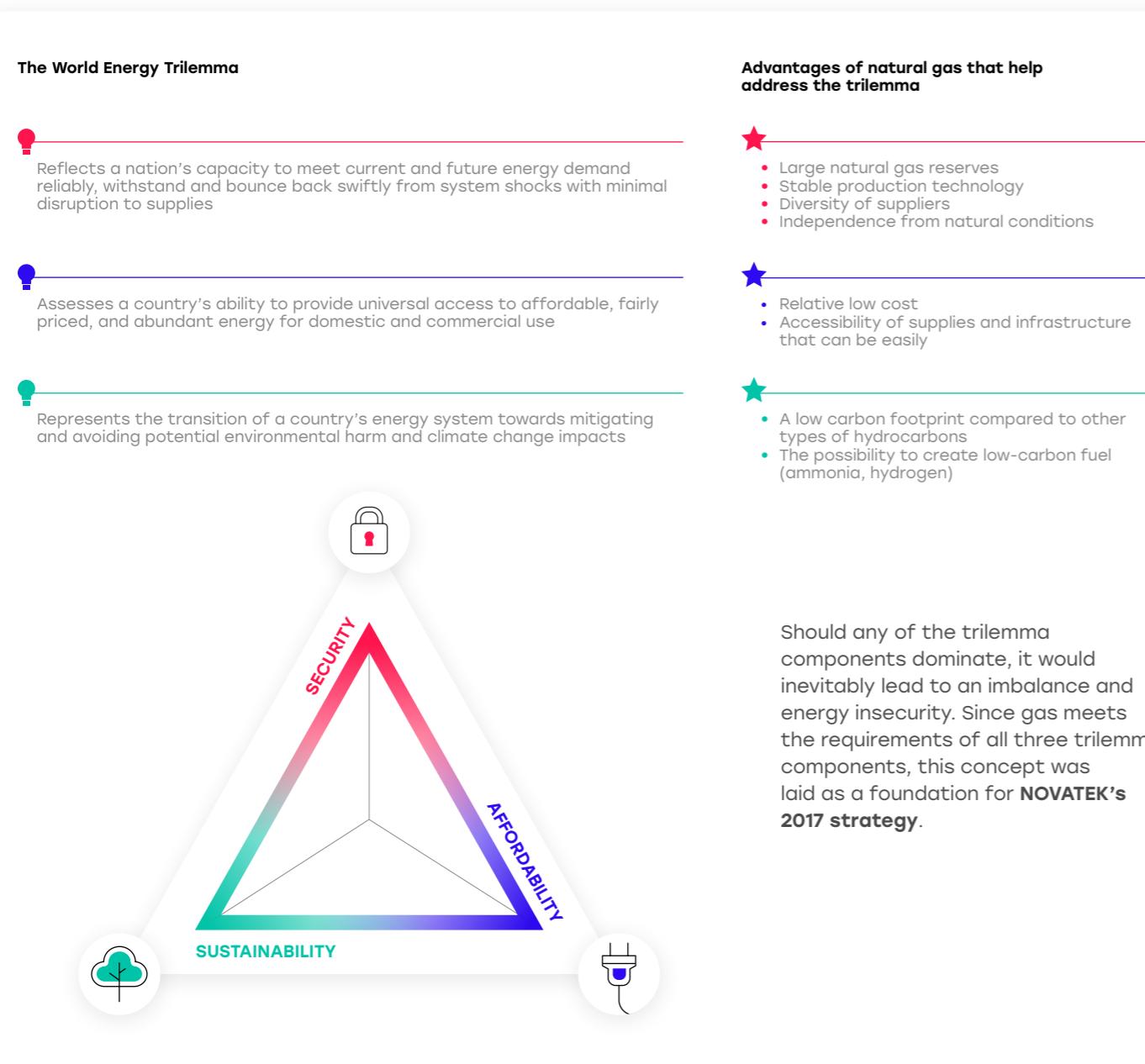
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Energy Transition

Energy transition and the role of gas

A sustainable energy transition toward carbon neutrality is achievable, provided the energy used is altogether clean, ensuring power with reduced emissions, that is accessible and safe and permanently fulfilling the basic needs of society.

The role of natural gas in the World Energy Trilemma⁽¹⁾



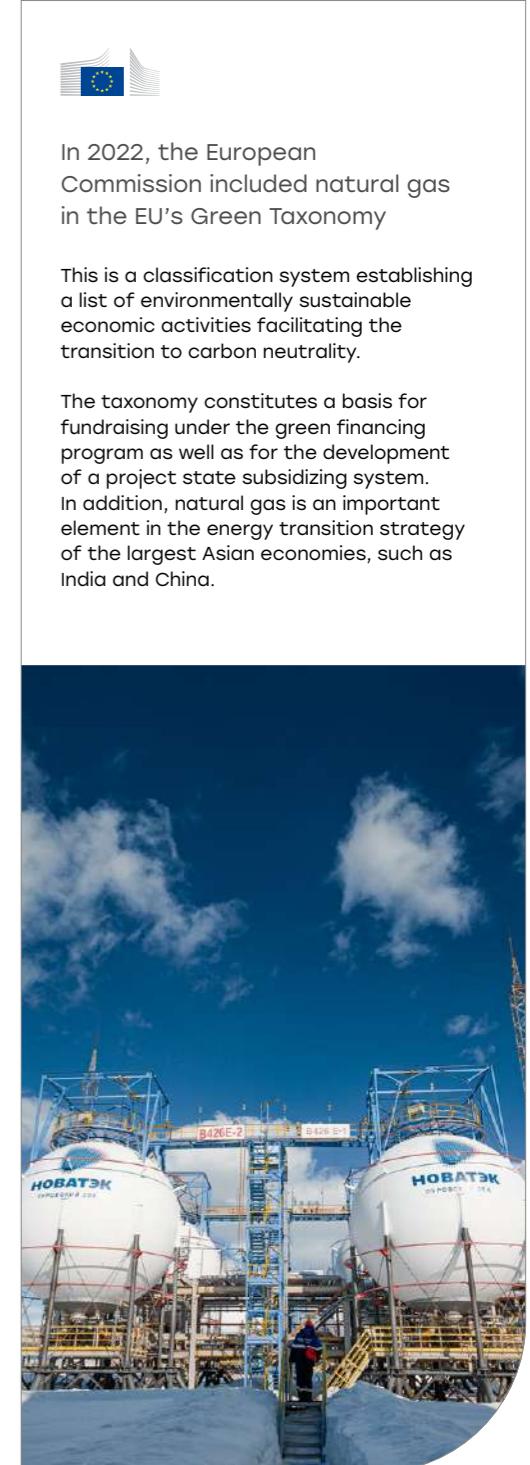
In 2021, amid a rapid bounce back of economy, demand spiked, causing energy prices to skyrocket. In 2022, the situation was aggravated by external restrictions. Furthermore, some regions experienced weather conditions unsuitable for renewable energy generation (lower wind speed and low river flow), which led to a reduced volume of energy produced from renewables.

The most vulnerable turned out to be developing economies, where, in 2022, the number of people without access to electricity reached its highest since records began: 775 million.⁽²⁾

The shortage in energy resources sparked an uptick in the use of coal, the most accessible but least eco-friendly fuel. In 2022, consumption of coal, the largest source of carbon emissions, broke its all-time high, surpassing 8 billion tons. The total CO₂ emissions from electricity generation reached a peak of 36.8 billion tons in 2022, 42% of which was produced using coal. Coal consumption is expected to grow up to 2025.

The current energy and carbon crisis demonstrated that a sustainable energy transition is not possible without a diversified energy mix.

Though renewable energy is getting increasingly popular, its development is restricted due to several limitations,⁽³⁾ including cost, infrastructure complexity, and weather dependence. In such circumstances, natural gas, which has the lowest carbon intensity⁽⁴⁾ among all fossil fuels and is more accessible and reliable than renewable energy sources, is an inseparable part of the energy transition program by ensuring energy security.



⁽¹⁾ World Energy Trilemma Index 2022 // World Energy Council.

⁽²⁾ For the First Time in Decades, the Number of People without Access to Electricity Is Set to Increase in 2022 // IEA.

⁽³⁾ Advantages and Challenges of Wind Energy // US Department of Energy.

⁽⁴⁾ Carbon Dioxide Emissions Coefficients by Fuel // Energy Information Agency.



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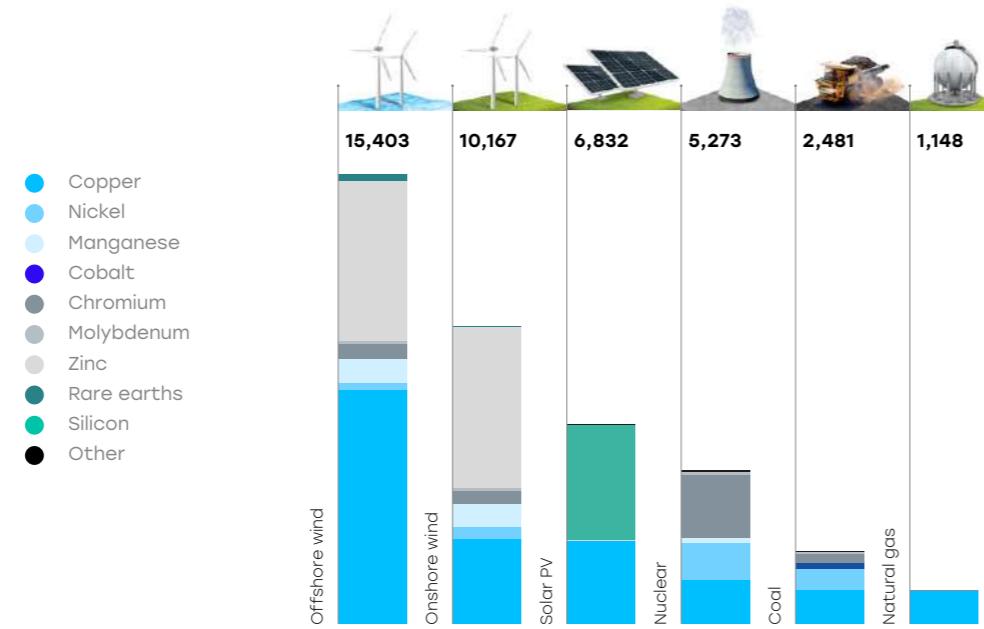
Supplies both via pipeline transport and in tankers as LNG to any part of the world make natural gas one of the most accessible energy resources.

The Asia-Pacific countries are expected to account for 30% of the global demand for natural gas by 2050. This will allow the region to maintain its position as the leading LNG importer.⁽¹⁾

Apart from its mitigation of climate impact, the use of gas contributes to a reduction in environmental footprint, as its production is relatively clean. The production cycle does not include any critical minerals,⁽²⁾ the mining, production, and utilization of which are frequently related to damages to the environment.

Use of critical minerals in energy generation in 2022

kg per MW⁽²⁾



⁽¹⁾ Global gas forecast to 2050 // Forum of Gas Exporting Countries.
⁽²⁾ The Role of Critical Minerals in Clean Energy Transitions // IEA.

The role of NOVATEK in the energy transition

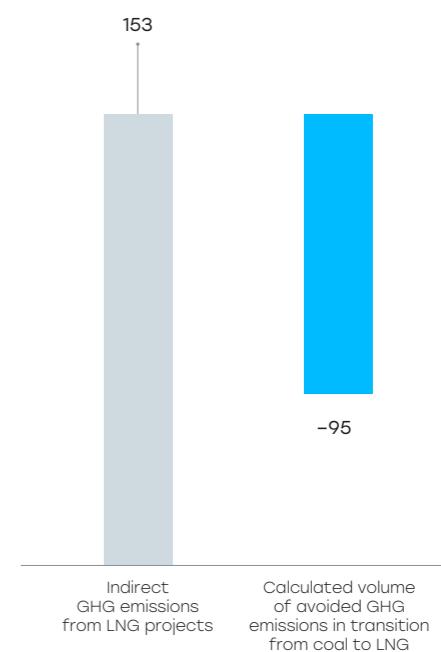
NOVATEK, as one of the world largest suppliers of natural gas and LNG, contributes meaningfully to the energy transition.

The Company not only continuously increases its own energy efficiency, but also provides its consumers with natural gas that has record-breaking low carbon intensity when compared to industry average values, which facilitates a lower climate impact throughout the value chain.

By 2030, the Company plans to produce up to 57–70 million tons of LNG per year (accounting for a 100% share), which would allow our consumers to avoid 95–117 million tons of CO₂ emissions per year in their transition from coal to gas.⁽³⁾

Indirect GHG emissions (Scope 3) from scheduled LNG projects (57 million tons in 2030)

million tons of CO₂ equivalent



For more details on the Company's work to combat climate change, see the [next section](#) and the [Key Solutions for Boosting Carbon Efficiency](#) section, p. 80.

For more details on the value chain, see the [Business Model](#) section, p. 14.

⁽³⁾ The avoided GHG emissions were calculated by comparing GHG emissions produced by LNG and coal firing with due regard to their calorific capacity in TJ and considering the relevant emission factors applied by the Intergovernmental Panel on Climate Change (IPCC).



Management Approach

With climate change we need to be sustainable and forward-thinking, being fully aware of increasing risks and emerging opportunities. This means improving innovations and higher production efficiency aiming at minimizing greenhouse gas emissions with a simultaneous assessment of climate change impacts.

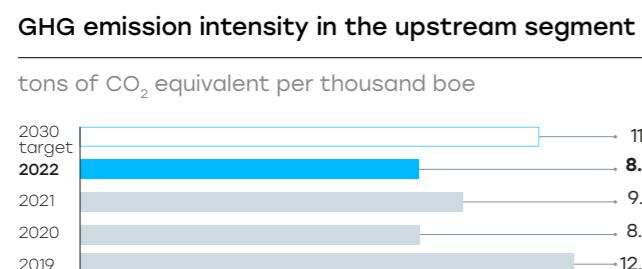
The Company has fully embraced the Paris Climate Agreement, which has been ratified by the Russian Federation, and makes every effort to curb GHG emissions.

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

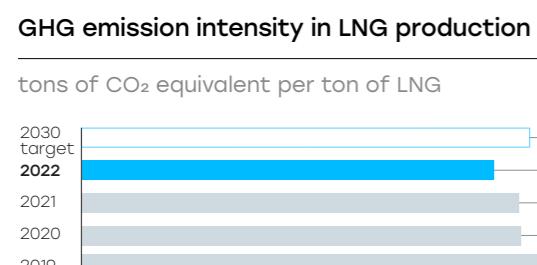
Climate change targets

In 2022, the Company suggested several measures aimed at achieving the approved climate change and environmental targets for the period up to 2030. The targets were set with due regard to the need to hold the increase in the global temperature to well below 2 °C (the so-called 2 °C scenario). 2019 was adopted as the baseline year.

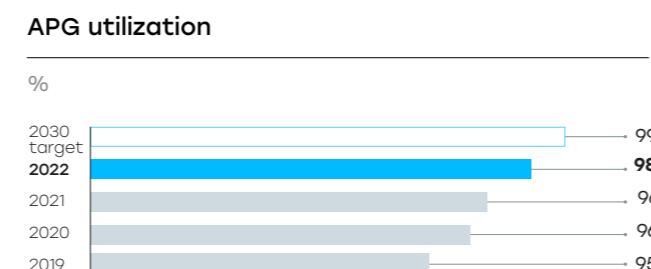
Reduce GHG emission intensity in the upstream segment by 6% by 2030



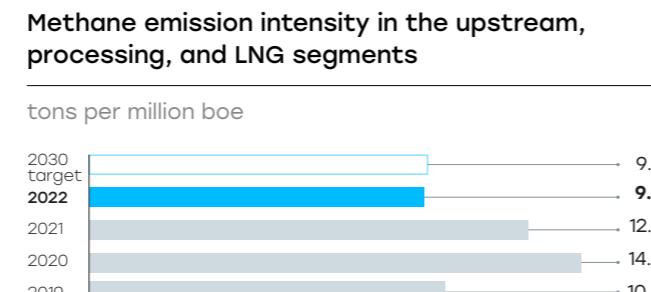
Reduce GHG emission intensity in LNG production by 5% by 2030



Increase the APG utilization rate to 99% by 2030



Reduce methane emission intensity in the upstream, processing, and LNG segments by 4%



To achieve its climate change and environmental targets, the Company is implementing a comprehensive program. In 2022, the program focused on atmospheric air protection.



For more details, see the [Emissions section, p. 100](#).

Climate change management

Climate change topics are monitored at the level of the Board of Directors and its committees. Since 2021, the Subcommittee on Climate and Alternative Energy functions within the Board of Directors' Strategy Committee.

Given the external uncertainty and restrictions in 2022, the focus of the subcommittee was on the first priority goals, such as to achieve the set climate change and environmental targets, to develop wind energy and CO₂ capture and underground storage projects on the Yamal Peninsula.



- At the **operational level**, the Deputy Chairman of the Management Board – Director for Prospective Projects oversees 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.
- Matters related to the **implementation of the Company's climate agenda** are included in the senior management's incentive system and set out in relevant KPIs.



For more details, see Chapter 2. [Sustainability Management, p. 30](#).

Introduction of internal carbon pricing

To assess the risks of carbon regulation on economic indicators of investment projects, the Company introduced internal carbon pricing in 2022. Relevant changes were introduced in the Procedure Rules for the drafting, agreement, approval, monitoring, and updating of PAO NOVATEK's investment projects.

Such an approach adheres to an industry **best practice** and captures the effect of setting the costs of GHG emissions when investment decisions are made, while stimulating investments into low-carbon alternatives and improving GHG emission management.

In setting its carbon price, NOVATEK uses a differential approach:

- in respect of projects envisaging sales of products in the domestic market: **10 USD per ton of CO₂**. The benchmark for pricing is set by Resolution of the Russian Government No. 1441, dated 18 August 2022;
- in respect of export-oriented projects: **40 USD per ton of CO₂**. This price was determined based on the assessed cost of implementing measures aimed at reducing GHG emissions and industry practices.

To evaluate the resilience of investment projects against carbon regulatory factors, we conduct an analysis of sensitivity to internal carbon price changes. Vented GHG emissions (direct and energy indirect GHG emissions, Scope 1 and 2) are considered during the evaluation. In the reporting year, the Investment Committee of the Company considered several projects where the internal carbon pricing was considered for the purposes of economic efficiency analysis.



The analysis found that projects were highly resilient to internal carbon pricing.





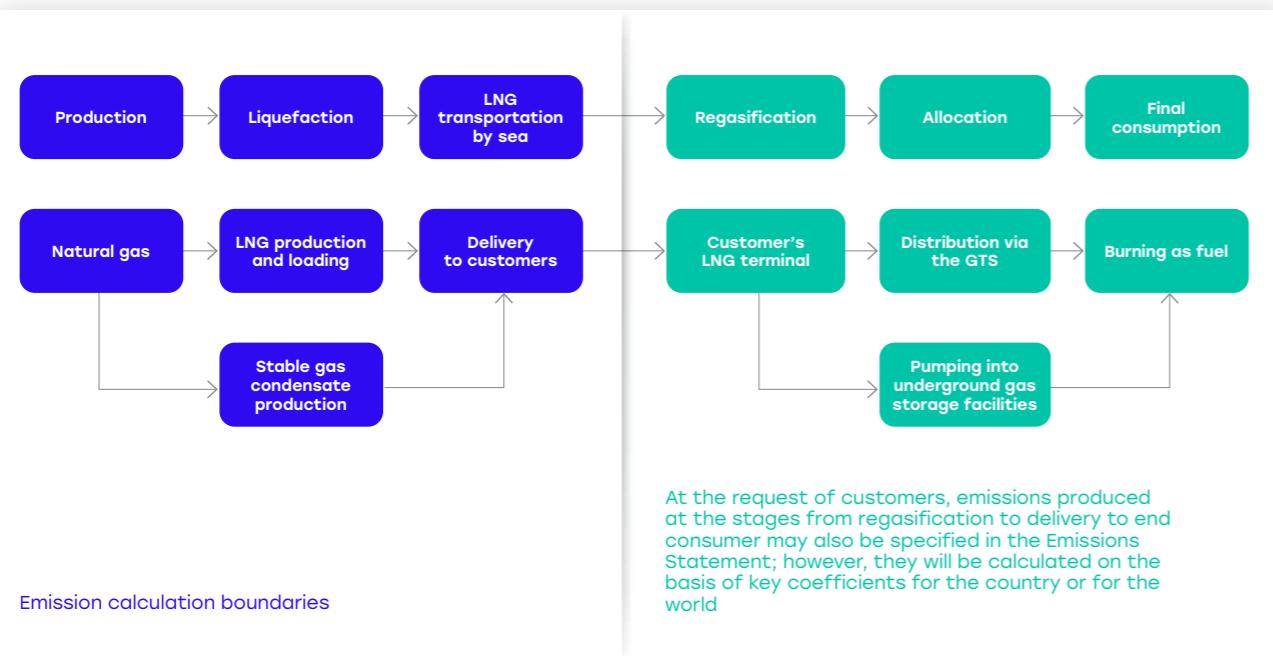
Calculation methodology for GHG footprint from LNG cargoes at Yamal LNG

In 2022, the Company completed the development of Guidelines on Quantification of GHG Emissions by OAO Yamal LNG, its own methodology for calculating GHG emissions at all stages of the LNG production life cycle at the Yamal LNG project to confirm the GHG footprint of each LNG cargo for its consumers, thus becoming one of the first companies in Russia that provides its customers

with complete information based on data from the entire production cycle. The methodology enables customers purchasing LNG from the Company to determine the carbon footprint of their activities with a higher precision.

The Guidelines were developed using generally accepted international standards.⁽¹⁾

Stages of the LNG value chain life cycle



In 2023, the Guidelines are going to be validated by an independent accredited organization, which will enable Yamal LNG to supply LNG with GHG emissions statements for each cargo. In addition, in 2023, the Company is also going to start developing a similar methodology for the Cryogas-Vysotsk project.

⁽¹⁾ ISO 14064 and ISO 14067, the Greenhouse Gas Protocol (GHG Protocol), and a framework document released by GIGNL to calculate the GHG footprint and LNG carbon neutrality (MRV & GHG Neutral LNG Framework).

Cooperation on decarbonization

Climate change is a global problem that can only be solved through coordinated efforts of the entire industry community.

The Company understands the advantages of active partnership, including, among other issues, the possibility to communicate its view on climate change-related challenges, exchange experience, and engage in joint efforts with its partners to achieve common goals.

Efficient partnerships in fighting against climate change allow the Company to actively build cooperation with organizations that share its views and whose activities, in one way or other, are aimed at promoting decarbonization and tackling climate change. In 2022, new agreements were signed with:



PJSC Gazprom Neft to produce low-carbon products from natural gas with carbon dioxide capture and storage in underground facilities; and



ROSATOM to supply energy from low-carbon sources (renewables and nuclear) for our production facilities and to develop wind energy in the challenging Arctic environment, deploy ROSATOM's engineering solutions across LNG, low-carbon hydrogen, and ammonia production processes as well as in electricity generation and storage.



NOVATEK's key areas of cooperation on decarbonization

Carbon dioxide management, utilization, and storage; low-carbon ammonia and hydrogen production



Development of requirements, standards, and engineering solutions for hydrogen and ammonia fuel production, transportation, and usage



Renewable energy sources



Participation in the Methane Guiding Principles (MGP) global initiative

Since 2020, NOVATEK has been a signatory to the Methane Guiding Principles (MGP), an international industry partnership.

The membership provides access to best practices, interactive tools, and expertise of other participants, enabling us to integrate them into our operations.

As a signatory, the Company assumed a number of commitments, such as:

- reduce methane emissions;
- champion a strong performance across gas value chains;
- improve the accuracy of methane emissions data; and
- promote a reasonable policy and rules with respect of methane emissions.

Currently, the Company focuses its efforts on testing methane leaks and enhancing reporting quality and data accuracy.



For more details, see the [Key Solutions for Boosting Carbon Efficiency](#) section, p. 80.

Engaging with the Government

During 2022, the Company actively participated in the work of the Interdepartmental Working Group for Hydrogen Energy Development in the Russian Federation and the Expert Council for Sustainable Development at the Russian Ministry of Economic Development.

As one of co-initiators of the Comprehensive National Program for Development of Low Carbon Hydrogen Energy in the Russian Federation, NOVATEK presented multiple suggestions to the program developers and took an active part in the discussion and expert review of the draft program within the Interdepartmental Working Group.

As a result, a **2030 Development Roadmap for the High-Tech Hydrogen Energy Sector, reflecting NOVATEK's position, has been worked out and approved**.



Among other things, the Company is considering registering its environmental initiatives as climate change-related projects in the Russian Register of Carbon Units. Right now, our projects are being assessed ready to be added to the register.

Climate-related risks and opportunities

In accordance with the TCFD⁽¹⁾ recommendations, the Company carries out analysis and considers the impact of climate-related risks and opportunities on its business activities.

For each risk, there are measures in place to prevent or reduce its potential negative impact. The risks are monitored on an ongoing basis.



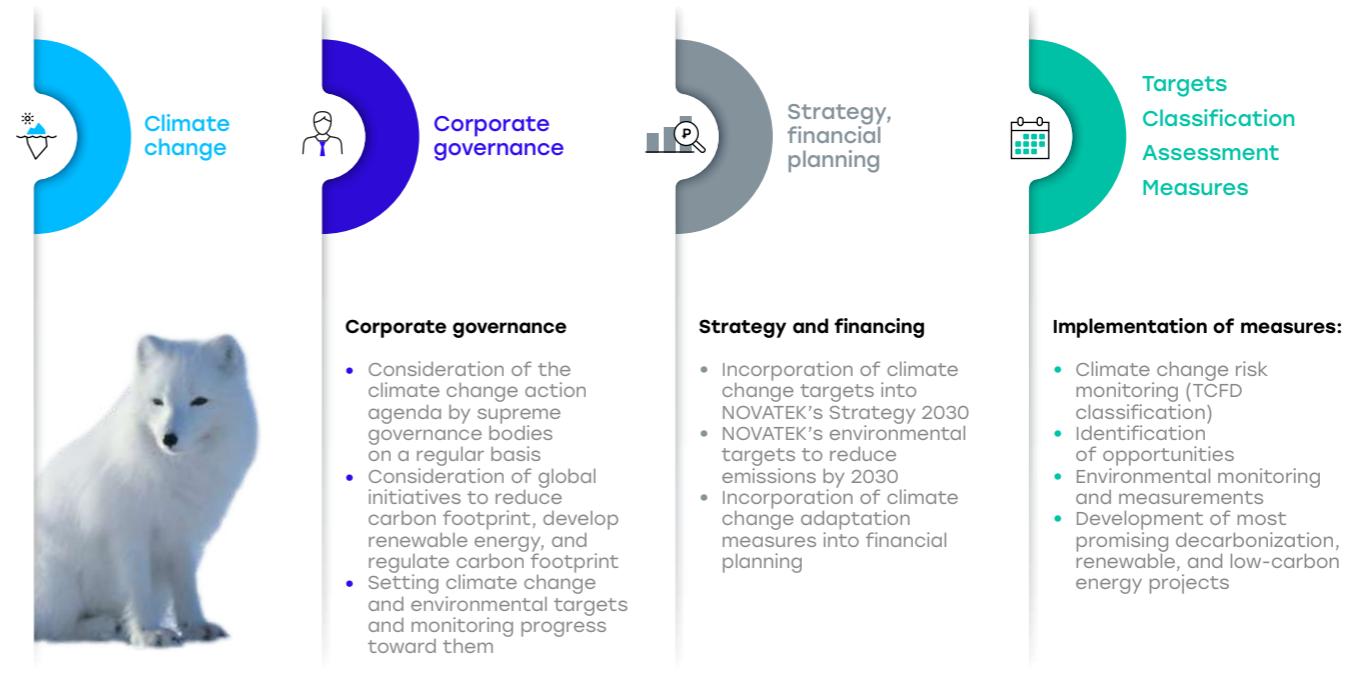
For more details, see the [Sustainability Management System](#) section, p. 32.

The Company's Risk Map includes several climate-related risks, such as the risks of incurring additional costs to ensure the durability of buildings and structures amid changes in the climate and aggravating geological hazards.

To ensure more complete and accurate reflection of climate change risks in the Company's Risk Map, in 2022:

- structuring and categorization were improved in line with the TCFD classification (physical risks and transition risks);
- risk assessments were updated to reflect climate change forecasts for the Arctic zone for 2023–2025;
- action plans to mitigate risks to the Company's operations and projects were developed; and
- the Company continued to research the influence of global and Russian initiatives to mitigate the anthropogenic impact on climate and reduce the GHG footprint of the Company's operations.

Management of NOVATEK's Climate Risks and Opportunities





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Climate-related risk assessment

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.

Transition risks

Laws and regulations

Risks	Measures
<ul style="list-style-type: none"> Higher costs due to new/tighter carbon regulations in Russia or globally New regulatory requirements for business activities and reporting 	<ul style="list-style-type: none"> Analysis of global and Russian initiatives to reduce the impact of human activities on the climate, including analysis of the results of experimental carbon regulation in the Sakhalin Region Consideration of internal carbon pricing in the assessment of the Company's investment project efficiency Consideration of requirements of Russian laws, stock exchanges, and other regulators regarding business activities and climate reporting

Technology

Risks	Measures
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Development and implementation of technologies to reduce GHG emissions (cogeneration, CCUS, ground flaring, and APG utilization) Investments into R&D, including into alternative energy solutions (such as hydrogen, ammonia, etc.) Expansion of use of renewables for the Company's own needs Support for government initiatives and expansion of the Company's own NGV station networks

Market

Risks	Measures
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

Risks	Measures
<ul style="list-style-type: none"> Changes in consumer preferences regarding the Company's products Investment losses due to the stigma associated with upstream operations and the use of non-renewable energy Withdrawal of key stakeholders (such as banks, investors, stock exchanges, etc.) 	<ul style="list-style-type: none"> Integrating the market situation into the Company's strategy and environmental targets to 2030 Developing short-term and long-term sales strategies on the basis of market forecasts and consumer preferences, with due regard to changes in supply destinations Integrating climate-related risks into the Company's investment projects and day-to-day operations



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

Physical risks

Short-term climate change

Risks	Measures
Extreme/abnormal weather and as a consequence:	<ul style="list-style-type: none"> Online monitoring of the impact of climatic conditions 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 Integrating climate-related risks into the Company's investment projects and day-to-day operations
disruption or suspension of delivery schedules for raw materials, equipment, or finished products	

Long-term climate change

Risks	Measures
<ul style="list-style-type: none"> Permafrost thawing and as a consequence: <ul style="list-style-type: none"> 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 premiums 	<ul style="list-style-type: none"> Integrating climate-related risks in the design and construction of production facilities and infrastructure Assessing the impact of long-term climate change on the Company's operations. Modelling independent or compounded impacts of changes in the external environment and assessing the impact on the Company's operational and financial activities of: <ul style="list-style-type: none"> 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



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Permafrost related risks

With most the Company's industrial sites located in the Russian Arctic, the front-end engineering, design, construction, and operation of buildings and facilities are performed with a particular focus on researching, evaluating, forecasting, and monitoring the permafrost and cryogenic processes.

With the geotechnical monitoring system, the Company is capable of detecting changes in climate processes at incipient stages, determining the type and intensity of admissible anthropogenic loads on the environment, ensuring engineering facilities are sufficiently reliable and safe, and optimizing financial costs. Information regarding the condition of, and changes in, the natural environment gathered over the course of the monitoring allows for preventive measures to be taken to exclude/mitigate negative impacts.

Project-specific solutions implemented by the Company incorporate physical risks associated with climate change, which are revealed with due regard to climate change scenarios, such as:

- a potential rise in temperatures by up to 4 °C; and
- an associated rise in the upper soil temperature up to 2 °C.

Potential risks to gravity-based structure foundations related to climate change are identified and analyzed as part of Hazard Identification (HAZID) and Environmental Impact Identification (ENVID) procedures. Based on an analysis of global warming scenarios, design solutions incorporate a significant safety margin. In addition to 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 anthropogenic disasters, such as strong winds, snowfalls, extremely low temperatures, fires, etc.

Should any deviations from the reference metrics be found, the collected data are analyzed and, if required, additional research is conducted, with measures to stabilize the geotechnical system worked out and implemented.



The Company conducts physical checks of buildings and facilities located in permafrost soil areas to check their condition on an annual basis. For example, at the South-Tambeyskoye gas condensate field alone, over 5 thousand temperature measurement wells, 34 thousand heat pipes, and 24 thousand structure monitoring points at different facilities were checked over the reporting year.



The opportunities of climate change

Global warming and the world sea level rise, along with physical risks, offer many opportunities for the Company. The Company identified and analyzed these opportunities for the first time in 2022.

The key climate change-related opportunities include:



Expansion of navigation along the Northern Sea Route

Global warming leads to a gradual extension of the navigation periods in the Arctic zone. Round-the-year logistics along the Northern Sea Route would allow the Company to deliver cargoes to European and Asia-Pacific countries via the shortest route, which is a competitive edge



Studying and producing new low-carbon energy products

As part of its support of global initiatives to reduce anthropogenic impacts on climate, the Company develops its own decarbonization and low-carbon product projects to diversify its product mix and safeguard future sustainability



For more details on the key opportunities and measures to support their implementation, see Appendix 1. [Key Sustainability Risks and Opportunities p. 146](#).



Developing decarbonization and renewable energy projects

There is technical potential for further implementation of decarbonization projects to further reduce the GHG footprint of the Company's own products and provide decarbonization services to other stakeholders

MEASURES TO SUPPORT THE IMPLEMENTATION OF OPPORTUNITIES

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Organization of control and monitoring of air temperature, water level in the Northern Sea Route, permafrost, and ice conditions • Further implementation of the Company's program to expand the navigation window in the eastern sector of the Northern Sea Route • Constructing LNG transshipment terminals in Murmansk and on the Kamchatka Peninsula • Entering into long-term agreements with shipping companies to provide the necessary ice breaker assistance for ships on the Northern Sea Route | <ul style="list-style-type: none"> • The Company's own R&D efforts to produce ammonia/hydrogen • Designing low-carbon blue ammonia production facilities • Expanding markets for low-carbon products, entering into long-term agreements with prospective customers | <ul style="list-style-type: none"> • Development and implementation of technologies enabling CO₂ capture, injection, and storage in geological formations • Participation in the carbon market (as an issuer) • Use of cogeneration technologies for heat generation • Increase in the APG utilization rate • Expanding the use of renewables at the Company's major facilities |
|--|--|---|

GHG emissions management

The Company operates a comprehensive Environmental Management System, including the GHG Emissions Management System, which was 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⁾

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).

As part of the system, NOVATEK approved a standard that sets **out basic principles and requirements for implementing its 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; and
- 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.



⁽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.



Shaping a World of Trust

In 2022, Bureau Veritas Certification Rus, an independent auditor, confirmed NOVATEK's GHG Emissions Management System was compliant 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.



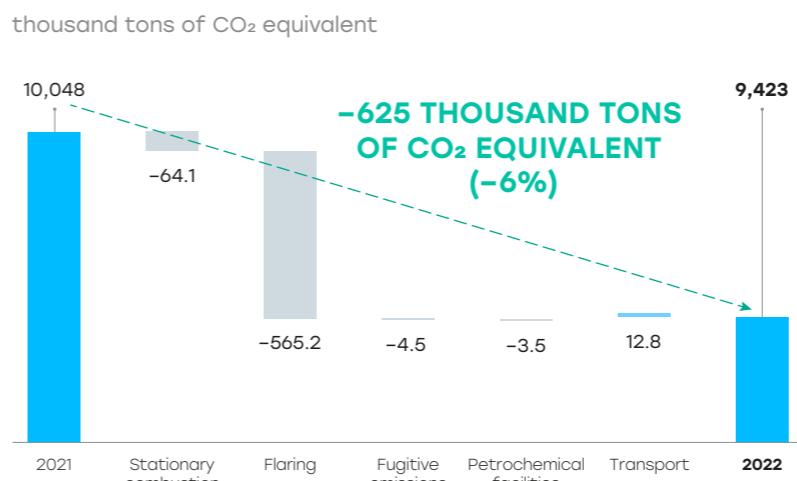
Since 2008, NOVATEK has been annually disclosing information on GHG emissions and energy efficiency in line with the recommendations of the global Carbon Disclosure Project (CDP) initiative.

The volumes of emissions are also verified annually by an independent auditor. In the first half of 2023, an audit of emissions data for each scope in 2022 was completed, and a "Reasonable" level of assurance was obtained from the independent auditor Bureau Veritas Certification Rus.

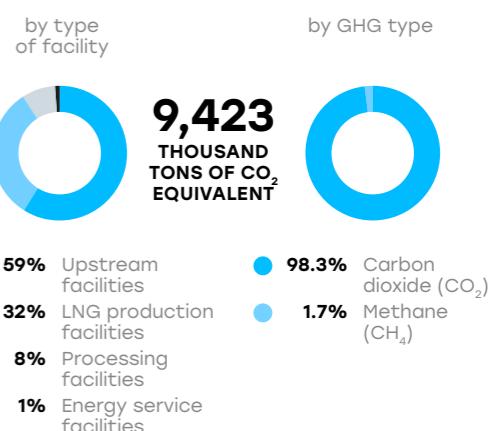
GHG emissions

In 2022, direct GHG emissions (Scope 1) totaled 9,423 thousand tons of CO₂ equivalent (10,048 thousand tons of CO₂ equivalent in 2021). The measures the Company is implementing⁽¹⁾, resulted in a 6% decrease in year-on-year direct GHG emissions in 2022. Reduced flaring was the key driver behind this decrease.

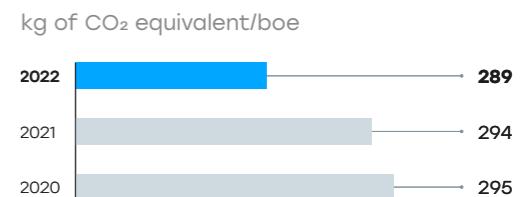
Direct GHG emissions (Scope 1) in 2022



Breakdown of direct GHG emissions (Scope 1) in 2022



GHG intensity ratio



Total GHG emissions

thousand tons of CO₂ equivalent

Indicator	2020	2021	2022
Direct emissions from fuel combustion and operation of production facilities (Scope 1)	9,056	10,048	9,423
Indirect energy emissions (Scope 2 ⁽³⁾)	157	169	167
Indirect emissions from sales of products (Scope 3 ⁽⁴⁾)	173,251	177,815	174,912

GHG emission intensity (Scope 1)

Indicator	2020	2021	2022
Upstream facilities, tons of CO ₂ equivalent/thousand boe	8.650	9.757	8.627
Processing facilities, tons of CO ₂ equivalent per ton of processed hydrocarbons	0.031	0.034	0.035
LNG production facilities, tons of CO ₂ equivalent per ton of LNG	0.244	0.243	0.229

⁽¹⁾ Particularly the Comprehensive Environmental and Climate Change Targets Program.

⁽²⁾ Indirect GHG emissions Scope 3 divided by the volume of sold products as measured in the single energy equivalent.

⁽³⁾ The 2022 Report used a new approach to calculating energy indirect (Scope 2) GHG emissions in line with the Concept for Calculating and Publishing GHG Emission Factors for the Russian Power System. The concept was developed in 2022 by NP Market Council Association and AO TSA and received an international statement of validation.

⁽⁴⁾ 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 oil and NGLs are sent for processing, while other produced products are combusted.

Key Solutions for Boosting Carbon Efficiency

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

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EMISSIONS CATEGORY	Direct emissions (Scope 1)		Indirect energy emissions (Scope 2)		Indirect emissions from the use of the Company's production volumes (Scope 3)	
FOCUS AREA						
2022 HIGHLIGHTS	BOOSTING ENERGY EFFICIENCY 264.2 ▲221 THOUSAND GJ the energy saved by the Comprehensive Program of Energy-Saving Measures A roadmap to deploy the Energy Management System was developed in line with ISO 50001 	METHANE EMISSIONS REDUCTION The total volume of methane emissions decreased by 22% year-on-year thanks to the injection of process wastewater, optimization of compressor equipment operation, and reduction of APG flaring 9.83 ▲3.07 TONS PER MILLION BOE methane emission intensity at the upstream, processing, and LNG facilities in 2022 Studies of methane leaks were conducted using unmanned aerial vehicles	REDUCTION IN FLARING The APG utilization rate rose to 98.0% ▲1.3 in 2022, APG flaring was halved on the back of APG deliveries to the trunk pipeline network and its injection into reservoirs Expansion of the use of well testing packages For more details see p. 85.	USE OF RENEWABLES FOR THE COMPANY'S OPERATIONAL NEEDS 322 ▲113 THOUSAND KWH electricity generation from renewables in 2022 RR 279 ▲54 MILLION total investment in renewables in 2022 82.5 THOUSAND GJ volume of purchased renewable electricity A contract was signed to supply renewable energy to the Ust-Luga Complex, transitioning it to green energy	GAS AND LNG PRODUCTION INCREASES In 2022, gas production grew by 2.8% to 82.14 BILLION CUBIC METERS, and its share in our total output of hydrocarbons amounted to 84.1% The total volume of our LNG production increased in 2022 by 6.5% to 22 MILLION TONS (13 million tons considering the proportionate share in the production of joint ventures)	1.9 THOUSAND TONS sales of LNG for boiler facilities in the Leningrad and Murmansk Regions (0.4 thousand tons in 2021) 51 THOUSAND TONS volume of sales via LNG retail stations (22 thousand tons in 2021)
REDUCTION/PREVENTION OF GHG EMISSIONS	16 THOUSAND TONS OF CO ₂ EQUIVALENT the volume of GHG emissions avoided through the energy-saving program implemented in 2022	45 THOUSAND TONS OF CO ₂ EQUIVALENT reduction of GHG emissions due to lower methane emissions in 2022	565 THOUSAND TONS OF CO ₂ reduction of GHG emissions due to reduced flaring in 2022, including 392 THOUSAND TONS OF CO ₂ due to a reduction in APG flaring	307 TONS OF CO ₂ EQUIVALENT GHG emissions avoided resulting from the use of renewable energy at telemechanics units in 2022 3 THOUSAND TONS OF CO ₂ EQUIVALENT GHG emissions avoided resulting from the use of purchased renewable energy at Cryogas-Vysotsk	21 MILLION TONS OF CO ₂ the GHG emissions avoided by NOVATEK consumers due to their transition from coal to the Company's LNG in 2022 ⁽¹⁾	27.3 THOUSAND TONS OF CO ₂ estimated volume of GHG emissions avoided by NOVATEK consumers due to their transition to LNG as a motor fuel in 2022

⁽¹⁾ The avoided GHG emissions were calculated by comparing GHG emissions produced by LNG and coal firing with due regard to their calorific capacity in TJ and considering the relevant emission factors applied by the Intergovernmental Panel on Climate Change (IPCC).

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, the Company strives to increase the energy efficiency of existing facilities and apply advanced highly efficient technologies at new projects to cut expenses and reduce stationary combustion.

In 2022, the Company launched its Comprehensive Program of Energy-Saving Measures⁽¹⁾ for 2022–2024 to boost operational energy efficiency and resource efficiency. The program comprises the deployment of energy-saving technologies and advanced energy-efficient equipment, as well as measures aimed at reducing energy consumption across all areas of production activities.

For the first year of the program, energy consumption decreased by 264.2 thousand GJ (for 2022 and the ongoing effect of earlier adopted measures), up sixfold year-on-year. The GHG emissions avoided through the energy saving program in 2022 totaled 16 thousand tons of CO₂ equivalent.

Standard

At a later stage, the Company is considering having its energy management system certified to

ISO 50001



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.

In 2022, secondary energy-based heat generation increased by 3% year-on-year to

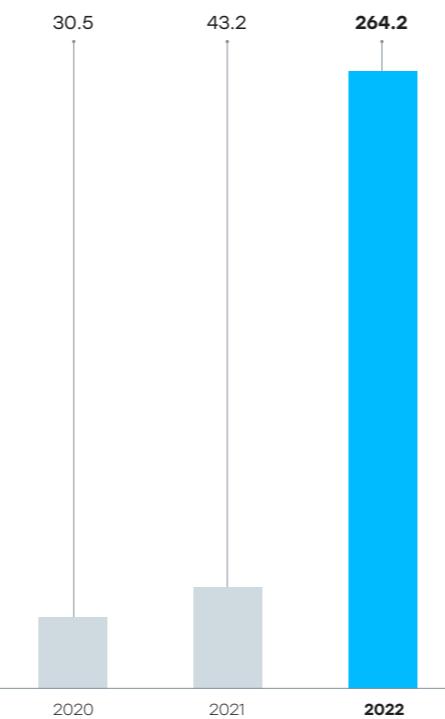
2.5 million GJ,
or 70% of total heat consumption

Direct GHG emissions avoided in 2022 are estimated to total

120 thousand tons of CO₂ equivalent

Total reduction in energy consumption driven by energy-efficiency and energy-saving measures

thousand GJ⁽²⁾



Energy consumption

million GJ⁽³⁾

Indicator	2020	2021	2022
Energy consumption	13.48	15.47	16.69
Including:			
electricity	10.54	11.96	13.13
Purchased electricity including:	1.79	2.33	2.61
including from renewable energy sources for Cryogas-Vyatsk	—	—	0.08
Supporting power generation	8.84	9.73	10.63
including from renewable energy sources	0.001	0.001	0.001
Electricity sold to the grid and to consumers	0.092	0.098	0.108
heat	2.94	3.51	3.56
Supporting heat generation from nonrenewable energy sources	0.93	1.10	0.99
Supporting heat generation from renewable energy sources (cogeneration)	2.01	2.41	2.49
Purchase of heat energy	—	—	0.08

Electricity consumption per unit

Process	Per unit consumption		
	2020	2021	2022
Gas production, kWh/thousand cubic meters	2.5	2.5	2.3
Condensate production, kWh/ton	10.3	10.3	11.1
Oil production, kWh/ton	34.6	41.9	55.3
Condensate processing, kWh/ton	6.3	6.4	6.4
Gas liquefaction, kWh/ton, including shipments of LNG and gas condensate at Yamal LNG	91.8	93.4	99.8

To gauge the energy intensity of technological processes, energy consumption per unit of production is measured. In 2022, electricity consumption per unit in gas production dropped by 8% year-on-year to 2.3 kWh per thousand cubic meters. Electricity consumption per unit in gas liquification rose by 7% to 99.8 kWh per ton amid increased load at the Yamal LNG project exceeding design capacity, the additional use of compressor electric drives, and higher demand of train booster compressors and boil-off gas compressors in cold seasons.

The Company set a target (upper limit) for electricity consumption per unit in gas and gas condensate production and treatment at 4.5 kWh per ton. In 2022, per unit electricity consumption amounted to 4.3 kWh per ton, remaining below this cap.

Electricity consumption per unit for the Group in 2022 amounted to 0.03 GJ per boe (0.02 GJ per boe in 2021). The growth is associated with an increase in electricity consumption against an increase in construction and installation works at the LNG Construction Center and an increase in LNG production. At the same time, electricity consumption attributable to upstream facilities remains stable over the last three years at 0.01 GJ per boe.

⁽¹⁾ The energy efficiency of energy saving measures is determined by methods similar to those specified in GOST R 56743-2015.

⁽²⁾ Initial values posted prior to the implementation of energy-efficiency initiatives are used as the baseline to calculate consumption reductions.

⁽³⁾ 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 thousand kWh = 3.6 GJ, and 1 Gcal = 4.187 GJ.

Methane emissions reduction

The reduction of methane emissions is one of the Company's key decarbonization goals.

NOVATEK has set the target to reduce methane emissions per unit of production in the upstream, processing, and LNG segments by 4% by 2030 to 9.96 tons per million boe compared to the 2019 baseline. Specific measures under this goal are included in the Company's Comprehensive Environmental and Climate Change Targets Program.

Methane emissions in 2022 were 6,343 tons, decreasing by 22% year-on-year, while specific methane emissions in the production, processing and LNG segments dropped by 24%, down to 9.83 tons per million boe. The main factors driving the decrease were the reduction of wastewater combustion resulting from the implementation of a project to treat and inject process water into reservoirs at the Yurkharovskoye field, streamlining the compressor equipment at the Yarudeyskoye field and, as a consequence, reduction in APG flaring.

The share of methane emissions in total GHG emissions amounted to 1.7% (2.0% in 2021).

Methane emissions

Indicator	2020	2021	2022
Methane emissions	8,886	8,155	6,343
Including:			
upstream facilities	8,391	7,515	5,877
processing facilities	84	81	86
LNG production	270	479	316
energy service facilities	141	80	64

Leak detection system levels

2021

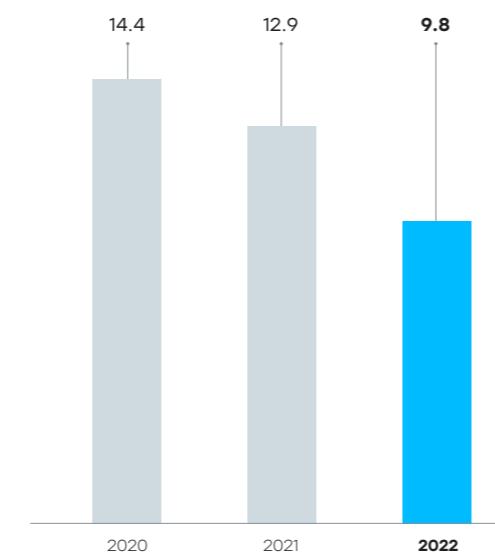
First level: satellite monitoring for methane leaks (2021).

2022

- Second level:** monitoring with the use of unmanned aerial vehicles with gas analyzers (2022).
- Third level:** acoustic and thermal imaging cameras to detect leaks remotely (2022).

Methane emissions intensity ratio for hydrocarbon production, processing, and LNG facilities

tons/million boe



The Company tests various elements of a multi-level leak detection system, which enables leaks to be found promptly at any section of the production process. In 2022, the Company, through relevant measures and reduced flaring, managed to significantly decrease the total volume of methane emissions and their specific share in the production and processing segments.

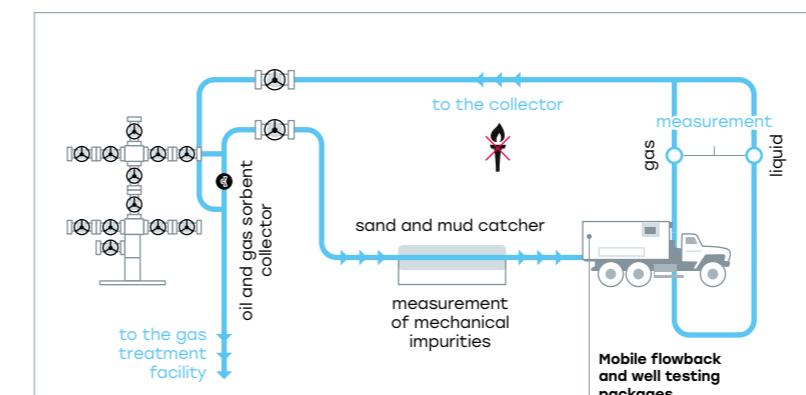


As a participant of the Methane Guiding Principles global initiative, the Company has access to best industry practices and is able to constantly improve its own leak prevention system.

Reduction in flaring

A reduction in flaring, including APG combustion, makes the most significant contribution to total reduction in direct GHG emissions.

In 2022, GHG emissions from flaring were reduced by 23% to 1,935 thousand tons of CO₂ equivalent, which was primarily due to the decrease in fuel gas process losses after start-up and commissioning works were completed at Yamal LNG Train 4 in 2021. The use of mobile flowback and well testing packages and the optimization of compressor equipment operation at the Yarudeyskoye field had an extra positive impact on the reduction in flaring.



Mobile flowback and well testing packages

Mobile flowback and well testing packages are required for emission-free well testing. They are used to measure hydrocarbon reserves and evaluate asset parameters throughout the field development life cycle. Their deployment has reduced our gas losses and GHG and other pollutant emissions.

Following the tests, well products are supplied to a gas collection header and to further processing, thus avoiding flaring.

Tests were conducted at a number of wells across the Urengoyskoye, North-Russkoye, East-Tazovskoye, Yurkharovskoye, West-Yurkharovskoye, East-Urengoyskoye, and North-Esetinskoye fields.

The packages were also used for multistage hydraulic fracturing followed by zero-emission flowback.



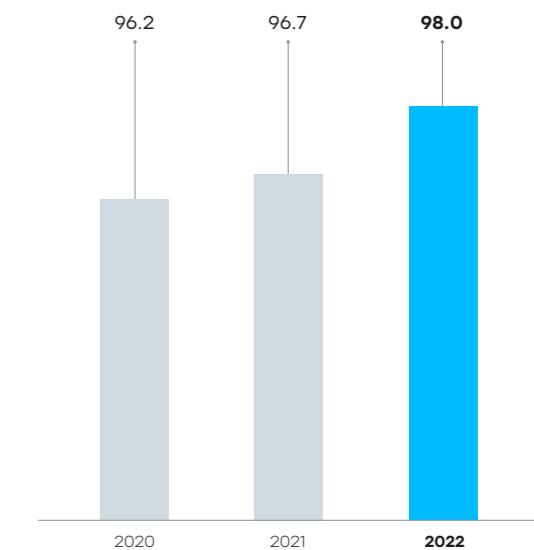
For more details on field development technology, see the [Innovation](#) section, p. 50.

The Company has set a goal to increase the APG utilization rate to 99% by 2030.

The combustion volume halved year-on-year, while the APG utilization level rose by 98.0% through a number of measures, including injecting APG into reservoirs to enhance oil recovery, and processing and delivering APG to the trunk pipeline network.

APG utilization

%



In 2023, the commissioning of an additional screw compressor is scheduled to ensure existing equipment operates uninterrupted amid falling APG production.

Renewable energy sources

The Company makes efforts to consistently increase the proportion of renewable electricity in its total energy mix, both through purchasing energy from renewables for its own enterprises from external partners and producing its own renewable energy.

Small-scale renewable energy installations are used to supply power to telemechanics units at inter-field pipelines and well pads at the Company's gas condensate fields. The total number of such renewable energy systems in 2022 was 167, up 13% year-on-year. In 2022, we generated a total of 322 thousand kWh of electricity from renewable sources, up more than half year-on-year (209 thousand kWh in 2021), which represents 0.01% of NOVATEK's total electricity generation. The greenhouse gases avoided due to the substitution of conventional generation with renewables totaled about 307 tons of CO₂ equivalent.

Starting from 2022, the Company began purchasing renewable energy to substitute energy produced through hydrocarbon combustion at the Cryogas-Vysotsk LNG plant, which allowed it to decrease indirect GHG emissions by 3 thousand tons of CO₂ equivalent. In 2022, the share of renewables in Cryogas-Vysotsk's energy consumption mix was 86% (22,884 thousand kWh).

Renewable energy consumption

	thousand kWh		
Indicator	2020	2021	2022
Renewable energy consumption at own telemechanics units	222	209	322
Consumption of purchased renewable energy	0	0	22,884
TOTAL	222	209	23,206



In October 2022, NOVATEK and ROSATOM signed a memorandum providing for the purchase of electricity, including electricity generated at ROSATOM's wind farms, to meet the needs of the Ust-Luga Complex.



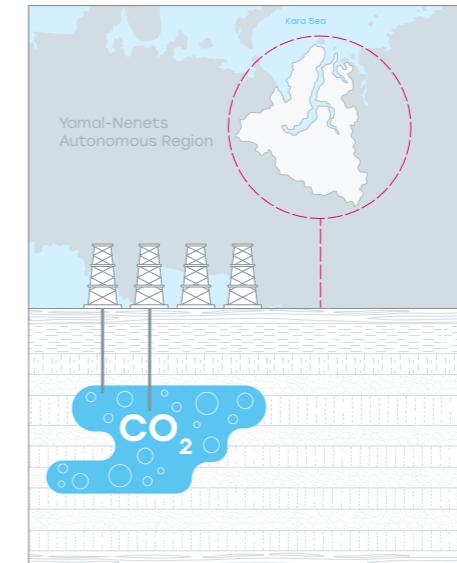
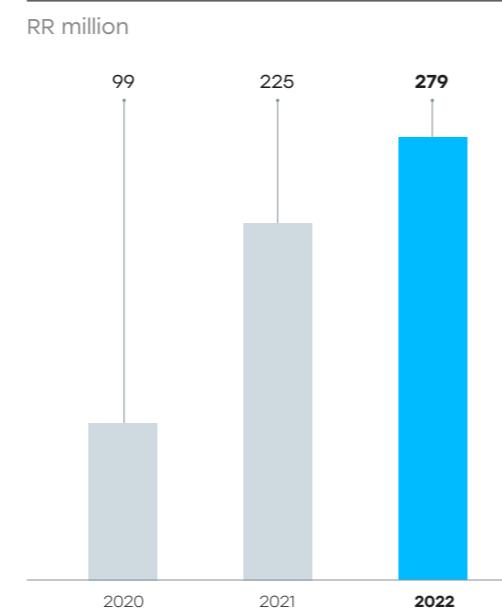
The project promises to reduce the carbon footprint of the Company's products.

Prospective decarbonization projects

NOVATEK is considering registration of its environmental initiatives as climate projects.



Total investment in renewables (procurement and installation of solar panels and wind turbines)



Low-carbon ammonia

In 2022, NOVATEK decided to take part in the development of a Russian low-carbon ammonia production technology. Carbon dioxide (CO₂) will be captured and put into a long-term geological storage (CCS).

In 2022, as part of a pre-FEED with international engineering companies, NOVATEK developed a concept of CCS infrastructure for utilization of CO₂ from its prospective low-carbon ammonia production complex. The infrastructure includes a CO₂ treatment plant (compression and dehydration), a CO₂ pipeline, and a site with disposal wells. The infrastructure is fit for utilizing CO₂, including from the Yamal LNG plant.

CO₂ underground storage

A concept has been developed for underground CO₂ storage at the Obskiy license area, in close proximity to the production facilities of the prospective low-carbon ammonia production complex and the Yamal LNG project. In 2022, we completed the first stage of international certification for long-term underground CO₂ storage sites on the Yamal and Gydan Peninsulas. Pursuant to the issued certificates, the geological formations at the peninsulas have the capacity to store at least 600 million tons of CO₂ each, which is supported by calculations.

Obskiy license area



Wind energy

In 2022, NOVATEK completed a wind measurement program and explored technical solutions for a wind power plant (wind farm) project in Sabetta, achieving an installed capacity factor of 50%, which is well above the average for WPPs in Russia (about 30%–35%). The Company developed requirements to the wind turbines design, which consider specific wind parameters such as smooth variability of wind speed, low turbulence, and air density increase at negative temperatures. The wind farm will supply power to the Company's existing and planned production facilities in Sabetta, thus reducing the carbon footprint of their products (LNG and ammonia).

Obskiy license area

⁽¹⁾ The share of investments in renewables was calculated as a proportion of the total amount of such investments made by the Group companies in 2022: OOO NOVATEK-Tarkosaleneftegas, OOO Yargeo, OOO Obskiy Gas Chemical Complex, OOO NOVATEK-Yurkhovn neftegas, and AO Arcticgas.



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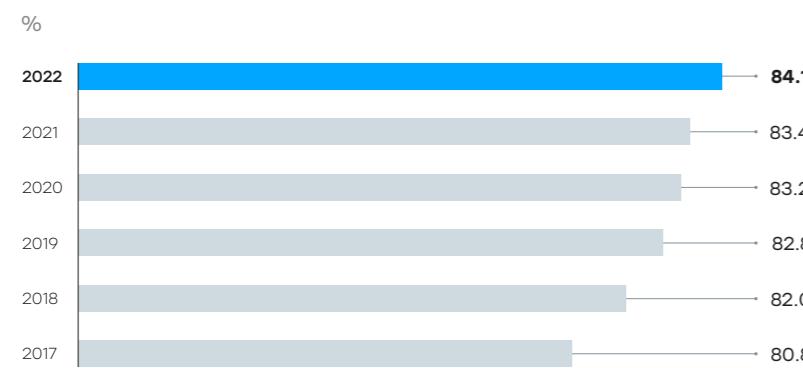
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Gas and LNG production increases

NOVATEK's corporate strategy assumes an increasing role of LNG in the future global energy mix, where it replaces coal, fuel oil, and diesel fuel, thus reducing emissions of GHG and harmful air pollutants.

The Company makes significant efforts to develop LNG projects and increase their production volumes in line with its business strategy and sustainable development strategy. As a result, in 2022, gas production increased by 2.8% to 82.14 billion cubic meters and its share in the total hydrocarbon production mix rose to 84.1%.

Share of natural gas in NOVATEK's total hydrocarbon production

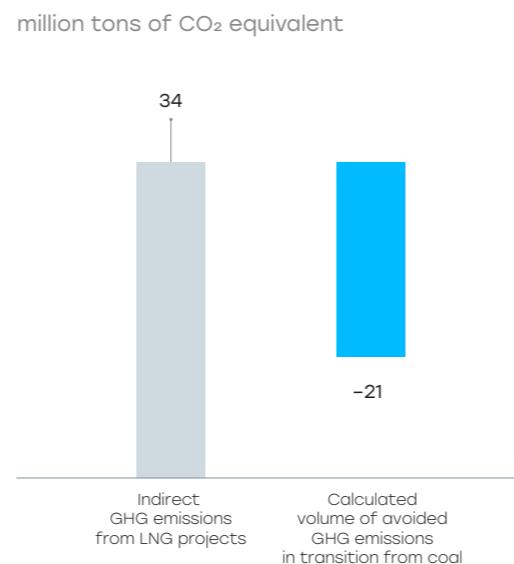


Total LNG production in 2022 increased by 6.5% to 22 million tons (or 13 million tons considering our proportionate share in the production of joint ventures), primarily due to production ramp-up at the Yamal LNG project. Now the Company is developing a number of other projects to increase LNG production in the near future. One of the largest among them, Arctic LNG 2, is planning to launch its first processing line in 2023.



NOVATEK rapidly expands its market reach in the emerging Asia-Pacific countries, where demand for natural gas is growing steadily due to the phase-out of more carbon-intensive fuels, such as coal and fuel oil. In 2022, supplies of our LNG helped customers avoid the emission of 21 million tons of CO₂ equivalent.

Indirect GHG emissions (Scope 3) from LNG sales in 2022



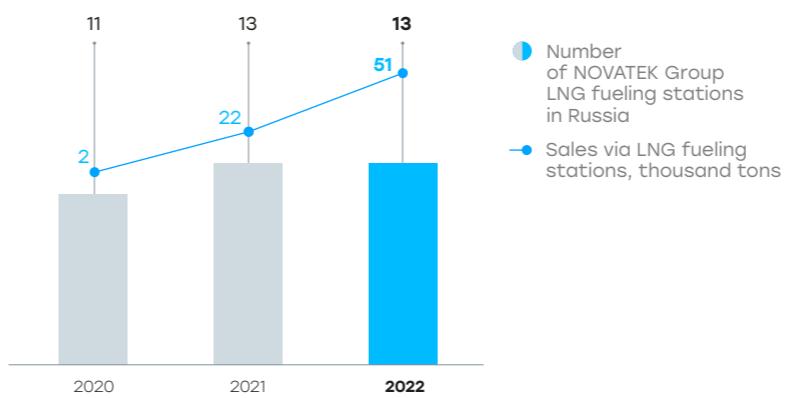
Expansion of LNG distribution channels

NOVATEK's strategy envisages active participation in the development of the market for natural gas as NGV fuel, which would allow consumers to reduce their GHG footprint and transition from more carbon intensive fuels.

To meet increasing needs in transport fuel, given the pool of LNG vehicles is growing in the Russian regions, the Company is increasing the number of small-scale LNG projects: in 2020, a plant was launched in Magnitogorsk, and new capacities are going to be commissioned in the Moscow and Samara Regions in the medium term, which will cut the LNG transportation leg and provide fuel for vehicles in the Central and the Volga Federal Districts.

The substitution of diesel with LNG significantly reduces nitrogen oxides and carbon dioxide emissions and almost entirely eliminates particulate emissions. At 2022-end, 13 LNG fueling stations operated across Russia, with their sales volume standing at 51 thousand tons: over double the value of the previous year.

LNG sales at fueling stations



By converting to LNG, a much cleaner motor fuel, NOVATEK customers avoided 27.3 thousand tons of CO₂ emissions in 2022.



In the Leningrad and Murmansk Regions, throughout 2022, NOVATEK continued shipping LNG to boilers that use this fuel instead of less environmentally friendly fuels, such as diesel fuel and fuel oil. In 2022, the Company also signed agreements with the governments of the Moscow and Samara Regions to promote the use of liquefied natural gas as a motor fuel and to supply off-mains customers.



Expansion of navigation along the Northern Sea Route

Since 2017, following the launch of its first large-scale Yamal LNG project, NOVATEK forged ahead with expanding navigation along the Northern Sea Route to secure safe and reliable LNG shipments.

Deliveries to Asia-Pacific countries via the Northern Sea Route offer the highest potential although the NSR's eastern leg is the most complicated in terms of ice conditions. Using this route:

- reduces the delivery times to Asia-Pacific countries by half in summer and by a third in winter compared to the traditional route around Eurasia through the Suez Canal. For instance, in summer, transportation to China takes 17 to 20 days via the Northern Sea Route and about 36 days through the Suez Canal; and
- cuts GHG emissions by 7 thousand tons per round trip on average as the distance and transportation time are reduced.

In 2022, a total of 32 LNG cargoes were shipped from the port of Sabetta to the Asian-Pacific market via the Northern Sea Route.

The Company also strives to continuously expand its navigation window in the eastern segment of the Arctic, which totaled nine and a half months in 2022 compared to seven months in 2018. In the medium term, we are planning to transition to year-round transportation of LNG to Asia-Pacific countries following the launch of Arctic LNG 2, the Company's second large-scale LNG project.

To optimize Arctic LNG transportation, a construction project for two LNG transshipment complexes on the Kamchatka Peninsula and in the Murmansk Region is being implemented. Each terminal includes a 360 thousand cubic meters floating LNG storage tank.



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4 Environment

Preserving the Natural Wealth

2022 HIGHLIGHTS

RR 2.6^{+11%}
BILLION

spending on environmental protection

407^{+5%}
PEOPLE

trained in environmental protection

95%

trained in environmental protection



KEY EVENTS

- Biodiversity studies supported in Kamchatka
- Meetings were held with research and scientific institutions, experts on biodiversity issues
- The Occupational Health, Industrial and Fire Safety, and Environmental Policy updated

CONTRIBUTION TO THE UN SDGs

Priority UN SDGs



For more details on the priority SDGs, the Company's goals and progress on p. 22.

⁽¹⁾ The Equator Principles are the principles of risk management adopted by international financial institutions to identify, assess and manage environmental and social risks in the implementation of projects.



ORGANIZATIONAL STRUCTURE

Board of Directors, Remuneration and Nomination Committee

Chairman of the Management Board

Deputy Chairman of the Management Board (HSE) – Operations Director

Dedicated divisions at business units



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Management Approach

NOVATEK recognizes the oil and gas industry's environmental impact, and therefore the Company views minimizing this impact and using natural resources, including water as its priority.

NOVATEK strives not only to prevent adverse environmental impacts, but also to improve the environment for future generations.

 HSE issues are monitored both at the Company's highest governance level by the Remuneration and Nomination Committee of the Board of Directors, and at the executive level by the Deputy Chairman of the Management Board – Operations Director.

 For more details on matters considered by the Remuneration and Nomination Committee, see the [Sustainability Management system](#) section, p. 32.

In 2022, we updated our Occupational Health, Industrial and Fire Safety, and Environmental Policy. Key drivers behind the update included the launch of LNG production as well as the approval of the Company's environmental and climate change targets to 2030 in 2020 and development of internal practices of the Company.



Key principles

The Company's environmental protection activities are guided by the precautionary principle, also called the precautionary approach, that is implemented as part of ESIA. 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⁾

Environmental management system

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



NOVATEK makes every effort to prevent accidents, minimize potential damage, and offset the Company's environmental footprint: from design to decommissioning of facilities.



In environmental management, the system complies with the international standard ISO 14001. In 2022, an audit by an independent international certification agency found the IMS to be effective and focused on continuous improvement.

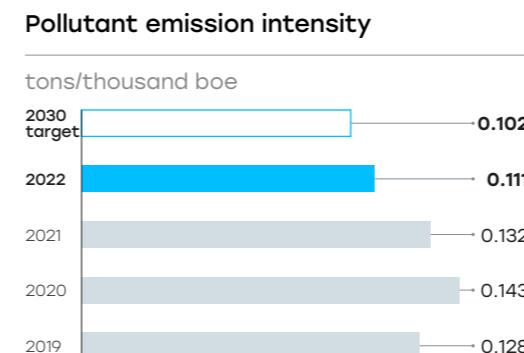
Environmental management system certification

Standard	Company compliance
Environmental management system ISO 14001	 11 of 19⁽¹⁾ (58%) production subsidiaries of the Company are certified to these standards. The Company regularly undergoes surveillance audits of its management system's compliance

Strategic goals in environmental protection

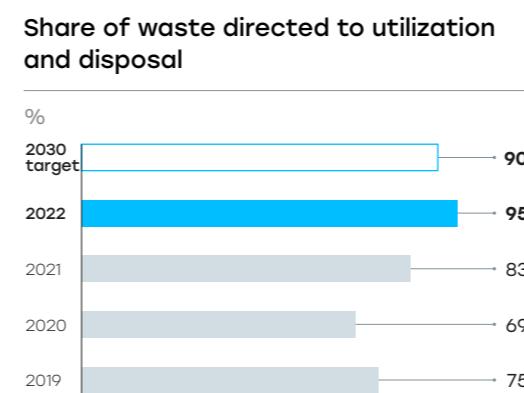
In 2020, the Company's Board of Directors approved climate change and environmental targets to 2030. The year 2019 was adopted as the baseline for establishing the targets.

Reduce pollutant emission intensity by 20% by 2030



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

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



In 2022, despite external headwinds and the geopolitical environment, the Company continued to invest in environmental protection and environmental stewardship, with related expenses totaling RR 2,568 million for the year (RR 2,908 million in 2021). The decline was due to the completion of a number of construction projects, including a wastewater treatment and injection unit at OOO NOVATEK-Yurkharovneftegas. The bulk of costs came from waste reduction, water protection, and biodiversity conservation initiatives. Apart from the overall spending on environmental protection, the Comprehensive Environmental and Climate Change Targets Program remains a standalone investment item, with RR 352 million spent on it.



For more details on climate change targets, see the [Climate Change](#) chapter, p. 60.

Expenses for environmental protection and environmental stewardship amounted to

RR 2,568 MILLION

⁽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.

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

NOVATEK Group's environmental expenses

	RR million	2020	2021	2022
Indicator description				
Air and climate	38	234	209	
Water	1,383	1,333	744	
Waste	320	510	871	
Land and subsoil	303	402	223	
Biodiversity	181	212	287	
Monitoring	134	153	173	
Governance	17	59	51	
Environmental charges	6	5	9	
Other expenses	0	0	1	
Total	2,382	2,908	2,568	

In 2022, environmental charges came in at

RR 9

MILLION, or 0.4% of total environmental expenses⁽¹⁾

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:

- assessment of potential environmental impact when planning activities for the EIA procedure and for key projects as part of the ESIA;
- annual environmental monitoring involving independent specialized expert contractors;
- environmental operational control aimed at evaluating the performance of Company process equipment and ensuring compliance with applicable environmental norms;
- engaging with local communities of the Company's regions of operation, including public consultations before the start of new construction or major upgrade projects at the Company's enterprises. Thus, in 2022, 53 public hearing procedures were organized as part of the EIA;



For more details on engagements with local communities, see Chapter 7. [Local Communities, p. 134](#).

- relations with government regulators during scheduled and unscheduled inspections of the Company's core operations. A total of 360 such inspections were completed in 2022, with more than 90% of them conducted by the Russian Federal Service for Supervision of Natural Resources.

Environmental monitoring

Every year, the Company engages independent specialized organizations to conduct environmental monitoring, which represents one of the most effective methods to assess the condition of the environment while enabling an evaluation of changes over time.

In 2022, studies showed that the conditions of environmental components in the target sections of 43 fields and license areas were satisfactory, with a low level of environmental pollution.



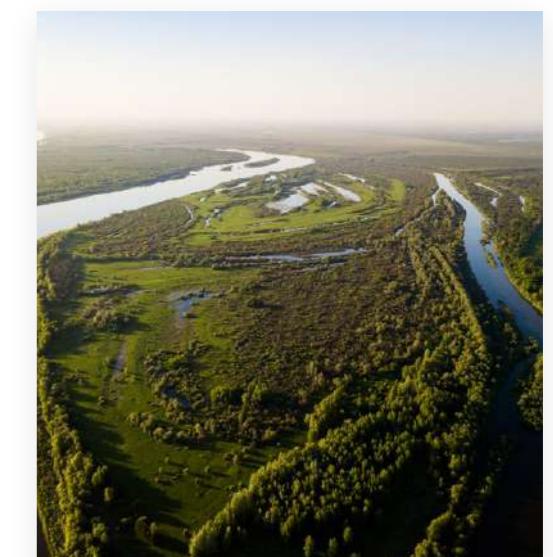
To reduce the negative impact on the environment, a multi-tier environmental operational control system is in place at the Company's subsidiaries and joint ventures.

Key focus areas of environmental operational control include:

- monitoring emissions, discharges, and the condition of buffer zones, water protection zones, and sanitary protection zones;
- monitoring the efficiency of gas cleaning systems and wastewater treatment plants;
- monitoring compliance with permissible limits for water withdrawal and discharge volumes;
- following up on compliance with the terms and conditions of license agreements;
- following up on waste management; and
- running inspections to check that contractors are compliant with environmental requirements.

Coverage of NOVATEK's monitoring programs

Marine ecosystems	Terrestrial and freshwater ecosystems
Water areas and coasts:	Areas in:
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • the Yamal-Nenets Autonomous Region • the Khanty-Mansiysk Autonomous Region • the Leningrad Region • the Murmansk Region



An example of comprehensive environmental monitoring includes a comprehensive study of the condition of the Gulf of Ob's waters, involving leading Russian research institutes developing measures to monitor major environmental risks associated with the Company's projects in the Gulf of Ob.

Environmental protection training

In 2022, 407 Company specialists successfully completed a range of advanced training programs in environmental protection.

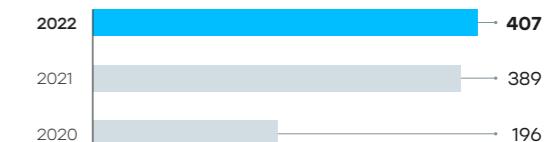
NOVATEK employee training in environmental protection in 2022



As in previous years, managers at various levels of the organization and young specialists involved in environmental support for projects by NOVATEK controlled entities also took advanced training programs.

Number of employees trained in environmental protection

people



⁽¹⁾ The increase in environmental charges in 2022 was due to excess emissions by OOO NOVATEK-Tarkosaleneftegas resulting from an accident in September 2022.



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Biodiversity

The conservation of biodiversity is considered as part of the principles of sustainable development activities.

The fragile ecosystems of the Arctic are in need of measures to protect the habitats of flora and fauna. The Company strives to respond to changes in Arctic ecosystems in a timely manner while integrating biodiversity conservation into its core business management. In particular, the Arctic LNG 2 project implemented the mitigation hierarchy and no net loss principles.

Mitigation hierarchy applied at Arctic LNG 2 in line with international standards

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

Integration of the no net loss principle with Arctic LNG 2 as an example

In 2022, the Arctic LNG 2 project continued developing and deploying a biodiversity conservation management system compliant with IFC Performance Standard 6 (PS6), Biodiversity Conservation and Sustainable Management of Living Natural Resources. During the year, we finalized a draft strategy to eliminate biodiversity losses (No Net Loss) for natural habitats and drive biodiversity gain (Net Gain) for critical habitats. The Strategy follows the mitigation hierarchy outlined in IFC PS6 and can be represented as seven steps:

Step 1. Identifying impact

All types of impacts have been identified and assessed as part of the ESIA.

Step 2. Identifying stakeholders

Stakeholders were identified when developing the appropriate Stakeholder Engagement Plan.

Step 3. Identifying effective mitigants

As part of the Strategy, the Company develops biodiversity conservation plans and programs based on the mitigation hierarchy.

Step 4. Determining the types of planned projects

The strategy formulates the priority areas of the Company's activities to ensure the No Net Loss / Net Gain principles. Projects based on the strategy have been developed with the support of subject matter experts and are outlined in the draft Biodiversity Conservation Action Plan.

Step 5. Preparing public documents

The documents are publicly available on the project's website or are being prepared for publication.

Step 6. Engaging stakeholders

Stakeholders are engaged in accordance with the Stakeholder Engagement Plan.

Step 7. Generating new ideas

Arctic LNG 2 can potentially share with other projects its experience of using best practices and technologies to launch and deliver the project.

Biodiversity conservation management

The management approach and integration of biodiversity aspects into NOVATEK's IMS are guided by the Biodiversity Conservation Management standard adopted in 2021. The standard established uniform principles and approaches to biodiversity conservation and impact assessment for the Company's planned activities.

Companies controlled by PAO 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.



As well as in Arctic LNG 2, the biodiversity conservation programs and plans developed in Yamal LNG meet the requirements of IFC Standard 6.

Our biodiversity conservation planning is guided by the Net Gain principle, which, coupled with the No Net Loss principle, is intended to prevent biodiversity losses and, where necessary, increase biodiversity through compensatory measures.

Biodiversity impact assessment

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

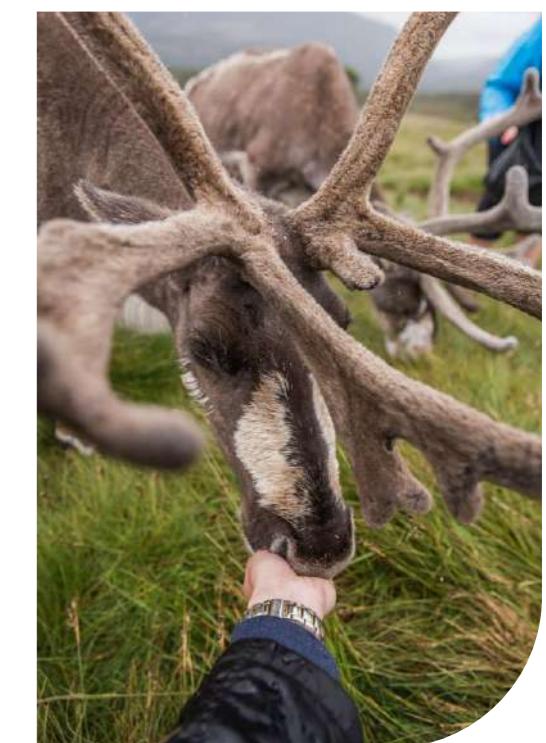
Assessment results go through several stages of approval at the engineering and design documentation approval stage, including public consultations and environmental expert review. The adequacy and effectiveness of these steps are confirmed by follow-up environmental monitoring in areas potentially affected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

When conducting ESIA in respect of biodiversity, direct and indirect risks as well as cumulative impact on biodiversity, are evaluated. Special attention is paid to natural ecosystem degradation, introduction of invasive and alien species, overexploitation of natural resources, and the views of local communities directly affected by project activities.

Biodiversity monitoring

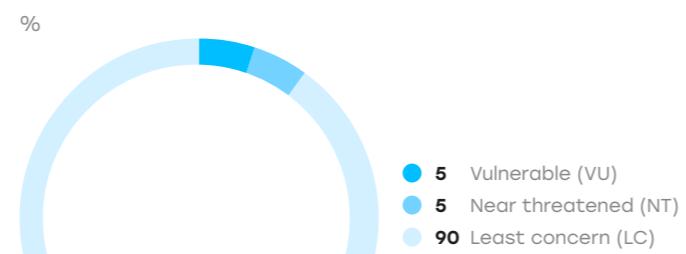
The Company strives to implement measures to protect wildlife and rare and vulnerable species, while preventing any fragmentation and degradation of ecosystems. The precautionary principle with respect to the components of biodiversity is implemented through integrated environmental monitoring programs, expanded in geographical scope and thematic content. 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.

NOVATEK seeks to avoid extracting and processing natural resources in federal-level protected areas while also avoiding operations in areas that are home to valuable and protected plant and animal species. The Company 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. The total number of such species recorded in 2022 was more than 110. The vast majority of them are least concern species.





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



Our subsidiaries independently develop biodiversity conservation programs, and key activities implemented in 2022 include:

⌚ South-Tambeyskoye license area

The long-tailed duck (*Clangula hyemalis*) is a species native to the Arctic and Baltic region. It is one of the most populous birds locally but vulnerable on the global scale and was previously selected as an indicator species for wetlands in the South-Tambeyskoye license area. Monitoring conducted in 2022 confirmed its presence and good breeding activity.

⌚ Salmanovskiy license area

In 2022, new information on biodiversity geography was obtained both for the Salmanovskoye field and for the Gydan Peninsula as a whole. The phototrophic biota of the Northern hypo-Arctic tundra included 94 species of lichen, 142 species of moss, and 192 indigenous vascular plants.

⌚ Sabetta seaport

In 2022, monitoring to assess the hydrobiocenosis state of the seaport waters was continued. The results of sampling and analyzing bottom sediments and hydrobiotics at 20 comprehensive monitoring stations suggest that the measurements are within the limits of multi-year and seasonal fluctuations and are comparable to the historical data and the results of previous studies conducted in seaport waters.

⌚ Gulf of Ob

In the reporting period, an aerial survey of ice habitats of seals in the spring season was conducted. To obtain updated information on the animals' movements, satellite-linked radio transmitters were fitted to three ringed seals. The results showed that all marked animals remained in the Gulf of Ob during the period that signals were read from the transmitters (September–October). The studies therefore did not detect any signs that the animals tried to avoid shipping routes.

⌚ Shipping along the Northern Sea Route

In 2022, vessels shipping along the Northern Sea Route started to report mammal encounters. Between April and December 2022, 37 encounters with animals were recorded by ships at sea, comprising 22 polar bears, 12 pinniped mammals, and 3 cetacea. If required, the vessels slow down, stop, or use an alternative route.

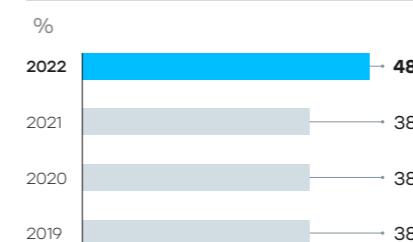
Arctic fox project

In 2022, the Company continued the scientific research studies that had been launched in 2019 and were focused on the population of Arctic fox (*Vulpes lagopus*) in the operating area of Yamal LNG. The Arctic fox was identified as an indicator species since it is at the top of the food pyramid and, therefore, reflects changes at the lower levels. In addition, the International Union for Conservation of Nature has included the Arctic fox among the ten flagship species, which are designed to show the possible impact of climate change on biota. Species of Least Concern (LC) according to the IUCN.

To check the abundance of Arctic fox, an indicator of breeding activity, i.e. the proportion of breeding dens, was used. The dependent variable is the number of breeding dens (occupied dens) of Arctic fox out of the total number of breeding dens ever recorded (2012–2022). This approach makes it possible to reliably assess the activity of Arctic fox breeding. To predict Arctic fox abundance, the following threshold values were used: for an observed breeding den occupancy rate of 0%–30%, the predicted abundance value was low, for a 30%–50% rate the value was medium (stable), and for a 50%–70% rate high.



Proportion of breeding dens at the Sabetta research site



From 2019 to 2022, the share of occupied dens fluctuated insignificantly: 38% of the number of dens suitable for breeding were occupied, and in the reporting year the figure increased to 48%. To improve the accuracy of monitoring data, automatic cameras were installed in 17 dens in 2022, in ten of which meetings of foxes or clear signs of their presence were recorded.

★ Monitoring results indicate that since the construction and commissioning of the facilities of the Yamal LNG Project, the number of Arctic fox has remained stable.

The number of Arctic foxes, among other things, is influenced by the abundance of food resources. The uncontrolled growth of the Arctic fox population, which can be caused by feeding in shift camps, can disrupt the natural balance of the ecosystem. Conscious of the potential negative impacts, Yamal LNG implements a number of measures to mitigate these impacts, such as:

- access to food sources is cut off for Arctic foxes;
- no domestic animals are allowed; and
- an information campaign is run to warn Company employees and subcontractors against feeding wildlife.

Activities to restore biodiversity

The Company implements various measures to compensate for any damage and restore the environment. Impact assessments from existing EIA and ESIA data inform the goals and objectives in this area as well as relevant measures.

Some of the key measures aimed at biodiversity conservation in 2022 include:

Effective partnerships. Measures were implemented under cooperation agreements with the Kronotsky Nature Reserve to conserve the biodiversity of the Kamchatka Territory. In 2022, two thirds of reindeer winter pastures within the nature reserve were monitored. The findings suggest that the wild reindeer population doubled vs. the population estimate made by nature reserve staff in 2020.

In 2022, the Company's spending on biodiversity restoration were up

35% on the back of growth in spending on releasing fish species. Although, as a whole, the quantity of fry released into rivers was smaller in 2022, the release of valuable fish (salmon) in rivers in 2022 was three times higher than in 2021.



Compensatory fish stocking. In 2022, compensatory fish stocking was performed in rivers belonging to the Ob-Irtyshev (within the Khanty-Mansiysk and Yamal-Nenets Autonomous Regions) and North-Western Fishing Basins. Several subsidiaries were involved in releasing juvenile fish of Siberian sturgeon, salmon, and whitefishes (including muksun and helma) into water bodies to re-stock commercially important fish species. A total of more than four million juvenile fish were released.



Compensatory reforestation. In 2022, reforestation works were mainly carried out in the Noyabrskoye and Nadymskoye forest districts of the Yamal-Nenets Autonomous Region. The total area of reforestation was 65.7 ha, including 10.7 ha for afforestation.



Land reclamation. In 2022, a total of 137 ha of disturbed land was reclaimed, of which 71 ha were returned to agricultural use, 65 ha were turned into forests, and 1 ha was returned to other uses.



Healthy Tundra Project

Since 2019, Yamal LNG has been implementing Healthy Tundra, a unique environmental restoration project to preserve and restore natural tundra ecosystems with due regard to their traditional uses by the indigenous peoples of the Far North. Healthy Tundra was the first pilot environmental restoration project on the Yamal Peninsula. Thanks to the use of local plant species, such as graminaceous plants and willow trees, the risk of introducing invasive species has been eliminated. In 2022, two sections of the tundra were restored as part of the project with the participation of representatives of local nomadic families.



Public recognition of our environmental project

A standout project was completed in 2021: the construction of the Cape Kiperport nature trail in the Vyborgsky Nature Reserve. In 2022, the successful project gained public recognition by winning the Ecotourism category at the Ecological Culture: Peace and Accord awards, an international competition held by the V. I. Vernadsky Non-Governmental Ecological Foundation.



Contribution to the conservation of gene pools of ecosystems

To conserve the gene pools of plants listed in the Red Data Book of the Yamal-Nenets Autonomous Region, five species of category 3 plants classified as rare species and four plant species with special concern status were moved from the Salmanovskiy (Utrennyi) license area to green houses at the Avrorin Polar-Alpine Botanical Garden-Institute, part of the Kola Science Center of the Russian Academy of Sciences. All 124 clumps of the nine species of perennial herbaceous plants were in good condition at the time of planting.



Consultations at Arctic LNG 2

In 2022, Arctic LNG 2 held over seven consultations as part of its biodiversity restoration activities. They included meetings with scientific and research institutes and biodiversity experts. Thus, a consultation was held with the Russian Academy of Sciences' Avrorin Polar-Alpine Botanical Garden-Institute. The meeting discussed methods to develop technologies to reintroduce and acclimatize rare and protected plant species from tundra habitats across the Salmanovskiy (Utrennyi) license area.

On top of this, we held consultations with the Gydan National Park and the Severtsov Institute of Ecology and Evolution of the Russian Academy of Sciences as well as two meetings with a working group on scientific support for designing and implementing biodiversity conservation management programs and action plans in the areas affected by the project, along with other consultations.



Support for scientific research studies in Kamchatka

For the first time since the 1990s, employees of the Kronotsky Nature Reserve, through support from PAO NOVATEK, launched sea otter counts on the South-Eastern coast of Kamchatka in 2022, with the total length of the route amounting to about 600 kilometers. The monitoring produced up-to-date information on the population of the species, and concentration areas were identified.



In addition to this, in 2022, two projects were launched:

- a study of marine mammals near the Shipunsky Peninsula; and
- a study of the grey whale feeding group in the near shore waters of the Kronotsky Nature Reserve. Using the data gathered, a photo catalogue of the Kamchatka grey whales was published and two databases were created, which will be populated with information on marine mammals for classification and statistical analysis.

Emissions

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

The Company has set a long-term goal to achieve a 20% reduction in air pollutant emission intensity by 2030, down to 0.102 tons per thousand boe, compared to a 2019 baseline.

In 2022, gross emissions totaled 70.8 thousand tons, down 14% year-on-year, with air pollutant emission intensity down 16% compared to 2021, at 0.11 tons per thousand boe. The decrease in emission volumes was mainly driven by reduced flaring and the Comprehensive Environmental Program.



The Company does not emit highly toxic or ozone-depleting substances.

Air pollutant emissions

tons

Indicator description	2020	2021	2022
Air pollutant emissions, total:	87,273	82,382	70,796
Including:			
Main pollutants			
particulate matter	5,590	4,130	2,819
carbon dioxide	48,115	43,732	34,949
nitrogen oxides (NO ₂ equivalent)	11,083	13,990	13,083
sulfur dioxide	77	76	399 ⁽¹⁾
hydrocarbons (including methane)	8,910	9,635	6,343
VOCs	13,418	10,791	13,138
Other	80	28	65

In 2022, a number of measures were implemented to reduce the negative impact on atmospheric air.

- The revamp of a waste incinerator's heat recovery system was completed to supply heat to the LNG terminal at OOO Cryogas-Vysotsk. This initiative delivered a significant reduction in pollutant and GHG emissions, as boiler plant operation was cut to a minimum.
- With the help of mobile complexes, gas-dynamic and gas-condensate studies of wells were carried out without gas emission into the atmosphere.
- An additional low-pressure gas processing line was built at the Yaro-Yakhinskoye oil and gas condensate field.



In the reporting year, as a result of an accident at one of the Company's production facilities, excess emissions of pollutants were admitted. The Company makes every effort to minimize such incidents and takes extra care to ensure that the risks of emergency emissions are considered at all project development phases.



For more details, see Chapter 5, Safety, p. 108.

Emission intensity

tons/thousand boe



The NOVATEK Group subsidiaries also regularly monitor pollutant emissions. Approved environmental monitoring programs stipulate yearly measurement of emissions from equipment, including booster compressor stations, gas turbine power plants and furnaces and heaters.



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

⁽¹⁾ The increase in sulfur dioxide emissions is due to the commissioning of new facilities at TSNG.



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Waste

Drilling waste accounts for the bulk of the waste inevitably generated in mining operations. 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 has set a target to increase the share of waste directed to utilization and treatment to 90% by 2030 from a 2019 baseline. In 2022, the Company utilized and treated 95% of its waste (up 12 p.p. year-on-year due to an increase in the disposal of drilling mud).

Waste generation

In 2022, the Company generated 91.1 thousand tons of waste, up 70% year-on-year. The share of very highly hazardous and highly hazardous waste (Classes 1 and 2) was insignificant (below 0.1%). The bulk of waste was low-hazard or practically non-hazardous (mainly drill cuttings).

The increase in waste was due to an increase in drill cuttings to 74,873 tons (41,421 tons in 2021) as a result of drilling new, deeper wells at the Yamal LNG project, with the number of completed wells doubled to 25 (13 in 2021).

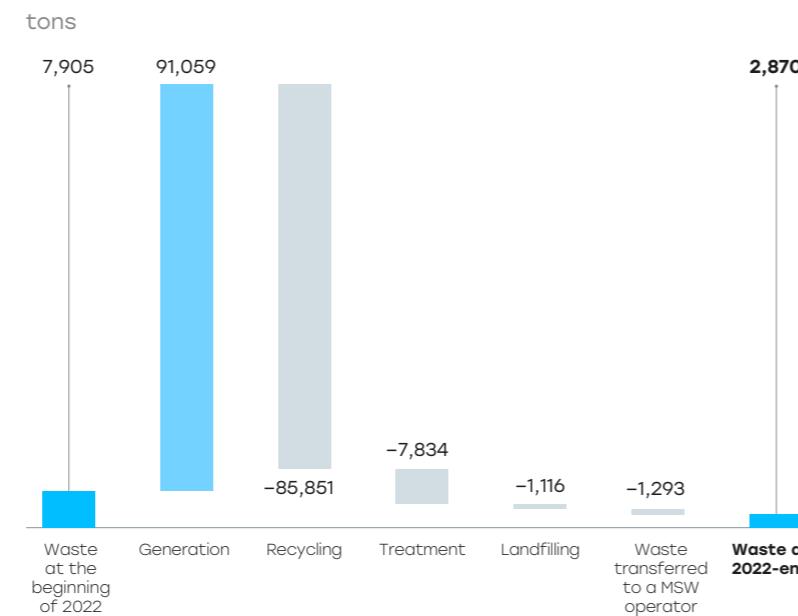
One of the key initiatives for managing very highly hazardous waste in 2022 included replacing mercury-containing equipment (mercury-vapor lamps, floodlights, and fluorescent tubes) with LED equipment.

NOVATEK manages waste throughout its life cycle, from providing safe temporary storage of waste-to-waste treatment, landfilling, or utilization. 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.

Waste generation by hazard class

Indicator description	2020	2021	2022
Total	47,214	53,461	91,059
1 – very high hazard	3	3	4
2 – high hazard	27	38	35
3 – moderate hazard	1,919	1,466	1,971
4 – low hazard	42,889	48,728	85,209
5 – practically no hazard	2,376	3,226	3,840

Waste movement in 2022



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 utilization/treatment to contractors that specialize in handling and treating such waste and have all the necessary permits.

The bulk of non-hazardous waste was also utilized or treated. In 2022, total non-hazardous waste utilization grew 75% to 85,834 tons amid an increase in waste from operations. Landfilling was significantly reduced in 2022: only 628 tons of waste were landfilled on Company grounds, and 488 tons of waste were landfilled outside Company grounds by licensed contractors. We have a separate waste collection, accumulation, and disposal system deployed across operations.

To reduce the impact of drilling waste on the environment, drilling mud is utilized by using thermal desorption and other physical and mechanical methods found to be acceptable by state environmental review. Including carryovers from prior periods, a total of 79,911 tons of drill cuttings were directed to utilization.

Our waste management efforts contributed to a 64% reduction in waste to 2,850 tons at 2022-end.

Waste by method of disposal

Indicator description	2020	2021	2022
Hazardous waste			
Utilized	27	36	17
Treated	3	2	4
Non-hazardous waste			
Utilized	22,574	49,003	85,834 ⁽²⁾
Landfilled	3,701	1,929	1,116
Treated	16,522	6,525	7,830

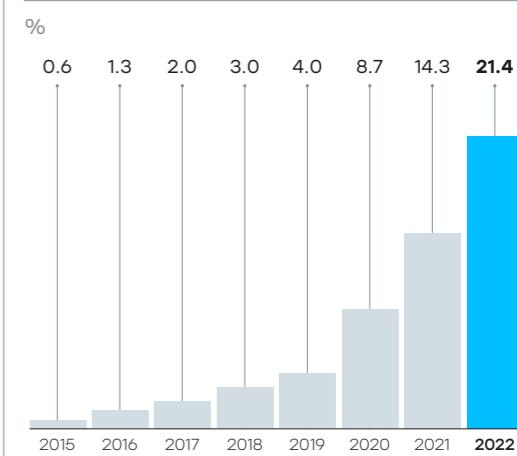


For more details, see Appendix 5, Key Environmental Performance Indicators, p. 161.

Making more efficient use of paper in Chelyabinsk

OOO NOVATEK-Chelyabinsk has been actively implementing a program to move to paperless billing for gas since 2015. From 2015 to 2022, a total of ten campaigns were held to encourage customers to switch to electronic billing services instead of paper bills to cut costs and support the Company's environmental initiatives. As many as 68 thousand customers have opted for paperless billing in 2022, totaling 202 thousand customers as at the beginning of 2023 (or 21% of total customers). In total, the initiative helped save the Company RR 5.5 million over 2022 and benefited forest ecosystems by saving approximately 181 trees.

Increase in the number of customers who opted for paperless billing



Along with managing waste responsibly, the Company fosters an environmental culture among its employees and local communities. For example, in 2022, the Company took part in environmental charity events, with a number of NOVATEK subsidiaries and joint venture supporting the Green Spring 2022 environmental cleanup day organized by the V.I. Vernadsky Non-Governmental Ecological Foundation. Another important environmental awareness highlight was our employees volunteering on the removal of an illegal dump on Marra Island (Olgin Island), located approximately at the 95th km of the Taz River.

⁽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.

⁽²⁾ Non-hazardous waste utilization saw a significant rise due to an increase in recycling outside the Company's grounds.



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Water Resources

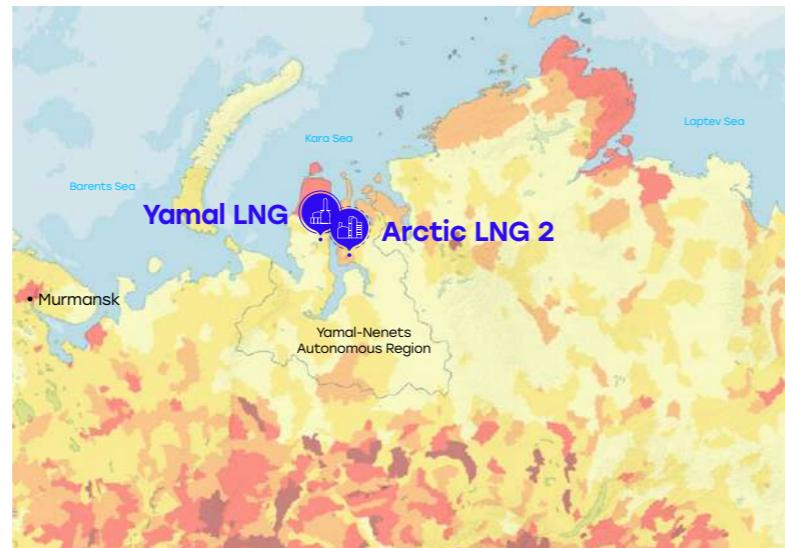
NOVATEK is aware of its obligations regarding responsible water management and sets goals for sustainable water use and effective wastewater treatment in accordance with Russian regulations.

Water quantity and quality monitoring is a key focus area of our integrated management system. The main sources of water are surface water and groundwater.

Nevertheless, the Company takes a phased approach to responsible water consumption, which is part of its environmental protection policy.

NOVATEK does not operate in water-scarce areas.⁽¹⁾

Baseline water stress⁽²⁾ across the Company's operating regions, according to the World Resources Institute (WRI)



Assessment of our impact on water resources

Assessment of the potential impact on water resources is carried out at the project documentation development stage with the involvement of specialized organizations and includes risks associated with the withdrawal of natural waters, pollution of natural waters, and changes in the hydrological regime of the Company's area of operations. In relation to each risk, measures have been developed to minimize the impact, based on which plans for water protection measures are being developed.

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 without recourse to urban and municipal facilities.

The Company's environmental impact on water resources is monitored on an annual basis.

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 to avoid the risk of water scarcity for local communities.

Recirculating water supply

The Company carries out a range of measures to ensure sustainable water use. Formation water is also used for reservoir pressure maintenance, reducing external water withdrawal and wastewater discharge.

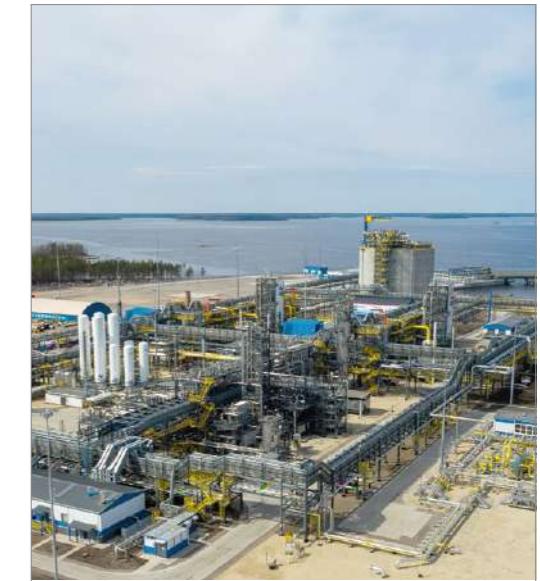
It is mandatory for all subsidiaries withdrawing water from surface water bodies to develop water management, water body protection, and aquatic biological resource and habitat conservation plans. Several NOVATEK Group subsidiaries have also developed water management plans based on international standards. Since 2021, an environmental management plan has been in place for water resource management at Arctic LNG 2 during the construction phase. The plan describes specific activities to manage, mitigate, and monitor impacts.

The Company keeps primary records of consumed and discharged water, and the compliance of withdrawal and discharge volumes with water rights as well as the 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.

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

NOVATEK subsidiaries regularly monitor the hydrological and hydrochemical parameters of the water in water use locations, including the areas where pipelines cross water bodies.

NOVATEK's enterprises have accredited chemical laboratories fully equipped for full and prompt analysis.



Recirculating water supply system at OOO Cryogas-Vysotsk's production site

The facility has in place a recycling water supply system. Following preliminary treatment, sewage, storm, and industrial wastewater undergoes desalination and is then used in production processes. In 2022, water reuse totaled 3.81 thousand cubic meters, or 18% of the enterprise's total water withdrawal and twice as high as in 2021.

The Company also has a snow melting plant running on natural gas (with a melting capacity of 10 cubic meters per hour). The plant is used to melt snow collected from the production site, with subsequent removal of melt water to treatment facilities, which is then fed into the recirculating water supply system.

⁽¹⁾ According to the International Water Management Institute and World Resources Institute's Water Risk Atlas tool, Russia is a region with abundant water resources.

⁽²⁾ The baseline water stress level measures the ratio of total water withdrawal to available renewable surface and groundwater supplies.



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Water withdrawal

In 2022, total water withdrawal by the Company across its footprint decreased slightly year-on-year to 2,923 thousand cubic meters (excluding produced water reinjected for pressure maintenance).

Most water was used for drinking and utility needs.

Specific water withdrawal by production subsidiaries was 2.33 cubic meters per thousand boe (3.61 in 2021). The decrease was due to the transfer of water supply and water discharge facilities from Arctic LNG 2 to OOO NOVATEK-Energo, resulting in redistribution of water withdrawal and discharge between the two assets. Specific water withdrawal by processing subsidiaries was 0.01 cubic meters per ton of production.

Surface water and groundwater are the main sources of water, accounting for 71% and 28% of total water withdrawal in 2022, respectively.

Of the total volume of withdrawn water, 91% was fresh water with a total salinity not exceeding 1,000 mg/l, while 9% was other water. The Company withdraws water within the established limits and without significant impact on water bodies.

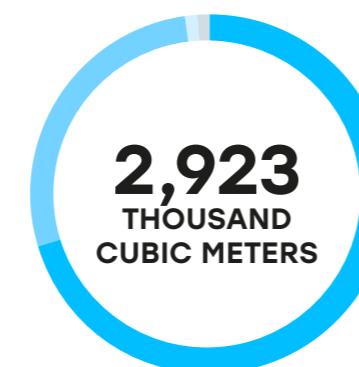
In 2022, produced water totaled 7,579 thousand tons, including water from production wells (5,993 thousand tons) and water wells (1,586 thousand tons). A total of 4,776 thousand tons of water were injected into wells for pressure maintenance. The proportion of discharged water was 37%, while the proportion of re-injected water was 63%, flat year-on-year.

Water withdrawal

thousand cubic meters



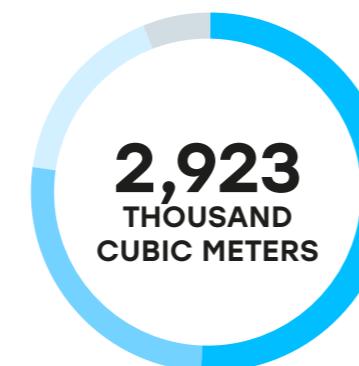
Water withdrawal by source type in 2022



- 71% Surface water
- 28% Groundwater
- 1% Seawater
- 1% Other

Water withdrawal by destination in 2022

thousand cubic meters



- 1,488 Production facilities
- 776 Energy service facilities
- 482 LNG production facilities
- 177 Production facilities

Water discharge

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 and in line with statutory requirements.

Industrial wastewater is sent to treatment facilities and treated mechanically, biologically, physically, and chemically as well as with membranes.

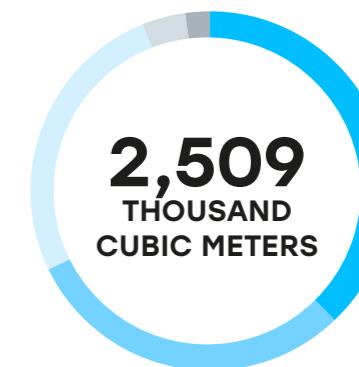
In 2022, the Company's total water discharge (excluding water injected for pressure maintenance) stood at 2,509 thousand cubic meters, flat year-on-year. All wastewater discharged into surface water bodies qualifies as treated to standard quality and as fresh in terms of salinity. A total of 752 thousand cubic meters of wastewater treated to standard quality were discharged into surface water bodies. A total of 663 thousand cubic meters of wastewater were discharged into the sea. The permissible impact limits in terms of salinity established for seawater are observed when discharging wastewater into the sea. The Company does not discharge hydrocarbon contaminated water into water bodies.

In 2022, the Company recorded two cases of non-compliance with the applicable requirements for wastewater management (with one resulting in fines) and a single above-limit charge for pollutant discharges to water bodies (RR 602 thousand).

The following steps were taken to prevent non-compliance with the applicable requirements for wastewater management:

- all effluents from stationary facilities were treated before discharge into surface water bodies, injection, or flaring;
- the quality of wastewater was monitored on a regular basis; and
- wastewater treatment facilities underwent technical monitoring for effectiveness.

Wastewater discharge by destination in 2022



- 38% Groundwater
- 30% Surface water
- 26% Seawater
- 4% Gas flare systems
- 2% Other

For more details, see Appendix 5.
[Key Environmental Performance Indicators, p. 161.](#)



5 Safety

Ensuring Production Safety

2022 HIGHLIGHTS

RR 3.6 ▲3%

BILLION

spent on occupational health, fire safety, and facility security

12.5 ▲3%

THOUSAND EMPLOYEES

received occupational health training

25%

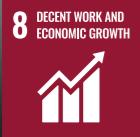
year-on-year reduction in LTIFR

KEY EVENTS

- A forum of executives on occupational health and safety was held
- Training facilities started to be set up to train our workforce in safe work practices

CONTRIBUTION TO THE UN SDGs

Priority UN SDGs



For more details on the priority SDGs, the Company's goals and progress on p. 22.

PLANS FOR 2023 AND THE MEDIUM TERM

- To promote practices and introduce programs to enhance employees' competencies
- To mitigate risks and prevent accidents and injuries to the workforce

WE ARE GUIDED BY

External documents:

- Standards of the Integrated Management System certified in terms of OHS in accordance with ISO 45001
- UN Global Compact
- National legislation and regulatory requirements

Corporate documents:

- Occupational Health, Industrial and Fire Safety, and Environmental Policy of the NOVATEK Group
- Corporate occupational health and safety standards

ORGANIZATIONAL STRUCTURE

Board of Directors, Remuneration and Nomination Committee

Chairman of the Management Board

Deputy Chairman of the Management Board (HSE) – Operations Director

Dedicated divisions at business units



Management Approach

The oil and gas industry is exposed to high occupational health and safety risks. The Company is responsible for the safety of close to 20 thousand employees and expects the same responsible approach from its contractors.

NOVATEK has in place an Occupational Health and Safety (OHS) Management System, which also forms part of the Integrated HSE Management System (IMS). The IMS is certified for compliance with international standards, including HSE standards.

OHS standards

Standard	Company compliance
Occupational health and safety management system	10 out of NOVATEK's 19⁽¹⁾ production enterprises (53%) are certified to this standard. The Company regularly undergoes surveillance audits of its management system's compliance with the standard

ISO 45001



Occupational health, fire safety, and facility security spending⁽²⁾



When analyzing the effectiveness of the occupational health management system, the Company's management:

- evaluates the overall strategy of the occupational health management system and its effectiveness;
- determines the need for specialized corporate documents;
- determines the necessary procedure for improving the effectiveness of the management system; and
- assesses progress toward goals.



On top of this, PAO NOVATEK has set up a Tyumen-based Operational Control Unit to respond faster, follow up on compliance with occupational health requirements, reduce the risk of work-related injuries, and conduct independent investigations of incidents.

For more details, Chapter 4. Environment, p. 90.

Safety culture

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

Safety culture is integrated across all phases of our production cycle and comprises a range of activities, including:

- conducting internal investigations of each incident, including mandatory recording of minor injuries, and adopting a methodology to identify the root causes of each incident;
- implementing Life Saving Rules to protect the lives and health of employees, reduce the rate of work-related injuries, comply with regulatory requirements, and ensure decent work;
- assessing contractors' compliance with OHS requirements;
- training of all operational staff in occupational safety principles; and
- implementing the risk assessment procedure.

Working conditions and OHS matters are included in collective bargaining agreements regulating labor relations through trade union committees. Among other things, to reinforce the safety culture and increase employee engagement in OHS management, the Company holds town hall meetings that bring together management and employees to discuss occupational health and measures to improve working conditions.



Forum of executives on occupational health and safety

📅 16–17 September 2022
📍 Murmansk
👤 Intracorporate forum of executives on occupational health and safety
👤 Chairman of the Management Board, Deputy Chairmen of the Management Board, executives of NOVATEK Group companies

At the forum, participants in the format of personal interaction exchanged experience and best practices for their scaling within the Company.

The forum addressed the following questions:

- principles of safe operations at production companies;
 - the psychology of human behavior in critical situations;
 - overdue changes in the occupational health and safety management system.
- On top of this, forum participants analyzed the causes and consequences of accidents at NOVATEK's enterprises, including the impact of human factors and employee behavioral propensities that may have led to such cases.





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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 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. NOVATEK 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.

Industrial safety management systems and industrial safety declarations have been developed for Class 1 and 2 hazardous industrial facilities.

Hazardous facilities operated by NOVATEK in 2022



- 14 Hazard Class 1 (hazardous)
- 59 Hazard Class 2 (hazardous)
- 176 Class 3
- 27 Class 4

To mitigate the risk of potential accidents and incidents, the Company carries out scheduled inspections of equipment, technical inspections and diagnostics of equipment, buildings, and facilities, taking out compulsory civil liability insurance for organizations operating hazardous production facilities, arranging employee training and certification, and other activities.



Accidents and incidents

In the reporting year, the Company experienced two accidents:

1. In April 2022, depressurization of a wellhead at the Urengoy oil and gas condensate field occurred at AO Arcticgas without fire. The cause was hydraulic shock in the flare line.
2. In September 2022, OOO NOVATEK-Tarkosaleneftegas had an accident at a hazardous production facility caused by operation of defective wellhead equipment.

Both cases were investigated, with measures taken to contain and manage the emergency.

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; and
- 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 spill response plans; and
- firefighting plans and information cards.

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

Alongside preventive measures, the Company develops emergency response plans. For instance, the plan at Yamal LNG includes scenarios and actions to be taken by employees, starting from senior management and professional emergency response and rescue teams to security companies and contractors. Moreover, all projects must initially include provisions that cover measures to minimize or prevent emergency emissions, fires, spills, and other emergencies by various safety systems such as emergency protection, automatic fire suppression, and gas detection systems.



The Company interacts with local authorities on emergency response issues. For the prompt transmission of information in the event of a threat or emergencies, NOVATEK facilities have approved control, warning and communication schemes. Information is promptly transmitted to the unified duty and dispatch services of local governments, which in turn inform the local population.

Fire safety

Subsidiaries operating hazardous facilities are protected by

30
PROFESSIONAL
EMERGENCY RESPONSE
AND RESCUE TEAMS.

A total of 103 employees are responsible for fire safety at the Company. Going forward, we are planning to build standalone buildings for fire stations and set up additional rescue teams.

The Company conducts emergency preparedness checks on a regular basis. In 2022, specialized units made 22,029 patrols and conducted 1,160 checks of firefighting water supply sources as well as 37,270 activities to monitor the fire and gas safety of hot works, up 82% year-on-year.

The measures taken by NOVATEK enable us to prevent major fires and promptly respond to hazards as they occur. In 2022, one fire occurred at a Company facility, which was not related to production processes and was promptly extinguished. The fire caused no casualties and no property damage.



A total of
33,104
induction briefings
on firefighting were
conducted in 2022

Fire safety training, including basic fire safety training, was provided to 3,999 people, with 1,993 tactical fire exercises performed as well as 767 evacuation drills. To improve the preparedness of governance bodies, employees, and equipment across NOVATEK enterprises to respond to potential accidents and emergencies, 12 comprehensive training exercises were arranged in 2022, including exercises covering procedures under oil spill response plans.



State-of-the-art fire station at the Offshore Superfacility Construction Center

Belokamenka, Kolsky district

One of the year's milestones included the creation of an advanced fire station at the Offshore Superfacility Construction Center (LNG Construction Center). This unit will focus all its efforts and resources on protecting the center's facilities. Its employees also oversee the security of the nearby village of Belokamenka, Kolsky District.

The design and construction of the fire station building reflects all modern requirements and solutions, with advanced equipment and machinery available to the firefighters.

In total, the station is equipped with

8
pieces of equipment

128
people who are divided into two rotational teams of 64 people each

The on-duty crew is complemented by a fire prevention crew.

Operational control

Operational control at the Company's hazardous production facilities is provided by standing commissions.

In 2022, the commissions of subsidiaries and affiliated companies conducted a total of 722 audits for compliance with industrial safety requirements. Additionally, NOVATEK's commission continued auditing controlled entities for compliance with occupational health, industrial, fire, and environmental safety requirements. In the reporting year, two integrated audits and 18 targeted audits were conducted. Based on the findings of each inspection, relevant reports were produced, and remedial measures were developed.

Employee initiatives

The Company engages employees in industrial safety activities, providing them an opportunity to bring forward and implement their own initiatives. As part of the Innovator corporate program, eight employee ideas were implemented to increase equipment reliability and improve the occupational safety education and training process.



For more details on the Innovator program, see the [Innovation](#) section, p. 50.



The average service life of NOVATEK's pipelines is
12 years,



which is substantially less than the maximum allowable statutory service life of
20 to 30 years



These measures ensure the pipelines operate reliably and minimize the number of failures. Thanks to the Company's efficient and reliable pipeline operation and integrity management system, there were no spills in 2022.





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Drilling safety

Design documentation for the construction of wells is developed in strict accordance with technical regulations and standards effective in Russia. Only qualified contractors are allowed to perform well interventions. A competitive procedure is used to select drilling contractors, which includes, among other things, an evaluation of their ability to ensure industrial, environmental, and fire safety as well as occupational health.

NOVATEK also adheres to international best practices for offshore well management. Coastal operations follow the principle of delineating responsibility. The operator, the Scientific and Technical Center, and the corporate center each have a responsible employee appointed for each well.

Construction, logging, and testing of any well are accompanied by continuous monitoring of all key parameters with advanced technology and software, both directly on the rig and remotely.

★
In 2022, the Company did not engage in any offshore drilling or development.

★
For more details, see PAO NOVATEK's Sustainability Report 2021, p. 95.

Well suspension and abandonment

In accordance with its license obligations, NOVATEK is fully responsible for suspending and abandoning wells that have reached the end of their lives as well as those that are plugged and abandoned for geological, environmental, or other reasons. The obligations include well plugging and abandonment (P&A) upon completion of production, equipment removal, land reclamation, and other related activities. As of 31 December 2022, the Group's asset abandonment liabilities were RR 3.1 billion.

★
Well suspension or abandonment is always followed by monitoring to minimize risks of blowouts and spills.

Occupational health and safety at contractors' facilities

NOVATEK monitors compliance with OHS standards by contractors engaged at its production facilities. The Company's occupational health and safety management system covers both its employees and contractors. Compliance with OHS requirements forms an integral part of agreements with contractors.

NOVATEK has in place a Contractor Access System. Its key elements include a system to check the level of training of, and issue certificates to, employees at the pre-qualification audit phase as well as pre-qualification requirements for assessing contractors' occupational health and safety services, including the availability of all necessary documentation, equipment of an appropriate quality, employee training, and timely implementation of all necessary occupational health audits.

★
Contractors who do not meet these requirements are not allowed to progress to the qualification phase.

★
For more details on supplier occupational health, see the Supply Chain section, p. 54.

Spill prevention

NOVATEK takes all possible preventive measures to avoid spills and also develops spill response plans as part of its risk management. Significant spills, for which response procedures are developed, are determined based on the requirements of applicable laws and regulations of the Russian Federation. The maximum estimated volume of oil and petroleum product spills is 0.5 tons or more for water bodies, and 3 tons or more on land.

When developing oil spill response plans, forecast areas of oil and petroleum product spills are determined (subject to design spill prevention solutions), including a description of the possible nature of the environmental impact and impact on local communities. The Company also calculates whether its own and/

or third-party emergency rescue services and/or teams are sufficient for handling the maximum estimated volume of spills. Once every three years, the Company conducts comprehensive spill localization and response drills, involving government authorities.

★
No significant spills were identified in 2022.



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.



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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.

Standard

NOVATEK identifies hazards and assesses injury risks to meet the requirements of

ISO 45001

and applicable Russian laws



The Company's professional risk assessment is focused on:

- identifying potential risk factors (hazards);
- determining the scale and causes of hazards;
- assessing their potential impacts; and
- developing measures to prevent accidents and injuries.

Hazard identification includes detection, recognition, and description, including their sources, triggers, and potential impacts. The identification process is implemented when monitoring occupational health status as part of mandatory investigations of accidents and no lost time injuries. 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 new operations and projects undergo occupational health and safety risk assessments. In particular, the environmental and social impact assessments for the Yamal LNG and Arctic LNG 2 projects focus on acclimatizing and adapting employees to the harsh climate and remote location as well as possible impacts to employee health, performance, and mental health and well-being.

All incidents are recorded 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.



In addition to statutory requirements, the Company applies its Incident Root Cause Analysis Standard to internal investigations of incidents. The analysis includes five steps, from recording the circumstances and collecting data to drafting a plan of corrective actions. 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. Its primary objective is transition from responding to incidents to managing and preventing risks.

The Company implements a range of measures to eliminate or reduce harmful impacts at workplaces with harmful working conditions and offers compensation and benefits to employees operating in such conditions. NOVATEK enterprises organize screening and regular medical examinations to quickly detect contraindications and warning signs of occupational diseases.



The Company has no workplaces with hazardous working conditions.

Work-related injuries

Our effective efforts to manage occupational health and prevent accidents have enabled us to make strong progress toward our target of reducing LTIFR among Company employees.

Work-related injury rates among employees of the NOVATEK Group

Indicator description	2020	2021	2022
Fatality rate (FR)	0.00	0.07	0.03
Lost time injury frequency rate (LTIFR)	0.45	0.53	0.40
Severe injury rate	0.08	0	0.03

In 2022, the Company recorded 12 work-related accidents, one of which resulted in a fatality, one was a high-consequence accident, and ten resulted in minor injuries. No more than one person was injured in each accident.

Accidents and work-related injuries among employees of the NOVATEK Group

Indicator description	2020	2021	2022
Total work-related accidents	12	15	12
Including:			
fatalities	0	2	1
severe injuries	2	0	1
minor injuries	10	13	10
People affected by work-related accidents	12	18	12

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

- failure to use or the incorrect use of safety harnesses;
- flaws in operational projects and processes;
- ignorance of process flow diagrams;
- defective equipment;
- failure to use gas analyzers; and
- traffic violations.

Despite our highly developed work-related injury prevention system, there was one fatal accident at a Company facility in 2022. During a break, an employee suddenly felt sick, lost consciousness and fell, suffering a head injury as a result. The employee was immediately given first aid and taken to a healthcare facility. Unfortunately, the employee's condition worsened, and he was operated on, but he died without regaining consciousness.

Based on the causes established, areas for enhancing the OHS management system were identified. To prevent similar incidents, the Company has implemented a range of additional preventive measures across its production sites. In a number of cases, a decision was made to abandon the further performance of high-risk work in connection with the identification of risks that contribute to the occurrence of incidents.

NOVATEK also keeps records of work-related injuries at contractors' facilities, including accidents without lost time. In 2022, contractors recorded a total of 89 work-related accidents, three of which resulted in fatalities.



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OHS Training for Employees

Work-related injury rates at contractors' facilities

Indicator description	2020	2021	2022
Fatality rate (FR)	0.01	0.02	0.02
Lost time injury frequency rate (LTIFR)	0.30	0.42	0.48

Accidents and work-related injuries among contractors

Indicator description	2020	2021	2022
Total work-related accidents	112	110	89
including fatalities	3	6	3
People affected by work-related accidents	112	122	89

All accidents were investigated by the Company in accordance with the applicable laws and local regulations. A commission was established to investigate each incident. Among the main causes of accidents that caused injuries to employees of contracting organizations, the following ones can be distinguished as: improper use of safety systems and falls due to negligence.

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 a report on incidents and accidents as well as remedial and preventive actions. Employees are also required to attend unscheduled briefings and team meetings.

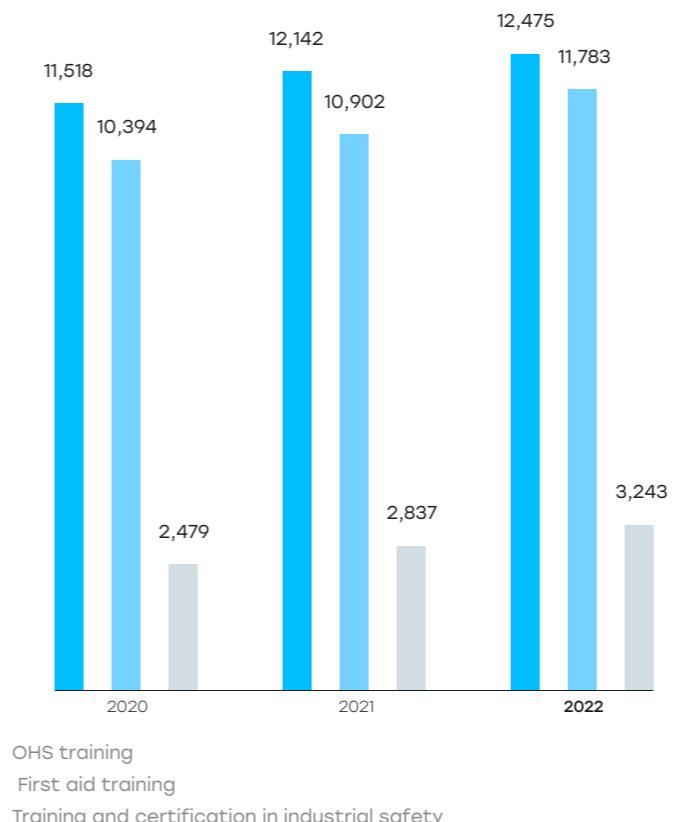
In 2022, the main efforts of the Company were focused on the organization of practical training in safe work performance and the introduction of training grounds for practicing these actions, the introduction of a system of internal trainers to ensure the Company's activities are in line with new legislative requirements. In this regard, the creation of a coordinating council, as a less priority task, was postponed to a later date.

NOVATEK strives to improve employee awareness about occupational health and safety. To this end, the Company annually prepares and implements an employee training and professional development program, considering the analysis of accident causes. Moreover, the number of employees taking training is growing continuously: in 2022, OHS training covered 3% more employees year-on-year. Particular attention is paid to the training of blue-collar employees, with regular briefings held for them.

The Company also organizes employee training at training sites in safe methods of conducting hazardous operations, such as fire and gas-hazardous operations and work at height. The frequency of such training is at least once a year.

Occupational health training and knowledge testing are conducted on-the-job, including using a licensed automated training and knowledge testing system.

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



Occupational Health

The Company has in place a healthcare management system (HMS) to protect employee health. As part of the HMS, a package of measures is implemented to protect employee health, including preventive and anti-epidemic measures and in-depth medical examinations.



Effective measures taken by the Company have prevented occupational diseases and disease outbreaks among its employees over the past five years.

NOVATEK's facilities operate

78
MEDICAL
AND PARAMEDICAL
AID POSTS,

including 47 contractor health posts

6 Employees

Empowering Our Employees

2022 HIGHLIGHTS

RR 2.3 ^{↗15%} **13.4 ^{↗37%}**

BLN
expenses on social programs for employees

THOUSAND EMPLOYEES
trained

20%

year-on-year increase in the average pay across the Company

KEY EVENTS

- Significant increase in support for employees (unscheduled cost-of-living increases and larger social benefits)
- Reduction in employee turnover
- 100% of employee training programs delivered

CONTRIBUTION TO THE UN SDGs

Priority UN SDGs



For more details on the priority SDGs, the Company's goals and progress on p. 22.

PLANS FOR 2023 AND THE MEDIUM TERM

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

WE ARE GUIDED BY

External documents:

- Universal Declaration of Human Rights
- International Labour Organization's Declaration
- UN Global Compact
- National Legislation and Regulatory Requirements

Corporate documents:

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

ORGANIZATIONAL STRUCTURE

Board of Directors, Remuneration and Nomination Committee

Chairman of the Management Board

Deputy Chairman of the Management Board (employees and the internal social policy)

Dedicated divisions at business units





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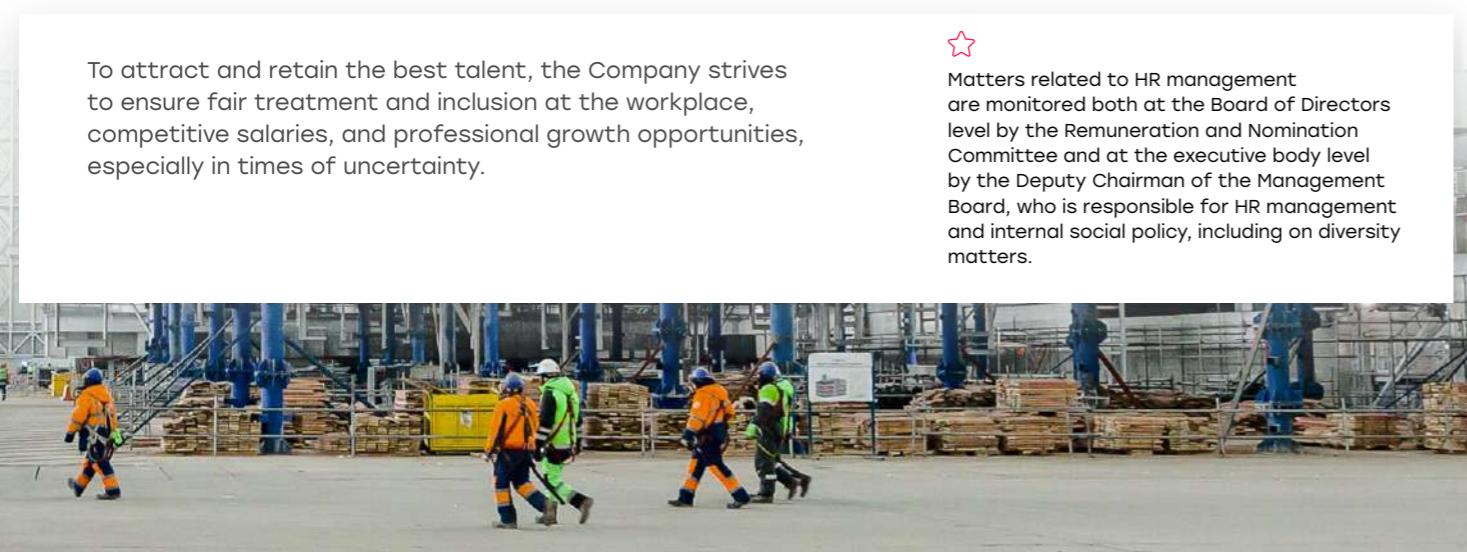
Management Approach

Highly skilled NOVATEK employees are the key driver behind our business success and sustainability. The Company's strategic priority is to provide employees with the most favorable conditions for work and professional development.

To attract and retain the best talent, the Company strives to ensure fair treatment and inclusion at the workplace, competitive salaries, and professional growth opportunities, especially in times of uncertainty.



Matters related to HR management are monitored both at the Board of Directors level by the Remuneration and Nomination Committee and at the executive body level by the Deputy Chairman of the Management Board, who is responsible for HR management and internal social policy, including on diversity matters.



HR risk assessment

HR risks are assessed for all new Company projects as part of the ongoing ESIA. 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.

Workforce overview

Despite the external challenges in 2022, NOVATEK maintained its rapid growth pace, expanding the business and accordingly attracting skilled talent for its projects. At the end of 2022, NOVATEK's headcount was 19,570 employees, up 6% year-on-year, with the Yamal-Nenets Autonomous Region, the Company's core operating region, accounting for most jobs (59% of the headcount). The Company pays particular attention to gender diversity and inclusion programs, as well as attracting young talent, implementing a variety of programs to support gifted school and university students.



For more details, see the [Diversity and Inclusion](#) section, p. 126, and the [Key Community Support Projects](#) section, p. 140.

Management breakdown by gender



20% Female
80% Male

The Company seeks to build strong long-term relationships with every employee and makes all related commitments. Thus, 91% of employees working under permanent contracts. In cases provided for by law, the Company executes fixed-term employment contracts. Over 99% of all contracts are full-time ones.⁽ⁱⁱ⁾ The average length of service with the Company is six years.

Blue-collar employees make up 43% of the total headcount, white-collar employees 37%, and managers 20%.

Thanks to the measures taken in 2022, employee turnover decreased year-on-year to 7% in general (8% in 2021) and to 4% in the Yamal-Nenets Autonomous Region.

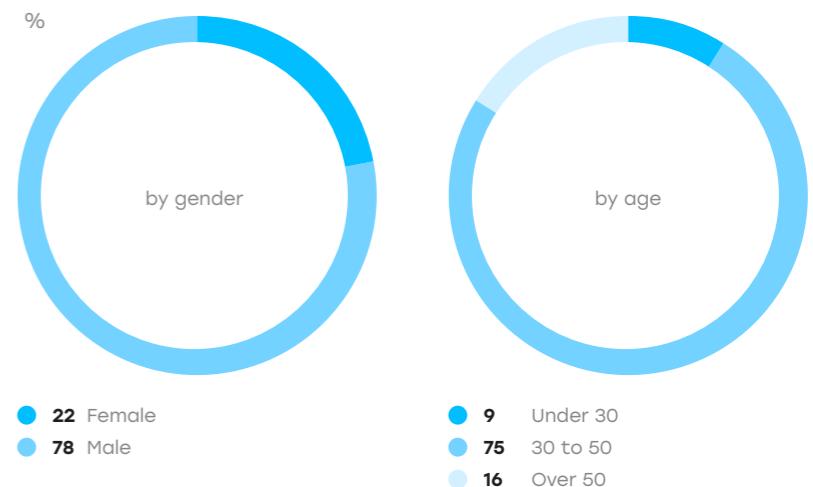
For example, the remuneration policy was improved at marketing subsidiaries with relatively high turnover rates. NOVATEK uses employee exit surveys to consistently improve its HR policy and provide better working conditions at the Company.

Workforce profile of the NOVATEK Group in 2022

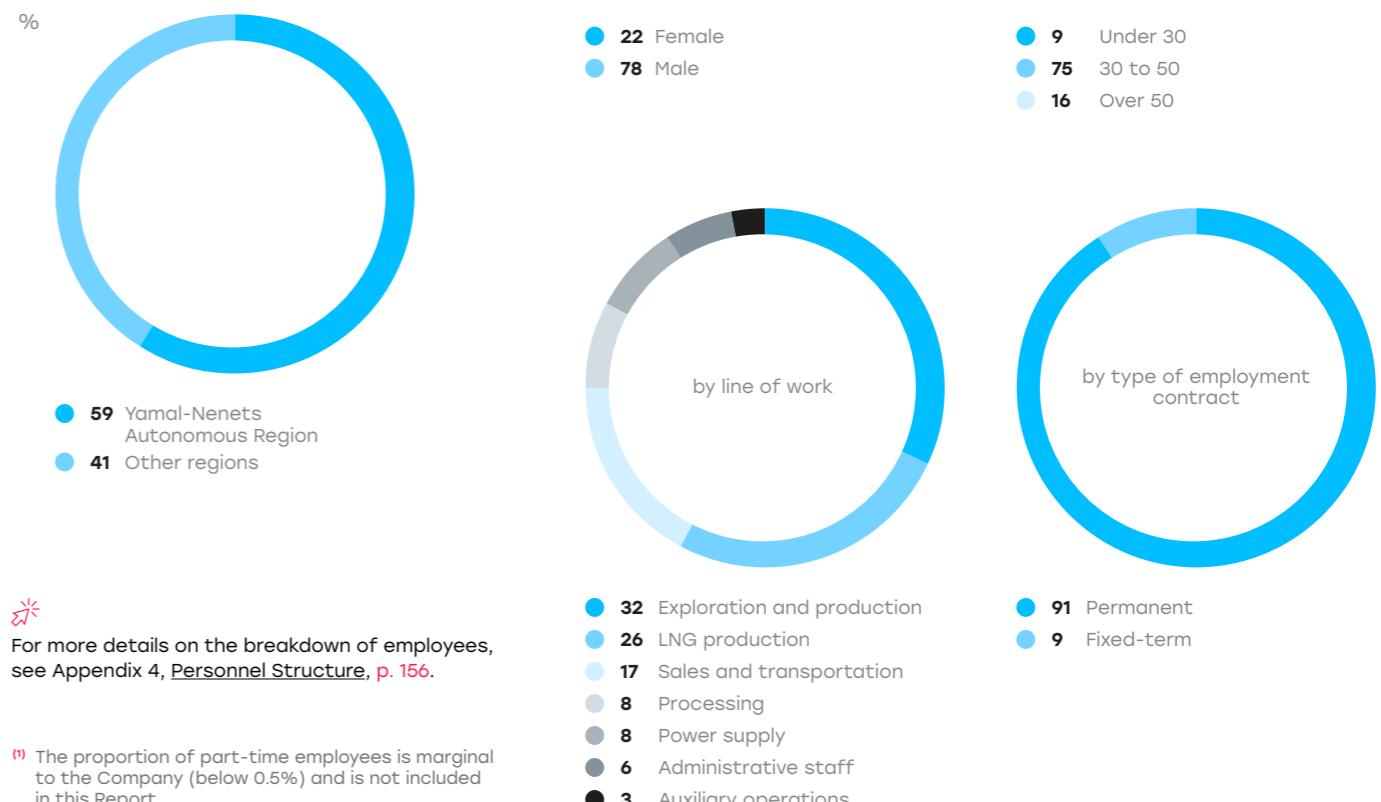
At the end of 2022, NOVATEK's headcount was

**19,570
EMPLOYEES,**
up 6% year-on-year

Breakdown of employees



Breakdown of employees by region



For more details on the breakdown of employees, see Appendix 4, [Personnel Structure](#), p. 156.

⁽ⁱⁱ⁾ The proportion of part-time employees is marginal to the Company (below 0.5%) and is not included in this Report.



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Diversity and Inclusion

The Company values diversity of opinion and experience among our employees, as outlined in NOVATEK's Human Rights Policy. The Company does not tolerate any kind of discrimination, whether based on gender, race, religion, physical abilities, or political affiliation.

When recruiting, hiring, training, establishing job duties, wages, and promotions, the Company considers the qualifications, performance, skills, and experience of each person and adheres to the equal opportunity principle, without any bias.

Discrimination-related incidents are tracked within the Company through grievance mechanisms (such as an anonymity hotline, for example).

Gender equality

In 2022, the share of women in the Company's headcount remained at

22%,

including 20% among senior executives and 22% among the Board directors (upon election).



At the same time, the Company maintains a gender balance wherever possible: for example, at our marketing subsidiaries, the proportion of women employed is 48%. In 2022, the proportion of women among new hires increased to 22% (20% in 2021). In addition, we pay attention to the professional development of women already employed by the Company. For example, the proportion of women who took part in the Steps in Discovering Talents program for young specialists was 38%, with 19 average training hours, up 45% year-on-year.



Diversity matters, along with other aspects of the HR policy, are included in the agenda of meetings of the Remuneration and Nomination Committee of the Board of Directors.



For more details on grievance mechanisms, see the [Ethics section, p. 44](#).

Inclusion

People with disabilities are employed in the Kostroma, Chelyabinsk, Tyumen, Leningrad, and Moscow Regions as well as in the Yamal-Nenets Autonomous Region, comprising 0.17% to 3.14% of the headcount, depending on the region.

The Company guarantees such employees extended paid vacations and paid leave to undergo medical examinations. Employees who have appropriate recommendations in their individual rehabilitation plans are entitled to shorter working hours with full pay and no overtime obligations.

As an employer of

107
PEOPLE

with disabilities, we cooperate with regional employment centers and centers for people with special needs, which recruit candidates even in remote regions

Age diversity

The Company has initiatives in place to ensure a diverse workforce, including age diversity. Thanks to implemented programs, the proportion of young specialists among new employee hires rose to 20% in 2022 (19% in 2021).

To attract and retain young talent, the Company implements a range of measures, from school student engagement programs to mentoring at universities and on-the-job training.

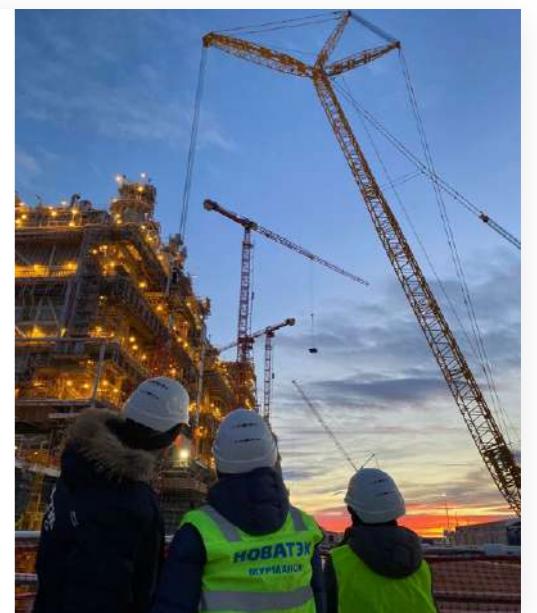
Younger employees (under 30) account for

9%

of the workforce



For more details on engaging gifted students, see the [Key Community Support Projects section, p. 140](#).



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.

Hired graduates participate in Steps in Discovering Talents, a two-year program for onboarding young talent and helping them develop professionally through on-the-job adaptation and development. In 2022, 87 young specialists participated in the program.

A mentor is assigned to each young specialist participating in the program, who helps onboard their newer colleague during their first year of employment with the Company. In addition, an Individual Development Plan is drafted up for each program participant for the year ahead, including monthly working meetings to discuss goals and objectives, and progress toward them as well as to offer feedback. Young specialists can also submit feedback and suggestions either to their mentor or directly to the HR Department's program supervisors. The priority goal of the process is to provide employees with an opportunity to give the most objective evaluation of their satisfaction with various aspects of daily life, such as organization of day-to-day operations, salary, career advancement opportunities, team climate, relations with management, etc. Young specialists with a high final program score and documented proof of outstanding professional performance can be recommended for the talent pool.



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Local hiring

When sourcing its workforce, NOVATEK prioritizes local hires, while also promoting regional education and minimizing talent sourcing costs.

Proportion of local hires⁽¹⁾ and local top managers⁽²⁾ in 2022



The proportion of local⁽⁴⁾ residents employed by the Company's subsidiaries varies from region to region.

For example, in the Yamal-Nenets Autonomous Region, where 59% of the Company's workforce is concentrated, the proportion of local residents in 2022 was

29%,

due to the low population density of the region, while in the Chelyabinsk Region, offering a larger pool of candidates, local residents hold

97% of jobs.

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, which excludes any related risks. 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. When selecting among employees with equal productivity performance 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. Employees who have been given notice eight weeks before their dismissal are provided one day a week (paid at their average pay rate) to look for another job.

Interaction between employees and management

The Company has in place a system allowing its employees to contact management, communicate their concerns, and receive feedback on their review and solution. Employee reports are discussed at meetings of subsidiary and affiliates heads with PAO NOVATEK's Chairman of the Management Board. The Company also holds regular town hall meetings, which bring together employees and management. Close communication between employees and management enables the Company to understand employees' current needs and respectively adjust its social policy. For instance, in response to employee concerns about rising inflation and falling real income in 2022, the Company made two unscheduled cost-of-living increases in addition to the planned indexation to the inflation rate.



For more details on remuneration, see the [Motivation and Remuneration System](#) subsection, p. 130.

Grievance mechanisms enable employees to raise any concerns without fear of retaliation and ensure that appropriate action is taken.



Matters related to HR management are reviewed by the Board of Directors and the Remuneration and Nomination Committee on an annual basis.



For more details, see the [Human Rights](#) section p. 24 and the [Ethics](#) section, p. 44.



The Company also has employment programs for the indigenous peoples of the Far North. For example, the Company has in place the Regulations on Hiring Members of Indigenous Peoples of the Far North for the Yamal LNG project and the Local Hiring Policy for the Arctic LNG 2 project.

In 2022, Yamal LNG hired eight part-time employees from the nomadic population to help with the [Healthy Tundra project](#) restoring disturbed land.



For more details on supporting the indigenous peoples of the Far North, see the [Key Community Support Projects](#) section, p. 140.

Hiring and exit

Being a constantly developing and fast-growing company, NOVATEK has grown its headcount by more than 60% over the past five years. In 2022, the Company hired 2,617 employees, up 22% year-on-year. The Company supports job rotation by providing employees with relocation opportunities. In 2022, 458 people took advantage of this opportunity.

To attract top talent in today's market, NOVATEK continuously improves its procedures for recruiting highly skilled employees.

In particular, the Company focuses on closing vacancies faster using advanced recruitment solutions, such as the E-Staff internal database, which is constantly updated, and relevant recruiting resources as well as headhunting and recommendations. Currently, the average time to fill a position is 100 days.

Trade union relations and collective bargaining agreements

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, which provided for indexing retirement benefits, one-off vacation payments, monthly social benefits for retired employees, and much more throughout the reporting year. Collective bargaining agreements cover 90% of Company employees.

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. Upon agreement with the employer, employees can opt for shorter hours, a shorter workweek,

or flexible work schedules. 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 of Russia.



For more details on parental leave statistics, see Appendix 4. [Personnel Structure](#), p. 156.

⁽¹⁾ In the total number of staff.

⁽²⁾ In the total number of top managers.

⁽³⁾ Top Manager – General Directors, Deputy General Directors of subsidiaries and affiliates of the NOVATEK Group, members of the Management Board and Directors of departments of PAO NOVATEK. The graph shows the regions of the Company's activity in which 85% of NOVATEK's employees are employed.

⁽⁴⁾ "Local residents" means the population of a certain area, regardless of their ethnic origins or culture.



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Trade unions regularly interact with NOVATEK's management on labor relations matters through targeted meetings, meetings of union committees, and conferences. In addition, trade unions represent the interests of employees to the Company's management by communicating their urgent needs identified through close interaction.

Employee rights to associate, including forming and joining trade unions to protect their labor rights, freedoms, and legitimate

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.

The minimum wage of NOVATEK employees across the Company's regions of operation is traditionally almost twice as high as the local minimum wage. In addition, NOVATEK performs salary indexation on a regular basis in line with its collective bargaining agreement.

In 2022, the Company made one scheduled and two unscheduled cost-of-living increases, and the average salary (excluding top management) was

RR 222 THOUSAND,
up 20% year-on-year and 34% above the industry average.⁽¹⁾

In the Yamal-Nenets Autonomous Region, NOVATEK's core operating region, the average income per employee is

RR 213 THOUSAND
(RR 190 thousand in 2021), 50% above the region's average wage.⁽¹⁾



Employee remuneration is determined in a manner providing for a reasonable and justified ratio of fixed and variable parts, the latter 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 other 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.



For more details, see the [Sustainability Management System](#) section, p. 32.

interests, are also set out in collective bargaining agreements. The Company actively supports trade unions, spending RR 6.8 million on them in 2022. A total of 62.8% of NOVATEK employees are trade union members. With such a responsible attitude to its employees, the Company saw no cases of labor disputes or strikes in 2022.

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 Company develops and runs social programs in close cooperation with trade unions and employees, considering their demands and the issues most relevant to them. Social measures contribute to employees' motivation for professional and personal development. All projects and commitments made through collective bargaining are a priority for NOVATEK.

To obtain Company financing, programs need to be targeted, effective, and socially-oriented.

In 2022, the financing of social programs was increased by 15% year-on-year, exceeding

RR 2.3 BILLION

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 5.5%, to

RR 847 MILLION

Therapeutic resort treatment and rehabilitation

The continuous program provides health resort treatment for employees and their families. In 2022, the health resort voucher cost limit per person was increased from RR 70 thousand to RR 80 thousand. A total of 6,633 people benefited from the program, including employees and their families.

The total amount of funding for the program increased by 22% and amounted to

RR 351 MILLION

Voluntary health insurance for employees

The program covers all employees who have worked with the Company more than six months and 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 16% in 2022,

TO RR 301 MILLION

Repayable financial aid programs with two focus areas:

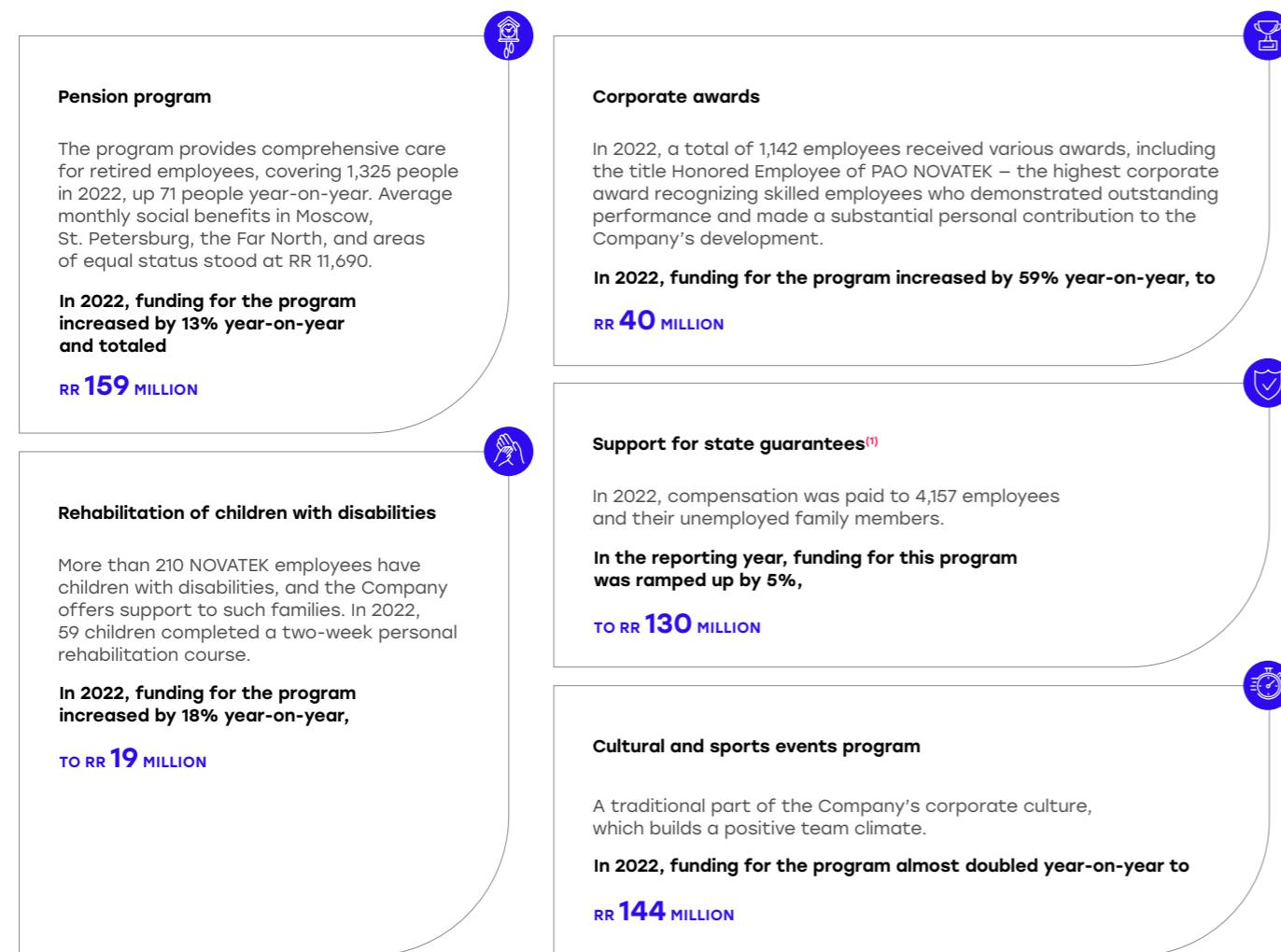
- short-term loans to employees for training and social needs;
- interest-free special-purpose loans to purchase housing.

In 2022, 170 people took advantage of the short-term loan program, and 34 families benefited from the housing program.

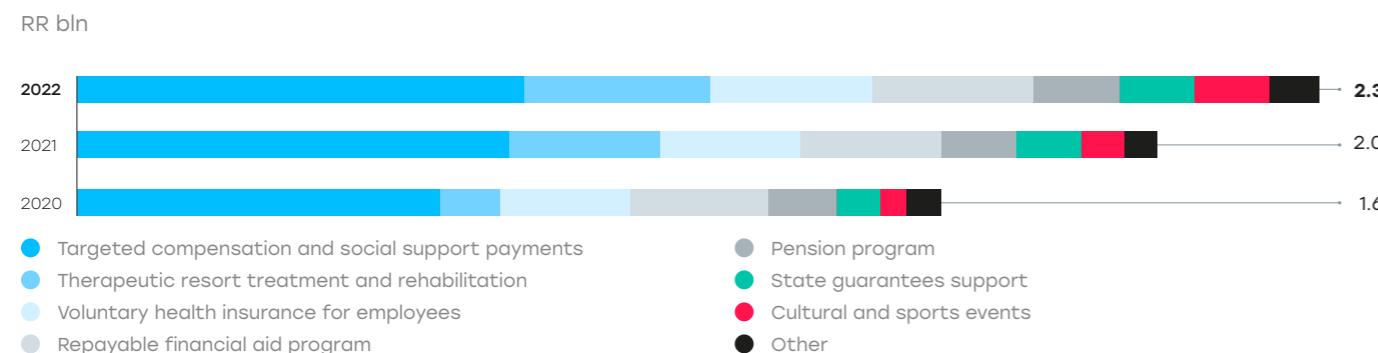
The funding was

RR 282 MILLION, up 7% year-on-year

⁽¹⁾ According to the Federal State Statistics Service.



Evolution of the Company's spending on social programs



Training and Development

Employee training and development system

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.

⁽¹⁾ For employees living in the Far North and areas of equal status.

In 2022, training was provided to 13.4 thousand NOVATEK employees, up 37% year-on-year. The Company allocated RR 80.5 million toward training programs. These results are fully consistent with the Company's commitment to employee training. Average training hours per employee was up 32% to 54 hours (6.7 days) in 2022, with average training hours per woman up 50% to 19 hours.

Training programs

The Company regularly develops new, and updates existing, training programs to help employees deepen their knowledge in engineering, geology, mining, environmental protection, and other fields.

In 2022, professional development and individual training programs covered 71% of NOVATEK employees. To evaluate training effectiveness, the Company analyzes the feedback submitted by participants after training and tests their knowledge through a remote learning system.

In addition, the Company has in place a corporate technical competency assessment system, which enables competency development monitoring of engineering staff.

In 2022, a total of **1,172 EMPLOYEES** were tested through the Corporate Technical Competency Assessment System

Personal development in 2022 covered the following trainings for employees: Self-Organization, Presentation Skills, Cross-Functional Interaction, Value Thinking, Mentoring Culture, Teamwork, My Career, and Routine Management Practices.

Despite the easing COVID-19 tensions, the Company continued to develop remote learning programs, focusing on the process flexibility and the convenience of training for employees. At OOO NOVATEK Scientific and Technical Center, 58 training courses were developed on the iSpring platform, available online. In 2022, the courses were taken 4,560 times.⁽²⁾

In addition to in-house training, NOVATEK supports employees who choose education at state universities, providing them with days off or educational leave.

For years, NOVATEK has been developing its continuing education program for students, from school to university. The project aims at recruiting highly qualified and educated young people from the Company's regions of operation.



For more details, see Chapter 7. Local Communities, p. 134.

A research-to-practice conference for young specialists

December 2022

Moscow

17th Interregional Research-to-Practice Conference for the Company's young specialists

In December 2022, Moscow hosted the 17th Interregional Research-to-Practice Conference for the Company's young specialists, attended by 64 employees. A total of 51 projects covering various business segments, from geology, drilling, and upstream operations to hydrocarbon processing and ammonia production, were submitted for review. Projects on IT systems and industrial safety projects were also presented. The review panel comprised heads of units specialized in key areas covered by the participating projects.

All winners and runners-up,

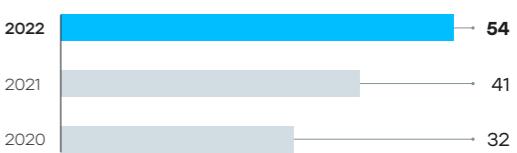
30 YOUNG SPECIALISTS

in total, received cash prizes ranging from RR 100 thousand to RR 150 thousand

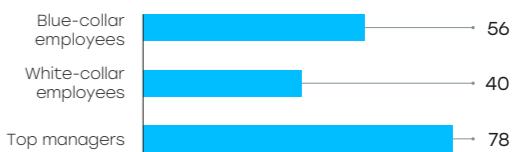
On top of this, nine of the winners will visit Uzbekistan and Kazakhstan to learn more about the work of oil and gas businesses in these countries.

Employee training and development

Average training hours



Average training hours by position in 2022



⁽²⁾ One employee could take several courses.

7 Local Communities

Caring For the Well-being of Local Communities

2022 HIGHLIGHTS

RR 3.3 ^{↗3%}
BILLION

was allocated to social support
for our regions of operation

82

NOMADIC FAMILIES

with a total of 430 people conduct traditional
economic activities on the territory of the Yamal LNG
and Arctic LNG 2 projects



KEY EVENTS

- The needs of the indigenous peoples of the Far North were analyzed in a bid to improve the effectiveness of current activities
- The Plan to Promote the Sustainable Development of the Indigenous Peoples in the Area of the Arctic LNG 2 project was developed
- A total of 53 public consultations were held to discuss the Company's planned economic activities in the Yamal-Nenets Autonomous Region, Murmansk and Leningrad Regions as a part of EIA

CONTRIBUTION TO THE UN SDGs

Priority UN SDGs



For more details on the priority SDGs, the Company's goals and progress on p. 22.

PLANS FOR 2023 AND THE MEDIUM TERM

- Further implementation of charity projects, cultural and educational programs
- Support for healthcare institutions and the indigenous peoples of the Far North

WE ARE GUIDED BY

External documents:

- UN Global Compact
- Agreements with Russian regions

Corporate documents:

- PAO NOVATEK's Charity Policy
- Plans to Promote the Sustainable Development of the Indigenous Peoples of the Far North

ORGANIZATIONAL STRUCTURE

Board of Directors, Remuneration
and Nomination Committee

Chairman of the
Management Board

Deputy Chairman of the Management Board
(external social policy)

Dedicated divisions
at business units





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Management Approach

NOVATEK builds trust-based relationships and tailors its social policy to the interests of stakeholders to ensure that the Company's support is targeted and reduces the exposure to social risks.

Supporting local communities is an important element of the Company's corporate social responsibility. NOVATEK promotes community development through social and economic partnerships, taxes, and job creation.

Regular and active stakeholder engagement through various mechanisms maximizes the focus and impact of our social policy. Amid the turbulence of 2022, the Company continued to support its regions of operation as this support became even more relevant to local residents.



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 engagement with local communities. At the business unit level, designated officers are responsible for stakeholder engagement.



Contribution to Regional Development

Given the economic uncertainty in the reporting year, the Company increased its external social expenses, having allocated RR 3.3 billion for these purposes, up 2.5% year-on-year.

These expenses include infrastructure investments, the costs of supporting the indigenous peoples of the Far North (9% of the total) and healthcare institutions, charity projects, sports, culture, and educational programs. The bulk of the funds was allocated to projects in the Yamal-Nenets Autonomous Region; however, the Company also finances social projects in the Khanty-Mansiysk Autonomous Region, Tyumen, Chelyabinsk, Leningrad, Murmansk, and Kostroma Regions as well as the Kamchatka Region.

External social expenses⁽¹⁾

RR bln

Indicator description	2020	2021	2022
External social expenses	4.2	3.2	3.3

External social expenses in 2022



⁽¹⁾ Shown in the Social Expenses and Compensatory Payments lines of the consolidated statement of profit or loss in the IFRS consolidated financial statements. Beginning with the 2022 Report, this includes interests in joint ventures pro rata to their stake. Figures for 2021 and 2020 have been recalculated.

An investment program driven by engagement with local communities

When planning social activities in its regions of operation, NOVATEK analyzes the current situation and identifies vital areas in need of financing through communication with stakeholders. Engagement with local communities takes place primarily through direct consultations, community monitoring, and obtaining feedback from local residents. In addition, the Company regularly engages with local governments, municipal administrations, and non-profits that represent the interests of various stakeholder groups. An integral part of the Company's social policy is the regular assessment of the impact and effectiveness of social investments.



As part of the EIA procedures, in 2022, 53 public consultations were held on 52 projects of the Company's planned projects in the Yamal-Nenets Autonomous Region, Murmansk and Leningrad Regions, which is 23% higher than last year.

Communication on implemented social projects takes place 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.

The Company listens carefully to queries and makes every effort to align its social policy with the views and wishes of its stakeholders as far as possible. No conflicts with local residents or cases of forced displacement or human rights violations were recorded in 2022.



For more details, see the [Human Rights section, p. 24](#), [Harsh Arctic Conditions section, p. 27](#) and the [Ethics section, p. 44](#).



Cooperation with 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 its regions of operation, including their right to land and clean and accessible water.

The Company's approach is based on best international standards and is governed by both its social policy and the Plans to Promote the Sustainable Development of Indigenous Peoples developed at the Yamal LNG and Arctic LNG 2 projects (the "Plans"), considering the views of nomadic families. The Plans outline an approach to engagement with indigenous people, an assessment of the impact of the Company's projects on indigenous people, measures to expand social and economic opportunities, improvement of ecosystem services, and support for traditional ways of life during and after the construction of project facilities and infrastructure.

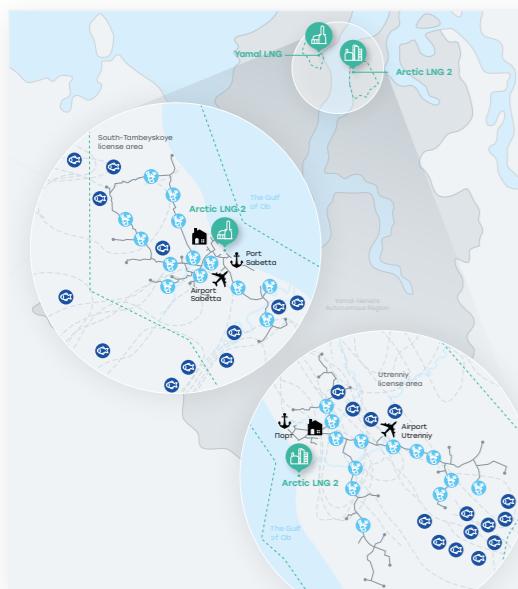
In 2022, as part of further efforts to implement the Plans, we started monitoring the effectiveness of implementing Plans to Promote the Sustainable Development and supported the design

of social infrastructure facilities, the operation of socially oriented non-profit organizations, and the purchase of vital goods for nomadic reindeer herders.



To track the performance of activities under the Plans, independent monitoring and analysis of the effectiveness of measures to engage with the indigenous peoples of the Far North and manage relevant impacts are run on a regular basis, at least once a year. This helps us ensure the most rapid response to all requests and queries and provide material assistance.

When planning economic or other activities in the areas where the indigenous peoples of the Far North traditionally live, the Company holds public consultations as a matter of course and runs a process of seeking free, prior, and informed consent from the indigenous peoples of the Far North to consider their interests.



Yamal LNG and Arctic LNG 2 project

The Yamal LNG and Arctic LNG 2 project areas are home to 82 nomadic families, encompassing 430 people engaged in traditional economic activities. Of these, 56 families of reindeer herders follow migration passages and set up temporary nomad camps, while the remaining 26 families live in 17 permanent nomad camps. The families own a total of more than 17 thousand reindeer.

For more details on projects implemented to support the indigenous peoples of the Far North, see Local Community Rights section in PAO NOVATEK's [Sustainability Report 2021](#).



Quality control of ecosystem services

A four-year-long community monitoring program at Yamal LNG, aimed at measuring the satisfaction of nomadic families with the quality of ecosystem services provided to them, was completed in 2022.

The monitoring program was run by surveying reindeer herder families whose herding routes pass through the South-Tambeyskoye license area. The studies confirmed that all traditional use patterns for natural resources had been preserved. Nomadic families continue to engage in reindeer herding, fishing, hunting, and gathering wild crops.

Threshold indicators for the quality of ecosystem services and the quality of life of the indigenous peoples of the Far North are sustainable.

Community infrastructure investments

Investments in the infrastructure of our operating regions in 2022 accounted for

RR 1.4 BILLION

out of the total amount of external social expenses

Construction and repair of infrastructure facilities

The Company invests massively in infrastructure development in the regions where it operates. The focus of investment is driven by engagement with local communities and consultations with regional authorities.

Yamal-Nenets Autonomous Region: Funding was provided for engineering surveys and developing design documents for an automated waste sorting facility with a landfill in Salekhard, Novy Urengoy, and Muravlenko to build a comprehensive solid domestic waste management system in the Yamal-Nenets Autonomous Region.

Murmansk Region: Funding was provided to refurbish the Rodina cinema building, a cultural heritage site in the Murmansk Region, as part of our initiatives to preserve and develop cultural heritage.

Leningrad Region: Funding was provided to develop designs for a project to preserve and contemporize the cultural heritage site Priory Park in Gatchina (Leningrad Region).

As part of an initiative to optimize logistics by developing the Northern Sea Route, the Company invests in the development of related infrastructure in Kamchatka. The project includes the construction of a terminal as well as coastal infrastructure facilities and utility systems to ensure the transport security system, state border crossing point, and communication channels all run smoothly.

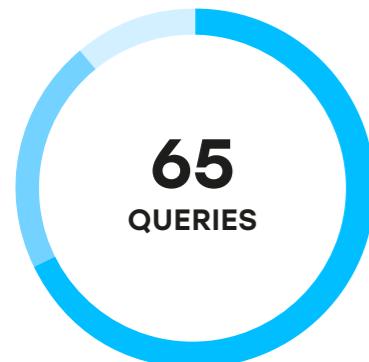
The terminal can then be used to transship LNG for subsequent transportation to Southeast Asia and other regions.

In addition to the direct positive impact on the development of local industry, the project will also have a positive social impact by creating jobs and increasing tax revenues to local budgets (with the funds to be allocated to developing social infrastructure facilities).

Along with the Kamchatka Region, a similar project to build a transshipment facility is being implemented in Murmansk.

Indigenous peoples are always welcome to seek help from the Company. For example, in the reporting year, the Yamal LNG and Arctic LNG 2 project hotlines received a total of 65 queries dealing with matters related to maintaining traditional ways of life. Yamal LNG received 22 queries related mainly to the supply of firewood and fuel, transportation of nomadic reindeer herders and their accommodation at rotation camp dormitories, and the construction of reindeer crossings. Arctic LNG 2 received 43 queries, primarily concerning air transportation, sustainable reindeer herding, and assistance with firewood and food supplies.

Reasons for queries to Yamal LNG and Arctic LNG 2 from indigenous people of the Far North in 2022



Structure of the Company's expenses for supporting indigenous peoples of the Far North in 2022



A total of RR 283 million was allocated to supporting the indigenous peoples of the Far North in 2022, of which almost 20% dealt directly with the queries mentioned above. The Company supplies indigenous communities with fuel and reindeer forage, buys and delivers foods, and finances tundra monitoring from the air. In 2022, the Company provided funds to purchase diesel generators for communities. Another focus area is participating in organizing and holding events related to ethnic and cultural traditions. The Company annually takes part in traditional festivals of the indigenous peoples, such as Reindeer Herder's Day, Fisherman's Day, Indigenous Peoples' Day, and events commemorating anniversaries and memorable dates of Nenets writers and poets. NOVATEK supports the preservation of cultural heritage sites, 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.

The Company seeks to support the indigenous peoples of the Far North and improve their standards of living by supporting traditional crafts and investing in infrastructure as well as by facilitating the employment of their representatives.

For more details on the employment of indigenous people of the Far North, see the [Diversity and Inclusion](#) section, p. 126.

NOVATEK also implements a training program for indigenous people of the Far North – matched to the employment needs of energy companies – and supports young talents.

The funds were allocated to constructing, refurbishing, renovating, upgrading, and equipping social facilities.

Development of the remote village of Gyda in the Yamal-Nenets Autonomous Region

In 2022, further funding was provided to construct dormitories in the Gyda village, Tazovsky District, for 600 boarding school students as part of an initiative launched in 2021. The school building was commissioned in 2018 with Company support.

The boarding school is a three-story building connected to a gym by a heated passage. In addition to classrooms and teachers' rooms, the building has everything to meet students' needs: a canteen, a medical facility, wood and metalwork workshops, sewing and cooking rooms, a language laboratory, a reading room, an assembly hall, a museum, and a projection booth. The grounds feature basketball courts, playgrounds for younger students, a learning and gardening plot, and a recreation area.

Development of the Kamchatka Region

As part of an initiative to optimize logistics by developing the Northern Sea Route, the Company invests in the development of related infrastructure in Kamchatka. The project includes the construction of a terminal as well as coastal infrastructure facilities and utility systems to ensure the transport security system, state border crossing point, and communication channels all run smoothly. The terminal can then be used to transship LNG for subsequent transportation to Southeast Asia and other regions.

In addition to the direct positive impact on the development of local industry, the project will also have a positive social impact by creating jobs and increasing tax revenues to local budgets (with the funds to be allocated to developing social infrastructure facilities).

Along with the Kamchatka Region, a similar project to build a transshipment facility is being implemented in Murmansk.



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Key Community Support Projects

Supporting education

For many years, the Company has been implementing projects to provide continuous training to specialists, investing in high-quality education at middle and high schools and industry-related universities as well as in internship programs and subsequent employment.



NOVATEK helps children from nomadic families get an education and arranges for so called "school flights" to take children to their school at the start of the academic year and back to the tundra after it ends. All families with school-age children confirmed having received this assistance.

Gifted Children program

- 📍 • Samara Region
- 📍 • Murmansk Region
- 📍 • Yamal-Nenets Autonomous Region
- 📍 • Tyumen

⌚ Investment
RR 13.7 mln

⌚ Key outcome
School students visited the facilities of the NOVATEK Group:

- LNG Construction Center – 124 people;
- Laboratory and Research Center – 63 people

In 2022, the program's 20th year, the Gifted Children initiative was further expanded to cover 129 high school students from secondary schools in the regions where the Company operates. Under the program, talented high school students take in-depth courses in relevant subjects (such as physics, mathematics, and engineering), get acquainted with industry-related universities, take part in competitions and contests, and learn more about the Company's operations and advanced technologies during field trips to NOVATEK enterprises.

Specifically, in 2022, two major field trips to NOVATEK enterprises were organized:

- 124 school students visited the LNG Construction Center site in the Murmansk Region, where they saw with their own eyes how an LNG plant is built on gravity-based structures. They then had a tour around Europe's largest assembly shop, learned about new and exciting professions in the oil and gas industry, and visited the Quantorium technology park for children;
- 63 high school students visited the Laboratory Center at NOVATEK's Scientific and Technical Center in Tyumen, where they learned about professions in demand at the STC. The students also took part in engineering competitions, took classes at the regional School of Physics and Mathematics and at Quantorium, and got acquainted with the Industrial University of Tyumen.

In the reporting year, investments in the Gifted Children program doubled year-on-year to RR 13.7 million.



Grants for schoolchildren and teachers

📍 Yamal-Nenets Autonomous Region

⌚ Investment
RR 0.6 mln

⌚ Key outcome
106 grants issued

In 2022, 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.

To be eligible for a grant, in addition to earning good and excellent grades, a student must also be a winner or runner-up of a district, regional, or national olympiad; research and practice conference; contest; tournament; or festival at various levels in mathematics, physics, computer science, or chemistry.

In 2022, a total of 48 grants were awarded to school students from the Purovsky District, the Yamal-Nenets Autonomous Region, bringing total grants awarded since program launch to 1,815. Teachers from the Purovsky District received seven grants in the reporting year (106 grants since program launch).

NOVATEK-University program

- 📍 • Novokuybyshevsk
- 📍 • Tyumen
- 📍 • Yamal-Nenets Autonomous Region

⌚ Investment
RR 16.4 mln

- ⌚ Key outcome
• 116 students took part in the program
- 25 program participants are employed by the Company

The NOVATEK-University program is an action plan for targeted high-quality specialist training for university students in priority areas of expertise for the Company. The program is based at Saint Petersburg Mining University, Gubkin University in Moscow, and the Industrial University of Tyumen.

Participants in the NOVATEK-University program comprise the most motivated and gifted prospective university students from among the graduates of the Gifted Children program and the grant program as well as employees' children. The program provides students with additional scholarship support as well as paid internships. Students with a good track record of academic achievement may subsequently be employed by the Group.

In 2022, 116 students participated in the NOVATEK-University program, including 63 students who interned at Company subsidiaries. In 2022, 25 graduates of the program stayed on as Company employees after completing their internships.



For more details on the employment of young specialists, see Chapter 6. Employees, p. 122.

Support for cultural institutions

The Company is strongly focused on supporting cultural and educational activities as well as the all-round development of young people.

Supporting exhibitions and educational activities

- 📍 • St. Petersburg
- 📍 • Moscow
- 📍 • Samara
- 📍 • Novokuybyshevsk

⌚ Investment
RR 234 mln

- ⌚ Key outcome
Support for various cultural projects

NOVATEK cooperates with Russia's largest cultural institutions, supporting exhibitions and educational projects.

Key projects in 2022:

- History in Fine Art. 19th Century, an educational exhibition in the State Russian Museum;
- The Object. Space. The Human, an exhibition at the Tretyakov Gallery devoted to Russian art of the 1960s and early 2000s;
- Faces and Figures: The Journey of Images, a project dedicated to portrait art of the 20th and 21st centuries;
- White Cube. August, an exhibition dedicated to trends in contemporary art;
- support for the regional Golden Mask program in Samara and Novokuybyshevsk; and
- continued collaboration with the Moscow Soloists Chamber Ensemble, with the Company acting as a title sponsor.



For more details on supporting exhibitions and educational projects, see PAO NOVATEK's Annual Report 2022.

Restoration of memorials

📍 Chelyabinsk Region

⌚ Investment
RR 1 mln

- ⌚ Key outcome
65 memorials were restored and repaired

In 2022, the Company provided financial assistance to restore war memorials in eight municipalities of the Chelyabinsk Region and a free gas supply across the region for gas grid-connected Eternal Flame memorials under the Fire of Victory project.

The Company helped restore and repair a total of 65 Great Patriotic War memorials.





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Promotion of sports

In 2022, NOVATEK continued to promote children and youth sports in its regions of operation by providing teams with equipment, official competition balls, uniforms, prizes, cups, and medals.

Supporting acrobatic rock'n'roll

- ⌚ • Moscow
- ⌚ • Kostroma
- ⌚ • Murmansk
- ⌚ • Tyumen
- ⌚ • Chelyabinsk

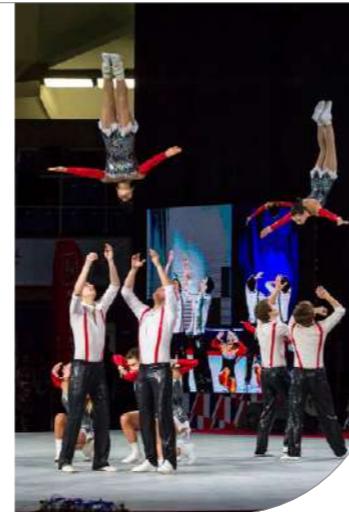
⌚ Investment
RR 60 mln

- ⌚ Key outcome
- 220 young people took part in the program
 - Promotion of acrobatic rock'n'roll

In 2022, the Company continued to support 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.

Last year, club participants took part in regional competitions and competitions in the Central Federal District as well as in the Russian National Championship and Competition. In December 2022, competition for the Cup of the City of Kostroma was held for local athletes.



Support for youth football

- ⌚ • Kostroma Region
- ⌚ • Chelyabinsk Region

⌚ Investment
RR 30 mln

- ⌚ Key outcome
- More than 16 thousand young people took part in the program

During the year, an indoor football championship was run for school teams in the Chelyabinsk and Kostroma Regions. More than 16 thousand boys and girls took part in the competition.

Indoor football fields were built at the schools of the winning teams: two in the Chelyabinsk Region and two in the Kostroma Region. All in all, since 2013, 48 football grounds have been built at the schools of the winning teams of the Championship under the Step to Bigger Football project. In the reporting year, the gym at the school of the winning team of the regional tournament in the Kamchatka Region was upgraded.



Supporting student basketball

- ⌚ Kostroma Region

⌚ Investment
RR 16.6 mln for the 2021/2022 season

- ⌚ Key outcome
- More than 10 thousand athletes were involved

In 2022, 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 thousand athletes from 70 regions of Russia.

Since 2017, the Kostroma Region has hosted the competition of the Student Basketball Association's regional division, in which about nine men's teams participate annually. In 2022, girls teams also participated in the Student Basketball Association's 3x3 tournament for the first time.



Supporting healthcare

Helping seriously ill children

⌚ Across all Russian regions

⌚ Investment
RR 5 mln

- ⌚ Key outcome
- NOVATEK helped 74 children in desperate need

In 2022, in line with PAO NOVATEK's Charity Policy, the Company continued to run projects aimed at helping children in desperate need. In 2022, 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 tailored treatment, which significantly increased their chances of recovery.

High-Tech Equipment project

- ⌚ • Kostroma
- ⌚ • Magnitogorsk

⌚ Investment
RR 4.8 mln

- ⌚ Key outcome
- NOVATEK purchased high-tech equipment for healthcare facilities

The project provides financial assistance to regional healthcare institutions to purchase expensive high-tech equipment. In 2022, the Company helped purchase ophthalmic equipment and medical supplies to treat and rehabilitate children with visual impairments for five functional therapy departments and the Medical Rehabilitation Center of the Kostroma Regional Children's Hospital, Kostroma Children's Polyclinic No. 5, and the Children's Development Center and Kindergarten No. 132 in Magnitogorsk.

Health Territory project

- ⌚ • Murmansk
- ⌚ • Tyumen
- ⌚ • Chelyabinsk Region
- ⌚ • Kostroma
- ⌚ • Yamal-Nenets Autonomous Region
- ⌚ • Kamchatka Region

⌚ Investment
RR 3.4 mln

- ⌚ Key outcome
- NOVATEK supported 735 seriously ill children

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 2022, 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.

In 2022, 735 severely ill children received expert help, including 14 surgeries, and 151 children were admitted to hospitals.



Supporting a charitable foundation in one of NOVATEK's regions of operation

- ⌚ Yamal-Nenets Autonomous Region

⌚ Investment
RR 17 mln

- ⌚ Key outcome
- NOVATEK supported 30 children

The Company continued to provide annual financial assistance to the YAMINE charitable foundation, helping to arrange medical examinations and healthcare services for seriously ill children and children with disabilities living in the Yamal-Nenets Autonomous Region, and providing special care and rehabilitation. The Rehabilitation Center project was further implemented by the foundation and the Company.

In 2022, the project included two programs:

- Open World, for children with psycho-neurological disorders; and
- On My Own, for disabled children with cerebral palsy or musculoskeletal disorders.

In 2022, 30 children received help under these rehabilitation programs.

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Other support projects

In addition to support in the focus areas listed above, the Company continued to respond to requests from regions where it operates by providing targeted support for social-impact events.

Working with children

- Yamal-Nenets Autonomous Region
- Chelyabinsk Region
- Kostroma Region

⊕ Investment
RR 0.3 mln

⌚ Key outcome
NOVATEK supported leisure activities for orphans

💡 For more details on our activities supporting children, see PAO NOVATEK's Annual Report 2022.

The Company takes care to see that children in the regions where it operates enjoy their right to childhood and strives to provide assistance to orphans while also supporting other activities for children:

- financing the repair of Chelyabinsk Boarding School No. 13 and the Aistenok Child Care Center;
- organizing a vacation for children at a children's health resort in Anapa;
- conducting a regional children drawing contest involving over 400 children;



- events as part of the national #TogetherBrighter competition for creativity, design, and research;
- charitable assistance to the Hope festival of creativity in the Yamal-Nenets Autonomous Region;
- preparation of the Last Bell event for indigenous children; and
- financial assistance for a sightseeing trip to Sabetta for the finalists of the Big Break contest.

Helping the orphanage at Trinity Church in Kolomna

⊕ Kolomna

⊕ Investment
RR 0.8 mln

⌚ Key outcome
NOVATEK supported boys and girls at the Center for the Social Rehabilitation of Children

In 2022, the Company made a donation to procure a year's worth of medical supplies and pay for medical services for children at the Kolomna (Schurovo) Most Holy Trinity Church's Center for the Social Rehabilitation of Children and provided financing to rebuild the administrative building of the foster home's petting zoo after a fire.

NOVATEK-Veteran program

⊕ Yamal-Nenets Autonomous Region

⊕ Investment
RR 34.4 mln

⌚ Key outcome
NOVATEK supported 746 industry retirees

The NOVATEK-Veteran social protection foundation provides industry retirees with quarterly financial assistance, allocates lump-sum benefits, pays for medical treatment and medicines, organizes health resort treatment and rehabilitation, and provides other types of assistance needed. The foundation also cooperates with regional organizations that arrange leisure activities for pensioners:

- the Yamal Longevity project, featuring a series of leisure classes in fine arts and clay modeling;
- the Golden Hands exhibition, featuring the works of program participants alongside the creative works of other pensioners; and
- the Geologist cultural and sports complex, welcoming pensioners to the swimming pool and the fitness room for group exercises.

A total of 746 industry retirees are registered with the foundation.

Corporate Volunteering



In 2022, the Company's **All Together** volunteer movement continued its activities. The Company's collective bargaining agreement provides for a paid day off to participate in charity campaigns at social institutions.



The main focus areas of the volunteering 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.

The landmark events held by the movement participants in 2022 included:



- **Participation in the Memory Garden campaign.** Our employees, local school students, and volunteers planted trees to commemorate those who died in the Great Patriotic War
- **Tree of Wonders New Year event.** Employees sent warm wishes to the children in the care of the Noginsk orphanage and presented New Year's gifts to 198 children
- **Volunteer weekend at the Save Me animal protection center.** Employees of NOVATEK-Chelyabinsk teamed up with children from an orphanage to help clean up the enclosures and stock up food for the animals in the shelter





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8 Appendix

APPENDIX 1.

Key Sustainability Risks and Opportunities

Each risk's degree of criticality in terms of its impact on the achievement of the Company's strategic goals is also given.



For a more detailed table of production and operational risks, see the [Company's Annual Report](#).

Risk's degree of criticality ⁽¹⁾	
●	High
●	Medium
●	Low

NOVATEK's strategic goals ⁽²⁾	
1	Resource base growth
2	Maintain a low-cost structure
3	Sustainable development
4	Increase hydrocarbon production
5	Optimize marketing channels
6	Build low-cost scalable LNG facilities

Risk and its impact on strategic goals	Risk description	Main risk management efforts
● Process risks	<ul style="list-style-type: none"> Risks of damage and losses from business interruption due to accidents at production facilities (including catastrophic and tail-end risks) Risks of damage to third parties, harm to employees' life or health during the operation of hazardous production facilities and marine vessels 	<ol style="list-style-type: none"> Continuous monitoring of process conditions of machines and equipment operation, identification and elimination of risks in the plan-do-check-act (PDCA) cycle Development of and compliance with industrial safety requirements across all enterprises; employee training on occupational health and safety Insurance against risks of emergencies (damage, suspension of operations, risks of harm to the life and health of employees and third parties) Development of business continuity plans, including procedures for emergency response, evacuation, etc. Introduction of new software to prevent and mitigate accident risk
1 2 3 4		

Risk and its impact on strategic goals	Risk description	Main risk management efforts
● Climate change risks	<ul style="list-style-type: none"> Risks associated with operating in adverse weather conditions of the Far North Risks of negative impact of climate change on the Company's business (physical risks) Risks associated with the global energy transition (transition risks) 	<ol style="list-style-type: none"> Online monitoring of the impact of climatic conditions during operations (geotechnical and geocryological monitoring, observations at geodynamic testing facilities, leveling, etc.) Consideration of climate scenarios in the design and construction of production facilities and infrastructure as well as in financial and economic models Environmental Goals up to 2030 as the Company's contribution to global initiatives to reduce carbon footprint Expanding the use of LNG as a low-carbon fuel and energy source Forecasting and monitoring initiatives to introduce/tighten carbon regulation in Russia and globally Insurance against natural disaster risks Developing and implementing proprietary solutions to produce alternative fuels (hydrogen, ammonia)
● 3 4 6 Environmental risks	Environmental impact from industrial accidents <p>Risks of the negative impact on (damage to) the environment, biodiversity, and local communities as a result of accidents at production facilities</p>	<ol style="list-style-type: none"> Operating in accordance with the environmental management system of ISO 14001 Incident reporting system and incident response plans GHG Emissions Management System Environmental Goals 2030 (approved in 2020) Accession to and support of global initiatives on climate and reduction of greenhouse gas emissions Insurance against risks of environmental damage and liability in case of accidents Implementation of comprehensive programs on environmental protection and protection of local communities
1 2 5 Changes in environmental laws	Changes in environmental laws <ul style="list-style-type: none"> Updated standards for pollutant emissions Higher price of pollutant emissions Introduction/tightening of carbon regulation in Russia and globally Tightening of environmental standards or regulation in specially protected natural areas (the Arctic) 	<ol style="list-style-type: none"> Online monitoring of all changes in environmental laws, including laws on carbon regulation; participation in meetings of State Duma committees and dedicated associations Development and implementation of technical design solutions for decarbonization and carbon footprint reduction of Company's products Control of compliance with all environmental standards in specially protected natural areas

⁽¹⁾ Risk criticality is an integral indicator of the risk impact on the Company's business, including the combined impact of current risk probability forecast and quantitative assessment of risk consequences. The criticality indicator is calculated based on an in-house risk assessment methodology used within PAO NOVATEK considering the risk mitigation action plans that are currently put in place.

⁽²⁾ These are the strategic goals that are affected the most by each respective risk group.

Risk and its impact on strategic goals	Risk description	Main risk management efforts
	Environmental impact from oil and petroleum product spills	<p>1. Development of and compliance with the rules for operating industrial facilities in accordance with the established health and safety standards</p> <p>2. Constant monitoring of the proper technical condition of the pipeline (corrosion, deterioration, pipe sinking, etc.)</p> <p>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</p> <p>4. Insurance against risks of damage and civil liability in case of environmental incidents, including oil / petroleum product spills</p> <p>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:</p> <ul style="list-style-type: none"> • settlement residents and indigenous communities; • water supplies; and • habitats/sites of rare and endangered species of fauna and flora
	Impact on water resources	<p>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.</p> <p>1. Production organization and control in accordance with the established environmental standards (environmental requirements, drainage procedures) and regular monitoring by supervisory bodies</p> <p>2. Ensuring free access to water resources for local communities</p>
Social risks	Ethical risks	<p>1. Risks of ethical violations by employees or counterparties (conflict of interest, corruption risks, etc.)</p> <p>2. Risks of human rights violations by the Company</p>
	Human rights risks	<p>1. Risks of ethical violations by Company employees or counterparties (fraud, discrimination based on gender, race, and nationality, etc.)</p> <p>2. Risks of the negative effect on the Company's business due to unresolved conflicts of interest of employees</p> <p>3. Risks of non-compliance with procedures for access to, confidentiality, and the use of insider information</p> <p>4. Risks of failure to provide safe working conditions for Company employees</p>

Risk and its impact on strategic goals	Risk description	Main risk management efforts
	Risks of availability of human resources	<p>1. Competitive payment terms for Company employees</p> <p>2. Implementation of a set of social programs for Company employees (voluntary health insurance, payment for training and professional development, etc.)</p> <p>3. Supporting the activities of and interaction with trade union organizations set up at Company enterprises</p> <p>4. Supporting employees' initiatives to improve the Company's operation (the Innovator system)</p> <p>5. Implementation of career development programs within the Company (job rotation, talent pool, etc.)</p> <p>6. Offering attractive conditions for career development and implementation of proposals for business improvement</p>
	Risks of local communities' rights and interests	<p>1. Operating in compliance with the Human Rights Policy at Company enterprises</p> <p>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</p> <p>3. Implementing social support and financial assistance programs targeting local communities</p> <p>4. Free access to the Company's safety, ethics, and human rights hotlines and processing of all reports</p>
	Force majeure risks	<p>1. Implications of increased disease incidence rates and changes in the epidemiological situation</p> <p>2. Changes in the political situation in Russia and emerging obstacles to doing business</p> <p>3. Sanctions against Russia, PAO NOVATEK, or the Company's counterparties</p>

The table below represents the key opportunities for PAO NOVATEK's business development that were first identified in the reporting year and the main efforts to capitalize on them.

These opportunities can ensure the Company's sustainable development and have a positive impact on the achievement of its strategic goals as well as help identify new revenue streams until 2030.

Key opportunities	Main efforts to capitalize on opportunities
1. Expanding the production of LNG as a low-emission hydrocarbon fuel	<p>1. Expanding the gas production resource base</p> <p>2. Using efficient production technologies to increase the volume of raw materials sold</p> <p>3. Developing a sales market for natural gas as motor fuel</p>
2. Developing proprietary technological solutions to enable the achievement of the Company's long-term goals	<p>1. Developing and improving proprietary technologies and solutions for gas production, processing, and liquefaction</p> <p>2. Scaling up proprietary technological solutions for gas liquefaction to other Company projects</p> <p>3. Expanding cooperation with Russian contractors and suppliers as part of import substitution programs amid sanctions</p>
3. Studying and producing new low-carbon energy products	<p>1. Developing proprietary R&D products for low-carbon blue ammonia/hydrogen production</p> <p>2. Designing low-carbon blue ammonia production facilities</p> <p>3. Expanding markets for low-carbon products, entering into long-term agreements with customers</p>



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APPENDIX 2.

Stakeholder Engagement

Key opportunities	Main efforts to capitalize on opportunities
4. Developing decarbonization and renewable energy projects	<ol style="list-style-type: none"> Developing technologies for CO₂ capture, underground storage, and injection into geological formations Participating in the carbon market (as an issuer) Using cogeneration technologies for heat generation Increasing the APG utilization rate Expanding the use of renewables at major Company facilities
5. Using new logistical channels, including expanding navigation via the Northern Sea Route	<ol style="list-style-type: none"> Organizing metrology control and monitoring of air temperature, water level in the Northern Sea Route, permafrost, and ice conditions Further implementing the Company's experimental programs to expand the navigation window in the eastern sector of the Northern Sea Route (program launched in 2020) Constructing LNG transshipment terminals in Murmansk and Kamchatka Singing long-term agreements with shipping companies to provide the necessary icebreaker assistance for ships on the Northern Sea Route
6. Digitalizing the Company's business processes	<ol style="list-style-type: none"> Developing and implementing digital technologies to improve operational and management decision making across business processes Using innovative IT solutions for geological exploration and planning of exploration and production drilling

The Company engages a wide range of stakeholder groups leveraging all available communication channels. The range of stakeholders is identified based on the Company's business profile, footprint, experience, and relevant dependencies, considering ISO 26000 recommendations. Collaboration and negotiation with stakeholders during project development also require identifying legitimate representatives within each stakeholder group.

We pay particular attention to identifying the most vulnerable stakeholder groups if they are exposed to a disproportionate impact of the project or are likely to become further disadvantaged due to their vulnerable position compared to other social groups. This category includes indigenous people of the Far North, low-income citizens, the elderly people and minor citizens, people with disabilities, etc. In particular, the Yamal LNG and Arctic LNG 2 projects underwent the stages of identifying vulnerable groups and engaging their representatives in project impact assessment as part of the ESIA procedure.

Key topics in 2022	Key events	Engagement formats	Interaction at the level of the Board of Directors and its committees
SHAREHOLDERS AND INVESTORS			
	<ul style="list-style-type: none"> Profit distribution and dividend payout Election of Board members and an auditor Remuneration policy Approval of the Annual Report and Sustainability Report Conversion of depositary receipts and transfer of eurobonds Holding of General Meetings of Shareholders (Annual and Extraordinary) Automatic conversion of depositary receipts Appointment of a new trustee of the Company's eurobonds Events after the reporting period <ul style="list-style-type: none"> On 7 February 2023, NOVATEK announced its delisting from the London Stock Exchange On 23 March 2023, NOVATEK announced the upcoming change of the depositary administering the Company's Global Depositary Receipts program 	<p>All year</p> <ul style="list-style-type: none"> Publication of press releases, operational results, and other materials in the media Calls and meetings; regular information support via phone and e-mail Participation in conferences <p>Annually</p> <ul style="list-style-type: none"> Publication of the Annual Report and Sustainability Report 	<ul style="list-style-type: none"> The Board of Directors makes recommendations to the General Meeting of Shareholders on profit distribution and dividend amount, convenes General Meetings of Shareholders, and preliminarily approves the Annual Report and Sustainability Report The Remuneration and Nomination Committee prepares recommendations on electing members of Board committees, determining the independence of nominees to the Board of Directors and incumbent Board members, and amending the Regulations on Remuneration and Compensations Payable to Members of NOVATEK's Board of Directors

Key topics in 2022	Key events	Engagement formats	Interaction at the level of the Board of Directors and its committees	Key topics in 2022	Key events	Engagement formats	Interaction at the level of the Board of Directors and its committees
EMPLOYEES AND TRADE UNIONS			 For more details, see Chapter 6. Employees , p. 122.	LOCAL COMMUNITIES AND CIVIL SOCIETY ORGANIZATIONS			 For more details, see Chapter 7. Local Communities , p. 134.
<ul style="list-style-type: none"> Well-being of employees amid rising inflation VHI terms Improved occupational health and safety Increased interest in culture and the arts Promotion of a healthy lifestyle and sports among employees and their families 	<ul style="list-style-type: none"> An additional cost-of-living increase and indexation of social benefits received by employees were carried out NOVATEK's revised Code of Business Conduct and Ethics was approved NOVATEK Group's revised Occupational Health, Industrial and Fire Safety, and Environmental Policy was approved in early 2023 A corporate newspaper and magazine started to be published on a regular basis Tours were organized for employees and their family members to visit partner museums, along with visits to attend theater performances and classical music concerts Support in organizing and holding sports events was provided 	All year <ul style="list-style-type: none"> Direct communication at meetings of trade union committees and conferences Publication of press releases and other materials in the media Communication via intranet Annually <ul style="list-style-type: none"> Publication of the Annual Report and Sustainability Report 	<ul style="list-style-type: none"> The Remuneration and Nomination Committee of the Board of Directors regularly reviews OHS reports to identify new trends and discuss preventive measures as well as information on human resources, headcount, turnover, progress on remuneration and the social policies The Audit Committee of the Board of Directors reviews queries to the Ethics and Human Rights Hotline as part of reviewing the Internal Audit Division's report 	All year <ul style="list-style-type: none"> Respect for the rights of the indigenous peoples of the Far North, preservation of their cultural heritage and traditional ways of life, direct financial support Protection of mothers and children among indigenous people of the Far North Social and economic programs to improve the quality of life across the Company's operating regions Charity and philanthropy R&D Localizing production in Russia 	All year <ul style="list-style-type: none"> Implementing social and economic programs under agreements with regions in which the Company operates Providing support for traditional ethnic festivals and events of the indigenous peoples of the Far North Providing assistance to people with disabilities Engaging with leading sports and cultural institutions; providing charitable assistance and sponsorship Assisting children in desperate need and children in orphanages Supporting programs for the rollout and operation of a monitoring system to preserve and protect the Siberian tiger and the Amur leopard populations Financing the research on marine mammals on the Kamchatka Peninsula and the northern Kuril Islands 	Annually <ul style="list-style-type: none"> Cooperation agreements Publication of information booklets for the indigenous peoples of the Far North across the Company's regions of operation as well as the Annual Report and Sustainability Report 	The Remuneration and Nomination Committee of the Board of Directors regularly reviews reports on social and charitable activities across the Company's regions of operation, including information on the Company's social investments, to evaluate their effectiveness
GOVERNMENT AUTHORITIES				PARTNERS, SUPPLIERS, AND CONTRACTORS			 For more details, see the Supply Chain section, p. 54.
<ul style="list-style-type: none"> Development of initiatives related to supporting Russian manufacturers and production localization Development of the energy sector Development of the Northern Sea Route Implementation of the Concept of Forming a Common Gas Market of the Eurasian Economic Union Customs regulation Rights of the indigenous peoples of the Far North Biodiversity and reforestation Hydrogen energy development Adaptation to climate change; decarbonization 	<ul style="list-style-type: none"> Engaging with the Russian Government and interdepartmental agencies, including committees, commissions, working groups, and expert councils Participating in meetings and working groups on various topics, organized 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 Participating in the activities of the Marine Board Participating in the activities of the Committee on the Environment and Nature Management at the Chamber of Commerce and Industry of the Russian Federation Organizing events under an agreement with the Kamchatka Territory and the Federal Service for Supervision of Natural Resources (Rosprirodnadzor) 	All year <ul style="list-style-type: none"> Contribution to law-making by participating in meetings, round tables, conferences, forums, etc. Interactions under cooperation agreements on the social and economic development of local communities Annually <ul style="list-style-type: none"> Submission of reporting data in established formats Publication of the Annual Report and Sustainability Report 	<ul style="list-style-type: none"> The Remuneration and Nomination Committee of the Board of Directors regularly reviews matters related to environmental compliance and social investments The Audit Committee of the Board of Directors regularly monitors the Company's financial performance, including relevant tax payments 	<ul style="list-style-type: none"> Import substitution and localization of equipment and technologies Climate projects, decarbonization, and low-carbon operations 	All year <ul style="list-style-type: none"> PAO NOVATEK's Supplier's Day forum was held in Tyumen, with a dedicated discussion on Foreign Technologies and Equipment Substitution in the Industrial Support of Russian LNG Projects Dedicated publications on LNG localization and import substitution New cooperation agreements were signed with Russian and foreign partners from non-Western countries, including on decarbonization In early 2023, a decision was made to join the INTI as a founding member 	All year <ul style="list-style-type: none"> Holding forums for contractors Participation in conferences, holding meetings Publication of press releases and other materials about the Company's operating and financial results in the media Cooperation agreements 	<ul style="list-style-type: none"> The Board of Directors approves and monitors the need to update the Supplier Code of Conduct, Code of Business Conduct and Ethics, Anti-Corruption Policy, and other Company policies that promote sustainability practices in the supply chain. The Board of Directors also approves the Company's membership in third-party organizations and associations
				INDUSTRIAL COMMUNITY			
				<ul style="list-style-type: none"> Substitution of imported technologies Sharing best practices 	<ul style="list-style-type: none"> Participating in major Russian and international congress and exhibition events: St. Petersburg International Economic Forum, Eastern Economic Forum, Russian Energy Week, Arctic: Today and the Future, Industrial and Energy Forum (Tyumen Oil and Gas Forum), India Energy Week (2023) as well as in themed industry events 	All year <ul style="list-style-type: none"> Participation in conferences, forums, and other events 	The Board of Directors approves the Company's membership in third-party organizations and associations
						Annually <ul style="list-style-type: none"> Publication of the Annual Report and Sustainability Report 	

Key topics in 2022	Key events	Engagement formats	Interaction at the level of the Board of Directors and its committees
CUSTOMERS			
<ul style="list-style-type: none"> Development of LNG fueling stations for automobile transport Supply of LNG to consumers in areas remote from existing gas transmission infrastructure 	<ul style="list-style-type: none"> Participation in targeted events in Moscow, St. Petersburg, Kazan, and Ufa offering the opportunity for dialogue with potential customers in these regions Agreements with the Governments of the Chelyabinsk, Moscow, and Samara Regions to develop a fueling station network for retail fuel supplies 	<p>All year</p> <ul style="list-style-type: none"> Interactive map with information on fueling stations (LNG retail stations) on the NOVATEK-AZK website Hotline for customers of NOVATEK-LNG Fuel's LNG retail stations Participation in events Cooperation agreements <p>Annually</p> <p>Publication of the Annual Report and Sustainability Report</p>	<ul style="list-style-type: none"> The Board of Directors approves and monitors the need to update the Code of Business Conduct and Ethics and the Anti-Corruption Policy and other Company policies that promote sustainability practices among customers and in the supply chain The Audit Committee of the Board of Directors regularly monitors the Company's financial performance, including expenditures, and reviews the implementation of the Anti-Corruption Policy and statistics on queries to the Security Hotline, including with regard to procurement

APPENDIX 3.

Participation in the UN Global Compact and Industry Initiatives



Since 2021, NOVATEK has been a participant and signatory of the UN Global Compact. In the reporting year, the Company continued to comply with the UN principles by consistently formalizing and regulating key aspects of its sustainability activities at the top management level. Thus, these principles are integrated in the Human Rights Policy adopted in 2021, the updated Code of Business Conduct and Ethics (2022), and the HSE Policy as amended in 2023.

The UN Global Compact's principles are also integrated into the Company's strategy, culture, and day-to-day operations.

The UN Global Compact's principles	NOVATEK's local regulations	Chapters of the Report
<ol style="list-style-type: none"> Businesses should support and respect the protection of internationally proclaimed human rights Businesses should make sure that they are not complicit in human rights abuses Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining Businesses should uphold the elimination of all forms of forced and compulsory labor Businesses should uphold the effective abolition of child labor Businesses should uphold the elimination of discrimination in respect of employment and occupation Businesses should support a precautionary approach to environmental challenges Businesses should undertake initiatives to promote greater environmental responsibility Businesses should encourage the development and diffusion of environmentally friendly technologies Businesses should work against corruption in all its forms, including extortion and bribery 	<ul style="list-style-type: none"> Human Rights Policy HSE Policy HSE Policy HSE Policy HSE Policy Anti-Corruption Policy Code of Business Conduct and Ethics 	Strategy Review and Local Communities Employees Environment Safety and Sustainability Management Sustainability Management

Membership and participation in major industry organizations

Organization

- Institute of Oil and Gas Technology Initiatives, an autonomous non-profit organization
- Council of Arctic Shipping Participants along the Northern Sea Route
- Arctic Economic Council
- Methane Guiding Principles, an international non-profit partnership
- National Gas Vehicle Association
- Society for Gas as a Marine Fuel
- Russian-Chinese Business Council (NPO)
- Forum-Dialog (NPO)
- International Group of Liquefied Natural Gas Importers (GIIGNL)

APPENDIX 4.

Personnel Structure

Personnel structure by gender and age as of 31 December 2022

Age of employees, years	Female		Male		Total	
	people	%	people	%	people	%
Under 30	460	11	1,309	9	1,769	9
30 to 50	3,206	75	11,486	75	14,692	75
Over 50	603	14	2,506	16	3,109	16
Total	4,269		15,301		19,570	

Personnel structure by line of work and gender as of 31 December 2022

Line of work	Female		Male		Total	
	people	%	people	%	people	%
Exploration and production	1,201	28	5,029	33	6,230	32
Sales and transportation	1,271	30	2,060	14	3,331	17
Processing	291	7	1,284	8	1,575	8
Administrative staff	482	11	695	4	1,177	6
Power supply	83	2	1,423	9	1,506	8
Auxiliary production	118	3	450	3	568	3
LNG production	823	19	4,360	29	5,183	26
Total	4,269		15,301		19,570	

Personnel structure by gender and region as of 31 December 2022

Region	Female		Male		Total	
	people	%	people	%	people	%
Russian Federation	4,211		15,237		19,448	
Including:						
Yamal-Nenets Autonomous Region	1,314	10,203	11,517			
Moscow and Moscow Region	1,123	1,519	2,642			
Chelyabinsk Region	692	585	1,277			
St. Petersburg and Leningrad Region	299	947	1,246			
Tyumen Region	303	494	797			
Rostov Region	77	133	210			
Kostroma Region	112	89	201			
Volgograd Region	94	119	213			
Murmansk Region	155	945	1,100			
Khanty-Mansiysk Autonomous Region	5	61	66			
Perm Territory	12	10	22			
Astrakhan Region	8	13	21			
Krasnodar Territory	1	6	7			
Samara Region	4	16	20			
Arkhangelsk Region	0	4	4			
Kamchatka Territory	8	19	27			
Republic of Bashkortostan	4	17	21			

Region	Female	Male	Total
Novosibirsk Region	0	0	0
Sverdlovsk Region	0	20	20
Tver Region	0	9	9
Tula Region	0	9	9
Republic of Tatarstan	0	9	9
Vladimir Region	0	10	10
Other countries	58	64	122
Total	4,269	15,301	19,570

Personnel structure by type of employment contract and gender as of 31 December 2022

Indicator	Fixed-term	Permanent
Female	560	3,709
Male	1,164	14,137
Total	1,724	17,846

Personnel structure by type of employment contract and region as of 31 December 2022

Region	Fixed-term	Permanent
Russian Federation	1,702	17,746
Including:		
Yamal-Nenets Autonomous Region	496	11,021
Moscow and Moscow Region	491	2,151
Chelyabinsk Region	48	1,229
St. Petersburg and Leningrad Region	120	1,126
Tyumen Region	69	728
Rostov Region	6	204
Kostroma Region	10	191
Volgograd Region	7	206
Murmansk Region	435	665
Khanty-Mansiysk Autonomous Region	0	66
Perm Territory	3	19
Astrakhan Region	0	21
Krasnodar Territory	4	3
Samara Region	2	18
Arkhangelsk Region	2	2
Kamchatka Territory	8	19
Republic of Bashkortostan	1	20
Novosibirsk Region	0	0
Sverdlovsk Region	0	20
Tver Region	0	9
Tula Region	0	9
Republic of Tatarstan	0	9
Vladimir Region	0	10
Other countries	22	100
Total	1,724	17,846



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Personnel by type of employment and gender as of 31 December 2022

people

Indicator	Part-time	Full-time	
Female	60	4,209	
Male	37	15,264	
Total	97	19,473	

Personnel hired in 2022 by gender and age

people

Age of employees, years	Female	Male	Total
Under 30	141	377	518
30 to 50	392	1,492	1,884
Over 50	42	173	215
Total	575	2,042	2,617

Personnel hired in 2022 by gender and region

people

Region	Female	Male	Total
Russian Federation	562	2,029	2,591
Including:			
Yamal-Nenets Autonomous Region	113	1,092	1,205
Moscow and Moscow Region	180	208	388
Chelyabinsk Region	90	100	190
St. Petersburg and Leningrad Region	60	136	196
Tyumen Region	52	88	140
Rostov Region	9	23	32
Kostroma Region	5	7	12
Volgograd Region	15	25	40
Murmansk Region	34	308	342
Khanty-Mansiysk Autonomous Region	0	6	6
Perm Territory	0	0	0
Astrakhan Region	0	1	1
Krasnodar Territory	1	1	2
Samara Region	0	2	2
Arkhangelsk Region	0	0	0
Kamchatka Territory	2	11	13
Republic of Bashkortostan	1	5	6
Novosibirsk Region	0	0	0
Sverdlovsk Region	0	4	4
Tver Region	0	1	1
Tula Region	0	0	0
Republic of Tatarstan	0	1	1
Vladimir Region	0	10	10
Other countries	13	13	26
Total	575	2,042	2,617

Employee turnover in 2022 by gender and region

people

Gender/region	Average headcount	Resignations	Employee turnover rate, (1) %
Female	3,838	330	9
Male	14,893	919	6
Total	18,731	1,249	7
Russian Federation	18,560	1,211	7
Including:			
Yamal-Nenets Autonomous Region	11,184	414	4
Moscow and Moscow Region	2,547	242	10
Chelyabinsk Region	1,227	195	16
St. Petersburg and Leningrad Region	1,168	83	7
Tyumen Region	727	50	7
Rostov Region	205	33	16
Kostroma Region	191	10	5
Volgograd Region	203	43	21
Murmansk Region	886	113	13
Khanty-Mansiysk Autonomous Region	64	3	5
Perm Territory	22	0	0
Astrakhan Region	21	0	0
Krasnodar Territory	5	0	0
Samara Region	18	6	33
Arkhangelsk Region	4	0	0
Kamchatka Territory	20	4	20
Republic of Bashkortostan	19	6	32
Novosibirsk Region	0.7	1	147
Sverdlovsk Region	17	1	6
Tver Region	9	3	33
Tula Region	9	1	11
Republic of Tatarstan	8	3	36
Vladimir Region	5	0	0
Other countries	171	38	22
Total	18,731	1,249	7

Number of employees that took parental leave or returned to work after parental leave ended in 2022

people

Indicator	took parental leave	returned to work after parental leave ended
Female	138	110
Male	16	7
Total	154	117

(1) The employee turnover rate is calculated as resignations divided by average headcount in 2022. Percentage is calculated as the resulting value multiplied by 100.



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Management breakdown by gender and age as of 31 December 2022

Age, years	Female		Male		Total	
	people	%	people	%	people	%
Under 30	0	0	0	0	0	0
30 to 50	33	67	145	74	178	73
Over 50	16	33	51	26	67	27
Total	49	20	196	80	245	100

Minimum wage in 2022 by gender and region

RR			
Indicator	Region	Minimum wage	Minimum statutory wage in the reporting year
Female	Yamal-Nenets Autonomous Region	16,900 ⁽¹⁾	15,279
	Moscow	56,403 ⁽²⁾	23,508
Male	Yamal-Nenets Autonomous Region	30,050 ⁽³⁾	15,279
	Moscow	56,403 ⁽²⁾	23,508

For more details, see [ESG data](#) on the "Social Indicators" tab on the Company's website.

APPENDIX 5.

Key Environmental Performance Indicators⁽⁴⁾

Air pollutant emissions

Indicator	Unit of measurement	2020	2021	2022
Total direct GHG emissions (Scope 1)	thousand tons of CO₂ equivalent	9,056	10,048	9,423
Including by GHG type:				
carbon dioxide (CO ₂)	thousand tons of CO ₂ equivalent	8,834	9,844	9,265
methane (CH ₄)	thousand tons of CO ₂ equivalent	222	204	158
Including by source type:				
from stationary combustion, including flaring	thousand tons of CO ₂ equivalent	8,855	9,823	9,193
fugitive emissions	thousand tons of CO ₂ equivalent	167	197	192
petrochemical facilities	thousand tons of CO ₂ equivalent	34	28	25
transport	thousand tons of CO ₂ equivalent	—	—	13
Including by type of activity:				
production facilities	thousand tons of CO ₂ equivalent	5,518	6,242	5,595
processing facilities	thousand tons of CO ₂ equivalent	589	665	708
LNG production	thousand tons of CO ₂ equivalent	2,806	2,977	3,002
energy service facilities	thousand tons of CO ₂ equivalent	143	164	118
Scope 2 GHG emissions⁽⁵⁾	thousand tons of CO₂ equivalent	157	169	167
Scope 3 GHG emissions	thousand tons of CO₂ equivalent	173,251	177,815	174,912
GHG emissions per unit of production				
Including:				
by production facilities	tons of CO ₂ equivalent/thousand boe	8.65	9.76	8.63
by processing facilities	tons of CO ₂ equivalent/ton of processed hydrocarbons	0.031	0.034	0.035
by LNG production facilities	tons of CO ₂ equivalent/ton of LNG	0.24	0.24	0.23
APG utilization rate	%	96.2	96.7	98.0
Air pollutant emissions	tons	87,273	82,382	70,796
Including:				
particulate matter	tons	5,590	4,130	2,819
carbon oxide	tons	48,115	43,732	34,949
nitrogen oxide (NO ₂ equivalent)	tons	11,083	13,990	13,083
sulfur dioxide	tons	77	76	399
hydrocarbons (including methane)	tons	8,910	9,635	6,343
VOCs	tons	13,418	10,791	13,138
other	tons	80	28	65
Pollutant emissions per unit of production	tons/thousand boe	0.143	0.132	0.111
Pollutant emissions in cities	tons	19	51	84

⁽¹⁾ Office and production cleaner in Salekhard.

⁽²⁾ Junior specialist at Yamal LNG.

⁽³⁾ Chef.

⁽⁴⁾ 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.

⁽⁵⁾ The 2022 Report used a new approach to calculating energy indirect (Scope 2) GHG emissions in line with the Concept for Calculating and Publishing GHG Emission Factors for the Russian Power System.

Indicator	Unit of measurement	2020	2021	2022
Methane emissions	tons	8,886	8,155	6,343
Including:				
by production facilities	tons	8,391	7,515	5,877
by processing facilities	tons	84	81	86
by LNG production facilities	tons	270	479	316
by energy service facilities	tons	141	80	64
Methane emissions per unit of production for production, processing, and LNG facilities	tons/million boe	14.44	12.89	9.83
The GHG intensity ratio⁽¹⁾	kg of CO₂ equivalent/boe	295	294	289

Waste management				
Indicator	Unit of measurement	2020	2021	2022
Waste at the beginning of the year	thousand tons	9.7	13.2	7.9
Including:				
hazardous waste	thousand tons	–	0.0004	0.002
non-hazardous waste	thousand tons	–	13.2	7.9
Volume of waste generated	thousand tons	47.2	53.5	91.1
including: drill cuttings	thousand tons	37.4	41.4	74.9
Utilized waste	thousand tons	22.6	49.0	85.9
Including:				
hazardous waste	thousand tons	0.03	0.04	0.02
utilization	within the Company's premises	thousand tons	6.2	5.3
utilization	outside the Company's premises	thousand tons	16.4	43.7
non-hazardous waste	thousand tons	23.5	11.3	8.9
utilization	within the Company's premises	thousand tons	6.2	5.3
utilization	outside the Company's premises	thousand tons	16.4	43.7
non-hazardous waste	thousand tons	10.6	2.0	2.9
treatment	within the Company's premises	thousand tons	5.9	4.6
treatment	outside the Company's premises	thousand tons	2.3	1.2
storage (temporary) at a specialized facility	thousand tons	0.003	0.0	0.0
storage (temporary) at a specialized facility	thousand tons	3.3	2.7	0.0
landfilling	thousand tons	1.4	0.8	0.5
landfilling	within the Company's premises	thousand tons	2.3	1.2
Unutilized waste	thousand tons	0.9	1.2	1.3
Including:				
hazardous waste	thousand tons	–	0.0	0.0
treatment	thousand tons	0.003	0.002	0.004
treatment	within the Company's premises	thousand tons	–	0.000021
non-hazardous waste	thousand tons	10.6	2.0	2.9
treatment	within the Company's premises	thousand tons	5.9	4.6
treatment	outside the Company's premises	thousand tons	2.3	1.2
storage (temporary) at a specialized facility	thousand tons	0.003	0.0	0.0
storage (temporary) at a specialized facility	thousand tons	3.3	2.7	0.0
landfilling	thousand tons	1.4	0.8	0.5
landfilling	within the Company's premises	thousand tons	2.3	1.2
Waste transferred to the regional MSW operator	thousand tons	0.9	1.2	1.3
hazardous waste	thousand tons	–	0.0	0.0
non-hazardous waste	thousand tons	–	1.2	1.3
Waste at the end of the year	thousand tons	13.2	7.9	2.9
Including:				
hazardous waste	thousand tons	–	0.0024	0.0199
non-hazardous waste	thousand tons	–	7.9	2.9

⁽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).

Waste utilization means waste treatment and recovery in accordance with the terms and definitions established by Russian law.

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	2020	2021	2022
Significant spills ⁽²⁾	events	0	0	0

Water use and discharge

Indicator	Unit of measurement	2020	2021	2022
Water withdrawal (excluding water for RPM⁽³⁾)	thousand cubic meters	2,040	2,975	2,923
freshwater	thousand cubic meters	1,952	2,738	2,656
Water withdrawal per unit of production				
Including:				
by production facilities	cubic meters/thousand boe	2.17	3.61	2.33
by processing facilities	cubic meters/ton	0.010	0.010	0.009
Water discharge (excluding water for RPM)	thousand cubic meters	1,705	2,509	2,509
Water consumption⁽⁴⁾	thousand cubic meters	335	466	415
Water consumption per unit of production	cubic meters/thousand boe	0.55	0.74	0.65
Volume of produced and flowback water	million tons	7.7	7.6	7.6
Injection for reservoir pressure maintenance	million tons	5.5	4.8	4.8

Energy consumption and use of renewables

Indicator	Unit of measurement	2020	2021	2022
Total consumption of heat and electricity	thousand GJ	13,482	15,473	16,686
Fuel consumption from non-renewable sources	thousand GJ	175,960	193,252	183,700
Including:				
Natural gas for heat and electricity production	thousand GJ	34,983	38,846	40,518
Natural gas for the Company's own technological needs	thousand GJ	140,973	154,401	143,178
Butane fraction	thousand GJ	4	5	5
Total renewable energy systems	events	148	148	167
Total electricity generation from renewables	thousand kWh	222	209	322

Environmental costs

Indicator	Unit of measurement	2020	2021	2022
Environmental costs	RR million	2,382	2,908	2,568
Environmental charges	RR million	5.9	5.1	9.3
Payment for excess emissions	RR thousand	274	135	4,783
Payments for excess discharges	RR thousand	31.8	0.3	602
Total amount of fines for environmental breaches	RR million	1.7	1.4	1.0 ⁽⁵⁾

⁽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.

⁽³⁾ RPM – reservoir pressure maintenance.

⁽⁴⁾ In the Report 2022, the Company calculated water consumption for the first time in accordance with the methodological recommendations of the GRI 303-5 standard. Water consumption is calculated as the difference between the volume of water withdrawal (303-3) and the volume of water discharge (303-4).

⁽⁵⁾ 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. Includes payment of RR 160 thousand for violations that took place in 2021.



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APPENDIX 6.

Compliance with GRI Standards (GRI content index)

Statement of use

PAO NOVATEK presents the information listed in this GRI content index in accordance with GRI Standards for the period from 1 January to 31 December 2022.

Indicator index	Indicator description	Section of the Report / Notes	Report scope
GENERAL DISCLOSURES			
The organization and its reporting practices			
2-1	Organizational details	a. PAO NOVATEK b. Public Joint Stock Company c. Central office: 90/2, Leninsky Prospect, Moscow, 119313. d. All the main production assets of the Group are located on the territory of the Russian Federation	1
2-2	Entities included in the organization's sustainability reporting	Appendix. Other Information, p. 189	1
2-3	Reporting period, frequency, and contact point	Appendix. Other Information, p. 189 Appendix. Contacts, p. 191 Reporting period: from 1 January 2022 to 31 December 2022	1
2-4	Restatements of information	The 2022 Report used a new approach to calculating energy indirect (Scope 2) GHG emissions in line with the Concept for Calculating and Publishing GHG Emission Factors for the Russian Power System. 2020 and 2021 data were recalculated. The concept was developed in 2022 by NP Market Council Association and AO TSA and received an international statement of validation. Due to the change in calculations, the emissions indicator of coverage area 2 for 2020 decreased by 31%, for 2021 – by 37%	1
2-5	External assurance	Appendix 10. Independent Auditor's Limited Assurance Report, p. 183 For more information about the selection of an auditor by the Board of Directors, see the External Auditor section of the Annual Report.	1
Activities and workers			
2-6	Activities, value chain, and other business relationships	Section 1.2. Business Model, p. 14 Section 2.6. Supply Chain: Supplier relations; Support for Russian manufacturers, p. 59 There were no significant changes in the Company's activities	1
2-7	Employees	Section 6.1. Management Approach: Workforce overview, p. 124 Appendix 4. Personnel Structure, p. 156 Information on the number of employees with irregular working hours is not relevant for the Company	1
2-8	Workers who are not employees	Data on workers who are not employees of the Company are not consolidated by the Group. There are no seasonal or other variations in headcount	1
Governance			
2-9	Governance structure and composition	Section 2.1. Sustainability Management System: Sustainability governance structure upon election, p. 32 c (iv, vi, viii). Due to the increased risks of information public disclosure, in the reporting year the Company reduced the volume of published information to preserve shareholder value, which largely corresponds to current Russian market practices	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
2-10	Nomination and selection of the highest governance body	Annual Report 2022, approved by the Decision of the Annual General Meeting of Shareholders of PAO NOVATEK on 21 April 2023, Minutes No. 140, (hereinafter – Annual Report 2022), Chapter 5. Corporate Governance For more information, see the Regulations on the Board of Directors of PAO NOVATEK , approved by the Decision of the AGM of OAO NOVATEK on 10 June 2005, with all amendments and additions made before 30 September 2016, on the Company's corporate website	1
2-11	Chair of the highest governance body	Section 2.1. Sustainability Management System: Corporate governance system, p. 35 The Chairman of the Board of Directors does not combine their duties with those of the Company's CEO	1
2-12	Role of the highest governance body in ensuring control over the management of impacts	Section 2.1. Sustainability Management System: Key sustainability matters addressed at meetings of the Board of Directors in 2022, p. 36 Appendix 2. Stakeholder Engagement, p. 151	1
2-13	Delegation of responsibility for managing impacts	Section 2.1. Sustainability Management System: Sustainability governance structure upon election, p. 32 Executive bodies, p. 38 Section 6.2. Diversity and Inclusion: Interaction between employees and management; Trade union relations and collective bargaining agreements, p. 129 Appendix 2. Stakeholder Engagement, p. 151	1
2-14	Role of the highest governance body in sustainability reporting	Focusing on what really matters, p. 2 Chapter. Determining Material topics, p. 10 Section 2.1. Sustainability Management System: Corporate governance system, p. 35	1
2-15	Conflicts of interest	Section 2.3. Ethics: Conflicts of interest, p. 45 For more information about the responsibilities of the Board of Directors to regulate conflicts of interest, see the Regulations on the Board of Directors of PAO NOVATEK on the Company's corporate website . Annual Report 2022, Report on Compliance with the Principles and Recommendations of the Corporate Governance Code, p. 120	1
2-16	Communication of critical concerns	Section 2.1. Sustainability Management System: Board committees, p. 37 Section 2.2. Sustainability Risks, p. 40 Section 2.3. Ethics: Grievance mechanisms, p. 47 Section 7.2. Contribution to Regional Development: Cooperation with the indigenous peoples of the Far North, p. 137	1
2-17	Collective knowledge of the highest governance body	Section 2.1. Sustainability Management System: Structure of the Board of Directors upon election, p. 35	1
2-18	Evaluation of the performance of the highest governance body	Section 2.1. Sustainability Management System, p. 32	1
2-19	Remuneration policies	Section 2.1. Sustainability Management System: Remuneration of Members of the Board of Directors and the Management Board, p. 39 Annual Report 2022, Chapter 5. Corporate Governance For more information, see the Regulation on Remuneration and Compensation paid to Members of the Board of Directors of PAO NOVATEK , approved by the decision of the AGM of PAO NOVATEK dated 24.04.2015 with all amendments made before 24.04.2023 (hereinafter - Regulation on Remuneration and Compensation paid to Members of the Board of Directors of PAO NOVATEK), on the Company's corporate website.	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
2-20	Process to determine remuneration	<p>Section 2.1. <u>Sustainability Management System</u>: Remuneration of Members of the Board of Directors and the Management Board, p. 39</p> <p>For more information about the shareholders' vote on remuneration, see the <u>Minutes No. 140 of the General Meeting of Shareholders</u> on the Company's corporate website.</p> <p>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</p>	1
2-21	Annual total compensation ratio	Information is not consolidated at the Group level	1
Strategy, policies, and practices			
2-22	Statement on sustainable development strategy	<p>Section 1.4. <u>Sustainable Development Strategy</u>, p. 20</p> <p>Section 1.5. <u>Contribution to the Sustainable Development Goals</u>, p. 22</p>	1
2-23	Policy commitments	<p>Section 2.1. <u>Sustainability Management System</u>, p. 32</p> <p>Section 2.3. <u>Ethics: Code of Business Conduct and Ethics; Respecting human rights</u>, p. 44</p> <p>Section 2.6. <u>Supply Chain</u>, p. 54</p> <p>Section 4.1. <u>Management Approach: Key principles</u>, p. 92</p> <p>Appendix 2. <u>Stakeholder Engagement</u>, c. 151</p>	1
2-24	Embedding policy commitments	<p>Section 1.5. <u>Contribution to the Sustainable Development Goals</u>, p. 22</p> <p>Section 2.1. <u>Sustainability Management System</u>, p. 32</p> <p>Section 2.3. <u>Ethics: Anti-corruption training</u>, p. 46</p> <p>Section 2.6. <u>Supply Chain</u>, p. 54</p>	1
2-25	Processes to remediate negative impacts	<p>Section 2.1. <u>Sustainability Management System</u>, p. 32</p> <p>Section 2.3. <u>Ethics: Grievance mechanisms</u>, p. 47</p> <p>Section 6.2. <u>Diversity and Inclusion: Interaction between employees and management</u>, p. 129</p> <p>Section 7.2. <u>Contribution to Regional Development: Cooperation with the indigenous peoples of the Far North</u>, p. 137</p>	1
2-26	Mechanisms for seeking advice and raising concerns	<p>Section 2.3. <u>Ethics: Grievance mechanisms</u>, p. 47</p> <p>Appendix 2. <u>Stakeholder Engagement</u>, p. 151</p>	1
2-27	Compliance with laws and regulations	<p>The Company discloses all information about fines, regardless of the amount of payment.</p> <p>For the purposes of disclosing information about other violations, the Group assesses their impact on its reputation and ability to continue its activities, and also considers the amount of costs that may be incurred.</p> <p>Section 2.3. <u>Ethics: Anti-corruption</u>, p. 45</p> <p>Section 4.3. <u>Emissions</u>, p. 101</p> <p>Section 4.5. <u>Water Resources: Water discharge</u>, p. 107</p> <p>Appendix 5. <u>Key Environmental Performance Indicators</u>, p. 161</p>	2
2-28	Membership associations	<p>Section 1.4. <u>Sustainable Development Strategy</u>, p. 20</p> <p>Appendix 3. <u>Participation in the UN Global Compact and Industry Organizations</u>, p. 155</p>	1
Stakeholder engagement			
2-29	Approach to stakeholder engagement	<p>Chapter. <u>Determining Material topics</u>, p. 10</p> <p>Appendix 2. <u>Stakeholder Engagement</u>, p. 151</p>	1
2-30	Collective bargaining agreements	<p>Chapter. 6.2. <u>Diversity and Inclusion: Trade union relations and collective bargaining agreements</u>, p. 129</p> <p>For employees not covered by the collective agreement all the conditions specified by the Labor Code of the Russian Federation are provided</p>	1
Material topics			
3-1	Process to determine material topics	Chapter. <u>Determining Material topics</u> , p. 10	1
3-2	List of material topics	Chapter. <u>Determining Material topics</u> , p. 10	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
3-3	Management of material topics	Described at the beginning of chapters relating to relevant material topics	1
SPECIFIC STANDARD DISCLOSURES			
Category: Economic			
201. Economic Performance			
201-1	Direct economic value generated and distributed	In the reporting year, there was no decrease (in comparison with the previous year) in the indicators characterizing the created and distributed direct economic value (created direct economic value, distributed economic value, stored economic value).	3
201-2	Financial implications and other risks and opportunities due to climate change	Due to the increased risks of information public disclosure, in the reporting year the Company reduced the volume of published information to preserve shareholder value, which largely corresponds to current Russian market practices	1
201-3	Defined benefit plan obligations and other retirement plans	<p>Section 2.2. <u>Sustainability Risks</u>, p. 40</p> <p>Section 3.3. <u>Management Approach: Climate-related risks and opportunities</u>, p. 73</p> <p>The costs of taking measures to manage climate risk or opportunity at the Group level are not consolidated</p> <p>Section 6.3. <u>Social Policy</u>, p. 131</p> <p>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 RUB 7.3 billion as of 31 December 2022</p>	3
202. Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Section 6.2. <u>Diversity and Inclusion: Gender equality</u> , p. 126	1
202-2	Proportion of senior management hired from the local community	Section 6.2. <u>Diversity and Inclusion: Gender equality</u> , p. 126	1
203. Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	<p>Section 7.2. <u>Contribution to Regional Development: Community infrastructure investments</u>, p. 139</p> <p>Section 7.3. <u>Key Community Support Projects</u>, p. 140</p>	1
203-2	Significant indirect economic impacts	Section 1.5. <u>Contribution to the UN Sustainable Development Goals</u> , p. 22	1
204. Procurement Practices			
204-1	Proportion of spending on local suppliers	<p>Section 2.6. <u>Supply Chain: Key supplier identification and supplier assessment for risk exposure</u>, p. 56</p> <p>In the reporting year, the proportion of spending on local suppliers was 71%. The Company views the suppliers operating in Russia as "local suppliers"</p>	1
205. Anti-corruption			
205-1	Operations assessed for risks related to corruption	<p>Section 2.3. <u>Ethics: Anti-corruption</u>, p. 45</p> <p>Risks of fraud and corruption are identified and assessed at the Group level. Identification and assessment of risks by divisions has not been carried out.</p> <p>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.</p>	1
205-2	Communication and training about anti-corruption policies and procedures	Section 2.3. <u>Ethics: Mandatory anti-corruption training</u> , p. 46	1
205-3	Confirmed incidents of corruption and actions taken	<p>Section 2.3. <u>Ethics: Anti-corruption</u>, p. 45</p> <p>The Company identified no incidents of corruption in the reporting period</p>	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
206. Anti-competitive Behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	✳ Section 2.3. Ethics: Anti-trust practice, p. 46	1
207. Tax			
207-1	Approach to tax	✳ Section 2.3. Ethics: Approach to taxation, p. 48	1
207-2	Tax governance, control, and risk management	✳ Section 2.3. Ethics: Approach to taxation, p. 48	1
Category: Environmental			
302. Energy			
302-1	Energy consumption within the organization	✳ Section 3.4. Key Solutions for Boosting Carbon Efficiency: Boosting energy efficiency, p. 82 ✳ Appendix 5. Key Environmental Performance Indicators, p. 161	2
302-2	Energy consumption outside of the organization	NOVATEK keeps full records of the energy consumed within the Group. The assessment of energy consumption by third-party organizations that are part of the NOVATEK's supply chain is not carried out because a significant part of such organizations do not collect information about the energy consumed	1
302-3	Energy intensity	✳ Section 3.4. Key Solutions for Boosting Carbon Efficiency: Boosting energy efficiency, p. 82	2
302-4	Reduction of energy consumption	✳ Section 3.4. Key Solutions for Boosting Carbon Efficiency: Boosting energy efficiency, p. 82 b. fuel (gas), electricity	2
302-5	Reductions in energy requirements of products and services	✳ Section 3.4. Key Solutions for Boosting Carbon Efficiency: Boosting energy efficiency, p. 82 c. GOST R 56743-2015	2
303. Water and Effluents			
303-1	Interactions with water as a shared resource	✳ Section 4.5. Water Resources, p. 104	1
303-2	Management of water discharge-related impacts	✳ Section 4.5. Water Resources: Water discharge, p. 107 The Company does not establish and does not consider additional standards for the quality of discharged waters in excess of the legally established ones	1
303-3	Water withdrawal	✳ Section 4.5. Water Resources: Water withdrawal, p. 106 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	2
303-4	Water discharge	✳ Section 4.5. Water Resources: Water discharge, p. 107 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	2
303-5	Water consumption	✳ Appendix 5. Key Environmental Performance Indicators, p. 161 In the Report 2022, the Company calculated water consumption for the first time in accordance with the methodological recommendations of the GRI Standards 303-5. Water consumption is calculated as the difference between the volume of water withdrawal (303-3) and the volume of water discharge (303-4). Data on water withdrawal and discharge were obtained by the Company based on the official state statistical reports of enterprises belonging to the NOVATEK Group, in the form 2TP-Water, approved by Rosstat Order No. 230 dated 19 October 2009.	2

Indicator index	Indicator description	Section of the Report / Notes	Report scope
304. Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	✳ Section 4.2. Biodiversity: Biodiversity monitoring, p. 97 One of NOVATEK's linear facilities (an underground gas pipeline) runs through a part of a regional-level natural landmark in the Chelyabinsk Region, Dzhabyk-Karagay pine forest (the gas pipeline occupies 19.6 square km of the protected area). The protected area has been set up to keep the valuable island pine forest flourishing. Laying the gas pipeline does not affect the breeding plants and does not conflict with the existing legal regime for environmental protection, which is confirmed by a positive state environmental review of the design documentation. The pipeline does not affect the habitats of plant and animal species with a special protection status	1
305. Emissions			
305-1	Direct (Scope 1) GHG emissions	✳ Section 3.3. Management approach: GHG emissions, p. 79 b. CO ₂ , CH ₄ e. g. Guidelines approved by Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation dated 30 June 2015	2
305-2	Energy indirect (Scope 2) GHG emissions	✳ Section 3.3. Management approach: GHG emissions, p. 79 c. CO ₂ d. not applicable e. g. Guidelines approved by Order No. 330 of the Ministry of Natural Resources and Environment of the Russian Federation dated 29 June 2017	2
305-3	Other indirect (Scope 3) GHG emissions	✳ Section 3.3. Management approach: GHG emissions, p. 79 b. CO ₂ d. not applicable e. not applicable g. Guidelines approved by Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation dated 30 June 2015	2
305-4	GHG emissions intensity	✳ Section 3.3. Management approach: GHG emissions, p. 79 Direct (Scope 1) emissions d. CO ₂ , CH ₄	2
305-5	Reduction of GHG emissions	✳ Section 3.4. Key Solutions for Boosting Carbon Efficiency, p. 80 b. CO ₂ , CH ₄ e. Guidelines approved by Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation dated 30 June 2015	2
305-6	Emissions of ozone-depleting substances (ODS)	✳ Section 4.3. Emissions, p. 101	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Section 4.3. Emissions, p. 101 a. Data on persistent organic pollutants (POPs) are not consolidated by the Group. 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, considering 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	2
306. Waste			
306-1	Waste generation and significant waste-related impacts	Section 4.4. Waste, p. 102	1
306-2	Management of significant waste-related impacts	Section 4.4. Waste, p. 102 Waste monitoring and data collection procedures are an integral part of the Company's Integrated System.	1
306-3	Waste generated	Section 4.4. Waste: Waste generation, p. 102	2
306-4	Waste diverted from disposal	Section 4.4. Waste: Waste management, p. 103	2
306-5	Waste directed to disposal	Section 4.4. Waste: Waste management, p. 103 b-i, c-i. The Company does not incinerate waste	2
306. Effluents and Waste (2016)			
306-3	Significant spills	The Company identified no spills in the reporting year	1
308. Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Section 2.6. Supply Chain: New suppliers screened against social and environmental criteria, p. 57	1
308-2	Negative environmental impacts in the supply chain and actions taken	Section 2.6. Supply Chain: Quantitative results of supplier evaluation, p. 58 The Company identified no cases of significant negative consequences in the supply chain	1
Category: Social			
401. Employment			
401-1	New employee hires and employee turnover	Section 6.1. Management Approach: Workforce overview, p. 124 Appendix 4. Personnel Structure, p. 156 Data on turnover by age are not consolidated at the Group level	1
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Section 6.3. Social Policy, p. 131 Benefits provided by Russian legislation apply to all employees in the territory of the Russian Federation. The Russian Federation is a region of significant activity	1
401-3	Parental leave	Section 6.3. Social Policy, p. 131 Appendix 4. Personnel Structure, p. 156 d, e. Data is not consolidated at the Group level	1
402. Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	Section 6.2. Diversity and Inclusion: Hiring and exit, p. 128 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			
403-1	Occupational health and safety management system	Section 5.1. Management Approach, p. 110	1
403-2	Hazard identification, risk assessment, and incident investigation	Section 2.2. Sustainability Risks, p. 40 Section 5.2. Preventing Work-Related Accidents, Incidents, and Emergencies, p. 112	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
403-3	Occupational health services	Section 5.1. Management Approach, p. 110 Section 5.3. Preventing Work-Related Injuries, p. 118	1
403-4	Worker participation, consultation, and communication on occupational health and safety	Section 5.1. Management Approach, p. 110	1
403-5	Worker training on occupational health and safety	Section 5.5. OHS Training for Employees, p. 121	1
403-6	Promotion of worker health	Section 5.4. Occupational Health, p. 120	1
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Section 5.2. Preventing Work-Related Accidents, Incidents, and Emergencies, p. 112	1
403-8	Workers covered by an occupational health and safety management system	Section 5.3. Preventing Work-Related Injuries, p. 118 The occupational health and safety system applies to all employees of PAO NOVATEK and employees of contracting organizations	1
403-9	Work-related injuries	Section 5.3. Preventing Work-Related Injuries, p. 118 a-v. 30,100,255 hours b-ii. Data is not consolidated at the Group level. b-v. 184,378,736 hours e. – 1,000,000 hours worked f. – no excluded	1
403-10	Work-related ill health	Section 5.4. Occupational Health, p. 120 No occupational diseases were identified or registered at NOVATEK and contracting organizations over the past five years	1
404. Training and Education			
404-1	Average hours of training per year per employee	Section 6.4. Training and Development, p. 132 Information by gender of employees is presented in ESG Data Book on the "Social Indicators" tab on the Company's corporate website	1
404-2	Programs for upgrading employee skills and transition assistance programs	Section 6.4. Training and Development, p. 132	1
404-3	Percentage of employees receiving regular performance and career development reviews	Section 6.4. Training and Development, p. 132 Information by employee category and gender is not consolidated at the Group level	1
405. Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Section 6.2. Diversity and Inclusion, p. 126 Appendix 4. Personnel Structure, p. 156	1
405-2	Ratio of basic salary and remuneration of women to men	Appendix 4. Personnel Structure, p. 156	1
406. Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	The Company identified no incidents of discrimination in the reporting year	1
407. Freedom of Association and Collective Bargaining			
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	1
408. Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	Section 1.6. Human Rights, p. 24 Section 2.3. Ethics, p. 44 a-ii The Human Rights Policy of PAO NOVATEK, approved by the Decision of the Board of Directors of PAO NOVATEK on 17 December 2021	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
409. Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Section 1.6. Human Rights, p. 24 Section 2.3. Ethics, p. 44 The Company identified no operations at significant risk for incidents of forced or compulsory labor	1
411. Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	The Company identified no incidents of violations involving rights of indigenous peoples or encouraging involuntary resettlement	1
413. Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Section 7.1. Management Approach, p. 136 Section 7.2. Contribution to Regional Development, p. 136	1
413-2	Operations with significant actual and potential negative impacts on local communities	Section 7.2. Contribution to Regional Development, p. 136	1
414. Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Section 2.6. Supply Chain: New suppliers screened against social and environmental criteria, p. 57	1
414-2	Negative social impacts in the supply chain and actions taken	Section 2.6. Supply Chain: Quantitative results of supplier evaluation, p. 58	1
415. Public Policy			
415-1	Political contributions	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. The Company does not make sponsorship or other payments in support of political parties, or organizations and foundations associated with them	1
416. Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	The products manufactured by the Company comply with applicable national standards for health and safety impacts	1
418. Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Section 2.4. Information Security, p. 49 The Company identified no complaints concerning breaches of customer privacy in the reporting year	1
SECTOR DISCLOSURES			
11.2.1	Commitments, responsibility, and actions of the organization to prevent or mitigate the impacts of the transition to a low-carbon economy	Chapter 3. Climate Change, p. 60	1
11.2.2	Impact of climate change risks on the organization's operations or revenue	Section 1.2. Business Model, p. 14 Section 3.3. Management Approach, p. 68	1
11.2.3	Setting the goals and targets for GHG emission reduction	Section 3.3. Management Approach, p. 68	1
11.3.3	Actions taken to improve product quality to reduce air emissions	Section 3.4. Key Solutions for Boosting Carbon Efficiency, p. 80	1
11.4.3	Affected habitats and ecosystems	Section 4.2. Biodiversity, p. 96	1
11.4.4	Measures preventing negative impact on biodiversity	Section 4.2. Biodiversity, p. 96	1
11.7.6	Financial costs of the closure and rehabilitation of production sites	Section 5.2. Preventing Work-Related Accidents, Incidents, and Emergencies, p. 112	3
11.14.1	Community development programs	Section 7.3. Key Community Support Projects, p. 140	1
11.15.1	Approach to engaging with vulnerable groups within local communities	Section 2.1. Sustainability Management System, p. 32 Appendix 2. Stakeholder Engagement, p. 151	1

Indicator index	Indicator description	Section of the Report / Notes	Report scope
11.16.1	Approach to providing remediation to local communities or individuals subject to involuntary resettlement	Section 1.6. Human Rights, p. 24 Section 7.2. Contribution to Regional Development, p. 136	1
11.16.2	Locations of operations that caused or contributed to involuntary resettlement	In the reporting year, the Company's operations did not cause or contribute to involuntary resettlement	1
11.17.1	Approach of engaging with indigenous peoples	Section 1.6. Human Rights, p. 24 Section 2.3. Ethics, p. 44 Section 7.2. Contribution to Regional Development, p. 136	1
11.17.2	Incidents of violations involving rights of indigenous peoples	Section 7.2. Contribution to Regional Development, p. 136	1
11.17.3	Locations of operations where indigenous peoples are affected by activities of the organization	Chapter 7. Local Communities, p. 134	1
11.17.4	Process of seeking free, prior, and informed consent (FPIC) from indigenous peoples for any of the organization's activities	Section 1.6. Human Rights, p. 24 Chapter 7. Local Communities, p. 134	1
11.20.1	Supervision of corruption risks in the organization's supply chain	Section 2.3. Ethics, p. 44 Section 2.6. Supply Chain, p. 54	1

While defining the material topics of the Report, 18 out of 22 topics were selected from those proposed by the industry standard GRI 11 at the first stage of the process, with the exception of: 11.18. Conflicts and security; 11.19. Anti-competitive behavior; 11.21. Payments to the government; 11.22. Public Policy. These topics were not selected as relevant for the Company on the basis of a preliminary analysis of disclosure practices by leading companies in the oil and gas sector, requests from stakeholders, rating evaluation criteria and the results of the Company's impact assessment, but, at the same time, a number of relevant indicators within these topics are included in the Report.

For more information about the process of defining material topics, see [p. 10](#).

APPENDIX 7.

Compliance with SASB Standards (SASB content index)

SASB – Oil & Gas – Exploration & Productions Sustainability Accounting Standard

SASB code	Metric description	Information and link to the source	Report scope
GHG Emissions			
EM-EP-110a.1	Gross global Scope 1 emissions	9,423,226 tons of CO ₂ equivalent	2
	Percentage of methane	1.7% Methane emissions totaled 6,343 tons	
	Percentage covered under emissions-limiting regulations	As of 31 December 2022, no GHG emission reduction targets were set by laws	
EM-EP-110a.2	Amount of gross global Scope 1 emissions from: (1) flared hydrocarbons; (2) other combustion; (3) process emissions; (4) other vented emissions; (5) fugitive emissions	Emissions from: • stationary combustion, including flaring: 9,193,444 tons of CO ₂ equivalent; • fugitive emissions: 192,218 tons of CO ₂ equivalent; • petrochemical production: 24,773 tons of CO ₂ equivalent Process and other vented emissions are not disclosed by the Company.	2
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	✳ Chapter 3. <u>Climate Change</u> , p. 60	1
Air Quality			
EM-EP-120a.1	Air pollutant emissions: (1) nitrogen oxides (NO _x , excluding N ₂ O) (2) sulfur dioxides (SO ₂) (3) volatile organic compounds (VOCs) (4) particulate matter	13,083 tons (as NO ₂ equivalent) 399 tons 13,138 tons 2,819 tons	2
Water Management			
EM-EP-140a.1	Total freshwater withdrawn Total fresh water consumed	2,656 thousand tons The Company does not consolidate at the Group level information on wastewater discharge volumes broken down by total mineralization levels of less than and more than 1 thousand mg/l	2
	Percentage of freshwater withdrawn/consumed in regions with High or Extremely High Baseline Water Stress	✳ Section 4.5. <u>Water Resources</u> , p. 104 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	
EM-EP-140a.2	Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled	Volume of produced and flowback water: 7,579 thousand tons; the percentage of discharged water: 37%; the percentage of injected water: 63%; and the percentage of reused water: 0%	1
	Hydrocarbon content in discharged water	The Company does not discharge hydrocarbon contaminated water into water bodies	1
EM-EP-140a.3	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	0% ✳ Section 4.5. <u>Water Resources</u> , p. 104 Hydraulic fracturing was performed using viscoelastic fluids, all fracturing fluid chemicals used are not disclosed	1

SASB code	Metric description	Information and link to the source	Report scope
EM-EP-140a.4	Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	0% ✳ Section 4.5. <u>Water Resources</u> , p. 104 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	1
Biodiversity Impacts			
EM-EP-160a.1	Description of environmental management policies and practices for active sites	✳ Section 4.2. <u>Biodiversity</u> , p. 96	1
EM-EP-160a.2	Number and aggregate volume of hydrocarbon spills, volume in the Arctic, volume impacting shorelines with ESI rankings 8–10, and volume recovered	✳ Section 4.5. <u>Water Resources</u> , p. 104 Hydrocarbon spills greater than 1 barrel in 2022 – 0	1
EM-EP-160a.3	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	✳ Section 4.2. <u>Biodiversity</u> , p. 96 The Company does not operate in federally-protected areas designated by Russian law	3
Security, Human Rights, and Rights of Indigenous Peoples			
EM-EP-210a.1	Percentage of proved and probable reserves in or near areas of conflict	0%	3
EM-EP-210a.2	Percentage of proved and probable reserves in or near indigenous land	100% of the Company's proved and probable reserves are located in indigenous lands of the North. ⁽¹⁾	3
EM-EP-210a.3	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	✳ Section 1.6. <u>Human Rights</u> , p. 24 The Company does not operate in conflict areas	1
Community Relations			
EM-EP-210b.1	Discussion of the process to manage risks and opportunities associated with community rights and interests	✳ Section 2.3. <u>Ethics</u> , p. 44 ✳ Section 1.6. <u>Human Rights</u> , p. 24 ✳ Chapter 7. <u>Local Communities</u> , p. 134	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
Workforce Health and Safety			
EM-EP-320a.1	1) Total recordable incident rate (TRIR) 2) Fatality rate 3) Near miss frequency rate 4) Average hours of health, safety, and emergency response training for: • full-time employees; • contractor employees; • short-service employees	(1) Injury frequency rate ⁽²⁾ was 0.65. (2) In 2022, there was one fatal accident among employees. (3) Near miss frequency rate is not consolidated at the Group level. (4) Average hours of health and safety, and emergency response training broken down by full-time employees, contractor employees, and part-time employees at the Group level are not calculated. ✳ For information on employee and contractor training see Chapter 5. <u>Safety</u> , p. 108	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.

⁽²⁾ Number of injuries divided by the average headcount.

SASB code	Metric description	Information and link to the source	Report scope
EM-EP-320a.2	Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle	✳ Chapter 5. Safety, p. 108	1
Reserves Valuation and Capital Expenditures			
EM-EP-420a.1	Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	This information is not consolidated at the Group level	1
EM-EP-420a.2	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	5,146 million tons of CO ₂ equivalent ⁽¹⁾ (for natural gas, oil, and gas condensate reserves)	3
EM-EP-420a.3	Amount invested in renewable energy, revenue generated by renewable energy sales	RR 279 million – total investment in renewables (0.5% of total investments). The Company does not sell renewable energy	1
EM-EP-420a.4	Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	✳ Chapter 3. Climate Change, p. 60 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. We do not expect any asset impairments or write-offs resulting from a lower commodity price environment. 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, considering applicable laws and established industry practices	1
Business Ethics and Transparency			
EM-EP-510a.1	Percentage of 1) proved and 2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index ⁽²⁾	0%	3
EM-EP-510a.2	Description of the management system for prevention of corruption and bribery throughout the value chain	✳ Section 2.3. Ethics, p. 44 The Company does not operate tankers sailing under the flags of states on the Black list of the Paris Memorandum of Understanding on Port State Control. The Company operates tankers sailing under the flags of states that are members of the International Maritime Organization (IMO)	1

SASB code	Metric description	Information and link to the source	Report scope
Management of the Legal and Regulatory Environment			
EM-EP-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	✳ Chapter 2. Sustainability Management, p. 30 ✳ Chapter 3. Climate Change, p. 60	1
Critical Incident Risk Management			
EM-EP-540a.1	Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1)	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. ✳ The Company manages catastrophic and tail-end risks based on unified approaches to risk management described in the Chapter 2. Sustainability Management, p. 40 ✳ Key efforts in managing catastrophic and tail-end risks are described in Appendix 1. Key Sustainability Risks and Opportunities, p. 146	1
Performance			
EM-EP-000.A	Production of ⁽¹⁾ :		3
	1) oil	9 thousand tons/day	
	2) natural gas	225 million cubic meters/day	
	3) synthetic oil	The Company does not produce synthetic oil or gas	
EM-EP-000.B	Number of offshore sites	4 license areas located completely in water areas 8 license areas located in the transit zone ⁽²⁾	3
EM-EP-000.C	Number of terrestrial sites	71 license areas	

⁽¹⁾ Calculations use the methodology of the World Resources Institute (WRI).

⁽²⁾ The organization "Transparency International" is included by the Ministry of Justice of Russia in the list of foreign and international non-governmental organizations whose activities are recognized as undesirable on the territory of the Russian Federation, based on the decision of the First Deputy Prosecutor General of the Russian Federation dated March 3, 2023.

⁽¹⁾ Production volumes in 2022.

⁽²⁾ The transit zone includes transit shallow water with sea depths of 0-20 m and a strip of adjacent coast. The width of the transit shallow water zone of the seas of Russia, including the Arctic, varies from the first kilometers to 100-200 km.



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APPENDIX 8.

Compliance with TCFD

Section	Disclosure element	Information and link to the source	Section	Disclosure element	Information and link to the source
CORPORATE GOVERNANCE					
Disclosure of the organization's corporate governance around climate change risks and opportunities	1.1. Description of the board's oversight of climate change risks and opportunities	<p>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. Since 2021, the Subcommittee on Climate and Alternative Energy functions within the Board of Directors' Strategy Committee.</p> <p>For more details, see Chapter 3. Climate Change, p. 60</p>	b) Description of the organization's processes for managing climate change risks	<p>Climate change risk management is an integral part of PAO 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.</p> <p>Risks are identified in line with a classification according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).</p> <p>For more details, see Chapter 3. Climate Change, p. 60</p>	
	1.2. Description of management's role in assessing and managing climate change risks and opportunities	<p>At the operational level, the Deputy Chairman of the Management Board – Director for Prospective Projects oversees 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. Matters related to the Company's climate agenda implementation are included in senior management's motivation system and reflected in the relevant KPIs</p>	c) Description of how processes for identifying, assessing, and managing climate change risks are integrated into the organization's overall risk management system	<p>NOVATEK's business strategy recognizes climate risks and opportunities. 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.</p> <p>For more details, see Chapter 3. Climate Change, p. 60</p>	
STRATEGY			METRICS AND TARGETS		
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	2.1. Description of the climate change risks and opportunities the organization has identified over the short, medium, and long term	<p>The Company identifies the following climate change risks:</p> <ul style="list-style-type: none"> transition risks (risks in the following key areas: laws and regulation, technology, market, reputation); physical impact risks (risks caused by short-term and long-term impacts of climate change). <p>In addition, the Company also identifies a number of climate change-related opportunities dealing with logistics and the development of new business areas.</p> <p>For more details, see Chapter 3. Climate Change, p. 60</p>	a) Disclosure of the metrics used by the organization to assess and manage relevant climate change risks and opportunities in line with its strategy and risk management process	<p>See Chapter 3. Climate Change, p. 60 Scope 1, 2, and 3 GHG emissions, and Appendix 5. Key Environmental Performance Indicators, p. 161</p>	
	2.2. Description of the impact of climate change risks and opportunities on the organization's business, strategy, and financial planning	<p>For more details, see Chapter 3. Climate Change, p. 60</p>	b) Disclosure of Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions and related risks	<ul style="list-style-type: none"> Total Scope 1 emissions: 9,423,227 tons of CO₂ equivalent. Total Scope 2 emissions: 166,524 tons of CO₂ equivalent. Total Scope 3 emissions: 174,911,650 tons of CO₂ equivalent. <p>For more details, see Chapter 3. Climate Change, p. 60</p>	
	2.3. Description of the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including the 2°C or lower scenario	<p>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</p> <p>For more details, see Chapter 3. Climate Change, p. 60</p>	c) Description of the targets used by the organization to manage climate change risks and opportunities, and performance against targets	<p>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.</p> <p>For more details, see Chapter 3. Climate Change, p. 60 and Chapter 4. Environment, p. 90</p>	
RISK MANAGEMENT					
Disclosure of the processes used by the organization to identify, assess, and manage climate change risks	a) Description of the organization's processes for identifying and assessing climate change risks	<p>The Company analyzes climate change risks on an annual basis 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.</p> <p>For more details, see Chapter 3. Climate Change, p. 60</p>			



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APPENDIX 9.

Compliance with the World Economic Forum

People metrics

Section	Information and link to the source
DIGNITY AND EQUALITY	
Diversity and inclusion	Section 6.2. Diversity and Inclusion, p. 126
Pay equality	Section 6.2. Diversity and Inclusion, p. 126
Wage level	Section 6.2. Diversity and Inclusion, p. 126
Risk for incidents of child, forced, or compulsory labor	Section 1.6. Human Rights, p. 24 Section 2.5. Innovation, p. 50 The Company does not carry out activities at risk of incidents of child and/or forced or compulsory labor
Freedom of association and collective bargaining at risk	Section 1.6. Human Rights, p. 24 Section 6.2. Diversity and Inclusion, p. 126 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
Human rights review, grievance impact, and modern slavery	Section 1.6. Human Rights, p. 24 Section 2.3. Ethics, p. 44 The Company has no suppliers with significant risk of child and/or forced or compulsory labor cases
Living wage	Section 6.2. Diversity and Inclusion, p. 126
Discrimination and harassment	No incidents of discrimination and/or harassment were identified in the reporting year
Pay gap	Section 6.2. Diversity and Inclusion, p. 126 Data on the ratio of the annual total compensation for the Company's highest-paid employee to the median annual total compensation for all employees are not consolidated
HEALTH AND WELL-BEING	
Health and safety	Section 5.3. Preventing Work-Related Injuries, p. 118 Section 5.4. Occupational Health, p. 120
Monetized impacts of work-related incidents on organization	In the reporting period, data on monetized impacts of incidents on the Company were not consolidated
Well-being	Section 5.4. Occupational Health, p. 120 Section 6.3. Social Policy, p. 131 All Company employees are covered by an occupational health and safety management system
SKILLS FOR THE FUTURE	
Training provided	Section 6.4. Training and Development, p. 132
Number of Unfilled "Skilled" Positions	Section 6.2. Diversity and Inclusion, p. 126 Data on the number of unfilled "skilled" positions are not consolidated across the Company
Monetized impacts of training	Data on monetized impacts of training on the Company are not consolidated

Planet metrics

Section	Information and link to the source
CLIMATE CHANGE	
GHG emissions	Chapter 3. Climate Change, p. 60
TCFD implementation	Appendix 8. Compliance with TCFD, p. 178
Paris-aligned GHG emissions targets	Chapter 3. Climate Change, p. 60
Impact of GHG emissions	Chapter 3. Climate Change, p. 60
NATURE LOSS	
Land use and ecological sensitivity	Section 4.2. Biodiversity, p. 96 In 2022, a total of 137 ha of disturbed land was reclaimed and leased, of which 71 ha were returned to agricultural use, 65 ha were turned into forests, and 1 ha was returned to other uses
Impact of land use and conversion	Section 2.5. Innovation, p. 50 Section 4.2. Biodiversity, p. 96
FRESH WATER AVAILABILITY	
Water consumption and withdrawal in water-stressed areas	NOVATEK does not operate in water-stressed areas
Impact of freshwater consumption and withdrawal	Section 4.5. Water Resources, p. 104
AIR POLLUTION	
Air pollution	Section 4.3. Emissions, p. 101
Impact of air pollution	Section 4.3. Emissions, p. 101
WATER POLLUTION	
Nutrients	The metric is not applicable to the Company's core operations
Impact of water pollution	Section 4.5. Water resources, p. 104
SOLID WASTE	
Single-use plastics	The Company does not consolidate data on the use of single-use plastics at the Group level
Impact of solid waste disposal	Section 4.4. Waste, p. 102
RESOURCE AVAILABILITY	
Resource circularity	The metric is not applicable to the Company's core operations

Prosperity metrics

Section	Information and link to the source
EMPLOYMENT AND WEALTH GENERATION	
Absolute number and rate of employment	Appendix 4. Personnel Structure, p. 156
Economic contribution	In the reporting year, there was no decrease (in comparison with the previous year) in the indicators characterizing the economic contribution. Due to the increased risks of information disclosure in the reporting year, the Company reduced the volume of published information to preserve shareholder value
Financial investments	Section 1.2. Business Model, p. 14 Section 2.1. Sustainability Management System, p. 32
Infrastructure investments and services supported	Section 7.2. Contribution to Regional Development, p. 136
Significant indirect economic impacts	Section 7.2. Contribution to Regional Development, p. 136

Section	Information and link to the source
INNOVATION	
Total R&D expenses	★ Section 2.5. Innovation , p. 50
Social value generated	In the reporting year, our investments in environmental protection, workplace safety, and care for employees and local communities totaled RR 12.6 billion
Vitality index	The metric is not applicable to the Company's core operations
COMMUNITY AND SOCIAL VITALITY	
Community investment included within the Company's economic contribution metric (part of economic value generated and distributed)	★ Chapter 7. Local Communities , p. 134
Total social investment	★ Chapter 7. Local Communities , p. 134
Total tax paid	★ Section 2.3. Ethics , p. 44
Additional tax remitted, including on behalf of employees	Due to the increased risks of information disclosure in the reporting year, the Company reduced the volume of published information to preserve shareholder value, which largely corresponds to current Russian market practices
Total and additional tax breakdown by country for significant locations	

Governance metrics

Section	Information and link to the source
GOVERNING PURPOSE	
Setting purpose	★ Section 1.4. Sustainable Development Strategy , p. 20
Purpose-led management	★ Section 2.1. Sustainability Management System , p. 32
QUALITY OF GOVERNING BODY	
Governance body composition	★ Section 2.1. Sustainability Management System , p. 32
Progress against strategic milestones	★ Section 1.5. Contribution to the UN Sustainable Development Goals , p. 22
Remuneration	★ Section 2.1. Sustainability Management System , p. 32 Annual Report 2022, Chapter 5. Corporate Governance
STAKEHOLDER ENGAGEMENT	
Material issues impacting stakeholders	★ Appendix 2. Stakeholder Engagement , p. 151
ETHICAL BEHAVIOR	
Anti-corruption	★ Section 2.3. Ethics , p. 44
Ethics advice mechanisms	★ Section 2.3. Ethics , p. 44
Monetary losses from unethical behavior	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. The Company does not make sponsorship or other payments in support of political parties, or organizations and foundations associated with them. Incentive payments to representatives of government authorities – 0. Political contributions – 0
Monetary losses from unethical behavior	In the reporting year, no violations of business ethics resulting in monetary losses were identified
RISK AND OPPORTUNITY OVERSIGHT	
Integrating risk and opportunity into business process	★ Appendix 1. Key Sustainability Risks and Opportunities , p. 146
Economic, environmental, and social topics in capital allocation framework	★ Chapter 2. Sustainability Management , p. 30

APPENDIX 10.

Independent Auditor's Limited Assurance Report



Technologies
of Trust

Joint-Stock Company
"Technologies of Trust – Audit"
("Technologies of Trust – Audit" JSC)

www.tedo.ru

Ferro-Plaza Business Centre,
143 Krzhizhanovsky street, bldg. 5/1,
Akademichesky municipal district,
Moscow, Russian Federation,
117218
T: +7 (495) 967 600

Independent Auditor's Limited Assurance Report

To the Management of Joint Stock Company «NOVATEK»:

Introduction

We have been engaged by the Management of Joint Stock Company «NOVATEK» (hereinafter – the "Company") to provide limited assurance on the selected information described below and included in the Sustainability Report of NOVATEK for 2022 (hereinafter – the "Sustainability Report"). The Sustainability Report represents information related to the Company and its subsidiaries and joint ventures (hereinafter together – the "Group"), unless otherwise stated in the Sustainability Report.

Selected information

We assessed the quantitative and qualitative information that is disclosed in the Sustainability Report and referred to or included in the Appendix 6 "Compliance with GRI Standards (GRI content index)" and in the Appendix 7 "Compliance with SASB (SASB content index)" of the Sustainability Report (hereinafter – the "Selected Information"). The Selected Information has been reported in accordance with:

- GRI Sustainability Reporting Standards (hereinafter – the "GRI Standards") published by Stichting Global Reporting Initiative; and
- Oil & Gas – Exploration & Production Sustainability Accounting Standard (the "SASB Standard") published by the Sustainability Accounting Standards Board, respectively.

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2022 only. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability Report and, therefore, do not express any conclusion thereon.

Reporting criteria

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards and SASB Standard (hereinafter – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the Group's management

Management of the Group is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology 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 Management of the Group.



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This report, including our conclusion, has been prepared solely for the Management of the Group in accordance with the agreement between us, to assist management in reporting on the Group's sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report, which will be published on the Company's website¹, to assist management in responding to its governance responsibilities by obtaining an independent auditor's limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Group for our work or this report except where the respective terms are expressly agreed between us in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our independence and quality management

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.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Group's management, including the Group Sustainability Reporting (SR) team and those with responsibility for SR management and the Group SR reporting;
- conducted interviews of the Group's personnel responsible for the preparation of the Sustainability Report and collection and analysis of underlying data;
- performed analysis of the relevant internal methodology and guidelines, gaining an understanding of 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.

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.

¹ The maintenance and integrity of the Company's website is the responsibility of 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.



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Reporting and measurement techniques

Under the GRI Standards and SASB Standard there is a range of different, but acceptable, reporting and measurement 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 management in preparing the Sustainability Report, described therein, and for which the Group is solely responsible.

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 2022 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

26 June 2023
Moscow, Russian Federation



E.N. Kriventsev 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 – 21906099944)



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Glossary

Abbreviations

AO	joint stock company
APG	associated petroleum gas
API	American Petroleum Institute
Bank of Russia	Central Bank of the Russian Federation
BEPS	base erosion and profit shifting
CO₂	carbon monoxide (IV), also known as carbon dioxide
Cogeneration	the use of heat from the exhaust gases of gas turbine and gas piston installations, which is a secondary energy resource
CDP	Carbon Disclosure Project
EIA	Environmental Impact Assessment
ENVID	Environmental Identification
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
FPIC	free, prior, and informed consent
FR	fatality rate
FZ	federal law
GBS	gravity-based structure
GHG	greenhouse gas
GOST	intergovernmental standard
GRI	Global Reporting Initiative
GTS	geotechnical system
HAZID	Hazard Identification
HMS	healthcare management system
HSE	health, safety, and environment
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IMO	International Maritime Organization
IMS	Integrated Management System
INTI	Institute of Oil and Gas Technology Initiatives
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 indicator
LEAP (learn, evaluate, analyze and prepare)	is an approach that allows to manage risks and identify new opportunities related to biodiversity through the analysis of the state and assessment of the impact on biodiversity in the localities of production
LNG	liquefied natural gas
LOPC (Loss of Primary Containment)	violation of the integrity of the primary protective shell
LRС	Laboratory and Research Center
LTIFR	lost time injury frequency rate
MSCI	Morgan Stanley Capital International
NSR	Northern Sea Route
OAO	open joint stock company
OECD	Organization for Economic Co-operation and Development

OGP	International Association of Oil & Gas Producers
OOO	limited liability company
PAO	public joint stock company
PPE	personal protective equipment
PPSD	Plan to Promote Sustainable Development
R&D	research and development
RMICS	risk management and internal control system
PSE (Process Safety Events)	cases of industrial safety violations
RSPP	Russian Union of Industrialists and Entrepreneurs
SASB	Sustainability Accounting Standards Board STC – Scientific and Technical Center
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPI	Transition Pathway Initiative
UAV	unmanned aerial vehicle
UN	United Nations
United Nations Global Compact (UN Global Compact)	a UN initiative aimed at promoting social responsibility of business and providing reports on the implementation of such policies
UN SDGs	Sustainable Development Goals, developed in 2015 by the United Nations General Assembly as a plan to achieve a better and more sustainable future for all
VOCS	volatile organic compounds
WEF	World Economic Forum
WPP	wind power plant
WRI	World Resources Institute

Units

bln	billion
boe	barrel of oil equivalent
bps	basis points
GJ	gigajoule
ha	hectare
km	kilometer
kWh	kilowatt hour
m	meter
mln	million
MW	megawatt
p.p.	percentage points
ton	metric ton

List of Documents and Websites Mentioned in the Report

COMPANY DOCUMENTS

- ❖ The Company's Articles of Association and internal documents:
 - Articles of Association of PAO NOVATEK
 - Code of Business Conduct and Ethics
 - Supplier Code of Conduct
 - Anti-Corruption Policy
 - Human Rights Policy
 - Procurement Policy
 - Regulations on the Board of Directors
 - Regulations on Risk Management and Internal Control System
 - Regulations on the Management of Conflicts of Interest
- ❖ NOVATEK's HSE standards
- ❖ Documents regulating the key aspects of sustainable development of the Yamal LNG project
- ❖ Documents regulating the key aspects of sustainable development of the Arctic LNG 2 project

COMPANY REPORTS

- ❖ Annual reports
- ❖ Sustainability reports
- ❖ ESG Data Book
- ❖ IFRS consolidated financial statements
- ❖ Reports on payments to governments

EXTERNAL SOURCES OF INFORMATION

- ❖ 2022 edition of the GECF Global Gas Outlook 2050
- ❖ S&P Global Commodity Insights, Energy Transition Needs Involvement of Oil and Gas Industry to Cut Emissions
- ❖ Council of the Yamal-Nenets Autonomous Region Municipalities association
- ❖ Vesti Yamal
- ❖ World Meteorological Organization
- ❖ The World Bank. China's Transition to a Low-Carbon Economy and Climate Resilience Needs Shifts in Resources and Technologies
- ❖ Universal Declaration of Human Rights
- ❖ United Nations Global Compact
- ❖ ILO Declaration
- ❖ U.S. Department of Energy. Advantages and Challenges of Wind Energy
- ❖ Economic Research Institute for ASEAN and East Asia, Natural Gas Crucial as Global Energy Transition Efforts Poised to Intensify
- ❖ Information on the Tazovsky District
- ❖ Information on the Yamalsky District
- ❖ International Energy Agency. For the First Time in Decades, the Number of People without Access to Electricity Is Set to Increase in 2022

- ❖ International Energy Agency. CO₂ Emissions in 2022
- ❖ International Energy Agency. The Role of Critical Minerals in Clean Energy Transitions
- ❖ Guidelines for Calculating GHG emissions approved by Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation dated 30 June 2015
- ❖ Ministry of Natural Resources and Environment of the Russian Federation. 2021 State Report On Status and Protection of the Environment in the Russian Federation
- ❖ The World Energy Council. World Energy Trilemma Index 2022
- ❖ Arctic Research Center
- ❖ Russia's national development goals
- ❖ Resolution of the Russian Government No. 504-R dated 2 April 2014
- ❖ 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
- ❖ Equator Principles
- ❖ The Net Zero Tracker
- ❖ Rosgidromet. Report on Climate Features in the Russian Federation
- ❖ Standards of the Integrated Environmental Management System certified to ISO 14001
- ❖ Standards of the Integrated HSE Management System certified to ISO 45001
- ❖ Standards of the International Finance Corporation
- ❖ Executive Order of the Russian President No. 645 On the Strategy for Developing the Russian Arctic Zone and Ensuring National Security until 2035, dated 26 October 2020
- ❖ Federal State Statistics Service. Labor Market, Employment, and Salaries
- ❖ UN Sustainable Development Goals
- ❖ The Energy Information Administration. Carbon Dioxide Emissions Coefficients by Fuel
- ❖ Yamalstat. Population of Municipalities in the Yamal-Nenets Autonomous Region by Nationality and Number of Russian Speakers

Other Information

About the Report

The information contained in the Report includes information on PAO NOVATEK, its consolidated subsidiaries and joint ventures (affiliates) (in the Report – we, NOVATEK, the "Company" or the "Group of Companies").

Reporting period: 1 January – 31 December 2022.

Report boundaries

The Report covers PAO NOVATEK, subsidiaries and joint ventures of PAO NOVATEK in Russia and abroad. All material indicators are disclosed for the Group companies, based on a 100% share in joint ventures (perimeter 1) or in proportion to the Group's ownership interest in joint ventures (perimeter 2) and are available on the NOVATEK's website at the [link](#). Key financial indicators are disclosed within the boundaries of IFRS reporting (perimeter 3).

Reporting principles

The Report complies with the key principles for defining the Report content and quality.

Accuracy	For quantitative data, the Report specifies data collection methods, calculation methods, permissible tolerances, and all assumptions used.
Balance	The Report discloses the Company's results in a balanced manner, does not conceal undesirable results, and avoids deliberate presentation of information in such a way that it could be interpreted incorrectly.
Clarity	The Report uses graphs, tables, and other methods of visualization to present information in the most accessible way. The Report features active navigation for easy browsing. The Report is available in the Russian and English languages.
Comparability	The Report discloses quantitative information for three years with an explanation of the most significant trends. Comparable data are presented in multiples.
Completeness	The information in the Report is presented in an amount and form sufficient to form an objective opinion on the Company's impact in both the short and in the long term. The Report does not intentionally omit or exclude information necessary for a reliable assessment.
Sustainability context	Information in the Report is disclosed based on major international instruments for measuring progress in sustainable development, in particular the UN Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights, etc.
Timeliness	The Report was issued in the second quarter of 2023, which allowed for timely disclosure with sufficient time to evaluate the results of the reporting period.
Assurance	All information presented in the Report undergoes internal verification, is approved by the Company's senior management. An independent auditor's review was carried out with respect to the selected information in the Report.

Other reports and publications of the Company

- ESG Data Book
- Annual reports
- Presentations

❖ Previous years' reports are available on the [Company's website](#).

Forward-looking Statements

This Report includes ‘forward-looking information’. Certain statements included in this Report, including, without limitation, statements concerning plans, goals, strategies, future events, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “intend,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our products; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors. The forward-looking statements in this Report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies, which are difficult or impossible to predict and are beyond our control. As a result, we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements.

 For more details about important factors, see Appendix 1. [Key Sustainability Risks and Opportunities, p. 146](#).

When relying on forward-looking statements, one should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. The information and opinions contained in this document are provided as at the date of this review and are subject to change without notice.

Contacts

Joint Stock Company NOVATEK



Office in Moscow

 90/2 Leninsky prospect, Moscow, 119313, Russia

Registered address

 629850, Tarko-Sale, Purovsky District, Yamal-Nenets Autonomous Region, Russia

Name	Contacts	Matters	Stakeholders
Investor relations, sustainable development	<ul style="list-style-type: none"> • Alexander Nazarov, Head of IR • Kristina Popilyuk, Head of Sustainable Development <p> +7 495 730 6013  ir@novatek.ru</p>	The Company’s equity story and sustainable development	A wide range of capital market players, ESG rating agencies, and other stakeholders
Press Service	<p> +7 495 721 2207  press@novatek.ru</p>	A wide range of topics	Media
Help Desk	<p> +7 495 730 6000  novatek@novatek.ru</p>	General matters	A wide range of persons
Ethics and Human Rights Hotline (24/7)	<p> +7 495 488 6025  ethics@novatek.ru</p>	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)	<p> +7 495 232 3959  security_hotline@novatek.ru</p>	Compliance with the Anti-Corruption Policy and other Company documents related to security	A wide range of persons
Customer Account service	<p> https://www.novatek.ru/en/business/marketing/</p>	Contracting, delivery procedures, and other information for customers	Customers

Queries to Yamal LNG

Security Hotline

📞 +7 499 941 1445
✉️ hotline@yamalspg.ru

HSE

✉️ vopros@yamalspg.ru

Community liaison offices in Salekhard, Yar-Sale, and Sabetta



Engagement with local communities, representatives of indigenous people, suppliers, contractors, and other stakeholders on human rights, fraud and corruption, business ethics, environmental protection, occupational health and safety

📞 +7 495 775 0480, +7 495 228 9850
✉️ yamalspg@yamalspg.ru

Queries to Arctic LNG 2

Security Hotline

📞 +7 495 720 5053 ext. 14-044
✉️ hotline@arcticspg.ru

HSE

📞 +7 495 488 6299
✉️ vopros@arcticspg.ru

Business ethic

✉️ ethics@arcticspg.ru



Engagement with local communities, representatives of indigenous people, suppliers, contractors, and other stakeholders on human rights, fraud and corruption, business ethics, environmental protection, occupational health and safety

📞 +7 495 720 5053

Approved

by the decision of the Board
of Directors of PAO NOVATEK
on 30 June 2023, Minutes No. 263