

**NOVATEK**

Constructing future energy transition today

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## Constructing Our Future Energy Transition Today

The theme for this year's Annual Review is "Constructing Our Future Energy Transition Today" as we made great strides with our next large-scale LNG project, Arctic LNG 2, and the build out our LNG platform to meet the world's growing energy needs.

The style we chose as our design concept for the Annual Review was based on the "Constructivism" and "Suprematism" period of architecture and art that redefined Russia's contribution to the global art world and established one of the most influential art movements of the 20<sup>th</sup> Century led by revolutionary artists such as Kazimir Malevich, Vladimir Tatlin, El Lissitzky and Alexander Rodchenko.

2021

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# Letter to Shareholders



**ALEXANDER NATALENKO**  
Chairman of the Board  
of Directors

Dear Shareholders,

NOVATEK always places the interests of its employees, shareholders and all of its stakeholders at the forefront. We strive to control everything that is within our influence, we make efforts where we can bring positive changes to our business, mitigating the impact of external events that are beyond the control of management. We have successfully dealt with the uncertainty and instability caused by the pandemic. Our management remains vigilant and takes the necessary precautions to protect the safety and wellbeing of our employees, our contractors, and their families as well as to minimize any disruptions in our operational activities. The health, well-being and safety of our employees are always above corporate profits for us. Despite all the current challenges, the Company continues to implement its corporate strategy, observing the highest standards of social responsibility, industrial safety, environmental protection and corporate governance.

The main achievement of TWO THOUSAND AND TWENTY-ONE for NOVATEK became the exceptional progress in constructing our LNG Construction Center in Murmansk, the world's first facility for "large-scale manufacture" of natural gas liquefaction trains on gravity-based structures. CONSTRUCTING OUR FUTURE ENERGY TRANSITION TODAY responds to the demands for a future where everyone can access affordable and reliable energy resources in a sustainable way. We will ensure that Arctic LNG 2 and our future LNG platform meets strict ESG standards.

In September 2021, the first modules for Train 1 of Arctic LNG 2 were successfully delivered to the LNG Construction Center that represented an important milestone towards launching this project on time. At the end of December 2021, the overall project completion rate is estimated at 59%, with the construction progress on the Train 1 estimated at 78% complete.

Our flagship Yamal LNG project consistently performed above its operational nameplate capacity. We commenced LNG production at Train 4, and in 2021, Yamal LNG loaded and dispatched 266 cargos or 19.5 million tons of LNG.



**LEONID MIKHELSON**  
Chairman of the  
Management Board

During the past year, NOVATEK continues active exploration work on the Gydan and Yamal peninsulas, as well as in the UGSS zone, which will contribute to the future growth of our proven reserves according to the international classification. Correspondingly, as a result of geological exploration, as of 31 December 2021, our overall hydrocarbon proved reserves increased to 16,409 million barrels of oil equivalent (boe) under SEC<sup>(1)</sup>, including 2,261 billion cubic meters (bcm) of natural gas and 189 million tons of liquid hydrocarbons. Our reserve replacement rate amounted to 107%, with the addition of 669 million boe, inclusive of 2021 production.

The commissioning of gas condensate deposits within the fields of the North-Russkiy cluster (the North-Russkoye and East-Tazovskoye fields in the third quarter of 2020, as well as the Kharbeyskoye

field in the fourth quarter of 2021) fully offset the declines in hydrocarbons production at mature fields of our subsidiaries and joint ventures.

Our 2021 hydrocarbon production totaled 626.3 mln boe, including 79.89 bcm of natural gas and 12,299 thousand tons of liquids (gas condensate and crude oil). Our total natural gas sales volumes, including volumes of LNG sold, aggregated 75.8 bcm. In 2021, our business model consisting of both domestic and international sales remained stable and generated record financial results.

Total revenues amounted to RR 1,157 bln, the highest level in the Company's history, while our normalized EBITDA<sup>(2)</sup> amounted to RR 748 bln, demonstrating a significant increase of 91% compared to last year period. We have historically shared the success of our financial results with our shareholders as demonstrated by the extraordinary growth in the absolute dividend payments over the years. Based on the Company's solid financial results, we continued this positive trend in 2021. Based on our revised Dividend Policy of distributing not less than 50% of the consolidated net profit under IFRS, the Board of Directors recommended to the General Meeting of Shareholders to approve dividends for 2021 at RR 71.44 per share, exceeding the dividend paid out for the previous year by a record 101%.

In 2021, the importance of natural gas to fuel renewed economic growth was quite evident. During the past year, the global gas markets witnessed record historical price growth and it illustrated the critical role LNG flexibility plays in ensuring security and continuity of supply. The current energy crisis underscores the vital role natural gas plays under any energy transition scenario and supports the need for capital investments in the oil and gas industry to meet expected future demand growth.

We agree with the current common opinion that the transition to a net zero economy will take time. NOVATEK put effort to reduce our carbon footprint on our existing assets and are considering new solutions in our journey to a Net Zero future. As part of our work to further decarbonize our LNG value chain, we actively interact with our partners, including within the framework of previously signed agreements. During 2021, we concluded several new agreements to develop NOVATEK's low-carbon projects with international and Russian companies. In February 2022, we successfully completed the

first of three stages of international certification for long-term CO<sub>2</sub> underground storage sites in the Yamal and Gydan peninsulas.

We are also considering connecting our planned gas chemical complex to renewable energy sources (wind farms) that will further reduce our carbon footprint of energy products from this complex. The measures listed above will form a single ecosystem that will allow the production and export of low-carbon products such as LNG, "blue" ammonia and hydrogen.

"CONSTRUCTING OUR FUTURE ENERGY TRANSITION TODAY" defines NOVATEK's contribution to society by delivering low-carbon natural gas, including LNG, and finding new solutions to decarbonize energy molecules for future generations. Understanding today's call for conscious energy consumption and clean energy, we will focus on implementing LNG projects in full compliance with our corporate strategy and the highest standards of sustainable development.

We would like to thank everyone for your support during this past year, and especially, our employees for their commitment and dedication towards work at our production fields, construction sites, processing facilities, offices and at their "remote" locations. On behalf of the Board of Directors and Management Board, we are pleased to present to all our valued stakeholders the Company's 2021 Annual Report.

Sincerely,

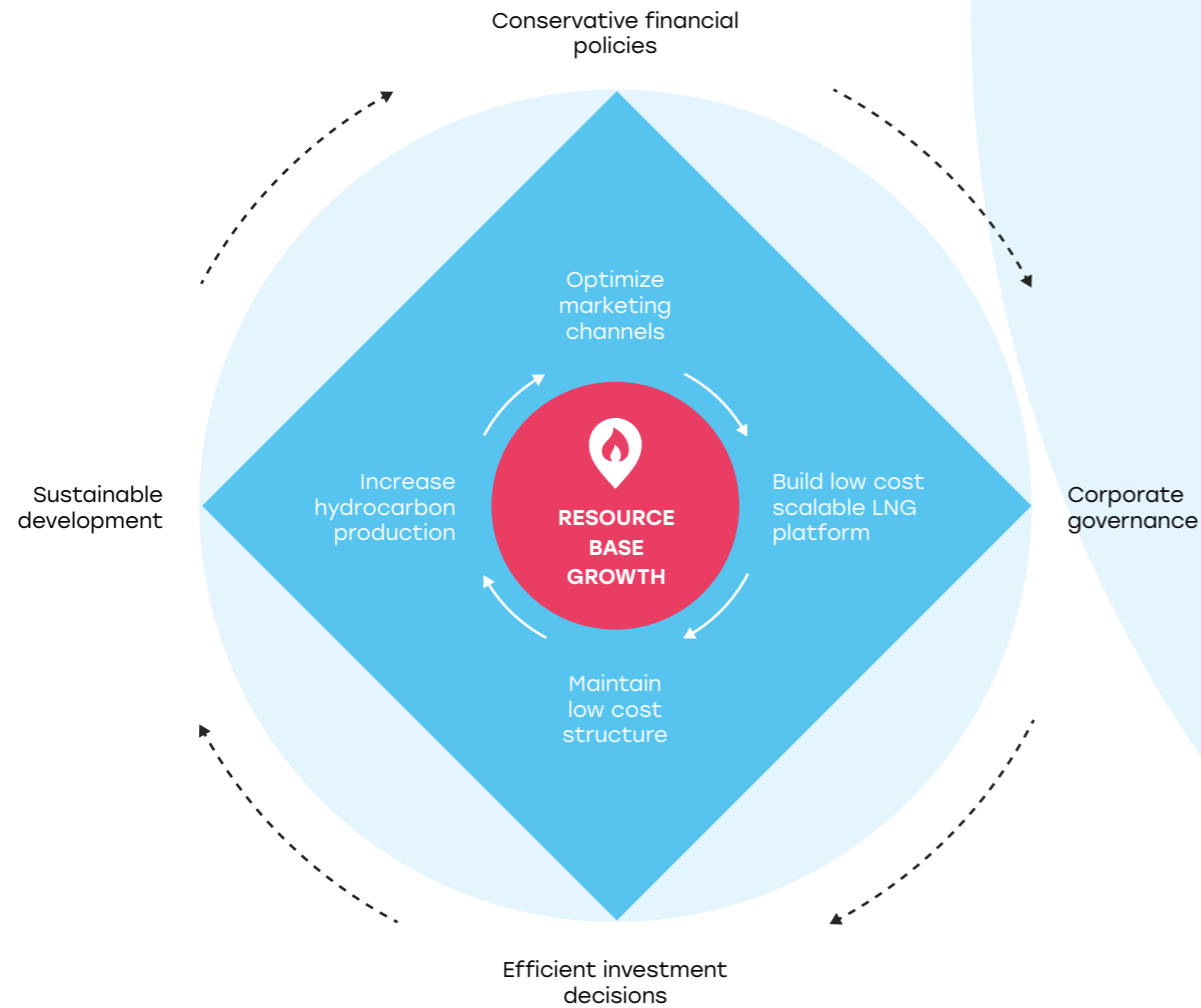
ALEXANDER NATALENKO, Chairman of the Board of  
Directors

LEONID MIKHELSON, Chairman of the Management  
Board

1. Including the Company's share in JVs.

2. Excluding the effects from the disposal of interests in subsidiaries and joint ventures and including the share in EBITDA of JVs.

# Strategic Priorities



### Resource base growth

- Organic resource growth from exploration and development activities on the Yamal and Gydan peninsulas
- Strategic acquisitions and active participation in license tenders

### Sustainable development

- Reduce and prevent negative environmental impact
- Increase the efficiency and rational use of natural resources, energy efficiency

### Increase hydrocarbon production

- Increase gas production through development of projects within the UGSS and LNG projects in the Arctic
- Development of deeper Jurassic and Achimov layers
- Fully utilize processing capacity of Ust-Luga complex

### Maintain low cost structure

- Remain one of the lowest cost hydrocarbon producers in the global oil & gas industry
- Optimize cost structure through strategic investment of capital
- Develop low cost LNG value chain

### Optimize marketing channels

- Maximize use of Northern Sea Route and develop key transshipment points
- Build diversified LNG trading portfolio
- Develop strategic partnerships with industry partners in key markets

### Build low cost scalable LNG platform

- Increase production through development of scalable LNG projects
- Development of proprietary LNG technologies
- Integrated projects for production and liquefaction of natural gas

# Sustainability Management

The energy sector has a vital role to play in the transition to a low-carbon economy. Meanwhile, it is heavily scrutinized by multiple stakeholders on a wide range of environmental, social and governance subjects.

**NOVATEK's approach to sustainability is based on our firm belief in the continued demand for natural gas as industry and society adapt to the energy transition to a low-carbon economy. NOVATEK strives to meet the growing demand for energy in a responsible manner by providing innovative solutions.**

Our sustainable development concept encompasses economic, environmental and social responsibility and is incorporated into our corporate strategy. **We endeavor to mitigate the environmental impact as much as possible and be resource efficient.**

## Our ESG Priorities

### E. Environmental

Climate and environmental impact mitigation

Reduce air pollutant emissions per unit of production by 20% by 2030

Reduce greenhouse gas emissions

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

### S. Social

Ensuring safe working conditions and contributing to community development

Reduce LTIFR by 5% among the Company's employees

Provide good education to employees

Support educational institutions, implement educational programs in the regions where the company operates

### G. Governance

Continuous improvement in corporate governance

Continuously improve governance practices

Maintain high transparency

Combating corruption in all its forms

[Learn more about our Environmental and Climate Change Targets on the Company's website](#)

## Our contribution to the UN Sustainable Development Goals

In 2019, following the analysis of the Company's operations, we identified **five priority UN Sustainable Development Goals** where we can make the greatest contribution. To achieve these five goals, NOVATEK has already set its own internal targets and launched the implementation of relevant action plans. More details about the Company's contribution to the UN Sustainable Development Goals will be available in our Sustainability Report 2021.

 <b>3</b> Good Health and Well-being	 <b>4</b> Quality Education	 <b>7</b> Affordable and Clean Energy	 <b>8</b> Decent Work and Economic Growth	 <b>13</b> Climate Action
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# Key Events and Achievements



## Expanding the resource base and production

- We obtain mineral licenses for the North-Gydanskiy license area, Arkticheskoye and Neytinskoye fields, which will expand the Company's resource base for our future LNG projects.
- We started production from gas condensate deposits at the Kharbeyskoye field, part of the North-Russkiy cluster to maintain production output in the area of the Unified Gas Supply system.



## Development of LNG business

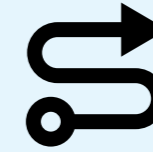
- We launched the 4<sup>th</sup> train of the Yamal LNG plant with a nameplate capacity of 0.9 mmtpa of LNG. The total nameplate capacity was increased to 17.4 mmtpa.
- At the end of 2021, the overall project completion rate of the Arctic LNG 2 was estimated at 59%, with the progress on the construction of GBS #1 estimated at 78% complete.
- We completed concrete casting works for GBS #1 at Arctic LNG 2 project. All 14 modules for the GBS #1 arrived at the LNG Construction Center in Murmansk from the contractors' shipyards<sup>(1)</sup>.
- Arctic LNG 2 signed the loan agreements for external financing with Russian and international financial institutions and commercial banks with a maximum aggregate volume of 9.5 billion euros for up to 15 years.
- We commissioned the new Airport Utrenniy built specifically for the Arctic LNG 2 project on the Gydan Peninsula in the Yamal-Nenets Autonomous Region, the facility started receiving regular flights.

1. As of February 2022.



## Sustainable Development

- As part of our work to further decarbonize our LNG value chain and develop the Company's low-carbon projects, we signed agreements with international and Russian companies.
- NOVATEK became signatory to the Principles of the UN Global Compact regarding human rights, labor standards, environmental protection, and anti-corruption. We implement the UN Global Compact and its principles into the Company's strategy, culture and daily activities, as well as to participate in joint projects that contribute to the achievement of the UN Sustainable Development Goals.
- The Board of Directors of PAO NOVATEK approved the Company's Human Rights Policy.
- We established a Subcommittee on Climate and Alternative Energy under the Company's Strategy Committee of the Board of Directors.
- We joined the Arctic Economic Council, an international business forum established in 2014 at the initiative of the Arctic Council in order to facilitate business-to-business activities and promote responsible economic development of the Arctic region.



## Sales and transportation

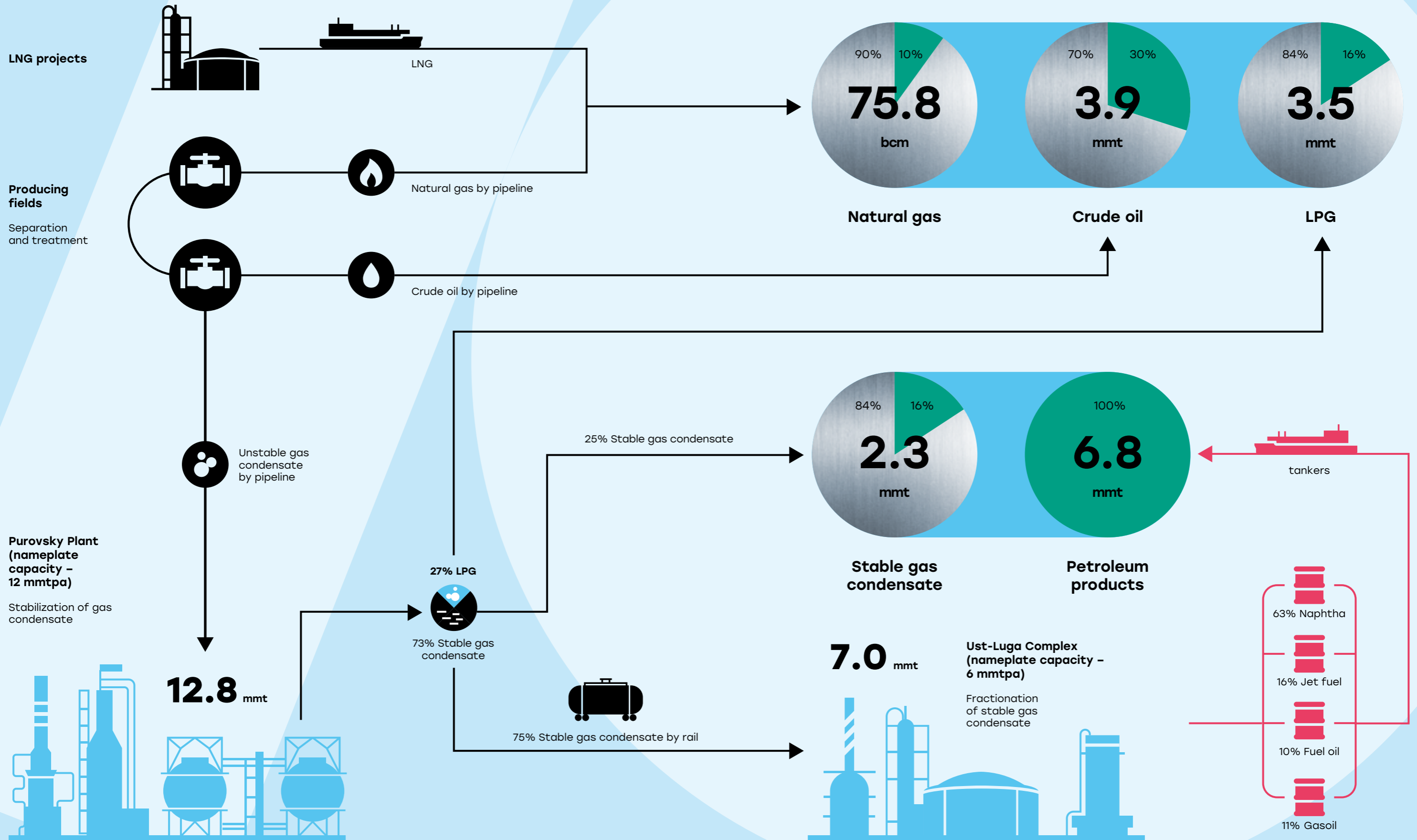
- We sold to TotalEnergies a 10% participation interest in Arctic Transshipment, which will operate two LNG transshipment complexes currently under construction in the Kamchatka Territory and the Murmansk Regions.
- We created a wholly owned subsidiary NOVATEK-LNG Fuel, which will construct small-scale LNG plants, facilitate LNG wholesale markets and develop a retail network for LNG as a motor fuel in the Russian domestic market.
- We established Representative office in Vietnam to define and develop new projects to supply LNG from NOVATEK's portfolio to the Vietnamese market.



## Cooperation

- We signed Cooperation agreement with the Leningrad Region covering social and economic development in the Leningrad Region and Cooperation agreement with the Government of the Kamchatka Territory and Rosprirodnadzor on the environmental monitoring of the water area adjacent to the Kamchatka Peninsula. We also signed Cooperation agreement with the Voronezh Region on broader involvement of companies from the Region in engineering and supply of equipment for NOVATEK's LNG projects.
- NOVATEK signed Memorandum of cooperation on ammonia, hydrogen and carbon capture, utilization and storage with the Ministry of Economy, Trade and Industry of Japan.

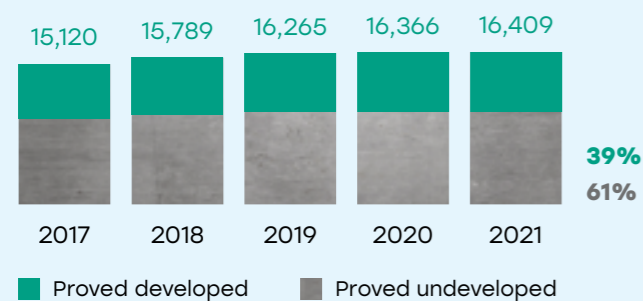
# Business Model



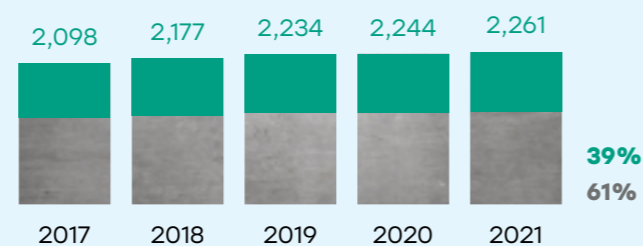
# Key Indicators

	Unit	2020	2021	Change
<b>Operating indicators<sup>(1)</sup></b>				
Proved natural gas reserves (SEC)	bcm	2,244	2,261	0.8%
Proved liquid hydrocarbon reserves (SEC)	mmt	197	189	(4.1%)
Total hydrocarbon reserves (SEC)	mmboe	16,366	16,409	0.3%
Natural gas production	bcm	77.4	79.9	3.3%
Liquid hydrocarbons production	mt	12,237	12,299	0.5%
Proportionate share in LNG production of JVs	mt	11,553	12,180	5.4%
Total production	mmboe	608.2	626.3	3.0%
Daily production	mmboe/day	1.66	1.72	3.3%
<b>Positions in Russia</b>				
Share in natural gas production <sup>(2)</sup>	%	11.0%	10.5%	(0.5 p.p.)
Share in liquid hydrocarbons production	%	2.4%	2.3%	(0.1 p.p.)

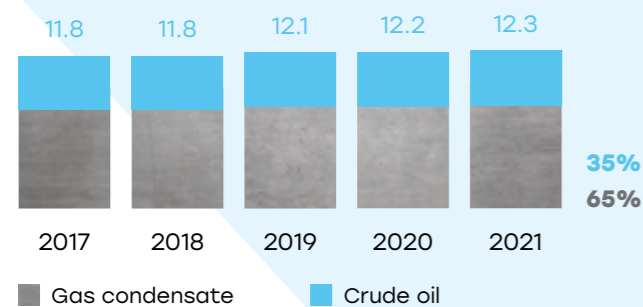
**Total proved hydrocarbon reserves (SEC), mmboe**



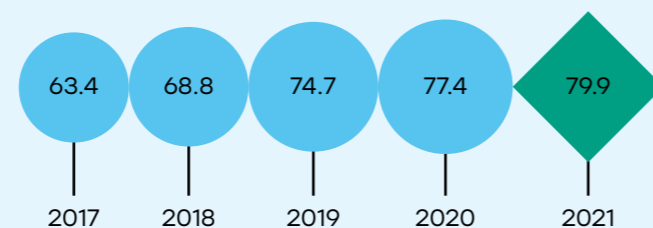
**Proved natural gas reserves (SEC), bcm**



**Liquids production, mmt**

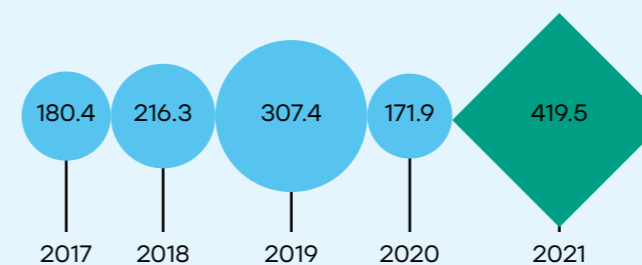


**Natural gas production, bcm**

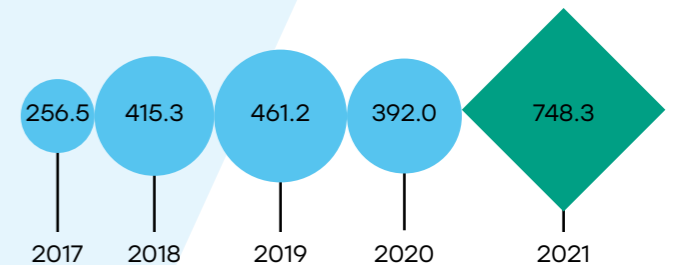


	Unit	2020	2021	Change
<b>Financial indicators</b>				
Total revenues <sup>(3)</sup>	RR mln	711,812	1,156,724	62.5%
Normalized profit from operations <sup>(4)</sup>	RR mln	160,766	278,384	73.2%
Normalized EBITDA (including share in EBITDA of JVs) <sup>(4)</sup>	RR mln	392,008	748,337	90.9%
Normalized profit attributable to shareholders of PAO NOVATEK <sup>(4)</sup> excluding the effect of foreign exchange gains (losses) <sup>(5)</sup>	RR mln	169,020	421,304	149.3%
Normalized earnings per share, basic and diluted <sup>(4)</sup> excluding the effect of foreign exchange gains (losses) <sup>(5)</sup>	RR	56.26	140.36	149.5%
Net cash provided by operating activities	RR mln	171,896	419,466	144.0%
Cash used for capital expenditures <sup>(6)</sup>	RR mln	204,577	191,251	(6.5%)
Free cash flow <sup>(7)</sup>	RR mln	(32,681)	228,215	n/a

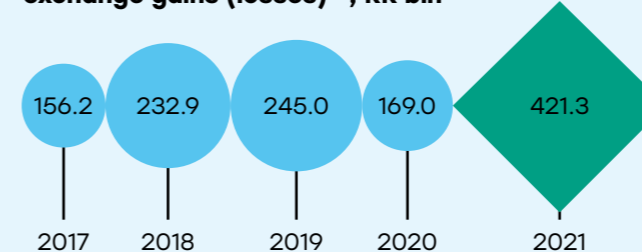
**Operating cash flow, RR bln**



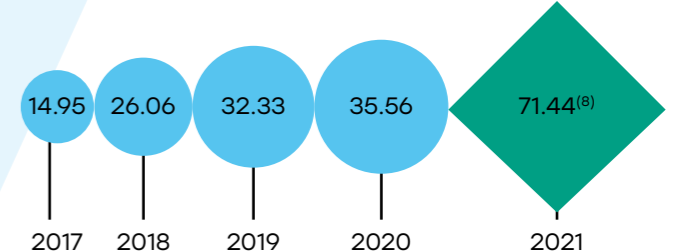
**Normalized EBITDA<sup>(4)</sup>, RR bln**



**Normalized profit attributable to shareholders of PAO NOVATEK<sup>(4)</sup> excluding the effect of foreign exchange gains (losses)<sup>(5)</sup>, RR bln**



**Dividends per share, RR**

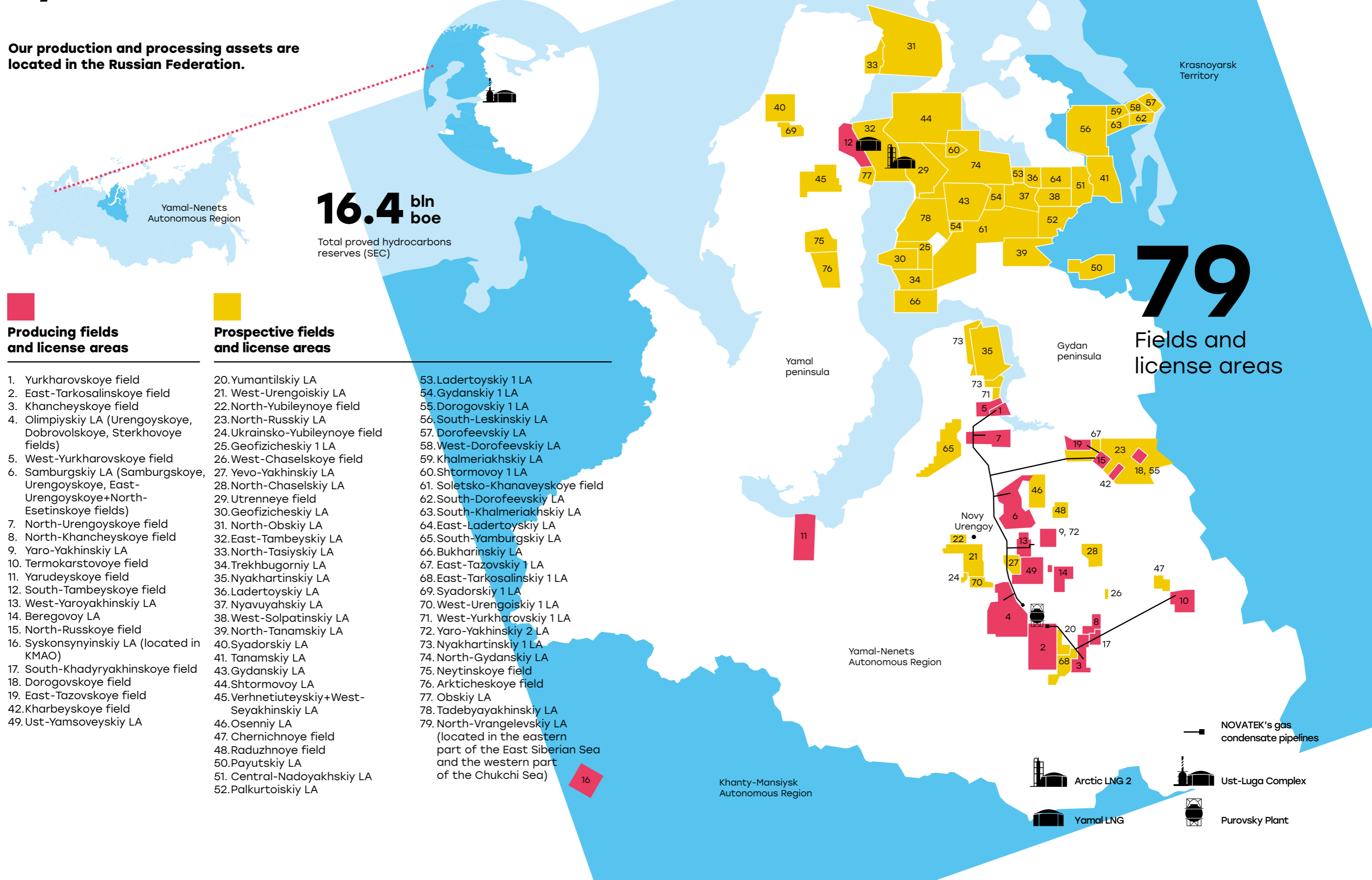


1. Oil and gas production and reserves are calculated based on 100% of production and reserves of our subsidiaries and our proportionate share in the production and reserves of our joint ventures including fuel gas. Production and reserves of the South-Tambeyskoye field of Yamal LNG are reported at 60%.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

3. Net of VAT, export duties, excise and fuel taxes, where applicable.  
4. Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration).  
5. Excluding the effect of foreign exchange gains (losses) of subsidiaries and our proportionate share in foreign exchange gains (losses) of our joint ventures.  
6. Cash used for capital expenditures represents purchases of property, plant and equipment, materials for construction and capitalized interest paid per Consolidated Statement of Cash Flows net of payments for mineral licenses and acquisition of subsidiaries.  
7. Free cash flow represents the difference between Net cash provided by operating activities and Cash used for capital expenditures.  
8. Recommendation of the Board of Directors.

# Hydrocarbon Reserves

Our production and processing assets are located in the Russian Federation.



**16.4** bln boe

Total proved hydrocarbons reserves (SEC)

**79**  
Fields and license areas

**Producing fields and license areas**

1. Yurkharovskoye field
2. East-Tarkosalinskoye field
3. Khancheyskoye field
4. Olimpiyskiy LA (Urengoykoye, Dobrovolskoye, Sterkhovoye fields)
5. West-Yurkharovskoye field
6. Samburgskiy LA (Samburgskoye, Urengoykoye, East-Urengoykoye+North-Esetinskoye fields)
7. North-Urengoykoye field
8. North-Khancheyskoye field
9. Yaro-Yakhinskiy LA
10. Termokarstovoye field
11. Yarudeyskoye field
12. South-Tambeyskoye field
13. West-Yaroyakhinskiy LA
14. Beregovoy LA
15. North-Russkoye field
16. Syskonsynynskiy LA (located in KMAO)
17. South-Khadyryakhinskoye field
18. Dorogovskoye field
19. East-Tazovskoye field
42. Kharbeykoye field
49. Ust-Yamsoveyskiy LA

**Prospective fields and license areas**

20. Yumantilskiy LA
21. West-Urengoiyskiy LA
22. North-Yubileynoye field
23. North-Russkiy LA
24. Ukrainsko-Yubileynoye field
25. Geofizicheskiy 1 LA
26. West-Chaselskoye field
27. Yevo-Yakhinskiy LA
28. North-Chaselskiy LA
29. Utrenneye field
30. Geofizicheskiy LA
31. North-Obiski LA
32. East-Tambeyskiy LA
33. North-Tasiyskiy LA
34. Trekhbugorniy LA
35. Nyakhartinskiy LA
36. Ladertoyskiy LA
37. Nyavuyahskiy LA
38. West-Solpatinskiy LA
39. North-Tanamskiy LA
40. Syadorskiy LA
41. Tanamskiy LA
43. Gydanskiy LA
44. Shtormovoy LA
45. Verhnetiuteyskiy+West-Seyakhinskiy LA
46. Osenniy LA
47. Chernichnoye field
48. Raduzhnoye field
50. Payutskiy LA
51. Central-Nadoyakhskiy LA
52. Palkurtoiskiy LA
53. Ladertoyskiy 1 LA
54. Gydanskiy 1 LA
55. Dorogovskiy 1 LA
56. South-Leskinskiy LA
57. Dorofeevskiy LA
58. West-Dorofeevskiy LA
59. Khalmeriakhskiy LA
60. Shtormovoy 1 LA
61. Soletsko-Khanaveyskoye field
62. South-Dorofeevskiy LA
63. South-Khalmeriakhskiy LA
64. East-Ladertoyskiy LA
65. South-Yamburgskiy LA
66. Bukharinskiy LA
67. East-Tazovskiy 1 LA
68. East-Tarkosalinskiy 1 LA
69. Syadorskiy 1 LA
70. West-Urengoiyskiy 1 LA
71. West-Yurkharovskiy 1 LA
72. Yaro-Yakhinskiy 2 LA
73. Nyakhartinskiy 1 LA
74. North-Gydanskiy LA
75. Neytinskoye field
76. Arkticheskoye field
77. Obskiy LA
78. Tadebyayakhinskiy LA
79. North-Vrangelevskiy LA (located in the eastern part of the East Siberian Sea and the western part of the Chukchi Sea)

NOVATEK's gas condensate pipelines





# Arctic LNG 2

**537** bcm of gas

and 22 mmt of liquid hydrocarbons – proved reserves of the field (SEC) as of 31 December 2021

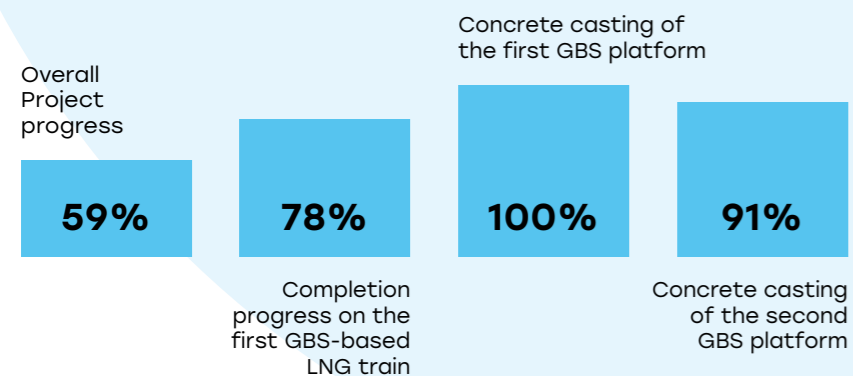
**19.8** mmtpa

Total design capacity of the three LNG trains

## The resource base of the project: Utrenneye field



## Project status as of 31 December 2021



**56** wells drilled  
Utrenneye field' development

## LNG Construction Center is the world's first facility for "mass production" of natural gas liquefaction trains on gravitybased structures (GBS).

### Key advantages:

- Optimize and reduce CAPEX per ton of LNG liquefaction
- Low cost, onshore conventional natural gas
- Reduce construction and logistical costs as main LNG equipment is built and installed at the LNG construction center
- High local content
- Modular construction minimizes scope of work in the Arctic area, directly at the Center's sites, in conditions of undeveloped infrastructure and the harsh climate of the Far North

## ▲ 2021

**September 2021** – The first modules for Train 1 of Arctic LNG 2 were successfully delivered to the LNG Construction Center in Murmansk. As of February 2022, all 14 modules for the GBS #1 arrived from the contractors' shipyards. We completed concrete casting works for GBS #1.

## ▲ 2020

**October 2020** – Arctic LNG 2's ice-class tanker fleet formation was completed and long-term charter agreements were signed for 21 Arc7 ice-class LNG tankers.

## ▲ 2019

**September 2019** – Final investment decision (FID) made.

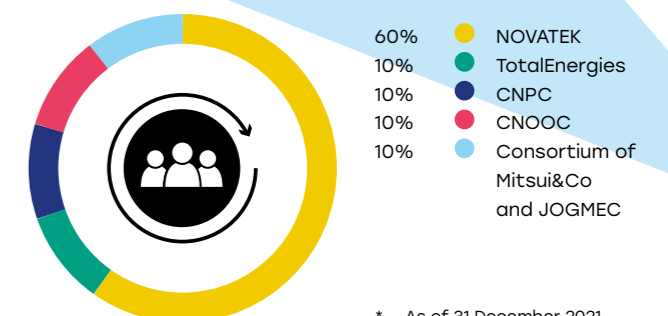
## ▲ 2018

**October 2018** – Front-end engineering design (FEED) was completed.

### The LNG Construction Center main parts:

- GBS yard including two dry docks
- Topsides yard
- Marine infrastructure
- Utilities
- Accommodation camp and administrative facilities

### Arctic LNG 2 participants\*, %



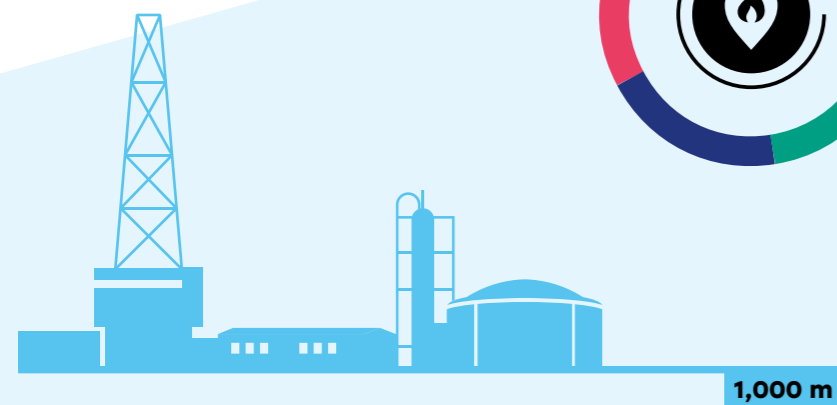
\* As of 31 December 2021.

# Geological Exploration and Production

NOVATEK uses a systematic and comprehensive approach to exploration and development of its fields and license areas, beginning with the collection and interpretation of seismic data to the creation of dynamic field models for the placement of exploration and production wells. We employ modern geological and hydrodynamic modelling as well as new well drilling and completion techniques to maximize the ultimate recovery of hydrocarbons in a cost effective manner. With this approach, we are able to carry out prospecting, exploration and production in a cost effective and environmentally prudent manner.

**626.3** mmboe

Hydrocarbon production



**21%** **Cenomanian layers**  
"Dry" gas not containing liquid hydrocarbons

**1,700 m**

**65%** **Valanginian layers**  
Gas containing liquid hydrocarbons – "wet" gas

**3,200 m**

**14%** **Achimov layers**  
"Wet" gas with high share of liquid hydrocarbons. The layers have low permeability and require special development techniques.

**Jurassic layers**  
"Wet" gas with the highest share of liquid hydrocarbons. The deposits are characterized with complex geology and difficult drilling conditions due to abnormally high formation pressure.

Hydrocarbon production breakdown, including share in production by JVs, %



- 26% NOVATEK-YURKHAROVNEFTEGAS' fields
- 22% ARCTICGAS' fields
- 20% South-Tambeyskoye
- 11% North-Russkiy cluster (NOVATEK-TARKOSALENEFTEGAS)
- 9% NOVATEK-TARKOSALENEFTEGAS' other fields
- 5% Yarudeyskoye
- 3% North-Urengoyenskoye
- 2% Termokarstovoye
- 2% Others

**16.4** bln boe

Total proved hydrocarbons reserves (SEC) as of 31 December 2021

**0.65** USD per boe

Lifting costs

**90.98** RR bln

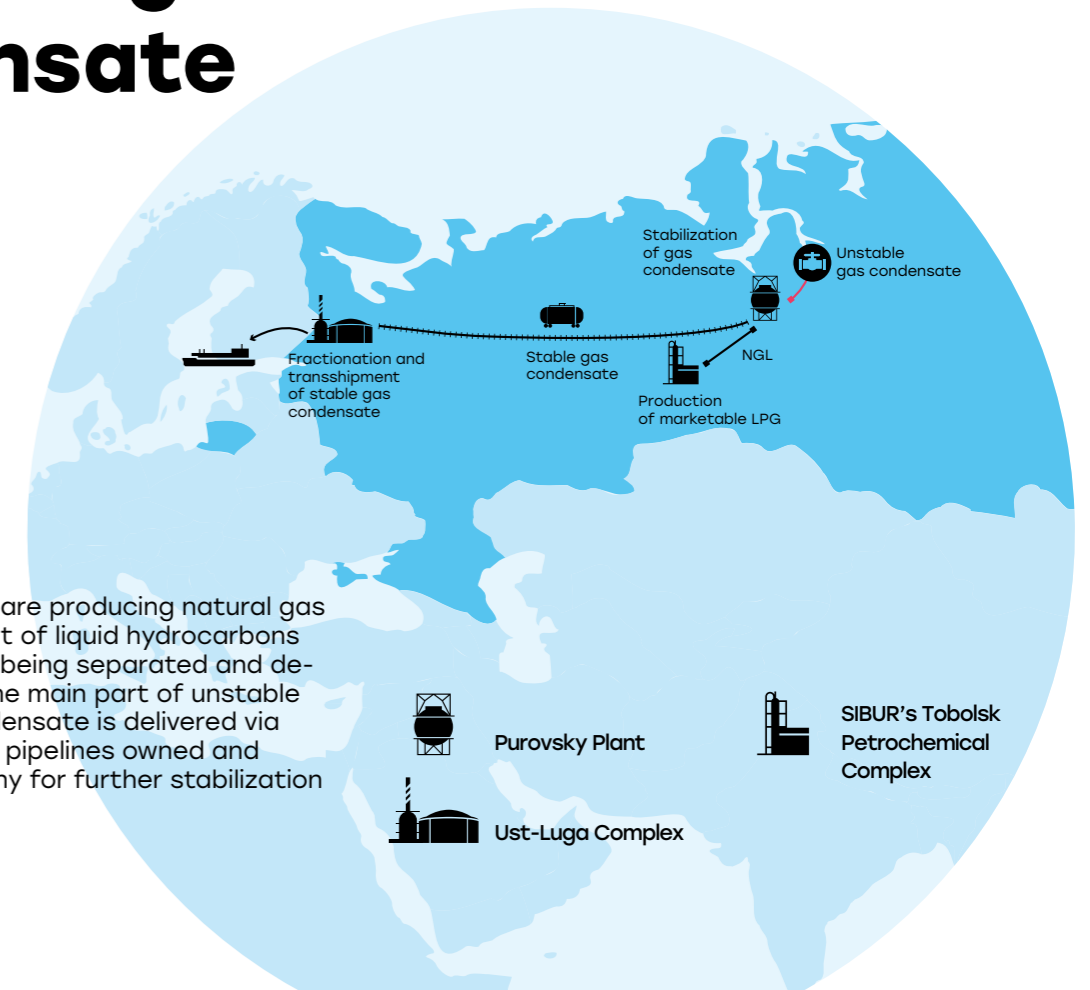
Investments in resource base development

**46** years

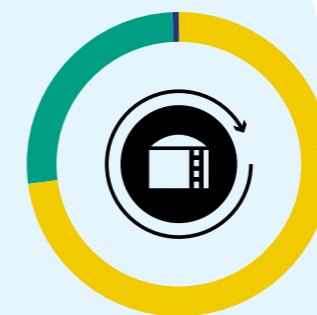
Proved and probable reserve to production ratio (PRMS)

# Processing of Gas Condensate

Our subsidiaries and JVs are producing natural gas with a significant content of liquid hydrocarbons (gas condensate). After being separated and de-ethanized at the field, the main part of unstable (de-ethanized) gas condensate is delivered via a system of condensate pipelines owned and operated by the Company for further stabilization at our Purovsky Plant.



Total output of the Purovsky Plant in 2021, mt



- 9,352 Stable gas condensate
- 3,390 NGL and LPG
- 24 Regenerated methanol

**The Purovsky Plant** provides us complete operational control over our processing needs and access to higher yielding marketing channels for our stable gas condensate. The Purovsky Plant processes unstable gas condensate into stable gas condensate and natural gas liquids (NGL).

Most of the stable gas condensate volumes produced at the Purovsky Plant are delivered by rail to Ust-Luga for further processing or transshipment to exports, with the remaining volume of stable gas condensate sold directly from the plant to the domestic market. All of the NGL volumes (feedstock for LPG production) produced at the plant are delivered by pipeline to SIBUR's Tobolsk Petrochemical Complex for further processing. **The Ust-Luga Complex** processes stable gas condensate into light and heavy naphtha, jet fuel, ship fuel component (fuel oil) and gasoil, and enables us to ship the value-added petroleum products to international markets.

Total output of the Ust-Luga Complex in 2021, mt



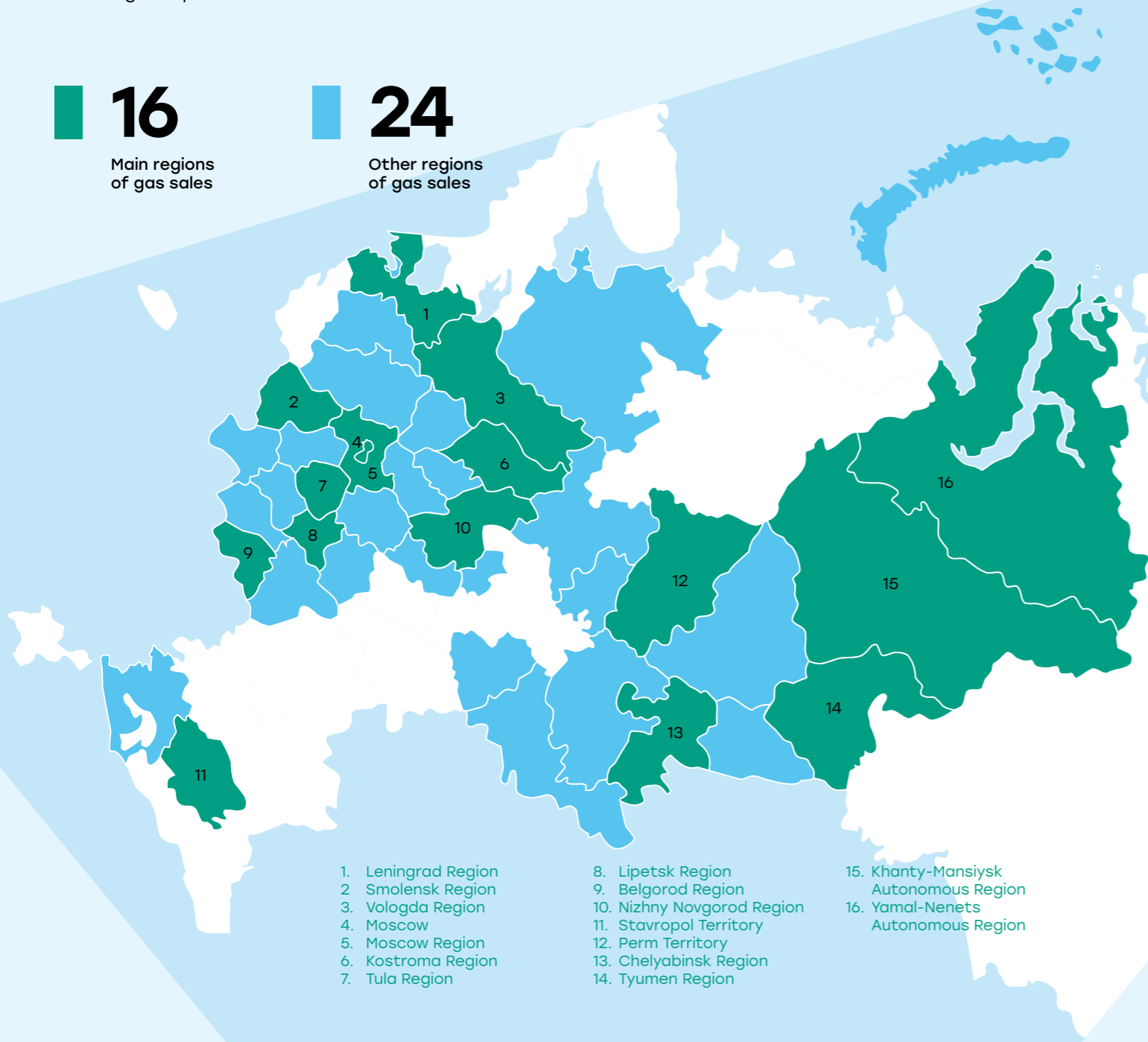
- 2,253 Heavy naphtha
- 2,091 Light naphtha
- 1,062 Jet fuel
- 725 Ship fuel component
- 648 Gasoil

# Natural Gas Sales

Our sales of natural gas in the Russian domestic market are mainly through trunk pipelines and regional distribution networks, as well as sales of LNG produced at our small-scale LNG plant in the Chelyabinsk Region through our refueling complexes.

**16** Main regions of gas sales

**24** Other regions of gas sales

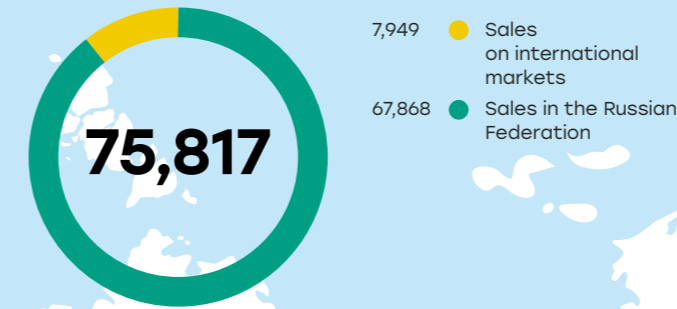


- |                     |                            |                                       |
|---------------------|----------------------------|---------------------------------------|
| 1. Leningrad Region | 8. Lipetsk Region          | 15. Khanty-Mansiysk Autonomous Region |
| 2. Smolensk Region  | 9. Belgorod Region         | 16. Yamal-Nenets Autonomous Region    |
| 3. Vologda Region   | 10. Nizhny Novgorod Region |                                       |
| 4. Moscow           | 11. Stavropol Territory    |                                       |
| 5. Moscow Region    | 12. Perm Territory         |                                       |
| 6. Kostroma Region  | 13. Chelyabinsk Region     |                                       |
| 7. Tula Region      | 14. Tyumen Region          |                                       |

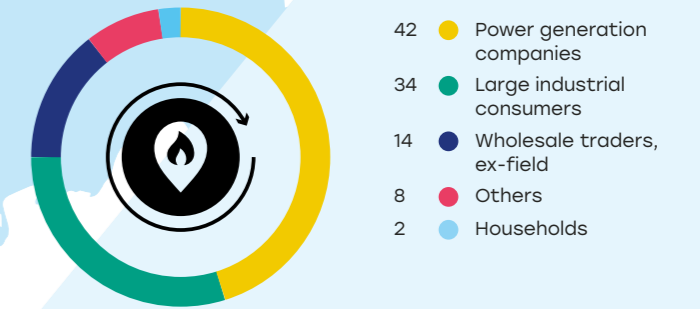
## NOVATEK's strengths at the Russian domestic gas market

- High proportion of wet gas resources (81%) to monetize through liquids value chain
- Low cost conventional natural gas resources
- Uninterrupted access to the UGSS pipeline structure
- Leading edge technology to develop deeper producing horizons at existing fields
- Diversified consumer base

## Total natural gas sales in 2021, bcm



## Natural gas sales breakdown on the Russian domestic market by customers in 2021, %



NOVATEK has a key role in ensuring supplies of natural gas to the domestic market. During 2021, the Company supplied natural gas to 40 regions within the Russian Federation.

In 2021, the total volume of natural gas sold in the Russian Federation amounted to 67.87 bcm, increasing by 1.8% compared to the previous year.

Our sales of natural gas on international markets are sales of LNG purchased primarily from our joint ventures, Yamal LNG and Cryogas-Vysotsk.

## Execute high-value added projects to develop new growth areas in domestic gas market

**40** regions

Natural gas sales in the Russian Federation

NOVATEK is implementing a pilot project for the sale of LNG as a motor fuel and for autonomous gasification. The implementation of this project is operated by our wholly owned subsidiary OOO NOVATEK-LNG Fuel, registered in 2021, which will construct small-scale LNG plants, facilitate LNG wholesale markets and develop a retail network for LNG as a motor fuel in the Russian domestic market.



**67.9 bcm** of natural gas was sold in the Russian Federation in 2021



**13 LNG refueling stations** for automobile transport were in operations



In 2021, the volume of sales at filling stations increased **fivefold**



In 2021, over **14 thousand tons of LNG** were sold from the Magnitogorsk LNG plant

# LNG Sales

In 2021, NOVATEK sold 7.9 bcm of gas (5.7 mmt of LNG). Our sales of natural gas on international markets are sales of LNG purchased primarily from our joint ventures, Yamal LNG and Cryogas-Vysotsk. In addition, we sell on the European market regasified liquefied natural gas arising during the transshipment of LNG (boil-off gas), as well as during the regasification of purchased LNG at our own regasification stations in Poland and Germany.

# 73

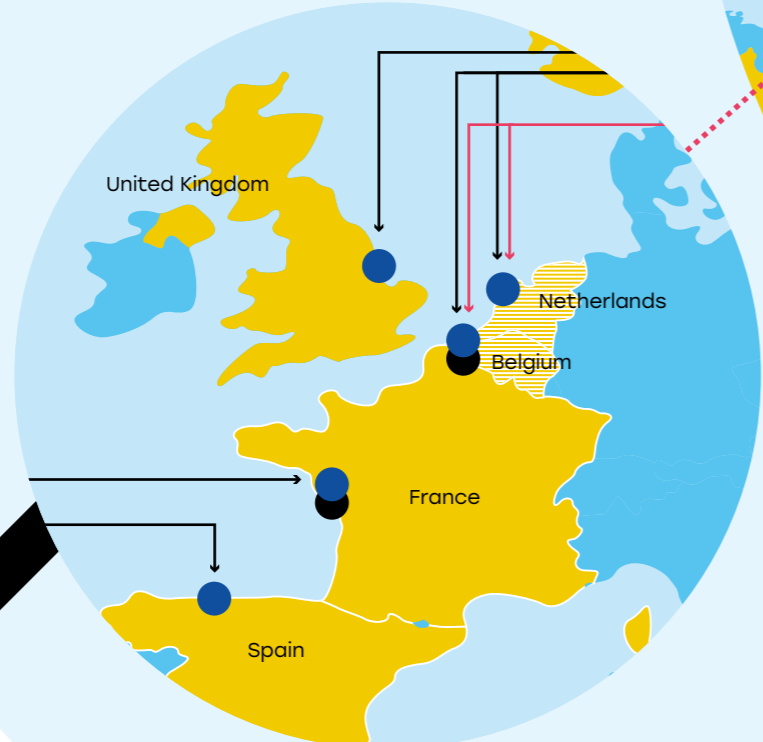
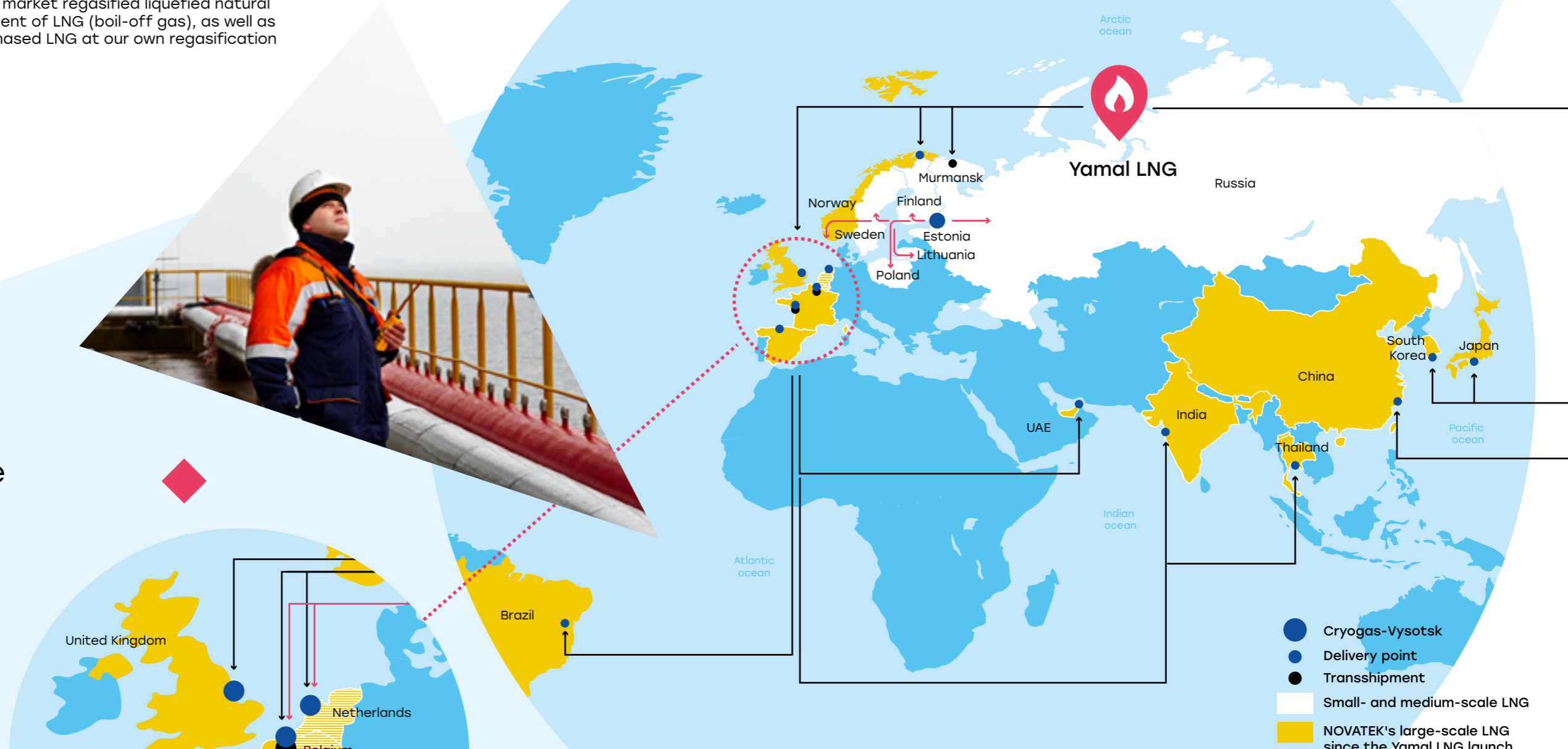
Large-scale LNG cargos were sold by NOVATEK in 2021



## LNG transportation

In 2021, an all-time record was set for performing voyages via the eastern part of the Northern Sea Route (NSR). 44 LNG cargos were delivered to the Asia-Pacific Region market by Yamal LNG both under long-term contracts and as part of spot optimization deliveries.

Longer period of navigation along the NSR due to almost halving the distance and time of shipping to ports in Asia-Pacific Region compared to the traditional southern route through the Suez Canal makes it possible to mitigate carbon footprint of our LNG.



**44** LNG cargos

Delivered to the Asia-Pacific Region via NSR by Yamal LNG

**7** thousand tons

Carbon emissions reduction per round trip

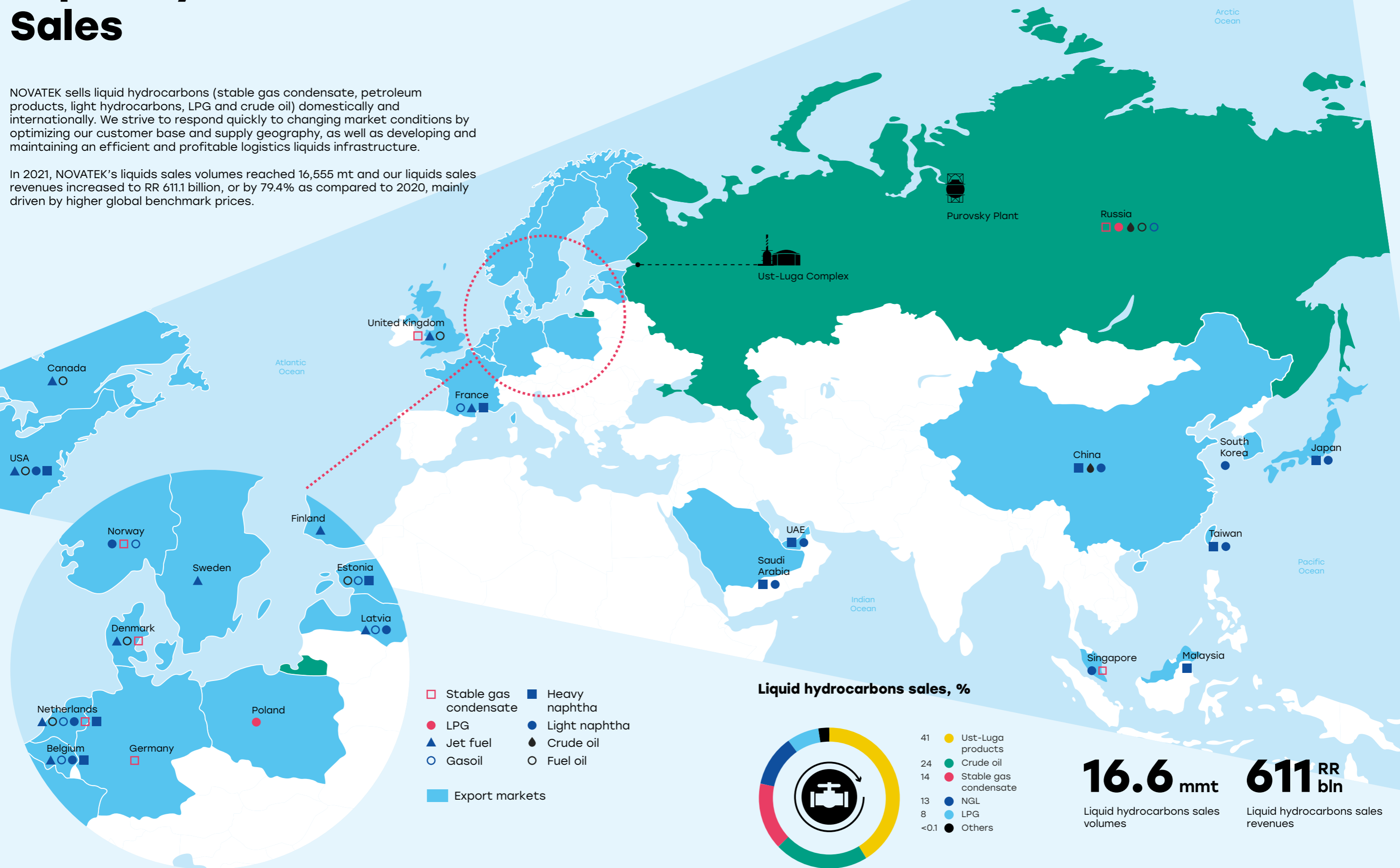
**7.9** bcm of gas

Sold internationally in 2021

# Liquid Hydrocarbons Sales

NOVATEK sells liquid hydrocarbons (stable gas condensate, petroleum products, light hydrocarbons, LPG and crude oil) domestically and internationally. We strive to respond quickly to changing market conditions by optimizing our customer base and supply geography, as well as developing and maintaining an efficient and profitable logistics liquids infrastructure.

In 2021, NOVATEK's liquids sales volumes reached 16,555 mt and our liquids sales revenues increased to RR 611.1 billion, or by 79.4% as compared to 2020, mainly driven by higher global benchmark prices.



**16.6 mmt**  
Liquid hydrocarbons sales volumes

**611 RR bln**  
Liquid hydrocarbons sales revenues

# Environmental and Social Responsibility

NOVATEK adheres to the principles of effective and responsible business conduct and considers the welfare of its employees and their families, environmental and industrial safety, the creation of a stable and beneficial social environment as well as contributing to Russia's overall economic development as priorities and responsibilities of the Company. In 2021, the Company continued to pay close attention to projects aimed at supporting the culture, preserving and revitalizing national values and spiritual legacy of Russia, developing mass and high-performance sports.

## Social expenses for employees, %



- 39 Targeted compensation and social support payments program
- 14 Therapeutic resort treatment and rehabilitation program
- 13 Voluntary medical insurance for employees program
- 13 Repayable financial aid program
- 7 Pension program
- 6 State guarantees support program
- 4 Cultural and sports events program
- 2 NOVATEK-Veteran social protection foundation
- 1 Rehabilitation of children with disabilities
- 1 Others

## 2.8 RR bln

Social expenses and compensatory payments directly invested by NOVATEK and its subsidiaries on charitable and medical projects and activities, cultural and educational programs, and support for indigenous communities

July 2021

**NOVATEK established a Subcommittee on Climate and Alternative Energy** within the Board of Directors' Strategy Committee

October 2021

**NOVATEK held the first Arctic LNG Vessel Owners Conference** to promote green shipping and introduce sustainable technical solutions with a view to reducing carbon footprint during marine operations in the Arctic

November 2021

**NOVATEK carried out an experimental study of methane leaks detection** in the Arctic zone involving space monitoring based on a geo-information platform

December 2021

The Board of Directors approved **NOVATEK's Human Rights Policy** that incorporates all the fundamental human rights principles

**An independent evaluation of NOVATEK's Board of Directors** was conducted

The Company adopted a **Biodiversity Conservation Management Standard**, which establishes universal principles and approaches to biodiversity conservation for NOVATEK operations

## Environmental expenses, %



- 41 Environmental and climate change targets program
- 17 Environmental protection against production and consumption waste
- 13 Land and soil protection
- 12 Protection and use of water resources
- 7 Measures for the protection of flora and fauna and preservation of biodiversity
- 5 Environmental monitoring
- 2 Atmospheric air protection and climate change mitigation
- 2 Environmental management
- 1 Subsurface protection
- <0.2 Environmental damage compensation
- <0.1 Others

## 2.0 RR bln

Social expenses for employees in 2021

## 18,404 employees

at NOVATEK, its subsidiaries and joint ventures as of 31 December 2021

## 2.9 RR bln

Environmental expenses in 2021<sup>1)</sup>

1. Including NOVATEK's share in JVs.

# Climate Change

## Our approach

As the global economy transitions to low-carbon development, the world is faced with the challenge of meeting the growing energy demand while reducing greenhouse gas emissions and achieving the goals of the Paris Agreement. NOVATEK is part of the solution to both these objectives and seeks to become a leading company in low-carbon hydrocarbon production by providing reliable, affordable and clean energy.

As a Russian natural gas producer, we strongly support Russia's efforts to achieve carbon neutrality by 2060. NOVATEK set its Environmental and Climate Change Targets for the period up to 2030 back in 2020.

## Our targets



Reduce methane emissions per unit of production in the Production, Processing and LNG segments by 4% by 2030



Reduce greenhouse gas emissions per unit of production in the Upstream segment by 6% by 2030



Reduce greenhouse gas emissions per ton of LNG produced by 5% by 2030



Increase the associated petroleum gas utilization rate to 99% by 2030

## Reinforcing climate change governance

Climate change matters are monitored at the strategic (Board of Directors, Strategy Committee, Management Board) and operational (heads of business units, heads of subsidiaries) management levels.

In 2021, NOVATEK's Board of Directors established the Subcommittee on Climate and Alternative Energy (within the Strategy Committee), which had four sessions over six months. A business unit responsible for decarbonization projects was also created in the reporting year.

## Increasing data transparency, accuracy and reliability

In 2008, NOVATEK started to disclose carbon reporting as part of its participation in the CDP project. The company has been considering TCFD recommendations when disclosing information in sustainability reports from 2019. We are committed to increasing the level of climate information disclosure every year. For instance, 2021 became the first time when we published a number of major indicators, including Scope 3 greenhouse gas emissions, as well as Scope 1 greenhouse gas emissions broken down by source. In accordance with TCFD recommendations, we have expanded the description of climate risks and relevant risk management actions.

In order to improve data accuracy, we launched a satellite project to monitor methane emissions at our fields.

In order to improve data reliability, greenhouse gas emissions were certified for the first time by an independent auditor separately from the Sustainability Report verification process, and our greenhouse gas management system was validated for compliance with international ISO standards.

## Controlled emissions reduction

We are making significant efforts to further reduce greenhouse gas emissions at existing assets and considering new solutions towards carbon neutrality.

In the reporting year, we continued the energy efficiency improvement activities and approved the Energy-Saving Program for 2022-2024. As part of our study of in-house renewable power generation development opportunities, we began a cycle of wind measurements in Yamal. In early 2022, we signed an agreement with Fortum to supply renewable electricity to the Cryogas-Vysotsk plant.

We assessed potential CO<sub>2</sub> storage sites in Yamal and Gydan and started investigating CO<sub>2</sub> sequestration opportunities.

## Green product development

As part of the development efforts to produce low-carbon ammonia, hydrogen, and other low-carbon gas processing products, we started our pre-FEED study for our gas chemical complex to produce low-carbon "blue" ammonia to be produced with carbon capture and storage (CCS) facilities. In 2021, NOVATEK and Uniper signed a Term Sheet on long-term supply of up to 1.2 mmt of low-carbon ammonia per annum to primarily German market. The imported low-carbon ammonia will be used as hydrogen carrier, transformed into gaseous hydrogen and fed into the future German hydrogen pipeline system, as well as supplied directly as a clean feedstock and as a fuel.

## Climate-related voluntary undertakings



In 2021, NOVATEK became a signatory to the Ten Principles of the UN Global Compact to facilitate responsible governance.



NOVATEK supports UN Sustainable Development Goals (SDG). We identified five priority goals, including SDG 13 – Climate action, and SDG 7 – Affordable and clean energy.



We take an active part in the global Methane Guiding Principles (MGP) initiative, which identifies areas for actions to reduce methane emissions across the natural gas value chain.

## TCFD

Since 2019, when disclosing information we take into account the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), which seeks to improve voluntary reporting on climate-related financial risks.



NOVATEK is a member of the International Group of LNG Importers (GIIGNL), which is actively working to improve the sustainability of LNG import operations and improve transparency of information on greenhouse gas emissions from LNG cargoes.



Details on the progress towards our Environmental and Climate Change Targets will be available in the [Sustainability Report 2021](#)



# About the Company

## NOVATEK is one of the largest independent natural gas producers in Russia.

The Company is ranked 3<sup>rd</sup> globally among publicly traded companies in terms of proven natural gas reserves under the Security and Exchange Commission (SEC) reserves methodology and is ranked among the 10 top companies globally in terms of natural gas production. The Company is also considered one of the lowest-cost producers in the global oil and gas industry in key industry metrics regarding “finding and development”, “reserve replacement” costs and “lifting” costs.

NOVATEK plays a significant role in the Russia’s energy sector: in 2021, the Company accounted for 10.5% of total Russian natural gas production. NOVATEK sells its natural gas on the Russian domestic market through the Unified Gas Supply System (UGSS) and on international markets mainly in the form of liquefied natural gas (LNG) since December 2017.

**NOVATEK’s main businesses** are the exploration and production, processing, transportation and marketing of natural gas and liquid hydrocarbons. The Company’s production assets are located mainly in the Yamal-Nenets Autonomous Region (YNAO), one of the largest and most prolific natural gas regions in the world.

### NOVATEK’s main strategic priorities are:

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

We adhered to our goals and objectives for the year ended 31 December 2021 as outlined in our long-term corporate strategy covering the period up to 2030 presented in 2017.

The Company has a number of key competitive advantages to successfully implement our corporate strategy: the size and structure of its hydrocarbon resource base; the close proximity of existing infrastructure to core producing fields; a well-developed customer base for natural gas sales; natural gas liquefaction capacity and LNG project execution experience; and facilities for gas condensate processing and product exports. The development of a low-cost LNG platform and delivering cost-competitive LNG export sales to key consuming regions are key strategic priorities for the Company. Another core priority is to increase production within the reach of the UGSS through sustainable and responsible development of new fields and exploration activities, targeting lower producing horizons and complimented by acquisitions meeting certain financial and operational criteria. Our high level of operational flexibility and our consistent and efficient use of leading edge technologies in production and processing practices as well as our adherence to sound and prudent business management support our competitive position.

Our commitment to the principles of sustainable development, social responsibility and to observing the latest environmental, health and safety standards are integral parts of NOVATEK’s development strategy and managerial philosophy.

# Review of Operating Results

## Licenses

NOVATEK’s core fields and license areas are located in the Yamal-Nenets Autonomous Region and in the Kransoyarsk Territory. In 2021, we obtained new licenses in the Yamal-Nenets Autonomous Region where the Company operates, in close proximity to existing licenses.

The Yamal-Nenets Autonomous Region is one of the world’s largest natural gas producing regions and accounts for approximately 80% of Russian natural gas production and around 15% of global natural gas production. The concentration of the Company’s fields in this prolific gas-producing region provides favorable opportunities for increasing NOVATEK’s shareholder value with a minimum level of risks, low finding cost, and efficient replacement of reserves. With more than 25 years of operational experience in the region, NOVATEK is in a good position to efficiently monetize its resource base.

Exploration and production of hydrocarbons in Russia is subject to federal licensing regulations.

As of 31 December 2021, NOVATEK’s subsidiaries and joint ventures held a total 79 subsoil licenses for areas within Russia. There are also exploration and production agreements in place for four offshore blocks in Montenegro and two offshore blocks in Lebanon.

The duration of licenses for the Company’s core fields exceeds 13 years. In particular, the license for the Utrenneye field is valid until 2120, for the East-Tarkosalinskoye – until 2043, for the Yurkharovskoye field – until 2034, for the Samburgskiy license area of ARCTICGAS – until 2130. In accordance with standard practice, licenses are extended based on design documents by the field development time.

In the reporting year, NOVATEK significantly expanded its portfolio of licenses:

- following the results of auctions, 3 new licenses were obtained for geological study, exploration and production for the North-Gydanskiy subsoil license area and two subsoil license areas, which includes the Arkticheskoye and Neytinskoye fields;
- geological study, exploration and production licenses for Nyakhartinskiy 1 license area (deposit flank of the Nyakhartinskoe field); and
- within the decarbonization program, two licenses were obtained for geological study and assessment of the suitability of the the Obskiy and Tadebyayakhinskiy license areas for the construction and operation of underground facilities not related to hydrocarbon production. In February 2022, the first stage of international certification for long-term CO<sub>2</sub> underground storage sites was successfully completed. The Company boasts a vast resource base in the Yamal-Nenets Autonomous Region. With new licenses, NOVATEK is expanding its resources to support LNG projects as well as able to maintain the resource base for its existing fields to ensure stable hydrocarbons production.

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



## Hydrocarbon Reserves

Most of the Company's reserves are located, or can be developed from, onshore and fall into the conventional hydrocarbon categories (capable of being exploited using conventional technologies, in contrast to unconventional gas deposits such as shale gas or coal-bed methane).

DeGolyer and MacNaughton ("D&M"), an independent petroleum engineers firm, estimates the Company's reserves on an annual basis under both the SEC and PRMS reserves reporting standards.

As of 31 December 2021, NOVATEK's SEC proved reserves, including the Company's proportionate share in joint ventures, aggregated 16,409 million barrels of oil equivalent (mmboe), including 2,261 billion cubic meters (bcm) of natural gas and 189 million metric tons (mmt) of liquid hydrocarbons. The Company's proved reserves grew by 0.3% (excluding the 2021 production), and the reserve replacement ratio stood at 107%, which corresponds to the reserves addition of 669 mmboe including production. Our gas reserve replacement ratio was 120%, which corresponds to the reserves addition of 96 bcm including production. At year-end 2021, the Company's proved reserves life

(SEC) or reserves-to-production ratio (R/P ratio) was 26 years.

As of 31 December 2021, the Company's total PRMS proved and probable reserves, including the Company's proportionate share in joint ventures, aggregated 28,970 mmboe, including 3,948 bcm of natural gas and 363 mmt of liquid hydrocarbons, with the total R/P ratio of 46 years.

The reserves growth in 2021 was driven by positive exploration results at the Geofizicheskoye, Gydanskiy, South-Tambeyskoye, Urengoykoye field (Samburgskiy LA), production drilling at the Utrenneye, South-Tambeyskoye, Urengoykoye (Samburgskiy and Yevo-Yakhinskiy license areas), North-Russkoye fields as well as recovery improvement at the Yurkharovskoye field.

The Company continues intensive exploration on the Gydan and Yamal Peninsulas and within the UGSS, thus contributing to the future growth of proved reserves according to the international classification.

The high quality of the reserve base enables NOVATEK to maintain its position as one of the lowest cost producers in the global oil and gas industry.

### SEC proved reserves as of 31 December 2021 (based on the Company's equity ownership interest in joint ventures) and duration of licenses

Field / license area	Participating interest	Duration of license	Natural gas reserves, bcm	Liquids reserves, mmt
<b>Total reserves</b>			<b>2,261</b>	<b>189</b>
South-Tambeyskoye	50.1% (59.97% of reserves)	2045	394	12
Utrenneye	60%	2120	322	13
Urengoykoye (ARCTICGAS)	50%	2130	213	49
Geofizicheskoye	100%	2034	195	2
Verkhnetiuteyskoye+West-Seyakhinskoye	100%	2044	168	6
Yurkharovskoye	100%	2034	142	6
North-Russkoye	100%	2031	87	5
Gydanskoye	100%	2044	67	3
Soletsko-Khanaveyskoye	100%	2046	61	0.3
Yaro-Yakhinskoye	50%	2119	58	9
North-Chaselskoye	100%	lifetime of the field	57	2
East-Tarkosalinskoye	100%	2043	56	12
Kharbeyskoye	100%	2036	51	7
North-Urengoykoye	50%	2141	51	4
East-Tazovskoye	100%	2033	43	6

Field / license area	Participating interest	Duration of license	Natural gas reserves, bcm	Liquids reserves, mmt
Urengoykoye (Ust-Yamsoveyskiy LA)	100%	2198	43	5
Beregovoy LA	100%	2070	39	3
Urengoykoye (Yevo-Yakhinskiy LA)	100%	2034	37	8
Nyakhartinskoye	100%	2043	28	2
Olimpiyskiy LA	100%	2059	25	2
Yarudeyskoye	51% (100% of reserves)	2124	18	19
Samburgskoye	50%	2130	17	1
East-Urengoykoye + North-Yesetinskoye (West-Yaroyakhinskiy LA)	100%	2025	17	1
Termokarstovoye	51%	2097	16	4
East-Urengoykoye + North-Yesetinskoye fields (ARCTICGAS)	50%	2130	10	1
Khancheykoye	100%	2044	5	1
Other	–	–	41	6

## Geological Exploration

NOVATEK aims to expand its resource base through geological exploration at fields and license areas not only in close proximity to existing transportation and production infrastructure, but also in new potentially prospective hydrocarbon areas. The Company ensures the efficiency of geological exploration work by deploying state-of-the-art technologies and relying on the experience and expertise of the specialists in its geology department, and the Company's Scientific and Technical Center located in Tyumen.

The Company uses a systematic and comprehensive approach to exploration and development of its fields and license areas, beginning with the collection and interpretation of seismic data to the creation of dynamic field models for the placement of exploration and production wells. We employ modern geological and hydrodynamic modelling as well as new well drilling and completion techniques to maximize the ultimate recovery of hydrocarbons in a cost effective manner. With this approach, we are able to carry out prospecting, exploration and production in a cost effective and environmentally prudent manner.

In 2021, NOVATEK mostly conducted geological exploration in the Yamal and Gydan peninsulas to ensure timely and efficient preparation of the resource base for future LNG projects.

Following seismic surveys and exploration drilling, proved and probable Jurassic reserves within the South-Tambeyskoye field under PRMS standards increased by 339 mmboe (including production for 2021) to 425 mmboe and their commerciality

was confirmed. Following the testing of a well with horizontal drain and multi-stage hydraulic fracturing, a commercial inflow of gas and condensate was achieved at more than 1 mmcm per day. A high-density 3D seismic campaign covering 1,300 square km has been completed. By exploring Jurassic deposits and bringing Jurassic wells onstream, the South-Tambeyskoye field's resource base and the production plateau could be further extended. We have launched the project for pilot production of Jurassic deposits.

Further appraisal of the Southern Dome within the Utrenneye field has been completed. Two well tests demonstrated the commercial reserves held within 12 reservoirs of the field's Southern Dome. The field's proved reserves (SEC) have increased by 170 mmboe and reached 537 bcm of gas and 22 mmt of condensate while the proved and probable reserves (PRMS) are estimated at 1,446 bcm of gas and 92 mmt of condensate.

A large-scale exploration campaign is underway at the fields belonging to the Arctic LNG 1 project. In 2021, we drilled exploration wells at all five license areas of the project, namely the Geofizicheskoye, Trekhbugorniy, Gydanskiy, Bukharinskiy, and Soletsko-Khanaveyskiy areas. 3D seismic surveys covered 1,580 square km, 6 exploration wells were drilled, drilling of two more wells is underway. The overall progress since the start of activities at Arctic LNG 1 project's license areas is 7,975 square km of 3D seismic and 14 drilled wells. The exploration campaign has been completed at the Geofizicheskoye field.

As a result of drilling and testing wells of the Geofizicheskoye and Trekhbugorniy fields, the unified structure of the Cenomanian deposit was

confirmed. The Geofizicheskoye field's proved reserves (SEC) increased by 60 mmbœ to 1,287 mmbœ, the proved and probable reserves (PRMS) are at 2,153 mmbœ. Exploration drilling targeting Achimov deposits is underway within the Gydanskiy and the Soletsko-Khanaveyskiy license areas.

The successful testing of an exploration well at the Bukharinskiy license area discovered a gas and condensate field and identified reserves with a high condensate content. The field holding around 35–40 bcm of gas and 2.2 mmt of condensate in estimated recoverable reserves will be the part of Arctic LNG 1 project's resource base.

Exploration campaign is nearing completion at the Verkhnetiuteyskoye and West-Seyakhinskoye fields. These helped demonstrate the productivity of the Aptian-Albian and Neocomian deposits with high condensate content and allowed us to acquire data on fluid composition for the purposes of LNG plant design.

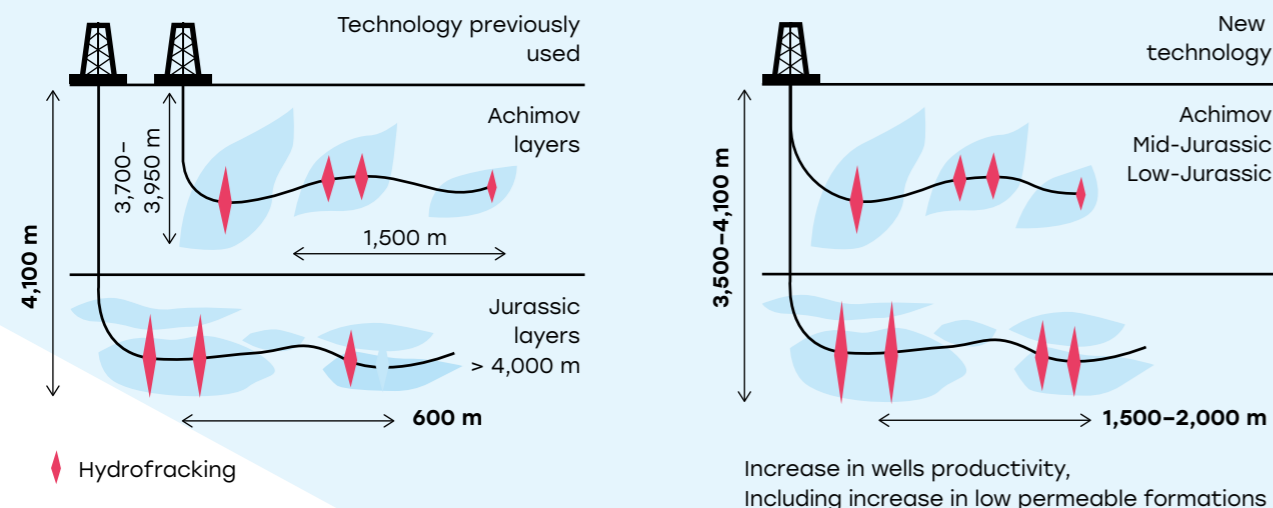
In order to maintain the pipeline gas production level and the volumes sent to the Purovsky Plant, exploration is ongoing within the fields and license areas located in the Purovsky and Tazovsky districts of the Yamal-Nenets Autonomous Region.

The exploration campaign resulted in an increase in the Urengoyskoye field's proved Achimov reserves (SEC) by 202 mmbœ (including production for 2021) to 3,634 mmbœ and 5,557 mmbœ under PRMS standards. The tests in the Achimov interval without hydraulic fracturing resulted in a commercial gas flow, with the condensate content reaching as high as 800 g per m<sup>3</sup> of gas. The work is ongoing within the Osenniy license area for the purposes of maturation and development of Achimov deposits. The logs show that there are pay zones exceeding 20 m in thickness. The testing campaign involving hydraulic fracturing is underway.

Successful wells drilling and testing in the eastern portion of the North-Russkoye field resulted in an increase in proved reserves (SEC). The field's proved reserves (SEC) increased by 138 mmbœ (including production for 2021) to 622 mmbœ, the proved and probable reserves (PRMS) are at 777 mmbœ.

Following the exploration campaign at the Kharbeyskoye field, an oil production project was launched that could potentially produce more than 1 mmtpa.

**Technologies to develop deep layers**



**Geological Exploration**

	Units	2020	2021	Change
<b>2D seismic</b>	<b>linear km</b>	<b>757</b>	<b>2,090</b>	<b>176%</b>
Subsidiaries	linear km	757	275	(64%)
Joint ventures	linear km	–	1,815	n/a
<b>3D seismic</b>	<b>square km</b>	<b>5,893</b>	<b>3,996</b>	<b>(34%)</b>
Subsidiaries	square km	3,784	2,232	(44%)
Joint ventures	square km	2,109	1,764	(16%)
<b>Exploration drilling</b>	<b>'000 m</b>	<b>45.4</b>	<b>61.6</b>	<b>39%</b>
Subsidiaries	'000 m	22.8	40.7	85%
Joint ventures	'000 m	22.6	20.9	(8%)

**Field Development**

In 2021, NOVATEK continued ongoing development activities at producing and prospective fields as well as building field infrastructure. In the reporting year, the Company's subsidiaries invested RR 90.98 bln in resource base development.

In 2021, production drilling, including joint ventures, totaled 723,000 m, which is a 13% increase year on year. Production drilling was conducted at the Beregovoye, East-Tazovskoye, East-Tarkosalinskoye, West-Seyakhinskoye, Samburgskoye, North-Russkoye, North-Urengoyskoye, Urengoyskoye (at the Olimpiyskiy LA, Yevo-Yakhinskiy and Ust-Yamsoveyskiy LA), Utrenneye, Kharbeyskoye, South-Tambeyskoye, Yumantilskoye, Yurkharovskoye, Yaro-Yakhinskoye and Yarudeyskoye fields.

A total of 104 production wells were brought onstream, including 78 natural gas and gas and condensate wells and 26 oil wells.

In 2021, the Company started pilot production of hot commissioning quantities of gas and condensate at the Kharbeyskoye field that is part of the North-Russkiy cluster. An integrated gas treatment plant, a booster compressor station (BCS) and a condensate de-ethanization unit were commissioned, and two well pads were launched. An export gas pipeline and an export condensate pipeline were commissioned.

Construction of upstream facilities began within the Yevo-Yakhinskiy and Ust-Yamsoveyskiy license areas, export transport facilities were built (a gas pipeline with a gas metering station and a condensate pipeline), and 6 wells at the well pad were hooked up. At the Urengoyskoye field, construction and commissioning of a 72-MW BCS was completed. At the Yaro-Yakhinskoye field, a low-temperature APG separation line was commissioned.

NOVATEK's Scientific and Technical Center put into operation a laboratory and research center in Tyumen, which includes a core storage with a capacity of 150 linear km, 6 different laboratories to perform a full range of core, fluids, drilling fluids and permafrost soils studies. The laboratories are equipped with modern facilities that will allow us to quickly solve the main technological challenges facing the Company without involving third-party organizations.

**Hydrocarbon Production**

In 2021, NOVATEK carried out commercial hydrocarbon production at 25 fields. The Company's production, including our attributable share in the production of JVs, amounted to 626.3 mmbœ, up 3.0% versus 2020. The key contributor to the production increase was the start of production from gas condensate deposits at the North-Russkiy cluster (the North-Russkoye and East-Tazovskoye fields in 3Q 2020 and the Kharbeyskoye field in 4Q 2021).

The production decline at mature fields of our subsidiaries and joint ventures was mainly due to natural drop in formation pressure within the current gas producing horizons.

Total production of natural gas including the Company's share in production of joint ventures aggregated 79.89 bcm, representing 83.4% of our total hydrocarbon output. The share of gas produced from gas condensate bearing layers (or "wet gas") in proportion to total gas production was 81.3%. Production of natural gas increased by 3.3%, as compared to 2020 volumes.

Production of liquid hydrocarbons including the Company's share in production of joint ventures totaled 12,299 mmt, of which gas condensate accounted for 65% of this volume and crude oil –

for the remaining 35%. Marketable production of liquid hydrocarbons increased by 0.5%, as compared to 2020, with gas condensate production amounting to 7,995 mmt and crude oil production totaling 4,304 mmt.

In 2021, we continued to achieve some of the lowest lifting costs in the industry. The Company's lifting costs were RR 47.8 (USD 0.65) per boe this year.

#### Hydrocarbon production (including share in production by joint ventures)

	Units	2020	2021	Change
<b>Total</b>	<b>mmboe</b>	<b>608.2</b>	<b>626.3</b>	<b>3.0%</b>
Gas	mmcm	77,367	79,894	3.3%
	mmboe	506.0	522.5	
Liquid hydrocarbons	mt	12,237	12,299	0.5%
	mmboe	102.2	103.8	

#### Gross hydrocarbon production (including share in production by joint ventures)

	Gas, mmcm		Change	Liquids, mt		Change
	2020	2021		2020	2021	
<b>Total</b>	<b>77,367</b>	<b>79,894</b>	<b>3.3%</b>	<b>12,237</b>	<b>12,299</b>	<b>0.5%</b>
NOVATEK-YURKHAROVNEFTEGAS' fields (100%) <sup>(1)</sup>	26,106	24,891	(4.7%)	1,380	1,384	0.3%
NOVATEK-TARKOSALENEFTEGAS' fields (100%)	12,890	16,518	28.1%	1,914	2,473	29.2%
ARCTICGAS' fields (50%)	15,383	15,073	(2.0%)	4,479	4,468	(0.2%)
South-Tambeyskoye (59.97%)	17,093	18,008	5.4%	701	605	(13.7%)
North-Urengoykoye (50%)	2,931	2,513	(14.3%)	241	206	(14.5%)
Termokarstovoye (51%)	1,269	1,325	4.4%	383	384	0.3%
Yarudeyskoye (100%)	1,648	1,478	(10.3%)	3,139	2,779	(11.5%)
Other	47	88	87.2%	-	-	-

## LNG Projects

### Yamal LNG Project

Yamal LNG is an integrated project including production, liquefaction and sales of natural gas and gas condensate. OAO Yamal LNG is the operator and the owner of all the assets. The shareholder structure of Yamal LNG: NOVATEK – 50.1%, TotalEnergies – 20%, CNPC – 20%, and the Silk Road Fund – 9.9%.

The South-Tambeyskoye field located in the North-East of the Yamal Peninsula is the resource base of the Project. As of 31 December 2021, the field's SEC proved reserves totaled 656 bcm of natural gas and 20 mmt of liquid hydrocarbons. According to the PRMS standards, the proved and probable reserves of the South-Tambeyskoye field as of the end of 2021 totaled 954 bcm of natural gas and 37 mmt of liquid hydrocarbons. The field is being developed with horizontal wells with total drilled lengths up to 5,000 meters and horizontal sections of up to 1,500 meters.

Construction and start-up of three trains with the total design capacity of 16.5 mmtpa (5.5 mmtpa each) was completed. Yamal LNG was commissioned ahead of initial schedule and on budget, which is an outstanding achievement in the global oil and gas industry. The second and third trains of the plant were started up six months and more than a year ahead of the initial schedule, respectively. The three trains of Yamal LNG reached its full capacity in December 2018.

In 2Q 2021, we commissioned Train 4 of the plant with the design capacity of 0.9 mmtpa, which was built using the main equipment of

Russian production. In November 2021, Yamal LNG successfully tested the first three technological trains in operation mode at a load of up to 120% of the design capacity. Based on the results of the tests, the design institute developed design documentation for increasing the design capacity and we received the approval of a technical expert review that three Trains can effectively operate at 120% of nameplate capacity at below-zero temperatures.

In 2021, the first planned overhaul of the first train was completed. The actual reliability of technological installations of three Trains for 2021 was 99%, which is one of the best indicators in the industry.

In 2021, Yamal LNG produced 19.6 mmt of LNG and 0.9 mmt of stable gas condensate.

Fifteen unique Arc7 ice class LNG carriers were specifically designed and built for the Yamal LNG project, capable of navigating the Northern Sea Route (NSR) without icebreaker support. In 2021, 266 LNG cargos (19.5 mmt) and 21 stable gas condensate cargos (0.9 mmt) were shipped. Since the project launch in 2017, over 65 mmt of LNG were produced and 890 tankers were shipped.

In 2021, OOO Arctic Transshipment, NOVATEK's joint venture (90%)<sup>(2)</sup>, completed 9 ship-to-ship LNG transshipments in the Kildin Strait of the Barents Sea in the Russian Federation.

In December 2021, the Extraordinary General Meeting of Shareholders of Yamal LNG resolved to pay dividends to the Project's shareholders for the first nine months of 2021. The total dividend payments will amount to RR 31.4 billion.



### Yamal LNG

Our first integrated project for production, liquefaction and sales of natural gas.

### The resource base of the project

South-Tambeyskoye field

**656** bcm **20** mmt

Total proved natural gas reserves (SEC) as of 31 December 2021

Total proved liquid hydrocarbons reserves (SEC) as of 31 December 2021

### In 2021:

- We launched the 4<sup>th</sup> train of the Yamal LNG plant with a nameplate capacity of 0.9 mmtpa of LNG, which was built using the main equipment of Russian production.
- Yamal LNG produced 19.6 mmt of LNG and 0.9 mmt of stable gas condensate.
- 266 LNG cargos (19.5 mmt) and 21 stable gas condensate cargos (0.9 mmt) were shipped.

### Since the project launch in 2017:

- Over 65 mmt of LNG were produced and 890 tankers were shipped.
- LNG from the Yamal LNG plant has been consumed in 33 countries.

1. As a result of AO NOVATEK-Pur dissolution in August 2021 and its merger with OOO NOVATEK-Yurkharovneftegas, AO NOVATEK-Pur production is included in 2020 and 2021 production.

2. In July 2021, the Group sold a 10 percent participation interest in OOO Arctic Transshipment, which was a Group's subsidiary at that time, to TOTAL E&P Transshipment SAS.

## Arctic LNG 2 Project

Arctic LNG 2 is the second large-scale LNG project. The Utrenneye field, the resource base for Arctic LNG 2, is located in the Gydan Peninsula in YNAO approximately 70 km across the Ob Bay from the Yamal LNG project.

As of 31 December 2021, proved reserves of the field under the SEC reserves methodology totaled 537 bcm of gas and 22 mmt of liquid hydrocarbons. According to the PRMS reserve standards, the proved and probable reserves totaled 1,446 bcm of natural gas and 92 mmt of liquid hydrocarbons.

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

As of the end of 2021, the project's participants are NOVATEK (60%), TotalEnergies (10%), CNPC (10%), CNOOC (10%), and Japan Arctic LNG, a consortium of Mitsui & Co and JOGMEC (10%). In September 2019, the project participants made the Final Investment Decision.

The Project involves the development of the field, construction of the Utrenniy terminal and three natural gas liquefaction trains on gravity-based structures (GBS), with the capacity to produce 6.6 mmtpa of LNG each and cumulative stable gas condensate capacity up to 1.6 mmtpa. The total LNG capacity of the three trains will be 19.8 mmtpa. The GBS design concept as well as extensive localization of equipment and materials manufacturing in Russia will considerably reduce the capital expenditures per ton of LNG produced; thus, ensuring low liquefaction cost per ton of LNG produced.

NOVATEK is building an LNG Construction Center in Belokamenka near Murmansk to fabricate the GBSs, and assemble and install topside modules. The center's infrastructure comprises two dry docks and production facilities to build GBSs and topside modules. The center is a state-of-the-art technical foundation for LNG technologies in Russia, creates new jobs, and contributes to the economic development of the region. The plant's first train is scheduled to be launched in 2023, Train 2 – in 2024, and Train 3 scheduled for launch in 2025.

In 2020, Arctic LNG 2's ice-class tanker fleet formation was completed and long-term charter agreements were signed for 21 Arc7 ice-class LNG tankers: 15 tankers to be built at the Zvezda shipyard in Russia and 6 tankers to be built at Daewoo Shipbuilding & Marine Engineering in Korea. The state-of-the-art Arc7 ice-class gas tanker fleet together with Russia's new nuclear icebreakers will allow for the year round eastbound transport of LNG along the NSR to the Asia-Pacific Region.

As of year-end 2021, the overall project completion status was estimated at 59%. GBS #1 concrete works have been completed, and installation of equipment and topside modules started: all 14 modules of the project's first train have arrived to Murmansk from the contractors' yards. As of 31 December 2021, a total of 56 wells were drilled with five drilling rigs being in operation. Enough production wells have now been drilled to ensure the loading of the project's first train during start-up. As at the end of 2021, production drilling was carried out by 5 drilling rigs.

# 59%

## Arctic LNG 2 overall progress as of 31 December 2021

All three sections of the Utrenny terminal's quayside were commissioned. Prior to the GBS arrival, the quayside is used to receive materials and equipment. Ice barriers construction was progressed.

At the site of the complex for topside modules within the framework of the Arctic LNG 2 project, steel pretreatment and cutting workshops, a metalwork assembly workshop for modules of the topside modules of the LNG plant, as well as abrasive processing and painting of metal structures workshops are operated. The integration assembly of modules of the 2<sup>nd</sup> and 3<sup>rd</sup> technological trains of the LNG plant is on progress. At the site of the complex for the manufacture of pipelines and air ducts for the modules of the topside modules of the LNG plant, all production workshops are also being operated.

The construction of dormitories of the shift residential complex in the village of Belokamenka with a capacity of up to 17 thousand seats has been completed.

In June 2021, the first plane landed at the Utrenniy airport built specifically for the Arctic LNG 2 project on the Gydan Peninsula. The airport increased the efficiency of rotational personnel logistics for the project by replacing helicopter operations with aircraft. In 2021, the airport handled more than two thousand flights.

In 2021, we signed credit facility agreements with international financial institutions and commercial banks. The maximum aggregate loan amount under the facilities to be provided by the Russian and international banks is EUR 9.5 billion for up to 15 years. The facilities fully cover the project's

external finance requirements. As of year-end 2021, more than 5.3 billion US dollars were financed by the Project's participants.

## Cryogas-Vysotsk Project

One of our LNG strategic initiatives is to develop small- to medium-scale projects. This approach allows us to build premium marketing channels to sell our products in different markets. We see vast prospects in using LNG as marine fuel and motor fuel to substitute for fuel oil and diesel, that will contribute to curbing emissions and improving the environment.

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

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

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

The project infrastructure also includes a 42 mcm LNG storage tank and a loading terminal designed to receive LNG carriers with a capacity of up to 30 mcm. The project targets small- and medium-scale LNG deliveries to regional markets by LNG trucks and gas carriers. The growing bunkering segment in the Baltics region is another important sales market. In October 2021, the first delivery of LNG was shipped to a bunkering vessel.

Our Cryogas-Vysotsk project also demonstrated strong operational results during 2021, operating at 115% of its nameplate capacity, and produced an all-time high volume of 757 mmt, or one third more than in 2020. The increase in annual productivity in 2021 was achieved by debottlenecking and removing production restrictions, as well as achieving a higher reliability rate for the complex compared to the initially planned. To further improve the productivity of the complex, construction of a booster compressor station is being considered for 2023, which will increase the LNG output level to 820 mmt per year.

Since the project commenced operations in 2019, overall volume of LNG produced was 1.66 mmt. In 2021, Cryogas-Vysotsk dispatched 721 thousand tons of LNG – 130 LNG carriers and more than 2,000 trucks.

Sales geography includes Finland, Sweden, Lithuania, the Netherlands, Estonia, Poland and Spain. The project supplied more than 1,030 trucks to the Russian domestic market as part of

NOVATEK's commercial activities to provide clean-burning LNG for the consumers in the Murmansk Region and the Company's network of LNG fueling stations.

In June 2021, NOVATEK and European energy company Fortum signed a Memorandum of Understanding on cooperation in renewable power. In line with the Memorandum, a power purchase agreement for green electricity was signed. According to the Agreement, the electricity requirements of the Company's Cryogas-Vysotsk LNG plant are fully covered with energy produced at Russian wind farms of Fortum and its joint ventures. Purchasing the green electricity allows NOVATEK to reduce Scope 2 carbon footprint (purchased electricity) of the LNG produced by the Vysotsk plant.

## Low-carbon Projects

In 2021, we started our pre-FEED study for our gas chemical complex to produce low-carbon "blue" ammonia to be produced with carbon capture and storage (CCS) facilities. The nameplate capacity of the complex will be 2.2 mmt of ammonia per year (two ammonia synthesis trains of 1.1 mmtpa).

The Verkhnetiuteyskoye and West-Seyakhinskoye fields located in the north-eastern part of the Yamal Peninsula are the project's resource base. As of 31 December 2021, proved reserves under the SEC reserves methodology totaled 168 bcm of gas and 6 mmt of gas condensate. According to the PRMS standards, the proved and probable reserves totaled 251 bcm of gas and 16 mmt of gas condensate.

As part of the project, NOVATEK received licenses for the Obskiy (Yamal peninsula) and Tadebyayakhinskiy (Gydan peninsula) with the purpose of CO<sub>2</sub> injection and long-term storage. In early 2022, the first stage of international certification for long-term CO<sub>2</sub> underground storage sites in the Yamal and Gydan Peninsulas has been successfully completed and that site feasibility certificates have been issued for further study of the sites and subsequent certification stages. Det Norske Veritas (DNV), an independent certification and classification society, issued certificates of conformity with international standards ISO 27914:2017 Carbon Dioxide Geological Storage and DNVGL-SE-0473 Certification of Sites and Projects for Geological Storage of Carbon Dioxide.

Pursuant to the issued certificates, the geological formations within the Obskiy and Tadebyayakhinskiy license areas have the capacity to store at least 600 million tons of CO<sub>2</sub> each, which is supported by calculations. The calculations were made by NOVATEK's Scientific and Technical Center with the involvement of international service companies.

In December 2021, NOVATEK and Uniper signed a Term Sheet on long-term supply of up to 1.2 mmt of low-carbon ammonia per annum to primarily German market. The product price will be indexed to relevant European and global benchmarks. The Term Sheet details the terms of the supply by NOVATEK to Uniper of low-carbon ammonia to be produced at the Company's planned gas chemical complex, which will include CCS facilities, and delivered to Uniper's planned ammonia import terminal in Wilhelmshaven, equipped with an ammonia cracker operating with renewable power. The imported low-carbon ammonia will be used as hydrogen carrier, transformed into gaseous hydrogen and fed into the future German hydrogen pipeline system, as well as supplied directly as a clean feedstock and as a fuel.

### Processing of Gas Condensate

#### Purovsky Plant

Our subsidiaries and joint ventures are producing natural gas with a significant content of liquid hydrocarbons (gas condensate). After being separated and de-ethanized at the field the main part of unstable (de-ethanized) gas condensate is delivered via a system of condensate pipelines owned and operated by the Company for further stabilization at our Purovsky Plant located in the YNAO in close proximity to the city of Tarko-Sale.

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

In the reporting period, the Purovsky Plant processed 12,820 mt of de-ethanized gas condensate, representing a 8.8% increase compared to 2020. The processing capacity

# 12,820 thousand tons

### Processing volumes of de-ethanized condensate of the Purovsky Plant in 2021

of the Purovsky Plant is in line with the total production capacity of NOVATEK and its joint ventures fields that supply feedstock to the Purovsky Plant. The 2021 output mix included 9,352 mt of stable gas condensate, 3,390 mt of NGL and LPG and 23.8 mt of regenerated methanol.

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

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

#### Processing volumes and output of the Purovsky Plant, thousand tons

	2020	2021	Change
<b>Processing of de-ethanized condensate</b>	<b>11,786</b>	<b>12,820</b>	<b>8.8%</b>
<b>Output:</b>			
Stable gas condensate	8,934	9,352	4.7%
NGL and LPG	2,788	3,390	21.6%
Regenerated methanol	14.0	23.8	70.0%

#### Ust-Luga Complex

The Gas Condensate Fractionation and Transshipment Complex (the "Ust-Luga Complex") is located at the all-season port of Ust-Luga on the Baltic Sea. The Ust-Luga Complex processes stable gas condensate into light and heavy naphtha, jet fuel, ship fuel component (fuel oil) and gasoil, and enables us to ship the value-added petroleum products to international markets. The Ust-Luga Complex also allows for transshipment of stable gas condensate to the export markets. After launching in 2013, the complex improved our logistics and reduced transportation costs.

In the reporting year, the Ust-Luga Complex processed 6,957 mt of stable gas condensate into 6,779 mt of end products, including 4,344 mt of light and heavy naphtha, 1,062 mt of jet fuel and 1,373 mt of ship fuel component (fuel oil) and gasoil.

In 2019, the Ust-Luga Complex commenced constructing a hydrocracker unit and capacity expansion of the complex. The launch will increase the depth of processing of stable gas condensate into higher grade value-added petroleum products.

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

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



#### Processing volumes and output of the Ust-Luga Complex, thousand tons

	2020	2021	Change
<b>Stable gas condensate processing</b>	<b>7,007</b>	<b>6,957</b>	<b>(0.7%)</b>
<b>Output:</b>			
Heavy naphtha	2,298	2,253	(2.0%)
Light naphtha	2,087	2,091	0.2%
Jet fuel	1,036	1,062	2.5%
Ship fuel component (fuel oil)	749	725	(3.2%)
Gasoil	667	648	(2.8%)

## Natural Gas Sales

Our sales of natural gas in the Russian domestic market are mainly through trunk pipelines and regional distribution networks, as well as sales of LNG mainly through its own refueling complexes. The LNG sold on the domestic market is produced at our small-scale LNG plant in the Chelyabinsk Region, or purchased mainly from our joint venture OOO Cryogaz-Vysotsk. Our sales of natural gas on international markets are sales of LNG purchased primarily from our joint ventures, OAO Yamal LNG and OOO Cryogas-Vysotsk. In addition, we sell on the European market regasified liquefied natural gas arising during the transshipment of LNG

# 75.8 bcm

**Total natural gas sales in 2021, including LNG**

### Natural gas sales, mmcm

	2020	2021	Change
<b>Total gas sales</b>	<b>75,620</b>	<b>75,817</b>	<b>0.3%</b>
International sales	8,928	7,949	(11.0%)
Sales within the Russian Federation, including:	66,692	67,868	1.8%
End customers	63,632	64,868	1.9%
Traders	3,060	3,000	(2.0%)
Share of end customers in domestic gas sales	95.4%	95.6%	0.2 p.p.

### Sales in the Russian Federation

In 2021, the total volume of natural gas sold in the Russian Federation amounted to 67.87 bcm, increasing by 1.8% compared to the previous year.

NOVATEK has a key role in ensuring supplies of natural gas to the domestic market. During 2021, the Company supplied natural gas to 40 regions

(boil-off gas), as well as during the regasification of purchased LNG at our own regasification stations in Poland and Germany.

In 2021, natural gas sales volumes, including volumes of LNG sold, aggregated 75.8 bcm, representing a marginal increase of 0.3% as compared to 2020. An increase in natural gas volumes sold on the domestic market completely offset a decline in natural gas volumes sold on the international markets. The increase in natural gas volumes sold on the domestic market resulted from the launch of additional production facilities, as well as higher demand from end-customers due to weather conditions. The decline in natural gas volumes sold on the international markets was due to a decrease in LNG sales volumes purchased primarily from our joint venture OAO Yamal LNG, as a result of an increase in the share of Yamal LNG's direct LNG sales under long-term contracts and the corresponding decrease in LNG spot sales to shareholders, including the Group.

Our natural gas revenues amounted to RR 524.1 billion, representing an increase of 46.0%, as compared to 2020 largely due to an increase in sales prices on international markets, as well as an increase in prices and sales volumes on the domestic market.

within the Russian Federation. Our end customers and traders were located primarily in the following regions: Chelyabinsk Region, Moscow and Moscow Region, Khanty-Mansiysk Autonomous Region, Lipetsk Region, Perm Territory, YNAO, Vologda, Stavropol, Tula, Tyumen, Smolensk, Nizhny Novgorod, Leningrad, Belgorod and Kostroma Regions. The above regions accounted for more

than 94% of our total gas sales in the Russian Federation.

In order to manage seasonal gas demand, NOVATEK has entered into an agreement with Gazprom for underground storage services. Natural gas inventories are accumulated during warmer periods when demand is lower and then used to meet increased demand during periods of colder weather. At year-end 2021, our inventories of natural gas amounted to 0.77 bcm.

NOVATEK is implementing a pilot project for the sale of LNG as a motor fuel and for autonomous gasification. The implementation of this project is operated by our wholly owned subsidiary OOO NOVATEK-LNG Fuel, registered in 2021, which will construct small-scale LNG plants, facilitate LNG wholesale markets and develop a retail network for LNG as a motor fuel in the Russian domestic market.

LNG sales are carried out from our small-scale LNG plant in Magnitogorsk, launched in 2020, located in the Chelyabinsk Region. In 2021, over 14 thousand tons of LNG were sold from the Magnitogorsk LNG plant.

Additionally, to provide fuel for automobile transport in the North-Western and Central Federal Districts, LNG is purchased from Cryogaz-Vysotsk. In 2021, the sold volume amounted to more than 15 thousand tons.

At the end of 2021, 13 LNG refueling stations for automobile transport were in operations in the Urals, as well as North-Western, Central and Volga Federal Districts of Russia (two of them were built in the reporting year in Naberezhnye Chelny and Samara). These stations are located on the main federal highways, in cities and on the territory of industrial enterprises and allow to provide clean-burning fuel to commercial and municipal transport, as well as heavy haul and highway trucks. In 2021, the volume of sales at filling stations increased fivefold.

### Sales on International Markets

In 2021, NOVATEK sold 7.9 bcm of gas (5.7 mmt of LNG). We sold 73 tanker cargo lots of large-scale LNG (including 71 cargoes from the Yamal LNG plant) totalling 7.3 bcm of gas (5.2 mmt of LNG); in the small-scale and mid-scale LNG markets, the Company sold 0.6 bcm of gas (0.4 mmt of LNG), including 92 tanker cargo lots and over 3,800 truck cargo lots, which included 82 tanker cargoes and about 1000 truck cargoes from the Cryogas-Vysotsk plant, and also we sold a total of 0.1 mmt of boil-off gas. In 2020, we sold a total of 8.9 bcm of gas (6.4 mmt of LNG), with 85 large-scale tanker cargo lots of LNG (including 81 cargoes from the Yamal LNG plant) totalling 8.4 bcm of gas (6.0 mmt

of LNG), 63 tanker cargoes and about 2,000 truck cargo lots in the small-scale and mid-scale LNG markets (totalling 0.3 mmt), including 61 tanker cargo lots and about 900 truck cargoes from the Cryogas-Vysotsk plant, as well as boil-off gas (0.1 mmt).

The decrease in international sales volumes was due to the reduction of LNG volumes acquired from our joint venture Yamal LNG because of the increase of Yamal LNG direct sales share under long-term contracts and respective reduction of LNG spot sales via shareholders, including NOVATEK.

One of our key priorities is to expand the geography of supplies and enhance our presence in key markets. To achieve these goals, the Company continues to actively increase the cargo turnover via the Northern Sea Route and is working to expand the navigation window for LNG deliveries from our Arctic projects along the eastern sector of the NSR.

In 2021, an all-time record was set for performing voyages via the eastern part of the NSR – 44 LNG cargoes were delivered to the Asia-Pacific Region market both under long-term contracts and as part of spot optimization deliveries. Among these deliveries were two voyages that delivered cargoes via the NSR in January 2021 to China and South Korea two months later than the traditional navigation season closure.

Longer period of navigation along the NSR due to almost halving the distance and time of LNG shipping to ports in Asia-Pacific Region compared to the traditional southern route through the Suez Canal makes it possible to mitigate carbon footprint and reduce carbon emissions by 7,000 tons per round trip.

The transshipment facility in the Murmansk Region is another important step in the development of the LNG supply chain from the Russian Arctic to global gas markets. Building the transshipment infrastructure allows the Company to develop its own competences and perform LNG transshipment in Russia, as well as optimize the operation of its own unique Arctic-class tanker fleet.

As part of its long-term strategy, NOVATEK has been implementing a plan to build a network of LNG retail stations in Europe to provide clean-burning fuel for heavy-duty trucks at key transport nodes in Germany and Poland.

In 2021, the Company commissioned 10 cryogenic filling stations (8 in Germany and 2 in Poland) and 27 regasification units in Poland. The total number of operating facilities on the European market at the end of 2021 was 16 LNG filling stations (12 in Germany, 4 in Poland) and 48 regasification units (1 in Germany, 47 in Poland).

In November 2021, the first delivery of bioLNG was performed to a cryogenic filling station in Rostock, Germany.

NOVATEK's strategy as a natural gas and LNG producer implies greater involvement in the promotion of natural gas as motor fuel both in Russia and abroad. This market segment represents significant growth potential in the context of increasingly stringent environmental standards. Compared to diesel, LNG significantly reduces the emissions of nitrogen oxides, carbon dioxide and almost completely eliminates particulate matter emissions.

In 2021, the Company signed Memorandums of Understanding on LNG supply decarbonization with TotalEnergies and RWE Supply&Trading GmbH. The parties intend to explore opportunities in the area of carbon-neutral LNG supply.

In September 2021, NOVATEK signed a Strategic Cooperation Agreement on Low Carbon Footprint Projects with the Japan Bank for International Cooperation (JBIC). NOVATEK and Ministry of Economy, Trade and Industry of Japan signed a Memorandum of Cooperation on Ammonia, Hydrogen and Carbon Capture, Storage and Utilization. The parties intend to provide bilateral support for projects in the field of production and sale of ammonia and hydrogen, as well as carbon capture and storage technologies in Russia and Japan.

The successful sales of our LNG to the world's leading markets, the variability and optimization of logistics solutions to reduce the already low carbon footprint of our LNG demonstrate the high competitiveness of Arctic LNG around the world. We estimate that so far LNG from the Yamal LNG plant has been consumed in 33 countries since the launch of the Project.

### Liquid Hydrocarbons Sales

NOVATEK sells liquid hydrocarbons (stable gas condensate, petroleum products, light hydrocarbons, LPG and crude oil) domestically and internationally. We strive to respond quickly to changing market conditions by optimizing our customer base and supply geography, as well as developing and maintaining an efficient and profitable logistics liquids infrastructure.

In 2021, NOVATEK's liquids sales volumes reached 16,555 mt, or 1.0% more than in 2020. In 2021, our export sales volumes decreased by 8.1% as compared to 2020 and amounted to 8,517 mt.

# 611 RR bln

### Liquid hydrocarbons sales revenues in 2021

In 2021, our liquids sales revenues increased to RR 611.1 billion, or by 79.4% as compared to 2020, mainly driven by higher global benchmark prices.

High-value added petroleum products from the Ust-Luga Complex accounted for a 41% share of our overall liquids sales volumes. We sold a total of 6,785 mt of stable gas condensate products, including 4,398 mt of naphtha, 1,039 mt of jet fuel and 1,348 mt of fuel oil and gasoil. The majority of petroleum products (95%) were exported. Export volumes were distributed as follows: Europe – 38%, Asia-Pacific Region – 41%, North America – 16% and Middle East – 5%. Most of our heavy naphtha was exported to Asia-Pacific Region markets, light naphtha – to Asia-Pacific Region and Northwest Europe markets, and jet fuel, gasoil and fuel oil – to Northwest Europe.

Export and domestic sales of stable gas condensate continued in 2021. Total stable gas condensate sales volumes amounted to 2,341 mt.

A portion of light hydrocarbons produced at the Purovsky Plant is processed on tolling terms at SIBUR's Tobolsk Petrochemical Complex into marketable LPG, which is then delivered to NOVATEK's customer base, while the rest of the light hydrocarbons volumes sold to SIBUR. We sold 2,180 mt of light hydrocarbons in 2021.

Marketable LPG sales volumes totaled 1,326 mt in 2021, representing a 3% decrease compared to 2020. LPG export sales volumes amounted to 567 mt or 43% of the total LPG sales volumes. Novatek Green Energy, our wholly owned LPG trading company in Poland, sold all of our LPG export volumes.

In the domestic market, our LPG is sold through large wholesale channels as well as through our retail network and small wholesale stations. In 2021,

large wholesale supplies to the domestic market stood at 615 mt, representing 81% of our domestic LPG sales. We also sold 144 mt of LPG via our retail network and small wholesale stations located mainly in the Chelyabinsk, Volgograd, Rostov and Astrakhan Regions. As of the end of the year, sales were made through 86 retail gas stations and 6 gas filling stations.

Sales of crude oil in 2021 totaled 3,909 mt, which is 13% lower compared with 2020. We sold 70% of our crude oil volumes in the domestic market, with the remaining volumes exported to international markets.

### Liquid hydrocarbons sales, thousand tons

	2020	2021	Change
<b>Total</b>	<b>16,387</b>	<b>16,555</b>	<b>1.0%</b>
Petroleum products (Ust-Luga)	6,773	6,785	0.2%
Crude oil	4,468	3,909	(12.5%)
Stable gas condensate	2,169	2,341	7.9%
Light hydrocarbons	1,591	2,180	37.0%
LPG	1,368	1,326	(3.1%)
Other	18	14	(22.2%)

# Environmental and Social Responsibility

**NOVATEK adheres to the principles of effective and responsible business conduct and considers the welfare of its employees and their families, environmental and industrial safety, the creation of a stable and beneficial social environment as well as contributing to Russia's overall economic development as priorities and responsibilities of the Company.**

## Environmental Protection

NOVATEK's core producing assets are located in the Far North, a harsh Arctic region with vast mineral resources and a fragile and vulnerable environment. The Company is committed to environmental protection in its operations. In 2021, the Company's overall expenses on environment protection and sustainable nature management amounted to RR 2.9 billion (including NOVATEK's share in joint ventures).

In 2020, the NOVATEK Board of Directors approved the Company's Environmental and Climate Change targets for the period up to 2030, which include the reduction of specific emissions, methane emissions reduction in upstream, processing and LNG production segments as well as greenhouse gas emissions reduction in upstream and LNG. Moreover, the Company intends to improve its associated petroleum gas utilization rate as well as waste disposal and utilization rate.

In 2021, we started the implementation of the action plan under the Integrated program to achieve environmental targets. Below are some of the key results achieved so far:

- At the end of the year, an experimental launch was performed at the process water treatment and re-injection unit at the Yurkharovskoye field. This will pave the way for a significant reduction of air pollutants and GHG emissions from wastewater flaring, as well as for lower gas losses to flaring;
- Gas dynamic and gas condensate studies without emitting gas into the atmosphere were carried out at several wells at the Urengoyskoye, Yurkharovskoye, West-Yurkharovskoye, East-

Urengoyskoye and North-Yesetinskoye fields, helping to reduce gross GHG and air pollutants emissions. The equipment used for these studies was connected to existing gas gathering lines. After the process was completed, the gas was returned to the gas header and then sent to the gas processing plant;

- The certification of the relevant state authority was secured for the Automated Industrial Emissions Monitoring System (AIEMS) of the Vysotsk LNG Production and Transshipment Terminal. Following the certification process, the system was registered with the Federal Information Fund for Ensuring the Uniformity of Measurements. This allowed to improve measurement accuracy and achieve compliance with international best practices. Furthermore, in order to ensure reliable accounting of greenhouse gases in flue gases, the AIEMS was upgraded and equipped with CO<sub>2</sub> sensors at the end of the year, hence the plan to re-certify the measurement system in 2022.

In the reporting year, the Company continued its participation in the Carbon Disclosure Project (CDP), whereby information on greenhouse gas emissions and operations energy efficiency is disclosed, as well as in the CDP Water Disclosure Project to disclose data on the use of water resources. Taking part in these projects, the Company strives to achieve a balance between the climate change risks and efficiency of investment projects. The Company offers all stakeholders full access to its environmental information, including by publications in federal and local printed media, on its website, and social media.

Since 2019, when disclosing information, we take into account the recommendations of the Task

Force on Climate-related Financial Disclosure (TCFD), which seeks to improve voluntary reporting on climate-related financial risks. Details on the progress towards the climate targets will be available in our 2021 Sustainability Report.

In 2020, NOVATEK joined the Methane Guiding Principles (MGP), a global oil and gas initiative in the areas of climate neutrality and a low-carbon economy.

From November to December 2021, we carried out an experimental study of methane leaks detection in the Arctic zone involving space monitoring based on a geo-information platform. Three license areas of two NOVATEK subsidiaries, including the most significant sources of methane emissions, such as well pads, gas and condensate transportation and treatment facilities, were selected as pilot sites. No methane leaks were detected during the test period. The studies demonstrated that these methods could be feasible and efficient in the future.

In 2021, as a member of International Group of LNG Importers (GIIGNL), NOVATEK participated in MRV and GHG Neutral Framework methodology elaboration aimed at GHG emissions measurement, reporting, verification and neutrality.

In October 2021, NOVATEK held the Company's first Arctic LNG Vessel Owners Conference to promote green shipping and introduce sustainable technical solutions with a view to reducing the carbon footprint during marine operations in the Arctic.

**2.9** RR bln  
Environmental expenses in 2021





The Company pursues a responsible approach to preservation of natural ecosystems in all the regions of operation, actively cooperates with scientific and environmental organizations and implements the principles of rational and efficient use of natural resources at all operational levels. In its operations, NOVATEK abides by the requirements of Russian environmental legislation as well as international practices, standards and conventions. In 2021, our key biodiversity conservation activities included:

- Adopting NOVATEK's Biodiversity Conservation Management Standard, which establishes universal principles and approaches to biodiversity conservation for NOVATEK operations both in the Russian Federation and abroad;
- Signing an agreement on cooperation to preserve biological diversity in Kamchatka Territory with Kronotsky Nature Reserve, as well as an agreement with the Government of Kamchatka Territory and Rosprirodnadzor on cooperation to implement a comprehensive program of scientific study of the offshore area around the Kamchatka Peninsula;
- Conducting comprehensive survey and monitoring of the environmental condition of the Ob Bay's offshore area with the involvement of leading Russian research institutes. These studies are aimed to develop an efficient action plan to monitor major environmental risks, including cumulative impacts, and an assessment (supported by scientific data) of changes in hydrological features, fishery indicators, state of rare and protected species, unique ecosystems, and local communities' access to natural resources, associated with the implementation of the Company's projects in the Ob Bay. The efforts made during the reporting period resulted in determining the boundaries of the projects' impact on the Ob Bay ecosystems (including noise impact), assessing the current state of the pinniped and marine mammal population based on aerial surveys, as well as the environmental condition of the Sabetta port's offshore area (it was confirmed that there were no non-native species in the offshore area);
- In 2021, compensatory fish stocking was performed in rivers belonging to the Ob-Irtysk (within the Khanty-Mansiysk and Yamal-Nenets Autonomous Regions) and North-Western Basins. Several subsidiaries were involved in releasing the juvenile fish of Siberian sturgeon, salmon and whitefishes (including muksun) into the water bodies to re-stock commercially important fish species. A total of more than 11 mln juvenile fish were released;
- In 2021, reforestation works were mainly carried out in the Tarkosalinskoye, Noyabrskoye and Nadymskoye forest districts of Yamal-Nenets Autonomous Region. The reforestation area totaled 604.3 ha.

**604** ha  
Total reforestation area

In line with our focus on implementing our LNG projects in full compliance with the highest sustainable development standards, in 2021, we disclosed several Arctic LNG 2 project documents on its website, including the Environmental, Safety and Health Impact Assessment, the Biodiversity Implementation Strategy and the GHG and Energy Efficiency Management Plan.

The Company is actively promoting cooperation between various industries in order to establish an efficient dialog on the natural resources rational use and the climate change mitigation. Thus, NOVATEK and TotalEnergies signed the Memorandum of Cooperation on Decarbonization, Hydrogen and Renewables in 2021. The Parties intend to cooperate on reducing GHG emissions at joint projects by implementing carbon capture and storage technologies and utilizing renewable energy sources at joint LNG projects as well as the production and usage of hydrogen as a low-carbon fuel. To this end, a Working Group encompassing seven workstreams was created, including a workstream on Nature Based Solutions. This workstream aims to develop and support the investment projects for carbon capture and GHG emissions reduction taking into account the interests of all stakeholders.

With the majority of the Company's production facilities located in the Russian Arctic zone, the front-end engineering, design, construction and operation of buildings and facilities is performed with a particular focus on research, evaluation, forecast and monitoring of permafrost and cryogenic processes. Across the lifecycle of its projects, the Company focuses on identifying and forecasting permafrost hazards considering the global and regional climate trends. Advanced engineering technologies combined with thermal calculations, which are subsequently verified based on geotechnical monitoring data, enable a top-notch assessment of the permafrost and engineering facilities condition. Moreover, the local environmental monitoring program includes actions to identify areas with intensifying cryogenic processes. In 2021, the Company continued its geotechnical monitoring.

## Occupational Health and Safety

NOVATEK is fully committed to putting the life and health of its employees above its business results, and is aware of its responsibility for ensuring accident-free operations and safe labor conditions for its personnel, as well as for protecting the health of the population in the Company's regions of operations.

Given the scale of the Company's business, including operations in the challenging Arctic climate, and the significant scope of work associated with developing large-scale projects, NOVATEK strives to maintain an adequate level of monitoring at all levels of operations and continues to implement the existing Occupational Health and Safety (OHS) Action Plan, despite the environment created by the new coronavirus spread.

The Company continuously improves its OHS management system, involving its employees and management, as well as contractors. We do our best to implement a "zero injury" culture, wherein a safe environment is the main priority for each employee.

Below are the key principles that all the Company's employees must follow:

1. Responsible attitude to the population and the area of the Company's operations through compliance with all safety requirements;
2. Continuous development of industrial safety expertise across the working career;
3. Management involvement in identifying hazards and reducing levels of operational risks;
4. Acknowledgment of the right to refuse to perform the work in case of danger to the employees life or health; and
5. Priority of prevention over reaction.

According to effective legislation, workplaces undergo special assessment of working conditions. As of 31 December 2021, special assessment of working conditions was completed at 10,302 workplaces with 9,065 (87.9%) workplaces certified to have acceptable working conditions. At workplaces with harmful working conditions, we implemented a set of measures to eliminate or mitigate harmful factors. No workplaces with hazardous working conditions were identified.

The Company places an emphasis on safety culture, ensures efficient emergency response, as well as records all incidents in accordance with applicable laws, regulations and internal standards, enabling timely root cause analysis and the development of corrective action plans.

The Company is engaged in exploration, production, transportation, processing and sales of natural

gas and liquid hydrocarbons, which implies setting up complex technological processes for operating fire and explosion hazardous facilities. Fire and explosion hazardous industrial facilities are operated in accordance with OHS legislation. Group entities have licenses to operate Hazard Class I, II and III fire, explosion and chemical hazardous industrial facilities.

In 2021, regional branches of Rostekhnadzor registered 267 hazardous production facilities that are in operation, including:

- Class I (extremely high hazard) – 14 facilities;
- Class II (high hazard) – 53 facilities;
- Class III (medium hazard) – 174 facilities;
- Class IV (low hazard) – 26 facilities.

For Class I and II hazardous industrial facilities, industrial safety management systems and industrial safety declarations were developed providing estimates and specifying actions for:

- identifying, assessing and forecasting accident risks;
- planning and implementing accident risk mitigation measures;
- coordinating accident and incident prevention measures;
- production supervision procedures; and
- employees' involvement in the development and implementation of accident risk mitigation measures.

To compensate for the damage inflicted to third parties and the environment as a result of an accident at a hazardous industrial facility, all hazardous industrial facilities are insured in accordance with Federal Law No. 225-FZ On Mandatory Third Party Liability Insurance for Owners of Hazardous Facilities for Damage Inflicted by Accidents at Hazardous Facilities.

Executives and specialists of the Group's subsidiaries and joint ventures subject to Rostekhnadzor supervision undergo certification on industrial safety rules on a regular basis. Industrial safety assessment commissions are set up in the entities to evaluate staff and permit them to independently work at hazardous production facilities using the Unified Testing Portal Information System.

OHS training is mandatory for all categories of employees and is in place at all entities. In accordance with the Russian legislation, chief executives, their deputies, and managers in charge of workplace organization receive safety training and undergo knowledge check in licensed training

centers. To offer in-house training to white-collar employees, the Company has developed training programs and set up certification commissions to assess trainees' knowledge of OHS regulations. Training classes in each entity are equipped with process flow diagrams, dummies to practice first-aid skills, information boards and training materials.

As of the end of 2021, 14,979 employees received OHS training, which is in line with the established training plan. In 2021, standing OHS control commissions carried out 631 compliance checks in subsidiaries and joint ventures. The results were documented in relevant reports and special measures were elaborated to eliminate identified non-compliances. Employees in charge submit monthly remedial action reports to their respective OHS units to further analyze risks of possible hazardous situations.

In 2021, the Company continued targeted audits of its subsidiaries and joint ventures for compliance with OHSE requirements by a NOVATEK committee. In the reporting year, targeted audits of YARGEO, NOVATEK-Ust-Luga and ARCTICGAS were performed. Based on the findings, relevant reports were produced and remedial actions were developed.

At the Company level, data are collected and analyzed regarding remediation of all violations of both scheduled and unscheduled audits carried out by the government supervisory authorities and integrated and targeted audits of the Company's committee.

To prevent accidents and incidents at hazardous operating facilities:

1. Each year the Company develops and consistently implements technical inspection, certification and test schedules for various types of technical equipment (external and internal inspection, hydrostatic and pneumatic tests, and industrial safety audits). In 2021, the Company performed industrial safety audits of 630 equipment items and extended their safe operating life.

2. The Company organizes drills and exercises on possible accident containment and response scenarios and actions for the personnel involved in the maintenance of equipment items, buildings, and structures within hazardous production facilities. 5,658 training sessions were held in 2021.

In 2021, there were:

- 13 work-related incidents;
- 2 accidents:
  - On 23 January 2021 in ARCTICGAS (destruction of an air cooler unit with the depressurization of the tubes and subsequent combustion);
  - On 17 August 2021 in YARGEO (destruction of a tank with mechanical damage to the tank walls and basement).

In accordance with the legislation, an investigation of the causes and circumstances of accidents was performed. Based on the results of the investigation, preventive measures were taken on the similar equipment, and additional safety measures were introduced in the entities' internal regulations. When developing action plans, one of the key priorities is to mitigate the risks of work-related incidents, accidents and emergencies at the equipment in operation.

### Employee Health Protection

Healthcare management is an integral part of the Company's OHS Management System.

The healthcare management system used for NOVATEK employees health protection, including prevention of diseases and promotion of employees health, is continuously improving. The system is maintained by NOVATEK and its subsidiaries and joint ventures management, responsible for occupational health, OHS specialists, as well as third-party medical organizations (healthcare providers). At NOVATEK fields' residential and production areas, the Company's and contractors' first-aid posts operate 24/7.

NOVATEK' subsidiaries and joint ventures have in place an integrated OHS management system. In accordance with the international standard ISO 45001:2018, the integrated management system also includes provisions on employees healthcare management. NOVATEK subsidiaries and joint ventures adopted OHS policies approved by the corporate orders, assuming responsibility for the lives and health of employees and contractors.

The subsidiaries and joint ventures developed regulations and standards on ensuring preparedness for emergency medical assistance and evacuation, as well as other first-aid requirements for production facilities. The documents describe the actions of incident witnesses (employees, contractors,

subcontractors, other individuals) and healthcare workers at first-aid posts, as well as their interaction with other business units participating in the emergency response in accordance with the statutory employer obligations to ensure timely and high-quality first aid to its employees.

At NOVATEK fields, emergency medical response plans aimed at minimizing the consequences of an accident or acute illness are put in place. The plans are developed on the basis of production risk assessment, as well as employees health risks, conducted at particular production sites, and are necessary to ensure timely first aid and medical evacuation to the appropriate medical facilities providing healthcare services. Training sessions are held to test the effectiveness and relevance of these plans.

To secure sanitary and epidemiological welfare at the Company's facilities, NOVATEK monitors water supply and disposal, sanitary and hygienic condition of public catering facilities, accommodation and industrial premises and waste disposal. In the reporting year, there were no cases of infectious diseases among employees, related to catering services or water supply.

With the help of coordinated efforts of all stakeholders in the healthcare management, high work efficiency was maintained amid the COVID-19 pandemic during the reporting year.

We continued our operations in accordance with the Action Plan to Safeguard against the Coronavirus at NOVATEK and its Controlled Entities to protect employees and prevent transmission and spread of the new coronavirus at the Company's facilities.

The following anti-COVID emergency response centers continue their operations: PAO NOVATEK, Novy Urengoy, Tarko-Sale, Leningrad Region, Murmansk, YNAO LNG projects. Special action plans have been developed and introduced:

- Algorithms of observation and logistic schemes of rotation personnel transportation were prepared to minimize the risks of coronavirus spread into the production areas (the duration of the rotation shift was reduced to two months);
- Campaigns continued to raise employees' awareness on prevention of acute respiratory viral infections and the need for vaccination against the COVID-19;
- Briefing of employees is performed about the use of personal protective equipment (masks). The necessary amount of personal protective equipment, means and equipment for disinfecting premises, hand treatment, as well as contactless means for temperature measurement is ensured; daily temperature measurement of employees and active

identification of infection by medical staff at production facilities continue;

- Data on the epidemiological situation at production facilities are collected and analyzed, and the condition of those infected is monitored, including by information systems;
- Telecommuting procedure was defined along with the introduction of electronic interaction protocols and IT actions to enable telecommuting;
- COVID-19 testing of employees is arranged; and
- Medical response measures were put in place: isolation and observation facilities were deployed and equipped, medical equipment was purchased, a stock of medications was created, the number of medical personnel, including specialists in various disciplines (pulmonologists, cardiologists, infectious disease specialists), was increased.

The timely and efficient measures together allowed to maintain the production facilities in operation.

### Fire Safety, Civil Defence and Emergency Response

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

In 2021, 8 controlled entities held active licenses to service firefighting equipment and 6 controlled entities to perform firefighting as well as emergency response and rescue operations, a large share of licensed fire safety services are outsourced to contractors. There are 29 professional emergency response and rescue teams to ensure the safety of the controlled entities operating hazardous production facilities that produce, collect, process and manufacture explosive and flammable substances. In addition, we have decided to build fire stations and establish emergency response and rescue teams within prospective field development and field infrastructure projects.

In 2021, the total headcount of fire and emergency brigades serving the facilities on a 24-hour basis stood at 1,123 certified rescue workers. There were 87 engineers in the controlled entities who directly monitored and supervised the fire safety and emergency response preparedness at our facilities.

Inspections are regularly carried out at controlled entities to assess the emergency response preparedness of the Company's business units and personnel, and evaluate the capabilities of in-house and external professional emergency response and

# 14,979

## employees

Received OHS training in 2021

rescue teams. The controlled entities' facilities are fully compliant with the requirements to oil, petroleum product, and other hydrocarbon spill response. Materials and equipment available to the emergency response and rescue teams comply with all existing requirements. The Company ensures timely re-equipment of both basic and specialized fire vehicle fleets.

Fire safety, civil defense and emergency response training, as well as fire and emergency drills, are an important element of the overall system of fire safety and readiness to respond to fires and emergencies. In 2021, the Company organized 33,972 fire safety briefings that featured guidance materials and visual aids, as well as hands-on presentations. Basic fire safety training was provided to 10,084 people, with 2,409 tactical fire exercises performed as part of the Oil Spill Response Plan, Emergency Containment and Response Action Plan as well as evacuation drills. Oil Spill Response Plan and Emergency Containment and Response Action Plan have been developed and implemented within the Company's production facilities. In 2021, a fire occurred at a non-production facility (warehouse). No one was injured as a result of the accident.

NOVATEK fully complies with fire safety, civil defense and emergency response standards and regulations: all of its facilities are equipped with automatic fire detection, alarm and extinguishing systems. NOVATEK Group's controlled entities are ready to respond to, contain and mitigate fires and emergencies.

## Human Resources

Employees are NOVATEK's most valuable resource, allowing the Company to grow rapidly and effectively. The Company's human resource management system is based on the principles of fairness, respect, equal opportunities for professional development, dialogue between management and employees, as well as continuous, comprehensive training and personal development opportunities for the Company's employees at all levels.

As of the end of 2021, NOVATEK, its subsidiaries and joint ventures had 18,404 employees, with 32.5% working in exploration and production, 25.8% in LNG production, 12.5% in marketing, 8.1% in processing, 7.3% in power supply, 6% are administrative personnel, 5.2% in transportation, and 2.6% are engaged in ancillary services. The predominant age of the personnel is between 30 and 50. The average age of the Company's employees is 41 years.

## Personnel Training and Development

Amid the rapid development of technologies and management systems, our multilevel training and professional development program enable our employees to contribute to raising the Company's

competitiveness. In 2021, the primary activities of training and professional development included:

- Implementing In-house Training program to improve the competences of the Company's employees;
- Implementing the Steps in Discovering Talents program for young specialists targeted at training highly qualified personnel whose competence level fully meets business needs;
- Developing and improving the Corporate System for the Evaluation of Technical Competencies; and
- Engaging Company's young specialists to take part in research and practice conferences; and
- Cooperating with higher education institutions to train specialists in the area of LNG.

NOVATEK Scientific and Technical Center has hosted an In-House Training Program since 2016. In 2021, NOVATEK Scientific and Technical Center experts delivered classroom training courses on the following subjects: Seismic Exploration Fundamentals; Integrated Interpretation of Seismic and Logging Data; Complexing Logging Methods to Address Geological Tasks. Basics of Log Interpretation and Practical Application; Application of Regulations for Selection, Storage, Transportation, Laboratory Research and Entering into the Core Database; Interpretation and Planning of Hydrodynamic Studies; Production Engineering For Underexplored Fields; Basics of Hydraulic Fracturing; Basics of Hydrodynamic Modeling; Dynamic Simulation of Multiphase Streams in Pipelines and Wells using Software OLGA: Principal Tasks and Examples of their Solution. Practical Modelling Experience in the Software Environment, Software OLGA; Basics of Intra- and Inter-Field Hydrocarbons Transportation. The training course Basics of Hydraulic Fracturing was also conducted online. A total of 46 of the Company's employees received training under this program in 2021.

In 2021, NOVATEK continued its efforts to advance the professional capabilities of its employees, improve working conditions and train its personnel on safe working practices at its production facilities. A total of 56.8% of employees upgraded their skills. In 2021, the Corporate System for the Evaluation of Technical Competencies tested 1,240 employees across the Group, including 58 persons who were tested at recruitment and 162 persons at promotion.

In 2021, 84 young specialists participated in the Steps in Discovering Talents Program. We held our ninth class and 34 specialists graduated from the on-the-job adaptation and professional development program, while 18 young specialists guided by 17 mentors completed the first step of the Program. In autumn 2021, another 32 young specialists and 26 mentors assigned to them joined the Program. Young specialists received

the Mentoring Culture training courses together with their mentors. In total, 22 mentors attended the training.

In October 2021, Moscow hosted the 16<sup>th</sup> Interregional Research-to-Practice Conference for the Company's young specialists attended by 74 employees from 14 subsidiaries and joint ventures. 55 projects were submitted for consideration by the contest committee. All the conference winners received cash prizes. After the release of restrictive measures caused by COVID-19, 12 first place winners will be awarded a trip to one of the foreign countries to visit oil and gas and energy companies. In 2021, 19 winners of the 14<sup>th</sup> and 15<sup>th</sup> Interregional Research-to-Practice Conferences were able to visit oil and gas facilities of the Caspian Area, Azerbaijan and Astrakhan. In 2021, PAO NOVATEK, NOVATEK-PUROVSKY ZPK, NOVATEK-TARKOSALENEFTEGAS, NOVATEK Scientific and Technical Center, Arctic LNG 2, NOVATEK – Ust-Luga and NOVATEK-YURKHAROVNEFTEGAS were awarded the Laureate Diploma of the International competition of scientific, technical and innovative solutions for the energy and mining sectors For Contribution to Innovative Development of the Fuel and Energy Industry.

In 2018, NOVATEK launched cooperation with the Gubkin Russian State University of Oil and Gas under the master's degree program on cryogenic technologies and gas-related equipment. The program is being implemented by the Department of Oil Refining and Gas Processing Equipment of the Faculty of Mechanical Engineering. This unique program pursues a multi-disciplinary approach to deliver a combination of management skills and technical knowledge in LNG production, storage and regasification. Apart from the faculty staff of the university, visiting tutors from Bauman

Moscow State Technical University and NOVATEK's experts with extensive practical experience are engaged in the program. The Company considers successful graduates of the Program holding a master's degree for hiring and engaging in the implementation of Russia's major LNG projects. During the training, "A" students and "B" students also receive an additional scholarship from the Company. In 2021, the first students graduated from the program (2019-2021 enrollment): 22 students having a master's degree, 18 of whom graduated with honors. 11 graduates were employed by NOVATEK Group companies. 15 first-year master's students (2020-2022 enrollment) passed summer on-the-job training at the entities of Yamal LNG, Arctic LNG 2 and Cryogas-Vysotsk. In 2021, 25 master's students (2021-2023 enrollment) were assigned to the Program.

In 2017, the Innovator Corporate Idea Management System was launched in NOVATEK. Currently, 21 Group entities are connected to the System. The Innovator System is an automated framework to collect and process employees' proposals on improving and developing business of the Company. 718 ideas on improving business operations, reduction of production costs and implementation of new work methods were submitted by the employees in 2021. More than 1,700 ideas have been submitted over 5 years of operation of the Innovator System, of which 339 were approved for implementation and 175 ideas were implemented. They generated a positive economic effect of RR 4.57 bln.



## Social Programs

Our focus in employee relations is on implementing social programs. According to the Core Concept of the Company's social policy, adopted in 2006, the social benefits package for employees includes the following programs:



### Voluntary medical insurance for employees

The program includes full outpatient care, dental care, and emergency and scheduled hospitalization. To reduce the risk of occupational diseases in the Company's subsidiaries and joint ventures located in the Far North, in-depth medical examinations of employees are conducted once every two years.



### Therapeutic resort treatment and rehabilitation

Employees and their families can purchase health resort vouchers at a discount. Under this program the NOVATEK employees may spend their vacations in 50 health resorts located in Russia's most picturesque settings. In 2021, 6,253 employees took advantage of the program.



### Repayable financial aid program

The special-purpose loans program has two focus areas:

- Short-term special-purpose loans intended for employees who experience economic hardship;
- Special-purpose interest-free home loans to employees residing in Tarko-Sale, Novy Urengoy, Moscow, Nadym, Sosnovy Bor, Tyumen and Vysotsk.



### Rehabilitation of children with disabilities

This program is aimed at supporting the employees families who raise children with disabilities. As part of the program, children undergo individual rehabilitation courses and receive qualified medical care.



### Targeted compensation and social support payments

This program provides targeted free support to the Company's employees in specific life circumstances, including childbirth, to large families, the event of natural disasters or fire, compensation for care of a child up to three years of age, financial aid for care of disabled children, financial aid for burial, compensation for sports and recreation classes for employees, as well as on the occasion of the jubilee.



### Pension program

The Company keeps in touch with the people whose work contributed to the Company's achievements, and continues to take care of them after their retirement. Since 2007, the Regulations on Social Benefits for Retired NOVATEK Group Employees has come into effect. The procedure for calculating monthly social benefit is determined in accordance with the above Regulations and the benefit amount is subject to the employee's average salary, employment track record and geographical location. As of 31 December 2021, the number of participants in the program was 1,254 people.



### NOVATEK-Veteran social protection foundation

The NOVATEK-Veteran social protection fund was established in 2005 to provide social assistance to people who have worked for a long time in the Russian oil and gas industry in the Far North. The Fund provides retired people with quarterly financial assistance, allocates lump-sum benefits, pays for treatment and the purchase of medicines, organizes therapeutic resort treatment and rehabilitation and also provides other types of required assistance.

## Social Policy and Charity

Social Policy and Charity make up an important part of NOVATEK's activities. In 2021, the Company continued to pay close attention to projects aimed at supporting the culture, preserving and revitalizing national values and spiritual legacy of Russia, developing mass and high-performance sports. NOVATEK continued to fulfill the Agreements with local governments in the regions of the Company's operations, by further implementing the plan for promoting living standards and preserving distinctive cultural identity of indigenous peoples of the Far North.

In 2021, Social expenses and compensatory payments directly invested by NOVATEK and its subsidiaries on charitable and medical projects and activities, cultural and educational programs, and support for indigenous communities amounted to RR 2.8 billion, including RR 71.4 million to assist the regions in their epidemic containment efforts (purchase of medical and laboratory equipment, medical protective suits and masks for hospitals).

### Cooperation with the Regions

Under the agreements signed with various regions, the Company invested in the Yamal-Nenets and Khanty-Mansiysk Autonomous Regions, the Tyumen, Chelyabinsk, Leningrad, Murmansk and Kostroma Regions and the Kamchatka Territory throughout 2021. The Company allocated funds for social and youth policy implementation, educational programs, support for culture and sports, kindergartens and art schools, indigenous peoples of the Far North. The elderly, veterans, severely ill and disabled children, as well as people who faced hardships received aid.

In 2021, the Company together with the Government of the Yamal-Nenets Autonomous Region continued to implement a unique "Teacher for Russia" program aimed at engaging graduates of Russia's leading universities to teaching in small regional schools and preparing young specialists for teaching, as well as ensuring equal educational opportunities for children in different regions and towns of Russia.

As part of a pilot project for converting boiler houses in the Murmansk Region to LNG, the supply of equipment for receiving, storing and regasification of LNG was financed for two boiler houses located in Murmansk and Severomorsk. In addition, in 2021, NOVATEK financed the design and construction of a recreational zone on the territory of the Harbeysky geological natural monument.

NOVATEK acquired for the Tula Region' hospital two mobile medical units with medical offices "Diagnostics" and "Laboratory" with specialization "Women's Health" and "X-ray diagnostics".

## Cooperation with Indigenous Peoples of the Far North

NOVATEK participates in organizing and staging traditional ethnic festivals of indigenous peoples (Reindeer Herder's Day, Fisherman's Day, Indigenous Peoples of the Far North Day as well as events commemorating anniversaries and memorable dates of Nenets writers and poets) and supports cultural heritage site preservation. In particular, the Company funds the Limbya Nomad Camp ethnographic park, implements the Choree Project to develop a Literary Map of Yamal and finances activities to preserve traditional lifestyle, culture and language of the indigenous people of the Far North. To make pre-school education available to nomadic communities at the Nareidalva camp in the village of Nakhodka, the Company financed the acquisition and equipping of a modular kindergarten, as well as and supported athletes from among the indigenous peoples of the Far North. NOVATEK distributes food packages as a matter of financial and humanitarian aid to those in need from among the indigenous peoples of the Far North.

The Company also finances fueling services as well as the purchase of snowmobiles and a boat motor for indigenous communities, including for delivering forage to prevent mass reindeer mortality.

During the reporting year, NOVATEK provided financial support to the Yamal for Descendants Association of indigenous peoples of the Far North and its district branches.

### Educational Programs

For years, NOVATEK has been developing its continuing education program, which enables the Company to recruit highly qualified and educated youth from the regions of our operation.

Recruitment and career guidance for potential future employees start with the Gifted Children Program implemented at School No. 8 in Novokuybyshevsk, school No. 2 in Tarko-Sale, school No. 81 in Tyumen, and school No. 2 in Salekhard. In 2021, school No. 36 in Murmansk joined the program.

Special classes are formed on a competitive basis from the most talented grade 10 and 11 students with above-average test scores.

In 2021, as part of an agreement between NOVATEK and the Higher School of Economics, all students in the classes had the opportunity to use an online school to better prepare for the Unified State Exam in the Russian language, specialized mathematics, physics, and computer science.

In 2017, a resource center for industry-relevant student training – the Natural Science Center – was built and fully equipped in Tarko-Sale, Purovsky

District, Yamal-Nenets Autonomous Region. The Center began to operate in 2018. At year-end 2021, the Center is attended by 641 students from Tarko-Sale and 33 students from the settlement of Khanymej, aged 5 to 18 years. The Center offers 29 additional education programs and 25 individual learning paths focusing on natural sciences and technologies. Activities in all subjects include solving of problems at an advanced level and training of students for national contests and competitions.

The Company is also implementing two Grants programs for schoolchildren and teachers living in the Purovsky District of the Yamal-Nenets Autonomous Region.

The Grants program for schoolchildren is aimed at academic and creative development and encouraging a responsible attitude towards studies. Under the program, pupils of 5<sup>th</sup>-11<sup>th</sup> grades are awarded grants from the Company. In 2021, the Company awarded 52 grants to students under this program. The Grants program for teachers is intended to raise the prestige of the teaching profession and create favorable conditions for developing new and talented teachers. In 2021, eight teachers from the Purovsky District received grants under this program.

In an effort to create conditions for more effective use of university and college resources in preparing students for future professional activities, the Company has developed and successfully implemented the NOVATEK-University program. The program is an action plan for focused, high-quality training for specialists with higher education in key areas of expertise in order to grow the Company's business and meet its needs for young specialists. The program is based at the Saint-Petersburg University of Mines, the Gubkin Russian State University of Oil and Gas in Moscow and the Tyumen Industrial University.

Students who have passed their exams with good and excellent results receive additional monthly

# 2.8 RR bln

**Social expenses and compensatory payments on charitable and medical projects and activities, cultural and educational programs, and support for indigenous communities**

payments. During their studies, the students are offered paid internships. This experience allows them to apply the knowledge obtained at lectures and seminars to real-life situations and gain experience in the professions they've chosen, while the Company receives an opportunity to meet potential employees.

### Preserving Cultural Heritage

In 2021, NOVATEK continued its cooperation with Russia's leading museums, including the Russian State Museum, the State Tretyakov Gallery, the Moscow Museum of Modern Art (MMOMA).

The Russian Museum hosted the exhibition "Cosmism in Russian Art" with the Company's support (17 November 2021 – 10 March 2022). The exhibition for the first time brought together paintings and graphics of famous and lesser-known artists of the beginning of the 20<sup>th</sup> century: Wassily Kandinsky, Kazimir Malevich, Alexander Labas, Kuzma Petrov-Vodkin and other artists, who sought to understand the laws of the Universe and a man's place in it.

NOVATEK supported the exhibition "Vyacheslav Koleichuk. Live line" (3 June 2021– 26 September 2021) organized by the Tretyakov Gallery and dedicated to one of the pioneers of kinetic art in Russia and a talented engineer. Koleichuk embodied his passion for physics, optics, and design in his works.

In the Year of Germany in Russia, the Company supported the opening of the international project "Diversity. Unity. Contemporary Art of Europe. Berlin. Moscow. Paris" (23 November 2021 – 13 March 2022) in the Tretyakov Gallery. The project has already been exhibited in Berlin. Then it was brought to Moscow and it will later go to Paris. The project explores the European art created over the past 30 years, the main message of which is to show how important it is to preserve European unity in times of turbulence. In their works, 90 artists from 34 countries discuss the issues of public concern, including pandemics, climate disasters, inequality, democracy, disputes and conflicts between states.

In cooperation with NOVATEK, the Moscow Museum of Modern Art organized a retrospective exhibition of the art group "World Champions. Strokes of Joy" (December 15, 2021 – February 13, 2022), a late-1980s association of Moscow artists, who started their artistic journey as school friends. The group is famous for their absurd, provocative and often hooligan actions that satirize contemporary art. The exhibition displays more than 200 paintings, graphics and works on fabric.

In 2021, NOVATEK remained a General Partner of the Moscow Soloists Chamber Ensemble under the direction of Yuri Bashmet.

### Sports Projects

NOVATEK attaches great importance to programs for the development of mass and high-performance sports. The Company, its subsidiaries and joint ventures regularly hold tournaments in the most popular and wide-spread sports: football, volleyball, swimming, ski, etc. In 2021, all tournaments were held in full compliance with the requirements of the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor).

Throughout the year NOVATEK continued to promote development of children and youth sports in the regions of its operations by providing teams participating in indoor football, acrobatic rock'n'roll and student basketball competitions with equipment, official competition balls, uniform, prizes, cups and medals.

The Company continued to support the pilot federal innovative project "Become a Champion" intended for identifying children's predisposition to certain sports through testing.

In the reporting year, the Company held "NOVATEK – Step to Bigger Football" Indoor Football Championships that have already become a tradition among the schools of the Chelyabinsk and Kostroma Regions and the Kamchatka Territory. More than 17,000 boys and girls took part in the competition in these regions. In 2021, indoor football pitches were built for the schools of the winning teams of the Championship: three in the Chelyabinsk Region and two in the Kostroma Region. In total, starting from 2013, 45 football pitches have been built within the "Step to Bigger Football" project.

In 2021, as part of the development of corporate sports, the All Russian Federation of Dancesport and Acrobatic Rock'n'Roll successfully continued to implement a joint project Corporate Clubs for Acrobatic Rock'n'Roll with NOVATEK. The project is currently being implemented in 5 cities of the Russian Federation: Moscow, Kostroma, Murmansk, Tyumen and Chelyabinsk. More than 220 boys and girls, including children of employees of the NOVATEK Group companies, attend clubs in these cities. Despite the pandemic, trainings and competitions continued to be held in 2021. Students of corporate clubs took part in regional acrobatic rock'n'roll competitions. In early December, athletes of corporate clubs participated in the All-Russian Championship and Competition held in Moscow.

In 2021, NOVATEK continued its cooperation with the Student Basketball Association. With the support of NOVATEK, the Student Basketball Association held competitions for student basketball teams across the country with more than 800 teams and 10,000 athletes participating from over 70 regions of the Russian Federation. Since 2017, the Kostroma Region has hosted the competition of the Student

Basketball Association regional division, in which about 9 teams participate annually.

In addition, in 2021, various regions hosted master classes and exhibition performances by athletes arranged by the Student Basketball Association, Federation of Dancesport and Acrobatic Rock'n'Roll.

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

### Help to Children in Desperate Need

In 2021, pursuant to NOVATEK's corporate charity policy the Company continued to implement projects aimed at helping children in desperate need in the regions of the Company's operations.

Under the "Health Territory" project, leading doctors from the Russian Children's Clinical Hospital (RCCH) visited eight towns: Tarko-Sale, Novy Urengoy, Kostroma, Chelyabinsk, Magnitogorsk, Petropavlovsk-Kamchatsky, Murmansk and Tyumen. As a result, 716 severely ill children received help. 153 children were hospitalized to the RCCH and other federal hospitals. During examinations and consultations by the RCCH visiting teams, the necessary safety measures were taken; the Company also provided children, parents and doctors with personal protective equipment.

In 2021, the work under the Telemedicine Center project to equip and connect the Kamchatka Territory Children's Hospital and the Magnitogorsk Maternal Health and Childhood Protection Center to the unified telemedical network, was completed. Currently, the unified telemedical network connects the RCCH multimedia center with regional partner clinics of Novy Urengoy, Tarko-Sale, Murmansk, Chelyabinsk, Magnitogorsk, Petropavlovsk-Kamchatsky, Tyumen and Kostroma.

In 2021, as part of the Targeted Therapy project aimed at helping children with cancer undergoing treatment in the Dmitry Rogachev National Medical Research Center of Pediatric Hematology, Oncology and Immunology, 74 children received molecular tests to select individual treatment, which significantly increases their chances of recovery.

The project to help children with vision impairments has also moved forward. In 2021, vision protection rooms were set up in specialized kindergartens in Chelyabinsk and Petropavlovsk-Kamchatsky, where 236 children with visual impairments underwent rehabilitation. Earlier, the Company set up vision protection rooms in kindergartens of Kostroma, Murmansk and Novy Urengoy.

As part of the “High-Tech Equipment” project, the Company financed the purchase of medical equipment: two medical ventilators and one ultrasonography machine for the Kostroma Regional Children’s Hospital, one medical ventilator for the Mother and Child Health Center of Magnitogorsk and neonatal screening equipment for the Mother and Child Center of the Kostroma Region.

Throughout the year, the Company provided targeted support to orphans and disabled children, and people with disabilities. The Company donated funds to the orphanage of the Trinity Church in Kolomna to purchase an annual supply of medicines and pay for medical services, re-equip children’s bedrooms and buy winter clothes and shoes for its care recipients. NOVATEK financed a playground installation for the St. Petersburg Psychoneurological Treatment Centre № 6 for children from 0 to 4 years of age, as well as financed the purchase of roller blinds for 17 wards in the RCCH kidney transplantation department.

**Other Charitable Activities**

In the Chelyabinsk Region in 2021, the Company provided financial assistance for restoration of memorials in nine municipalities, provided charitable gas supply throughout the Region for gasified Eternal Flame memorials, landscaped areas of restored memorials in the Trotsky and Kunashaksky districts. As part of the Childhood Protection social project, the Company financed Chelyabinsk Boarding School No. 13 and Aistenok Center to repair their classrooms and living quarters, as well as organized vacation for children at a children’s sanatorium in Anapa.

A regional children drawing contest, with over 400 children participating, was conducted by NOVATEK-Kostroma together with the Department of Education and Science. Winners and medalists were awarded diplomas, prizes and gifts by the Company.

Throughout 2021, NOVATEK traditionally supported projects aimed at preserving and increasing rare animal populations: Siberian tiger and Amur leopard.

In 2021, the key activities of the volunteer movement All Together also remained unchanged: support for orphans and children with various illnesses, seniors and disabled people.

In June 2021, NOVATEK annual charity auction was held to mark the International Day for Protection of Children. NOVATEK employees offered 334 lots for the auction, all the money raised was used for treatment and rehabilitation of the Company’s employees’ children.

**716**  
children

Received help under the "Health Territory" project in 2021

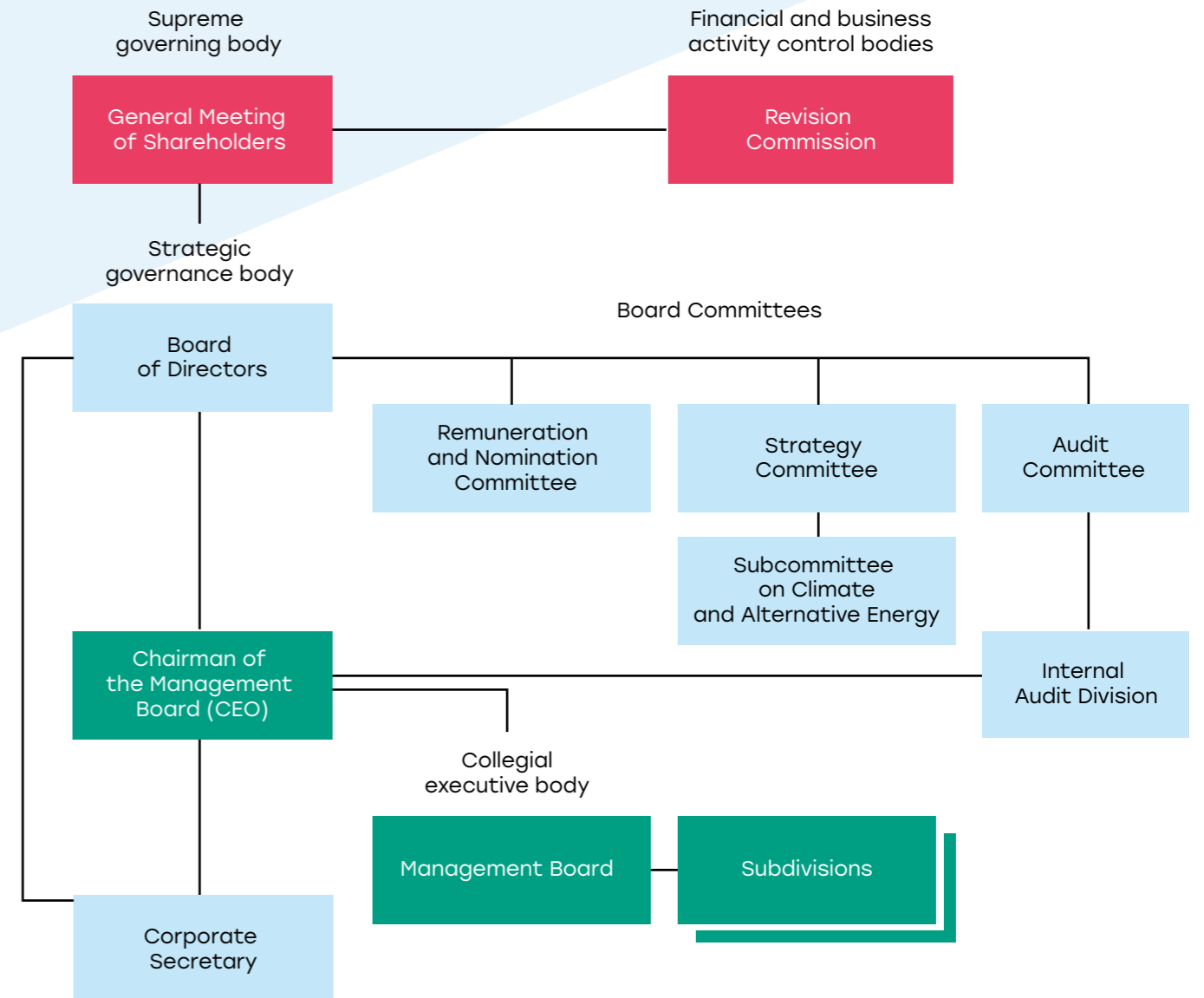
# Management and Corporate Governance

**Corporate Governance System**

NOVATEK strives to commit to the highest standards of corporate governance. We believe that such standards are an essential prerequisite to business integrity and performance and provide a framework for socially responsible management of the Company’s operations.

The Company has established an effective and transparent system of corporate governance complying with both Russian and international

standards. NOVATEK’s supreme governing body is the General Meeting of Shareholders. The corporate governance system comprises the Board of Directors, the Board Committees, and the Management Board, as well as internal control and audit bodies and the Corporate Secretary. The activity of all these bodies is governed by the applicable laws of the Russian Federation, NOVATEK’s Articles of association and internal documents available on our website ([www.novatek.ru/en/](http://www.novatek.ru/en/)).



NOVATEK strives to consider the principles of corporate governance outlined in the Corporate Governance Code recommended by the Central Bank of Russia (Letter № 06-52/2463 dated 10 April 2014). The Company follows the recommendations of the Code, as well as offering to our shareholders and investors other solutions that are intended to protect their rights and legitimate interests.

Since the Company's shares are listed on the London Stock Exchange in the form of depository receipts, NOVATEK places great emphasis on the UK Corporate Governance Code and the Regulation of the European Parliament and of the Council on Market Abuse and follows their recommendations as far as practicable.

The Company also adheres to the internal Code of Business Ethics approved by the Board of Directors in 2011 (Minutes No. 133 of 24 March 2011). The Code establishes general norms and principles governing the conduct of members of the Board of Directors, the Management Board and the Revision Commission, as well as NOVATEK's management and employees, which were drafted on the basis of moral and ethical values and professional standards. The Code also determines the rules governing mutual relationships inside the Company and NOVATEK's relationships with its subsidiaries and joint ventures, shareholders, investors, the government and public, consumers, suppliers, and other stakeholders.

In December 2021, the Board of Directors of PAO NOVATEK approved the Company's Human Rights Policy. The Policy formalizes the Company's position on human rights and incorporates all the fundamental principles, including respect for human dignity, providing safe working conditions, non-discrimination, as well as respect for the rights, distinctive culture, and customs of local communities, including indigenous minorities.

The Company monitors changes of the current legislature and the Listing Rules of PAO Moscow Exchange and London Stock Exchange and harmonizes its internal documents according to the changes. NOVATEK's current regulations on the Company's corporate bodies, Internal Audit Policy, Regulations on Risk Management and Internal Control System, Regulations on the Corporate Secretary, and other regulations are up to date and don't require any amendments.

NOVATEK's corporate governance practices make it possible for its executive bodies to effectively manage ongoing operations in a reasonable and good faith manner and to the benefit of the Company and its stakeholders.

## General Meeting of Shareholders

The General Meeting of Shareholders is NOVATEK's supreme governing body. The activity of the General Meeting of Shareholders is governed by the laws of the Russian Federation, the Company's Articles of association, and the Regulations on the General Meetings approved by NOVATEK's General Meeting of Shareholders in 2005 (Minutes No. 95 of 28 March 2005) with further alterations and amendments.

The General Meeting of Shareholders is responsible for the approval of annual reports, annual financial statements, the distribution of profit, including dividends payout, the election of the Board of Directors and the Revision Commission, approval of the Company's Auditor and other corporate and business matters.

On 23 April 2021, the Annual General Meeting of Shareholders approved the annual report, annual financial statements (in accordance with the Russian Accounting Standards), distribution of profit and the size of dividends based on the results of FY2020. The meeting also elected the Board of Directors and the Revision Commission and approved remuneration to members of the Board of Directors, Revision Commission and the Company's external auditor for 2021.

On 30 September 2021, the Extraordinary General Meeting of Shareholders approved the amount of interim dividend for the first half of 2021.

## Board of Directors

The Board of Directors (the Board, BoD) activity is governed by the laws of the Russian Federation, the Company's Articles of association and the Regulations on the Board of Directors approved by NOVATEK's General Meeting of Shareholders in 2005 (Minutes No. 96 of 17 June 2005) with further alterations and amendments.

The Board carries out the overall strategic management of the Company's activity on behalf of and in the interests of all its stakeholders, and ensures the Company's efficient and effective performance with the aim to increase shareholder value in a prudent and responsible manner.

The Board determines the Company strategy and priority lines of business, endorses long-term and annual business plans, reviews financial performance, internal control, risk management and other matters within its competence, including optimization of corporate structure, approval of major transactions, making decisions on investment projects and recommendations on the size of dividend per share and its payment procedure, and convening General Meeting of Shareholders. The General Meeting of Shareholders elects the members of the Board of Directors.

The current members of the Board of Directors were elected at the Annual General Meeting of Shareholders on 23 April 2021. The Board of Directors is comprised of 9 members<sup>(1)</sup>, of which 8 are non-executive directors, including 3 directors who are considered to be independent. The Board Chairman is Alexander Natalenko. The Chairman is responsible for leading the Board and ensuring its effectiveness.

The members of NOVATEK's Board have a wide range of expertise as well as significant experience in strategic, operational, financial, commercial and oil and gas activities. The Board members hold regular meetings with NOVATEK's senior management to enable them to acquire a detailed understanding of NOVATEK's business activities and strategy and the key risks impacting the business. In addition to these formal processes, Directors have access to the Company's medium-level managers for both formal and informal discussions to ensure the regular exchange of information needed to participate in the Board meetings and make balanced decisions in a timely manner.

Efficient operation of the Board of Directors is supported by the Corporate Secretary, who has sufficient independence (appointed and dismissed by the Board of Directors) and endowed with the necessary powers and resources to carry out its tasks in accordance with the Regulations on the Corporate Secretary (approved by the Board of Directors, Minutes No. 168 of 28 April 2014 with further alterations and amendments).

### The Board of Directors membership (elected at the Annual General Meeting of Shareholders on 23 April 2021):

- Alexander E. Natalenko – Chairman of the Board of Directors
- Andrei I. Akimov
- Arnaud Le Foll
- Dominique Marion
- Robert Castaigne
- Leonid V. Mikhelson
- Tatyana A. Mitrova
- Victor P. Orlov<sup>(1)</sup>
- Gennady N. Timchenko

### Board activities during the 2021 corporate year<sup>(2)</sup>

To ensure the Company's efficient performance, the Board meetings are convened on a regular basis at least once every two months. During corporate year 2021, the Board of Directors met 10 times, of which 4 meetings were held in the form of joint attendance. The following key issues were discussed and respective decisions made:

- reviewed and approved the Company's 2021 full year operating and financial results;

- recommended an interim dividend payment for first half 2021, based on interim financial results for the period, and a full year dividend payment for 2021, based on full year financial results;
- made decisions to convene an Extraordinary and Annual General Meetings of shareholders. During the meetings in 2020 telecommunications facilities were used to provide shareholders with remote access to participate and to fill out an electronic form of ballots;
- reviewed and approved NOVATEK's business plan for 2022;
- changed the composition of the Management Board;
- reviewed and approved NOVATEK's Sustainability Report 2020;
- approved a new edition of NOVATEK's Regulations on Risk Management and Internal Control System;
- made decision to acquire a 100% share of the NOVATEK-LNG Fuel by NOVATEK in order to implement the investment project "Small scale LNG production and sales of LNG and CNG (compressed natural gas) as motor fuel";
- made decision on NOVATEK's participation in the International Marine Forum of Oil Companies (OCIMF);
- made decision on creation of the Subcommittee on Climate and Alternative Energy within Strategy Committee;
- approved NOVATEK's Human Rights Policy;
- approved a new NOVATEK Buyback Program; and
- approved the plan of activities of the Internal audit Department of NOVATEK for 2022.

In order to improve efficiency of corporate governance and in accordance with the recommendations of the Russian Corporate Governance Code the Company carried out an external assessment of the BoD and the BoD Committees activities by engaging an external independent consultant once every three years and self assessment annually.

During the period from December 2021 to February 2022, an independent external consultant OOO PricewaterhouseCoopers Advisory conducted an independent evaluation of the Board of Directors of PAO NOVATEK. The results of the evaluation were considered at the meeting of the Board of Directors.

1. The powers of the elected member of the Board of Directors Victor P. Orlov were prematurely terminated on 23 August 2021 due to his premature death.  
2. From the Annual General Meeting of Shareholders on 23 April 2021 until 21 April 2022.

The assessment perimeter included the following areas:

- evaluation of the effectiveness of the Board of Directors as a whole;
- evaluation of the effectiveness of each committee of the Board of Directors;
- evaluation of the effectiveness of the Chairman of the Board of Directors; and
- evaluation of the effectiveness of the Corporate Secretary.

The assessment methodology involves a survey (questionnaire) of members of the Board of Directors, individual interviews with members of the Board of Directors and some key executives of the Company, as well as an analysis of the Charter and internal documents of PAO NOVATEK that regulate the activities of the Board of Directors and its committees, materials for meetings and minutes of meetings of the Board of Directors and committees, etc.

The activity of the Board of Directors of NOVATEK and its committees was analyzed and assessed in terms of its compliance with the recommendations of the Corporate Governance Code of the Russian Federation, Moscow Exchange Listing Rules, the recommendations of the Central Bank of the Russian Federation on the organization of risk management, internal control, internal audit, the work of the committee of the Board of Directors (Supervisory Board) on audit in public joint stock companies, the recommendations of the Central Bank on the formation and succession of the Board of Directors, as well as the best international and Russian practices.

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

Based on the evaluation we determined directions for increasing the Board of Directors performance efficiency.

#### Board and Committee meetings attendance in the 2021 corporate year

Member	Independence	Board of Directors	Audit Committee	Remuneration and Nomination Committee	Strategy Committee
Alexander E. Natalenko		10/10			4/4
Andrei I. Akimov		10/10			4/4
Tatiana A. Mitrova	independent	10/10			4/4
Dominique Marion		9/10			4/4
Robert Castaigne	independent	10/10	4/4	5/5	
Arnaud Le Foll		9/10	4/4	5/5	4/4
Leonid V. Mikhelson	executive	10/10			
Victor P. Orlov <sup>(1)</sup>	independent	4/10	1/4	2/5	
Gennady N. Timchenko		10/10			4/4

## Board Committees

The Company has 3 Board Committees: the Audit Committee, the Remuneration and Nomination Committee and the Strategy Committee. The Committees' activities are governed by the specific Committee Regulations approved by the Board of Directors and are available on our website. In 2021, the Board of Directors made decision to create the Subcommittee on Climate and Alternative Energy within Strategy Committee.

The Committees play a vital role in ensuring that the high standards of corporate governance are maintained throughout the Company and that

specific decisions are analyzed and the necessary recommendations are issued prior to general Board discussions. The minutes of the Committees meetings are circulated to the Board members and are accompanied by necessary materials and explanatory notes.

In order to carry out their duties, the Committees may request information or documents from members of the Company's executive bodies or heads of the Company's relevant departments. For the purpose of considering any issues being within their competence, the Committees may engage experts and advisers having necessary professional knowledge and skills.

#### Board of Directors' Committees membership:

	Audit Committee	Strategy Committee	Subcommittee on Climate and Alternative Energy	Remuneration and Nomination Committee
<b>Chairman</b>	Robert Castaigne	Tatyana A. Mitrova	Dominique Marion	Victor P. Orlov <sup>(1)</sup> Tatyana A. Mitrova <sup>(2)</sup>
<b>Members</b>	Tatyana A. Mitrova Victor P. Orlov <sup>(1)</sup> Alexander E. Natalenko <sup>(3)</sup>	Andrei I. Akimov Arnaud Le Foll Dominique Marion Alexander E. Natalenko Gennady N. Timchenko	Arnaud Le Foll Robert Castaigne Tatyana A. Mitrova Alexander E. Natalenko	Robert Castaigne Alexander E. Natalenko <sup>(3)</sup>

#### Audit Committee

The primary function of the Audit Committee is control over financial and operating activities of the Company. In order to assist the Board in performing control functions the Committee is responsible for but not limited to evaluating accuracy and completeness of the Company's full year financial statements, the candidature of the Company's external auditor and the auditor's report, and the efficiency of the Company's internal control procedures and risk management system.

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

In corporate year 2021, the Audit Committee met 4 times, including 3 meetings in presentia, where:

- held two meetings with the Company's external Auditor to discuss the Audit Plan and review an

audit report of the Company's activities for the year end;

- reviewed the risk register of NOVATEK Group;
- reviewed the reports on compliance with the Information Policy and Anti-corruption policy;
- reviewed quarterly financial indicators of the Company;
- approved the reports on the activities of the Company's Internal Audit Department for the first six months and full year;
- made recommendations to the Board of Directors on approval of the Company's Annual report and Internal Audit Plan;
- made recommendations on the Company's Auditor nominee and amount of remuneration;
- considered the conclusion of the Internal Audit Department on assessing the reliability and effectiveness of the risk management system, internal control system, and corporate governance;

1. The powers of the elected member of the Board of Directors Victor P. Orlov were prematurely terminated on 23 August 2021 due to his premature death.

2. The Chairwoman of the Remuneration and Nomination Committee since 07 December 2021, the member of the Committee until 07 December 2021.  
3. Since 07 December 2021.



- preliminarily reviewed and made recommendations to the Board of Directors on approval of a new edition of NOVATEK's Regulations on Risk Management and Internal Control System; and
- considered other issues within the competence of the Audit Committee.

#### Remuneration and Nomination Committee

The primary functions of the Remuneration and Nomination Committee is the development of an efficient and transparent compensation practice of members of the Company's management, enhancement of the professional expertise, improvement of the Board of Directors' effectiveness, and preparation of recommendations for the Company's Board of Directors for decisions making to determine priority areas of activity in sustainable development, industrial safety, environmental protection, climate impact, corporate governance and social activities. In order to assist the Board, the Committee performs the following functions:

- develop and regularly review the Company's policy on remuneration of the members of the Board of Directors, members of the collective executive body and the sole executive body of the Company, oversee its implementation and realization;
- preliminarily assess the work of the executive body of the Company for the year in accordance with the Company's remuneration policy;
- annual detailed and formalized performance self-appraisal or external appraisal of the Board of Directors and its members, as well as of BoD Committees, determination of the priority areas for reinforcing the Board of Director's composition;
- interaction with shareholders, which shall not be limited to major shareholders only, with a view to generate recommendations to the shareholders with respect to voting on the election of nominees to the Company's Board of Directors;
- plan appointments of members of the executive body and the sole executive body on the base of continuity principles;
- supervision over disclosure of information on the Company's shares owned by the members of the Board of Directors and Management Board, and other key management employees; and
- annual review reports on industrial safety, environmental protection, climate impact, corporate governance and social activities, as well as review the Company's Sustainability Reports.

In corporate year 2021, the Remuneration and Nomination Committee met 5 times, including 2 meetings in presentia, where:

- reviewed NOVATEK's 2020 Sustainability Report and recommended for approval by the BoD;
- reviewed NOVATEK Group's 2020 HSE performance report;
- made recommendations in accordance with NOVATEK Group's Executive Bodies and Other Key Employees Remuneration and Expense Reimbursement Policy;
- reviewed NOVATEK's HR management policy performance report in 2021;
- reviewed the report on NOVATEK's social performance in the regions where the Company operated in 2021;
- made recommendations to the BoD to form the BoD's Committees in accordance with recommendations of the Corporate Governance Code as well as information about members of the BoD;
- made recommendations to the General Meeting of Shareholders on remuneration to the BoD members;
- held a meeting with representatives of OOO PricewaterhouseCoopers Advisory to review information on the upcoming external assessment of the activities of the Board of Directors and Committees;
- reviewed the report on external appraisal of NOVATEK's Board of Directors and BoD Committees' Performance;
- preliminarily reviewed and made recommendations to the Board of Directors on approval of the Company's Human rights Policy; and
- considered other issues within the competence of the Committee.

#### Strategy Committee

The primary functions of the Strategy Committee are the determination of strategic objectives of the operations and control over the implementation of the strategy, as well as recommendations on the dividend policy.

In carrying out its responsibilities and assisting the members of the Board in discharging their duties, the Strategy Committee is responsible for but not limited to:

- evaluating the effectiveness of the Company's operations in the long-term;
- preliminarily reviewing and making recommendations on the Company's participation in other organizations;
- assessing voluntary and mandatory offers to acquire the Company's securities;
- considering the financial model and business valuation of the Company and its business segments in order to make recommendations to the Board of Directors in making decisions on the definition of business priorities of the Company;
- providing recommendations to the Board of Directors on transactions subject to approval by the Board of Directors; and
- providing recommendations to the Board of Directors with respect to the Company's policy on the use of its non-core assets.

In corporate year 2021, the Committee met 4 times, including 3 meetings in presentia, where:

- made recommendations regarding the amount and form of dividend payment for the first half and full year 2020;
- reviewed information on the implementation of the Corporate Strategy of PAO NOVATEK for the period up to 2030 in terms of:
  - analysis of domestic and international markets, logistics, risks and their assessment, targets;
  - implementation of the Arctic LNG 2 project;
  - status and preparation progress of the hydrocarbon resource base for the Arctic LNG 1 project; and
  - development of the NSR: the status of development of icebreaking and tanker fleets;
- preliminarily reviewed and made recommendations on the approval of the main parameters of NOVATEK's business plan (consolidated) for 2022, including sensitivity analysis of the business plan for 2022 depending on macro parameters; and
- considered other issues within the competence of the Committee.

#### Subcommittee on Climate and Alternative Energy (within Strategy Committee)

In July 2021, the Board of Directors established a Subcommittee on Climate and Alternative Energy (Subcommittee) within the Board's Strategy Committee. The dedicated Board Subcommittee will facilitate regular in-depth reviews of NOVATEK's climate strategy implementation and submit timely proposals on climate mitigation and abatement for consideration by the Board of Directors.

The Subcommittee will review various aspects of the Company's business operations and develop recommendations for the Board on the Company's strategy on climate and decarbonization issues, development of renewable energy sources and the potential production of low carbon fuels, including hydrogen.

In corporate year 2021, the Committee met 4 times, including 3 meetings in presentia, where:

- reviewed principles and criteria for selecting projects on renewable and alternative energy;
- presented status update on the low-carbon ammonia project implementation as part of NOVATEK's hydrogen energy business development;
- presented status update on the Sabetta wind farm project implementation as part of NOVATEK's renewable energy business development;
- reviewed status update on the efforts to achieve NOVATEK's environmental and climate targets until 2030;
- reviewed status update on CCS project implementation in Yamal as part of NOVATEK's LNG and gas chemical decarbonization (carbon footprint reduction) projects development; and
- reviewed NOVATEK's LNG marketing strategy amid the advancing climate agenda: green LNG, global emissions trading, EU taxonomy.

## Management Board

NOVATEK's Management Board is a collegial executive body responsible for the day-to-day management of the Company's operations. The Management Board is governed by the laws of the Russian Federation, NOVATEK's Articles of Association, resolutions of the General Meetings of Shareholders and the Board of Directors and by other internal documents. More information regarding the Management Board's competence is provided in NOVATEK's Articles of Association.

Members of the Management Board are elected by the Board of Directors from among the Company's key employees. The Management Board is subordinated to the Board of Directors and the General Meeting of Shareholders. The Chairman of the Management Board is responsible for leading the Board and ensuring its effectiveness as well as organizing the Management Board meetings and implementing decisions of the General Meeting of Shareholders and the Board of Directors. The Management Board was elected by the Board of Directors on 25 August 2017 (Minutes No. 198 of 25 August 2017) with further amendments by resolution of the Board of Directors on 12 July 2018, 21 September 2018, 14 November 2018, 14 December 2018, 19 March 2019, 02 November 2020, 17 December 2021.

### Management Board Members from 1 January 2021 to 31 December 2021:

- **Leonid V. Mikhelson** – Chairman
- **Lev V. Feodosyev** – First Deputy Chairman
- **Evgeniy N. Ambrosov** – Deputy Chairman of the Management Board – Director for Marine Operations, Shipping and Logistics
- **Vladimir A. Baskov** – Deputy Chairman of the Management Board
- **Viktor N. Belyakov** – Deputy Chairman of the Management Board for Economics and Finance
- **Eduard S. Gudkov** – Deputy Chairman of the Management Board
- **Mark A. Gyetvay** – Deputy Chairman of the Management Board
- **Evgeny A. Kot** – Deputy Chairman of the Management Board – LNG Director (the authorities were terminated on 17 December 2021)
- **Vladimir A. Kudrin** – Deputy Chairman of the Management Board – Director for Geology (elected on 17 December 2021)
- **Tatyana S. Kuznetsova** – Deputy Chairman of the Management Board
- **Denis B. Solovyov** – Deputy Chairman of the Management Board – Director of Information Policy Department
- **Sergey G. Solovyov** – Deputy Chairman of the Management Board – Director for Prospective Projects (since 17 December 2021; until 17 December 2021 Deputy Chairman of the Management Board – Director for Geology)
- **Ilya V. Tafintsev** – Deputy Chairman of the Management Board
- **Sergey V. Vasyunin** – Deputy Chairman of the Management Board – Operations Director

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

The procedure for calculating the remuneration and compensations to members of NOVATEK's Board of Directors is governed by the Regulations on Remuneration and Compensations payable to members of NOVATEK's Board of Directors approved by the Annual General Meeting of Shareholders (Minutes No. 122 of 24 April 2015) with subsequent changes made by the decision of the Annual General meeting of shareholders on 23 April 2019. According to the Regulations the remuneration consists of the following types:

- fixed part of remuneration;
- remuneration for attending the Board of Directors meetings; and
- remuneration for attending the meetings of the committees of the Board of Directors.

The fixed part of remuneration to a Board member constitutes RR 15 million per corporate year. The Chairman of the Board of Directors is paid a fixed

remuneration for the performance of its functions in the amount of RR 30 million per corporate year. Members of the Board of Directors are also paid remuneration for attending the meetings of the Board of Directors in the maximum amount of RR 4.5 million per corporate year and remuneration for attending the meetings of the committees of the Board of Directors in the maximum amount of RR 3 million per corporate year. The Board members are also compensated for travel and lodging expenses related to implementation of their functions as NOVATEK's Board of Directors' members.

The procedure for and criteria of calculating remuneration to the Chairman and members of NOVATEK's Management Board, as well as the compensation of their expenses, are prescribed in the Regulations for the Management Board, the NOVATEK group Executive Bodies and other Key Employees Remuneration And Expense Reimbursement Policy (approved by the BoD on 17 December 2019, Minutes No. 226 of 17 December 2019) and the employment contracts they sign with the Company.

### Information on remuneration of members of NOVATEK's Board of Directors and Management Board in 2021, RR mln

	Board of Directors <sup>(1)</sup>	Management Board
<b>Total paid, including:</b>	<b>192.6</b>	<b>3,295.3</b>
Salaries	–	1,036.0
Bonuses	–	2,259.3
Fees	192.4	–
Other property advancements	0.2	–

## Risk Management and Internal Control System

### Risk Management and Internal Control System Model

The Company has a comprehensive Risk Management and Internal Control System (RMICS) aimed at protecting assets, improving business processes, enhancing operational efficiency and complying with applicable laws and regulations.

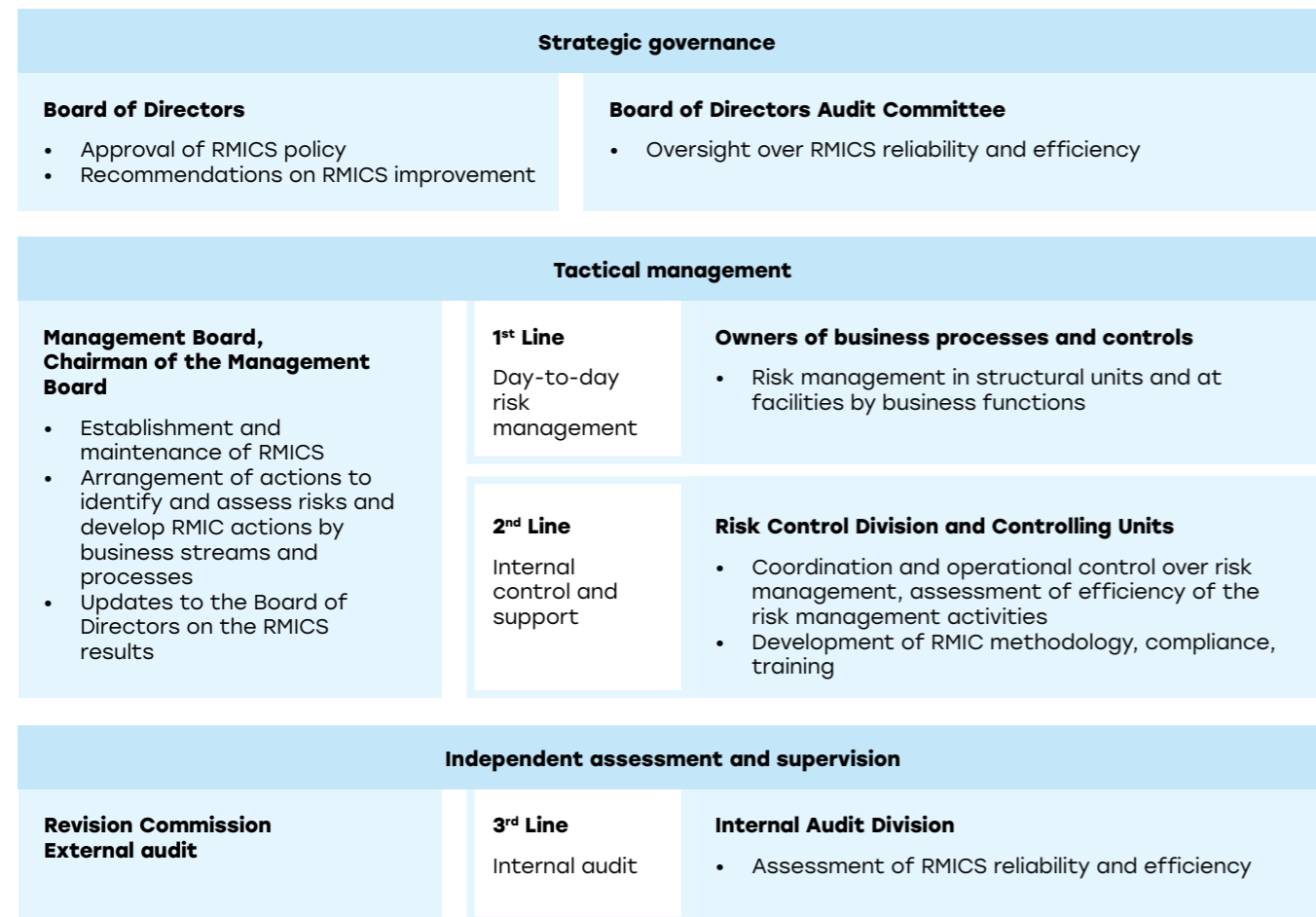
Timely identification of discrepancies and sources of inefficiency, analysis and forecasting of future scenarios, development of measures to prevent or reduce risks impact contribute sufficiently to achieving the Company's operational and strategic goals.

The Company's RMICS is implemented on a constant basis and covers all levels of corporate governance, areas of activities and business processes in all NOVATEK structural and standalone units.

The Company's RMICS functioning implies the involvement of all levels of corporate governance in the activity for timely risks and discrepancies identification and management and includes the alignment of RMICS at strategic and tactical management levels as well as ensuring independent evaluation and oversight over the RMICS functioning (see the table below).

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

**NOVATEK's Risk Management and Internal Control System model**



**Key documents governing NOVATEK's RMICS <sup>(1)</sup>**

Regulations on Risk Management and Internal Control System	Supplier Code of Conduct	Insider Information Access and Distribution Policy
	Anti-Corruption Policy	
Code of Business Ethics	Internal Audit Policy	Human Rights Policy

The main RMICS principles and approaches, goals and targets, participants obligations and cooperation procedures are regulated by the Regulations on NOVATEK Risk Management and Internal Control System approved by the Board of Directors.

The 2021 updated version of the Regulations on NOVATEK RMICS (BoD meeting Minutes No. 247 of 27 August 2021) takes into account the best international practices used in the Company, Russian Central Bank's recommendations on

organizing the RMICS, as well as the changes in the Company's organization structure.

In order to implement the Regulations on NOVATEK RMICS, the Company developed Internal Documents, governing various aspects of the RMICS functioning, including internal audit, combating corruption, compliance with business ethics, control over insider information distribution, processing and use of personal data, etc. Most of the documents are available at the Company's official website.

1. The list includes only the main high-level policies and does not include Internal Regulations on individual aspects of RMICS, developed pursuant to these documents.

**Internal Audit Division**

In order to assist the Company's Board of Directors and its executive bodies in preserving and increasing the value of the NOVATEK Group, the NOVATEK Internal Audit Division performs objective internal audits based mainly on the risk-oriented approach.

The internal audit function in NOVATEK is centralized.

In its activities, the Internal Audit Division is guided by the applicable laws of the Russian Federation, NOVATEK's internal documents and International Standards for the Professional Practice of Internal Auditing. The main document regulating internal audit activities is NOVATEK's Internal Audit Policy, in which the Board of Directors defined the internal audit's goals, objectives, functions and powers, as well as the internal audit's place in the Company's organizational structure.

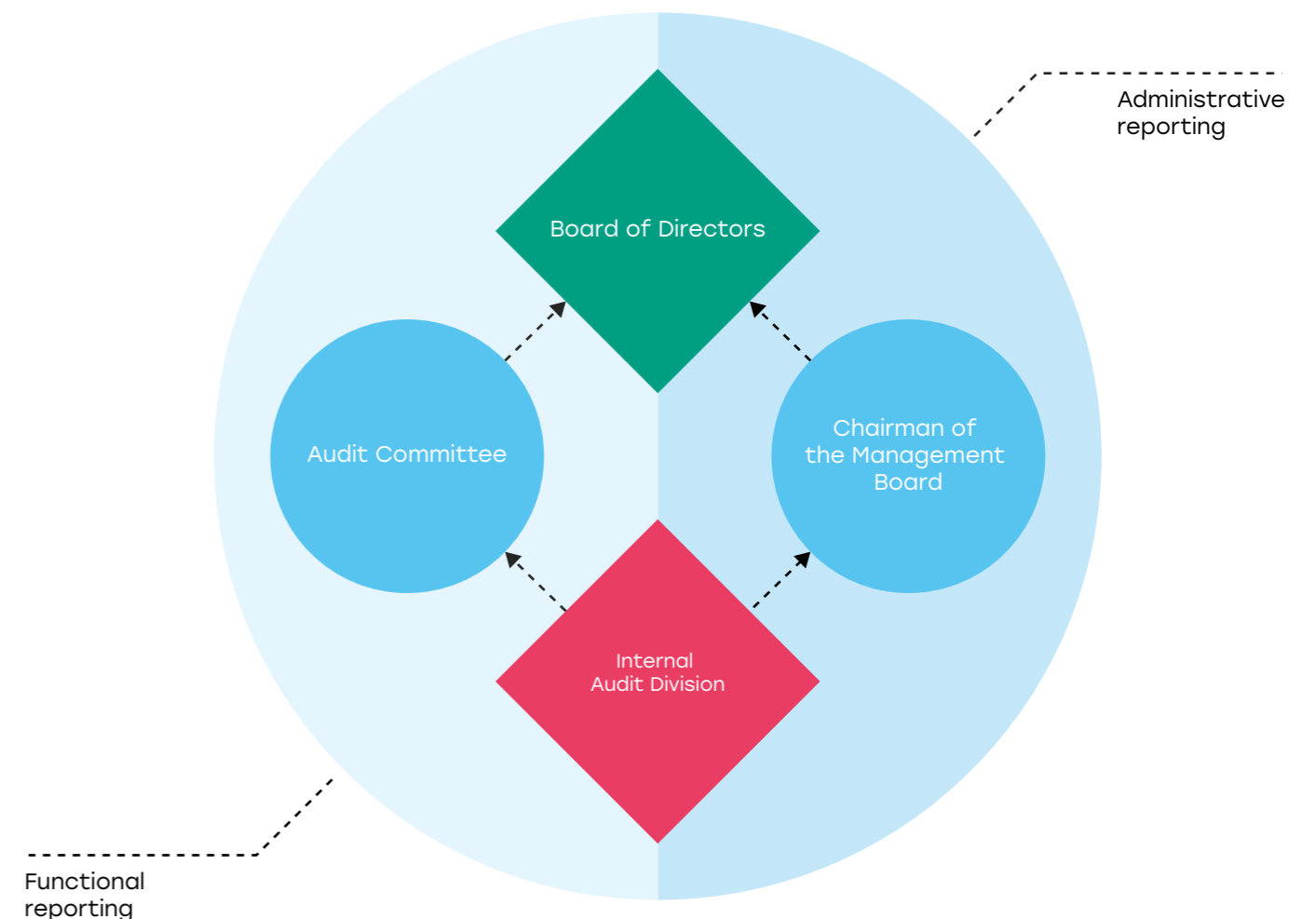
**▲ Organizational Independence**

Internal Audit Division is:

- functionally subordinated to the Board of Directors, which, among other things, approves the Internal Audit Policy and the Internal Audit Division Working Plan; and
- administratively subordinated to the sole executive body, the Chairman of the Management Board, who facilitates the implementation of the Internal Audit Policy and internal audit activities.

To efficiently perform the internal audit function:

- the Internal Audit Division is provided unimpair access to any assets, documents, accounting entries and other information related to the activities of the NOVATEK Group; and
- the Internal Audit Division head may directly approach the Chairman of the Board of Directors, the Chairman of the Audit Committee and the Chairman of the Management Board.



Functional reporting

▲ **Activities in the reporting period**

In 2021, the Internal Audit Division carried out its activities based on the annual plan prepared using mainly risk-oriented approach and approved by the Board of Directors after preliminary review by the Audit Committee. The Internal Audit Division monitored the implementation of recommendations to eliminate the risks identified by internal audits and improve the internal control system.

In 2021, the Internal Audit Division monitored the hotline for Code of Business Conduct and Ethics compliance and, from December 2021, the hotline for Human Rights Policy compliance.

As the third element of the risk management and internal control system, internal audit annually evaluates the system reliability and efficiency. Based on the 2021 performance, the Internal Audit Division issued an opinion on the reliability and efficiency of the RMICS, which is referred by the Federal Law "On Joint Stock Companies" to information (materials) to be provided to persons entitled to participate in a general meeting of shareholders.

The results of the NOVATEK Internal Audit Division work in 2021 were reviewed by the Audit Committee comprised of independent directors who recognized NOVATEK's internal audit performance in 2021 as efficient.

▲ **Internal and external quality assessment**

The Internal Audit Division implements a program to assess and improve the quality of the internal audit function, whereby:

- internal quality assessment is performed annually; and
- an independent external quality assessment is performed once every five years.

In 2018, the Internal Audit Division initiated the first independent external assessment. The initiative was supported by executive management and the Audit Committee. The assessment by EY identified the compliance of NOVATEK's Internal Audit Division activities with International Standards for the Professional Practice of Internal Auditing (Certificate dated 22 March 2019).

▲ **Coordination of activities with other parties**

The Internal Audit Division interacts with an external auditor in sharing information related to working plans, inspection results and other matters of relevance. To improve the efficiency and optimize the costs, the Internal Audit Division employees serve on the revision commissions of the Company affiliates.

**Risk Management System**

NOVATEK has built a risk management system to ensure sustainable development in the context of uncertainty and ambiguous environment, which involves systemic assessment and response to all risks that may hinder the achievement of the Company's goals.

The Company's risk management system implies identifying and quantifying risks, designing activities to prevent or mitigate the adverse effects of possible risk materialization, and an ongoing monitoring of the implementation thereof during the year.

Risk management is an integral part of the Company's operational and strategic planning process and is carried out in accordance with the principles and approaches established by the RMICS Regulations and other internal regulations, which detail the following aspects of the risk management process:

1. risk identification;
2. risk classification;
3. risk assessment;
4. risk management practices; and
5. control over risk management activities and their development.

To describe risks, the Company uses risk maps that systematize the risks of all business processes and business lines of the Company which may create threats to the achievement of the Company's goals over a period of 1-3 years.

The Company regularly informs the Management Board and the Board of Directors about the results of risk management activities.

The Additional Information section of this report contains a list of the Company's key risks and an overview of measures to prevent/mitigate the negative impact of these risks on the Company's business.

▲ **Risk Insurance**

Given the scale of operations and complexity of the projects being implemented, NOVATEK extensively applies compulsory and voluntary insurance programs, described in the table below.

All of NOVATEK's insurance programs are implemented with the engagement of major Russian and international insurance and reinsurance companies with trustworthy reputations and high ratings.

In 2021, no insured major accidents or incidents occurred.



**Property Damage and Business Interruption (PD/BI) insurance program**

Includes insurance coverage for property, inter alia risk of mechanical failures, and business interruption with respect to the Group's key assets, with the view to mitigating the consequences of possible accidents and loss of profit



**Investment projects risks insurance programs**

Comprehensive insurance programs for major projects (such as Yamal LNG, Arctic LNG 2, etc.) across the project's lifecycle stages (engineering, exploration and production, construction, operation, transportation of finished products)



**Liability insurance program for owners of HPF and vehicles**

Includes assessment and insurance of liability risks in the operation of HPF and vehicles of the Company (injuries and death from incidents and accidents)



**Third-party and environmental liability insurance program**

Third-party liability and environmental pollution insurance program, including against personal injury or property damage to third parties and environmental damage as a result of incidents at the Company's facilities



**Property damage insurance program**

Insurance program for non-production facilities (administration buildings, accommodation camps and other social infrastructure facilities)



**Well insurance program**

The Group's producing subsidiaries and affiliates procure control of well insurance as well as insurance against risks of damage to drilling equipment



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

Insurance for senior executives and the Group's liability and in case of third-party claims related to improper actions or decisions by the management bodies



**Marine risks insurance program**

Insurance of finished products and project cargoes during transportation, marine hull and machinery insurance, ship owner's and charterer's liability insurance

### ▲ Business continuity plans

In addition to the requirements under Russian legislation for regular identification and control of risks at hazardous production facilities, since 2018 the Company develops business continuity plans for large production facilities. The purpose of developing continuity plans is to secure rapid recovery of production processes by implementing previously developed measures and procedures for staff interaction to mitigate consequences of accidents at the key Company's facilities. The development of business continuity plans covers all of the Group's subsidiaries and joint ventures and continued on a systematic basis in 2021.

### Revision Commission

The Revision Commission consisting of four members is elected at the Annual General Meeting of Shareholders for a period of one year. The competence of the Revision Commission is governed by the Russian Federation Law On Joint Stock Companies No. 208-FZ dated 26 December 1995 as well as the PAO NOVATEK Articles of Association and the Regulations on the Revision Commission Procedures approved by the General Meeting of Shareholders in 2005 (Minutes No. 95 of 25 March 2005) for the matters which are not set out in the aforementioned law.

The Revision Commission is an internal control body responsible for oversight of the Company's financial and business activities. The Revision Commission performs audits of the Company's financial and business performance for the year, as well as any other period as may be decided by its members or other persons authorized in accordance with Russian Federation law and the Company's Articles of Association. The results are presented in the form of findings by the Revision Commission.

In March 2022, the Revision Commission completed the on-site audit revision of financial and business activities of the Company for the year 2021. As a result, the conclusions about the reliability of the data contained in the Company's 2021 Financial Statements (under the Russian accounting standards), 2021 Annual Report and Report on interested-party transactions were prepared and submitted to the Annual General Meeting of Shareholders.

### Corporate Ethics and Compliance

In performing its operations and interacting with partners, NOVATEK focuses on compliance with ethical standards and ensuring that its activities comply with the laws of the countries where the

Company operates. The commitment to maintaining advanced legal and ethical standards is the Company's corporate governance standard, which applies not only to the Company's employees, but also to all partners with whom the Company interacts.

Supplier Code of Conduct for NOVATEK Group suppliers includes the principles of business transparency and integrity, business ethics and sustainable development which NOVATEK's suppliers are expected to follow.

NOVATEK's Human Rights Policy formalizes the Company's position on human rights and incorporates all the fundamental principles, including respect for human dignity, providing safe working conditions, non-discrimination, as well as respect for the rights, distinctive culture, and customs of local communities, including indigenous minorities.

### ▲ Compliance with Anti-Corruption Laws

NOVATEK believes that one of the most important conditions for sustainable business development is strict compliance with applicable anti-corruption laws.

The Anti-Corruption Policy, approved by the Board of Directors, is in place since 2014 (Minutes No. 170 of 1 September 2014). The Company hereby declares that it rejects unlawful business practices and assumes anti-corruption obligations in all areas of its activities and in its interaction with partners.

The Company develops and implements best international and Russian anti-corruption practices, analyzes potential corruption-related risks on a regular basis, and implements the required internal control procedures to prevent corruption. Given the importance of compliance with anti-corruption laws for the Company's reputation as an honest and reliable partner, NOVATEK regularly trains its employees in the Anti-Corruption Policy norms and the Company's ethical values.

The Company also has a security hotline (<https://www.novatek.ru/en/about/Hotline/>), which any employee, counterparty or other stakeholder can contact to report any facts or signs of corruption in relation to any aspect of the Company's activities. Following each report, an internal investigation is arranged within the Company, with relevant mitigation actions taken.

The Company ensures regular provision of information to the Board of Directors on the results of activities aimed at compliance with Anti-Corruption Policy and about all the reports submitted to the Security Hotline.

### ▲ Business Ethics Compliance

In order to comply with the Code of Business Conduct and Ethics approved by the Board of Directors (Minutes No. 133 of 24 March 2011), any interested person can report known violations to the following address: [ethics@novatek.ru](mailto:ethics@novatek.ru), or by other means of communication indicated on the Company's website. All queries related to ethics issues are received by the Internal Audit Division.

Queries through the 24/7 hotline are also available at [ethics@novatek.ru](mailto:ethics@novatek.ru) for any problems or concerns about human rights violations. NOVATEK guarantees confidentiality and the prevention of pressure or influence measures against a person who has reported such violations conscientiously.

### ▲ Compliance with Law Requirements

NOVATEK's activities are based on the fundamental principle of full compliance with the norms and requirements established by Russian legislation, international legislation and all international treaties and agreements.

As part of RMICS, the Company continuously implements control procedures to ensure compliance with applicable laws in all areas of the Company's operations and disclosure of information about the Company's activities as required by law.

### External Auditor

The Annual General Meeting of Shareholders approved an external auditor to conduct independent review of NOVATEK's financial statements. The Audit Committee gives recommendations to the Company's Board of

Directors regarding the candidatures of external auditors and the price of their services. Based on the Committee's recommendations, the Board proposes the auditor's candidature for the consideration and for approval by the Annual General Meeting of Shareholders.

AO PricewaterhouseCoopers Audit (an internationally recognized audit firm) was chosen as the Company's external auditor to conduct the audit of the annual financial statements for 2021 under RAS, as well as independent reviews of the Company's quarterly consolidated financial statements and audit of the annual consolidated financial statements under IFRS and Sustainability report.

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

The Audit Committee oversees the external auditor's independence and objectivity as well as the quality of the audit conducted. The Committee annually provides to the Board of Directors the results of review and evaluation of the audit opinion regarding the Company's financial statements. The Audit Committee meets with the auditor's representatives at least twice per year.

NOVATEK's management is aware of and accepts recommendations on the independence of the external auditor by restricting such auditor's involvement in providing non-audit services.

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

### Auditor's fees in 2021, RR mln

Audits of PAO NOVATEK (audit of the Group's consolidated financial statements and audit of statutory financial statements of PAO NOVATEK)	38
Other services	11
<b>Total auditor's fees and services</b>	<b>49</b>

## Share Capital

Our share capital is RR 303,630,600 and consists of 3,036,306,000 ordinary shares, each with a nominal value of RR 0.1. As of 31 December 2021, NOVATEK did not have preference shares.

Our shares are traded in Russian roubles on the Moscow Exchange and have a first grade listing (symbol: NVTK).

The Federal Financial Market Service issued to NOVATEK a permit for circulation of shares beyond the Russian Federation of 910,589,000 ordinary shares comprising 29.99% of the Company's share capital.

Our Global Depositary Receipts (GDR) are listed on the London Stock Exchange (symbol: NVTK), with each GDR representing 10 ordinary shares. As of 31 December 2021, NOVATEK's GDRs were issued on 530,043,850 ordinary shares comprising 17.46% of the Company's share capital.

### Equity stakes in NOVATEK's share capital and the number of shares owned by members of the Board of Directors and Management Board<sup>(1)</sup>

	As of	Equity stake	Number of ordinary shares, including GDRs certifying rights of ordinary shares
<b>Board of Directors</b>			
Alexander E. Natalenko	31.12.2021	–	–
Andrei I. Akimov	31.12.2021	–	–
Michael Borrell	23.04.2021	–	–
Robert Castaigne	31.12.2021	–	–
Dominique Marion	31.12.2021	–	–
Leonid V. Mikhelson	31.12.2021	0.0067	202,238
Tatyana A. Mitrova	31.12.2021	–	–
Victor P. Orlov	23.08.2021	–	–
Gennady N. Timchenko	31.12.2021	–	–
Arnaud Le Foll	31.12.2021	–	–
<b>Management Board</b>			
Evgeniy N. Ambrosov	31.12.2021	–	–
Vladimir A. Baskov	31.12.2021	0.0288	874,408
Viktor N. Belyakov	31.12.2021	–	–
Lev V. Feodosyev	31.12.2021	–	–
Mark A. Gyetvay	31.12.2021	–	–
Eduard S. Gudkov	31.12.2021	–	–
Evgeny A. Kot	17.12.2021	–	–
Vladimir A. Kudrin	31.12.2021	–	–
Tatyana S. Kuznetsova	31.12.2021	0.1944	5,903,035
Denis B. Solovyov	31.12.2021	–	–
Sergey G. Solovyov	31.12.2021	0.0012	37,660
Ilya V. Tafintsev	31.12.2021	0.0012	35,000
Sergey V. Vasyunin	31.12.2021	0.0003	9,320

1. The equity stakes are given based on the records in the register of NOVATEK's shareholders and notification received from members of the Board of Directors and Management Board, in accordance with the Russian Federation laws.

## Dividends

The Company's Dividend Policy is regulated by the Regulations on Dividend Policy of PAO NOVATEK, with its new amendments approved by the Board of Directors on 18 December 2020 (Minutes No. 236 of 18 December 2020). The new Dividend Policy increased the minimum target payout level from 30% to 50% of the adjusted consolidated net profit according to the International Financial Reporting Standards (IFRS), considering sustainably strong operating and financial results as well as significant growth in the scale of the Company's operations. The changes are aimed at strengthening NOVATEK's investment case and increasing total shareholder returns.

NOVATEK's dividend policy is based on keeping the balance between the Company's business goals and shareholder's interests. A decision to pay dividends as well as the amount of the dividend, the payment deadline and form of the dividend is passed by the Annual General Meeting of Shareholders according to the recommendation of the Board of Directors. Dividends are paid twice a year. In determining the recommended amount of dividend payments to be distributed the Board

of Directors consider the current competitive and financial position of the Company, as well as its development prospects, including operating cash flow and capital expenditure forecasts, financing requirements, debt servicing and other such factors as it may deem relevant to maintaining financial stability and flexible capital structure of the Company. NOVATEK is strongly committed to its dividend policy.

On 18 March 2022, the Board of Directors of PAO NOVATEK recommended to the Annual General Meeting of Shareholders to pay dividends for FY 2021 in the amount of RR 43.77 per ordinary share or RR 437.70 per one Global Depositary Receipt (GDR), exclusive of RR 27.67 of interim dividends per ordinary share or RR 276.70 per one GDR paid for the first six months of 2021.

Thus, should the General Meeting of Shareholders approve the recommended dividend, the dividends for 2021 will total RR 71.44 per ordinary share (RR 714.40 per one GDR), and the total amount of dividends payable for 2021 will be RR 216,913,700,640. This will represent a 101% increase in dividend per share compared to 2020.

### Accrued and paid dividends on NOVATEK shares for the period 2016 to 2021

Dividend Accrual Period	Amount of dividends, RR per share	Total amount of dividends accrued, RR	Total amount of dividends paid, RR
2016	13.90	42,204,653,400	42,204,606,695
2017	14.95	45,392,774,700	45,392,729,448
2018	26.06	79,126,134,360	78,746,621,007
2019	32.33	98,163,772,980	97,207,985,267
2020	35.56	107,971,041,360	106,783,857,524
First half 2021	27.67	84,014,585,664	83,046,005,167

The amount of paid dividends accrued for the years 2016 to 2020, and for the first six months 2021 is reported as of 31 December 2021. Partial payment of the accrued dividends was made due to provision by shareholders of incorrect postal and/or banking details, as well as due to the return of unpaid dividends by nominal shareholders.

### Information Transparency

NOVATEK complies with the best practices for information disclosure while adhering to a maximum level of information transparency. The Regulations on Information Policy approved by the Board of Directors as amended and restated in 2017 (Minutes No. 198 of 25 August, 2017), define main principles for disclosing information and increasing information transparency.

Material information about the Company is disclosed in a timely manner in the form of press releases and notification of material facts through

authorized disclosure channels and by posting such information on the Company's website. The information is disclosed in full compliance with Russian and international legal requirements. The Company discloses quarterly financial statements in accordance with the Russian ("RAS") and International Financial Reporting Standards ("IFRS"), Management's Discussion and Analysis of Financial Condition and Results of Operations as well as presentations for investors.

The Company's website provides detailed information on all aspects of its activities, including our Sustainability Report. NOVATEK has been annually reporting on its GHG emissions and energy efficiency of its operations via the global Carbon Disclosure Project (CDP), as well as other industry's publications and studies.

The Company maintains an ongoing dialog with shareholders and investors in order to ensure full awareness of investment community about its activities. The main channels of communication

with the investment community are through the Chairman of the Management Board, Deputy Chairman and the Investor Relations department. The Company's representatives meet on a regular base with key financial audiences to discuss issues of interest to them.

In 2021, the effective implementation of the Regulations on NOVATEK Information Policy allowed NOVATEK to build a steady goodwill as Russia's largest independent natural gas producer and one of the global leaders in LNG production.

Pursuant to the information policy principles, NOVATEK is actively involved in relations with federal, international and regional media. Following the 2021 results, there were more than 78 thousand publications about the Company, which is a 30% increase year on year. Beyond that, the number of publications in federal mass media increased significantly and reached 66% (compared to 57% in the previous year), which testifies to the strengthening of the NOVATEK's position in the media space. 25% of all pieces were publications in local media, and 9% came from the international media.

The news topics included Yamal LNG and Arctic LNG 2 projects development, LNG Construction Center construction progress, as well as the Company's active involvement in the Arctic exploration, expanding of the navigation window via the NSR, LNG transshipment terminals construction in Kamchatka and Murmansk, entering new sales markets, localization of production and cooperation with Russian manufacturers of equipment for LNG plants. In addition to traditional production-related topics, great attention in 2021 was given to news related to the ESG agenda. In the Company's strategy for the period up to 2030, sustainable development is one of the key elements. NOVATEK continues its work to reduce the Company's carbon footprint, reduce GHG emissions at its facilities, provide consumers with cleaner energy and produce low-carbon products. The ESG topics in the Company's business were widely covered in the media.

In 2021, the qualitative indicators of media activity improved with the nature of publications about the Company taking a more positive tone. The number of positive publications rose by 19%. This resulted from the focused efforts to highlight the prospective projects, ESG topics, in particular, decarbonization. High citation index (14%) testifies to the weight of the Company's and its speakers' opinion in the media.

Last year, there was a significant increase in the number of public events that covered the Company's operations. A large-scale press tour for the Russian and international mass media journalists was arranged to visit the operation sites of the LNG Construction Center and Arctic LNG 2. During the Contractors and Suppliers Forum held at LNG Construction Center in Murmansk, a tour and a press conference for journalists were arranged, which made it possible to talk about the progress of the LNG Construction Center construction and the Arctic LNG 2 prospects. Visits of regional and federal media to the Company's production facilities in the Murmansk Region and the Yamal-Nenets Autonomous Region were organized. A series of public events with participation of the Chairman of the Management Board were held, including media briefings, online speeches, in-person signing ceremonies with partners.

The active interaction with federal, local and international journalists made it possible to increase significantly the quality of the Company positioning in the media.

The following corporate periodicals are published to position the Company and inform its employees, their family members and third parties of the Company activities: the NOVATEK newspaper and the NOVATEK PLUS magazine, containing materials on production plans and results as well as on cultural, sports and charity programs and projects.

The main NOVATEK news are published on the Company's official website and intranet portal. For interaction with public, NOVATEK makes use of up-to-date channels of information dissemination through social media. The Company keeps its accounts in English and Russian on Facebook, VKontakte, Twitter, Instagram, and Youtube, Telegram where the channel subscribers stay updated on the Company's activities and its projects' implementation. Around 850 publications were posted in the Company's accounts in 2021. At year-end, the number of subscribers was 40,593 people (year on year growth is over 20%). Over 12,000 posts and comments with references to the Company were published in social media in the reporting period.

# Additional Information

## Key business risks

The Company's business is associated with operating in complex and rapidly evolving environments. The Company's ability to achieve its targets and ambitions is maintained through timely risk identification, assessment and management.



The table below represents NOVATEK's key business risks, which may have the most significant impact on the achievement of the Company's operational and strategic goals, the operation of the Company's business model and the shareholder value generation, with its estimated potential impact on the Company's operations.



## Criticality of risk



The criticality of risk is an integral indicator of the risk impact on the Company's operations, including the combined impact of current forecasts of the probability of risk and a quantitative assessment of the consequences of its implementation. It is calculated based on the internal risk assessment methodology used by PAO NOVATEK.

Risk	Risk causes and consequences	Actions to mitigate risk impact
<b>OPERATIONAL RISKS</b>		
Process risks 	<ul style="list-style-type: none"> <li>Risks of property damage and business interruption due to accidents at key production facilities</li> <li>Risks of damage to third parties, life or health of the Company's employees during operation of hazardous production facilities</li> <li>Risks of damage to third parties during operation of vessels and other production facilities</li> </ul>	<p>The Company continuously monitors the compliance with Russian laws related to industrial safety and control over process parameters of machines and equipment across all production sites and industrial facilities of NOVATEK's entities.</p> <p>In compliance with OHSAS 18001:2007 and ISO 45001:2018, the Company has developed and deployed an integrated safety management system, which is used to implement approaches and action plans based on international standards to mitigate incident and accident risks for the purposes of reducing potential losses and avoiding occupational health risks.</p> <p>The Company's Central Dispatch Office enables prompt incident response. Each of the Company's entities has internal regulations and standards for prevention and containment of accidents and emergency situations (Emergency Containment Action Plans, Oil Spill Response Plans, etc.) and undergoes regulatory inspections for compliance with OHS requirements.</p> <p>When engineering and developing of new facilities and projects, the Company uses technology and equipment with high reliability and safety indexes for accident risk avoidance.</p> <p>In order to mitigate the risk of damage to third parties and potential damage or interruption of operations due to accidents, the Company uses insurance covering a wide range of areas: damages and business interruption, cargo transportation, liability, etc.</p> <p>The Company develops and implements business continuity plans enabling prompt accidents containment and recovery.</p>

Risk	Risk causes and consequences	Actions to mitigate risk impact
<p>Environmental risks</p> 	<ul style="list-style-type: none"> <li>Risks of impact on (damage to) the environment and biodiversity in the course of the Company's operation and as a result of accidents at production facilities</li> <li>Risks of stricter environmental laws and new policies</li> </ul>	<p>The Company has an environmental management system according to ISO 14001:2015 to ensure rational use of resources and minimize potential adverse effects of the Company's operations on the environment.</p> <p>The Company has developed a procedure to notify and coordinate subdivisions in the event of emergency situations in order to prevent damage to production facilities and the environment.</p> <p>The Company has a corporate greenhouse gas emission management system, which provides for incorporation of accounting, monitoring and emission mitigation planning into the Integrated Management System. The Company develops a GHG emission reporting system and uses efficient modern technologies for emission reduction during production, processing and transportation of hydrocarbon gases and liquids, natural gas liquefaction, power generation and other processes.</p> <p>When preparing and executing its large-scale projects, including all LNG projects, the Company always analyzes and implements actions to prevent and mitigate potential impact of the Company's operations on local ecosystems in regions and areas where the Company operates in order to prevent damage to vegetation, soil, air, and animals.</p> <p>In 2020, the Company's Board of Directors approved its environmental and climate targets to 2030, including CO<sub>2</sub> emission reduction, utilization of associated petroleum gas, and waste disposal.</p> <p>In 2021, the Company was searching for and developing engineering solutions to reduce greenhouse gas emissions in line with the 2030 emission reduction targets.</p> <p>In 2020, the Company also joined the International Methane Guiding Principles initiative (MGP), whereunder many actions have been taken during 2021.</p> <p>To reduce environmental risks, the Company uses insurance covering risks of damage to the environment in case of accidents.</p>
<p>Climate risks</p> 	<ul style="list-style-type: none"> <li>Risks associated with operating in adverse weather conditions of the Far North (low temperatures, ice navigation, polar night and day, etc.)</li> <li>Risks of the negative impact of climate change on the Company's business (global warming, rising sea-levels, increased number of hurricanes and floods, increase in ambient temperature and other climate anomalies (physical risks))</li> </ul>	<p>All entities continuously monitor temperatures, speed and strength of wind and other factors to maintain safe operation and occupational health in the Far North. Project cargoes and end products are delivered to customers using ice class vessels taking into account weather and ice conditions.</p> <p>Permafrost soils are monitored during engineering and operation of production facilities. Works are performed using piling technologies with thermal stabilization of soil. The risks of air temperature rise and permafrost thawing are being analyzed on a regular basis and relevant mitigation plans are being developed.</p> <p>To avoid the impact of climate risks on production facilities and business processes the Company uses insurance covering its production facilities and liability.</p>

Risk	Risk causes and consequences	Actions to mitigate risk impact
<p>Force Majeure risks (terrorism, mass epidemics)</p> 	<ul style="list-style-type: none"> <li>Risks associated with the global Energy Transition and international efforts to combat climate change (changes in value chains due to the transition to a low-carbon economy, renewables, changes in demand and requirements of customers for the Company's products, etc. (transition risks))</li> <li>Risks of business interruption/damage due to terrorist attacks at the Company's upstream and transportation facilities</li> <li>Risks associated with to the COVID-19 pandemic (maintaining occupational health and uninterrupted operation of facilities, ensuring compliance with regulatory requirements to working remotely, coping with global demand fluctuations, etc.)</li> </ul>	<p>The introduction of carbon policies in Russia and in the EU may entail incremental costs for the Company to meet the requirements. The Company monitors carbon initiatives as they are being adopted, in order to remain aware of the requirements of policymakers and customers of the Company.</p> <p>In 2020, the Company committed to 2030 environmental targets aiming to reduce man-made climate impact across the globe. In 2021, the action plan to achieve these targets was being implemented.</p> <p>The Company has put in place action plans to prevent terrorist threats at production facilities, transportation facilities and general infrastructure. Russian supervisory authorities conduct comprehensive inspections of counter terrorist security of the Company's facilities on a regular basis.</p> <p>For the purposes of maintaining occupational health and uninterrupted operation across the Company's entities in the face of the spread of COVID-19, in 2021 the Company continued to implement the action plans and fulfill the orders of Russian authorities aiming to prevent the spread of the coronavirus infection, including:</p> <ul style="list-style-type: none"> <li>regular testing of the Company's employees in order to promptly detect and prevent the spread of the infection;</li> <li>monitoring the health of rotational workers;</li> <li>encouraging vaccination and promoting mass immunity among employees;</li> <li>organizing remote work for employees;</li> <li>providing employees with PPE;</li> <li>online monitoring of infection cases dynamics; and</li> <li>complying with the orders of local authorities with regard to employees' work mode, etc.</li> </ul> <p>Despite the relative recovery of the global economy from the year 2020's coronavirus epidemic, COVID-19 was still causing a major impact across the globe in 2021. In 2021, the Company continuously monitored the epidemiological situation and responded promptly to any changes.</p>
<p>Vendor and contractor risks</p> 	<ul style="list-style-type: none"> <li>Risks of not meeting the deadlines for maintenance and commissioning capacities due to the failure by counterparties to perform their obligations (quality and timing of materials and equipment supply, works execution and services provision)</li> <li>Risks of cost increase due to procurement of materials and equipment, works and services at prices higher than the market ones</li> <li>Risks of the competition restriction and malpractice by employees</li> </ul>	<p>The Company has implemented comprehensive approaches to control the quality and timing of the counterparties' performance of their obligations under goods, materials and equipment supply contracts, construction contracts, and service agreements, including inspections of fabrication plants during equipment manufacturing and testing, as well as offloading control and incoming inspection at the Company facility.</p> <p>To eliminate the risks of contracting unreliable suppliers and vendors, the Company has introduced a procedure to qualify counterparties against the criteria of reliable performance of obligations, as well as financial, fiscal, and legal standing. The Company implements a long-term contracting approach towards strategic and successful counterparties.</p> <p>Suppliers and contractors are selected under transparent competitive procedures aimed at ensuring free access to all participants, which makes it possible to achieve the best commercial terms for the contracts.</p>



Risk	Risk causes and consequences	Actions to mitigate risk impact
	<ul style="list-style-type: none"> <li>Risks of longer vessel return voyages, a disruption of marketable products offtake, and tank tops, as well as default on obligations to buyers in terms of timely cargo delivery via the NSR</li> <li>Risks of monopoly suppliers of transportation services (Gazprom, Transneft, Russian Railways) (transportation tariffs growth, access to transportation infrastructure)</li> </ul>	<p>The Company has implemented modern methods procurement aimed at reducing the cost of purchasing feedstock, materials and equipment, works and services, including long-term contracting strategies, direct contracts with manufacturers to remove intermediaries, and conducting procurement procedures through electronic trading platforms etc.</p> <p>The Company's procurement activities are organized in accordance with the applicable internal regulations, which set forth distribution of authority, corporate approval of procurement procedures and control over the Company's responsible employees at all stages – from qualification of suppliers and signing contracts to provision of services and delivery of goods, materials and equipment, to contract performance, to payment.</p> <p>The Company openly declares zero tolerance to corruption and conducts its interactions with suppliers and vendors in adherence to the rules set forth by the following NOVATEK's documents:</p> <ul style="list-style-type: none"> <li>Anti-Corruption Policy;</li> <li>Code of Business Conduct and Ethics; and</li> <li>Supplier Code of Conduct.</li> </ul> <p>The Company continuously monitors the compliance with the above documents.</p> <p>The Company uses the Northern Sea Route (NSR) for LNG and gas condensate shipping, including by ice-class carriers. To mitigate the risks related to transportation via NSR, the Company has signed long-term contracts with Atomflot, Rosmorport, and Northern Sea Route Administration to ensure necessary icebreaker support along the NSR and required that all vessels' officers have necessary experience in ice navigation.</p> <p>To reduce dependence on monopoly suppliers of transportation services, the Company enters into long-term contracts and exercises ongoing control over the offtake schedule and transportation tariffs. To reduce the risks, the Company concludes agreements enabling it to use alternative methods of product transportation (an agreement with SIBUR for the supply of light hydrocarbons to Tobolsk Petrochemical Complex) and develops its own pipeline system for transporting gas condensate.</p>
Geological risks	<ul style="list-style-type: none"> <li>Risks of non-confirmation of commercial hydrocarbons reserves</li> <li>Risks of inconsistency between the actual hydrocarbon volumetrics and reserves held within developed fields and the simulations</li> </ul>	<p>The Company makes an annual assessment and evaluation of its commercially significant reserves based on the exploration and production drilling and other research information. DeGolyer and MacNaughton ("D&amp;M"), an independent petroleum engineers firm, validates the Company's reserves on an annual basis under both the SEC and PRMS reserves reporting standards.</p> <p>To reduce the risks of non-confirmation of commercial hydrocarbons reserves, the Company carries out a comprehensive analysis of the geological and geophysical data, including geotechnical simulations of the fields using state-of-the-art software and methodologies. Based on the simulations and the analysis of features of each license area or field, research plans and actions are developed to reduce the risks given the actual natural, technical and technological restrictions.</p>

Risk	Risk causes and consequences	Actions to mitigate risk impact
IT and information security risks (cyber risks)	<ul style="list-style-type: none"> <li>Risks of loss of key information, integrity and stable operation of the IT systems due to cyber attacks</li> <li>Risk of losses/interruption of production as a result of incidents at IT infrastructure facilities</li> </ul>	<p>At each exploration stage, the Company engages Russian and foreign experts and contractors that use modern equipment and technologies and undergo annual audit for compliance with the Company's requirements. Quality control and analysis of the data obtained is performed by our own research and development (NOVATEK Scientific and Technical Center).</p> <p>The Company's exploration management approaches enable cost efficient prospecting, exploration and production of hydrocarbons and annual confirmation of its resource base's sufficiency to maintain the Company's operations in the long term.</p> <p>To mitigate IT risks, the Company uses modern tools and technologies to ensure information security, protect confidentiality and maintain integrity and security of critical IT infrastructure and key data. The Company has internal documents and procedures in place across all its business units and entities to ensure protection of infrastructure against malware, viruses, phishing, etc.</p> <p>The risks of unauthorized access to any IT infrastructure elements is reduced through a wide range of actions using modern equipment and software. The Company has internal regulations in place governing the use of software, protection of confidential information, organization of data access and data handling. The Company continuously monitors compliance with these regulations.</p> <p>The Company has approved the NOVATEK Group's IT development strategy that maintains the Company's information security at a high level in the long term.</p> <p>The Company complies with all legal requirements to ensure information security of Russian strategic assets. In accordance with the requirements of Federal Law No. 187-FZ dated July 26, 2017, essential elements of the Company's critical information infrastructure were broken down into categories and the relevant centralized information security system was designed. Each element of the security system is being constantly monitored in terms of its condition and reliability.</p>
Project risks	<ul style="list-style-type: none"> <li>Risks of project execution delays and/or incremental project costs due to:                             <ul style="list-style-type: none"> <li>updated or new technical legislation relating to engineering, construction and operation;</li> <li>increasing cost of relevant materials, equipment, services and works;</li> <li>contractors' failure to maintain the schedule;</li> <li>delays in project financing, etc.</li> </ul> </li> <li>Risks of change in initial project execution plans due to changes in market conditions for the sale of the Company's products</li> </ul>	<p>The Company implements large-scale and ambitious projects to expand existing and build new LNG production and petroleum processing facilities in various regions of Russia.</p> <p>The Company analyzes and develops forecasts for all stages of future projects, including risk identification and assessment as well as elaboration of action plans to manage the identified risks. The matters related to arranging financing and contracting of the products of the Company's major investment project are addressed long before the project is put into operation and include detailed schedules of all stages and operational control of compliance therewith. When selecting projects, the investments are channeled only to those projects that are most likely to achieve their strategic goals in the long term with risk exposure manageable by the Company.</p> <p>The Company follows a strategy of LNG projects standardization and application of technical design solutions that were well-proven in the Company's previously implemented LNG projects.</p> <p>The Company is focused strongly on sourcing materials and equipment as well as on selecting contractors to perform works and services. Suppliers and contractors certified by the Company are involved for project implementation. The control of compliance with the developed activity-based schedules is carried out at all stages of project implementation. The investment project implementation status is regularly reviewed by the Company's top management.</p>

Risk	Risk causes and consequences	Actions to mitigate risk impact
<b>FINANCIAL AND MARKET RISKS</b>		
Market risks	<ul style="list-style-type: none"> <li>Risks of lower revenue in case of a drop in prices for the Company's products in the international markets</li> <li>Risks associated with state regulation of prices for gas sold in Russia</li> <li>Risks of increased costs due to rising consumer prices in Russia and rising inflation rate</li> </ul>	<p>The Company continuously monitors pricing environment and price outlooks in the international oil, gas, and LNG markets.</p> <p>To mitigate the risks of falling prices, the Company implements a wide range of measures including entering into efficient sale and purchase agreements with protective pricing mechanisms (for instance, S-curves in oil-linked contracts), using derivative financial instruments (linked to European gas hubs) and entering into commodity derivative contracts for price risk hedging purposes.</p> <p>The Company takes into account potential price volatility in the international markets by exercising prompt monitoring and relocating supply volumes, considers price changes in operational financial plans, and conducts an ongoing assessment and analysis of the contract portfolio sensitivity to changes in global prices and macro parameters.</p> <p>To mitigate the impact of price risks, the Company strives to maximize the output of products with high added value and expands its deep hydrocarbon processing capacities at the Purovsky Gas Condensate Processing Plant and the Ust-Luga Stable Gas Condensate Fractionation and Transshipment Complex.</p> <p>The vertically integrated value chain, large resource base, and high rate of new facilities' commissioning enhance the Company's resilience to price volatility in the international markets by enabling prompt management of production and marketing cycles.</p> <p>The unprecedented rally in prices for oil, gas and other hydrocarbons in 2021 created favorable market conditions for the Company.</p> <p>Despite the announcements by some countries in 2021 about transition to renewable energy, the Company expects no significant change in the global energy balance and forecasts the price volatility in the world markets to remain high.</p> <p>As an independent gas producer, the Company is not subject to state regulation of natural gas prices, except for the quantities sold to the household market. At the same time, the Company's gas prices for the domestic market are largely driven by the prices set by the government for natural monopolies in the energy and transportation sector. Despite that the state-regulated gas prices in the domestic market are not characterized as highly volatile, the Company still considers them as a factor when planning its activities. To diversify its natural gas marketing portfolio, the Company engages in trading natural gas on the St. Petersburg International Mercantile Exchange.</p> <p>The current inflation level does not present threats for the Company's financial standing.</p> <p>The Company forecasts its performance by regular modeling of its activities for different scenarios and analyzing cash flow sensitivity to changes in market parameters.</p>

Risk	Risk causes and consequences	Actions to mitigate risk impact
Currency risks	<ul style="list-style-type: none"> <li>The risk of changes in the Company's budget revenue and spending on the Company's operations in foreign currencies as a result of changes in foreign and domestic currency exchange rates</li> </ul>	<p>The Company's activities are connected with foreign currency transactions (export of products, import of foreign equipment and technologies, attract external financing raising, etc.).</p> <p>The Company's overall strategy is aimed at eliminating the significant risk of exchange rate differences due to changes in currency exchange rates. Foreign currency transactions in the revenue and spending part of the Company's budget, mainly in USD and EUR, counterbalance each other and are a natural mechanism for hedging currency risks. The Company may use foreign currency derivatives to manage currency risks.</p> <p>The Company also carries out operational control of all its currency transactions in order to forecast the impact of exchange rate differences on current financial results. In the short- and long-term models of the Company's operations, a scenario analysis of the Company's financial flow sensitivity to changes in foreign exchange rates is conducted.</p>
Credit risks	<ul style="list-style-type: none"> <li>Risks of increased debt burden in case of growth of interest rates on the Company's external borrowings</li> <li>Risk of early demand of banks for repayment of issued funds in case of non-compliance with the terms and conditions of loan agreements</li> <li>Risk of failure to perform obligations in due time (liquidity risk)</li> <li>Risks of losses due to customers' failure to pay for shipped products (overdue accounts receivable)</li> </ul>	<p>As a major borrower, the Company is exposed to risks associated with an increased debt burden with variable interest rates (i.e. rates linked to floating international and Russian base rates). The Company conducts real-time monitoring of the loan resources market in order to choose the best financing option. The Company pursues a balanced policy of maximizing the share of long-term commitments with fixed rates and maintaining the flexibility of its investment program.</p> <p>In the event of significant increase in base rates, the Company may resort to refinancing the debt at a more favorable rate.</p> <p>The Company's centralized approach to funds managing allows it to promptly adjust the level of its consolidated debt burden and meet its subsidiaries' financing needs, which contributes significantly to reduction of the Company's sensitivity to the volatility of external lending interest rates. The level of the Company's investment potential and financial standing is regularly confirmed by such global and Russian rating agencies as Moody's, Standard &amp; Poor's, Fitch and Expert RA. The Company was assigned investment grade ratings at the level of the Russian sovereign rating.</p> <p>The Company may use various short-term borrowings, for example, credit facilities and bank overdrafts, to meet its short-term financing needs.</p> <p>When selling products in foreign and domestic markets, the Company uses a number of instruments to mitigate the risks of late payment and overdue indebtedness including, if applicable, the following:</p> <ul style="list-style-type: none"> <li>customer solvency analysis through KYC (know your customer/client) procedure and regular updating of this status;</li> <li>sales on the basis of advance payment;</li> <li>grant of injunctive relief (bank guarantee, surety, etc.); and</li> <li>claim-related work with non-payers.</li> </ul>

Risk	Risk causes and consequences	Actions to mitigate risk impact
<b>REGULATORY AND STRATEGIC RISKS</b>		
Legislative and regulatory risks	<ul style="list-style-type: none"> <li>Risks of the legislative regulation impact on the Company's activities in the following areas:                             <ul style="list-style-type: none"> <li>taxes, excises, duties, mandatory payments;</li> <li>control over hydrocarbon production, processing, storage and sales activities (HSE, etc.);</li> <li>licensing requirements for natural resource extraction;</li> <li>state regulation of Russian gas prices and tariffs of natural monopolies;</li> <li>control of operations in certain economic zones (the Arctic)</li> </ul> </li> </ul>	<p>The Company carries out its activities in full compliance with the legislative norms established by the Government of the Russian Federation and other governmental authorities exercising control over certain areas of the Company's activities. The Company constantly monitors changes in legislative initiatives, participates in the work of special-purpose committees under the Russian Government and the Russian State Duma on the activities of the fuel and energy complex and relevant associations.</p> <p>The Company operates under state regulation of product transportation prices and tariffs of natural monopolies (Gazprom, Russian Railways, and Transneft).</p> <p>In performing its subsoil use activities, the Company complies with the terms and conditions or makes timely adjustments to the terms and conditions set forth in license agreements.</p>
Litigation risks	<ul style="list-style-type: none"> <li>Risk of potential losses in case legal claims by counterparties against the Company are satisfied</li> <li>Risks of potential losses in case the Company loses litigation against counterparties</li> </ul>	<p>When conducting its business, the Company adheres to the principle of prudence and checks and qualifies counterparties prior to concluding cooperation agreements with them. If the counterparties fail to perform and it is impossible to reach a pre-trial settlement, the Company may take legal recourse.</p> <p>The Company implements a program of liability insurance of officials (Directors &amp; officers liability insurance, D&amp;O) to decrease the impact of litigation risks.</p> <p>In 2021, the Company was not involved in any material litigation.</p>
Political risks	<ul style="list-style-type: none"> <li>Risks of impact on the Company's business from sanctions imposed by foreign states on the Company or its business partners, including:                             <ul style="list-style-type: none"> <li>due to ban on the use of foreign software;</li> <li>due to restrictions introduction on the supply of imported equipment and technologies</li> </ul> </li> <li>Risks of impact on the Company's business because of political and economic situation in Russia and other countries where the Company operates</li> </ul>	<p>In 2014, the Company was designated in the US sectoral sanctions list whereby the US persons are prohibited to participate in long-term financing of the Company.</p> <p>The Company raises external financing in the Russian, European, and Asian capital markets to implement its major investment projects.</p> <p>The Company pursues imports substitution and localization of foreign equipment production in Russia whenever appropriate. For instance, the Company in conjunction with Russian and foreign manufacturers builds and implements plans for technology transfer and competence development to manufacture equipment and materials for LNG projects in Russia.</p> <p>The Company invests in developing in-house production capabilities to build LNG trains and in creating proprietary liquefaction technologies, including through state support mechanisms.</p> <p>When making decisions on the use of foreign software, equipment and information technology, the Company always investigates the alternative of using Russian software.</p> <p>In case stricter US sanctions or new sanctions of other states are imposed on the Company or its counterparties, the Company's management will use every effort to mitigate the impact of sanction restrictions on the Company's business.</p> <p>To reduce political risks in Russia and other countries where the Company operates, the Company always keeps track of changes in Russian and foreign legislation, analyzes the political situation and builds long-term partnership relations with authorities and concerned parties.</p>

Risk	Risk causes and consequences	Actions to mitigate risk impact
Strategic risks	<ul style="list-style-type: none"> <li>Risk of the Company's failure to meet its strategic targets due to major changes in external or internal environment, including:                             <ul style="list-style-type: none"> <li>risks associated with the development of alternative fuel and energy production technologies;</li> <li>risks associated with significant increase in competition for LNG technologies and sales markets;</li> <li>risks of material events affecting the Company's operational or financial activities (materialization of one or more risks listed in this section)</li> </ul> </li> </ul>	<p>The Company endeavors to achieve its strategic targets and objectives as well as analyzes and manages the risks that impede their achievement.</p> <p>The Company's management is always focused on any matters related to the development of new energy technologies. The Company pursues the policy of adaptation to these changes by implementing a number of programs and activities, such as setting long-term environmental goals by 2030, developing and adopting technologies to reduce emissions from gas and liquid hydrocarbons production and processing, analyzing opportunities to use renewable energy sources and alternative fuels and energy, including through joint partnerships with global fuel and energy companies.</p> <p>In implementing its long-term strategy, the Company takes into account the increased role of the Energy Transition, decarbonization, and alternative energy agendas and develops programs to adapt to all emerging changes. Given the low carbon footprint of natural gas and LNG compared to other non-renewable energy sources, the Company considers the development of LNG projects as a contribution to the advancement of low-carbon energy in Russia and worldwide.</p> <p>The Company, through its subsidiary Novatek Gas &amp; Power Asia Pte. Ltd., is a member of the international association of major LNG producers and consumers (GIIGNL) since December 2019. Membership in GIIGNL allows the Company to receive information and exchange experience on advanced solutions in the field of LNG production, transportation and sales as well as represent a coordinated position of LNG producers in addressing issues related to the development of the global LNG market.</p> <p>The Company takes into account the increased competition on the global LNG markets with other producers in terms of technologies and sales markets when developing its strategic plans.</p> <p>The Company expands its footprint in the global LNG market, increases its customer base and makes spot, mid-term and long-term LNG sale and purchase agreements, long-term time charter parties for carriers, optimizes its supplies through swaps and supply diversions, which enables mitigating risks associated with a specific market or counterparty.</p> <p>To reduce the impact of risks on its strategic goals, the Company applies a scenario-based approach to long-term financial and economic forecasting of the Company's development and updates these forecasts on a regular basis. When making strategic decisions, the Company is guided by the principles of prudence and financial stability and promptly responds to all changes in the external and internal environment.</p>

## Information on Members of NOVATEK's Board of Directors

### MR. ALEXANDER E. NATALENKO

Born in 1946

- Chairman of NOVATEK's Board of Directors
- Member of NOVATEK's Strategy Committee
- Member of NOVATEK's Subcommittee on Climate and Alternative Energy (within Strategy Committee)

Mr. Natalenko completed his studies at the Irkutsk State University in 1969 with a primary focus in Geological Engineering. Subsequently, he worked with the Yagodinskaya, Bagdarinskaya, Berelekhskaya, Anadirskaya and East-Chukotskaya geological expeditions. In 1986, Mr. Natalenko headed the North-East Industrial and Geological Association and, in 1992, he was elected president of ZAO "Magadan Gold & Silver Company". He subsequently held various executive positions in Russian and foreign geological organizations. From 1996 to 2001, Mr. Natalenko held the position of Deputy Minister of Natural Resources of the Russian Federation. From 2013 to 2015 he was a member of the Board of Directors of AO Rosgeologia. From 2004 to present he is the Chairman of NOVATEK's Board of Directors.

Mr. Natalenko is the recipient of the State Prize of the Russian Federation and an Honored Geologist of Russia.

### MR. ANDREI I. AKIMOV

Born in 1953

- Member of NOVATEK's Board of Directors
- Member of NOVATEK's Strategy Committee

Mr. Akimov graduated from the Moscow Financial Institute in 1975 where he specialized in international economics. Between 1974 and 1987, Mr. Akimov held various executive positions in the Bank for Foreign Trade of the USSR. From 1985 to 1987 he served as Deputy Chief General Manager of the Bank for Foreign Trade branch in Zurich (Switzerland) and between 1987 and 1990, Mr. Akimov was the Chairman of the Management Board of Donau Bank in Vienna (Austria). From 1991 to 2002 he was Managing Director of financial company, IMAG Investment Management & Advisory Group AG (Austria). Since 2003, Mr. Akimov has been

the Chairman of the Management Board, the Deputy Chairman of the Board of Directors of Gazprombank (OAO). He is a member of Board of Directors of PAO Gazprom, AO Rosneftegaz.

### MR. ROBERT CASTAIGNE

Born in 1946

- Independent member of NOVATEK's Board of Directors
- Chairman of NOVATEK's Audit Committee
- Member of NOVATEK's Remuneration and Nomination Committee
- Member of NOVATEK's Subcommittee on Climate and Alternative Energy (within Strategy Committee)

Mr. Castaigne graduated from the Ecole Centrale de Lille in 1968 and the Ecole nationale supérieure du pétrole et des moteurs, he holds a doctorate in economics. He has spent his whole career at TOTAL SA, first as an engineer, then in various positions. From 1994 to 2008, he was Member of the Executive Committee, Executive Vice-President and Chief Financial Officer of TOTAL SA. From 2000 to 2018, he was Member of the Board of Directors of Sanofi and from 2009 to 2018 – Member of the Board of Directors of Societe General. He is Member of of VINCI's Board of Directors. He is Chevalier of the National Order of the Legion of Honour.

### MR. ARNAUD LE FOLL

Born in 1978

- Member of NOVATEK's Board of Directors
- Member of NOVATEK's Strategy Committee
- Member of NOVATEK's Subcommittee on Climate and Alternative Energy (within Strategy Committee)

Graduate of "École polytechnique" and "École des mines de Paris" (France) Arnaud Le Foll began his professional career in French ministries and administrations. Between 2003 and 2006 he was Head of Regional Industrial Environment Inspectorate, Rhône-Alpes (Lyons, France), then he moved to a position of Auditor at General Inspectorate of Finance, Ministry of Finance, where he served from 2006 to 2007. In 2007 he became an Advisor on matters related to environment, energy and industry in the offices of C. Lagarde, Minister

of Economy, and L. Chatel, Secretary of State in charge of Industry.

Arnaud Le Foll joined Total in 2010 as Analyst Strategy, Total Holding. In 2010 he was promoted to a position of Vice-president strategy and business development Asia-Pacific, Total Marketing & Services (Singapore). From 2013 to 2016 he headed Total Maroc affiliate as Managing Director.

In 2016 Arnaud Le Foll moved from Marketing & Services branch of Total to Exploration & Production, and was appointed Strategy and Portfolio Management Director, Total E&P Angola.

From January 1, 2018 to the end of 2021, Arnaud Le Foll held the position of General Director, TotalEnergies EP Russie. From July 2020, he has been appointed Senior Vice President North Sea and Russia, which comprises the United Kingdom, Norway, Denmark, the Netherlands and Russia. From September 2021, Arnaud Le Foll is appointed Senior Vice President North Sea-Russia – New Business.

### MR. LEONID V. MIKHELSON

Born in 1955

- Member of NOVATEK's Board of Directors
- Chairman of NOVATEK's Management Board

Mr. Mikhelson received his primary degree from the Samara Institute of Civil Engineering in 1977, where he specialized in Industrial Civil Engineering. That same year, Mr. Mikhelson began his career as foreman of a construction and assembling company in Surgut, Tyumen Region, where he worked on the construction of the first section of Urengoi-Chelyabinsk gas pipeline. In 1985, Mr. Mikhelson was appointed Chief Engineer of Ryazantruboprovodstroy. In 1987, he became General Director of Kuibishevtruboprovodstroy, which in 1991, was the first company in the region to sell its shares and became private company, AO SNP NOVA. Mr. Mikhelson remained AO SNP NOVA's Managing Director from 1987 through 1994. Subsequently, he became a General Director of the management company "Novafininvest".

Since 2003, Mr. Mikhelson has served as a member of the Board of Directors and Chairman of the Management Board of NOVATEK. From March 2008 to December 2010, he has been a member of the Board of Directors and the Chairman of the Board of Directors of AO Stroytransgas. From 2009 to 2010 he was the Chairman of the Board of Directors of OAO Yamal LNG and from 2008 to 2011 he was a member of the Board of Directors of OOO Art Finance. From 2011 he is the Chairman of

the Board of Directors of PAO SIBUR Holding and from 2011 to 2013 he was a member of the Supervisory Board of the OAO Russian Regional Development Bank. Mr. Mikhelson is the recipient of the Russian Federation's Order of the Badge of Honor, the 2 Degree Order of Merit for the Fatherland and the title of honor "Honored man of the gas industry", Medal "for the Arctic preservation" and the First Degree "for development of the energy sector".

### MS. TATYANA A. MITROVA

Born in 1974

- Independent member of NOVATEK's Board of Directors
- Chairman of NOVATEK's Strategy Committee
- Member of NOVATEK's Audit Committee
- Member of NOVATEK's Remuneration and Nomination Committee
- Member of NOVATEK's Subcommittee on Climate and Alternative Energy (within Strategy Committee)

In 1995, Ms. Mitrova graduated from the Department of Economics, the Lomonosov Moscow State University. From 1993 to 2002, Ms. Mitrova worked for consulting companies in the energy sector. In 2002, Ms. Mitrova joined the Energy Research Institute of the Russian Academy of Science (ERI RAS) where she held various positions from a researcher to the Head of Research Group. Since 2011, she has led the Global and Russian Energy Outlook Until 2040 Project. Since 2008, Ms. Mitrova has been associate professor in the Gubkin Russian State University of Oil and Gas. Ms. Mitrova has been a Visiting Professor at the Institute of Political Studies, School of International Affairs (Sciences Po, France) since 2014. Ms. Mitrova has been a Senior Researcher of Oxford Institute of Energy Studies (OIES) since 2015. Since 2016, Ms. Mitrova has been a Visiting Researcher of the Center on Global Energy Policy, Columbia University (CGEP, USA). In 2016-2017, she was a Visiting Researcher at the King Abdullah Petroleum Studies and Research Center (KAPSARC, Saudi Arabia).

From 2020 – Professor, Head of Research, SKOLKOVO Energy Centre. Between 2014 and 2017, Ms. Mitrova was a member of Unipro's Board of Directors (E.ON Russia before June 2016), and from July 2018 she served on the Board of Directors of Schlumberger NV, a global oilfield services company.

Ms. Mitrova has been member of the International Supervisory Board of Energy Academy Europe

since 2013. Ms. Mitrova has written more than 200 articles in scientific and business journals and digests focused on energy issues as well as co-authored 10 monographs.

Since July 2020, he has been the Chairman of the Supervisory Board of the association of energy industry professionals "WOMEN IN ENERGY".

### MR. DOMINIQUE MARION

Born in 1961

- Member of NOVATEK's Board of Directors
- Member of NOVATEK's Strategy Committee
- Chairman of NOVATEK's Subcommittee on Climate and Alternative Energy (within Strategy Committee)

Dominique Marion is a graduate of Ecole Nationale Supérieure de Géologie de Nancy, France (MSc, 1983) and Stanford University, California (PhD, 1990). He joined TOTAL in 1990 and has worked in France and affiliate companies in Gabon, UK, Qatar, where he held senior management positions in Geosciences, Reservoir Engineering, and Research and Development.

Beginning 2007, he held the position of Vice President Corporate Reserves, based in Paris. In 2011, he became E&P Vice President Reservoir and Geosciences in France and was the member of Total E&P Norge Board of Directors. In 2018, he was appointed General Manager of Total Austral and Country Chair Argentina. On January 1, 2022 he took the position of General Director, TotalEnergies EP Russie.

### MR. VICTOR P. ORLOV

Born in 1940

- Independent member of NOVATEK's Board of Directors
- Chairman of NOVATEK's Remuneration and Nomination Committee
- Member of NOVATEK's Audit Committee

The powers of the elected member of the Board of Directors Victor P. Orlov were prematurely terminated on 23 August 2021 due to his premature death. His biography can be found in the section Information on Members of NOVATEK's Board of Directors in our Annual Report 2020.

### MR. GENNADY N. TIMCHENKO

Born in 1952

- Member of NOVATEK's Board of Directors
- Member of NOVATEK's Strategy Committee

In 1976, Mr. Timchenko graduated with a Master's of Science from the Mechanical University in Leningrad. He began his career at the Izjorskii Factory in Leningrad, an industrial plant which made components for the energy industry. Between 1982 and 1988, he was a Senior Engineer at the Ministry of Foreign Trade. Mr. Timchenko has more than 20 years of experience in Russian and International energy sectors and he has built interests in trading, logistics and transportation related companies.

In 1988, Mr. Timchenko became a Vice President of Kirishineftekhimexport, the export and trading arm of the Kirishi refinery. In 1991, he worked for Urals Finland which specialized in oil and petrochemical trading. Between 1994 and 2001, Mr. Timchenko was Managing Director of IPP OY Finland and IPP AB Sweden. Between 1997 and 2014, he co-founded Gunvor, a leading independent oil-trading company. Mr. Timchenko was a member of the Board of Directors of OOO Transoil and OOO BalttransService, and Airfix Aviation OY. Since 2009, he is a member of the Board of Directors of PAO NOVATEK. He is a member of the Board of Directors of PAO SIBUR Holding, the Chairman of the Board of Directors of the Ice Hockey Club SKA St-Petersburg, as well as the Chairman of the Board of Directors of OOO Kontinental Hockey League, a member of the Board of Trustees of the All-Russian public organization Russian Geographical Society, the Chairman of the Supervisory Board of the Russian Chinese Business Council, Vice-President and member of the Executive Committee of the Olympic Committee of the Russian Federation, Co-Chairman of the Economic Council of the Franco-Russian Chamber of Commerce (CCIFR).

### MS. ZULMIRA A. RAZAKOVA

Born in 1981

- NOVATEK's Corporate Secretary

Ms. Razakova holds a higher Legal education degree and began working for NOVATEK in 2004. Between 2007 and 2012, Ms. Razakova held the position of lead specialist of the Management Board and Board of Directors staff. In April 2012, Ms. Razakova was elected as Secretary of the Board of Directors. Since 2014, Ms. Razakova has been NOVATEK's Corporate Secretary.

## Information on Members of NOVATEK's Management Board

### MR. LEONID V. MIKHELSON

Born in 1955

- Chairman of NOVATEK's Management Board
- Member of NOVATEK's Board of Directors

Details on Mr. Leonid V. Mikhelson are available in the "Information on Members of NOVATEK's Board of Directors" section.

### MR. EVGENIY N. AMBROSOV

Born in 1957

- Deputy Chairman of NOVATEK's Management Board – Director for Marine Operations, Shipping and Logistics

In 1979, Mr. Ambrosov graduated from the Navigation Department, Admiral Nevelskoy Far Eastern Higher Marine Engineering College, where he specialized in the operation of water transport. After graduating, he was employed by the Far Eastern Shipping Company where he rose through the ranks from a cargo officer to Deputy General Director – Director of the Core Operations Department. In January 2000, Mr. Ambrosov was appointed First deputy General Director of Sovcomflot. In September 2002, he was approved as the General Director and Chairman of the Management Board, Far Eastern Shipping Company. In 2008-2009, Mr. Ambrosov worked as President of the FESCO Transportation Group Management Company and Chairman of the Management Board, Far Eastern Shipping Company. Since 2009, he has been the First Deputy General Director, Member of the Management Board of Sovcomflot. Since 2014, Mr. Ambrosov has been Deputy Chairman and Member of the Executive Committee of the Arctic Economic Council. In May 2021, he was appointed Chairman of the Arctic Economic Council. Mr. Ambrosov received the following state and industry awards: Honorary Maritime Fleet Worker; Honorary Transportation Worker of Russia; Traditions and Standards badge of honor from the Russian Chamber of Shipping, the Star of Seafarers from the Russian Fleet Support Foundation, the Russian Ministry of Transportation. He was also awarded with the following medals: 300<sup>th</sup> Anniversary of the Russian Navy, Admiral Gorshkov, Russian Shipowners Association medal, the Medal For Maritime Excellence by the Russian Government

and the Russian Government Marine Board; For Merits in Developing Russia's Transportation Industry, as well as the Order For Naval Merits awarded by a Russian Presidential Executive Decree. Elected a member of the Management Board of PAO NOVATEK in November 2020.

### MR. VLADIMIR A. BASKOV

Born in 1960

- Deputy Chairman of NOVATEK's Management Board

In 1986, Mr. Baskov graduated from the Moscow Higher Police School of the USSR. In 2000, he completed courses at the Management Academy at the Russian Ministry for Internal Affairs. From 1981 to 2003, he served in various departments within the Russian Ministry for Internal Affairs. From 1991 to 2003, Mr. Baskov held managerial positions within the aforementioned Ministry's organizational structures.

In 2003, he was appointed Director of the Business Support Department for NOVATEK. In 2005, Mr. Baskov was appointed Deputy Chairman of NOVATEK's Management Board and in 2007, he became a member of NOVATEK's Management Board.

Mr. Baskov is Ph.D. in Law. He was awarded the Order For Personal Courage, the Russian Federation's Order of the Badge of Honor and other state and departmental awards: Honorary Diplomas of the President of the Russian Federation, the Minister of Internal Affairs, the Governor of the Moscow Region. Mr. Baskov also has the awards of the Russian Orthodox Church (Order of Holy Prince Daniel of Moscow, Order of Saint Seraphim of Sarov and a medal of St. Sergius).

### MR. VIKTOR N. BELYAKOV

Born in 1973

- Deputy Chairman of NOVATEK's Management Board for Economics and Finance

Mr. Belyakov graduated from Tver State Technical University majoring in Automated Data Processing and Management Systems (1995) and in Information Systems in Economics (1997). In 2000, he completed an MBA degree program with Kingstone University (UK). A holder of CMA (Certified Management Accountant).

From 2004 until 2014 Mr. Belyakov worked for PAO Uralkali, where he successively held the positions of Head of Division, Deputy Chief Financial Officer,

Chief Financial Officer, Vice President for Finance, Deputy General Director, Executive Director. In 2015, he was appointed Vice President for Economics and Finance of PAO Far East Shipping Company (FESCO group). In February 2016, Viktor Belyakov joined PAO NOVATEK in the position of Deputy Chairman of the Management Board for Economics and Finance.

### MR. MARK A. GYETVAY

Born in 1957

- Deputy Chairman of NOVATEK's Management Board

Mr. Gyetvay studied at Arizona State University (Bachelor of Science, Accounting, 1981) and later at Pace University, New York (Graduate Studies in Strategic Management, 1995). After graduation, Mr. Gyetvay worked in various capacities at a number of U.S. independent oil and gas companies where he specialized in financial and economic analysis for both upstream and downstream segments of the petroleum industry.

In 1994, Mr. Gyetvay began his work at Coopers and Lybrand, as Director, Strategic Energy Advisory Services. He subsequently moved to Moscow in 1995 with Coopers & Lybrand to lead the oil and gas practice. He was admitted as a partner of PricewaterhouseCoopers Global Energy where he assumed the role of client service engagement partner, Utilities and Mining practice, based in Russia (Moscow office). Mr. Gyetvay was an engagement partner on various energy and mining clients providing overall project management, financial and operational expertise, maintaining and supporting client service relationships as well as serving as concurring partner on transaction services to the petroleum sector.

Mr. Gyetvay is a Certified Public Accountant (inactive status), a member of the American Institute of Certified Public Accountants and an associate member of the Society of Petroleum Engineers. He is a recognized expert in the oil and gas industry, a frequent speaker at various industry and investor conferences, has published numerous articles on various oil and gas industry topics and was a former member of PwC's Petroleum Thought Leadership team. He has been recognized by Investor Relations Magazine as one of the best CFO's in Russia and the CIS, and by Institutional Investor magazine as one of the Top Five CFO's in Europe's Oil and Gas sector. Institutional Investor voted him as the Best CFO in the EMEA Oil and Gas category for 2017 and 2018. Finance Monthly magazine named Mark Gyetvay the Best CFO in Russia for the consecutive years of 2015 to 2020, and he received the Game Changer 2017 and 2018 Award for Russia.

Mr. Gyetvay is the recipient of the Extel's award as "Best CFO For IR – Oil and Gas" for 2019 and 2020.

From 2003 to 2014, Mr. Gyetvay was a member of NOVATEK's Board of Directors and served on the Investment and Strategy Committee. From 2003 to 2014, he has been Chief Financial Officer and, in August 2007, Mr. Gyetvay was elected to NOVATEK's Management Board. In July 2010, he became Deputy Chairman of NOVATEK's Management Board.

### MR. SERGEY V. VASYUNIN

Born in 1967

- Deputy Chairman of NOVATEK's Management Board – Operations Director

In 1993, Sergey Vasyunin graduated from the Ufa Oil Institute, specializing in the Development and Operation of Oil and Gas Fields. Between 1993 and 1997, Mr. Vasyunin was employed with Condor as deputy director, Stroykomplekt as head of sales department, and with OAO Spetsnefteenergmontazhavtomatika – as marketing engineer. From 1998, he worked in the Urengoygazprom industrial association of OAO Gazprom where he served in the capacity of an oil, gas and condensate production foreman. Between 2002 and 2017, Mr. Vasyunin was employed in the positions of Gas Condensate Production Shop Manager, Deputy General Director for operations, and First Deputy General Director – Chief Engineer of OOO NOVATEK-YURKHAROVNEFTEGAS. In April 2017, he was appointed Deputy Chairman of the Management Board – Director for Operations of NOVATEK.

In 2005, the Russian Ministry of Industry and Energy issued a commendation to Sergey Vasyunin. He holds the Honored Employee of NOVATEK title.

### MR. EDUARD S. GUDKOV

Born in 1980

- Deputy Chairman of NOVATEK's Management Board

In 2002, Mr. Gudkov graduated from the Penza State University where he specialized in law. In 2006, he received PhD in Law.

Between 1999 and 2003, Mr. Gudkov worked in the Russian Ministry for Antitrust Policy and Support of Entrepreneurship. In 2003, he joined the Russian Supreme Arbitrazh Court where he held the position of Assistant to the First Deputy Chairman. From

2012, Mr. Gudkov worked at the Executive Office of the Russian Federation Government. In 2013, he was appointed Assistant to Deputy Prime Minister of the Russian Federation – Head of the Executive Office of the Russian Federation Government.

Since September 2018, Mr. Gudkov has been Deputy Chairman of NOVATEK's Management Board. In 2018, Mr. Gudkov was awarded the Medal of the II Degree Order for Merits and Dedicated Service to the Country.

### MR. EVGENY A. KOT

Born in 1974

- Deputy Chairman of NOVATEK's Management Board – Director for LNG<sup>(1)</sup>

Mr. Kot graduated from the Tyumen State Academy of Architecture and Civil Engineering. He received PhD in Economics from the Saint Petersburg State University of Engineering and Economics.

Between 1997 and 2001, Mr. Kot worked in the Tyumen branch of Gazprombank. From 2001 to 2002, he was employed by OAO SNP NOVA and OAO Oil and Gas Company ITERA.

In 2002, Mr. Kot joined NOVATEK. Between 2009 and 2011, he held the position of Deputy Chairman of the Management Board – Director of LNG Business Development of NOVATEK. Between 2010 and 2014, he was Chairman of the Board of Directors of Yamal LNG. From 2014 to 2018, Mr. Kot was General Director of Yamal LNG.

In December 2018, he was appointed Deputy Chairman of the Management Board – Director for LNG of NOVATEK.

### MR. VLADIMIR A. KUDRIN

Born in 1979

- Deputy Chairman of NOVATEK's Management Board – Director for Geology<sup>(2)</sup>

In 2001, Mr. Kudrin graduated from the Tyumen State Oil and Gas Institute, specializing in the Oil and Gas Fields Development and Exploitation. From 2001 to 2011, he worked in Northgas and NOVATEK-Yurkharovneftegas, where he rose through the ranks from gas extraction operator to the head of operational dispatch service. In 2011, he was transferred to Sibneftegas as First Deputy General Director – Chief Engineer. Since 2014, he held positions of Deputy General Director – Technical

Director, Deputy General Director – Chief Engineer, ARCTICGAS, and in 2015 he headed ARCTICGAS. In 2016, Mr. Kudrin received the NOVATEK Certificate of Commendation. In 2020, he received the Certificate of Merit from the Russian Ministry of Energy.

### MS. TATYANA S. KUZNETSOVA

Born in 1960

- Deputy Chairman of NOVATEK's Management Board

Ms. Kuznetsova graduated from the Far East State University with a degree in Law. From 1986, she was Senior Legal Advisor for a legal bureau. In 1993, Ms. Kuznetsova became Deputy General Director for Legal Issues and from 1996, Marketing Director for OAO Purneftegasgeologiya. In 1998, she was appointed Deputy General Director of OAO Nordpipes. Since 2002, she has been Director of the Legal Department at NOVATEK. Since 2005, she has been the Deputy Chairman of NOVATEK's Management Board and in August 2007, she became a member of NOVATEK's Management Board. Ms. Kuznetsova has the title "Honored employee of PAO NOVATEK", and is awarded the 2 Degree Order of Merit for the Fatherland.

### MR. DENIS B. SOLOVYOV

Born in 1977

- Deputy Chairman of NOVATEK's Management Board – Director of Information Policy Department

In 2000, Mr. Solovyev graduated from the Lomonosov Moscow State University (Philosophy faculty) with a degree in Political Science. In 2003, he completed postgraduate studies at the Lomonosov Moscow State University with a degree in History. In 2000, he was appointed Deputy General Director of Senat PR LLC. In 2004, Denis Solovyev assumed the role of an adviser to the Krasnoyarsk Territory Deputy Governor and Assistant First Deputy Governor at the Krasnoyarsk Territory Board of Administration. Between 2006 and 2008, he headed an election projects group of the United Russia Central Electoral Commission Directorate.

Mr. Solovyev has been working for NOVATEK since 2008: in the capacity of Public Relations Director (until 2014), and Communications Director – Director of Public Relations Department (from January 2014.).

1. The authorities were terminated from 17 December 2021.  
2. Since 17 December 2021.

Since September 2018, Mr. Solovyev was appointed Deputy Chairman of NOVATEK's Management Board and Director of Corporate Communications Department.

Mr. Solovyev has received several letters of recognition, honorable mentions from the Russian Ministry of Natural Resources and the Environment as well as from the Parliament of the Khanty-Mansiysk Autonomous Region. In 2018, he received an award from the Russian Ministry of Energy and an honorable mention from the Governor of the Yamal-Nenets Autonomous Region. In January 2022, he was awarded the medal of the Order of Merit for the Fatherland of the II degree.

### MR. SERGEY G. SOLOVYOV

Born in 1978

- Deputy Chairman of the Management Board – Director for Prospective Projects<sup>(1)</sup>

Graduated from the Gubkin Russian State University of Oil and Gas in 2001 with a degree in Oil and Gas Fields Development and Operation, in 2003 – with a degree in Economics and Management in Oil and Gas Industry. From 2002 to 2004, worked in Nortgas as well diagnostics operator and well diagnostics foreman. From 2004 to 2005, worked in Yurkharovneftegas as engineer and lead engineer in the Field Development Group. In 2005, he was employed by NOVATEK where he worked as chief specialist and head of Field Development Analysis Group. In 2007, he was transferred to NOVATEK-YURKHAROVNEFTEGAS to the position of Deputy General Director – Chief Geologist. Since 2009, he held the position of managing director of OOO NEU, in 2010 he became the general director of ZAO Investgeoservis. In 2011, he was elected General Director of NOVATEK-YURKHAROVNEFTEGAS. In 2014, he was elected General Director of Arctic LNG 2. In 2017, he became the General Director of Cryogas-Vysotsk.

In April 2019, Sergey Solovyov was appointed NOVATEK's Deputy Chairman of the Management Board – Director for Geology. In December 2021, was appointed NOVATEK's Deputy Chairman of the Management Board – Director for Prospective Projects.

### MR. ILYA V. TAFINTSEV

Born in 1985

- Deputy Chairman of the NOVATEK's Management Board

In 2006, Mr. Tafintsev obtained a BA in Economics from the Higher School of Economics in Moscow. In 2007, he graduated from the University of London (UK), where he majored in investment and finance.

From 2007 to 2011, Mr. Tafintsev held the position of Deputy Director of NOVATEK's Representative Office in London. Between 2011 and 2014, he was a Finance and Investment Advisor with United Bureau of Consultants Limited.

From 2013 to 2015, he served as Strategic Projects Director of NOVATEK. From 2013 to 2018, Mr. Tafintsev was Member of the Board of Directors of SIBUR Holding. Between 2014 and 2016, he held the position of Chairman of the Board of Directors of Yamal LNG. In December 2015, Mr. Tafintsev was appointed Member of the Management Board – Director for Strategic Projects of NOVATEK.

Since September 2018, he has been Deputy Chairman of NOVATEK's Management Board.

### MR. LEV V. FEODOSYEV

Born in 1979

- First Deputy Chairman of NOVATEK's Management Board

In 2002, Mr. Feodosyev graduated from the Bauman Moscow State Technical University with a degree in Machinery and Foundry Engineering Technologies. In 2002, Mr. Feodosyev was appointed lead specialist at the Ministry of Energy of the Russian Federation. From 2003, he has served as lead specialist, senior specialist, adviser, deputy head of section, Deputy Director of Department at the Ministry of Economic Development and Trade of the Russian Federation. Since October 2007, Lev Feodosyev has worked for NOVATEK. Before 2011, he worked in NOVATEK as Director of the Strategic Planning and Development Department. From 2011, he was appointed as Deputy Commercial Director, Director of the Marketing and Gas Sales Department of NOVATEK. Since February 2015, Mr. Feodosyev has been appointed Deputy Chairman of the Management Board, Commercial Director of NOVATEK.

From February 2018, he was appointed First Deputy Chairman of NOVATEK's Management Board. In 2014, Mr. Feodosyev was awarded NOVATEK's Honorary Certificate.

## Report on major, and interested-party transactions that the Company did in the reporting year

The list of transactions made by the Company in the reporting year, recognized in accordance with the Federal Law "On Joint Stock Companies" as major transactions and (or) interested-party transactions, is not disclosed in accordance with Resolution of the Government of the Russian Federation No. 400 dated 4 April 2019.

## Corporate Governance Code Compliance Report

This Corporate Governance Code Compliance Report (hereinafter "the Report") was reviewed at the meeting of PAO NOVATEK's Board of Directors on 18 March 2022 (Minutes No. 252).

The Board of Directors certifies that data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2020.

When assessing our compliance with corporate governance principles as set out in the Code we were guided by the Guidelines for Reporting on Compliance with the Corporate Governance Code recommended by the Bank of Russia in its Letter No. IN-06-28/102 dated 27 December 2021.

An overview of the most relevant aspects of the corporate governance model and practices in the Company is presented in the Corporate Governance section of this Annual Report.

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>1.1</b>	<b>The Company should ensure equitable and fair treatment of every shareholder exercising their right to take part in managing the Company.</b>			
1.1.1	The Company ensures the most favorable conditions for its shareholders to participate in the General Meeting, develop an informed position on agenda items of the General Meeting, coordinate their actions, and voice their opinions on items considered.	1. The Company provides accessible means of communication via hotline, e-mail or an online forum for shareholders to voice their opinions and submit questions on the agenda in preparing for the General Meeting. The above means of communication were organized by the Company and provided to shareholders in the course of preparation for each General Meeting held in the reporting period.	This principle is complied with.	–
1.1.2	The procedure for giving notice of, and providing relevant materials for, the General Meeting enables shareholders to properly prepare for attending the General Meeting.	1. In the reporting period, the notice of an upcoming General Meeting of shareholders is posted (published) on the Company's website online at least 30 days prior to the date of the General Meeting, unless a longer time period is required by the applicable Russian law.  2. The notice of an upcoming meeting specifies the documents required for admission.3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the Company's Board of Directors and the revision commission.	This principle is complied with.	–

1. Since 17 December 2021, until 17 December 2021 – Deputy Chairman of the Management Board – Director for Geology.

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.3	In preparing for, and holding of, the General Meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the Company's executive bodies and the Board of Directors, and to communicate with each other.	<p>1. In the reporting period, shareholders were able to put questions to members of executive bodies and members of the Board of Directors during the preparation for the meeting and in the course of the General Meeting of shareholders.</p> <p>2. The position of the Board of Directors (including dissenting opinions entered into the minutes, if any) on each agenda item of General Meetings held in the reporting period was included in the materials to the General Meeting of Shareholders.</p> <p>3. The Company gave duly authorized shareholders access to the list of persons entitled to attend the General Meeting, as from the date of its receipt by the Company, for all General Meetings held in the reporting period.</p>	<p>This principle is complied with.</p> <p>This principle is not fully complied with.</p> <p>This principle is complied with.</p>	<p>–</p> <p>When convening General Meetings of Shareholders, the Board of Directors reviews all agenda items of the relevant meeting and presents them to the Meeting for consideration or provides necessary advice.</p> <p>Materials to the General Meeting of Shareholders include recommendations of the Board of Directors as required by law. In accordance with paragraph 1 of Art. 54 of the Russian Federal Law "On Joint Stock Companies", the list of information (materials) provided to shareholders in preparation for the General Meeting of Shareholders is determined by the Board of Directors. Accordingly, the Board of Directors, if it deems it necessary, to include its position on the issues on the agenda of the General Meeting of shareholders, if it deems it necessary.</p> <p>The Company considers the established procedure to be balanced, not bearing any risks for the Company and its shareholders, and does not plan to change the existing approach.</p> <p>–</p>
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a General Meeting be convened, to propose nominees to the Company's governing bodies, and to make proposals for the agenda of the General Meeting.	<p>1. The Company's Articles of Association determines the deadline for shareholders to submit proposals for the agenda of the Annual General Meeting which is at least 60 days after the end of the relevant calendar year.</p> <p>2. In the reporting period, the Company did not reject any proposals for the agenda or nominees to the Company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal.</p>	<p>This principle is complied with.</p>	<p>–</p>
1.1.5	Each shareholder was able to freely exercise their voting right in the simplest and most convenient way.	1. The Company's Articles of Association provide for the possibility to fill in the electronic voting ballot at a website, specified in the notice of the General Meeting of Shareholders.	<p>This principle is complied with.</p>	<p>–</p>

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.6	The procedure for holding a General Meeting set by the Company provides equal opportunities for all persons attending the Meeting to voice their opinions and ask questions.	<p>1. General Meetings of Shareholders held in the reporting period in the form of a meeting (i.e. joint presence of shareholders) provided for sufficient time for making reports on and for discussing agenda items. The shareholders were given the opportunity to voice their opinions and ask questions on agenda items.</p> <p>2. The Company invited nominees to the Company's governing and control bodies and took all necessary actions to ensure their participation in the General Meeting of Shareholders at which their nominations were put to vote. The candidates for the management and control bodies of the Company who were present at the General Meeting of shareholders were available to answer questions from shareholders.</p> <p>3. The Company's sole executive body, person in charge of accounting, Chairman or other members of the Audit Committee of the Board of Directors were available to answer questions of shareholders at the General Meetings of Shareholders held in the reporting period.</p> <p>4. In the reporting period the Company used telecommunication means for the shareholders to participate remotely in the General Meetings or the Board of Directors passed a justified decision that there was no need (possibility) to use such means in the reporting period.</p>	<p>This principle is complied with.</p> <p>This principle is complied with.</p> <p>This principle is complied with.</p> <p>This principle is complied with.</p>	<p>–</p> <p>–</p> <p>–</p> <p>–</p>
<b>1.2 Shareholders are given equal and fair opportunities to share profits of the Company in the form of dividends.</b>				
1.2.1	The Company has designed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	<p>1. The Company's Regulations on the dividend policy is approved by the Board of Directors and disclosed through the Company's website.</p> <p>2. If the dividend policy of the Company, issuing consolidated financial statements, uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.</p> <p>3. Justification of the proposed distribution of net profit, including for dividend payment and the Company's own needs, and an assessment of its compliance with the Company's dividend policy, with explanations and economic justification of the need to direct a particular part of net profit to the Company's own needs in the reporting period, was included in the materials to the General Meeting of Shareholders, where the agenda included an item on profit distribution (including on payment (declaration) of dividends).</p>	<p>This principle is complied with.</p>	<p>–</p>



No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.2.2	The Company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the Company's performance.	1. The Company's Regulations on the dividend policy identifies, in addition to restrictions imposed by law, the financial and economic circumstances wherein the Company shall not resolve to pay out dividends.	This principle is complied with.	–
1.2.3	The Company does not allow for dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the Company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	This principle is complied with.	–
1.2.4	The Company makes every effort to prevent its shareholders from using other means to profit (gain) from the Company other than dividends and liquidation value.	1. In the reporting period the Company's controlling persons did not use any means of receiving profit (gain) from the Company (for example, transfer pricing, unjustified provision of services to the Company at an inflated price by the Company's controlling person, provision of internal loans substituting dividends to the Company's controlling person or to his or her persons under control) other than dividends.	This principle is complied with.	This principle is not complied with as the Company believes that statutory controls are sufficient for relevant purposes. The Company does not transact with persons under control by substantial shareholders, which prevents substantial shareholders from profiting (gaining) from the Company.  The Company does not see any risks in the established practice, as the system of procurement procedures introduced in the Company ensures the conclusion of contracts on market terms.
<b>1.3</b>	<b>Corporate governance framework and practices should ensure equality for the shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equitable treatment by the Company.</b>			
1.3.1	The Company has created conditions for fair treatment of each shareholder by the Company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	1. In the reporting period the Company's controlling persons did not allow abusing rights with respect to the Company's shareholders; there were no conflicts between the Company's controlling persons and shareholders, and if there were any, they have been duly addressed by the Board of Directors.	This principle is complied with.	–
1.3.2	The Company does not take any actions that lead or may lead to artificial redistribution of corporate control.	1. No quasi-treasury shares were issued or used to vote in the reporting period.	This principle is complied with.	–
<b>1.4</b>	<b>Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.</b>			
1.4.	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	1. The technology used by the Company's registrar and the conditions of services provision are in line with the needs of the Company and its shareholders, ensure accounting of rights to shares and exercise of shareholders' rights in the most efficient manner.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.1</b>	<b>The Board of Directors provides strategic management of the Company, determines key principles of, and approaches to, setting up a corporate risk management and internal control framework, monitors performance by the Company's executive bodies, and performs other key functions.</b>			
2.1.1	The Board of Directors is responsible for appointing and dismissing executive bodies, including for improper performance of their duties. The Board of Directors also ensures that the Company's executive bodies act in accordance with the Company's approved development strategy and core lines of business.	1. The Board of Directors has the authority stipulated in the Articles of Association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.	This principle is not fully complied with.	The issue of determining the amount of remuneration paid to the Chairman of the Management Board based on the results of the work for the year, falls within the authority of the Board of Directors.  In accordance with the Company's Articles of Association, the members of the Management Board are elected by the Board of Directors from among the Company's employees, solely on the recommendation of the Chairman of the Management Board. The amounts of official salaries and other terms of employment contracts with the Company's employees, including members of the Management Board, are determined by the Chairman of the Management Board taking into account the parameters of the Company's business plan approved by the Board of Directors in accordance with the NOVATEK Group Executive Bodies and other Key Employees Remuneration And Expense Reimbursement Policy approved by the Board of Directors.  The Company considers the established procedure to be effective, balanced, not bearing any risks for the Company and its shareholders, and does not plan to change the existing approach.
		2. In the reporting period, the nomination/HR committee reviewed the compliance of professional qualification, skills and experience of members of the executive bodies with the Company's current and expected needs determined by the approved strategy of the Company.	This principle is not fully complied with.	The Remuneration and Nomination Committee of the Board of Directors considers the compliance of professional qualification, skills and experience of the nominees to the Company's Management Board. The compliance of professional qualification, skills and experience of the elected members of the Management Board with the Company's current and expected needs determined by the approved strategy of the Company is not assessed regularly. The Company considers the established procedure to be appropriate and does not plan to change the existing approach.
		3. In the reporting period, the Board of Directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the Company's strategy.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.2	The Board of Directors sets key long-term targets for the Company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the Company's core lines of business.	1. At its meetings in the reporting period, the Board of Directors reviewed strategy implementation and updates, approval of the Company's financial and business plan (budget), and criteria and performance (including interim) of the Company's strategy and business plans.	This principle is complied with.	–
2.1.3	The Board of Directors defines the Company's risk management and internal control principles and approaches.	1. The Company's risk management and internal control principles and approaches are defined by the Board of Directors and established the Company's internal documents that define the risk management and internal control policy.  2. In the reporting period, the Board of Directors approved (reviewed) the amount of risks (risk appetite) which is acceptable for the Company; or the Audit Committee and/or Risk Committee (if available) considered the advisability of submitting the issue of revising the Company's risk appetite to the approval by the Board of Directors.	This principle is not fully complied with.	In the reporting period, the Audit Committee did not consider issues related to the Company's risk appetite, respectively, the Company did not comply with criterion 2 in 2021. The Corporate Governance Code does not contain a recommendation to assess risk appetite annually. The Company's Board of Directors or the Audit Committee reviews the risk appetite as necessary.
2.1.4	The Board of Directors determines the Company's remuneration and reimbursement (compensation) policy for its directors, members of executive bodies and other key executives.	1. The Company developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the Board of Directors, for its directors, members of executive bodies and other key executives.  2. In the reporting period, the Board of Directors discussed matters related to such policy (policies).	This principle is complied with.	–
2.1.5	The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company's bodies, shareholders and employees.	1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts.  2. The Company set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.	This principle is complied with.	–
2.1.6	The Board of Directors plays a key role in ensuring that the Company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the Company's documents.	1. The Company's internal documents identify persons responsible for implementing the information policy.	This principle is complied with.	–
2.1.7	The Board of Directors controls the Company's corporate governance practices and plays a key role in material corporate events of the Company.	1. In the reporting period the Board of Directors reviewed the results of self-assessment and/or external assessment of the Company's corporate governance practices.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.2 The Board of Directors is accountable to the Company's shareholders.</b>				
2.2.1	Performance of the Board of Directors is disclosed and made available to the shareholders.	1. The Company's annual report for the reporting period includes the information on the attendance of the Board of Directors and committee meetings by each of the Board of Directors' members.  2. The annual report discloses key results of the Board of Directors' performance assessment (self-assessment) in the reporting period.	This principle is complied with.	–
2.2.2	The chairman of the Board of Directors is available to communicate with the Company's shareholders.	1. The Company has in place a transparent procedure enabling shareholders to address the chairman of the Board of Directors and obtain the relevant feedback.	This principle is complied with.	–
<b>2.3 The Board of Directors manages the Company in an efficient and competent manner and make fair and independent judgments and decisions in line with the best interests of the Company and its shareholders.</b>				
2.3.1	Only persons of impeccable business and personal reputation who have knowledge, expertise and experience required to make decisions within the authority of the Board of Directors and essential to perform its functions in an efficient way are elected to the Board of Directors.	1. In the reporting period, the Board of Directors (or its nomination committee) assessed nominees to the Board of Directors for required experience, knowledge, business reputation, absence of conflicts of interest, etc.	This principle is complied with.	–
2.3.2	The Company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	1. Whenever the General Meeting of shareholders was held in the reporting period, the agenda of which included election of the Board of Directors, the Company provided shareholders with the biographical data of all nominees to the Board of Directors and the results of assessing the compliance of their professional qualifications, experience and skills with the Company's current and expected needs by the Board of Directors (or its nomination committee), as well as the information on whether the nominee meets the independence criteria set forth in Recommendations 102-107 of the Code, as well as the nominees' written consent to be elected to the Board of Directors.	This principle is complied with.	–
2.3.3	The Board of Directors has a balanced membership, including in terms of directors' qualifications, experience, expertise and business qualities, and enjoys its shareholders' trust.	1. In the reporting period the Board of Directors reviewed its requirements to professional qualifications, experience and business skills, and determined competence level requirements for the Board of Directors in the short and long term.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.3.4	The Company has a sufficient number of directors to organize the Board of Directors' activities in the most efficient way, including ability to set up committees of the Board of Directors and enable the Company's substantial minority shareholders to elect a nominee to the Board of Directors for whom they vote.	1. In the reporting period, the Board of Directors considered whether the number of directors met the Company's needs and shareholders' interests.	This principle is complied with.	–
<b>2.4 The Board of Directors includes a sufficient number of independent directors.</b>				
2.4.1	An independent director is a person who is sufficiently professional, experienced and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the Company's executive bodies, individual groups of shareholders or other stakeholders. It should be noted that a nominee (elected director) who is related to the Company, its substantial shareholder, substantial counterparty or competitor of the Company, or related to the government, may not be considered as independent under normal circumstances.	1. In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code or were deemed independent by the Board of Directors.	This principle is complied with.	–
2.4.2	The Company assesses compliance of nominees to the Board of Directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	1. In the reporting period, the Board of Directors (or its nomination committee) made a judgment on independence of each nominee to the Board of Directors and provided its opinion to shareholders.  2. In the reporting period the Board of Directors (or its nomination committee) reviewed, at least once, the independence of incumbent directors (after their election).  3. The Company has in place procedures defining the actions to be taken by a member of the Board of Directors if they cease to be independent, including the obligation to timely notify the Board of Directors thereof.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4.3	Independent directors make up at least one third of the elected board members.	1. Independent directors make up at least one third of the Board members.	This principle is not fully complied with.	Because of the passing of an independent member of the board Viktor P. Orlov, the Company's independent directors were making up less than a third of the Board of Directors between August 23 and December 31, 2021.  In order to maintain full functionality of the Board's committees, the audit committee and the remunerations and nominations committee comprising 3 members were set up at the Board meeting on December 07, 2021. Two independent members of the Board of Directors (Robert Castaigne and Tatyana Mitrova) were elected to the committees, as well as Alexander Natalenko, Chairman of the Board, who is not an independent director.  Partial compliance with this principle is limited in time. The upcoming annual General Meeting of shareholders of the Company is expected to elect a Board of Directors comprising the necessary number of independent directors, and the newly elected Board of Directors will form the Audit Committee and Remunerations and Nominations Committee, comprising independent directors only.
2.4.4	Independent directors play a key role in preventing internal conflicts in the Company and in ensuring that the Company performs material corporate actions.	1. In the reporting period independent directors (with no conflicts of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interests and submitted the results to the Board of Directors.	This principle is not fully complied with.	In accordance with the Company's Articles of Association, the Regulations on the Board of Directors and the Regulations on the Committees of the Board of Directors, a large block of issues related to significant corporate actions is preliminarily considered by the Audit Committee and the Remuneration Committee consisting of independent directors. In addition, most of such decisions shall be approved by the Board of Directors, if 8 out of 9 directors voted for the corresponding decision. Thus, any two independent directors may block the adoption of an undesirable decision in their opinion.  The Company believes that independent directors have sufficient capacity to assess significant corporate actions.

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.5 The chairperson of the board ensures that the Board of Directors discharges its duties in the most effective and efficient way.</b>				
2.5.1	The Board of Directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the Board of Directors is chosen from among the elected independent directors.	<p>1. The Board of Directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors.</p> <p>2. The role, rights and duties of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are duly set out in the Company's internal documents.</p>	This principle is not fully complied with.	<p>The role of independent directors on the Company's Board of Directors is very important, since the Audit Committee and the Remuneration and Nomination Committee of the Board of Directors are comprised of independent directors only. Formally, the Chairman of the Board of Directors is not an Independent Director. However, the Chairman of the Board of Directors meets all independence criteria, except for his tenure on the Board of Directors. For chairmanship purposes, the directors elected the most experienced of the Board members who is not an independent director.</p> <p>The Company considers the established procedure to be balanced and does not plan to change the existing approach.</p>
2.5.2	The chairman of the Board of Directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the Board of Directors.	1. Performance of the Chairman of the Board of Directors was assessed as part of assessment (self-assessment) of the Board of Directors' performance in the reporting period.	This principle is complied with.	–
2.5.3	The chairman of the Board of Directors takes all steps necessary for the timely provision to members of the Board of Directors of information required to pass resolutions on agenda items.	1. The Company's internal documents set out the duty of the Chairman of the Board of Directors to take all steps necessary for the timely provision of complete and reliable information on agenda items of the Board meeting to members of the Board of Directors.	This principle is complied with.	–
<b>2.6 Directors act reasonably and in good faith in the best interests of the Company and its shareholders, on a fully informed basis and with due care and diligence.</b>				
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the Company's shareholders, and assuming normal business risks.	<p>1. The Company's internal documents provide that a director should notify the Board of Directors of any existing conflict of interest as to any agenda item of the meeting of the Board of Directors or its committee, prior to discussion of the relevant agenda item.</p> <p>2. The Company's internal documents provide that a director should abstain from voting on any item in connection with which he has a conflict of interest.</p> <p>3. The Company has in place a procedure enabling the Board of Directors to get professional advice on matters within its remit at the expense of the Company.</p>	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.2	The rights and duties of directors are clearly stated and incorporated in the Company's internal documents.	1. The Company adopted and published an internal document that clearly defines the rights and duties of directors.	This principle is complied with.	–
2.6.3	Directors have sufficient time to perform their duties.	<p>1. Individual attendance at Board and Committee meetings, as well as sufficient time devoted to work on the Board of Directors, including in its committees, was recorded as part of the procedure for assessing (self-assessing) the Board of Directors' performance in the reporting period.</p> <p>2. Under the Company's internal documents, directors notify the Board of Directors of their intentions to be elected to governing bodies in other entities (apart from the entities controlled by the Company), and of their election to such bodies.</p>	This principle is complied with.	–
2.6.4	All directors shall have equal access to the Company's documents and information. Newly elected directors are furnished with sufficient information about the Company and performance of the Board of Directors as soon as possible.	<p>1. In accordance with the Company's internal documents directors are entitled to receive information and documents they need to perform their duties related to the Company and controlled entities, and the Company's executive bodies shall ensure provision of relevant information and documents.</p> <p>2. The Company has in place a formalized onboarding program for newly elected Directors.</p>	This principle is complied with.	–
<b>2.7 Meetings of the Board of Directors, preparation for such meetings and participation of board members therein ensure efficient performance by the Board of Directors.</b>				
2.7.1	Board meetings are held as needed, taking into account the scale of operations and goals of the Company at a particular time.	1. The Board of Directors held at least six meetings in the reporting year.	This principle is complied with.	–
2.7.2	The Company's internal regulations stipulate the procedure to prepare for and hold the board's meetings, enabling the directors to make proper preparations for them.	<p>1. The Company has an approved internal document that describes the procedure for arranging and holding meetings of the Board of Directors and sets out, in particular, that the notice of the meeting shall be given, as a rule, at least five days prior to such meeting.</p> <p>2. In the reporting period members of the Board of Directors absent from the venue of the meeting were given an opportunity to participate in discussions on agenda items and vote remotely via video or telephone conference calls.</p>	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.7.3	The format of the meeting of the Board of Directors is determined taking into account the importance of items on the agenda. The most important matters are dealt with at meetings of the Board of Directors held in person.	1. The Company's Articles of Association or internal documents provide for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at in-person meetings of the Board of Directors.	This principle is complied with.	–
2.7.4	Resolutions on most important matters relating to the Company's operations are passed at a meeting of the Board of Directors by a qualified majority or by a majority of all elected board members.	1. The Company's Articles of Association provides for the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the Board of Directors by a qualified majority of at least three quarters or by a majority of all elected board members.	This principle is not fully complied with.	<p>The Company's Articles of association do not provide for resolutions of the Board to be passed by qualified majority on the following matters:</p> <ul style="list-style-type: none"> <li>• submission to the General Meeting of matters relating to the Company's liquidation</li> <li>• submission to the General Meeting of matters relating to amendments to the Company's Articles of association</li> <li>• review of material issues relating to operations of legal entities controlled by the Company.</li> </ul> <p>The Company deems sufficient the existing norm stipulated in the legislation and the Articles of Association according to which decisions on amendments and additions in the Company's Articles of Association, including approval of the latter in a new wording, as well as on Company's liquidation, appointment of a winding up commission and approval of the interim and final liquidation balance shall be made by the general shareholders meeting by the three-fourths majority of the votes of shareholders holding the voting shares and taking part in the general shareholders meeting.</p> <p>The Company considers the established procedure to be balanced, not bearing any risks, and does not plan to change the existing approach.</p>

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.8 The Board of Directors sets up committees for preliminary consideration of the most important issues related to the business of the Company.</b>				
2.8.1	To preview matters related to controlling the Company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.	<p>1. The Board of Directors has set up an audit committee comprised solely of independent directors.</p> <p>2. The Company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.</p> <p>3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing and auditing accounting (financial) statements.</p> <p>4. Meetings of the audit committee were held at least once a quarter during the reporting period.</p>	<p>This principle is not fully complied with.</p> <p>This principle is complied with.</p>	<p>See comment to item 2.4.3.</p> <p>–</p>
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee is set up, comprised of independent directors and headed by an independent director who is not the chairman of the Board of Directors.	<p>1. The Board of Directors has set up a remuneration committee comprised solely of independent directors.</p> <p>2. The Remuneration Committee is headed by an independent director who is not the Chairman of the Board of Directors.</p> <p>3. The Company's internal documents set out the tasks of the Remuneration committee, including those listed in Recommendation 180 of the Code, as well as events (circumstances) upon the occurrence of which the Remuneration Committee considers reviewing the Company's policy on remunerating its directors, executive body members and other key executives.</p>	<p>This principle is not fully complied with.</p> <p>This principle is complied with.</p>	<p>See comment to item 2.4.3.</p> <p>–</p>
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the Board of Directors, a nomination (HR) committee is set up, predominantly comprised of independent directors.	<p>1. The Board of Directors has set up a Nomination Committee (its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors.</p> <p>2. The Company's internal documents set out the tasks of the Nomination Committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.</p>	This principle is not complied with.	Due to the fact that this criteria was recommended by the Bank of Russia at the end of December 2021, the Company had no opportunity to assess the possibility of its implementation.

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
		3. To form a Board of Directors that best meets the goals and objectives of the Company, the Nomination Committee, independently or together with other committees of the Board of Directors or the Company's division authorized to interact with shareholders, organized interaction with shareholders in the reporting period, not limited to major shareholders only, with a view to select nominees to the Company's Board of Directors.		
2.8.4	Taking into account the Company's scope of business and level of risks, the Company's Board of Directors made sure that the composition of its committees is fully in line with Company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	1. In the reporting period, the Company's Board of Directors considered whether the structure of the Board of Directors was consistent with the scope and nature, goals and needs, and risk profile of the Company. Additional committees were either set up or not deemed necessary.	This principle is complied with.	–
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. The Audit Committee, the Remuneration Committee, the Nomination Committee (or the relevant committee with combined functions) were headed in the reporting period by independent directors.  2. The Company's internal documents (policies) include provisions stipulating that persons who are not members of the Audit Committee, the Nomination Committee (or the relevant committee with combined functions) and the Remuneration committee may attend committee meetings only by invitation of the Chairman of the respective committee.	This principle is complied with.	–
2.8.6	Committee chairmen inform the Board of Directors and its chairman on the work of their committees on a regular basis.	1. During the reporting period, committee chairmen reported regularly to the Board of Directors on the work of committees.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.9 The Board of Directors ensures performance assessment of the Board of Directors, its committees and members of the Board of Directors.</b>				
2.9.1	The Board of Directors' performance assessment is aimed at determining the efficiency of the Board of Directors, its committees and members, consistency of their work with the Company's development requirements, as well as bolstering the work of the Board of Directors and identifying areas for improvement.	1. The Company's internal documents outline the procedures for performance assessment (self-assessment) of the Board of Directors.  2. Performance assessment (self-assessment) of the Board of Directors carried out in the reporting period included performance assessment of the committees, each individual member of the Board of Directors, and the Board of Directors in general.  3. Results of performance assessment (self-assessment) of the Board of Directors carried out in the reporting period were reviewed at the in-person meeting of the Board.	This principle is complied with.	–
2.9.2	Performance of the Board of Directors, its committees and directors is assessed on a regular basis at least once a year. An external organization (advisor) is engaged at least once in three years to conduct an independent assessment of the Board of Directors' performance.	1. The Company engaged an external advisor to conduct an independent assessment of the Board of Directors' performance at least once over the last three reporting periods.	This principle is complied with.	–
<b>3.1 The Company's corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the Company's efforts to protect shareholder rights and interests and supports the activities of the Board of Directors.</b>				
3.1.1	The corporate secretary has the knowledge, experience and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The biographical data (including age, education, qualification, track record) of the corporate secretary as well as information on positions in other legal entities' governing bodies held by the corporate secretary for at least 5 most recent years are published on the corporate website and in the Company's annual report.	This principle is complied with.	–
3.1.2	The corporate secretary is sufficiently independent of the Company's executive bodies and has the powers and resources required to perform his/her tasks.	1. The Company has adopted and published an internal document – regulations on the corporate secretary.  2. The Board of Directors approves the nomination for the corporate secretary position and terminates the corporate secretary's powers, decides on the payment of additional remuneration to the corporate secretary.  3. Pursuant to the Company's internal documents, the corporate secretary may seek and obtain the Company's documents and information from the Company's governing bodies, business units and officials.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>4.1</b>	<b>Remuneration paid by the Company is sufficient to attract, motivate and retain persons who have competencies and qualifications required by the Company. Directors, executive body members and other key managers are remunerated as per the Company's remuneration policy.</b>			
4.1.1	The amount of remuneration paid by the Company to members of the Board of Directors, executive bodies and other key executives creates sufficient incentives for them to work efficiently, while enabling the Company to engage and retain competent and qualified specialists. At the same time, the Company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the Company's employees.	1. The remuneration of the Company's Board of Directors, executive bodies, and other key executives is set forth based on benchmarks for comparable companies' remuneration level.	This principle is complied with.	–
4.1.2	The Company's remuneration policy is developed by the remuneration committee and approved by the Board of Directors. The Board of Directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the Company's remuneration policy, revising and amending it as required.	1. During the reporting period, the remuneration committee considered the remuneration policy (policies) and/or the practical aspects of its (their) introduction, assessed their efficiency and transparency, and presented relevant recommendations to revise the same to the Board of Directors as required.	This principle is complied with.	–
4.1.3	The Company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to members of the Board of Directors, executive bodies and other key executives of the Company, and regulates all types of expenses, benefits and privileges provided to such persons.	1. The Company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to members of the Board of Directors, executive bodies and other key executives of the Company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.	This principle is complied with.	–
4.1.4	The Company defines a policy on reimbursement (compensation) of costs detailing a list of reimbursable expenses and specifying service levels that members of the Board of Directors, executive bodies and other key executives of the Company can claim. Such policy can make part of the Company's remuneration policy.	1. The remuneration policy (policies) defines (define) the rules for reimbursement of costs incurred by members of the Board of Directors, executive bodies and other key executives of the Company.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>4.2</b>	<b>Directors' remuneration ensureS that their financial interests are aligned with long-term financial interests of shareholders.</b>			
4.2.1	The Company pays fixed annual remuneration to members of the Board of Directors. The Company does not pay remuneration for attending particular meetings of the Board of Directors or its committees.  The Company does not apply any form of short-term motivation or additional financial incentive for members of the Board of Directors.	1. In the reporting period, the Company paid remuneration to members of the Board of Directors as per the Company's remuneration policy.  2. In the reporting period, the Company did not apply any form of short-term motivation or additional financial incentive contingent on the Company's performance results (indicators) for members of the Board of Directors. No remuneration was paid for attending particular meetings of the Board of Directors or its committees.	This principle is complied with.	–
4.2.2	Long-term ownership of the Company's shares helps align the financial interests of members of the Board of Directors with long-term interests of shareholders to the utmost. At the same time, the Company does not link the right to dispose of shares to performance targets, and members of the Board of Directors do not participate in stock option plans.	1. If the Company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the Company's shares to members of the Board of Directors, clear rules for share ownership by board members are defined and disclosed, aimed at stimulating long-term ownership of such shares.	This principle is complied with.	Not applicable, since the Regulations on Remuneration and Compensations Payable to Members of PAO NOVATEK Board of Directors does not provide for remuneration of the directors with Company shares.
4.2.3	The Company does not provide for any extra payments or compensations in the event of early termination of office of members of the Board of Directors resulting from the change of control or any other reasons whatsoever.	1. The Company does not provide for any extra payments or compensations in the event of early termination of office of members of the Board of Directors resulting from the change of control or any other reasons whatsoever.	This principle is complied with.	–
<b>4.3</b>	<b>Remuneration of executive body members and other key managers is linked to the Company's results and their personal contribution thereto.</b>			
4.3.1	Remuneration due to members of executive bodies and other key executives of the Company is determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the Company's performance and the employee's personal contribution.	1. In the reporting period, annual performance results approved by the Board of Directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the Company.  2. During the latest assessment of the system of remuneration for members of executive bodies and other key executives of the Company, the Board of Directors (remuneration committee) made sure that the Company applies efficient ratio of the fixed and variable parts of remuneration.	This principle is complied with.	The procedure for defining and payment of bonuses to members of the Management Board and other key executives existing in the Company does not allow illegal receipt of bonus payments by the persons named. The Company believes the executive bodies' members' civil liability norms set out in the applicable law to be sufficient.

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
		3. In order to avoid incentivizing excessively risky management decisions, the Company's risks are factored in when establishing the remuneration for members of executive bodies and other key executives of the Company is established.		
4.3.2	The Company put in place a long-term incentive programme for members of executive bodies and other key executives of the Company with the use of the Company's shares (options and other derivative instruments where the Company's shares are the underlying asset).	1. If the Company has in place a long-term incentive program for members of executive bodies and other key executives of the Company with the use of the Company's shares (financial instruments based on the Company's shares), the program implies that the right to dispose of such shares and other financial instruments takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the Company's performance targets.	This principle is not complied with.	Currently, The Company does not consider necessary implementing a long-term incentive program for members of executive bodies and other key executives of the Company with the use of the Company's shares (financial instruments based on the Company's shares).
4.3.3	The compensation (golden parachute) payable by the Company in case of early termination of powers of members of executive bodies or key executives at the Company's initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed part of their annual remuneration	1. In the reporting period, the compensation (golden parachute) payable by the Company in case of early termination of the powers of executive bodies or key executives at the Company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.	This principle is complied with.	–
<b>5.1</b>	<b>The Company put in place an effective risk management and internal control system to guarantee, in a reasonable manner, fulfillment of the Company's goals.</b>			
5.1.1	The Board of Directors of the Company has defined the Company's risk management and internal control principles and approaches.	1. Functions of different management bodies and divisions of the Company in the risk management and internal controls are clearly defined in the Company's internal documents / relevant policy approved by the Board of Directors.	This principle is complied with.	–
5.1.2	The Company's executive bodies ensure establishment and continuous operation of efficient risk management and internal controls in the Company.	1. The company's executive bodies ensured the distribution of duties, powers and responsibility related to risk management and internal controls between the heads (managers) of divisions and departments accountable to them.	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.1.3	The Company's risk management and internal controls ensure an objective, fair and clear view of the current state and future prospects of the Company, the integrity and transparency of the Company's reporting, as well as reasonable and acceptable risk exposure.	1. The Company has an approved anti-corruption policy.  2. The Company established a safe, confidential and accessible method (hotline) of notifying the Board of Directors or the board's audit committee of breaches of any violations of the law, the Company's internal procedures and code of ethics.	This principle is complied with.	–
5.1.4	The Company's Board of Directors shall take necessary measures to make sure that the Company's risk management and internal controls are consistent with the principles of, and approaches to, its setup determined by the Board of Directors, and that the system is functioning efficiently.	1. In the reporting period, the Board of Directors (Audit Committee and/or Risk Committee (if any) arranged assessment of the reliability and efficiency of the risk management and internal controls.  2. In the reporting period, the Board of Directors considered results of the assessment of the reliability and efficiency of the Company's risk management and internal controls, and data on the results of the consideration are included in the Company's annual report.	This principle is complied with.	–
<b>5.2</b>	<b>The Company arranges for an internal audit, to assess reliability and performance of the risk management and internal control system on a regular and independent basis.</b>			
5.2.1	The Company set up a separate business unit or engaged an independent external organization to carry out internal audits.  Functional and administrative reporting lines of the internal audit department are delineated. The internal audit unit functionally reports to the Board of Directors.	1. To perform internal audits, the Company set up a separate business unit – internal audit division, functionally reporting to the Board of Directors, or engaged an independent external organization with the same line of reporting.	This principle is complied with.	–
5.2.2	The internal audit division assesses the performance of the internal controls, risk management, and corporate governance. The Company applies generally accepted standards of internal audit.	1. In the reporting period, assessment of the reliability and efficiency of the risk management and internal controls was made as part of the internal audit.  1. In the reporting period, assessment of the corporate governance framework (practices) was made within the internal audit framework, including information interaction procedures (i.a. those concerning internal control and risk management) at all levels of the Company's governance, including interaction with stakeholders.	This principle is complied with.	–



No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>6.1 The Company and its operations are transparent for its shareholders, investors and other stakeholders.</b>				
6.1.1	The Company has developed and implemented an information policy ensuring an efficient exchange of information by the Company, its shareholders, investors, and other stakeholders.	<p>1. The Company's Board of Directors approved an information policy developed in accordance with the Code's recommendations.</p> <p>2. In the reporting period, the Board of Directors (or one of its committees) considered efficiency of the exchange of information of Company, shareholders, investors and other stakeholders and the feasibility (necessity) to revise the Company's information policy.</p>	This principle is complied with.	–
6.1.2	The Company discloses information on its corporate governance and practice, including detailed information on compliance with the principles and recommendations of the Code.	<p>1. The Company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website.</p> <p>2. The Company discloses information on the membership of its executive bodies and Board of Directors, independence of the directors and their membership in the board's committees (as defined by the Code).</p> <p>3. If the Company has a controlling person, the Company publishes a memorandum of the controlling person setting out this person's plans for the Company's corporate governance.</p>	This principle is complied with.	–
<b>6.2 The Company discloses up-to-date, complete and reliable information on its operations in due time, to enable its shareholders and investors to make informed decisions.</b>				
6.2.1	The Company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data.	<p>1. The Company has defined the procedure to align all the structural units and employees of the Company whose activities are related to or may require information disclosure.</p> <p>2. If the Company's securities are traded on foreign organized markets, the Company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year.</p> <p>3. If foreign shareholders hold a material portion of the Company's shares, information was disclosed both in the Russian language and one of the most widely used foreign languages in the reporting period.</p>	This principle is complied with.	–

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2.2	The Company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.	<p>1. The Company's information policy sets out approaches to disclosing information on other events (actions) that have a material impact on the Company's evaluation and the price of its securities, disclosing information on which is not required by law.</p> <p>2. The Company discloses information on its capital structure in accordance with recommendation 290 of the Code both in the annual report and on the Company's website.</p> <p>3. The Company makes disclosures on controlled entities that are material to the Company, including disclosures on their core business areas, mechanisms ensuring their accountability, the Board of Directors' authority in respect of shaping the strategy and assessing the performance of controlled entities.</p> <p>4. The Company makes non-financial disclosures through the sustainability report, the environmental report, the corporate social responsibility report or any other report containing non-financial information, including environmental aspects (e. g. ecological aspects and aspects related to climate change), social aspects, and governance aspects, excluding the report of the issuer of securities and the annual report of the joint-stock Company.</p>	This principle is not fully complied with.	The Company discloses its capital structure to the extent required by the applicable laws.
6.2.3	The Company's annual report, as one of the most important tools of its information exchange with shareholders and other interested parties, contains information enabling assessment of the Company's annual performance results.	<p>1. The Company's annual report contains information on the audit committee's assessment of third-party and internal audit process efficiency.</p> <p>2. The Company's annual report contains information on the Company's environmental policy and social policy.</p>	This principle is complied with.	–
<b>6.3 The Company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.</b>				
6.3.1	The Company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.	1. The Company's information policy (internal documents governing the information policy) sets forth an easy procedure for providing shareholders with access to the Company's information and documents upon request.	This principle is not fully complied with.	The Company's Information Policy determines an easy procedure for providing shareholders with access to information, with the exception of information on legal entities controlled by the Company, the provision of which is not prescribed for by law.

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
		2. The information policy (internal documents governing the information policy) makes provisions for the Company to use necessary efforts to obtain from the Company-controlled entities the information on the relevant Company-controlled entities as requested by a shareholder.		
6.3.2	When providing information to shareholders, the Company shall ensure reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitiveness.	<p>1. In the reporting period, the Company did not refuse any shareholder requests for information, or such refusals were justified.</p> <p>2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.</p>	This principle is complied with.	–
<b>7.1</b>	<b>Actions which will or may materially affect the Company's share capital structure and its financial position and accordingly the position of its shareholders ("material corporate actions") are taken on fair terms ensuring that the rights and interests of the shareholders and other stakeholders are observed.</b>			
7.1.1	Material corporate actions include restructuring of the Company, acquisition of 30% or more of the Company's voting shares (takeover), execution by the Company of major transactions, increase or decrease of the Company's authorised capital, listing or de-listing of the Company's shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The Company's Articles of Association provide a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the Company's Board of Directors.	1. The Company's Articles of Association include a list of (criteria for) transactions or other actions deemed to be material corporate actions. According to the Company's Articles of Association, resolutions on material corporate actions are referred to the jurisdiction of the Board of Directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general shareholders meeting, the Board of Directors presents relevant recommendations to shareholders.	This principle is not fully complied with.	<p>The Company's Articles of Association do not contain a separate section with a list of significant corporate actions. At the same time, decision-making on issues related to significant corporate actions falls within the authority of the Board of Directors.</p> <p>The Company does not see any risks in this.</p>
7.1.2	The Board of Directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the Company's independent directors.	1. The Company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	This principle is not fully complied with.	Relevant comments are provided in items 2.4.4. and 2.5.1 hereof.

No.	Corporate Governance Principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1.3	When taking material corporate actions which would affect rights or legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the Company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	<p>1. Due to specifics of the Company's operations, the Company's Articles of Association stipulate that the Board of Directors has the jurisdiction over the approval of other transactions that are material to the Company in addition to the transactions set forth in the legislation.</p> <p>2. All material corporate actions in the reporting period were duly approved before they were taken.</p>	This principle is complied with.	–
<b>7.2</b>	<b>The Company provides a procedure for taking material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and also guarantee that the shareholder rights are observed and duly protected when such actions are taken.</b>			
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances and consequences.	1. If the Company performed material corporate actions during the reporting period, the Company disclosed, timely and in detail, information on such actions, including the reasons, conditions and consequences of such actions for shareholders.	This principle is complied with.	–
7.2.2	Rules and procedures related to material corporate actions taken by the Company are set out in the Company's internal documents.	<p>1. The Company's internal documents define the cases and a procedure for engaging an appraiser to estimate the value of assets either disposed of or acquired in a major transaction or a related-party transaction.</p> <p>2. The Company's internal documents set out a procedure for engaging an appraiser to estimate the value of shares acquired and redeemed by the Company.</p> <p>3. If there is no formal interest of a member of the Board of Directors, the sole executive body, a member of the collegial executive body of the Company or a person being the Company's controlling person or a person entitled to give the Company binding instructions, in the Company's transactions, but if there is a conflict of interest or other actual interest of them, the internal documents of the Company provide that such persons shall not participate in the voting on the approval of such transaction.</p>	This principle is not complied with.	The need to involve an appraiser for the valuation of the purchase price of the Company's shares is provided by the current legislation. There is no need to duplicate this requirement in the internal documents of the Company.

## Forward-looking Statements

This Annual Review includes ‘forward-looking information’ within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. Certain statements included in this Annual Report and Accounts, including, without limitation, statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “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 Annual Review 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 include: :

- changes in the balance of oil and gas supply and demand in Russia and Europe;
- the effects of domestic and international oil and gas price volatility and changes in regulatory conditions, including prices and taxes;
- the effects of competition in the domestic and export oil and gas markets;
- our ability to successfully implement any of our business strategies;
- the impact of our expansion on our revenue potential, cost basis and margins;
- our ability to produce target volumes in the event, among other factors, of restrictions on our access to transportation infrastructure;
- the effects of changes to our capital expenditure projections on the growth of our production;
- potentially lower production levels in the future than currently estimated by our management

and/or independent petroleum reservoir engineers;

- inherent uncertainties in interpreting geophysical data;
- changes to project schedules and estimated completion dates;
- our success in identifying and managing risks to our businesses;
- the effects of changes to the Russian legal framework concerning currently held and any newly acquired oil and gas production licenses;
- changes in political, social, legal or economic conditions in Russia and the CIS;
- the effects of technological changes;
- the effects of changes in accounting standards or practices.

This list of important factors is not exhaustive. 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..

## Conversion Factors

1,000 cubic meters of gas = 6.54 boe.

To convert crude oil and gas condensate reserves from tons to barrels we used various coefficients depending on the liquids density at each field.

## Terms and Abbreviations

Mentions in this Annual Report of “PAO NOVATEK”, “NOVATEK”, “the Company”, “we” and “our” refer to PAO NOVATEK and/or its subsidiaries (according to IFRS methodology) and/or joint ventures (accounted for on an equity basis according to IFRS standards), depending upon the context, in which the terms are used.

barrel	one stock tank barrel, or 42 US gallons of liquid volume
bcm	billion cubic meters
boe	barrels of oil equivalent
km	kilometer(s)
mboe	thousand boe
mcm	thousand cubic meters
mt	thousand metric tons
mamboe	million boe
mmcm	million cubic meters
mmt	million metric tons
mmtpa	million metric tons per annum
mtpa	thousand metric tons per annum
ton	metric ton
CCS	Carbon capture and storage
CDP	Carbon Disclosure Project
ESG	Environmental, Social, Governance
GBS	Gravity-based structures
GDR	Global Depositary Receipts
GHG	Greenhouse gases
LA	License area
LPG	Liquified petroleum gases
LNG	Liquified natural gas
MGP	Methane Guiding Principles
NGL	Natural gas liquids
OAO	Open joint-stock company
OHS	Occupational health and safety
OOO	Limited liability company
NSR	Northern Sea Route
PAO	Public joint-stock company
PRMS	Petroleum Resources Management System
RR	Russian rouble
SEC	United States Securities and Exchange Commission
TCFD	Task Force on Climate-related Financial Disclosures
UGSS	Unified Gas Supply System
UN	United Nations
YNAO	Yamal-Nenets Autonomous Region

# Contact Information

## Office in Tarko-Sale

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## Registrar

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## GDR program Administrator

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## Website:

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[www.novatek.ru/en/](http://www.novatek.ru/en/) (English version)

## APPROVED

by a resolution of the annual  
General Meeting of Shareholders  
of PAO NOVATEK  
on 21 April 2022  
Minutes No.138

## PRE-APPROVED

by a resolution  
of the Board of Directors  
of PAO NOVATEK  
on 18 March 2022  
Minutes No.252

## DATA ACCURACY CERTIFIED

by PAO NOVATEK's Revision Commission  
on 4 March 2022