

MESSAGE

OF THE CHAIRMAN OF THE MANAGEMENT BOARD

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Alik Aidarbayev

Chairman of the Management Board

Dear readers,

Last year was very challenging for all of us. The COVID-19 pandemic and quarantine measures have led to global consequences and affected almost every person on the planet.

The oil and gas industry has been among the sectors of economy which suffered the most. The reduced demand for hydrocarbons and limited production under OPEC+ negatively affected the operational and financial performance of oil and gas companies worldwide. KazMunayGas was not an exception.

Nevertheless, we managed to face all these challenges with dignity. An Anti-Crisis Plan was implemented in a timely manner, which made it possible to mitigate the influence of the pandemic as much as possible, to prevent operational process shutdown and maintain financial stability of the Company. Furthermore, we continued to implement priority investment and infrastructure projects.

Thanks to the Anti-Crisis Measures, the financial performance of KMG turned out better than expected. The Company has generated positive free cash flow, reduced the consolidated debt by 488 million dollars, and paid 82 billion tenge to the shareholders – the highest dividends in the entire history of KMG. Taxes and other mandatory payments amounted to 1.2 trillion tenge. On top of that, more than 3 billion tenge have been allocated to finance social projects in regions.

We have fulfilled all of our commitments under collective agreements. According to annual sociological studies, the integral social stability indicator has reached 86% last year. This is one of the highest indicators among the "Samruk-Kazyna" JSC portfolio companies.

Despite the crisis, we have retained jobs for our production personnel, and continued to improve the working conditions. Specifically, new dormitories were constructed at Karazhanbas and Asar fields, a shift camp in Aktoobe region, the Atyrau Refinery employees received the keys to 100 apartments.

Along with this, the Company has been actively involved in the global fight against COVID-19 from the very first days of the pandemic. 6.2 billion tenge were allocated as part of the charitable support to the regions. This money was used to purchase ambulance vehicles, ventilators and personal protective equipment (PPE), among many other things.

It should be noted that an important achievement in the reporting period was the absence of work-related fatalities. This is the first time when the Company managed to achieve this.

We are continuously striving to improve corporate standards, taking the best practices into account. A set of anti-corruption policies has been approved, and our Code of Business Conduct has been updated. During last year, similar documents were developed and adopted by 35 subsidiaries and affiliates. Such comprehensive measures made it possible to close the year 2020 without a single case of corruption or fraud in the Group.

KMG follows its principles and pays special attention to environmental activities, which minimizes its environmental impact. For example, the effective utilisation of associated petroleum gas (APG) has reached 98%. We also managed to cut the atmospheric pollutant emissions. The waste disposal activities, including historical wastes disposal and polluted land reclamation, are currently ongoing.

Our carbon footprint has been calculated under the Carbon Disclosure Project (CDP) for the second year in a row. In August 2020, KMG published its 2019 Greenhouse Gas Emission Report as part of the CDP Climate Change Questionnaire. The CDP reporting has also been extended: water management data has been published for the first time in the 2019 Water Security Questionnaire.

The Company has received an ESG rating by Sustainalytics, an international rating agency, for the first time, earning 69 points out of 100. This independent rating reflects the consistent work we do every year for sustainable development. Each of our employees makes a great contribution.

Together with SOCAR and other oil and gas companies, we have joined the Caspian Environmental Protection Initiative. This is another crucial step, which involves active joint efforts to address climate change and prevent greenhouse gas emissions.

We observe the global trend for decarbonisation and green technology. The Company will also develop in this area and focus on moderate, well-considered and consistent development of renewable energy sources and decarbonisation. A Project Design Office to develop Low Carbon Development Programme has already been created.

In general, corporate governance, industrial safety and environmental protection will remain our main priorities. I am convinced that through our joint efforts we will fulfil all of our sustainability commitments.

Yours sincerely,

Alik Aidarbayev

Chairman of the Management Board