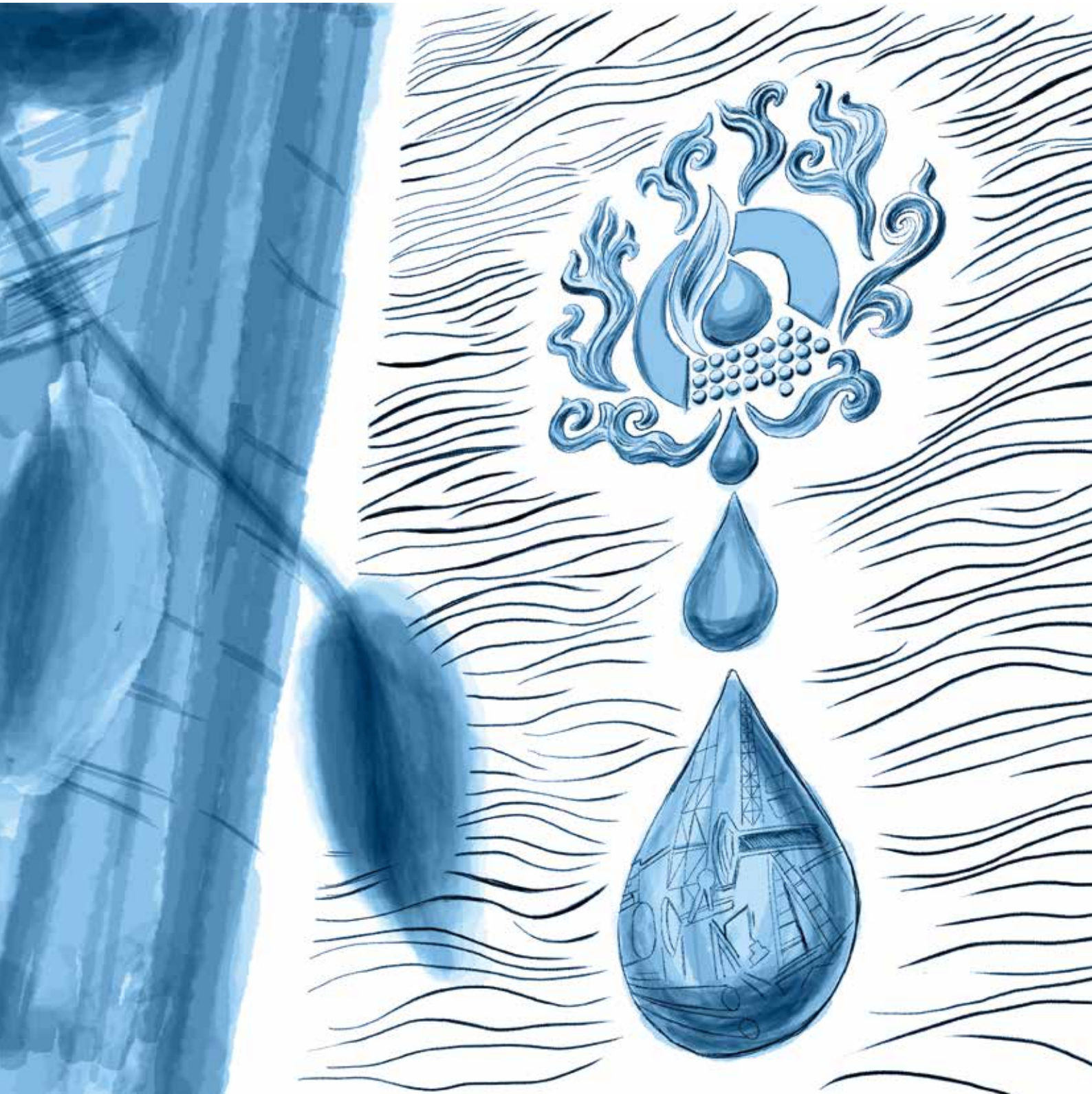


SUSTAINABILITY MANAGEMENT



Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2. Businesses should not be complicit in human rights abuses.

Principle 4. Businesses should eliminate all forms of forced and compulsory labour.

Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.



OUR APPROACH TO SUSTAINABLE DEVELOPMENT

102-15, 103-1, 103-2, 103-3, 201-2, OG3

Our approach to sustainability aspects is based on the following sustainable development principles:

Disclosure – We are open for meetings, discussion and dialogue; we are committed to build long-term cooperation with stakeholders based on mutual interests, rights and balance of the company and stakeholders interests.

Accountability – We recognise that we are accountable for our impact on economy, environment and society.

Transparency – Our decisions and actions should be clear and transparent for stakeholders.

Ethical behaviour – Our decisions and actions are based on our values such as respect, honesty, disclosure, team spirit, trust, fairness and just;

Respect – We respect rights and interests of stakeholders resulting from the law, contracts, or indirectly, through business relationships;

Rule of law – Our decisions, actions and behaviour comply with the law of the Republic of Kazakhstan and resolutions of the company bodies;

Respect for human rights – We observe and promote human rights as provided by the Constitution of the Republic of Kazakhstan and international documents;

Intolerance for corruption – We declare intolerance for any manifestation of corruption in interactions with all stakeholders;

Unacceptability of conflict of interest – Personal interests of an official or employee should not have effect on unbiased fulfilment of their job duties and functions.

Personal example – Each of us in our daily actions, behaviour and decision-making promotes the principles of sustainable development; officers and employees in management positions should motivate for introduction of sustainable development principles through their personal example.

In its Development Strategy 2028, KMG defined sustainable development as one of the strategic objectives aimed at integrating the sustainability principles in the key business processes, operations, and decision-making practices.

Implementation of the strategic sustainability goal shall result in a sustainability management system to achieve the improved corporate social responsibility, health, safety and environment, improve economic effect within the company geography, counteract corruption, improve interactions with stakeholders, corporate governance rating, general corporate ethics and compliance culture.

KMG is committed to build an effective sustainable development management system, including

- Company's commitment to the sustainable development principles on all management levels;
- Analysing three sustainable development aspects of the external and internal situation: economy, environmental and social.
- Identifying economic, environmental, and social risks of sustainable development;
- Stakeholder engagement and stakeholder mapping;
- Identifying sustainable development goals and KPIs;
- Implementing sustainable development priorities/initiatives;
- Integrating sustainable development with the key business processes;
- Advanced sustainable development training for Company employees;
- Annual sustainability reporting;
- Sustainable development performance measurements;
- Improving the sustainable development process.

In 2020, KMG continued active implementation and integration of sustainable development principles in the key business processes, operations:

- KMG passed an independent evaluation by Sustainalytics, an international rating agency, to establish its ESD-rating. KMG ranked 69 out of 100 ESG points.
- To improve sustainable development performance of the Company, in 2020, the Board of Directors approved ESG rating as the corporate KPI for the first time. It included 48 ESG criteria.

- To prove its commitment to sustainable development principles, the KMG Board of Directors approved some new corporate documents:
 - ✓ Manual for Sustainable Development System Management in JSC NC "KazMunayGas".
 - ✓ Corporate Standard – Single Health and Safety Management System in JSC NC "KazMunayGas";
 - ✓ Corporate Standard for Production Process Safety Management in JSC NC "KazMunayGas";
- Implementation of the Sustainable Development System is regularly reviewed by the Committee for Safety, Health, Environment and Sustainable Development of the Board of Directors. In 2020, total of 4 meetings of the Committee were held, which reviewed **40 matters** and issued 98 resolutions and instructions. The main focus in 2020 was health, safety, environmental, strategic governance of ESG (Environmental Social Governance) and introduction of a sustainable development system.
- Employees of KMG headquarters and SDEs passed training to introduce the Sustainable Development Management System. Elements of the sustainable development system and their practical application are being actively explained in subsidiaries.
- There is a permanent Sustainable Development and ESD-Rating Work Group to implement the sustainable development system and improve the ESG-rating.
- It was negotiated to include a 2030 activity plan and targets in 2021 KPIs of department directors by business areas to cut pollutant emissions, greenhouse gases, water and energy saving in the KMG Group.
- The Sustainable Development Reporting Guidelines were updated; in November 2020 the Management Board approved the new revision of the Guidelines. The Guidelines govern the annual Sustainable Development Reporting for the reported period. The valid Guidelines were updated according to the latest revisions to the GRI Standards to improve the reporting process.
- To increase stakeholders confidence in disclosure of non-financial information of the Company, an independent audit of the Sustainability Report is scheduled to be conducted annually. The independent audit can guarantee that data in the report is true, and ensure transparency of the Company operations.

Aside from the Sustainable Development System, a lot of attention is paid to improvement of the sustainable development culture. There are regular sustainable development courses for employees of the headquarters and SDEs.

- ✓ On 03 March 2020, a special sustainable development session and workshop was held for company management, and was attended by Norimass Shimomura, the Permanent Representative of UN in Kazakhstan. Following the seminar, 6 global objectives were decided to be brought for review of the Management Board as the priority SDGs for KMG.
- ✓ On 10-11 March 2020, a training seminar was conducted for KMG employees (Corporate Reporting: Best Practices and International Trends)

to improve sustainable development reporting competences of employees.

- ✓ On 16-18 September 2020, to improve their qualification, employees involved in sustainable development reporting and integration of SDGs in the Company operations passed online certification training GRI STANDARDS: Sustainable Development Reporting, SDG: Sustainable Development Goals on Company Reporting.
- ✓ To explain elements of the Sustainable Development systems in KMG and SDEs, a series of online trainings for HQ and SDEs were held in November-December 2020 together with coaches: Sustainable Development System in JSC NC "KazMunayGas" and SDEs". The training included main business areas.

COMMITMENT TO UN GC AND SDG PRINCIPLES

In line with the international sustainable development initiatives, KMG is committed to the United Nations

Global Compact (UNGC) and integrates the Sustainable Development Goals (SDGs) in its activities.




PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT




Human rights	Principle 1	Businesses should support and respect the protection of the internationally proclaimed human rights
	Principle 2	Businesses should not be complicit in human rights abuses
Labour relations	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
	Principle 4	Businesses should eliminate all forms of forced and compulsory labour
	Principle 5	Businesses should uphold the effective abolition of child labour
Environment	Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation
	Principle 7	Businesses should support a precautionary approach to environmental challenges
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility
Anti-corruption management	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies
	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

SUSTAINABLE DEVELOPMENT GOALS



In 2020, SDGs started to be integrated with Company business processes. Business units arranged 17 goals by categories, defined 6 priority SDGs, where the Company can make its contribution:

-  **3 GOOD HEALTH AND WELL-BEING** Ensure healthy lifestyle and facilitate well-being for everyone in any age;
-  **7 AFFORDABLE AND CLEAN ENERGY** Provide public access to cost-efficient, reliable, sustainable and modern sources of energy for everyone;
-  **8 DECENT WORK AND ECONOMIC GROWTH** Facilitate progressive, comprehensive and sustainable economic growth, complete and productive employment and decent work for everybody;

-  **9 INDUSTRY, INNOVATION AND INFRASTRUCTURE** Create a stable infrastructure, promote comprehensive and persistent income industrialization and innovation;
-  **13 CLIMATE ACTION** Take urgent measures to fight climate change and its consequences;
-  **15 LIFE ON LAND** Protect and restore shore ecosystems, promote their efficient use, efficient use of forest, fight desertisation, stop and reverse the loss of biodiversity.

In 2021, a Programme for SDG priorities is expected to be developed and approved, which will be targeted to improve business processes and achieve progress under target of SDG priorities.

ESG INTEGRATION

103-1,103-2

Introduction of best practices in the field of corporate management and sustainable development is one of the Company's strategic priorities. Integration of ESG¹ criteria in the Company's activities is essential

to improving management system of sustainable development indicators and understanding the key ESG risks and opportunities.



Sustainalytics is a leading independent ESG and corporate governance research provider, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies.

ESG Rating (Environmental, Social and Governance) is the ecological and social business risk assessment as well as corporate risk assessment at the Company. When making investment decisions, the investors use the ESG Rating as a strategic tool which helps to identify risks and opportunities of the Company for defining its long-term sustainability.



Case Study

KMG has been a member and active participant of UNGC since 2006 and is committed to 10 UNGC principles and 17 SDGs.

The Company's Annual Sustainability Report is our message about progress under the UN Global Compact and is available at <https://www.unglobalcompact.org/what-is-gc/participants/6810>



In 2020, for the first time KMG passed the ESG Rating assessment of Sustainalytics international rating agency (Amsterdam, the Netherlands).

KMG ESG Rating was **69 points** out of 100. In terms of the ESG Rating components, KMG has been rated as follows: Environmental – 69 points, Social – 70 points, and Governance – 67 points. This represents rather high sustainable development indicators of the company in the world among oil and gas companies (ranks 33rd in the world out of 119 industry players).

Moreover, KMG received ESG risk Rating at the level of 34.5 points which shows high level of uncontrolled ESG risk. The Company has been included into the forth

risk category out of five. ESG risk management at KMG was estimated as "strong" by Sustainalytics analysts. At the same time the initial risk exposure was estimated as "high". The high KMG Rating relates mainly to the risks which can not be controlled by the management, that is, the risks involved in the oil and gas industry.

Carbon emissions from operating activity and emissions from use of the Company's products as well as relationships with local community at the regions of its activities are the key ESG challenges for KMG.

KMG is planning to continue its systemic work on ESG Rating level improvement and performing tasks based on the ESG risk Rating management and reduction.

69 POINTS

KMG ESG RATING

¹ Environmental, Social, Governance

FOCUS ON LOW-CARBON FUTURE

Basic goals towards sustainable future of business, society and environment are Climate Action and energy system reorganisation. The Paris Agreement sent a decisive and global message about the inevitable start of transition to low-carbon economy. There is a significant role for the business here. The scale of the set goals shows that it is necessary to make overall efforts for their successful achievement.

As a part of the United Nations Framework Convention on Climate Change, Kazakhstan signed the Paris Agreement which stipulates the global reduction of industrial emissions of CO₂ by 25% by the year 2030, by 70% by the year 2050, and by the year 2070 – by 100% (full decarbonisation).

Being the participant of the UNGC, KMG recognises the importance of preventive Climate Actions and is determined to make contribution to achieve SDG 13: Climate Action. Our response to climate change and climate change adaptation are reflected in our strategic documents and corporate policy.

Climate Action issues are controlled at the strategic level by: The Board of Directors, the Health, Safety, Environment and Sustainable Development Committee of the KMG Board of Directors (HSE&SD Committee). In 2020 at the HSE&SD Committee meetings the following key topics related to Climate Change issues were discussed:

- On issues of increasing associated gas beneficial use
- On issues of water management
- On climate change issues.



In 2018 we declared our participation in The Carbon Disclosure Project (CDP) initiative, which is an

international association of investors disclosing information about greenhouse gas emissions and climate change risks, and started working on evaluating the total carbon footprint of the commercial yield, from wellhead to a final consumer.

The carbon footprint is estimated for the second consecutive year. In August 2020, KMG published a Green Gas Emissions Report for 2019 as a part of the CDP's (Carbon Disclosure Project) Climate Questionnaire. In 2020, the CDP reporting was expanded, for the first time the water management data was published as part of the Water Safety Questionnaire following the 2019 results.

Our climate change priorities: reducing greenhouse gas emissions, increasing effective use of associated petroleum gas, increasing energy efficiency and energy saving, etc.

*More detailed information on greenhouse gas emissions, associated gas use, energy efficiency and energy saving increase **Environmental indicators – Climate change and atmospheric air.***

The climate change issues require to identify risks and take measures to reduce the environmental load.

Corporate risk management system is the key element of the corporate management system and is aimed at timely identification, assessment, monitoring and mitigation of potential risk events which may have adverse effect on strategic and operational goals. The Company accepts climate change risks and is committed to make its contribution to sustainable future with minimised environmental impact and greenhouse gas emissions at every stage of its operations. The Corporate Risk Register was expanded to include a new climate change risk, which is developed in accordance with the TECD – the working group on financial disclosure related to climate change. We quarterly report HSE risks to the Board of Directors.

International carbon regulation becomes tougher (the Paris Agreement, the European Green Deal and possible introduction of Border Adjustment Carbon Tax, additional carbon regulating measures in China, etc.). Due to this fact, the national carbon regulation is also expected to enhance. These measures require taking immediate actions by KMG aimed at new conditions adaptation and maintaining its long-term market competitive ability.

The existing challenges and global energy transition force many international oil and gas companies to engage in diversification of their business and creation of corporate low-carbon strategies. For instance, BP, Chevron, CNPC, ENI, Equinor, ExxonMobil, Occidental, Petrobras, Repsol, Saudi Aramco, Shell, Total established the Oil&Gas Climate Initiative Investment Fund. And the U.S. corporation Chevron created the USD 100 million Future Energy Fund to invest in breakthrough technologies. In 2020, the world decarbonisation investments amounted to USD 501.3 billion.

The climate transformation is becoming inevitable, as a minimum, for the companies of oil and gas industry. It will be rather a long-term process than a short duration action, that is why it needs a system approach, and understanding that it is a task for several decades.

CLIMATE CHANGE RISKS	Low-carbon economy transition risks	<p>Political and regulatory risks (e.g. introduction of carbon price fixing/increasing mechanisms to reduce greenhouse gas emissions; the country's transition to quota allocation by specific emission factors only resulting in some companies having shortage of quotas; reducing power consumption to reduce emissions; making energy efficient decisions; reinforcing efficiency enhancement measures and promoting more sustainable land use methods).</p> <p>Market risk (risk of change in supply and demand for certain climate-related goods, products and services).</p> <p>Technological risk (development and use of new technologies such as RES, energy efficient technologies, BATs, carbon capture and sequestration technologies and other decarbonisation technologies).</p> <p>Reputational risks associated with a changed perception of the Company by stakeholders because of its contribution to transition to low-carbon economy, or avoiding such transition.</p>
	Physical climate change risks	<p>Short-term risks caused by extreme weather events such as cyclones, hurricanes, floods.</p> <p>Systematic (chronic) risks caused by long-term climatic model changes (e.g. abnormally high temperatures for long periods, increased sea level and flooding of onshore wells).</p>

In November 2020, KMG conducted the informational session with participation of the KMG Board of Directors where they considered the world trends for transition of oil and gas companies to carbon neutrality and defined the necessity to update the current KMG Development Strategy 2018–2028 taking into account the Climate Agenda.

Due to this, the KMG Management decided to create a Low-carbon Development Project Office at the corporate centre level, in order to develop its own decarbonisation approaches with its further integration in an updated Strategy for the Company's development. The work of the Project Office will be focused on the following key directions:

1. The organisational and management measures (carbon footprint estimation, development of methodology for calculation of direct and indirect greenhouse gas emissions in accordance with international requirements, introduction of reporting and monitoring system, establishing the Company's medium- and long-term climate target points in greenhouse gas emissions, ESG Rating increase etc.).

2. Development of program for resource saving and energy efficiency increase (including establishing target points for energy intensity, energy consumption monitoring and accounting, projects implementation and energy management system improvement).
Energy efficiency is one of the most efficient approaches in this sector. In accordance with the researches of the International Renewable Energy Agency (IRENA), the fast transition to the RES combined with energy efficiency strategies can provide the reduction of 90% energetics related CO₂ emissions in order to achieve the climate goals declared at the national level. Moreover, efficient resources use, reduction of leakage and carbon emissions and their own consumption by the companies of oil and gas sector also contribute to reduction of greenhouse gas emissions.
3. Transition to low-carbon energy sources. KMG is exploring the possibility to use the RES at production facilities and replace traditional energy sources by increasing own generation of the RES via mergers and acquisitions, new facilities construction.

4. Additional decarbonisation methods. KMG is exploring the possibility to use CCUS (CO₂ capture, utilisation and storage) technology at its own fields as well as perspectives of hydrogen production and implementation of forest carbon projects.
5. Introduction of financial mechanisms to attract investments in low-carbon projects.

In 2021, KMG has an important goal of defining the potential of carbon footprint reduction and the KMG products carbon intensity with the account of international carbon regulation of the Company's activity and further setting of goals for carbon intensity reduction via optimum decarbonisation project set.

Case Study

Renewable energy sources introduced in KazTransGas JSC subsidiaries and dependent entities during previous years perform effectively. Waterkotte geothermal pumps; single-crystal solar panels (batteries).

The total volume of renewable energy generated in 2020 by the KTG Group broken down by sources:

- Geothermal energy generated by heating pumps in 2020 – 678.5 Gcal.
- Electric energy generated by solar panels in 2020 by the KTG Group amounted to 78,410 kWh.

ETHICS AND INTEGRITY

102-16

VALUES, PRINCIPLES, STANDARDS AND NORMS OF BEHAVIOUR

The strategic initiative and the most important principle of the Company's activity is to ensure a high-level corporate responsibility. The Corporate Responsibility includes transparent and ethic behaviour which contributes to sustainable development and corresponds to the legislation and international norms of behaviour. The Company's activity in this area has a systemic nature, that is why KMG conducted the work to update the current document on ethical issues – the new revision of Business Ethics Code was approved in order to comply with ethic behaviour standards and fair business conduct.



Pursuant to the approved Code, KMG's activities are based on the following principles:

-  **Justice**
-  **Loyalty**
-  **Development**
-  **Safety**
-  **Responsibility**

The Company strictly follows the provisions of the Code as the basis of the KMG relations with its shareholders, employees, subsidiaries and dependent entities, governmental authorities, partners, other stakeholders, when making business decisions and in every-day operations is the balance of interests, mutual respect, trust, responsibility and observance of rights and duties of each Party.

The Code is an open document and is freely available to KMG's business partners and to any other stakeholders. It is also available on the Company's website in the Corporate Documents section.

HOW TO REPORT UNETHICAL CONDUCT

102-17

To prevent violation of employee rights, confidential and accessible means have been made available for online reporting of any wrongful actions on the part of employees or third parties.

Any employee of the Group, or any other person, who has any doubts regarding the legality of actions taken by other employees, counter parties, or any other persons interacting with KMG and its SDEs, may inform their management, supervisor, or the Compliance Function.

Such information can be transmitted by the following confidential channels and means of communication:

1. to the KMG trust system by e-mail doverie@kmg.kz or by trust line 8-(7172)-78-65-65;
2. to the Ombudsman (for business ethics, discrimination, labour disputes and other labour matters, etc.) by e-mail ombudsman@kmg.kz or by phone 8-(7172)-78-65-60, 78-65-61;
3. to the Compliance Function (in case of any suspected or available information regarding corruption, fraud, or unethical conduct) through a single centralised hot line administered by Samruk-Kazyna JSC:
 - toll-free call to: 8 (800) 080 30 30
 - WhatsApp: 8 (702) 075 30 30;
 - e-mail to: nysana@csc.kz;
 - through Internet portal: nysana.csc.kz.

The contact details of the Hot Line are available on the KMG corporate website in the national, Russian and English languages. Similar information is available at the websites of the SDEs.

All communications, including anonymous, will be received and processed by the operators and forwarded to the KMG Compliance Function, which is in charge of professional and confidential review thereof. The Compliance Function will bring the information about the results of such review to the attention of the Audit Committee and the KMG Board of Directors on a quarterly basis. In 2020, 118 complaints and requests were sent to the Hot



Hot line

You can inform of any facts of labour, corruption and other offences via any of the four communication channels

We guarantee

Confidentiality and anonymity
Review of **100%** of requests

8 800 080 30 30
8 702 075 30 30
Nysana@csc.kz
Nysana.csc.kz

All communications will be received and processed by Samruk-Kazyna Fund.

Line, the number of requests increased by 180% as compared to the year 2019 which is due to the Hot Line Popularisation Campaign, raising awareness of employees and third parties of its availability.

The issues which did not directly relate to corruption and fraud fight were resolved owing to the requests sent to the Hot Line. For instance, the Hot Line received the requests related to business behaviour violations, abuse of official powers and social and common complaints related to unfavourable economic consequences of the corona crisis. All the received requests were considered in accordance with the established time frames and procedures, relevant measures were taken which decrease a possible re-occurrence of similar situations in future and the requesters' notification about their consideration.

TRUST AND ATTENTION TO EVERYONE

410-1, 412-1, 412-2

The observance of rights of JSC NC "KazMunayGas" Group employees and the third parties (private and legal entities) is ensured in accordance with the Republic of Kazakhstan laws, the KMG and SDEs general corporate and internal documents. KMG respects human rights in all regions of presence that enshrined in the Constitution of the Republic of Kazakhstan and international documents such as the Universal Declaration of Human Rights also the 10 principles of the UN Global Compact.

In 2020, the KMG Group further developed the internal communications system whereby any employee or other stakeholder can immediately send a message about any act of infringing laws and the KMG internal documents.

The Company has **the KMG Confidential Reporting Policy** approved by the Resolution of the Board of Directors dated 13 February 2020, Minutes No.1/2020, (the Policy) and **the KMG Economic Security Regulations** approved by the Resolution of the KMG Management Board dated 30 July 2020, Minutes No.31 (the Regulations).

In accordance with the Policy and Regulations, the KMG and SDEs have available and full-time (24/7) communication channels and means ensuring confidentiality in order to increase efficiency of preventive measures and offences prevention, to improve interaction and provide feedback from the Company's employees, stakeholders (private and legal entities) and in order to protect legal rights and interests: **Hot Line, confidential phone number and e-mail.**

The Policy and Regulations establish that the employee is obliged and any other person has the right to immediately inform his/her line manager, the Compliance Service and Corporate Security Department (the CSD) about any doubts regarding the legality of actions taken by other employees, counterparties, or any other persons interacting with KMG.

At the same time, none of the employees can be discriminated (dismissal, demotion, withholding of a bonus or other incentives, labour conditions worsening and other) for reporting a committed or imminent offence.

The procedure for acceptance, registration and consideration of the requests by the employees, citizens, other legal and private entities about violation of the Kazakhstan laws and the Company's internal regulatory documents is regulated by **the Work Instructions for the KMG Trust Information System Management** approved by Order No. 129 of the KMG Chairman dated 18 April 2018 (the TIS).

Similar documents were approved by the SDEs.

In 2020, the Group's Trust Information System received 210 applications (in 2019 –185) of which every third was about domestic gas tariffs, every fifth was about the employees' labour rights related to related to the remuneration level, occupational safety, etc.

From 57 applications of the employees, private and legal entities received by mail or at personal appointment (in 2019 –38) more than a half related to procurement, thefts, abuses and corruption, every tenth related to labour disputes.

All the received communications were reviewed in accordance with the established time frames and procedures, relevant measures were taken, and the submitters were duly informed.

As a result of timely and comprehensive review and resolving of requests, complaints and applications in 2020 **there were neither facts of violation of rights and interests of the Company's employees nor unsanctioned protest actions and conflicts** which could cause damage to the KMG Group interests.

In 2020 as in the previous years, **there were no facts of discrimination of employees** on the grounds of ethnicity, gender, religion or political views, there were no facts of forced or compulsory labour as wells as proceedings or prosecutions related to such violations.

The KMG Group Security Services play a special role in ensuring observance of the rights of employees and other persons.

All employees of the Group Security Services perform their duties in accordance with the Republic of Kazakhstan laws, corporate and internal documents of the SDEs, regulations on subdivisions and job descriptions.

It should be noted that the Security Services employees, as a part of qualification requirements to the positions, as a rule, have an experience of working in law-enforcement and special authorities system, have higher education and an experience in the area of management of corporate security business processes, observation of the rights and freedoms of employees and the third parties.

In 2020, more than **7.5%** of the Group Security Services employees were trained in observance of the policies

and procedures of rights enforcement (in 2019 – **11.7%**, the indicator reduced due to objective factors associated with the previously introduced state of emergency, nationwide epidemiological and quarantine measures).

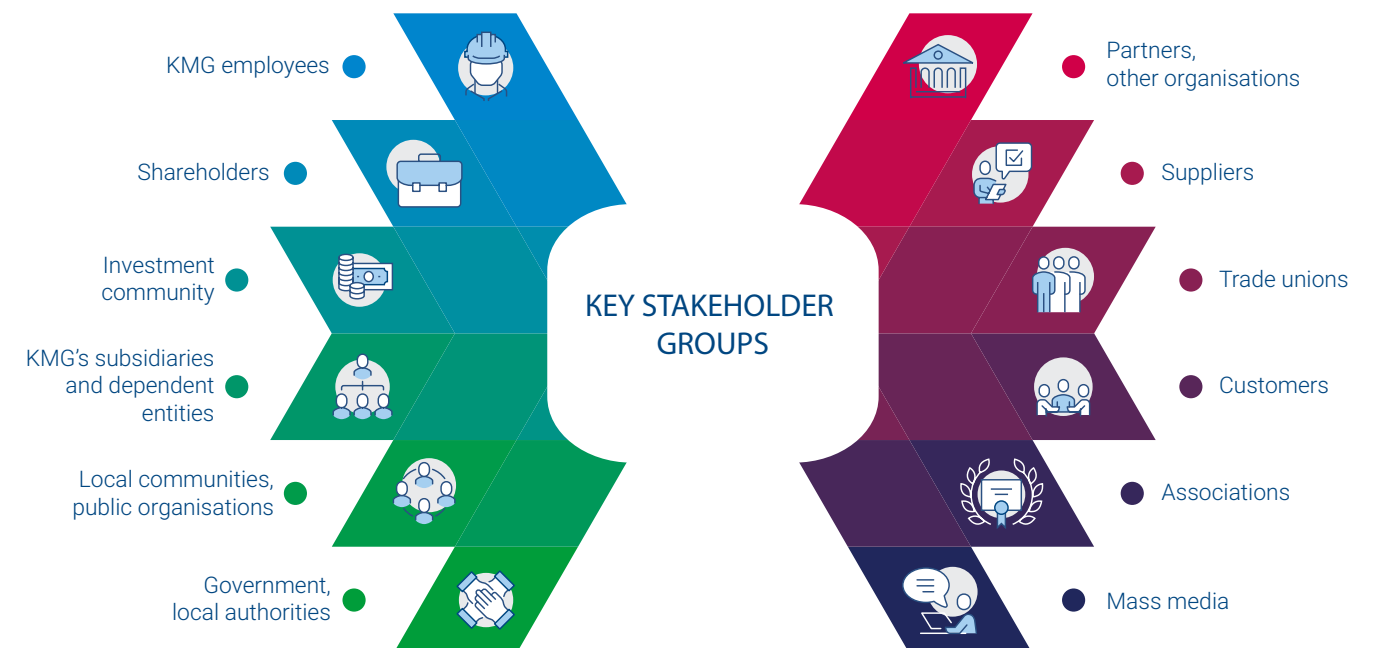
As a general matter, the governing authorities and the top management as well as the Heads of KMG Group business units are well informed about measures for protection of the employees' rights, and take an active part in enforcement of their rights.

STAKEHOLDER ENGAGEMENT

102-40, 102-42, 102-43

We seek to ensure a high level of openness and transparency of our activities by implementing the principle of active dialogue with stakeholders. On annual basis, we disclose information about all existing aspects of the Company's performance. This helps us to maintain the balance between economic, social and environmental aspects of our activities.

KMG provides the full operating cycle from HC exploration and production through transportation and refining to distribution of crude oil and oil products both in Kazakhstan and abroad, and represents state interests in the oil and gas sector. Having a complicated structure and various activities, KMG is interacting with a wide range of stakeholders.



"The employee's right for request is considered as one of effective methods to eliminate the law violations, one of the means to prevent offence, to protect rights and legal interests both of the employees and the Company. The request submission institution is another channel

for strengthening the relations between the Company and its employees, and the evidence of employees' confidence in it."
Turysbek Aliaskarov, Director of the KMG Corporate Security Department

DEFINITION OF STAKEHOLDERS






KMG is constantly making efforts to build up a dialogue, long-term cooperation and management of relations with its stakeholders.

KMG has an approved Stakeholder Map, which takes into account risks and rankings (based on direct or indirect dependence), obligations, the situation (with a special focus on higher-risk areas), influence, and

different prospects. To ensure effective achievement of the goals, Stakeholder Engagement Plans are developed.

When defining stakeholders and stakeholder engagement, KMG applies the best stakeholder engagement practices, including international standards, such as AA1000SES Stakeholder Engagement Standard.

STAKEHOLDER ENGAGEMENT METHODS INCLUDE:

Engagement level	Engagement methods
 <p>Consultations:</p> <ul style="list-style-type: none"> ✓ bilateral interaction; stakeholders answer questions asked by the organisations 	<ul style="list-style-type: none"> • Questionnaires; • focus groups; • meetings with stakeholders; • public meetings; • workshops; • feedback using communication means; • advisory boards
 <p>Negotiations</p>	<ul style="list-style-type: none"> • Collective negotiations based on social partnership principles
 <p>Involvement</p> <ul style="list-style-type: none"> ✓ Bilateral or multilateral interaction; build-up of expertise and knowledge on all sides; ✓ the stakeholders and organisations act independently 	<ul style="list-style-type: none"> • Multilateral fora; • advisory panels; • consensus achievement procedure; • joint decision-making procedure; • focus groups; • feedback mechanisms
 <p>Cooperation</p> <ul style="list-style-type: none"> ✓ Bilateral or multilateral interaction; joint build-up of expertise and knowledge, making decisions and taking measures 	<ul style="list-style-type: none"> • Joint projects; • joint ventures; • partnership; • joint stakeholders' initiatives
 <p>Authorisation</p> <ul style="list-style-type: none"> ✓ stakeholders, if applicable, participate in management 	<ul style="list-style-type: none"> • Integration of stakeholder engagement in management, strategy, and operations

IDENTIFICATION OF MATERIAL TOPICS OF THE REPORT

102-47

To assess and disclose material topics, the Report analysed information on both external and internal stakeholders. Based on the results of the performed procedures, a materiality matrix was constructed of 43 potential topics.

DISTRIBUTION OF WEIGHTS IN THE ASSESSMENT STRUCTURE OF MATERIAL TOPICS

The results of internal and external indicators on the horizontal and vertical axes of the matrix, respectively, were used to construct the matrix. The rating scale used in the matrix ranges from 1 to 5 points.

Online stakeholder survey was prepared on the basis of Google Forms platform. The representatives of shareholders, KMG CC, SDEs, suppliers, associations, local state bodies, banks, partners and clients participated in the questionnaire. Each sustainable development topic was suggested to be rated on a scale from 1 to 5 according to the level of importance, where 1 means "unimportant", 2 – "insignificant

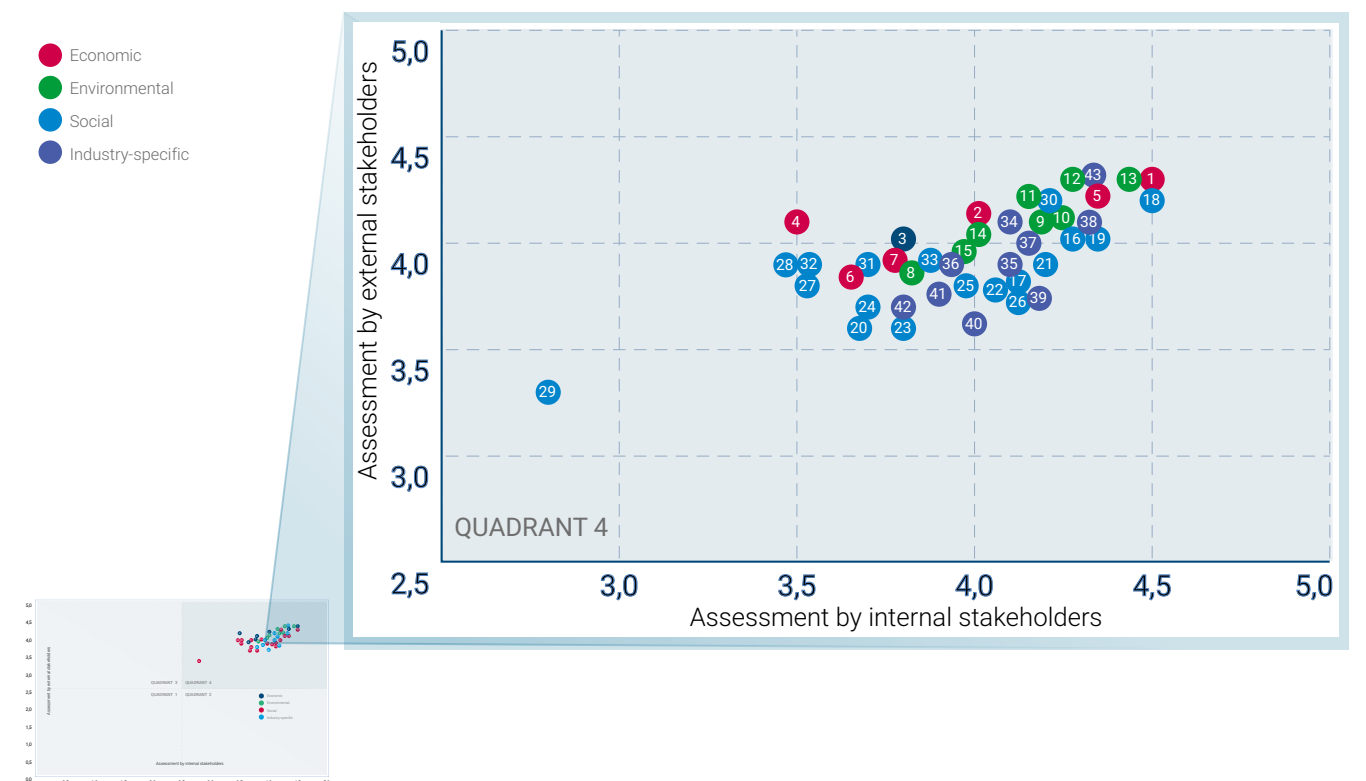
importance level", 3 – "medium importance level", 4 – "considerably high importance level", 5 – "highest or critical importance level".

The materiality matrix of 43 topics is provided below.

ASSESSMENT BY EXTERNAL STAKEHOLDERS

This matrix is divided into 4 conditional zones (quadrants) according to the level of importance of the topics as presented below.

- **Quadrant 4:** most important topics (assessment by external and internal stockholders > 2.5);
- **Quadrant 3:** topics important for external stakeholders, but less important for internal stakeholders (assessment by external stakeholders > 2.5, and assessment by internal stakeholders < 2.5);
- **Quadrant 2:** topics important for internal stakeholders, but less important for external stakeholders (assessment by external stakeholders < 2.5, and assessment by internal stakeholders > 2.5);
- **Quadrant 1:** least important topics (assessment by external and internal stockholders < 2.5).



List of material topics

ECONOMIC

1	Economic efficiency (e.g. revenues, profits)
2	Market presence (e.g. rate of remuneration in the regions, local content at the executive level)
3	Indirect economic effects (e.g. investments in infrastructure)
4	Procurement practices (e.g. share of local suppliers in expenses)
5	Counteracting corruption (e.g. corruption risk assessment)
6	Anti-competitive practices (e.g. compliance with the antimonopoly regulations)
7	Tax information (e.g., transparent tax administration)

ENVIRONMENTAL

8	Use of materials (e.g. recycled materials)
9	Energy (e.g. energy consumption, energy saving)
10	Water and effluents (e.g., water consumption, impact on water sources)
11	Biodiversity (e.g., conservation of Red Book animal species)
12	Emissions (e.g. greenhouse gas emissions, climate change)
13	Waste (e.g., waste recycling, hazardous waste management)
14	Environmental compliance (e.g. ecological fines or sanctions)
15	Environmental assessment of suppliers (e.g. negative environmental impact in the supply chain)

SOCIAL

16	Employment (e.g. labour turnover or employee benefits)
17	Employee-management relations (e.g. employee incentives)
18	Occupational health and safety (e.g. occupational injuries or risk of occupational diseases)
19	Training and education (e.g. employee training or career development)
20	Diversity and equal opportunities (e.g. gender equality)
21	Non-discrimination (e.g. dealing with facts of discrimination)

List of material topics

22	Freedom of association and collective bargaining (e.g. violation of such rights and freedoms)
23	Child labour (e.g. use of forced child labour)
24	Forced or compulsory labour (e.g. risks and efforts to eradicate such labour)
25	Security practices (e.g. training of security staff in human rights matters)
26	Human rights compliance assessment (e.g. training in human rights compliance)
27	Local communities (e.g. programmes for engagement with local communities)
28	Supplier Social Assessment (e.g., assessment of supplier social responsibility of suppliers)
29	State policy (e.g. donations for political purposes)
30	Consumer health and safety (e.g. impact of goods/services on consumer health)
31	Marketing and product and service information (e.g. compliance with such requirements)
32	Consumer immunity (e.g. consumer immunity violations)
33	Social and economic compliance (e.g. compliance with law or fines)

INDUSTRY-SPECIFIC

34	Volume and type of estimated proven reserves and production (oil and gas)
35	Investments in renewable energy sources (e.g. solar plants or wind farms, renewable energy utilisation capacity)
36	Monitoring of biodiversity impact in the regions of operations
37	Volume and disposal of formation or produced water
38	Volume of burned hydrocarbons and greenhouse gas leaks
39	Amount of drill cuttings (drill mud and slurry)
40	Benzene, lead and sulphur content in fuels
41	Strategies and programmes for engagement with local communities in the regions of operations; Settlement of disputes and conflicts, litigation with local communities
42	Decommissioning of production facilities; Compulsory relocation of people (as a consequence of operations)
43	Process integrity and safety (including spill prevention and emergency preparedness)

INITIATIVES AND MEMBERSHIPS

102-12, 102-13

INITIATIVES



The World Bank Initiative “Complete cessation of regular flaring of APG by 2030”

KMG supported this initiative in 2015. It unites governments, oil companies and development organisations that are ready to cooperate to stop the practice of regular APG flaring by no later than 2030. Our goal is to increase the beneficial use and disposal level of APG, to minimise flaring. We submit annual progress reports to the World Bank.



Global Methane Initiative

KMG supports the Global Methane Initiative (GMI) and regularly discloses its environmental activities to all stakeholders under the Sustainability Report. In 2017, as part of its methane emission reduction activities, KMG joined the GMI Project Network, which is a growing community of private sector businesses, financial institutions, and other governmental and non-governmental organisations interested in methane emission reduction projects, and in methane recovery and use. Working with the GMI partner countries, the members of the Project Network can intensify their activities, setting the stage for specific methane projects.



CDP Climate Programme

In 2020, KMG published a Greenhouse Gas Emissions Report 2019 as a part of the CDP's (Carbon Disclosure Project) Climate Programme. The Report comprises data on direct and indirect greenhouse gas emissions for all KMG assets, including subsidiaries in Romania and Georgia. For the first time the CDP Water Safety Questionnaire for 2019 was published.



Environmental responsibility rating of oil and gas companies in Kazakhstan

As a result of the performed works on improvement of ecological indicators as well as ensuring openness and transparency in this area, for the 4th time in a row, KMG was placed 1st in the Environmental Data Transparency Rating among Kazakh oil and gas companies following an independent assessment by Russian WWF, National Rating Agency and Creon Group.

The rating methodology has been tested through corporate practices and for the second year in a row an internal rating is held among the KMG SDEs, which is topped by Intergas Central Asia JSC with Embamunaigas JSC and KazTransOil JSC coming in the leading trio.

The company continues to increase the environmental responsibility, develops the environmental management system, and cooperates with all the parties concerned. Thereby performing its obligations reflected in the Company's Environmental Policy.

More details about the rating methods are available at: <https://wwf.ru/what-we-do/green-economy/ekologicheskij-rejting-neftegazovykh-kompaniy-rf-sovmestnyy-proekt-wwf-i-kreon/>



International Organization for Standardization (ISO)

Since 2006, the quality and HSE management system has been maintained in accordance with ISO 9001, ISO 14001 and OHSAS 18001. Subsidiaries and dependent entities with significant levels of energy consumption are certified to ISO 50001.

In 2020, all the Group companies successfully passed supervision audits, which confirmed conformity of the current integrated management systems to the international standards.



Extractive Industries Transparency Initiative (EITI)

It is a global standard that promotes transparency of revenues from oil, gas and mining industries. We comply with the terms of the Memorandum of

Understanding of the Initiative and provide reporting on taxes and other payments to the state revenue <http://eiti.geology.gov.kz/ru/national-reports>

Caspian Environmental Protection Initiative (CEPI)

In September 2020, in Baku city JSC NC “KazMunayGas”, state oil company of the Azerbaijan Republic, BP Exploration (Caspian Sea) Limited, Equinor Apsheron AS and TOTAL E&P Absheron B.V. signed the Memorandum of Understanding. The Memorandum involves creation of Caspian Environmental Protection Initiative. The main goals of the Initiative will be creating the first platform for environmental protection and joint researches effective in the region of international oil companies. Activities of the participating companies will be aimed at active joint efforts in order to resolve climate change problems threatening the Caspian Region ecological stability and prevent green house gases and harmful substances environmental emissions.





Oil Spill Preparedness Regional Initiative (OSPRI)

The Initiative is aimed at assistance and support of oil industry and the regional government in joint work which contributes to making accepted, sustainable, integrated and stable national, regional and international oil spill response decisions. The initiative is implemented through IPIECA, the International Petroleum Industry Environmental Conservation Association (www.ipieca.org). OSPRI in close cooperation with International Marine Organization (IMO – www.imo.org) and other international organisations is the regional means of implementation of international efforts on assistance to Oil Spill Preparedness for IPIECA.



Performance Excellence Process (PEP) Solomon Associates benchmarking.

Solomon Associates consulting company is the most famous benchmarking (fuel productions investigation) of the oil refineries in which efficiency indicators of hundreds refineries are compared both on a regional and worldwide basis.

MEMBERSHIP



National Chamber of Entrepreneurs of the RoK "Atameken"

KMG and the National Chamber of Entrepreneurs of the Republic of Kazakhstan "Atameken" entered into an agreement for cooperation in legal matters.

The agreement provides for interaction of the parties in such important legal areas as improvement of legislation, development of joint programmes and projects aimed at raising legal culture, expanding the role of arbitration in resolution of commercial disputes, etc.

The gaps between the actual data of the refinery and deviations from the leaders are identified by the investigation results, and the next stage of development and implementation of the Performance Excellence Process (the PEP) is carried out in order to identify the reasons.

Improvements are achieved through introduction of the Solomon best practices as well as measures not requiring significant investments or with small investments.

The results of the Solomon benchmarking identified the most significant areas of improvement for the refineries of JSC NC "KazMunayGas":

- Hydrocarbons loss reduction;
- Process unit yield optimisation;
- Energy consumption reduction;
- Reduction in repair costs.

In 2020, Atyrau Refinery LLP in cooperation with Solomon Associates started the process of continuous improvement of operational performance. In period 2021–2022, the works on development and introduction of Performance Excellence programme will be continued at Pavlodar Refinery LLP and PetroKazakhstan Oil Products LLP (PEP).



Kazakhstan Association of Oil, Gas and Energy Entities "KAZENERGY"

The KMG management is involved in the activities of several committees and working groups of the Association.

The chairmanship in the Coordination Council of KAZENERGY for ecology, social responsibility and transparency opens an opportunity for KMG to promote sustainable development in the oil and gas sector of Kazakhstan.

KMG and Kazakhstan Association of Oil, Gas and Energy Entities "KAZENERGY" entered into a Memorandum of Cooperation.

The Memorandum provides for joint activities in such key legal areas as improvement of the Kazakhstan legislation; development of joint programmes and projects aimed at improving legal culture; cooperation in holding round tables, seminars, conferences on topical issues in the legal field, etc.



The UN Global Compact

Our membership in the UN Global Compact and the annual posting of the Sustainability Report on the UNGC website to show KMG's progress in promoting the principles of the Global Compact and 17 Global Sustainable Development Goals clearly demonstrate our commitment to the principles of sustainable development.



International Association of Oil and Gas Producers (IOGP)

Since 2018, KMG has been a full member of the International Association of Oil and Gas Producers. Our health and safety statistics will be publicly available, and our performance indicators will be compared to those of more than 75 oil and gas companies worldwide. Our strategic goal is to be among the Top 20 companies on this list.



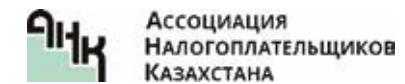
International Association of Scientific, Technical and Business Cooperation in Geophysical Research and Well Work (ARW)

This is a non-commercial organisation uniting organisations, enterprises, educational institutions, and the plants of oil and gas sector. The main goal of the Association is to increase scientific and technical level, efficiency, competitiveness of geophysical research and works performed by enterprises – the Association members.



International Association of Oil Transporters (IAOT)

Since 2015, KTO has been a member of the MATH/IAOT. The Association was formed in order to assist in actions coordination for sustainable development of oil transportation systems of participating companies and strengthen the stability of international oil transportation.



Association of Taxpayers of Kazakhstan

The Association of Taxpayers of Kazakhstan (the Association, the ATK) is a non-commercial organisation created in 2005 in order to assist in protection of legal rights and interests of taxpayers, enhance their knowledge to ensure voluntary and timely tax payment. The Association classifies and analyses the areas of concern, proposals and comments in the field of taxation received from the ATK members. The results of the systemic works are the dialogues between the representatives of the involved ministries and taxpayers as a part of round tables, conferences, fora and working groups, as well as a range of the proposals on amendments and supplements to the RoK taxation laws.



Association of Legal Entities "Kazakhstan Union of Mechanical Engineers"

Association of Legal Entities "Kazakhstan Union of Mechanical Engineers" is a non-commercial Association which includes more than 600 machine-building enterprises. The Union was formed in order to unite domestic enterprises for efficient development of machine-building sector of the country, to assist in resolving the industry's systemic problems, establish cooperation, represent their interest when interacting with state authorities and other organisations.



Kazakhstan Welding Association “KazWeld”

The Kazakhstan Welding Association “KazWeld” was formed by the initiative of Total French oil and gas company and with the support from the national leaders. The main goals and tasks of the Association are to improve quality and competitiveness of national welding products, increase the number and quality of training for welding production workers in compliance with international standards, create a network of educational centres on welding and introduce international standards of education, training and attestation/advanced training of welding production personnel and many other things.



Union of Energy Engineers of the Republic of Kazakhstan

Association of Legal Entities “Union of Energy Engineers” was formed in 1999 in order to unite efforts of energy enterprises and institutions of Kazakhstan, assist in energy supply problems resolving, develop regulatory and regulatory and technical documents of energy sector, in particular, industrial energy, organise energy saving in the country, increase qualification of energy personnel working in this highly important sector of the national economy.



National Association of Business “IRIS”

National Association of Business “IRIS” is a non-commercial organisation which unites representatives of the Kazakhstan business in order to assist in protection of legal rights and interests of entrepreneurs, stimulation of the Kazakhstan entrepreneurship development, increase interest of state authorities and management bodies in entrepreneurship development, provide opportunities for free expression and protection of their interests by all members of the Association, etc.



Association of Marine Transport Entrepreneurs of the Republic of Kazakhstan

The Association is a non-commercial organisation which unites legal entities on a voluntary basis in order to assist in development of the Kazakhstan marine transport, coordination of their activities, aimed at completion of production, scientific and technical, social and economic objectives and protection of their common rights.



Union of Oil Service Companies of Kazakhstan

The Union was formed in 2011 in order to unite domestic oil service companies to consolidate the approach in resolving challenges of the sector, represent interests of its members in the country's provinces of core business running as well as interact with state bodies.



Trans-Caspian International Transport Route

The Organisation which unites and represents the rights of some countries and companies located on Trans-Caspian International Transport Route (the TITR). The Association is intended to coordinate interaction of all participants of cargo transportation from Asia to Europe and backwards providing necessary informational support. The main tasks and goals are to promote simplification of administrative procedures, creation of competitive environment and provision of maximum efficiency for the companies from different countries including those not actually located at the international transport route. The TITR runs across China, Kazakhstan, the Caspian Sea water area, Azerbaijan, Georgia and then to the European countries.



Union of Kazakhstan Transport Workers “KAZLOGISTICS”

The Union consists of 46 members including about 550 transport and logistics companies and associations of the Republic of Kazakhstan. The Union is a public coordinator of transport logistics development, the RoK global transit capacity and synergy of all transport types.



Oil Spill Response Limited (OSRL)

Oil Spill Response Limited (OSRL) is a British company established in 1985 specialising in oil spill response and performing its services worldwide. The OSRL members include more than a hundred world companies. The Company pays special attention to

prevention and removal of oil contaminations not only offshore but also in coastal waters.



Kazakhstan Bar Association

The Republican Public Association “Kazakhstan Bar Association” was formed in 2012 at the founding congress of lawyers. The Association's activity relies on the principles of voluntary participation, equal rights, publicity, legitimacy, cooperation with state bodies, non-governmental organisation and Kazakhstan citizens.

Case Study

The KMG Sustainability Report 2019 was included in the best top reports at the Annual Report and Sustainability Report Competition

On 11 December 2020 the «QRA» Rating Agency summed up the results of the 10th Anniversary Annual Report and Sustainability Report Competition. The ceremony of awarding laureates and nominees of the annual Competition was held online.



At the 2020 Competition, assessed were 111 annual reports of the Kazakh companies including 39 financial, and 72 non-financial organisations.

The KMG Sustainability Report 2019 was awarded with the laureate diploma Best Online Version of Annual Report and Sustainability Report and the nominee diploma Best Sustainability Report.