

STRATEGY AND SUSTAINABLE DEVELOPMENT

GRI 2-22

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**INVESTING
IN THE FUTURE**



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

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

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

IMPLEMENTATION OF THE CORPORATE STRATEGY

In 2024, the oil and gas industry continued to face the impact of global economic and geopolitical factors, leading to price volatility, limited investment, and shifts in demand for hydrocarbon resources. In this environment, NC KazMunayGas JSC focused its strategic efforts on ensuring energy security, strengthening exploration

activities, diversifying export routes, developing the petrochemical sector, and introducing renewable energy sources. The Company continues to balance its investments between traditional oil and gas operations and sustainable development, as reflected in KMG's long-term strategy for 2022–2031.

STRATEGIC GOALS AND 2024 RESULTS

STRATEGIC GOAL NO. 1:

Sufficient resource base to ensure Company's growth

KMG is focused on increasing its hydrocarbon reserves to support both current operations and future projects. The key tools for achieving this goal are organic growth, strategic partnerships, and the acquisition of new assets.

2024 results:

- Deep drilling of exploration wells initiated for four projects (Turgay Paleozoic, Karaton Subsalt, Karazhar, Taisoigan);
- Five promising blocks identified under the project of geological exploration of the subsurface 1.0 (Mugodzhary, Berezovsky, Zharkyn, Bolashak, Northern Uzen); fieldwork was completed and partners were selected;
- Three new blocks identified under the project of geological exploration of the subsurface 2.0 (Bereke, Shygys, Southern Shu-Sarysu) with plans for 2025–2026.

STRATEGIC GOAL NO. 2:

Improving the Company's value chain efficiency

KMG aims for maximum efficiency at all stages of oil production, refining, transportation, and sales, with a strong emphasis on operational resilience.

2024 results:

- An additional 418 thousand tonnes of oil were produced through the implementation of new technologies;
- The implementation of the Uzen and Karamandybas fields rehabilitation project allowed for an additional 157.7 thousand tonnes of oil production;
- Gas production began at the Rozhkovskoye, East Urikhtau, and Aksai South fields;
- Preliminary preparatory work has started for the Kalamkas-Sea Khazar offshore project;
- The 5th gas injection compressor unit was launched at Karachaganak;

STRATEGIC DIRECTIONS

VALUE CREATION

ENERGY TRANSITION

STRATEGIC GOALS

Sufficient resource base to ensure the Company's growth

Improving the Company's value chain efficiency

Business diversification and product portfolio expansion

Sustainable development and progressive reduction of the carbon intensity of production

TARGETS 2031

TARGETS 2031

- Increased reserves for onshore and offshore projects
- Accelerated turnover of reserves into production
- Exploration of prospects

- Cumulative oil production of **240 million tonnes** for 2022–2031
- Uninterrupted operation of refineries
- Increased gas production and its commercialisation
- Production of petrochemicals (gasoline, paraxylene)
- Increase of efficiency of utilisation of the created production facilities
- Development of additional oil export transportation routes

Production of petrochemicals:

- Polyethylene
- Polypropylene
- Carbamide
- Polyethylene terephthalate
- Terephthalic acid

- Gradual improvement of **ESG rating**
- Implementation of projects aimed at obtaining **carbon offsets**
- Purchase of **I-REC** certificates
- Reduction of CO₂ emissions by **15%** of 2019 levels
- Forest climate projects
- Low-carbon hydrogen
- Development of RES projects with KMG's share in total capacity of at least **300 MW**
- Application of carbon capture and storage technology
- Carbon and energy intensity decrease by at least **10%**

ALL BUSINESS AREAS



Optimising operating costs



Optimising the asset structure



Effective procurement



Digitalization and technological development



Project management

- Wellhead Pressure Management Project facilities at Tengizchevroil (TCO) were commissioned;
- Export routes were expanded: supply growth through Baku-Tbilisi-Ceyhan (+34%) and the Druzhba pipeline (+50%);
- Production of light oil products increased by 370 thousand tonnes at 3 refineries, and an automatic emission monitoring system was implemented;
- Expansion projects for Caspi Bitum and Shymkent Refinery continue.

STRATEGIC GOAL NO. 3:

Business diversification and product portfolio expansion

KMG is developing its petrochemical segment in response to global demand for petrochemical products.

2024 results:

- The integrated gas chemical complex KPI produced 249 thousand tonnes of polypropylene (10 grades developed, fully covering domestic demand);
- Construction of a polyethylene gas chemical complex (1.2 million tonnes/year) launched in cooperation with SIBUR and Sinopec. The final investment decisions made and construction started;
- Pre-feasibility study results for the "Polyethylene Terephthalate" project approved; strategic partner search underway;
- Agreement signed with CNPC to establish a joint venture for the "Carbamide" project.

STRATEGIC GOAL NO. 4:

Sustainable development and progressive reduction of carbon intensity of production

KMG is integrating sustainable development principles and working to reduce its negative impact on the environment.

2024 results:

- Updated ESG risk rating for 2023 reached 32.8 points; improvement plan is being implemented;

- Under the international Carbon Disclosure Project, KMG received a "B" rating for the 2024 reports on "climate change" and "water security" (previous years: "C");
- Low-Carbon Development Program through 2060 was approved (target: 15% GHG reduction by 2031 and 64% by 2060);
- Methane emissions report was submitted to UNEP under OGMP 2.0;
- Construction of hybrid power plants (gas and renewables) initiated with Eni;
- The law on ratification of the agreement with Total Eren on the Mirny project (1 GW) was signed, and \$1.4 billion in financing was received;
- Main construction was completed on the Kenderli desalination plant, including 201 km of trunk pipeline to supply desalinated water to Zhanaozen;
- 1,099 thousand tonnes of historical waste were disposed;
- HR policy was updated;
- KZT 5.1 billion was invested in employee training;
- 64 additional units of the Electronic Medical Screening System were installed across various subsidiaries;
- Unified standard program for industrial sanitary control was approved in line with Ministry of Health regulations;
- Action plan was approved for the Group's employee wellness program for 2025–2027.

KEY PERFORMANCE INDICATORS

IN 2024, KEY INITIATIVES WERE IMPLEMENTED, AND THE PLANNED TARGETS FOR KMG'S CORPORATE KEY PERFORMANCE INDICATORS WERE ACHIEVED.

Improving the Company's value chain efficiency

Implementation of Investment Projects	100% (2023: 80%)
Volume of Oil and Gas Condensate Production	23,837 thousand tonnes (2023: 23,490 thousand tonnes)
EBITDA Margin (excluding trading)	44% (2023: 41,1%)
TSR (Total Shareholder Return)	28.55% (2023: 43,1%)
Share of In-Country Value in Procurement of Goods, Works, and Services by the KMG Group	The share of in-country value in procurement of goods was 55%, and in procurement of works and services – 89% (This indicator was introduced in 2023)

Sustainable development and progressive reduction of carbon intensity of production

Integrated Industrial Safety Indicator	125% (2023: 156%)
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The performance values are estimated. The final approval of the actual performance indicators for 2024 by the KMG Board of Directors is expected in July 2025.

PERFORMANCE EVALUATION

KMG EXECUTIVE MANAGEMENT EFFECTIVENESS ASSESSMENT

As part of the corporate management system of NC KazMunayGas JSC, Key Performance Indicators (KPIs) for executives serve as a tool to evaluate their contribution to achieving the Company's strategic goals. These indicators cover economic, environmental, and social development aspects, as well as elements of corporate governance.

The performance evaluation process for executives is aimed at monitoring the implementation of KMG's Development Strategy and includes:

- Assessment of employees' contributions to the achievement of strategic goals;
- Use of motivational KPIs in calculating compensation;
- Application of the KPI system and goal-setting for KMG employees, ensuring transparency and accountability.

CORPORATE KPIs

To ensure the implementation of sustainable development goals, the following corporate KPIs were approved:

- Implementation of investment projects, including sustainability-related projects (e.g., construction of the desalination plant in Kenderli and construction of the new gas processing plant in Zhanaozen);
- Integrated industrial safety indicator, aimed at reducing the incident rate and identifying hazardous conditions.
- Fulfillment of the Action Plan under KMG's Low-Carbon Development Program for 2022–2031 in the respective business areas;
- Implementation of renewable energy projects;
- Remediation of historical oil waste;
- Deployment of a transport management information system as part of the "Trip Management" project;
- Comprehensive HSE audits at subsidiaries and dependent entities;
- Development of a Corporate Wellness Program for KMG Group employees for 2025–2028;
- Update of KMG's HR policy;
- Social stability index across KMG Group.

Among the motivational KPIs at the level of Board members (Deputy Chairmen of the Board) and heads of KMG structural divisions, the following KPIs in the area of sustainable development have been defined:

- Implementation of corrective measures based on the results of IR-screenings conducted at KMG subsidiaries' contractors in 2024;
- Execution of Roadmaps for improving the social and living infrastructure of KMG subsidiaries in 2024;

At the level of individual subsidiaries and dependent entities, the following KPIs were introduced:








- Integrated industrial safety indicator;
- Reduction of carbon footprint;
- Development of corporate culture through internal communications.

of decarbonization, water resource management, occupational health and safety, human rights, and human capital management. Below is information on the Company's key initiatives in advancing sustainable development practices.

DEVELOPMENT OF THE SUSTAINABILITY MANAGEMENT SYSTEM

In 2024, KMG continued to actively develop ESG practices aimed at reducing environmental risks, enhancing social responsibility, and improving corporate governance. During the reporting period, a set of measures was implemented in the areas

MEASURES	IMPLEMENTATION STATUS
ENVIRONMENTAL	
Greenhouse Gas Emissions Management and Low-Carbon Development	
Updating the KMG Low-Carbon Development Program until 2060	The program was approved by the KMG Board of Directors in November 2024
Updating and implementing the low-carbon development action plan	The plan was approved by the KMG Management Board on March 5, 2025
Disclosure of information according to TCFD recommendations	Disclosed in the 2024 Sustainability Report
Disclosure of data in the CDP Climate Change questionnaire	The CDP questionnaire has been completed and submitted. A "B" rating was received
Disclosure of climate risks on the corporate web-site and in reports	Partial disclosure is included in the 2024 Annual Report. Full disclosure is planned for the 2025 report
Review of technological loss standards and flaring at refineries	Updated production passports for Atyrau Refinery, Pavlodar Refinery, and PKOP were approved by the Ministry of Energy
Water Resources Management	
Development of a Water Resources Management Program	The program has been developed
Disclosure of water balance and water consumption intensity data	Information is included in KMG's reporting and CDP
Calculation of water use efficiency and disclosure in reporting	The water security section is included in the corporate CDP questionnaire
Disclosure of information in the CDP Water Security questionnaire	Data presented in CDP
Pollution Emissions Management	
Development of pollution emissions reduction targets	Information collection and analysis of the current situation have been completed. Targets are under development
Development of a pollution emissions reduction program	Drafts of program sections have been developed. Completion is expected in 2025
Disclosure of flaring activities	Information is reflected in the Sustainability Report.
Implementation of World Bank initiatives to end routine flaring of associated gas	Flaring volume has been reduced by 89% compared to 2017. Information is included in the Sustainability Report
Biodiversity	
Development of a Biodiversity Program	The program is in development and is planned for completion in 2025
Land reclamation	
Development of rules for the closure and restoration of disturbed land	The document is prepared and approval is planned for 2025
Disclosure of information on land closure and restoration	Data is included in the reporting
Development of sustainable products and technologies	
Pilot project on CO ₂ capture, storage, and utilization (CCUS)	Screening of emission sources completed, further work is underway
Development of a techno-economic calculation for blue hydrogen production	Research is ongoing
Development of a Water Resource Atlas for green hydrogen production	The Atlas has been developed
Techno-economic study of the SAF (Sustainable Aviation Fuel) project	Research is being conducted jointly with Air Astana and EBRD

MEASURES	IMPLEMENTATION STATUS
SOCIAL	
 Interaction with Local Communities	
Development of a Local Communities Development and Engagement Program	The program is under development
Disclosure of information on local community engagement	Information is disclosed annually in reports
 Human Rights	
Update of the Human Rights Policy	The policy is submitted for approval by the Board of Directors
Development of a Human Rights Program	Planned for 2025
Conducting human rights impact assessments	Scheduled for 2025
 Human Capital Development	
Updating the KMG Human Resources Policy	The policy was updated and approved by the KMG Board of Directors in December 2024
Disclosure of information on human capital	Data is presented in the reporting
Implementation of the "Green Office" project	A number of resource rationalization initiatives have been implemented
 Health and Safety	
Updating the Health, Safety, and Environmental Roadmap	The document has been approved
Updating safety reporting rules	The rules have been updated, including the calculation of LTIR and FAR
Disclosure of safety indicators	Data is disclosed annually
GOVERNANCE	
 Board of Directors	
Disclosure of information on the composition and independence of the Board of Directors	Data is presented in the reporting
Gradual increase in the share of women on the Board of Directors to 30%	Implementation is progressing in accordance with the Roadmap
 Transparency of remuneration	
Transparency of executive remuneration	Data is included in the Annual Report
Election of independent directors to the Remuneration Committee	The committee consists entirely of independent directors
Updating and approving rules for assessing the performance of senior executives, the Head of the Compliance and Risk Management Department, the Ombudsman, considering sustainable development KPIs	The rules have been updated
 Anti-Corruption Measures and Compliance	
ISO 37001 certification	Preparation has been completed, and the audit is scheduled for 2025
Disclosure of tax information according to GRI Standards and OECD Action 13	Data is published annually on the KMG website

