

Compliance Service

KMG conducts its business in a fair, honest and transparent manner while also paying special attention to the observance of these principles by our colleagues and partners. To this end, the Company has in place the Code of Business Ethics, Anti-Corruption Policy, Confidential Informing Policy, Conflict of Interest Policy, Counterparty Due Diligence Policy and Internal Control Rules for Granting Access Rights to Insider Information and Preventing Information Misuse by Insiders. In addition to the drafting of internal documents, KMG implements timely measures to ensure compliance with new anti-corruption laws and regulations. In 2021, KMG closely focused on strengthening its culture of compliance and looking into the trends affecting compliance processes.

The Company updated its Anti-Corruption Policy and Confidential Informing Policy by banning the receipt of gifts and joint work of close relatives to reflect the recent legislative changes, while also replacing the hotline operator. Furthermore, 2021 saw the adoption of the Counterparty Due Diligence Policy of KMG Group. A similar policy was also adopted across the Company's 35 subsidiaries and associates.

KMG is committed to the best global practices in corporate governance and focuses on continuous improvement of its corporate standards.

The Company worked to improve its internal communications by circulating newsletters reminding employees of KMG's anti-corruption requirements, regulatory changes (amendments to the Law of the Republic of Kazakhstan on Combating Corruption) and the Company's whistleblower hotline. In 2021, the number of whistleblower tips and submissions received via the hotline dropped by 1.5 times year-on-year to 76 from 118 in 2020. The decrease was due to the change

of the hotline operator and the spin-off of some subsidiaries from KMG. Tips and submissions received via the hotline are thoroughly reviewed and investigated, with follow-up and disciplinary action taken as necessary, including termination of employment. The Company actively seeks to encourage employees and other persons to report any issues via the hotline.

KMG works to integrate the processes at its subsidiaries and associates into the Group-wide corporate culture by introducing relevant functions and building enterprise-specific compliance programmes at subsidiaries and associates. As part of these efforts, the Company conducted compliance risk assessments at 14 enterprises (KMG, OzenMunaiGas, Embamunaigas, Pavlodar Refinery, Atyrau Refinery, KazTransOil, Kazmortransflot, KMG Engineering, OzenMunayService, Oil Services Company, KLPE, KPI, KazakhOil Aktobe, and KMG Kumkol). The results of the risk assessment and analysis were used to develop the appropriate risk mitigants. The exercise also included the review of accounting operations, employees' family ties, compliance with the Law of the Republic of Kazakhstan on Combating Corruption and compliance policies.

Extensive work was carried out to set up compliance functions at the enterprise level, develop enterprise-specific compliance programmes and hold online training sessions on compliance and fraud prevention run by a Big Four firm experts for compliance officers of KMG's subsidiaries and associates. Currently, KMG employs 41 compliance officers across its operations. They completed a training course led by forensic experts from an international audit organisation, which covered such areas as counterparty due diligence, conflict of interest identification and management, interviews, employee checks, investigation planning and process, and investigation report preparation.

Since 2020, the Company requires all employees to declare any conflicts of interest. This contributes to the efficiency of conflict of interest management and helps define the requirements for employee conduct to minimise the risks of decision-making affected by personal interests and connections.

In 2021, KMG implemented Phase 1 of the Universal Declaration, supporting the government's goal to create a system of effective control over income and property of individuals to combat the shadow economy and corrupt practices.

KMG joined forces with JSC Samruk-Kazyna to hold meetings with representatives of the Mangystau Region Administration and contractors in Aktau to promote its whistleblower hotline. Meetings on compliance were held with the administrative and management personnel of JSC Mangistaumunaigaz, JSC Karazhanbasmunai, Oil Services Company LLP and Isatay Operating Company LLP.

In order to implement the best global practices in compliance, KMG organised a workshop for compliance officers of subsidiaries and associates, running it jointly with Tengizchevroil.

The Compliance Service supports the development of professional competencies and expertise of KMG Group's compliance officers. Today, our compliance teams include holders of internationally acclaimed certificates from the Association of Certified Fraud Examiners (ACFE) and the International Compliance Association (ICA), and their number keeps growing.

We also note that as part of assigning KMG's 2021 ESG rating, Sustainalytics gave the highest score to the Company's compliance performance, citing the high level of policies in place to prevent bribery and corruption.

Ombudsman Office

One of the key roles of the Ombudsman Office is to make sure that KMG's practices are fair and that the interests of all the Company employees are observed, through early prevention, dispute settlement and conflict resolution, and escalating systemic issues requiring action to relevant bodies and officers, as well as initiating proposals to stabilise conflict situations. KMG's Code of Business Ethics clearly states the principles stipulating that KMG employees and officers shall not tolerate intimidation, even in the form of a joke, discrimination against anyone on the basis of race, religion, nationality, gender, political or other affiliation, social origin, material position, job, language or other circumstances, as well as the granting of any privileges to individual employees based on the above characteristics. KMG Ombudsman's activities are guided by Kazakhstan's laws and KMG's internal documents.

Risk management and internal control

1. Corporate Risk Management System (CRMS) principles

Through risk management, the Company prevents the occurrence of risk events, which affect the achievement of strategic and operational goals, and mitigates their impact if they occur. Risk management is an integral part of the Company's strategic planning, corporate governance and financial stability.

KMG has integrated the Corporate Risk Management System (CRMS) in its key business and management processes. The purpose of the CRMS is to ensure an optimal balance between the Company's growth in value, its profitability and risks. The CRMS is a key element

of the corporate governance framework, supporting timely identification, assessment and monitoring of all material risks, as well as application of timely and adequate mitigation measures. The CRMS established at KMG and its subsidiaries and associates covers all areas of their business.

The Company's Risk Management Policy relies on the following principles:

principle	description
methodological consistency	processes are based on unified methodological approaches
continuity	functioning on an ongoing basis
comprehensive nature	covering all business lines and all types of risks arising from operations
accountability	organisational structure of the CRMS establishes competence of risk management decision-making and control at all levels of KMG Group
informed and timely communication	the risk management process is supported by objective, reliable, and up-to-date information
rational approach	to implement risk management measures, the Company uses resources rationally, ensuring economic efficiency of risk management activities
reasonable assurance	reasonable assurance of delivering on the Company's strategic and operational objectives, but not absolute assurance due to limitations inherent in the external and internal environment
adaptability	regular improvement to identify all possible business risks and ensure the most effective application of risk control and management methods
clear regulation	all operations comply with the procedures stipulated by internal regulations
active involvement of the management team	the management team is actively involved in, and supports the implementation and improvement of the CRMS

Corporate Risk Management System Policy of JSC NC KazMunayGas and its subsidiaries and associates is available on the Company's website.