

ESG rankings

KMG's Board of Directors approved a corporate KPI for 2021 – threshold ESG score of 65, up by 5 points compared to the previous target. Also, for the next years, a Corporate KPI of ESG rating was set, which is a clear indicator of the Company's control over, and commitment to sustainability initiatives.



ESG risk rating

28,4

ESG rating

72

In October 2021, Sustainalytics raised KMG's ESG rating from 69 to 72. The Company's ESG risk rating was improved from 34.5 to 28.4, moving KMG from the high risk category to the medium risk category and highlighting the Company's strong positions in managing material ESG risks in the international oil and gas market.

KMG's upgrade to the medium risk category is due to the Company's solid progress in sustainability and active efforts to integrate ESG practices into the strategy and operations.

We delivered improvements in our environmental policy, water risk management, programmes on GHG emissions reduction and community development, fatalities among employees, policies and programmes against bribery and corruption, etc.

KMG's key ESG challenges are still carbon emissions from operating activities and emissions from using the Company's products, as well as community relations in our regions of operation.

A major goal for KMG is to solidify its standing as a company with a medium-range ESG Risk Rating by 2031. To that end, the Company has developed and approved an action plan to improve KMG's ESG rating across key sustainability areas: decarbonisation, emissions, wastewater and waste, community management, human capital, and corporate governance.

Particular attention is paid to enhancing the sustainability culture. Sustainability training courses are held on a regular basis for employees of the Corporate Centre and subsidiaries and associates.

Commitment to UN Global Compact principles and 17 Sustainable Development Goals

KMG's approach to sustainable development is based

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on aligning the Company's interests and plans with the basic principles of the UN, universal human values, global trends, and development priorities in Kazakhstan.

KMG reiterates its commitment to all the ten principles of the UN Global Compact.



- **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.
- **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.
- **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.
- **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.



KMG is also committed to all the 17 Sustainable Development Goals (SDGs). Until 2025, the Company has identified six priority SDGs.

In 2021 progress can be seen in the list of initiatives incorporated into KMG's operating and day-to-day activities

Implementation of sustainable development goals in KMG

Sustainable Development Goals	Priority targets	KMG's contribution
3 GOOD HEALTH AND WELL-BEING 	3.6. By 2020, halve the number of global deaths and injuries from road traffic accidents	Travel Management project In order to improve transport safety, foster a safe driving culture and establish a single centralised digital platform, the Travel Management pilot project was run at JSC Embamunaigas and is planned to be rolled out across KMG's other subsidiaries and associates starting 2022. Outcome GPS terminals monitor 418 vehicles of JSC Embamunaigas in terms of speed limits, use of safety belts, headlights, and harsh acceleration and braking.
	3.8. Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all	Employee health management KMG will develop a programme to care about the health of its employees and improve the quality of their lives. The programme will have three focus areas: <ul style="list-style-type: none"> • Measures to tackle the pandemic and its implications. • Prevention of occupational diseases. • Improved employee awareness of, and motivation for, a healthy lifestyle. 10 Steps to Better Health initiative The programme primarily aimed at increasing physical activity and removing unhealthy eating. Outcome 100% of KMG's employees are covered by health insurance and have access to vaccination.
	3.9. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	The Code of Employees' HSE Leadership and Commitment has been introduced and is being implemented. The Korgau card is in place to identify and report an unsafe condition / unsafe behaviour / unsafe action / hazardous factor. Outcome In 2021, there were zero deaths or illnesses from hazardous chemicals and air, water and soil pollution and contamination. For more details, see the Occupational health and safety section.
7 AFFORDABLE AND CLEAN ENERGY 	7.1. By 2030, ensure universal access to affordable, reliable and modern energy services	KMG Group's key strategic energy saving and energy efficiency initiatives include process equipment upgrades, deployment of energy saving technologies, optimisation of heat generation and consumption, and the development of the Group's own generation assets, including those relying on renewable energy. The 2031 Low-Carbon Development Programme was approved.
	7.b. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing states and landlocked developing countries, in accordance with their respective programmes of support	Renewable energy projects: <ul style="list-style-type: none"> • megawatt class renewable energy projects; • renewable energy projects to be used in the utilities sector; • renewable energy projects to be incorporated into process charts; • procurement of green power. Outcome 2031: <ul style="list-style-type: none"> • 100% of subsidiaries and associates covered by energy management services; • 10% energy intensity reduction from the 2019 level; • 15% share of renewable energy in KMG's energy consumption; For more details, see the Low-Carbon Development Programme section.

Sustainable Development Goals	Priority targets	KMG's contribution
8 DECENT WORK AND ECONOMIC GROWTH 	8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Project to establish KMG Group's Multifunctional Shared Services Centre The project is designed to increase productivity (cost reduction, customer satisfaction (quality and timing), transparency, manageability, analytics of reliable data) across KMG Group by transferring general support processes from the Group's companies to the shared services centre. This removes routine and overlapping duties from business units to let them focus on core processes with high added value. Outcome 2024: functions of 26 KMG Group companies transferred to the SSC.
	8.6. By 2020, substantially reduce the proportion of youth not in employment, education or training	Zhas Orken KMG Group participates in the Zhas Orken programme of young talent rotation, aimed at providing development opportunities to talented youth in Kazakhstan. Outcome 17 project participants took apprenticeship at KMG Group companies under the Zhas Orken programme in 2021.
	8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	Standard Rules for Rendering Social Support Social support for employees of KMG subsidiaries and associates is set out in their collective bargaining agreements and the Rules for Rendering Social Support. To unify the types and standards of social support across all KMG Group companies, the Standard Rules for Rendering Social Support to Employees of KMG Subsidiaries and Associates were adopted. For more details, see the Personnel development section.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	KMG's digital transformation programme promotes the expansion of scientific research and development of technological capabilities across industrial sectors. KMG invests significant funds in relevant scientific research and local capacity building. The development of domestic technological capacities to ensure industrial diversification will also have a positive impact on the climate situation in the country. Project "Development of the ABAI Information System" Under the project, all production data of KMG Group will be centralised in a single Big Data database and will be processed and analysed using AI and machine learning. The ABAI information system will comprise 20 standalone modules, each designed to tackle specific operating issues. Outcome Five pilot modules of ABAI developed and tested: <ul style="list-style-type: none"> • ABAI Database, • Visualisation Centre, • Complications Monitoring, • Technological Mode, • Selection of Downhole Pumping Equipment. For more details, see the Digitalisation and Transformation section
	9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	The Low-Carbon Development Programme until 2031 was approved Outcome 2031: <ul style="list-style-type: none"> • 100% of subsidiaries and associates covered by energy management services; • 10% energy intensity reduction from the 2019 level. For more details, see the Low-Carbon Development section.

Sustainable Development Goals	Priority targets	KMG's contribution
13 CLIMATE ACTION 	13.2. Integrate climate change measures into national policies, strategies and planning	Low-Carbon Development A project office for low-carbon development has been set up. There are also plans to establish a competence centre for hydrogen energy and carbon capture, storage and processing. Green Office Company-wide green initiatives are being actively promoted, and the Green Office principles, including the introduction of separate waste collection, water and energy saving in the office, etc., are being gradually implemented. Outcome By 2031: <ul style="list-style-type: none"> • 15% reduction in greenhouse gas emissions from the 2019 level; • 10% carbon intensity reduction from the 2019 level; • zero routine flaring of raw gas.
	13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	Emissions Management Policy KMG Group's Emissions Management Policy has been approved. The Policy is aimed at complete elimination of routine flaring and is comprised of eight key principles, six of which directly address climate change. CDP The Company calculates its carbon footprint and posts its Climate Questionnaire on the website of the CDP (previously Carbon Disclosure Project). Task Force on Climate-related Financial Disclosures (TCFD) Disclosure of climate-related risks in line with TCFD recommendations. Outcome <ul style="list-style-type: none"> • Environmental Policy approved. • CDP score C assigned to KMG. For more details, see the Industrial safety, occupational health and environmental protection section .
15 LIFE ON LAND 	15.3. By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world	KMG implements projects and initiatives aimed at curbing discharges and reducing fresh water withdrawal from natural sources: CDP The Company calculates its water footprint and posts its Water Security Questionnaire on the website of the CDP. TAZALYQ Atyrau Refinery is heavily focused on TAZALYQ, a large-scale project designed to improve the environment in the city of Atyrau. Construction of desalination plants A formation water desalination plant is a unique project to address the water supply issue in the Mangystau Region. The plant will free up at least 6.2 mln m³ of Volga River water annually to help develop the region. A desalination plant near the Kenderly recreational zone, Mangystau Region. Its planned capacity is 50,000 m³ per day. Land remediation The Company works to ensure recovery of historical oil wastes and oil-contaminated soil treatment. Outcome TAZALYQ: 10% reduction in water intake from the Ural River, reuse of 15% of the factory's treated plant effluents. 2024: Complete elimination of historical oil waste and treatment and remediation of the Company's oil-contaminated territories
	15.5. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species	Forest-climate projects As part of KMG's Low-Carbon Development Programme until 2031, forest-climate projects are expected to be implemented, delivering benefits for terrestrial ecosystems. Tree planting has started at JSC Embamunaigas and Atyrau Refinery. Mitigation hierarchy to manage biodiversity risks In its planning and operations, the Company relies on mitigation hierarchy to manage biodiversity risks, with four key steps in place: avoidance, minimisation, rehabilitation/restoration, and offset. Outcome 2031: Forest-climate projects implemented across 2,000 ha.

KMG prepares an annual Sustainability Report in line with GRI standards. KMG's 2021 Sustainability Report will be available on the Company's website at https://www.kmg.kz/eng/ustoichivoe_razvitie/reports/.

The Company's annual Sustainability Report also serves as Communication on Progress for the UN Global Compact: <https://www.unglobalcompact.org/what-is-gc/participants/6810>.