

APPENDICES

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT FOR 2021

Appendix to the 2021 Annual Report of JSC NC KazMunayGas

Report on compliance / non-compliance with the principles and provisions of the corporate governance code of JSC Samruk-Kazyna¹

This report is developed in furtherance of item 6 of the Code, and covers information on KMG's compliance / non-compliance with the principles and provisions of the Code.

In general, at year-end 2021, KMG was in compliance with the provisions and principles of the Code, taking into account the following aspects:

- In line with item 2 of Chapter 1 of Section 2 of the Code** "It is recommended to provide the optimal asset structure for the Fund's Organisations. The parent company can be established in the form of a joint stock company in the Holding company. Other organisations are recommended to be established in the form of limited liability partnerships. In the Organisations that have been already established in the form of a joint stock company, it is recommended to consider the possibility of reorganisation in the form of a limited liability company with account of economic, legal and other aspects and interests of the Fund Group. When creating new Organisations, the preferred legal form is a limited liability partnership. Creation of new Organisations in the form of a joint stock company is allowed in exceptional cases, such as planned in the future transfer of the Organisation's shares to the Stock Exchange Market."

These requirements of the Code were generally complied with in KMG during the reporting period. KMG takes a consistent effort to optimise its asset structure. KMG's preferred form for new legal entities is a limited liability partnership as recommended by the Code. In 2021, the Company did not create joint stock companies or reorganise existing joint stock companies into limited liability partnerships. At the same time, the work on optimisation of the structure of KMG group assets will continue in accordance with the approved plans / programmes¹.

On 9 December 2021, KMG's list of non-strategic assets to be removed from the Group (the "Non-Strategic Asset List") was amended in accordance with the Board of Directors' resolution dated 4 November 2021. Included in the Non-Strategic Asset List are 47 assets to be sold, liquidated or reorganised from 2021 to 2025.

On 9 November 2021, KMG transferred the shares of JSC KazTransGas ("KTG") to the Fund under a sale and purchase agreement for 100% of KTG's ordinary shares signed on 3 November 2021.

The number of KMG's sold / liquidated assets in 2021: sold – 20 companies, including KTG's subsidiaries and associates, and liquidated – 6 companies.

On 9 November 2021, as part of a joint project with Tatneft on rubber production, KMG acquired 25% of Butadiene LLP.

- In line with item 14 of Chapter 1 of Section 2 of the Code** "Boards of Directors of the Fund and Organisations ensure the implementation of these standards and their observation. All officials and employees of the Fund and the Organisations must sign a statement confirming their familiarisation with the Code of Business Ethics and regularly reaffirm their knowledge of the Code."

These requirements of the Code were generally complied with at KMG as of 31 December 2021. 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 effect, KMG approved the Code of Business Ethics, Anti-Corruption Policy, Conflict of Interest Policy for Employees and Officials, and the Counterparty Due Diligence Policy.

Every year, the Company conducts training for new hires and existing employees as regards compliance with ethical standards, commitments and conduct of employees. In 2021, our employees attended online compliance training that covered applicable legislation, key corporate compliance policies, and international cases of compliance violation. On top of that, employees provide a written statement of their commitment to observe the Code of Business Ethics and the Anti-Corruption Policy. At the same time, the Company takes a consistent effort to collect written acknowledgements from all its employees that they have read and understood the Code of Business Ethics.

3. In line with item 5 of Chapter 3 of Section 2 of the Code "Sustainable development should be integrated in:

- management system;
- development strategy;
- key processes, including risk management, planning (long-term (strategy), medium-term (5-year development plan) and short-term (annual budget) periods), accountability, risk management, HR management, investments, operational activities and other as well as in the decision-making process at all levels – from bodies (General Meeting of Shareholders (the Sole Shareholder), Board of Directors, Executive Body), to ordinary employees."

This requirement of the Code was generally complied with in KMG during the reporting period. By the resolution of KMG's Board of Directors the Sustainability Management System Guidelines were approved in 2020, which includes a description of the organisation of the stakeholder engagement process, integration of sustainability principles into key processes and monitoring, annual reporting on sustainable development, implementation of priority areas (initiatives) in the field of sustainable development, development and maintenance of a culture of sustainable development, risk identification and assessment, documentation management, measuring performance in the area of sustainable development. At the same time, the work on the integration of sustainable development into key processes will continue.

4. In line with item 2 of Chapter 4 of Section 2 of the Code "The Organisation must develop the Regulations of the General Meeting of the Shareholders (Participants), which should define the procedure of the General Meetings of the Shareholders (Participants), providing for adequate discussion of the agenda items and decision-making, speech of officials, etc."

As KMG is a 100% state-owned company, the Management Board and/or the Chairman of the Fund's Management Board currently act as the General Meeting of the Shareholders³. That said, there are no such regulations at the moment, but the Company is developing regulations on the general meeting of shareholders as part of its IPO process and applicable listing requirements.

5. In line with item 6 of Chapter 5 of Section 2 of the Code "In companies in which 100% of shares are owned by the Fund, the following search and election process of a member of the Board of Directors exists:

- the Fund, together with the Chairman of the Board of Directors, the Chairman of the Nomination and Remuneration Committee performs preparation and planning: analysis and definition of a set of the required competencies and skills in the Board of Directors, taking into account the tasks of the Organisation;
- specifies the search channel of the candidates on their own or with the assistance of the recruiting organisation;
- searches for candidates;
- selects the candidate: assessment, interview and preparing the proposals for candidates (candidates for the Board of Directors of the Company are discussed with at least one member of the Nomination and Remuneration Committee of the Board of Directors of the Fund);
- the decision of the Sole Shareholder;
- publishing information on the Internet resource of the Organisation press release.

Holding companies can use this process in the Group."

¹ The Corporate Governance Code (the "Code") of JSC NC KazMunayGas ("KMG") is identical to that of JSC Samruk-Kazyna (the "Fund") and approved by the Fund's resolution dated 27 May 2015 (Minutes No. 22/15).

² Under the privatisation and divestment programmes, KMG Group is reducing the number of its legal entities. On 29 December 2020, the Government of the Republic of Kazakhstan approved a Comprehensive Privatisation Plan for 2021–2025 covering 51 KMG Group companies, including 22 within the IPO perimeter (Decree No. 908).

³ In accordance with: Paragraph 5 of Article 35 of the Law of the Republic of Kazakhstan On Joint Stock Companies dated 13 May 2003; Paragraph 2.3 of Article 10 of the Law of the Republic of Kazakhstan On the Sovereign Wealth Fund dated 1 February 2012; List of the Company's or other legal entity's business matters included by Kazakhstan's laws and/or KMG's Charter in the remit of the General Meetings of the Shareholders (Participants) or any other supreme governing body of the Company or any other legal entity in which the Fund is a shareholder or a participant or has the right for a property share, which are subject to resolution of the Management Board or the Chairman of the Fund's Management Board (the list is approved by the resolution of the Fund's Management Board dated 1 June 2009, Minutes No. 59/09).

This requirement of the Code was generally complied with in KMG during the reporting period. KMG Group companies have put in place a similar document regulating the search and selection of candidates for the Board of Directors at KMG's subsidiaries and associates, with no involvement of the Nomination and Remuneration Committee of KMG's Board of Directors required. This is due to adopting KMG's new 2022–2031 Development Strategy, which provides for managing the assets through a holding company model.

6. In line with item 6 of Chapter 5 of Section 2 of the Code "The Fund and organisations must have succession plans of appointments to the Board of Directors in order to maintain business continuity and progressive renewal of the Board of Directors."

This requirement of the Code in KMG in the reporting period was generally complied with. The KMG's Board of Directors Succession Policy and the KMG's Board of Directors Succession Plan for the period of 2021-2024 were approved by the resolution of the KMG Board of Directors dated 8 April 2021, Minutes No.5/2021. At the same time, the KMG's Board of Directors Succession Plan for the period of 2021-2024 does not provide for a list of candidates to fill vacancies in the KMG Board of Directors. On 6 April 2022, the KMG Board of Directors approved the amendments and additions to the abovementioned Board of Directors Succession Plan of KMG for the period of 2021-2024 (Minutes №6/2022). Those amendments and additions are related, among other things, to including the information about a candidate to the position of an Independent Director of the KMG's Board of Directors in the KMG's Board of Directors Succession Plan. It is planned to update the KMG's Board of Directors Succession Plan through supplementing the list of candidates to the KMG Board of Directors in 2022.

7. In line with item 7 of Chapter 5 of Section 2 of the Code "The Board of Directors approves the induction programme for newly elected members of the Board of Directors and a professional development programme for each member of the Board of Directors."

This requirement of the Code was generally complied with in KMG during the reporting period. An induction programme is in place for the newly elected members of the Board of Directors, which also approved the 2021 training plan on 8 April 2021 (Minutes No. 5/2021). The professional development programme is expected to be approved in 2022 based on self-evaluation of the Board of Directors' performance for 2021.

8. In line with item 10 of Chapter 5 of Section 2 of the Code "The establishment of the remuneration for a member of the Board of Directors should be made in accordance with the methodology developed by the Fund. Additionally, the expected positive effect to the Organisation of participation in the Board of Directors of particular member should be taken into account."

This requirement of the Code was generally complied with in KMG during the reporting period, as the Fund established remuneration for members of the Board of Directors in accordance with its approved methodology.

9. In line with item 12 of Chapter 5 of Section 2 of the Code "The recommended frequency of meetings of the Board of Directors is 8–12 meetings per year."

This requirement of the Code was generally complied with in KMG during the reporting period, with 11 regular meetings scheduled and held in 2021. The Board of Directors also had 8 extraordinary meetings.

10. In line with item 15 of Chapter 5 of Section 2 of the Code "With respect to the Corporate Secretary, the Organisation develops a programme of induction and succession planning."

This requirement of the Code was not complied with in KMG during the reporting period. The Corporate Secretary Service focused on the Company's priority tasks as part of corporate governance improvement, and some direct activities of the unit were postponed due to insufficient resources amid the COVID-19 pandemic. Activities on development of an induction and succession planning programme in relation to the Corporate Secretary are included in the Corporate Secretary Service's work plan for 2022.

11. In line with item 3 of Chapter 6 of Section 2 of the Code "The chief supervising the function of risk management and internal control is recommended not to be a risk owner, which provides for his independence and objectiveness. Combination of the functions on risk management and internal control with the functions associated with economic planning, corporate finance, treasury, taking investment decisions is prohibited. Combination with other functions is permissible, if there is no material conflict of interest."

This requirement of the Code was generally complied with in KMG during the reporting period. In line with KMG's current organisational structure, the Risk Management and Internal Control Service (the "RMICS") reports directly to the Deputy Chairman of the Management Board for Strategy, Investment and Business Development. The RMICS Head does not own any risk, which means there is no conflict of interest. Moreover, the RMICS Head is an independent participant of the Executive Body's Committees and has full voting right as a representative of the risk management unit.

12. In line with item 6 of Chapter 7 of Section 2 of the Code "The internet resource shall contain the following minimum information:

- information on interested-party transactions, including parties thereto, material terms (subject and price), and the body which approved the transaction;
- information on major transactions, including parties thereto, material terms (subject and price), and the body which approved the transaction."

This requirement of the Code was generally complied with in KMG during the reporting period. In 2021, KMG included the Major and Interested-Party Transactions section in its Annual Report published on the corporate internet resource.

MAJOR AND INTERESTED-PARTY TRANSACTIONS

Major transactions

In the reporting period, no transactions recognised as major transactions under the Law of the Republic of Kazakhstan On Joint Stock Companies and KMG's internal documents were made by the Board of Directors or the General Shareholders' Meeting¹.

Interested-party transactions

In the third quarter of the reporting period, KMG's Board of Directors approved one transaction recognised as an interested party transaction under the Law of the Republic of Kazakhstan On Joint Stock Companies and associated with the acquisition or disposal of property, the value of which is 10% or higher of the total book value of KMG's assets, namely disposal of 100% of ordinary shares in JSC KazTransGas (JSC NC QazaqGaz) through a Sale and Purchase Agreement between JSC NC KazMunayGas and JSC Samruk-Kazyna. On 9 November 2021, all ordinary shares of JSC NC QazaqGaz were transferred to JSC Samruk-Kazyna. The disposed asset amounts to 13% of the total book value of KMG's assets.

¹ In accordance with the Law On Joint-Stock Companies of the Republic of Kazakhstan, a major transaction is a transaction or a series of interrelated transactions resulting in the (potential) acquisition or disposal of property by a company, the value of which amounts to twenty-five percent or more of the total book value of such company's assets.