

CORPORATE CONTROL

In the event of corporate conflicts, the parties attempt to settle them by negotiation to efficiently protect the interests of KMG and other stakeholders.

In order to be effectively prevented or addressed, corporate conflicts primarily need to be identified as soon and fully as possible, with all corporate governance bodies to act in a consorted manner.

Corporate conflicts are addressed by the Chairman of the Board of Directors assisted by the Corporate Secretary. If the Chairman of the Board of Directors is involved in a corporate conflict, such cases are addressed by the Nomination and Remuneration Committee.

Internal Audit

Internal audits are carried out by KMG's Internal Audit Service (IAS).

The IAS reports and is accountable to KMG's Board of Directors, and is supervised by the Audit Committee of KMG's Board of Directors.

The activities of the IAS are governed by: Kazakhstan's laws; KMG's Charter; resolutions of KMG's governing bodies; internal documents regulating the IAS activities; Regulations on KMG's IAS and Guidelines for KMG's Internal Audits.

The IAS focuses on providing the Board of Directors with independent and objective information to ensure the effective management of KMG and its subsidiaries and associates by employing a systematic approach towards improving risk management, internal control and corporate governance processes.

The annual Internal Audit Plan is developed from a consideration of the principal risks confronting KMG, the audit testing cycle and management requests.

The Internal Audit Plan also accommodates ad hoc requests from KMG's Audit Committee, Board of Directors and management.

To perform its activities in accordance with the annual audit plan, the IAS:

- assesses the reliability and effectiveness of applicable internal controls and risk management procedures
- assesses the reliability, completeness and objectivity of the accounting policy as well as financial statements of KMG and subsidiaries and associates based on such policy
- assesses the efficiency of resource management at KMG and subsidiaries and associates and the methods used to ensure asset integrity
- monitors compliance with Kazakhstan's laws, corporate operational, investment and financial rules and regulations.
- The IAS uses audit results to make recommendations on improving KMG's operations. The IAS consistently monitors and oversees the development and execution of measures to implement its recommendations.
- Internal audit matters reviewed by the Audit Committee at its meetings include:
 - IAS annual performance report
 - IAS quarterly performance reports, including reviews of any material findings identified in audit reports and follow-up on the implementation of internal audit recommendations
 - annual audit plan and amendments thereto
 - KPI scorecards of the IAS head and staff
 - IAS strategic plan
 - IAS budget
 - HR management within the IAS.

The Audit Committee not only monitors the IAS' performance but also facilitates the professional development of the IAS employees and the management of its talent pool.

These matters are covered by the IAS reports and reviewed by the Audit Committee on a quarterly basis.

The high professional level of the IAS employees is a key performance driver for KMG's internal audit function; therefore training and upskilling are prioritised.

Assessments of the internal audit process performance

As required by the IAS quality assurance and improvement programme, following each audit, the audited entity is required to complete a form assessing the IAS' performance. Results of these assessments are consolidated into the IAS quarterly and annual performance reports reviewed and approved by KMG's Audit Committee and Board of Directors.

An independent external assessment of the IAS is performed once every five years in accordance with the International Standards for the Professional Practice of Internal Auditing. In 2020, IAS underwent an independent external assessment of compliance with the International Standards for the Professional Practice of Internal Auditing, international best practices, KMG's Regulations on the Internal Audit Service, the Company's Code of Ethics and other applicable external and internal regulations governing the internal audit function, and was found 100% compliant with the standards.

Therefore, the activities of the IAS were recognised to be fully compliant with the International Standards for the Professional Practice of Internal Auditing.

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.