

Sustainable development KPIs of KMG's management

To implement strategic sustainability targets for 2021, the following motivational KPIs were approved for the Chairman of the Management Board (corporate KPIs) related to the introduction of the sustainable development management system:

- Implementation of investments projects, including the Tazalyq sustainability project and the construction of a desalination plant in Kenderly
- ESG rating

For 2022, motivational KPIs of the Chairman of the Management Board (corporate KPIs) related to sustainability are more ambitious than those set for 2021:

- Implementation of investment projects, including those which focus on sustainability
- ESG Risk Rating: 28.2
- 5% reduction in Lost Time Incident Rate (LTIR)

For Deputy Chairmen of the Management Board, the following functional KPIs are planned for 2022:

- Development and approval of an Action Plan to implement KMG's Low-Carbon Development Programme for 2022–2031.
- Development of an Action Plan in a respective business direction to implement KMG's Low-Carbon Development Programme for 2022–2031.
- Implementation of investment projects involving sustainability aspects:
 - Construction of a new gas processing plant in Zhanaozen,
 - Upgrade and expansion of the Astrakhan–Mangyshlak water pipeline (Phase 1),

- Construction of a desalination plant in Kenderly with a daily capacity of 50,000 m³,
- Tazalyq.

Low-Carbon Development Programme

Today, decarbonisation of industry as part of climate change mitigation has solid positions on global political, investment and trade agenda.

Reducing the carbon footprint is the critical factor in fighting global warming.

The sustainability and long-term horizon of decarbonisation is set forth by the Paris Agreement on climate change, which sets a global goal to hold temperature increase to 1.5°C by 2100 and achieve a reduction of CO₂ emissions of 25% by 2030, 70% by 2050, and 100% by 2070 (full decarbonisation).

Kazakhstan in turn supports international initiatives to step up efforts and enhance ambitions towards achieving the Paris Agreement goals, taking on voluntary commitment to have greenhouse gas emissions reduced by 15% by 2030 from the 1990 level.

Last November, President of the Republic of Kazakhstan Kassym-Jomart Tokayev spoke at a climate change conference and announced that Kazakhstan is ready to take action on climate change and achieve carbon neutrality by 2060. To this end, a Doctrine for Carbon Neutrality of the Republic of Kazakhstan is being developed to achieve carbon neutrality by 2060.

KMG developed a Low-Carbon Development Programme for 2022–2031 as a single low-carbon

development agenda that streamlines the Company's efforts in the realm of carbon footprint reduction.

The document primarily aims to formulate the climate ambitions of KMG, structure key carbon footprint reduction approaches and initiatives through the analysis of the existing potential, define main directions for development and increase the Company's preparedness.

The Programme comprises five key sections (carbon policies and key trends; KMG's GHG emission inventory; scenario modelling; strategic areas of the Programme; implementation mechanism). 2019 was set as the baseline year.

To understand the current situation and identify a pathway to be taken, the Programme takes a deep dive into the Company's greenhouse gas emissions.

The exercise covered direct (Scope 1)¹ and indirect (Scope 2) emissions.

- Scope 1 includes GHG emissions associated with the flaring of hydrocarbon fuels and unavoidable fugitive emissions in production processes at sources owned by KMG;
- Scope 2 emissions are associated with the consumption of electricity, heat, hot water and steam supplied from outside.

The inventory data was used for scenario modelling of KMG's development. The model included three scenarios: business-as-usual, green development, and low-carbon development.

According to the modelling results, under the business-as-usual scenario, KMG's subsidiaries and affiliates will vary in terms of their GHG emissions until 2030, with the total increase in GHG emissions across all assets standing at nearly 4% versus 2019.

¹ For the purposes of this Programme, direct emissions include only CO₂.