

**Approved  
by the resolution of the Board of Directors  
of “KazTransOil” JSC  
(minutes of the meeting dated April 14, 2022  
No. 7/2022)**

## **Report on KazTransOil JSC Compliance with the Principles and Provisions of the Corporate Governance Code for 2021**

In accordance with the Corporate Governance Code approved by the decision of the General Meeting of Shareholders of KazTransOil JSC dated May 27, 2016 (Minutes No. 3/2016) (hereinafter - the Code), the Corporate Secretary prepares a report on compliance/non-compliance with the principles and provisions of the Code on an annual basis.

The objectives of the Code are to improve corporate governance in KazTransOil JSC, ensure transparency of management, confirm the Company's commitment to follow the standards of good corporate governance. The principles of the Code are:

1. The Government as a shareholder of Samruk-Kazyna JSC.
2. Interaction of Samruk-Kazyna JSC and organizations. The role of Samruk-Kazyna JSC as the national managing holding.
3. Sustainable development.
4. Shareholder rights and equitable treatment of shareholders.
5. The effectiveness of the Board of Directors and the executive body.
6. Risk management, internal control and audit.
7. Transparency.

The Company, understanding the importance of corporate governance, pays great attention to the need for the Company's internal documents and practices to comply with its principles.

\* The first Code principle has a specific nature, and relates to the specifics of SK management, interaction between SK and the RoK Government.

No.	Corporate Governance Code Standard/Corporate Governance Principle	Observed/Not observed	Actions implemented to comply with Governance Management Standards/Principles
1	<p><b>Interaction of Samruk-Kazyna JSC and organizations. The role of Samruk-Kazyna JSC as the national managing holding.</b></p>	Observed	<p>The Company's corporate governance system ensures proper management and control over its activities and is aimed at the growth of long-term value and sustainable development.</p> <p>An effective system of interaction between shareholders, the Board of Directors and the Management Board is the most important element to ensure the growth of the Company's value and guarantee that investors' money is used effectively. The Company approved the Development Strategy of KazTransOil JSC until 2028, the mission of which is to ensure maximum benefits for shareholders of the Company and compliance with the strategic interests of the state in the field of oil transportation via the main oil pipeline.</p> <p>The Company and its officials are responsible for the growth of long-term value and sustainable development of the Company, and the decisions made and actions/inactions taken in accordance with the procedure established by the legislation of the Republic of Kazakhstan and internal documents.</p> <p>One of the main elements of evaluating the performance of the Company's executive body is the KPI system. The list and target values of KPIs are approved by the Board of Directors of the Company.</p> <p>Thus, by resolution of the Board of Directors of the Company dated January 29, 2021 the Company's KPIs for 2021 and their target values were approved. The same decision of the Board of Directors approved motivational KPIs for the Company's executives for 2021 and their target values.</p> <p>KPIs are assessed on an annual basis, which affects the remuneration of the Company's executives.</p>
2	<p><b>Sustainable development</b></p>	Observed	<p>Sustainable development is a priority in the Company's activities, the goal of which is business development along with preserving and protecting the environment, creating favorable working conditions, ensuring workplace safety and contributing to the development of the local communities in which the Company operates.</p> <p>The Company's sustainable development activities are governed by the principles and provisions set forth in the UN Global Compact, ISO 26000 Guidance on Social Responsibility, AA1000 Stakeholder Engagement Standard, GRI Sustainability Reporting, and are regulated by a number of internal documents of the Company on specific areas of sustainable development.</p> <p>The Company ensures development and implementation of a set of legal, socio-economic, organizational and technical, sanitary and epidemiological, rehabilitation, medical and preventive measures to create and ensure safe and healthy working conditions at work, prevent industrial injuries and occupational diseases,</p>

		<p>to create and ensure favorable environmental conditions, biodiversity and human activity in accordance with international standards ISO 14001 and ISO 45001.</p> <p>Based on the results of the certification audit of the Company's IMS conducted in 2021, the compliance of the Company's IMS with the requirements of international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and ISO 50001:2018 for a three-year period.</p> <p>The Company has identified continuous improvement of energy efficiency as one of its main priorities and continues to work on improving the functioning of the energy management system to reduce energy consumption in accordance with the requirements of the international standard ISO 50001.</p> <p>The Company approved the Stakeholders' Map of KazTransOil JSC, which defines a list of stakeholders, which is updated at least once every three years.</p>
2.1	<i>Environmental Protection</i>	<p>Environmental protection and environmental safety are important components of the Company's sustainable development.</p> <p>The Company pays great attention to measures to minimize the negative impact of its activities on the environment and implement the principles of rational use of natural resources.</p> <p>The Company strictly adheres to the requirements of the Environmental Code of the Republic of Kazakhstan, advanced international standards, provisions of the Health, Safety and Environment Policy of KazTransOil JSC and other internal corporate documents, conducts identification and assessment of environmental aspects, ensures transparency and openness of its actions in the field of environmental protection.</p> <p>According to the results of the inspection audit, the certification body TUV NORD CERT GmbH in 2021 confirmed that the health, safety and environment management system of KazTransOil JSC meets the requirements of international standards ISO 14001:2015 and ISO 45001:2018, and also covers all areas of the Company's production activities. The environmental management system is part of the IMS of the Company.</p> <p>During the reporting period, the Company invested in environmental protection 2 194 million tenge, which is 67% more than the same indicator of 2020, and made payments for emissions in the amount of 91 million tenge in the reporting period.</p> <p>There were no emergencies resulting in environmental damage during oil transportation in 2021.</p>
2.2	<i>Health and safety</i>	<p>In the field of occupational health and safety, the Company strives to ensure accident-free operation of production facilities, creates and maintain safe working conditions, takes care of the health of employees and clearly follows the requirements of the legislation of the Republic of Kazakhstan, international and</p>

		<p>national standards, provisions of the Policy of KazTransOil JSC in the field of health, safety and environment, as well as internal documents of the Company.</p> <p>Creation of safe working conditions, internal prevention, striving to minimize the risks associated with production activities, training are daily contributions to the development and improvement of the culture of safe work.</p> <p>The Company annually invests significant financial resources into the development of the occupational health and safety management system. The volume of investments in 2021 amounted to 2 558 million tenge.</p> <p>The Company has all the training programs prescribed by state requirements in the field of industrial safety and labor protection. In 2021, 923 employees of the Company underwent compulsory training on occupational health and safety, and 1 207 employees underwent training on fire-technical minimum.</p> <p>During 2021, the Company registered 1 work-related accident and was investigated in accordance with the requirements of the legislation of the Republic of Kazakhstan.</p> <p>As a result of the investigation, it was found that in this case the cause of injury was a defect in the installed during repair of the bushing insulator (microcrack) of the electric motor.</p>
2.3	<i>HR and Social Policy</i>	<p>Improvement of the personnel policy of KazTransOil JSC is considered as one of the most important factors for sustainable long-term development of the Company.</p> <p>On September 3, 2021, the Board of Directors approved the Personnel Policy of KazTransOil JSC for 2021-2025, which determines the system of principles, key areas and levels of personnel management.</p> <p>The Company builds its HR and social policy in accordance with the legislation of the Republic of Kazakhstan and the collective agreement concluded with the collective of employees of the Company.</p> <p>On June 7, 2021, an additional agreement to the Collective Agreement was concluded between the employees' trade unions and the Company. The prerequisites for amending the Collective Agreement were amendments made to the labor legislation of the Republic of Kazakhstan, as well as the reasons associated with the need to ensure the safety of life and health of employees during the pandemic COVID-19.</p> <p>In 2021 an assessment of managerial potential of members of the Management Board, heads of structural subdivisions of the central office, including the Department of Operator Services of the Company, and SBU, based on a combined assessment of personal and managerial potential HOGAN Assessments and assessment of the immediate supervisor, was carried out. The purpose of the assessment is to identify the strengths and areas for development of the evaluated managers.</p> <p>The indicator of involvement of the personnel of KazTransOil JSC is the SAMRUK RESEARCH SERVICES index (SRS index).</p> <p>The SRS index in 2021 was 88%, which includes:</p>

		<ul style="list-style-type: none"> <li>• Engagement Index 91%;</li> <li>• Social Well-Being Index 71%;</li> <li>• Social Tranquility Index 93%.</li> </ul> <p>In the field of human resources management the Company works in such areas as improvement of the organizational structure, personnel development, labor efficiency management, implementation of the main tasks and directions of the youth policy, formation and development of the corporate culture.</p> <p>The personnel selection procedure in the Company is carried out in accordance with the Rules for competitive selection of personnel for vacant positions and working professions in KazTransOil JSC. The Company searches for and selects qualified specialists, maintains a database of candidates, introduces transparent competitive procedures in the selection of personnel for vacant positions/working professions, including the use of elements of testing.</p> <p>In 2021, the Company hired 328 new employees, of which 25 were employees of the central office and 303 were employees of separate structural subdivisions. Most of the newly hired employees are between 30 and 50 years old.</p> <p>In 2021, 739 events were held under personnel training and development programs. A total of 6 610 employees were trained in 2021. The total cost of training in 2021 amounted to 637 million tenge.</p> <p>The Company formed a personnel reserve, the purpose of which is to ensure the continuity and education of its own management personnel. The Company pursues a policy of internal rotation and consistent appointment of employees to managerial positions as part of the development of practices of the personnel reserve.</p> <p>In 2021, two employees of the Company who were in the personnel reserve were transferred to managerial positions. From blue-collar employees to engineers and technicians.</p> <p>An important area of the Company's personnel policy is work with young professionals. A comprehensive approach is implemented to attract young specialists to work for the Company and work with young personnel, which is enshrined in the Youth Policy.</p> <p>In 2021, there were no cases of discrimination against candidates for jobs or employees on any grounds.</p>
2.4	<i>Procurement system and local content</i>	<p>An effective procurement system and timely provision of the Company with quality goods, works and services is important for the sustainable development of the Company's business, given its scale.</p> <p>When selecting suppliers, the Company is guided by the Procedure for Procurement by the Joint Stock Company National Welfare Fund Samruk-Kazyna and legal entities, fifty or more percent of voting shares (participatory interest) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management.</p>

			<p>In 2021, the Company entered into contracts, including long-term procurements, to the amount of 95,6 billion tenge.</p> <p>The actual share of the local content in the procurement of the Company in 2021 amounted to: 55% for goods, works and services - 75%.</p> <p>Information on procurement of goods, works and services by the Company is posted and formed on the e-procurement portal of Samruk-Kazyna JSC <a href="http://zakup.sk.kz">zakup.sk.kz</a>.</p>
3	<p><b>Rights of Shareholders (Participants) and Equitable Treatment of Shareholders (Participants)</b></p>	Observed	<p>Maximum open and effective interaction with shareholders is one of the key principles of the Company. The basic rights of shareholders are exercised in accordance with the legislative acts and the Charter of the KazTransOil Joint Stock Company.</p> <p>Corporate governance in the Company is built in such a way as to ensure equal rights and fair treatment of all shareholders. In accordance with the legislation of the Republic of Kazakhstan, shareholders have the right to participate in the General Meeting of Shareholders and vote in person or through their representative by proxy.</p> <p>The issues of information disclosure are regulated by the legislation of the Republic of Kazakhstan, the Charter and the rules of interaction between the structural subdivisions of KazTransOil JSC when posting information on the Internet resources of the depository of financial statements and KASE, the corporate website of KazTransOil JSC.</p> <p>The Board of Directors of the Company guarantees fair treatment of all shareholders, enables them to participate in the management of the Company through the General Meeting of Shareholders, receive information on the activities of the Company and exercise their right to receive dividends. The procedure and procedures of the General Shareholders' Meetings ensure equal treatment of all shareholders.</p> <p>The Company's major shareholder is NC KazMunayGas JSC, which owns 90% of the Company's ordinary shares.</p> <p>A Relationship Agreement was concluded between the Company and NC KazMunayGas JSC, as its major shareholder, in connection with the initial public offering of the Company's shares on the Kazakhstan Stock Exchange on 30 October 2012, which sets out transparent market principles of interaction between the Company and its major shareholder and allows the Company to act in the interests of all its shareholders.</p> <p>Information affecting shareholders' interests is timely posted on the Company's Internet resource, KASE Internet resources and the depository of financial statements.</p> <p>The Company has an investor relations service, the main task of which is to organize effective communications between the Company's management and the investment community (potential investors,</p>

			<p>minority shareholders and professional securities market participants) in order to maintain and strengthen the Company's reputation as an investment-attractive company.</p> <p>The Annual General Shareholders Meeting was held on May 26, 2021, at which the following matters were considered:</p> <ol style="list-style-type: none"> <li>1. On approval of the annual financial statements and consolidated annual financial statements of KazTransOil JSC for 2020.</li> <li>2. On approval of the order of distribution of the net income of KazTransOil JSC for 2020, making decisions on payment of dividends on ordinary shares and approval of the amount of the dividend per one ordinary share of KazTransOil JSC.</li> <li>3. On approval of the annual report of the Board of Directors on the work performed in 2020.</li> <li>4. On appeals of the Company's shareholders for 2020 on the actions of KazTransOil JSC and its officials and the results of their consideration.</li> <li>5. On making amendments and addenda to the Charter of KazTransOil JSC.</li> </ol> <p>An Extraordinary General Meeting of Shareholders was held on November 5, 2021, at which the following matters were considered:</p> <p>On introduction of amendments and additions to the Charter of KazTransOil JSC.</p> <p>An Extraordinary General Meeting of Shareholders was held on November 25, 2021 to consider the following matters:</p> <ol style="list-style-type: none"> <li>1. On early termination of powers of the members of the Board of Directors of KazTransOil JSC.</li> <li>2. On determination of the quantitative composition, term of powers of the Board of Directors of KazTransOil JSC, election of its members, including the Chairman of the Board of Directors.</li> <li>3. On determining the amount and terms of payment of remuneration and compensation of expenses to independent directors.</li> </ol> <p>The shareholders and stakeholders also receive information through the annual report, which includes, inter alia, the report of the Board of Directors of the Company and the audited annual financial statements.</p>
4	<p><b>Efficiency of the Board of Directors and the Executive Body</b></p>	Observed	<p>The Board of Directors is the management body of the Company, which provides strategic management of the Company, supervises the activities of the Management Board within its competence and is responsible to the General Meeting of Shareholders for effective management and proper control over the Company in accordance with the current decision-making system.</p>

		<p>In accordance with the Company's Charter, the Board of Directors consists of 6 members. In accordance with the share capital structure (90% of the total number of ordinary shares is owned by NC KazMunayGas JSC) two members of the Board of Directors are representatives of the major shareholder - NC KazMunayGas JSC. Three members of the Board of Directors are independent directors, which allows to ensure protection of rights and interests of minority shareholders in accordance with the best international practices of corporate governance. The General Director (Chairman of the Management Board) of the Company is also a member of the Board of Directors.</p> <p>All members of the Board of Directors have an impeccable business reputation and significant experience in the industry.</p> <p>The criteria for selection of members of the Board of Directors, including independent directors are determined by the Law of the Republic of Kazakhstan On Joint Stock Companies, the Charter, Corporate Governance Code and Regulations on the Board of Directors of KazTransOil JSC. The activity report of the Board of Directors is disclosed annually in the Annual Report of the Company.</p> <p>In 2021, the Board of Directors held 12 meetings in present where it considered and made decisions on 118 issues of the key areas of the Company's activities. The Board of Directors also considered a number of issues attributed to the competence of general meetings of participants/shareholders of SJCE.</p> <p>The Board of Directors reviewed key changes in the Company's operations and management reporting on a monthly basis.</p> <p>Additional information about the decisions made by the Board of Directors in 2021 is available on the Company's website in the Corporate Governance section.</p> <p>The following Committees of the Board of Directors function for preliminary consideration of the most important issues and preparation of recommendations to the Board of Directors:</p> <ul style="list-style-type: none"><li>- Strategic Planning, Safety and Environment Committee;</li><li>- Internal Audit Committee;</li><li>- HR and Remuneration Committee.</li></ul> <p>The members of the Committees are appointed by the Company's Board of Directors. The procedure for forming and organizing the activities of the Committees is stipulated by their respective regulations.</p> <p>During 2021, the Strategic Planning, Safety and Environment Committee held two meetings in present, the Internal Audit Committee three meetings in present and two meetings by absentee voting, the Human Resources and Compensation Committee five meetings in present and three meetings by absentee voting.</p>
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5	<b>Risk management, internal control and audit</b>	Observed	<p>An important element of the Company's corporate governance system is the risk management system, which includes the corporate risk management system CRMS and ICS.</p> <p>CRMS is a set of principles, methods and procedures to ensure the organization and effective functioning of the risk management process at all levels of the Company. The Company's CRMS is aimed at timely identification, assessment, monitoring and mitigation of potential risk events that may adversely affect the achievement of strategic and operational objectives of the Company.</p> <p>The Board of Directors plays a key role in the organization and oversight of the effective functioning of the CRMS. Responsibility for the development and application of policies and procedures of internal control and risk management lies with the Management Board of the Company.</p> <p>Identification and assessment of risks in the Company is carried out according to the Unified Risk Classifier of NC KazMunayGas JSC and its subsidiaries and affiliates. Thus, all risks of the Company are divided into two categories - production and non-production risks, the sources of which are determined by the relevant risk factors (causes).</p> <p>Throughout 2021, we continuously monitored the status of production and non-production risks and their inherent risk factors, as well as the implementation of measures to manage them. Quarterly reports on risk</p>

		<p>dynamics were submitted to the Risk Committee, the Management Board and the Board of Directors of the Company.</p> <p>In order to record and further analyze data on realized risks, the Company has a unified electronic database on realized risk events on the corporate portal. Maintenance of this database contributes to accumulation of statistics required for risk and risk-factor assessment and reporting.</p> <p>In 2021, work was carried out to identify and assess the risks for 2022, for which preventive and corrective measures were developed. The results of this work have been approved by the Company's Board of Directors.</p> <p>The ICS of the Company is aimed at timely identification and analysis of process level risks inherent in the Company's activities, as well as identification and analysis of control procedures to manage these risks in three key areas of ICS: operating activities, preparation of financial statements and compliance with legal and regulatory requirements.</p> <p>The Company has an IAS to monitor the Company's financial and economic activities, evaluate internal controls, manage risks, execute corporate governance documents and provide advice to improve the Company's operations.</p> <p>The Service reports directly to the Board of Directors and is accountable to it for its work.</p> <p>The activity of the Service is supervised by the Internal Audit Committee of the Board of Directors.</p> <p>The Service operates in accordance with the Annual Audit Plan approved by the Company's Board of Directors.</p> <p>During the reporting period, in accordance with the IAS Work Plan for 2021, seven audits were conducted of the production, operating and financial processes of the Company and SJCE.</p> <p>Based on the results of the audits conducted by the Internal Audit Service in 2021, 105 discoveries were made and 185 recommendations were issued.</p> <p>It should be noted that under the recommendations of the Service issued in 2021, the audited entities have developed and approved Plans of corrective actions for the detected discrepancies.</p> <p>In addition, it should be noted that in order to implement the requirements of the legislation of the Republic of Kazakhstan on combating corruption in terms of determination of anticorruption compliance services independent from the executive body, officials of the quasi-public sector entity, reporting to the Board of Directors, Supervisory Board (if any) or other independent management body, the Board of Directors, by its resolution dated December 10, 2021, from January 1, 2022 approved the structure of the Company's central office, which provides for the re-subordination of the Company's existing compliance control service to the Board of Directors.</p>
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6	Transparency	Observed	<p>The Company ensures timely and full disclosure of information to stakeholders on all aspects of its activities, with the exception of cases where the information constitutes a commercial, official or other secret protected by law, guided by:</p> <ul style="list-style-type: none"> <li>- Law of the Republic of Kazakhstan dated 13 May 2003 «On Joint Stock Companies»;</li> <li>- Law of the Republic of Kazakhstan dated July 2, 2003 «On Securities Market»;</li> <li>- The Law of the Republic of Kazakhstan dated 28 February 2007 "On Accounting and Financial Reporting";</li> <li>- Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 189 of August 27, 2018 «On Approval of the Rules for Disclosure of Information by Issuers, Requirements for the Content of Information to be Disclosed by Issuers, and Terms for Disclosure of Information by Issuers on the Financial Reporting Depository Internet Resource»;</li> <li>- The Listing Rules approved by the decision of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes No. 15 dated April 27, 2017) and the Listing Rules approved by the decision of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes No. 14 dated March 10, 2021);</li> <li>- The Rules of Information Disclosure by Securities Admission initiators, approved by the decision of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes No. 14 dated March 10, 2021);</li> <li>- The Charter and the Corporate Governance Code, the Rules on Information Disclosure of KazTransOil JSC, the Rules of internal control over the disposal and use of insider information of KazTransOil JSC, the rules of interaction between the structural units of KazTransOil JSC when posting information on the Internet resources of the financial statements depository and Kazakhstan Stock Exchange JSC, the Internet resource of KazTransOil JSC and other internal documents of the Company.</li> </ul> <p>The information on compliance with the Rules of internal control over disposal and use of insider information of KazTransOil JSC and the report on the results of training of the Company's insiders for 2021 were considered at the Internal Audit Committee of the Board of Directors of the Company on 4 March 2021.</p> <p>During the period from November 22 to 23, 2021 the compliance-control service conducted training for employees of the Company, who are insiders, by conducting a training seminar in the online mode in the form of a video conference on «Training for insiders of KazTransOil JSC on compliance with the legislation of the Republic of Kazakhstan and stock exchange requirements on manipulation on the securities market». During the training, certain features of insider information disclosure, possible risks associated with the misuse of insider information, types of liability provided for by the legislation of the Republic of Kazakhstan for violations in this area were considered, and specific practical situations were analyzed.</p> <p>In general, the work aimed at improving the Company's transparency through the timely disclosure of</p>
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