KazTransOil

KEEPING THE

BALANCE

ANNUAL REPORT

2020

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DANIYAR BERLIBAYEV

Chairman of KazTransOil JSC Board of Directors

Dear shareholders, partners and colleagues.

KazTransOil JSC is the largest oil pipeline company in the Republic of Kazakhstan and represents the national interests in the field oil transportation, both to the domestic market and for the export purposes.

The year 2020 tested the global economy as a whole, including the oil and gas industry. The world for the first time faced the COVID-19 pandemic which had an unprecedented impact. All countries of the world imposed quarantine and other restrictive measures to respond to the pandemic. These measures negatively affected the oil and gas industry. Oil price declined significantly, the national currency rate weakened, world oil consumption declined, oil production went down (including under the OPEC+ deal) and, therefore, oil transportation volumes reduced. Thus, the crisis greatly influenced all economic sectors and required to revise long-terms plans in the new reality.

KazTransOil JSC currently provides for approximately 38% of the overall national oil production and more than 90% of supplies to the domestic refineries.

The company's revenue in 2020 amounted to KZT 235.2 billion and decreased by 2% as compared to the previous year. The total profit for the reporting period was KZT 56 billion and grew by 24%. Dividend payments in the reporting period for 2019 totalled KZT 45.4 billion or KZT 118 per ordinary share.

Despite the global changes, KazTransOil JSC adheres to sustainability and consistency in its policy for achieving success and pursues the established goals and objectives.

In 2020, KazTransOil JSC Development Strategy up to 2028 was approved. The Strategy is focused on ensuring the positive production and financial indicators and the safe, high-quality, timely and uninterrupted transportation of oil. The Development Strategy was prepared in accordance with the recommendations given by NC KazMunayGas JSC and adjustments of short-term strategic goals and objectives.

The main strategic objective of KazTransOil JSC is transition from the principle of growth to the principle of Company stability by supporting the current development level, maintaining production and financial indicators, and ensuring accident-free oil transportation.

In the reporting year, we specifically focused on one of our top priorities – development of the corporate management system, in particular, improvement of the efficiency of KazTransOil JSC management bodies. According to the approved Action Plan for KazTransOil JSC Corporate Management System Improvement for 2020–2021, the Company's internal documents were updated, demand in category A management staff (managers and Chief Executive Officers of separate business units) was approved to form a Talent Pool, consistent work in the area of sustainable development was carried out.

Sustainable development is the priority for KazTransOil JSC. The main goal is to develop business, while preserving and protecting the environment, creating favourable working conditions and safe workplaces and contributing to development of the local communities in the Company's operating areas. A practice of preparing the presentation of the report on sustainable development system functioning was introduced in 2020.

KazTransOil JSC sustainable development policy is focused on compliance with all aspects of environmental conservation and monitoring of own carbon footprint and air emission volumes, while carrying out permanent work to reduce emissions. Apart from that, the Company makes efforts to improve its operating efficiency by trying to decrease environmental impact.

KazTransOil JSC is a major employer operating in 11 regions of the Republic of Kazakhstan. In 2020, the Company employed 6,720 people. KazTransOil JSC focuses on enhancing and developing human resources, raising professional competence and efficiency of its employees and creating conditions for social security and stability in teams and in operating areas.

I would like to express my gratitude to all employees, shareholders, partners and to my direct colleagues – members of KazTransOil JSC Board of Directors. Their suggestions and recommendations allowed to improve the Company's stability and to be well on the way to achievement of the strategic goals.

Daniyar Berlibayev

Chairman of KazTransOil JSC Board of Directors

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MESSAGE FROM THE GENERAL DIRECTOR (CHAIRMAN OF THE MANAGEMENT BOARD)

DIMASH DOSSANOV,

Chairman of KazTransOil JSC Management Board

Dear readers,

The annual report is an opportunity to inform you about the Company's performance in the reporting period and share the most significant events in financial and operating activities as well as prospects for future development of the Company.

KazTransOil JSC achieved positive financial performance in 2020, despite the slowed global economic development. The Company's consolidated net profit increased by 24% as compared to 2019 and amounted to KZT 56 billion. The increase is mainly due to reduction in expenses associated with impairment of Batumi Oil Terminal LLC assets in 2019 following revaluation. The positive financial performance also results from a 15% increase of the export oil transportation rate and the growth of foreign exchange gain.

Amid the pandemic, KazTransOil JSC arranged for reliable transportation of oil to the national market and for export. The Company's main oil pipeline system alone transported 42 million 298 thousand tonnes of oil, which is 5% less than in 2019. This is due to reduction in oil production in the Republic of Kazakhstan under the OPEC+ deal.

International rating agency Fitch Ratings acknowledged the Company's strong operating and financial performance in 2020 and affirmed the long-term foreign currency rating at BBB- with a stable outlook.

The quality of KazTransOil JSC oil transportation services was highly praised as well. According to the survey covering 100% of Company service consumers, the satisfaction coefficient was 100%.

KazTransOil JSC invests in improving the reliability of its oil pipeline system. Capital investments grew by 14% in 2020 and amounted to KZT 46.9 billion. The Company will provide for further upgrade of production facilities as well under the 2021–2025 investment programme for a total of KZT 214.2 billion.

KazTransOil JSC is implementing the policy to set up a multifaceted hydrocarbon transportation system in the Republic of Kazakhstan, with the main focus on construction of the Kazakhstan — China main oil pipeline system. In 2020, the first start-up complex for Kenkiyak — Atyrau main oil pipeline reverse was completed under this major investment project. That doubled the pipeline's capacity in reverse direction. Aman OPS mechanical completion was carried out as part of the second start-up complex. Project completion in 2021 will enable to transport up to 6 million tonnes of oil in reverse direction annually.

The Company's strategic priority is sustainable development. KazTransOil JSC takes the lead in environmental risk management. The evidence is that the Company was the first to receive an ISO 45001:2018 Occupational Health and Safety Management System Certificate.

The Company officially declared the year 2020 to be the Year of Safety. Even though the year is over, KazTransOil JSC staff will keep on working together to build a safe future. Our objective is that every employee of the Company should become an HSE leader. We create all necessary conditions for that by introducing new corporate standards and technologies. The health and life of every employee are invaluable.

Fully aware of its social responsibility, KazTransOil JSC supplied 68 Europe-manufactured lung ventilators totalling KZT 1 billion to healthcare facilities in the Republic of Kazakhstan under the Birgemiz charity project. Medicines and toys for a specialised infant home in Nur-Sultan were bought at private expense of the Company's employees. Assistance was provided to low-income families.

In 2021, the Company will focus on ambitious goals and large-scale initiatives outlined in the Development Strategy up to 2028. The document was approved by the KazTransOil JSC Board of Directors in November 2020 as most major projects within the Development Strategy up to 2025 had been implemented. It should be noted that the projects of the new development phased will be designed to enhance the reliability and safety of oil transportation.

The Company gained valuable experience of work under crisis conditions in the reporting year. I would like to thank the members of the KazTransOil JSC Board of Directors, shareholders, partners, contractors, clients and representatives of local and central government authorities of the Republic of Kazakhstan for our effective cooperation. I express my deep gratitude to all the employees of KazTransOil JSC for their professional and disciplined work for the benefit of the Company.

Dimash Dossanov,

General Director (Chairman of the Management Board) KazTransOil JSC

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REPORT OVERVIEW

REPORTING APPROACH

KazTransOil JSC is strongly committed to the principle of transparency in its activities and strives to ensure effective and full information disclosure for a wide range of its stakeholders.

This is the eighth integrated annual report of KazTransOil JSC, which discloses the financial and operating performance, corporate management and risk management system, development strategy and sustainable development activities. The previous Report was published in May 2020.

The Report is published on an annual basis. This Report covers the Company's performance from 1 January to 31 December 2020, and describes the Company's plans for 2021, where possible.

The Report has been developed according to the Core Option as related to compliance with GRI Standards on Sustainability Reporting.

This Report does not contain any significant changes in the presentation format as compared to the previous year. At the same time, the Company continues working on consistent development of the report. This year, for better compliance with the GRI Standards, the Report disposes a number of additional indicators, in particular, the number of employees (including the number of hired employees) by regions, detailed data on employee training and data on waste handling methods.

External audit of the Company's financial statements was conducted by Ernst & Young LLP. No external verification of non-financial data on sustainable development in 2020 was carried out.

REPORT CONTENT DETERMINATION

The content of this Report was determined according to the GRI reporting principles:

Stakeholder Engagement – the results of this engagement were used to select the most material topics to be disclosed in the Report.

Sustainability Context – the information in this report is disclosed with consideration of a wider context and analysis of the Company's impact on the society related to economic, social, and environmental topics. This principle influenced both the selection of material topics and their disclosure in the Report.

Materiality – the Company discloses only the information that was recognised most material for stakeholders, while avoiding insignificant data and ensuring that material data are available. The principle was used to select both topics and indicators to be disclosed.

Completeness – the information on material topics is disclosed in its entirety, covering both positive and negative data concerning the Company. The limits of the topics comprise those aspects of the Company's activities where information is material. The principle was used to determine the content of sustainability disclosures.

This Report was also written in accordance with the concepts of the International Integrated Reporting Standard developed by the International Integrated Reporting Council (IIRC) and the requirements of the Kazakhstan Stock Exchange (KASE). The Report discloses information in accordance with the provisions of the Corporate Management Code and other internal documents issued by the Company, and in compliance with the RoK laws.

The Report covers the information on the Company's compliance with the United Nations (UN) Global Compact and the Company's contribution to the UN Sustainable Development Goals. While disclosing this information, the Company followed the best international practices to ensure comparability of the information with other organisations in Kazakhstan and abroad.

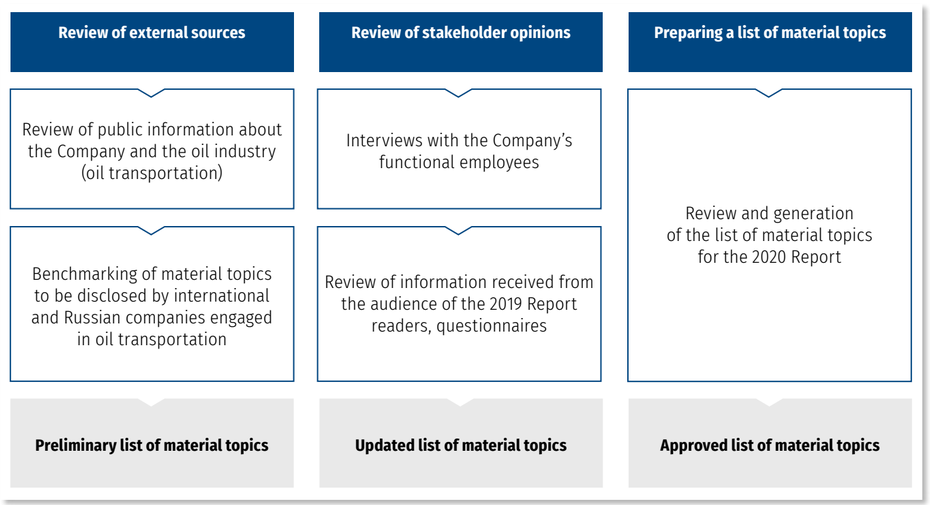
The description of the Company's financial and business performance was prepared in accordance with the recommendations of the International Financial Reporting Standards (IFRS) Practice Statement 'Management Commentary'.

COMPLIANCE WITH THE PRINCIPLE OF MATERIALITY

In order to select material sustainability topics to be disclosed in this Report, the Company analysed the list of topics proposed by the GRI Standards and a number of additional topics that can be important for stakeholders and are independently determined by the Company.

A preliminary list of material topics was defined in the course of internal analysis of the Company's activities and assessment of the Company's impact on the society, as well as analysis of foreign experience and benchmarks. The updated list of material topics was received as a result of interaction with internal experts and key internal and external stakeholder groups. This resulted in the following Materiality Matrix. Twenty topics in the top right corner of the Matrix were considered most material and were reflected in this integrated annual report.

Material Topic Determination Approach



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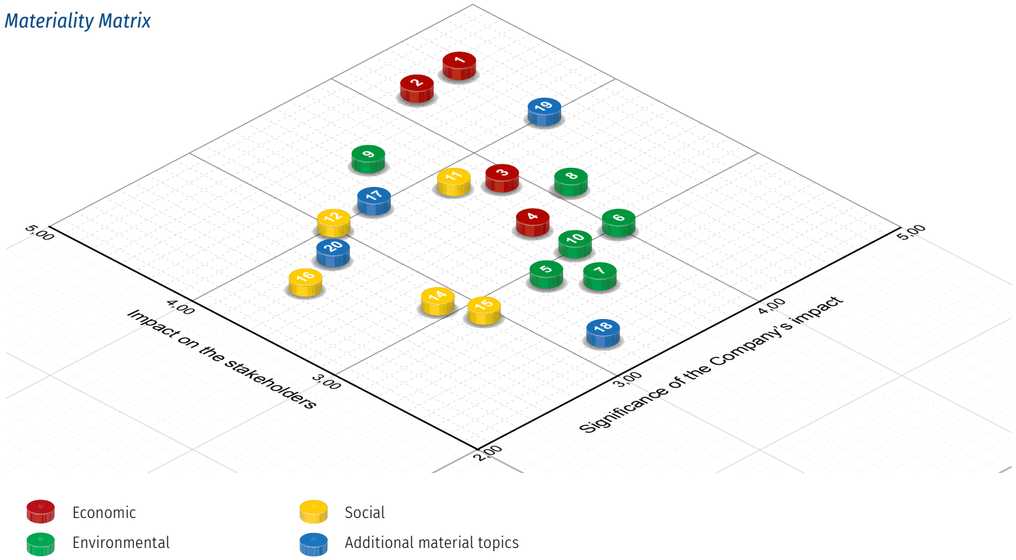
Materiality Matrix



Full list of material topics

ПОДХОД К ОТЧЕТНОСТИ

Category	№	Material topics	Internal	External
Economic	1	**201** Economic performance	✓	✓
	2	**202** Labour market presence	✓	✓
	3	**204** Procurement practice	✓	✓
	4	**205** Anti-corruption	✓	✓
Environmental	5	**302** Energy	✓	✓
	6	**303** Water	✓	✓
	7	**304** Biodiversity	✓	✓
	8	**305** Emissions	✓	✓
	9	**306** Discharges and waste	✓	✓
	10	**307** Environmental regulatory compliance	✓	✓
Social	11	**401** Employment	✓	✓
	12	**402** Employee/management relations	✓	–
	13	**403** Occupational health and safety	✓	✓
	14	**404** Training and education	✓	✓
	15	**405** Diversity and equal opportunities	✓	–
	16	**406** Non-discrimination	✓	–
Additional material topics	17	Production capacity efficiency	✓	✓
	18	Production integrity and safety, emergency preparedness	✓	✓
	19	Corporate management	✓	✓
	20	Digitalisation and automation	✓	✓

Sixteen topics shown in the final list were disclosed in the Report in accordance with the GRI Standards. The table containing the full list of standard reporting elements and references to disclosures in the Report is provided in Appendix 1 to the Report.

Apart from that, 4 additional topics were selected to be disclosed in the Report:

- **Production Capacity Efficiency** – the factor ensuring both long-term development of the Company and the degree of environmental impact, specifically, ecology impact. The indicator reflects reporting period work in this area.
- **Production Integrity and Safety, Emergency Preparedness** – considering the nature of the Company's activities, industrial accidents can have significant negative impact on people and environment. The indicator discloses the production safety measures ensured by the Company.
- **Corporate Management** – the management system greatly defines the efficiency of decision-making on all issues of the Company's activities, including in sustainable development. The indicator discloses the Company's management system.
- **Digitalisation and Automation** – development of digital processes has a significant impact on the Company's ability to create value for stakeholders in the long term. The indicator reflects the key directions of the Company's activities in this area.

REPORT SCOPE

The Report includes performance data of KazTransOil JSC and its subsidiaries and jointly-controlled entities (SJCE). The operating and financial indicators are shown on a consolidated basis and include the financial and business performance data on SJCE. Information on sustainable development is provided with respect to KazTransOil JSC only, unless otherwise indicated.

The Republic of Kazakhstan was determined as the material operating area.

The Company continued its practice of disclosing information in the form of three-four-year trends. In addition, in order to present the data in a more comprehensive manner, the Report refers to the events that occurred before or after the reporting period.

The Report also reflects forward-looking plans for 2021. Since their implementation is exposed to a number of external factors beyond the Company's control, the performance achieved in future reporting periods does not necessarily coincide with the benchmarks indicated in the Report.

FEEDBACK

The Company is interested in any feedback to enable improvement of future integrated annual reports and high-quality disclosure of information for the stakeholders. A feedback form is provided at the end of this document. The Company would appreciate if you fill in this form and send it to the contact persons below.

CONTACT DETAILS

The Company's Integrated Annual Reports are available on the Company's website www.kaztransoil.kz in For Shareholders and Investors / Information Disclosure / Annual Reports.

To request additional information on the Report and its contents, please use the following contact details:

Corporate Management Department
+7 (7172) 555-122, bimenova@kaztransoil.kz

Investor Relations Service
+7 (7172) 555-049
masalin@kaztransoil.kz

Ombudsman
+7 (7172) 555-041,
doverie@kaztransoil.kz

Department of Public Relations and Internal Communications
+ 7 (7172) 555-135, 555-134

The Company's actual address: 20 Turan Ave., NRB 12, Essil District, Nur-Sultan, Republic of Kazakhstan

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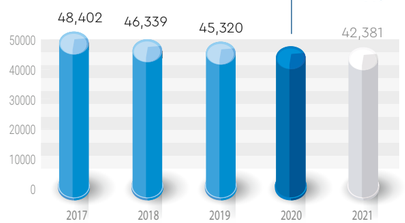
KEY INDICATORS FOR 2020

OIL TRANSPORTATION

OIL TRANSPORTATION AND PETROLEUM PRODUCT TRANSSHIPMENT (consolidated), thousand tonnes**

43,348

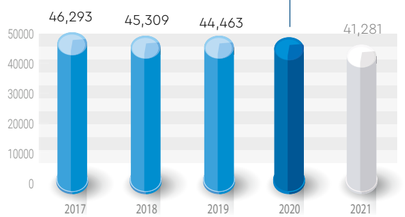
–4%*



OIL TRANSPORTATION, SEPARATELY FOR KAZTRANSOIL JSC thousand tonnes

42,298***

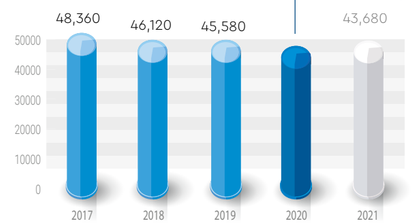
–5%



OIL TURNOVER (consolidated)****, million tonnes-km

43,757

–4%



** Hereinafter in the Report, the presented difference in quantitative indicators is calculated as a ratio of the actual value for the reporting period to the actual value for the previous year.*

*** This indicator is calculated on a consolidated basis, taking into account the volumes of the Company and Batumi Oil Terminal LLC.*

**** The reduced value for 2020 against the value for 2019 is due to generally lower oil delivery to the main oil pipeline system, including Aktobe and Kumkol oil, and the reduced production in the Republic of Kazakhstan under the OPEC+ deal.*

***** The indicator is calculated on a consolidated basis, taking into account the Company's interest in SJCE.*

3 TOTAL NUMBER OF OCCUPATIONAL ACCIDENTS

23,396 POLLUTANT EMISSIONS, tonnes

6,720 MANNING LEVEL, persons

163.9 GREENHOUSE GAS EMISSIONS, thousand tonnes of CO_2 equivalent

81.69 ENVIRONMENTAL PAYMENTS, KZT million

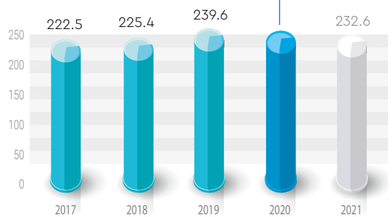
4.47 POWER CONSUMPTION FOR OIL TRANSPORTATION, TOE/million tonnes

FINANCIAL INDICATORS

REVENUES, KZT billion

235.2

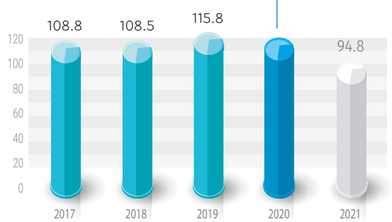
–2%



EBITDA*, KZT billion

111.1

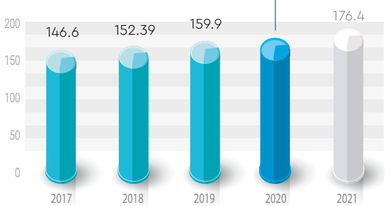
–4%



COST OF SALES, KZT billion

163.0

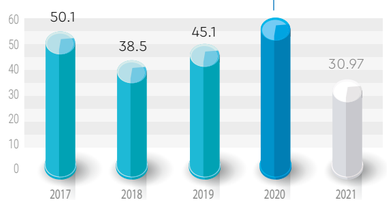
2%



TOTAL PROFIT FOR THE REPORTING YEAR, KZT billion

56.0

24%



** The indicator is calculated in accordance with the Rules for Preparation, Agreement, Approval, Adjustment, Execution and Monitoring of Development Plans of Sovereign Wealth Fund Samruk-Kazyna JSC Subsidiaries.*

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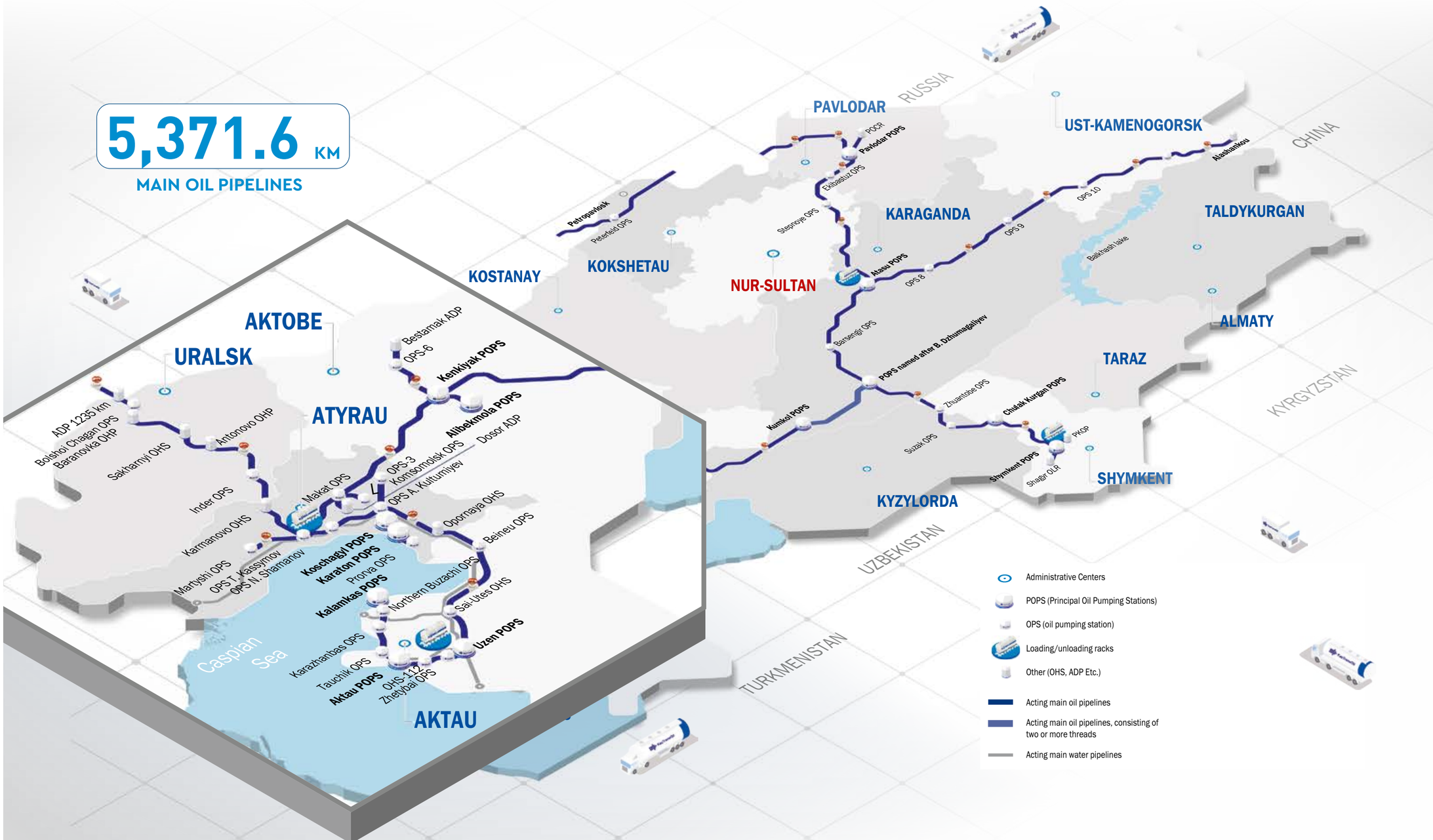
5,371.6 KM

MAIN OIL PIPELINES



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1997

In order to serve the interests of the Republic of Kazakhstan in the field of oil transportation, export and import of oil and petroleum products, National Oil Transportation Company KazTransOil Closed Joint-Stock Company was established as a 100% state-owned company under RoK Governmental Resolution No. 461 dated 2 April 1997.

1998

In December, the Company was included in the Republican Section of the State Register of Natural Monopolies in respect of a number of its services classified as natural monopolies, including oil transportation via main pipelines and water supply via main water pipelines.

2001

In 2001, the state interest in NOTC KazTransOil CJSC (renamed as KazTransOil CJSC) was transferred to the authorised capital of the Oil and Gas Transport National Company Closed Joint-Stock Company established in accordance with RoK Governmental Resolution No. 591 dated 2 May 2001.

2002

Under RoK President Decree No. 811 dated 20 February 2002, based on reorganisation through a merger of National Oil and Gas Company Kazakhoil Closed Joint-Stock Company and Oil and Gas Transport National Company Closed Joint-Stock Company, National Company KazMunayGas Closed Joint-Stock Company was established and became the sole shareholder of KazTransOil CJSC.

2003

The Kenkiyak – Atyrau main pipeline was commissioned in June.

2004

KazTransOil CJSC was renamed as KazTransOil JSC in May.

In July, NC KazMunayGas JSC transferred its 51% interest in MunaiTas NWPC JSC joint venture to the Company.

The Company and China National Oil and Gas Exploration and Development Corporation established Kazakhstan – China Pipeline LLP (KCP LLP) as equal partners.

2006

The Atasu – Alashankou main pipeline was commissioned in July by KCP LLP.

Also in July, the Company put into operation the 25 km long Northern Buzachi – Karazhanbas oil pipeline with the design throughput capacity of 3.5 million tonnes of oil per year.

2007

In January, the Company acquired a 50% interest in Batumi Capital Partners Limited. As a result, the Company acquired the assets of Batumi Oil Terminal LLC and the exclusive right to manage Batumi Sea Port for 49 years.

2008

In February 2008, the Company acquired a 100% interest in Batumi Industrial Holdings Limited.

2009

The Kenkiyak – Kumkol main oil pipeline was commissioned in September 2009 by KCP LLP.

2011

In June 2011, the Company received the Kazakhstan section of the TON-2 oil pipeline from NC KazMunayGas JSC as payment for the shares placed by the Company for the total amount of KZT 1,700 million.

2012

In September, the Company sold its 100% interest in KazTransOil-Service JSC to KazMunayGas-Service LLP under a sales and purchase agreement.

RoK Governmental Resolution No. 1273 dated 8 October 2012 appointed the Company as a national main oil pipeline operator.

In December 2012, trading of the Company's ordinary shares on the secondary market began on the Kazakhstan Stock Exchange; the Company thus became the first enterprise in the Republic of Kazakhstan to list its shares as part of the People's IPO Programme.

2013

In December, as a result of the reorganisation of Batumi Industrial Holdings Limited, Batumi Capital Partners Limited and Batumi Services Limited, the Company became the owner of 100% of shares of Batumi Terminals Limited (Cyprus), via which the assets in Georgia were managed (Batumi Oil Terminal LLC that held an exclusive right to manage Batumi Sea Port LLC).

2014

Starting from January, the Company commenced transportation of Russian oil to the People's Republic of China (PRC) via the Republic of Kazakhstan, in the volume of up to 7 million tonnes per year.

In August, the Company sold 0.88% of its shares in the Accumulative Pension Fund of Halyk Bank of Kazakhstan JSC.

2015

In May, the amendments were introduced to the Law of the Republic of Kazakhstan On Natural Monopolies to exclude services related to oil transportation in transit through the Republic of Kazakhstan and export outside the Republic of Kazakhstan from the scope of natural monopolies.

2016

In August, the overhaul was completed at the Kazakhstan section of the TON-2 main oil pipeline, which enabled a throughput capacity boost from 7 to 11 million tonnes per year.

In October 2016, the Company began to receive oil from the Kashagan field into its main oil pipeline system.

In December, 663 km OPS (later renamed to N. Shmanov OPS) was commissioned.

2017

Due to liquidation of the subsidiary, Batumi Terminals Limited (Cyprus), KazTransOil JSC became the holder of a 100% interest in Petrotrans Limited in March and a 100% interest in Batumi Oil Terminal LLC in August; the latter had the exclusive right to manage 100% of the authorised capital of Batumi Sea Port LLC owned by Georgia.

In December, Main Waterline LLP was registered, with the Company holding a 100% interest in its authorised capital.

2018

In April, registration of KazTransOil JSC West and East Branches was cancelled.

In May, a contract was signed for maintenance, repair and emergency response at CPC-K JSC oil pipeline system facilities for 2018–2023.

In August, refurbishment was completed at Kenkiyak Head Oil Pumping Station.

In September, a KazTransOil JSC Representative Office was established in Moscow (Russian Federation).

2019

In January according to the decision made at the extraordinary General Meeting of KazTransOil JSC Shareholders, the new members of the Board of Directors were elected.

The return activities were completed as related to 141,728 tonnes of process oil owned by KazTransOil JSC and located in the Russian Federation in the Omsk – Pavlodar main oil pipeline.

Starting from 1 December 2019, fiscal metering of Kazakhstan was commenced during export transportation via the Uzen – Atyrau – Samara main oil pipeline of KazTransOil JSC using the Lease Automatic Custody Transfer System at 1,235 km Custody Transfer Point of the Uzen – Atyrau – Samara oil pipeline located in Kazakhstan.

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KEY EVENTS IN 2020

January

Tariff Policy

A tariff for KazTransOil JSC service of export transportation outside the Republic of Kazakhstan was set at KZT 7,358.76 per tonne per 1,000 km (excluding VAT), effective from 1 March 2020.

February

International Cooperation

Compensations were paid to 38 Kazakhstan exporters under the agreement between Transneft PJSC and KazTransOil JSC acting on behalf of Kazakhstan oil companies regarding the reimbursement of costs for shipment of about 699 thousand tonnes of off-spec oil in the port of Ust-Luga.

Social Support of Employees

Mr. Dimash Dossanov, KazTransOil JSC General Director (Chairman of the Management Board), and representatives of five local trade unions signed a Collective Agreement between KazTransOil JSC and the Company's employees for 2020–2022.

March

Changes in the Board of Directors

Early termination of the powers of Nurtas Shmanov, a member of KazTransOil JSC Board of Directors.

Implementation of a new wage system

On March 1, 2020, implementing the regulations governing the new wage system for employees of separate structural divisions of Kaz TransOil JSC

Credit Rating

On March 31, 2020, the international rating agency S&P Global Ratings changed its rating outlook KazTransOil JSC from "Stable" to "Negative", while confirming the rating at the level of "BB". This change is due to a similar rating action in relation to its parent company, NC KazMunayGas JSC.

May

Annual Meeting of Shareholders

The Annual General Meeting of KazTransOil JSC Shareholders devoted to the 2019 results was for the first time held online.

Renaming of the branch of the STC of KazTransOil JSC

Branch of the Scientific and Technical Center of the KazTransOil Joint-Stock Company, established on September 3, 2000, was renamed the branch Center for Research and Development of the KazTransOil Joint-Stock Company. The activities of the CIR are aimed at ensuring the sustainable development of the Company on the basis of a scientifically-based innovation and technological development program.

June

Implementation of the Kenkiyak – Atyrau Oil Pipeline Reversal Project

KazTransOil JSC group of companies commissioned the first start-up complex of the Kenkiyak – Atyrau Oil Pipeline Reversal Project. Specifically, construction of a twin pipeline intersection from N. Shmanov OPS to the Kenkiyak – Atyrau oil pipeline and reconstruction of a pipeline linear section were completed.

July

Tariff Policy

A tariff for KazTransOil JSC controlled service of oil transshipment at N. Shmanov OPS to the Kenkiyak – Atyrau oil pipeline was approved at KZT 119.37 per tonne (excluding VAT), effective from 1 August 2020.

Corporate Management

KazTransOil JSC Oil Transportation Control Centre Branch (KazTransOil JSC OTCC Branch) was registered with its office located in Nur-Sultan.

August

Charitable Project Birgemiz

KazTransOil JSC purchased 68 stationary multifunctional lung ventilators and sent them to RoK medical institutions as sponsor support.

September

Implementation of Production Programme

Sections of the Uzen – Atyrau – Samara oil pipeline with the total length of 17 km were commissioned after reconstruction in accordance with KazTransOil JSC production program for 2020–2024.

Financing of the construction of the Congress Hall in Turkestan

In 2020, KazTransOil JSC provided sponsorship to the Corporate Fund Company for the Construction of Facilities in the amount of KZT 405,809,037 for additional financing of the construction of a Congress Hall in the city of Turkestan. In total, KazTransOil JSC allocated KZT 2,605,809,037 for the construction of the facility. By the decree of the Akimat of the Turkestan region, the Congress Hall was transferred to the regional municipal property of the city of Turkestan.

November

Investment Programme

KazTransOil JSC investment program for the service of oil transfer to the domestic market of the Republic of Kazakhstan via main pipelines was approved for 2021–2025.

Tariff Policy

A tariff estimate and tariff for the controlled service of oil transportation to the domestic market of the Republic of Kazakhstan via KazTransOil JSC main pipeline system were approved for 2021–2025 at KZT 4.355.57 per tonne per 1,000 km (excluding VAT), effective from 1 January 2021.

Credit Rating

International rating agency Fitch Ratings affirmed KazTransOil JSC long-term foreign currency Issuer Default Rating at BBB- with a stable outlook.

December

Implementation of the Kenkiyak – Atyrau Oil Pipeline Reversal Project

A certificate of Aman OPS mechanical completion was signed on 29 December 2020.

Lease Automatic Custody Transfer System (LACT) at Kenkiyak HOPS and Kumkol HOPS facilities were commissioned on 31 December 2020.

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KazTransOil

FINANCIAL CAPITAL

652,518 KZT million total equity | **61,938** KZT million authorized capital

NATURAL CAPITAL

160,562 TOE total energy consumption

8 "Water" concepts

44,055 tonnes total Generated wastes

472.16 thousand m³ total Water intake volume

23,396 tonnes pollutant emissions

PRODUCTION CAPITAL

5,371.6 km total length of main oil pipelines

1,386 thousand m³ oil tank farm intended to store the total

36 oil pumping stations

HUMAN CAPITAL

6,720 persons the headcount

43.7 years the average age of personnel

93.3% percentage of staff in the regions

INTELLECTUAL CAPITAL

IT systems (SAP, EDCS, EAS, SCADA, SQUID and others)

Unmanned Communication Hubs

Trunking Radio Network

SOCIAL AND REPUTATIONAL CAPITAL

Ombudsman Institution

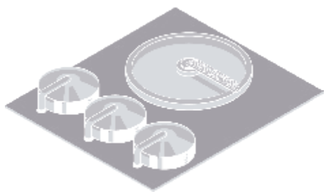
Hotline

Corporate Ethics Code

SUPPLY CHAIN PROCESS

OIL TRANSPORTATION

WATER SUPPLY



OPERATING SERVICES

IMPROVING MANAGEMENT EFFICIENCY

KEY RISKS

- Decrease of oil and water supplies
- Emergency
- Intentional theft or destruction of assets
- Risk of exchange losses
- Strategic partner risk
- Accidents
- Environmental risk

CORPORATE VALUES

- Occupational health and safety
- Efficiency
- Sustainable development
- Professionalism
- Mutual assistance and teamwork

2020 PERFORMANCE RESULTS

55,954 KZT billion total net profit for 2020

45.1 KZT billion (100% net profit) total dividends for 2019

3.9% reduction in total energy consumption

Reduction in volume of air emissions **3,269** tonnes, or **12.3**%

1.3 KZT billion environmental protection expenses

1,202 pipe defects in main oil pipelines were eliminated

3,321 thousand tonnes oil transportation

2.4% personnel turnover ratio

0 number of fatalities due to occupational injuries

345 KZT million investments into staff training

Digital Technology Development Programme

100% radio coverage zone at the facilities of the main oil pipeline

3 KZT billion social assistance costs for the employees

91% social stability rating

36,7 KZT billion taxes and other budget payments paid

STAKEHOLDERS

- Shareholders and influential organisations
- Financial institutions
- State authorities
- Personnel
- Service customers and partners
- SJCE
- Suppliers
- General public and mass media
- Competitors

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COMPANY PROFILE AND ACTIVITIES

The core areas of activities:

- Services of oil transportation via main oil pipelines;
- Organisation of Kazakhstan oil transportation via pipeline systems of other countries;
- Construction and operation of the pipeline system in and outside the Republic of Kazakhstan;
- Provision of heat energy production, transmission and distribution and electric power transmission services.

KazTransOil JSC is a public company with 90% of ordinary shares owned by NC KazMunayGas JSC and 10% of ordinary shares minus one share controlled by minority shareholders.

Most of the Company's assets are located in Kazakhstan. KazTransOil JSC structure includes 3 subsidiaries in Kazakhstan, Georgia and the United Arab Emirates and 2 jointly-controlled entities in Kazakhstan.

COMPANY'S DEVELOPMENT STRATEGY UP TO 2028

Mission

To ensure maximum benefits for KazTransOil JSC shareholders and adhere the national strategic interests in oil transportation via the main oil pipeline.

Vision

KazTransOil JSC is a competitive company with a diversified pipeline system that complies with the best practices in terms of sustainable development, ensuring safety, environmental protection and management of production assets.

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Corporate values:

Safety
The Company strives to achieve zero accidents at its production facilities.

Quality
The Company strives to ensure the proper and high-quality working practices.

Diligence and professional competence
The Company values the diligence and the expertise its employees regarding its specific activities, as well as timely and high-quality completion of the assigned tasks, and ensures continuous improvement of professional competencies and skills.

Transparency
The Company strives to ensure the transparent management, confirming its commitment to the corporate management standards.

Efficiency
The Company acknowledges its commitments to the state, shareholders, employees and community, therefore profitability, efficiency and high performance are the Company's indisputable values. The Company's sustainable and stable operation is achieved by business process improvement, cost optimisation, focus on equipment upgrades and production development investments.

The corporate values are reflected in every area of KazTransOil JSC activities and play a significant role in employee relation management, business process development, strategic planning and decision-making processes.

Implementation of the Strategic Goals is aimed to achieve the Mission and Vision of KazTransOil JSC.

Key factors affecting implementation of the Company's Strategic Goals

Key factors affecting implementation of the Strategic Goals	Impact
Increase in oil production and full utilization of KazTransOil JSC oil pipelines	Income growth
Performance of oil supply contracts by oil producers	Ensuring cargo turnover
Increase in the price of oil and stable national currency exchange rate	Profitability
Upgrade of production assets	Accident-free operation

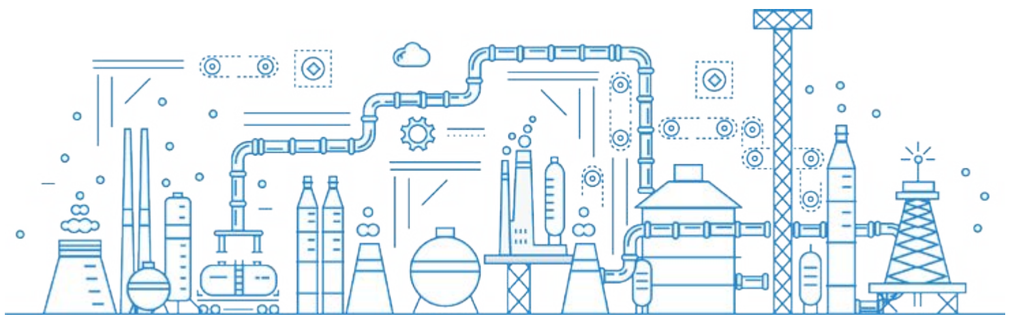
Strategic Risks

Key strategic risks

№	Risk	Risk mitigation efforts
1	Decrease in oil production and delivery from the main consignors. Low oil pipeline utilisation rate	• to arrange for maintaining and further increasing Russian oil transit to China; • to revise business plans; • to optimise current and capital expenditures.
2	Weakening of the national currency exchange rate	• to revise business plans; • to reduce current and capital expenditures with import component.
3	Risk of main equipment incidents and linear section accidents	• to diagnose assets; • to carry out maintenance of oil pipelines facilities; • to implement plans for repair and replacement of equipment, linear section of oil pipelines; • to take administrative and technical actions to get prepared for the autumn/winter seasons; • to take actions to prevent accidents and incidents at the facilities; • to use high-tech and energy efficient equipment.

KazTransOil JSC Strategic Development Areas up to 2028

In November 2020, the Board of Directors approved the Development Strategy of KazTransOil JSC up to 2028 (Development Strategy), which is aimed at ensuring positive production and financial indicators and the safe, high – quality, timely and uninterrupted transportation of oil. The development strategy was developed in accordance with the recommendations of NC KazMunayGas JSC.



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KazTransOil JSC Strategic Development Areas up to 2025

The table below shows the results of achievement of the strategic goals based on the Company development strategy employed in the reporting year.

OIL TRANSPORTATION

Strategic goals and initiatives up to 2025
To achieve target oil turnover indicators (>50 billion tonnes-km by 2025)

Key actions scheduled for 2020	Key actions implemented in 2020
To ensure oil transportation (separately for the Company) at 42,303 thousand tonnes and consolidated oil turnover at 45,493 million tonnes (36,780 million tonnes-km separately for the Company)	• Oil transportation volume separately for the Company – 42,298 thousand tonnes; • Oil turnover volume separately for the Company – 35,899 million tonnes-km.

Strategic goals and initiatives up to 2025
To attract additional volumes of Kazakhstan oil for transportation via the "Atyrau – Samara" oil pipeline by increasing the attractiveness of this route through joint activities with "Transneft" PJSC

Key actions scheduled for 2020	Key actions implemented in 2020
To continue separate pumping of Kazakhstan oil via the Atyrau – Samara – Novorossiysk route with shipment blended with Siberian Light in the amount of up to 1.0 million tonnes per year	✓ *Completed* In 2020, 1,210 thousand tonnes of light Kazakhstan oil were transported via the Atyrau – Samara – Novorossiysk route with shipment blended with Siberian Light.

Strategic goals and initiatives up to 2025
To develop transit potential

Key actions scheduled for 2020	Key actions implemented in 2020
To ensure Russian oil transit to China at up to 10 million tonnes per year	✓ *Completed* In 2020, oil transit of Russian producers through the Republic of Kazakhstan to the PRC (transshipment in Atasu) was 9,989 thousand tonnes.

Strategic goals and initiatives up to 2025
To improve customer relationship efficiency

Key actions scheduled for 2020	Key actions implemented in 2020
To achieve consumer satisfaction with the quality of oil transportation services at 95% as a minimum	✓ *Completed* In 2020, consumer satisfaction with the quality of provided services was 100%.

Strategic goals and initiatives up to 2025
To ensure a flexible and effective tariff policy in view of the industry development trends and KazTransOil JSC investment needs

Key actions scheduled for 2020	Key actions implemented in 2020
To comply with the RoK natural monopolies law, make appropriate suggestions to ensure a flexible and effective tariff policy at KazTransOil JSC	✓ *Completed* On 1 January 2021, the tariff estimate and tariff for oil transportation to the domestic market of the Republic of Kazakhstan for 2021–2025 were approved at KZT 4,355.57 per tonne per 1,000 km (excluding VAT).

Strategic goals and initiatives up to 2025
To develop the existing system of main oil pipelines, purchase/manage interests of the companies that own the existing oil pipelines, and construct new oil pipelines

Key actions scheduled for 2020	Key actions implemented in 2020
To implement actions for 2020 under the investment project Tranche Two at Phase Two of Kazakhstan – China Oil Pipeline. Throughput Capacity Increase to 20 Million Tonnes of Oil per Year	✓ *Completed* The Certificate of mechanical completion was signed on 29 December 2020 under the EPC-2 contract. LAST at Kumkol HOPS and Kenkiyak HOPS facilities were commissioned on 31 December 2020.
To continue defining an option to merge KCP LLP and MunaiTas LLP (Roadmap for defining an option to merge KCP LLP and MunaiTas LLP)	✓ *Completed* During 2020, KazTransOil JSC jointly with the Chinese participant were taking actions to analyse the options of merging KCP LLP and MunaiTas LLP. The participants, KCP LLP and MunaiTas LLP, were holding meetings and consultations. The final decision on the form of merging KCP LLP and MunaiTas LLP will be made after the Reversal project is completed.

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WATER SUPPLY

Strategic goals and initiatives up to 2025

To improve the water supply efficiency and develop the existing system of main water pipelines subject to economic efficiency

Key actions scheduled for 2020	Key actions implemented in 2020
To ensure achievement of the planned water supply level at 30,100 thousand cubic metres	*Not completed* The water supply volume amounted to 28 406 thousand m^3 of fresh water.
To approve a tariff for water supply that ensures compensation for expenses and capital investments	✓ *Completed* The authorised body approved the tariff and tariff estimate, and the investment program for 2020–2021.
To elaborate on the funding of the project to expand the "Astrakhan – Mangyshlak" main waterline	✓ *Completed* A package of documents was sent in accordance with the list of documents required for consideration of the funding issue by Eurasian Development Bank.

Strategic goals and initiatives up to 2025

To improve customer relationship efficiency

Key actions scheduled for 2020	Key actions implemented in 2020
To achieve consumer satisfaction with the quality of water supply services at 95% as a minimum	✓ *Completed* Satisfaction with the quality of provided services was 100%.

OPERATING SERVICES

Strategic goals and initiatives up to 2025

To increase revenues from operation and maintenance of main pipelines owned by third parties

Key actions scheduled for 2020	Key actions implemented in 2020
To conclude a contract to operate the Turgai-Petroleum JSC oil pipeline and a contract to maintain and repair main waterlines with consideration of a 15% profit rate	✓ *Completed* The Contract to operate the Turgai-Petroleum JSC oil pipeline was concluded for 2020.

Strategic goals and initiatives up to 2025

To improve customer relationship efficiency

Key actions scheduled for 2020	Key actions implemented in 2020
To achieve consumer satisfaction with the quality of operating services at 95% as a minimum	✓ *Completed* Consumer satisfaction with the quality of provided services was 95%.

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COST OPTIMISATION AND BUSINESS PROCESS TRANSFORMATION

Strategic goals and initiatives up to 2025

To improve the equipment maintenance and repair system

Key actions scheduled for 2020	Key actions implemented in 2020
Timely implementation of schedules for maintenance and repair of main pipeline linear section equipment and structures as part of operating services	✓ *Completed* The approved schedules for maintenance and repair of main pipeline linear section equipment and structures for all types of activities were fully implemented within the deadlines.

Strategic goals and initiatives up to 2025

To implement activities related to KazTransOil JSC cost management

Key actions scheduled for 2020	Key actions implemented in 2020
To ensure that the share of general and administrative expenses separately for KazTransOil JSC in the total amount of expenses is not more than 8%	✓ *Completed* The share of general and administrative expenses for KazTransOil JSC amounted to 7.6%.
To ensure labour productivity separately for KazTransOil JSC at no less than KZT 28 million per person or 5.35 million tonnes-km per person	✓ *Completed* At the end of 2020, the achieved labour productivity indicator separately for KazTransOil JSC was KZT 32.99 million per person. In terms of physical volumes – 5.50 million tonnes-km per person.
Post-project monitoring of implementation of KazTransOil JSC performance improvement projects	✓ *Completed* In 2020, the 2 projects set forth in the Action Plan for KazTransOil JSC Performance Improvement were completed.

Strategic goals and initiatives up to 2025

To transform business processes

Key actions scheduled for 2020	Key actions implemented in 2020
To implement KazTransOil JSC Business Process Simulation project	✓ *Completed* Implementation of KazTransOil JSC Business Process Simulation stable transformation project was continued in 2020.

COMMUNICATION DEVELOPMENT

Strategic goals and initiatives up to 2025

To improve the information security management system

Key actions scheduled for 2020	Key actions implemented in 2020
To implement the Plan for Information Security Management System Improvement for 2020	✓ *Completed* The planned works under 26 items were completed.

Strategic goals and initiatives up to 2025

To communicate with external and internal audience to maintain the Company's positive image

Key actions scheduled for 2020	Key actions implemented in 2020
To ensure publication of analytical materials, interviews in mass media and broadcasting of videos on television about various aspects of KazTransOil JSC activities	✓ *Completed* In 2020, mass media published 5 analytical materials with comments from the Company's management, 6 TV stories were broadcast.
To conduct a weekly content analysis of the national and regional media and television concerning mentions of the Company.	✓ *Completed* In the reporting period, KazTransOil JSC regularly conducted a content analysis of the mass media concerning mentions of the Company.
To implement anti-crisis communications	✓ *Completed* As part of anti-crisis activities, official press releases were prepared that explained the issues of road construction, oil sludge spill liquidation, and emission reduction at the Company's facilities.
To ensure publication of Nefteprovodchik, the corporate electronic newsletter of KazTransOil JSC	✓ *Completed* In 2020, 15 editions of Munaiqubursh, the corporate electronic newsletter, were published.
To generate information content (photo/video/text) for KazTransOil JSC mobile application	✓ *Completed* KazTransOil JSC optimised its mobile application.
To generate content for the KTO news corporate TV channel	✓ *Completed* 248 information materials and 28 videos were prepared and posted on the corporate portal.

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SUSTAINABLE DEVELOPMENT

Strategic goals and initiatives up to 2025
To establish stakeholder engagement

Key actions scheduled for 2020	Key actions implemented in 2020
To approve KazTransOil JSC Stakeholder Map (updating)	✓ *Completed* In November 2020, the Company approved KazTransOil JSC Stakeholder Map

Strategic goals and initiatives up to 2025
To maintain energy conservation and to boost energy efficiency

Key actions scheduled for 2020	Key actions implemented in 2020
To achieve KazTransOil JSC energy goals for 2020	✓ *Completed* The energy goals for 2020 were achieved
To implement the Action Plan for transition from KazTransOil JSC energy management system compliant with ISO 50001:2011 to the energy management system compliant with ISO 50001:2018	✓ *Completed* Based on the results of the certified audit of KazTransOil JSC energy management system, the Company received the certificate of compliance with ISO 50001:2018. According to the demand, 16 employees were trained in 2020

Strategic goals and initiatives up to 2025
Environmental management

Key actions scheduled for 2020	Key actions implemented in 2020
To reclaim historical pollution at the Uzen – Atyrau – Samara main oil pipeline at 984-985 km sections with the area of 4 ha	✓ *Completed* The reclamation of historical pollution was fully completed.

Strategic goals and initiatives up to 2025
To carry out R&D and transfer of new machinery and innovation technologies

Key actions scheduled for 2020	Key actions implemented in 2020
To implement KazTransOil JSC Development Programme on R&D and transfer of new machinery and innovation technologies for 2020–2024	✓ *Completed* 17 items of KazTransOil JSC Development Programme on R&D and transfer of new machinery and innovation technologies for 2020–2024 were fulfilled.

Strategic goals and initiatives up to 2025
To ensure compliance with the legislation, international and internal occupational health, industrial and fire safety and environmental protection standards and to constantly improve occupational health, industrial safety and environmental protection management systems. To reduce hazardous environmental impact. No category accidents at the main pipelines

Key actions scheduled for 2020	Key actions implemented in 2020
To implement an Administrative and Technical Action Plan to ensure reliable operation of KazTransOil JSC main oil pipelines for 2020	✓ *Completed* Implementation of the Administrative and Technical Action Plan to ensure reliable operation of KazTransOil JSC main oil pipelines for 2020 was completed.
To conduct trainings as a member of the crisis management team at KazTransOil JSC according to the approved schedule for 2020	✓ *Completed* 30 meetings of the CMT were held in 2020.
To timely develop/adjust environmental emission standards and limits, to obtain positive conclusions of state environmental impact assessment and environmental emission permits	✓ *Completed* The works were fully completed, positive conclusions of state environmental impact assessment and environmental emission permits were obtained.
To implement the Roadmap for Integrated Development of Safety and Environmental Protection Culture at KazTransOil JSC for 2020	✓ *Completed* The total number of scheduled actions is 39, the number of completed actions is 37, the number of actions in progress is 2.

Strategic goals and initiatives up to 2025
To develop a professional level and to introduce modern personnel incentive systems

Key actions scheduled for 2020	Key actions implemented in 2020
To organise training and development for not less than 40% of executive and management positions and not less than 90% of other employees	✓ *Completed* In 2020, the training and development for more than 40% of executive and management positions (1,272 trainees) and for more than 70% of performance positions (4,424 trainees).

Strategic goals and initiatives up to 2025
To support domestic manufactures when making procurements for the Company

Key actions scheduled for 2020	Key actions implemented in 2020
To achieve the local content in procurement of goods at 52% To achieve the local content in procurement of works and services at 75%	✓ *Completed* The indicator was 53% in 2020. The indicator was 75% in 2020.

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CORPORATE MANAGEMENT

Strategic goals and initiatives up to 2025

To improve the corporate management system

Key actions scheduled for 2020	Key actions implemented in 2020
To confirm compliance of the Company's IMS with the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018	✓ *Completed* According to the results of an inspection audit of the Company's IMS in 2020, the Company's IMS was confirmed to comply with ISO 9001:2015, ISO 14001:2015 and with the new versions of ISO 50001:2018 and ISO 45001:2018.
To implement the Action Plan for KazTransOil JSC Corporate Management System Improvement for 2020–2021	✓ *Completed* In December 2020, KazTransOil JSC Board of Directors approved KazTransOil JSC Code of Business Ethics. On 31 December 2020, the Company's Management Board approved the demand in category A management staff – managers and Chief Executive Officers of separate business units.

Strategic goals and initiatives up to 2025

To improve the internal control system and corporate risk management system

Key actions scheduled for 2020	Key actions implemented in 2020
To ensure identification and assessment of the Company's production and non-production risks, to develop risk management activities	✓ *Completed* KazTransOil JSC Board of Directors approved the results of identification and assessment of production and non-production risks of KazTransOil JSC and its SJCE for 2021, including risk management plans.

ASSET MANAGEMENT

Strategic goals and initiatives up to 2025

To ensure effective management of SJCE

Key actions scheduled for 2020	Key actions implemented in 2020
To monitor implementation of the recommendations of NC KazMunayGas JSC and KazTransOil JSC IAS reports based on the results of audits of SJCE performance for 2016–2020	✓ *Completed* Implementation of the recommendations of NC KazMunayGas JSC and KazTransOil JSC IAS reports based on the results of audits of SJCE performance is monitored on a quarterly basis.
To monitor implementation of decisions of SJCE bodies	✓ *Completed* Implementation of decisions of SJCE bodies is monitored on a quarterly basis.

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Key Performance Indicators

Since 2012, the Company's performance has been assessed based on key performance indicators (KPIs). KPIs are a set of indicators that determine achievement of the Company's strategic goals and objectives and reflect its performance efficiency.

The Company's KPI system focuses on:

- Implementation of the Company's Development Strategy and Business Plan;
- Ensuring the safe and accident-free operations of the Company;
- Continuous improvement of the Company's financial and production performance;
- Cascading and breaking down KPIs on a top-down basis.

The Company's existing KPI system includes:

- KPIs of the Company as a whole (corporate KPIs);
- KPIs of executives (members of the Management Board);
- KPIs of managers;
- KPIs of heads of Company's structural subdivisions;
- KPIs of employees of central administration and department of operator services.

Corporate KPIs and KPIs of executives are approved by the Company's Board of Directors. KPIs of managers, Company`s structural subdivisions are approved by the Company's Management Board. KPIs of employees of central administration and department of operator services are approved by general director deputies and managing directors in charge.

Corporate and executive KPIs are monitored based on the performance during six and nine months of the reporting period. Actual KPI values at all levels are calculated at the end of the reporting year.

On 31 January 2020, KazTransOil JSC Board of Directors approved the corporate KPIs and the corresponding targets for 2020, which establish the Company's financial, economic and production performance indicators as well as occupational health and safety indicators.

Corporate KPIs for 2020

№	KPI	Unit of measurement	Actual for 2020	Target for 2020
1	Payment of dividends*	KZT million	**50,771**	28,990
2	EBITDA**	KZT million	**111,106**	86,605
3	Oil turnover (consolidated) ***	million tonnes-km	**46,321**	45,948
4	Reduction of lost time incident rate (LTIR) (separately for KazTransOil JSC)	%	**- 77%**	30%
5	Implementation of the actions scheduled for 2020 under the investment project Tranche Two at Phase Two of Kazakhstan – China Oil Pipeline. Throughput Capacity Increase to 20 Million Tonnes of Oil per Year	ratio	**0.6**	1

** The final decision on the amount of dividends will be made following the meeting of the Board of Directors and the General Meeting of Shareholders in May 2021.*

*** According to the financial statements prepared in accordance with the Accounting Policy of KazTransOil JSC Group.*

**** Considering the undeclared and/or undelivered oil volume resulting from the factors that are beyond the control of KazTransOil JSC management (limitation in oil acceptance from shippers due to the excessive content of chlororganic compounds, reduction of oil production in the Republic of Kazakhstan under the OPEC+ deal, changes in plans and schedules of the RoK Ministry of Energy for oil refining at the refineries of the Republic of Kazakhstan).*

In order to promote the Company's sustainable development principles, the indicators related to sustainable development have been included in KPIs for executives and managers.

Main KPIs for 2020 Related to Sustainable Development

№	KPI	Unit of measurement	Actual for 2020	Target for 2020
1	Local content share in procurement of goods, works and services	%	**75%**	75%
2	Social stability rating	%	**76%**	76%
3	Number of accidents and incidents that entailed production shutdown or environmental damage during the services for operation of main pipelines owned by third parties (operating services), due to the fault of KazTransOil JSC	ea.	**0**	0
4	Compliance with the target unit energy consumption for oil turnover	TOE/million tonnes km	**4.46**	4.69
5	Implementation of actions under the Roadmap for Integrated Development of Safety and Environmental Protection Culture at KazTransOil JSC for 2020	%	**90.69%**	100%
6	Compliance with health and safety requirements and prevention of occupational accidents with employees of KazTransOil JSC headquarters and KazTransOil department responsible for operating services	point	**0**	0,5
7	Progress of the Action Plan for implementation of policies on physical, internal and personnel safety, anti-terrorist security of KazTransOil JSC facilities, for anti-corruption activities in the Company for 2020	%	**100%**	100%
8	Preventiion of accidents, road traffic accidents, fires, emergencies and oil seepage incidents at KazTransOil JSC	point	**0**	0,5
9	Ensuring the compliance of KazTransOil JSC energy management system with ISO 50001:2018	yes/no	**yes**	yes

On 29 January 2021, in accordance with the indicators specified in the Company's Business Plan for 2021–2025, the approved corporate KPIs of NC KazMunayGas JSC for 2021, and also pursuant to the recommendations from NC KazMunayGas JSC on the introduction of new KPIs, KazTransOil JSC Board of Directors approved the corporate KPIs and the corresponding targets for 2021.

Corporate KPIs for 2021

№	KPI	Unit of measurement	Target for 2021
1	Payment of dividends	KZT million	40,006
2	EBITDA*	KZT million	96,037
3	Oil turnover (consolidated)**	million tonnes-km	46,118
4	Reduction of lost time incident rate (LTIR)	%	20%
5	Completion of Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a throughput capacity up to six million tonnes per year as part of Tranche Two at Phase Two of Kazakhstan – China Oil Pipeline Construction.	date	by 30 June 2021

** According to the financial statements prepared in accordance with the Accounting Policy of KazTransOil JSC Group.*

*** Taking into account the undeclared and/or undelivered mandatory minimum volume.*

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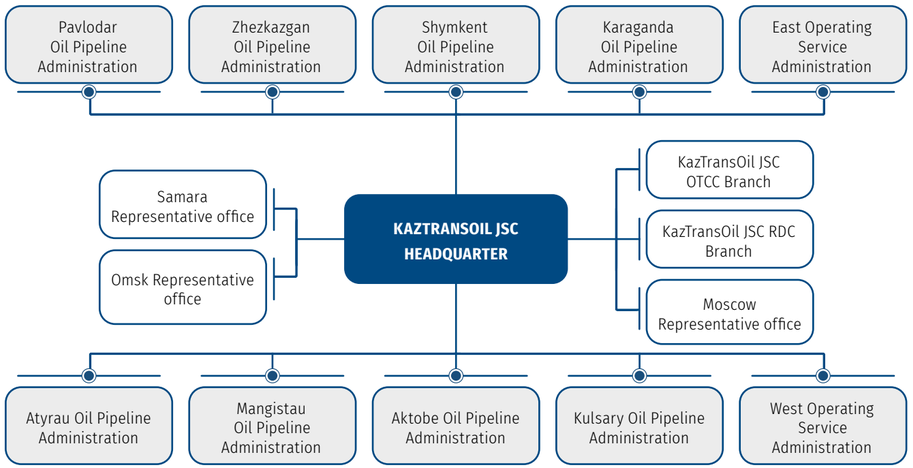
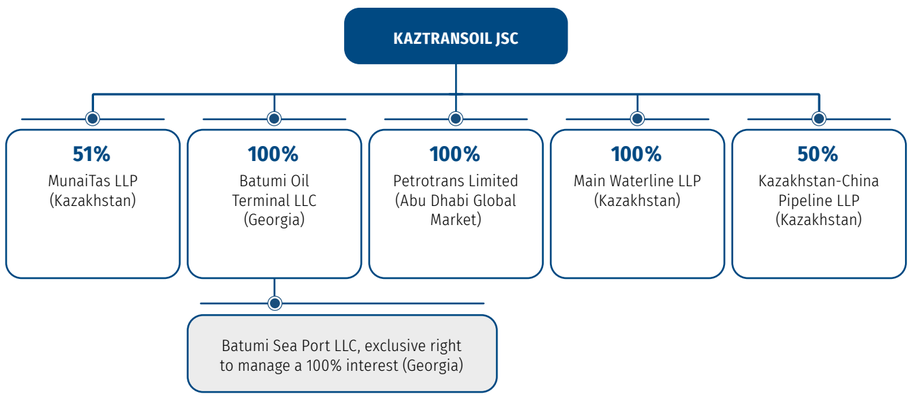


Company's Subsidiaries and Jointly-Controlled Entities

Structure of Subsidiaries and Jointly-Controlled Entities



Main Waterline LLP

KazTransOil JSC owns a 100% interest in the Main Waterline LLP authorised capital.

The Company's core activity is to supply water via main pipelines to the public, agricultural producers, oil and gas producers, industrial and utility enterprises, and to provide services related to heat energy production, transfer and distribution as well as power transmission services.

Main Waterline LLP is the owner of the Astrakhan – Mangyshlak main waterline that is 1,945.1 km long and has an average annual throughput capacity of 110 thousand m³/day (estimated).

Main Waterline LLP Key Performance Results

Indicator	2017	2018	2019	2020
Financial results				
Net income/losses, KZT million	–	–825	–6,506	**–3,813**
Operating results				
Water supply, thousand m³	–	14,805	28,900	**28,406**
Unauthorised tie-ins, ea.	–	0	0	**0**
Sustainable development indicators				
Manning level, persons	–	391	381	**381**
Emissions, tonnes		6.9	16.5	**18.5**
Waste water discharges, tonnes	–	5	6.7	**8.1**
Waste recycling, tonnes	–	219	134	**144.6**
Accidents, ea.	–	0	0	**0**
Power consumption, million kWh	–	55	106	**105**

The water supply volume for 2020 was 28,406 thousand m³ with the main share supplied to utility enterprises (53.8%) and oil and gas producers (39.4%). Water supply to industrial enterprises was 5.5%, while the shares supplied to agricultural producers and to the public and budgetary enterprises were 0.7% and 0.5% respectively.

The Company has established the following goals for 2021:

- to approve the feasibility study and make decision on allocation of funds to develop DED for the project to refurbish and expand the Astrakhan – Mangyshlak main waterline;
- to complete development of the feasibility study to construct a waterline from the Astrakhan – Mangyshlak main waterline to the designed associated gas processing plant at Kashagan field;
- to elaborate on the funding for the project to refurbish and expand the Astrakhan – Mangyshlak main waterline.

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Batumi Oil Terminal LLC (BOT) is a 100% subsidiary of KazTransOil JSC. The direct ownership and management of production assets in Georgia is exercised through BOT. BOT's core activity consists in providing services related to transshipment, pumping and storage of oil, petroleum products and gas, as well as corresponding refining products, using its own wharfs, process pipelines and tanks. BOT's advantage over its competitors is its flexibility in terms of storage and transshipment of various types of oil and petroleum products, (including liquefied petroleum gas) – up to 22 types. BOT's facilities consist of 133 tanks, process pipeline systems, six loading racks, three wharfs and a single-buoy mooring point.

BOT Key Performance ResultsT

Indicator	2017*	2018*	2019*	2020**
Financial results				
Net income/losses, KZT million	–3,914	- 4,573	–12,436	**–102**
Operating results				
Oil and petroleum product transshipment, thousand tonnes	2,109	1,030	857	**1 051**
Unauthorised tie-ins, ea.	0	0	0	**0**
Sustainable development indicators				
Manning level, persons	1,415	1,255	1,246	**1,230**
Emissions, tonnes	383	150	483	**280**
Waste water discharges, tonnes	65	49	53	**68**
Waste recycling, tonnes	6,660	2,455	1,339	**330**
Accidents, ea.	3	5	2	**2**
Power consumption, million kWh	14	9	9	**10**

** According to BOT's audited financial statements.*

*** According to BOT's unaudited financial statements.*

BOT's performance in terms of transhipment of oil and petroleum products grew by 23% as compared to 2019 due to the following factors:

- increased oil transshipment due to storage and shipment of the tanker batch of 71 thousand tonnes;
- increased transshipment of dark oil products by 99 thousand tonnes due to increased nominations from the shipper;
- increased gas transshipment by 42 thousand tonnes due to the monthly transshipment rate of 10 thousand tonnes and more.

BOT's net loss decreased in 2020 as compared to the actual value of 2019 mainly due to recognition of loss for impairment of BOT's intangible assets in 2019.

The Company has established the following goals for 2021:

- to achieve the production and financial indicators according to the business plan while ensuring production safety and environmental protection;
- to develop additional activities and to diversify its operations.

Petrotrans Limited Company (PTL) is a 100% subsidiary of KazTransOil JSC.

PTL is engaged in freight forwarding via the Transcaucasian route.

PTL provides transportation services from the Caspian region via Georgia. Its business and operating activities are related to oil and petroleum product forwarding services.

The integrated services rendered to the customers include rail transportation of oil and petroleum products from Georgia and Azerbaijan border to Batumi Oil Terminal, supply monitoring and remote control, petroleum product unloading from rail tank cars, product unloading from tanks and storage at the premises of Batumi Oil Terminal LLC.

PTL Key Performance Results

Indicator	2017	2018	2019	2020
Financial results				
Net income, KZT million	928	54	744	**977**
Operating results				
Oil and petroleum product transshipment, thousand tonnes	999	401	301	**310**
Tie-ins, ea.	–	–	–	**–**
Sustainable development indicators				
Manning level, persons.	3	8	12	**12**

PTL's performance in terms of transshipment of oil and petroleum products grew by 3% in 2020 as compared to 2019 due to the increased volume of gas transshipment by 42 thousand tonnes. At the same time, there is some decrease in transshipment of dark oil products due to lack of nominations from shippers.

PTL's main goal for 2021 is to achieve the production and financial indicators according to the business plan while ensuring production safety and environmental protection.

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Kazakhstan – China Pipeline LLP

www.kcp.kz

Kazakhstan – China Pipeline LLP (KCP LLP) is a joint venture between KazTransOil JSC (50%) and China National Oil and Gas Exploration and Development Company Ltd. (50%) established to design, construct and operate the Atasu – Alashankou and Kenkiyak – Kumkol oil pipelines that are part of the Kazakhstan – China oil pipeline system.

KCP LLP core activity is to provide oil transportation services via main pipelines. The Atasu – Alashankou main pipeline is 965.1 km long, while the Kenkiyak – Kumkol pipeline is 794.26 km long.

KCP LLP Key Performance Results

Indicator	2017	2018	2019	2020
Financial results				
Чистый доход/убыток, млн тенге	12,451	–7,452	25,392	**16,984**
Operating results				
Oil transportation, thousand tonnes	16,538	15,997	16,200	**15,883**
Oil turnover, million tonnes-km	15,609	14,607	14,590	**14,368**
Unauthorised tie-ins, ea.	0	0	0	**0**
Sustainable development indicators				
Manning level, persons	183	187	184	**184**
Emissions, tonnes	200	183	183	**183**
Waste recycling, tonnes	14	40	54	**62.2**
Accidents, ea.	0	0	0	**0**
Power consumption, million kWh	54.4	41.8	39.5	**41.3**

Oil transportation via KCP LLP main oil pipelines in 2020 reduced by 2% as compared to 2019 due to reduction of oil volumes provided by shippers, including from CNPC-Aktobemunaigas JSC, due to detection of a critical excess of chlororganic compounds, reduction of oil production in the Republic of Kazakhstan under the OPEC+ deal as well as redirection of export volumes to the domestic market.

The net income decrease in 2020 as compared to the actual value for 2019 by KZT 8.4 billion is mainly related to the occurrence of the foreign exchange loss on KCP LLP currency loan and increase in the production cost as compared to the previous year.

The Company has established the following goals for 2021:
- to ensure financial stability of the company;
- to attract additional oil volumes for transportation.

MunaiTas LLP

www.munaitas.kz

MunaiTas North-West Pipeline Company Limited Liability Company (MunaiTas LLP) is a joint venture between KazTransOil JSC (51%) and CNPC Exploration and Development Company Ltd (49%), established to implement a project to design, finance, construct and operate the Kenkiyak – Atyrau oil pipeline that is part of the Kazakhstan – China oil pipeline system.

MunaiTas LLP core activity is to provide oil transportation services via the main pipeline. The Kenkiyak – Atyrau oil pipeline is 448.85 km long and has the tank farm facilities of 40,000 m^3.

MunaiTas LLP Key Performance Results

Indicator	2017	2018	2019	2020
Financial results				
Net income, KZT million	3,358	3,235	1,848	**2,428**
Operating results				
Oil transportation, thousand tonnes	3,660	3,878	3,232	**3,321**
Oil turnover, million tonnes-km	1,437	1,522	1,232	**1,322**
Unauthorised tie-ins, ea.	2	0	0	**0**
Sustainable development indicators				
Manning level, persons	85	102	114	**116**
Emissions, tonnes	70	39	10,5	**37.5**
Waste recycling, tonnes	3	2.3	12.1	**0**
Accidents, ea.	0	0	0	**0**
Power consumption, thousand kWh	385	358	343	**390**

In 2020, MunaiTas LLP oil transportation volume increased by 3% as compared to 2019 due to changes in oil handover volumes by shippers and redirection of oil volumes for export to the Samara Custody Transfer Point.

Growth of net income in by 31% as compared to 2019 is related to increased income from oil transportation and increased income from exchange rate difference.

The Company has established the following goals for 2021:
- to ensure safe and uninterrupted oil transportation via the Kenkiyak – Atyrau oil pipeline;
- to timely complete the project on Kazakhstan – China Oil Pipeline Throughput Capacity Increase. Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a capacity up to 6 million tonnes per year.

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BUSINESS PROCESS TRANSFORMATION AND OPTIMISATION

In 2020, KazTransOil JSC continued to implement the actions stipulated by KazTransOil JSC Business Process Transformation and Optimisation Programme as well as the Action Plan for KazTransOil JSC Performance Improvement.

The following projects were completed:

1. Project on Outsourcing of Printing Services at KazTransOil JSC Headquarters

The project is focused on business process optimisation and transfer of non-specialised functions out of the Company's headquarters scope of activities as related to office printing equipment maintenance at the Company's headquarters. The economic effect within 5 years (from 2020 to 2024) is expected to be approximately KZT 274 million.

Non-specialised functions were removed out of the Company's headquarters scope of activities in January 2020 after a printing service contract had been signed with ALEKS-ASU LLP. On 25 December 2020, the project was closed, and its implementation was completed.

2. Project on Introduction of Competence-Based HR Management at KazTransOil JSC

The project is aimed at introduction of competence-based HR management concept at the Company. The expected outcomes of the project include such advantages as integration of all HR management processes into a unified system, enhancement of the management roles and responsibilities in such processes and determination of a target competence set for each position.

KazTransOil JSC Management Board approved the following documents for implementation of this project in 2020:

- Methodology to determine the work load and responsibility of KazTransOil JSC business units;
- Draft target structures and manning tables of KazTransOil JSC;
- Methodology to assess and rank positions at KazTransOil JSC;
- Action plan to manage changes for transition to targeted HR business processes at KazTransOil JSC.

The project was closed on 31 December 2020.

Projects in progress:

Implementation of the sustainable transformation project on KazTransOil JSC Business Process Simulation was continued in 2020. The relevant decision of KazTransOil JSC Management Board approved the following project milestones:

- KazTransOil JSC Level 1, 2 and 3 Business Process Maps for 44 business processes of the Company "as is" (Minutes of the Meeting No. 20 dated 25 August 2020);
- Restated Action Plan for KazTransOil JSC Performance Improvement (Minutes of the Meeting No. 31 dated 31 December 2020). The Plan provides for the list of projects for 2021–2023 formed according to business process simulation results.

Plans for 2021 and Medium-Term Plans

Implementation of performance improvement projects under the Action Plan for KazTransOil JSC Performance Improvement and completion of KazTransOil JSC Business Process Simulation Project are planned for 2021.

Moreover, the Company will continue post-project monitoring of its completed performance improvement projects to make sure that the intended advantages are obtained.

STATE REGULATION AND SERVICE TARIFFS

Pursuant to the laws of the Republic of Kazakhstan on natural monopolies, tariffs for regulated services shall not be lower than the costs necessary to provide the services, and shall take into account the opportunities for profit generation to support effective operation of the natural monopoly.

Tariffs for oil transportation services on the RoK domestic market are approved by the competent authority in the field of natural monopolies.

Pursuant to the laws of the Republic of Kazakhstan on natural monopolies, KazTransOil JSC is a natural monopoly in the following areas:

- Services to transport oil and/or petroleum products via main pipelines, other than transportation for the purpose of transit through the Republic of Kazakhstan and export outside the Republic of Kazakhstan;
- Power transmission services;
- Services related to heat energy generation, transmission and distribution;
- Water supply and/or water removal services.

Tariffs for oil transportation services on the RoK domestic market are calculated in accordance with the Pricing Rules approved by Order of the Minister of National Economy of the Republic of Kazakhstan dated 19 November 2019 No. 90.

Tariff in 2020

Due to expiry of the threshold levels of tariffs for regulated oil transportation services on the RoK domestic market via KazTransOil JSC main pipelines for 2015–2019 approved by Order of the Chairman of the Natural Monopolies Regulation and Competition Protection Committee under the RoK Ministry of National Economy dated 21 August 2015 No. 347-OD pursuant to clause 3 of article 15 of the RoK Law On Natural Monopolies, the tariff for this service amounted to KZT 4,109.50 per tonne per 1,000 km (excluding VAT) as of 1 January 2020.

Tariffs for oil transportation services for export from the Republic of Kazakhstan and transit through the Republic of Kazakhstan are approved independently by the Company.

In order to calculate oil transportation tariffs for export and transit purposes, the Company has developed and applies a tariff calculation methodology for KazTransOil JSC oil transportation services via main pipelines for export from the Republic of Kazakhstan and for transit via the Republic of Kazakhstan.

Order of KazTransOil JSC General Director (Chairman of the Management Board) dated 29 January 2020 No. 4 approved a tariff for oil transportation for export at KZT 7,358.76 per tonne per 1,000 km excluding VAT (a 15% increase), effective from 1 March 2020.

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The cost for transportation of Russian oil for transit through the Republic of Kazakhstan to the People's Republic of China is approved by the RoK Ministry of Energy.

For 2019 to 2023, Order of the RoK Minister of Energy dated 28 December 2018 No. 545 approved the cost for transportation of Russian oil through the Republic of Kazakhstan to the People's Republic of China at the Russian border – RoK border (Priirtyshsk) – Atasu (Republic of Kazakhstan) section equal to 4.23 USD per tonne excluding VAT.

Tariffs for KazTransOil JSC Oil Pumping Services via the Main Oil Pipeline System in 2020

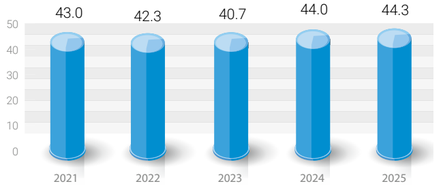
Direction	Unit of Measurement	01.01.2020 – 29.02.2020	01.03.2020 – 31.12.2020
To the RoK domestic market	KZT/1,000 tonnes-km	4,109.5	4,109.5
For export outside the Republic of Kazakhstan	KZT/1,000 tonnes-km	6,398.92	7,358.76
Transit via the Kazakhstan section of the TON-2 main pipeline	KZT/1,000 tonnes-km	4,292.4	4,292.4
Transit to the PRC	USD/tonne	4.23	4.23
Transit to the Republic Uzbekistan	USD/tonne	25.12	25.12
Transit to the Republic of Kyrgyzstan	USD/tonne	25.12	25.12

Order of the Chairman of the Natural Monopolies Regulation Committee (NMRC) under the RoK Ministry of National Economy dated 24 July 2020 No. 23-OD approved in a simplified manner a tariff estimate and tariff for KazTransOil JSC regulated service related to oil transhipment at N. Shmanov OPS to the Kenkiyak – Atyrau oil pipeline at KZT 119.37 per tonne (excluding VAT), effective from 1 August 2020.

Joint order of the NMRC dated 12 November 2020 No. 61-OD and the RoK Ministry of Energy dated 18 November 2020 No. 397 approved KazTransOil JSC Investment Programme for the service related to oil pumping to the RoK domestic market via main pipelines for 2021–2025.

The total amount of the Investment Programme for 2021–2025 is KZT 214.2 billion (excluding VAT).

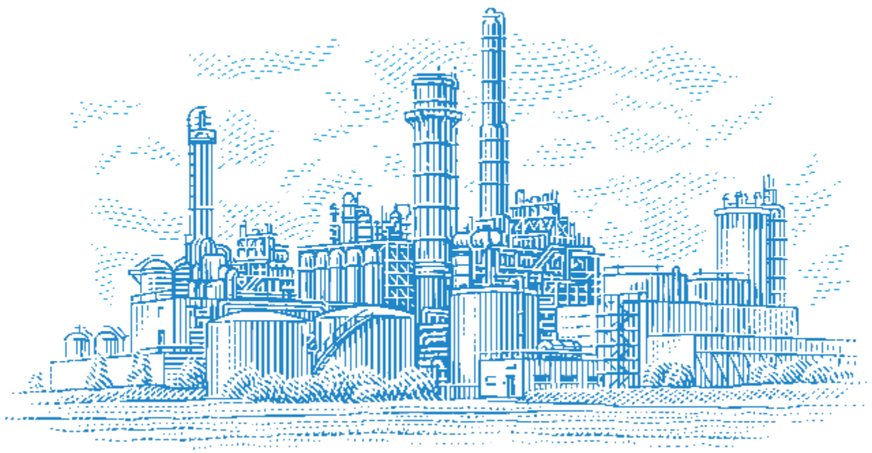
KazTransOil JSC Investment Programme for 2021–2025, KZT billion



Order of the NMRC Chairman dated 27 November 2020 No. 71-OD approved a tariff estimate and tariff for the regulated service related to oil pumping to the RoK domestic market via KazTransOil JSC main pipeline system for 2021–2025 at KZT 4,355.57 per tonne per 1,000 km (excluding VAT), effective from 1 January 2021.

Investment Programme Priorities

KazTransOil JSC Investment Programme for 2021–2025 is aimed to ensure safe and accident-free operation of main oil pipelines and facilities. The programme provides for replacement of main oil pipeline sections, reconstruction and construction of tanks, construction and reconstruction of chemical laboratory buildings, construction and reconstruction of main line pumping stations, pig launching and receiving traps, replacement of process pipelines, production and process communication and APCS as well as procurement of motor vehicles and special production equipment.



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Macroeconomic situation in the Republic of Kazakhstan and global economy

Amid the crisis caused by the COVID-19 pandemic, the world economy shrunk by 4.3% in 2020, whereas GDP of developed economies dropped by 5.4%, while that of developing economies – by 2.6%. The crisis reached its peak in Q2 of 2020 when most world countries imposed strict quarantine measures resulting in reduced business activity. Sectors that suffered most along with trade and accommodation and catering services also included transport, one of the key hydrocarbon fuel consumers.

Kazakhstan's economy reduced by 2.6% in 2020 (according to the RoK Ministry of National Economy), which was caused by decrease of several key economy sectors. Industrial output declined by 0.7% due to reduction of mining production (-3.7%), while processing industry grew by 3.9%. Domestic trade volume decreased by 7.3%, and the transport sector – by 17.2%.

GDP Profile of Global, Developed and Developing Countries, %

Region	2017	2018	2019	2020	2021	2022
Global	3.3	3.0	2.3	**–4.3**	4.0	3.8
Developed	2.5	2.2	1.6	**–5.4**	3.3	3.5
Developing	4.5	4.3	3.6	**–2.6**	5.0	4.2

Source: World Bank

Kazakhstan GDP Profile with World Bank Forecast, %

Indicator	2017	2018	2019	2020	2021	2022
Actual	4.1	4.1	4.5	**–2.5**		
WB forecast				**–2.5**	2.5	3.5

Source: World Bank

Global Hydrocarbon Market

The oil and gas market suffered a double impact in 2020. Hydrocarbon prices plunged amid the growing COVID-19 rate in China and then in Europe and the USA and the price war between Saudi Arabia and Russia. The Brent oil price decreased by 73% in April as compared to January, natural gas prices dropped by 67%.

In summer and autumn, after renewal of the OPEC+ deal, demand and prices started to recover, but by January 2021 only natural gas prices fully recovered.

A total decrease in oil supply at year-end amounted to 6.6 million barrels/day, and in December global production was 92.8 million barrels/day.

Oil Production and Transportation in Kazakhstan

Due to the spread of coronavirus and tough restrictions in many countries, reduced consumption of oil and petroleum products, fast growing oil and petroleum product stock and risk of global oil storage congestion, oil production in the Republic of Kazakhstan reduced from 90.5 million to 85.7 million tonnes in 2020. The RoK Government as well as OPEC+ countries introduced restrictions on oil production in 2020.

In 2020, Kazakhstan oil export was 68.5 million tonnes.

Traditionally, almost all oil produced in Kazakhstan has been exported via the Russian Federation. In 2020, over 98% of Kazakhstan oil export transited through Russia via

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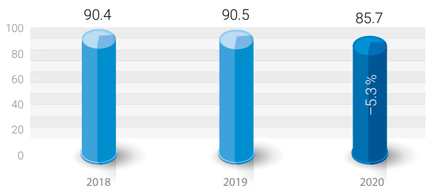
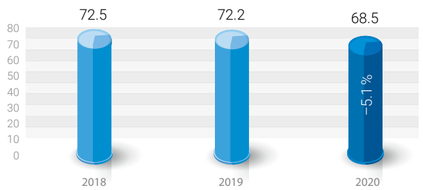
Oil and Gas Condensate Production in Kazakhstan, million tonnes



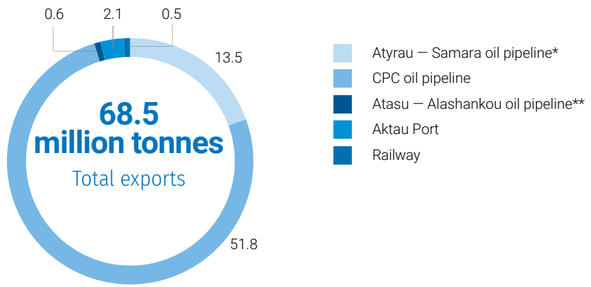
Source: IACOG

Kazakhstan Oil Export, million tonnes



Source: IACOG

Kazakhstan Oil and Gas Condensate Export, million tonnes



** About 1 million tonne was supplied to Pavlodar Oil Chemistry Refinery LLP (POCR) in transit through the Russian Federation by the Samara – TON-2 – Priirtyshsk – POCR route.*

*** The transportation volume was 10.6 million tonnes including transit supplies to the PRC in the amount of 10 million tonnes.*

the pipelines of Caspian Pipeline Consortium (CPC), Atyrau – Samara, through the port of Aktau and by railway.

Due to completion of the CPC oil pipeline expansion project in 2017 and the highest economic attractiveness, almost all oil produced at the Tengiz, Kashagan and Karachaganak fields, which are the only contributors to the oil production increase in Kazakhstan at present and in future, will be exported via CPC pipelines.

In 2020, Kazakhstan oil export by the CPC route reached 51.8 million tonnes making 75% of the total Kazakhstan oil export for the reporting year. Reduction of oil transshipment to the CPC-K JSC system as compared to 2019 is related to re-distribution of supply to other consumers.

The Atyrau – Samara oil pipeline is the second by Kazakhstan oil export to the global market. Oil is supplied via the Atyrau – Samara oil pipeline and further via the Transneft PJSC system up to Ust-Luga Baltic terminal and Novorossiysk Black Sea port.

In 2020, 13.5 million tonnes of Kazakhstan oil were transported via the Atyrau – Samara oil pipeline. Increased oil supply via this pipeline by 1.0% compared to 2019 is related to re-distribution of supplies from other routes, including from the CPC LLP's system due to reduction of the economic attractiveness of this route.

Despite the increased oil delivery from Kashagan field oil companies due to re-distribution of oil supplies from the CPC LLP's system to the Atyrau – Samara oil pipeline,

the overall reduction of oil delivery into KazTransOil JSC main oil pipeline system was mainly caused by:

- reduction of oil delivery by Aktobe region service consumers due to increased content of chlororganic compounds;
- reduction of oil delivery by the Kumkol field group due to natural decrease of oil production rate;
- reduction of oil production in the Republic of Kazakhstan under the OPEC+ deal.

The volume of Kazakhstan oil transportation via the Atasu – Alashankou oil pipeline reduced by 35% in 2020 and amounted to 0.6 million tonnes excluding transit of Russian crude oil, which amounted to 10 million tonnes. Reduction of export to the PRC was mainly caused by reduced production of Kumkol field group and reduced oil delivery from Aktobe region due to increased content of chlororganic compounds. It shall also be noted that the annual plan of transshipment into these oil pipelines in the approved business plan was estimated with account of Kenkiyak – Atyrau oil pipeline reversal from the second half of 2020 and re-distribution of flows. Volumes of oil transportation through these oil pipelines were revised in a draft business plan considering that completion of the Kenkiyak – Atyrau reversal project was shifted to 2021 and oil production volumes were updated under the OPEC+ deal.

PERFORMANCE BY ACTIVITY SEGMENTS

Oil Transportation

Oil transportation is the main strategic development area for KazTransOil JSC and the Company's key source of profit, which ensures its stable operation.

Oil is transported via the Company's main oil pipeline system in accordance with oil supply schedules approved by the RoK Ministry of Energy according to the contracts with consumers in the following areas:

- oil supply for export via the Atyrau – Samara oil pipeline (through the Russian Federation);
- oil supply for domestic market: Atyrau Refinery LLP (AR), PetroKazakhstan Oil Products LLP (PKOP), Pavlodar Oil Chemistry Refinery LLP (POCR) and CASPI BITUM LLP;
- oil loading to tankers in the port of Aktau;
- oil transshipment to CPC-K JSC, MunaiTas LLP and KCP LLP system;
- oil loading into rail tank cars from Shagyr OLS and T. Kassymov OPS rail loading racks.

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Oil transportation volume and oil, petroleum products and gas transshipment volume broken down by SJCEs, thousand tonnes

Indicator	2018	2019	2020	2021 (Plan)	Difference, %
KazTransOil JSC	45,309	44,463	**42,298**	41,281	–4.9%
BOT and PTL group of companies	1,030	857	**1,051**	1,100	22.6%
KCP LLP	15,997	16,200	**15,883**	17,289	–2.0%
MunaiTas LLP	3,878	3,232	**3,321**	3,988	2.7%

The oil volume transported by KazTransOil JSC in 2020 was 42,298 thousand tonnes, which is 4.9% less as compared to 2019.

Consolidated oil turnover broken down by SJCEs, million tonnes-km*

Indicator	2018	2019	2020	2021 (plan)	Difference, %
Oil turnover, million tonnes-km, out of which:	46,120	45,580	**43,757**	43,680	–4%
KazTransOil JSC	38,040	37,657	**35,899**	34,838	–4.7%
KCP LLP	14,607	14,590	**14,368**	15,969	–1.5%
MunaiTas LLP	1,522	1,232	**1,322**	1,682	7.3%

** Oil turnover is calculated taking into account the interest held by KazTransOil JSC in the SJCE*

Oil transportation broken down by directions and consumers in KazTransOil JSC main oil pipeline system, thousand tonnes

Direction	2018	2019	2020	2021 (Plan)	Difference, %
To oil refineries					
Atyrau Refinery	5,237	5,296	**4,962**	5,400	–6.3%
PKOP	4,759	5,391	**4,796**	5,250	–11.0%
Pavlodar Refinery	5,334	5,298	**4,998**	5,300	–5.7%
CASPI BITUM LLP	819	897	**854**	850	–4.8%
Transit through the Russian Federation					
Atyrau — Samara oil pipeline	14,757	14,328	**14,478**	11,158	1.0%
Shipment via the port of Aktau					
Loading into tankers at Aktau HOPS	2,002	2,020	**2,098**	2,200	3.9%
Oil transshipment to pipeline companies					
KCP LLP (Atasu — Alashankou oil pipeline)	11,373 (incl. transit of 9,989)	10,846 (incl. transit of 9,989)	**10,550 (incl. transit of 9,989)**	11,048 (incl. transit 10,000)	–2.7%
CPC-K JSC (CPC oil pipeline)	2,143	1,770	**502**	1,270	–71.7%
MunaiTas LLP	3,485	2,880	**2,980**	3,988	3.5%
KCP LLP (Kenkiyak — Kumkol oil pipeline)	4,559	5,156	**5,227**	6,650	1.4%
Rail loading racks					
T. Kassymov OPS railway trestle	26	32	**123**	0	281.1%
Shagyr OLS rail loading rack	308	94	**354**	200	276.6%

Reduction oil transportation is mainly related to reduced production of oil in the Republic of Kazakhstan under the OPEC+ deal. Other reasons include reduced delivery of oil by Aktobe region service customers due to excessive content of chlororganic compounds and reduced oil delivery into the main oil pipeline system of the Kumkol field group.

The volume of oil delivery to Kazakhstan refineries reduced by 7.5% in 2020 and amounted to 15,610 thousand tonnes. The reason for that is that oil is delivered to RoK refineries on the basis of approved monthly schedules of the RoK Ministry of Energy. Moreover, due to the spread of COVID-19 and reduced consumption of petroleum products in the country, the utilisation rate of domestic refineries decreased as they are overstocked with petroleum products.

Increased oil supply via the Atyrau – Samara oil pipeline by 1.0% as compared to 2019 is related to re-distribution of supplies from other routes, including from the CPC LLP's system due to reduction of economic attractiveness of this route. Main delivery destinations of Kazakhstan shippers through the Russian Federation are the ports of Ust-Luga and Novorossiysk.

In 2020, 2,098 thousand tonnes of oil were shipped through the port of Aktau, which is 3.9% more than in 2019. Oil was loaded into tankers in the port of Aktau for further shipment to the ports of Makhachkala and Baku.

Shipment of oil from Shagyr OLS continued in 2020 to the Republic of Uzbekistan and domestic market in the amount of 354 thousand tonnes. Oil was also shipped from T. Kassymov OPS loading rack for export and delivery to the domestic market in the amount of 123 thousand tonnes.

Reduction of oil transshipment to the CPC-K JSC system as compared to 2019 is related to re-distribution of supplies by other routes.

The Company has introduced and efficiently uses a quality management system that complies with ISO 9001:2015 Quality Management System. Requirements and Guidelines and is part of the integrated management system.

In order to continuously improve the quality of its services, the Company performed a survey in 2020 in order to assess satisfaction of oil transportation service consumers, which covered 100% of customers. According to the survey results, the overall satisfaction coefficient was 100%.

Operation and Reliability

The key asset of KazTransOil JSC that brings in the major part of the Company's income is a network of main oil pipelines which covers the whole country. The most important success driver in oil transportation activities is to ensure reliable and safe operation of main pipelines and production facilities, both core and auxiliary.

To this end, the Company plans and implements all actions necessary for pipeline maintenance, repair and diagnostics, including:

- development of KazTransOil JSC Production Programme;
- management actions to ensure control over preparation and implementation of administrative and technical action plans to ensure reliable operation of main pipeline production facilities and to prepare for operation during the flood season and in the autumn and winter seasons;
- control over effective anti-corrosion protection of main pipeline facilities;
- timely diagnostic works at production facilities and main pipeline process equipment;
- management and control actions related to air surveys around main pipelines;
- control over compliance with the optimal operating thermohydraulic conditions for main pipelines and consumption of boiler and furnace fuel;
- control over administrative and technical actions implemented to boost productivity, reduce costs and improve other technical and economic operating indicators;
- actions to prevent and respond to emergencies and incidents.

The Operations Department is in charge of the corresponding activities.

Pipeline Stock and Production Facilities

The total length of KazTransOil JSC main oil pipelines is 5,371.6 km. In terms of age, the largest portion of the network, namely 3,082.14 km (57.4%), consists of pipes more than 30 years old.

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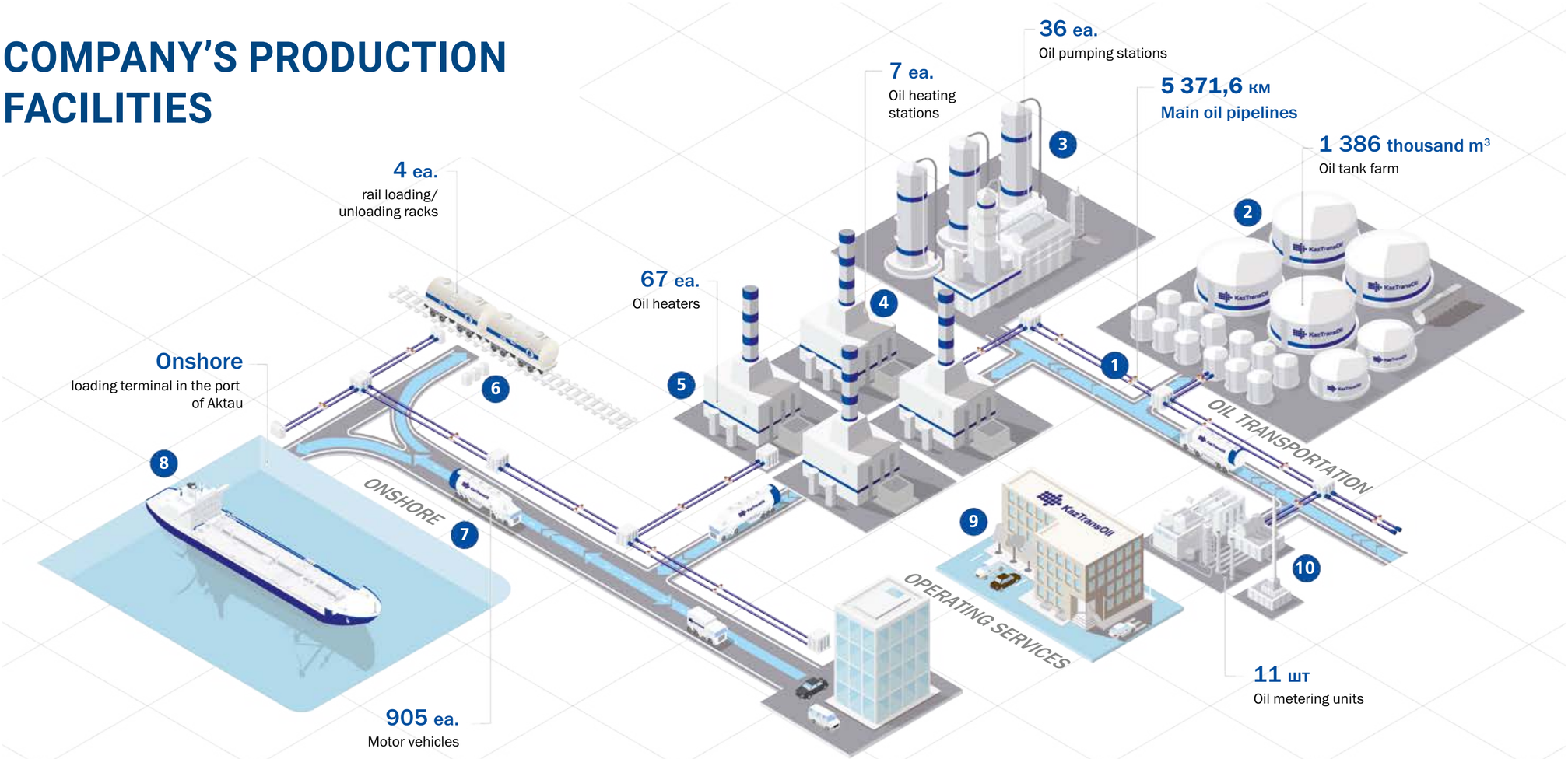
COMPANY'S PRODUCTION FACILITIES



1. Main oil pipelines
2. Oil tank farm
3. Oil pumping stations
4. Oil heating stations
5. Oil heaters
6. Rail loading/unloading racks
7. Motor vehicle
8. Onshore
9. Operating services
10. Oil metering units

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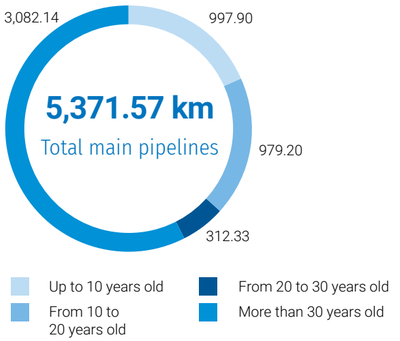
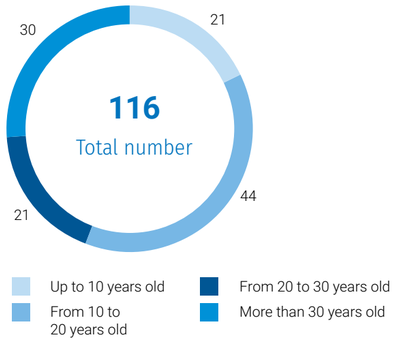
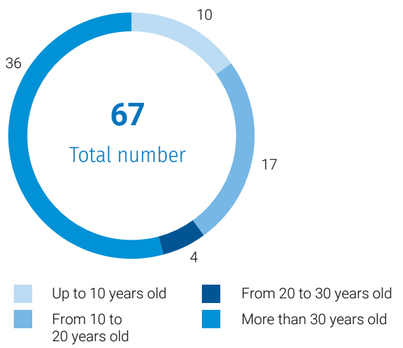
Age profile of main oil pipelines as of 31 December 2020



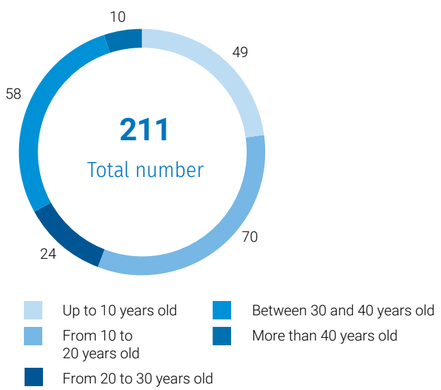
Tank farm age profile as of 31 December 2020



Age profile of oil heaters as of 31 December 2020



Age profile of pumping equipment as of 31 December 2020



Oil transportation via the main oil pipelines is supported by 36 oil pumping stations, 67 oil heaters and the oil tank farm intended to store the total of 1,386 thousand m^3.

Oil transshipment is supported by four loading/unloading rail racks and the corresponding equipment to load oil into tankers, installed at three wharfs at the offshore oil loading terminal at the port of Aktau.

Power for oil pumping stations is supplied by fifteen 35–220-kV substations and forty-six ZRU-6-10-kV closed switchgear units.

211 pumping units are in operation with 4 nitrogen units, 7 compressor units and 905 motor vehicles (without trailers).

In order to heat production facilities in winter, 43 boiler stations are in operation with 91 water boilers and 3 steam boilers.

Ensuring Reliability of Production Facilities

In order to ensure accident-free operations and to increase the production efficiency, the Company performed the following works during the reporting period:

- internal diagnostics for 1,415 km of main pipelines, using such methods as calibration, profile logging, as well as magnetic pigging and ultrasonic pigging methods;
- elimination of 1,202 pipe defects in main oil pipelines;
- technical certification of 31 main pumps with expired rated service life;
- survey of 29 tanks;
- anti-corrosion protection for tanks: internal anti-corrosion coating applied to 11 tanks;
- technical diagnostics and expert examination of 3 oil heaters;
- survey of 15,240 m of process pipelines;
- diagnostics and special survey of 28 boilers (water and steam boilers);
- technical certification of 15 heat exchangers of the Mangistau Oil Pipeline Administration;
- technical certification of 99 pressure vessels;
- survey of 678.7 km of oil pipeline insulation coating using Up Scan and Modata devices.

In order to minimise the potential adverse environmental impact, as well as short-circuit risks at overhead power lines (OPL) during overhaul of 6-10 kV OPLs, the Company replaces bare AS grade wires with self-supporting insulated grade SIP-3 wires.

KazTransOil JSC used digital radiography during installation of main oil pipelines. Due to adoption of the new technology, the time for obtaining an expert opinion on pipe welding quality was reduced from 36 to 2 hours.

Welding radiography control method used at oil pipelines is based on X-ray inspection of a pipe section similarly to medical application. A welding joint is covered with a film exposed to X-rays. The film is subsequently developed, dried and run through a testing instrument to give an opinion on the presence or absence of weld joint defects.

According to the expert opinion, radiography control is one of the most precise methods to test weld joints at oil pipelines.

In the reporting year, the Company managed to reduce the number of incidents at production facilities.

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Incidents at KazTransOil JSC production facilities in 2020

Incident group	2018	2019	2020	Difference, %
Failures of essential mechanical, power and process equipment	65	89	**81**	–9%
Failures of essential automation equipment	36	21	**19**	–9.5%
Failures of essential operating and process communication equipment	64	52	**21**	–59.6%

The plan to prepare the production facilities for operation in the autumn/winter and spring seasons was implemented in full.

Plans for 2021 and Medium-Term Plans

In 2021, the Company intends to take the following actions to ensure reliable and safe operation of production facilities:

- to implement the Project on Comprehensive Reconstruction of the Communication System at Zhezkazgan MCS and Shymkent PMD to increase throughput capacity of MCS communication channels from 2 Mbps to 1 Gbps, increase equipment autonomous operation from 4 to 36 hours in case of power shutdown and ensure remote communication and power equipment monitoring;
- to implement the Project on Comprehensive Coverage of Stable Trunking Radio Communication along Main Oil Pipelines of Aktobe, Atyrau, Zhezkazgan, Mangistau and Shymkent Oil Pipeline Administrations to increase the coverage area of car radios to 100% by constructing towers and new base stations;
- to implement the Project on Upgrade of the Existing FOL Network of Atyrau Oil Pipeline Administration to upgrade the data transfer network and increase its throughput capacity from 2.5 Gbps to 10 Gbps;
- to implement the Project on Reconstruction of the Emergency Power Supply System of OPS 4 Communication Centres, Aralsk and Shalkar to reduce the risk of downtime and emergencies within the production and process network of KazTransOil JSC.

Actions Taken to Provide Operating Services

Operating services of KazTransOil JSC comprise the activities related to operation, including maintenance, of main pipelines owned by third parties, as well as maintenance and repair of main waterlines in the NC KazMunayGas JSC Group. Operating services are a core activity aimed at expanding the scope of services to third-party oil pipelines.

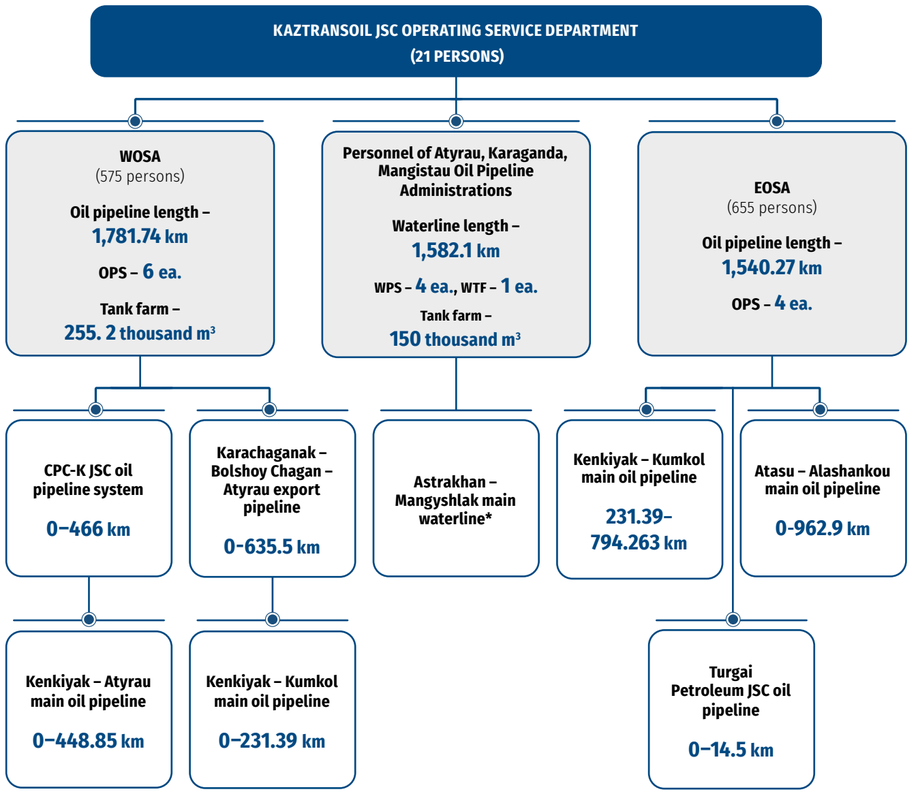
The Operating Service Department manages these activities at the Company. The Company's Production Programme in terms of operating services is implemented by the personnel engaged at West Operating Service Administration (WOSA) and East Operating Service Administration (EOSA).

KazTransOil JSC provides operating services to the following companies:

- Kazakhstan – China Pipeline LLP;
- MunaiTas LLP;
- Karachaganak Petroleum Operating B.V. (KPO);
- Turgai-Petroleum JSC;
- CPC-K JSC;
- Main Waterline LLP.

The total length of oil pipelines covered by the services is 3,322 km with a total number of 1,251 Company's employees engaged in this area, including 21 employees at OSD, 575 employees at WOSA and 655 employees at EOSA.

Operating Organisation



** The section of the Astrakhan – Mangyshlak main waterline from 0 km to 285 km and the loop from 207 km to 285 km is serviced by Main Waterline LLP.*

Revenues from operating services increased by 5.6% in 2020 as compared to 2019, and amounted to KZT 17,835.3 million. KCP LLP and CPC-K JSC showed the largest growth (8% each) due to the increased cost of KCP LLP main pipeline operation services and signing of change order No. 3 to the contract with CPC-K JSC.

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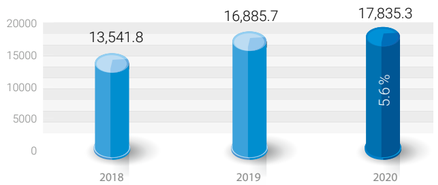
Company revenues from operating services, KZT million



** This includes revenues from the services provided to Main Waterline LLP*

Company revenues from operating services broken down by consumers, KZT million

Service consumers	2018	2019	2020	Difference, %
KCP LLP	7,937.21	8,016.38	**8,631.97**	7.7%
CPC-K JSC	2,178.72	4,495.12	**4,862.46**	8.2%
Karachaganak Petroleum Operating B.V.	1,567.73	1,894.50	**1,833.43**	–3.2%
MunaiTas LLP	1,339.66	1,449.99	**1,509.52**	4.1%
Turgai-Petroleum JSC	209.73	221.08	**229.51**	3.8%
Main Waterline LLP	308.79	808.63	**768.41**	–5%
Total:	13,541.84	16,885.70	**17,835.30**	5.6%

Income was reduced due to the following main reasons.

1. The number of applications for engagement of motor transport by KPO B.V. from Atyrau Oil Pipeline Administration divisions reduced in 2020 as compared to 2019. This was caused by introduction of quarantine measures to prevent the spread of coronavirus.
2. The actual number of applications at Main Waterline LLP reduced in 2020 due to reduction of the number of incidents (water outlet to the surface). In addition, in June 2020, the repair works planned in accordance with the work schedule during planned shutdown were cancelled due to the coronavirus pandemic.

The consumers of the Company's operating services have stringent requirements for staff qualifications, occupational health and safety and technical equipment. To meet the requirements imposed by the consumers, the Company invests free available funds to develop this area of activities.

Each production facility is also subject to monitoring to ensure actual compliance with the occupational health and safety requirements of the Company's service customers. In the event of any violation and/or incident at a facility, a corresponding report is made to the Main Control Office (MCO) of KazTransOil JSC OTCC Branch. In order to ensure rapid response, reports can be sent on a 24/7 basis.

The Company takes annual administrative and technical actions to support reliable operation of third-party production facilities and to prepare such facilities for operation in the autumn and winter seasons and during the flood season. In 2020, based on main oil pipeline pigging, the Operating Service Administrations eliminated 71 defects at main oil pipelines, including 44 defects at the Tengiz – Novorossiysk oil pipeline, 18 defects at the Kenkiyak – Atyrau oil pipeline, 7 defects at the Kenkiyak – Kumkol oil pipeline and 3 defects at the Atasu – Alashankou oil pipeline.

At the same time, no failures of essential equipment, accidents or incidents at the operating main oil pipelines occurred over the reporting period.

A survey was carried out in 2020 among consumers in order to assess the quality of operating services in accordance with ISO 9001:2015. The survey resulted in an overall score of 95%, which is 1.7% less than in 2019.

Results of the consumer survey to assess satisfaction with quality of operating services in 2020

Turgai-Petroleum JSC	MunaiTas LLP	KCP LLP	KPO	CPC-K JSC	Main Waterline LLP	Overall score
100%	100%	100%	100%	68%	100%	95%

According to analysis of the 2019 survey form provided by CPC-K JSC in 2020, KazTransOil JSC implemented corrective actions. These included development of administrative and technical activities to arrange advanced training of KazTransOil JSC electric and gas welders with quarterly inspection of their practical skills, training of the welders in the Bek Consulting LLP training centre, appointment of a qualified welding engineer as head of the mobile research laboratory, as well as a number of other activities to improve the quality of services.

Also, special attention was paid to ensuring 100% presence of emergency response and maintenance personnel of oil pumping stations to ensure uninterrupted operation of CPC pipeline system facilities during the coronavirus pandemic.

Plans for 2021 and Medium-Term Plans

The Company sets the following objectives to improve the quality of services related to operation and maintenance of third-party main oil pipelines and waterlines:

- accident-free provision of operating services;
- to maintain a high index of consumer satisfaction with operating services (not less than 95%);
- to improve the equipment maintenance and repair system;
- to ensure the profitability of services related to operation of oil pipelines owned by third parties;
- to sign new long-term contracts with Kazakhstan – China Pipeline LLP and MunaiTas LLP for 2022–2024.

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INVESTMENT ACTIVITY

Investment Decision System

Each investment project initiated by the Company or its SJCE is subject to a comprehensive expert review. Project-related decisions are taken by the Company's Investment Committee in three stages in accordance with the Company's established requirements and corporate procedures.

Decision-making stages for investment projects

To approve the application and to make a decision on feasibility study funding → **To approve the feasibility study and to make a decision on design estimate documentation (DED) funding** → **To approve the DED and to make a decision to implement the project**

At the first stage, a decision is made on the possibility and feasibility of the investment project. At the next stage, the economic attractiveness is assessed and analysed. At the final stage, the investment payback period, the project impact on the Company's financial position and on the business plan KPIs and the HR planning aspects are calculated in detail.

In addition, each decision-making stage takes into account such factors as the project-specific risk level and its impact on occupational safety and the environment.

All projects of the Company and SJCE worth over KZT 5.5 billion are subject to consideration by the NC KazMunayGas JSC Investment Committee.

Once the project is approved by the NC KazMunayGas JSC Investment Committee, the Company/SJCE can start implementing the project.

Total capital investments, KZT million

Indicator	2018	2019	2020	2021* (plan)	Difference, %
KazTransOil JSC capital investments**, including:	51,313	42,858	**49,715**	81,765	16.0
To implement new projects	8,054	70	**78**	335	11.4
To maintain the current production rate	43,257	42,761	**49,635**	81,364	16.1
Administrative purposes	3	27	**3**	66	–88.9

** In accordance with KazTransOil JSC Business Plan for 2021–2025 approved by the decision of the Company's Board of Directors on 16 November 2020.*

*** Indicates the consolidated amount of the Company's capital investments (on an equity basis).*

The capital investment performance in 2020 indicates that the Company's funds were mainly allocated for maintaining the current production rate. In 2020, 99.8% of the total capital investments were used to support the current production rate.

Key Investment Projects and Their Progress in 2020

Expansion of the Kazakhstan – China oil pipeline

One of the largest and most strategically important investment projects, not only for the Company but also for the Republic of Kazakhstan as a whole, is the construction of the Kazakhstan – China main oil pipeline system. The project involves a gradual increase in oil pipeline throughput capacity for all sections in line with the increase in transportation volumes to the domestic market and in exports to the PRC by constructing new and refurbishing existing oil pumping stations, as well as replacing the oil pipeline at the corresponding sections.

At the first stage, the 965.1 km long Atasu – Alashankou oil pipeline was constructed and put into operation in 2006. In 2009, the 794.26 km long Kenkiyak – Kumkol oil pipeline was commissioned.

The project participants are KazTransOil JSC, MunaiTas LLP and KCP LLP, each acting as the owner of the corresponding section of the Kazakhstan – China pipeline. The project is financed using the own funds of the participants.

The next stage of construction of the Kazakhstan — Chine oil pipeline included the implementation of the project called Tranche Two at Phase Two of Kazakhstan — China Oil Pipeline. Throughput Capacity Increase to 20 Million Tonnes of Oil per Year (the Project) that combined the following projects into the integrated project: Tranche Two at Phase Two of Kazakhstan — China Oil Pipeline Construction, Phase I of Kenkiyak — Atyrau Oil Pipeline Section Reversal with a Throughput Capacity up to 6 Million Tonnes per Year (the Reversal Project) implemented by MunaiTas LLP, and Increase of LACT Throughput Capacity at Kumkol HOPS (LACT Project) implemented by KCP LLP.

The goal of the project is to ensure the technical capacity to supply West Kazakhstan oil to Pavlodar Oil Chemistry Refinery LLP and PetroKazakhstan Oil Products LLP while ensuring energy safety of Kazakhstan as well as to increase export capacity.

The first start-up complex of the Reversal Project was commissioned on 15 June 2020. Due to completion of work on the first start-up complex, it is now possible to pump oil in reverse direction from N. Shmanov OPS by pumping of light oil with negative freezing temperature (Tengiz and Kashagan).

Aman OPS is under construction within the second start-up complex. A certificate of Aman OPS mechanical completion was signed on 29 December 2020. A total of KZT 21,901 million has been spent, including KZT 10,814 million in 2020. Kumkol LACT and Kenkiyak LACT were commissioned on 31 December 2020.

Refurbishment and expansion of the Astrakhan – Mangyshlak main waterline

Main Waterline LLP developed a feasibility study to refurbish and expand the Astrakhan – Mangyshlak main waterline.

The goal of the project is to increase the throughput capacity of the Astrakhan – Mangyshlak main waterline and upgrade outdated equipment to meet the existing demand and perspective growth of water consumption by Atyrau and Mangistau regions.

The first tranche of the project is submitted for consideration by the NC KazMunayGas JSC Investment Committee. The first tranche provides for construction of the second 151 km long section of the waterline. After approval by the NC KazMunayGas JSC Investment Committee, Main Waterline LLP will start developing DED.

Construction of a waterline from the Astrakhan – Mangyshlak main waterline to the designed associated gas processing plant at Kashagan field

In order to supply water to the associated gas processing plant to be constructed at Kashagan oil field as instructed by the RoK Prime Minister after the working trip to Atyrau region, Main Waterline LLP initiated construction of the waterline to the plant. Main Waterline LLP currently develops a project feasibility study.

Investment Projects Planned for 2021 and Medium Term

The Company's short- and long-term capital investment plan provides for the following large projects:

- to complete the Reversal Project;
- to develop DED for reconstruction and expansion of the Astrakhan – Mangyshlak main waterline;
- to develop of DED for construction of a waterline to Kashagan CGTP.

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PROCESS DIGITALISATION AND AUTOMATION

Digitalisation is a critical factor for successful development of a company under the conditions of modern fast-changing economic environment. KazTransOil JSC makes significant efforts in that area.

The main development directions in digitalisation and automation of processes are set forth in internal documents: KazTransOil JSC Digitalisation Concept and KazTransOil JSC Digital Technology Development Programme, including the Project Roadmap.

The Company has dedicated departments responsible for implementation of the projects in this sphere: the Information Technology Department, the Telecommunications Department and the APMS&MS Department.

Digitalisation Goals and Areas

KazTransOil JSC Digitalisation Concept developed in 2018 determined the main areas of the Company's activities to be improved by implementing advanced digital technologies and rolling out an efficient information and communications infrastructure. Two key goals and nine key development areas have been identified, each including various initiatives.

KazTransOil JSC Digitalisation Concept

DIGITALISATION GOALS

GOAL 1. EFFECTIVE PROCESS MANAGEMENT AND COMPLIANCE WITH GLOBAL DEVELOPMENT RATES BY EMPLOYING DIGITAL TECHNOLOGIES

1 To establish a smart digital security system

- To establish a situation monitoring and emergency control centre
- To develop an automated motor vehicle control system
- To establish a single access point system (Single Sign On)
- To establish an electronic health and safety work station
- To use action cameras

2 To develop shipment operations systems

- To develop shipment operations systems

3 To implement process digitalisation

- To implement emergency shutdown algorithms for main oil pipeline sections
- To manage WebNavigator access from mobile devices
- To use automation equipment with a self-diagnostic option

4 To ensure transition to digital technologies for production process management

- To implement a production process management system
- To introduce diagnostics systems
- To perform digital asset simulation (Digital Twin) based on 3D modelling systems
- To introduce the key components of Smart Grid (smart power network)
- To introduce a corporate project management system

DIGITALISATION GOALS

GOAL 2. SECURITY AND OCCUPATIONAL SAFETY IMPROVEMENTS BY IMPLEMENTING GLOBAL BEST PRACTICES AND INITIATIVES

5 To ensure digital transformations in HR management and to create state-of-the-art workplaces

- To establish a servicing centre
- To introduce a centralised document management system based on web technologies

6 To implement modern KPI management mechanisms

- To introduce a business process management system

7 To ensure digital financial monitoring

- To introduce a corporate reporting system
- To develop an ERP system

8 To develop the purchasing and material management processes

- To develop an ERP system for material management

9 To ensure a reliable digital infrastructure

- To develop a data transfer and storage system

Expected Digitalisation Results:

- high level of production process upgrade in terms of technologies;
- improved quality of the corporate management system by promptly obtaining reliable information on KPIs;
- improved workplace efficiency and digital literacy level among employees;
- improved accessibility and security of digital infrastructure;
- improved occupational health and safety culture.

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Implementation of a mobile thermal-imaging videocontrol system

Body temperature monitoring was arranged for KazTransOil JSC personnel and visitors of the Company's offices by means of non-contact measurements using video thermal-imaging technologies in order to improve protection and reduce the risk of COVID-19 contamination during the pandemic. Video thermal-imaging systems were installed in the Company's 12 offices at the main entrances. The systems are intended to determine human temperature in a crowd and provide for temperature measurement of a person wearing a hat and a mask. Temperature measurement error is ±0.3 C. All information on events is processed and stored at respective devices to keep records and timely control the situation in the Company's offices.

The installed systems provide for centralised collection of data in a single monitoring centre for further use by smart video recorders with face recognition functions, face meta-data identification (age, sex, presence of glasses, mask, etc.). In case a person with high temperature is identified, an alarm will be automatically sent to the monitoring centre with a photo and small video of the event as well as to appropriate specialists to their emails.

Implementation of a perimeter video surveillance system and access control system at KazTransOil JSC production facilities

A plan for furnishing KazTransOil JSC facilities with engineering security means for 2020–2024 was approved in 2020. The plan includes implementation of a perimeter surveillance system and access control system at the Company's 27 production facilities and at line controlled stations of 11 main pipelines.

Oil pipeline perimeter video surveillance systems ensure timely notification of security departments and officers of unauthorised access of intruders to the production site, video recording of intruders' actions as well as monitoring of the operability and condition of production and process facilities.

The access monitoring and control system regulates access control at facilities with the use of technical access control means such as turnstiles with reader units, access barriers and readers with electromechanical locks.

In 2021, perimeter security video surveillance systems are planned to be installed at the following facilities: Chulak-Kurgan HOPS, Zhetybai OPS, Stepnoye OPS, Shagyr OLS, Ekibastuz OPS and Beineu OPS.

Similar systems are planned to be introduced at 19 facilities of KazTransOil JSC in 2022–2025.

Plans for 2021 and Medium-Term Plans

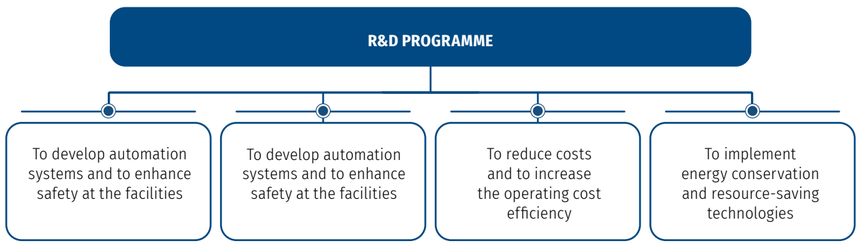
- To refurbish the automatic fire alarm and fire extinguishing electric control system.
- An automatic fire alarm and fire extinguishing electric control (AFA&FEEC) system is designed for early fire detection at initial stage at process units, actuation of automatic fire extinguishing by generated mechanical foam and transmission of fire alarm signals to MCS.
- To refurbish Karazhanbas OPS, Prorva OPS, Opornaya OHS, Inder OPS, Pavlodar HOPS, Atasu HOPS and Shagyr OLS.

INNOVATION AND TECHNOLOGY DEVELOPMENT

The specific nature of technologies used in KazTransOil JSC oil transportation activities determines high demand for research and technology potential capable to provide informed and scientifically valid solutions. This work is focused on development of recommendations for further introduction of modern technical solutions, new equipment and technologies aimed at optimisation/modernisation of the existing processes (operation of heaters, pumping units, security systems of oil pipeline facilities, etc.).

In order to solve the relevant tasks in the field of research, innovation and technology development, a programme is implemented on a continuous basis to develop R&D and to transfer new equipment, innovative and technology solutions for 2019–2023 (the R&D Programme).

R&D Programme goals



R&D Main Objectives and Areas

The R&D results obtained and implemented with participation of the Company's specialists at oil and gas facilities of the Republic of Kazakhstan, including KazTransOil JSC facilities, ensure improved work quality and increased oil and water transportation.

SmartTran, a unique software developed by specialists of the scientific research laboratory called Mathematical Simulation of Processes in the Oil and Gas Industry under KazSRTU NJSC together with the Company's specialists is a scientific innovation development in the sphere of IT and oil and oil blend transportation. SmartTran software is designed to monitor, simulate and optimise operating modes for oil pipeline sections and oil pipeline systems and to forecast operating modes for existing oil pipelines.

Integration of SmartTran software and SCADA of the MCO of KazTransOil JSC OTCC Branch enables to receive prompt data on the operation of pumping units, heaters and pumping process modes at main oil pipeline sections to determine best energy saving modes for oil blend transportation by oil pipeline routes.

The following activities were implemented in 2020:

- line section and technological equipment parameters were updated;
- thermal hydraulic calculations were made for reverse oil transportation via the Kenkiyak – Atyrau main oil pipeline;
- smartTran software users were trained to simulate, forecast and optimise reverse transportation of West Kazakhstan oil blends via this oil pipeline route;
- thermal hydraulic calculations were made to determine safe shutdown of the pipeline at process sections of T. Kassymov – Bolshoi Chagan OPS, Dzhumagaliyev – Chulak Kurgan OPS, etc;
- data on new pumping units, new oil and oil blend rheological properties at process sections of KazTransOil JSC main oil pipelines were identified and entered in SmartTranPro;
- hydraulic calculations were made for all sections of main oil pipelines, head and volume characteristics of pumping units, thermal conductivity of soil according to SCADA and Automated Power Fiscal Metering System (ASCAPC) were determined, and process modes were optimised with the use of SmartTranPro software at sections of Karazhanbas OPS – Aktau OPS and B. Dzhumagaliyev HOPS – Atasu HOPS oil pipelines.

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R&D Programme Results in 2020

In accordance with the developed and approved R&D Programme for 2020, the following research and development activities were carried out:

- assessment of the remaining life at section 681.084 – 840.725 km, DN820mm, of the Pavlodar – Shymkent oil pipeline, contractor Gormontazhproject LLP;
- assessment of the remaining life at section 179 – 265.2 km, DN720mm, of the Kalamkas – Karazhanbas – Aktau main oil pipeline, contractor Gormontazhproject LLP.

The remaining life of the main oil pipeline section was estimated according to internal diagnostics results, pipe metal samples were examined to determine their strength properties, limit state criteria were determined for various deterioration mechanisms to estimate the remaining life of oil pipelines, and the remaining life with consideration of metal fatigue was estimated (continuous accumulation of damages that reduce the service life and strength).

In-house R&D and innovation technologies

Description of works	Actual fulfilment, %
Survey of rheological and physicochemical properties of oil blends to be transported via the T. Kassymov OPS – N. Shmanov OPS – Kumkol HOPS oil pipeline route with consideration of actual oil blend compositions (Kenkiyak – Atyrau pipeline reversal).	100
Survey of physicochemical and rheological properties of oil blends transported via the OGPE – Kumkol HOPS – B. Dzhumagaliyev HOPS – Shymkent OPS oil pipeline routes with consideration of actual oil blend compositions	100
Survey of physicochemical and rheological properties of oil blends transported via the Uzen – Atyrau – Samara oil pipeline route with consideration of actual oil blend compositions	100
Survey of corrosion activity of oil/oil blends transported at main oil pipeline sections (under respective SBU request)	100
Monitoring of ECP system efficiency at pipeline sections of the Atyrau OPA, Mangistau OPA and Kulsary OPA (with consideration of 2019 operation results)	100
Monitoring of ECP system efficiency at pipeline sections of the Zhezkazgan OPA, Shymkent OPA and Pavlodar OPA (with consideration of 2019 operation results)	100
Survey of ECP system efficiency for corrosion protection of process pipelines and tanks at OPS (with consideration of 2019 operation results)	100
Survey of soil corrosion activity along the main pipelines of the Atyrau OPA, Mangistau OPA and Kulsary OPA (with consideration of 2019 operation results)	100
Survey of soil corrosion activity along the main pipelines of Zhezkazgan OPA, Shymkent OPA and Pavlodar OPA (with consideration of 2019 operation results)	100
Corrosion monitoring at the Pavlodar – Shymkent main pipeline submerged crossing over Irtysh river	100

Activities for transfer of new equipment and innovation technologies

Description of works	Actual fulfilment, %
Analysis of state-of-the art technologies (including those used by KazTransOil JSC) to prevent asphalt, resin and paraffin depositions in tanks and oil pipelines (at sections of oil pipelines transporting oil blends with high paraffin content and high viscosity) with provision of process improvement advice.	100
Analysis of state-of-the art technologies (including those used by KazTransOil JSC) for repair/replacement of a main oil pipeline linear section and assessment of process improvement options.	100
Integrated analysis of efficiency of a drag reducing agent at KazTransOil JSC facilities to reduce power consumption at main pumping units.	100

Approval of Prepared Regulatory and Technical Documentation

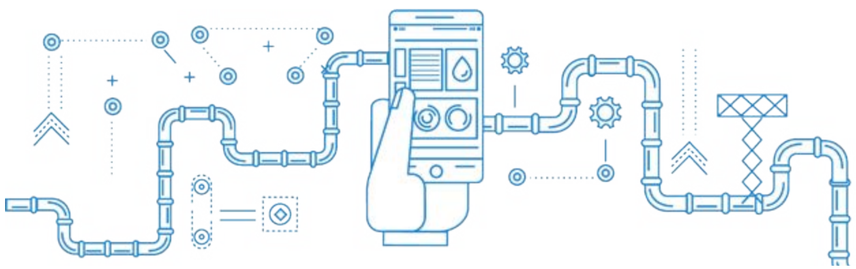
The Company's Management Board approved three corporate standards in 2020:

- Time Limits for Maintenance of Oil Quantity and Quality Metering Systems and Provers;
- Main Oil Pipelines. Connection of Pipeline with Tie-in of Spools;
- Main Oil Pipelines. Use of Chemical Agents for Oil Transportation.

In accordance with the application submitted by KazTransOil JSC to the Technical Regulation and Metrology Committee under the RoK Ministry of Trade and Integration, the National Standardisation Plan for 2020 included development of the national standard of state of the RoK technical regulation system entitled Special Clothes and Other Personal Protective Equipment Used for Main Oil Pipelines Operations. General Specifications (national standard). The national standard was developed during the year and approved in November 2020 by the Order of the Technical Regulation and Metrology Committee under the RoK Ministry of Trade and Integration

Action Plan for 2021 and Medium-Term Plans

- to introduce advanced innovation anti-corrosion coverings for external pipeline surface and external/internal tank surface with preliminary pilot testing;
- to introduce innovation technologies for cleaning tanks from bottom deposits (automated and/or robotised units) with minimum human assistance and bottom deposit processing;
- to research and forecast viscosity temperature parameters for oil blends during joint transportation of different oil types via the Company's oil pipeline routes;
- to upgrade the 110 kV and 35 kV substations using electric gas switches.



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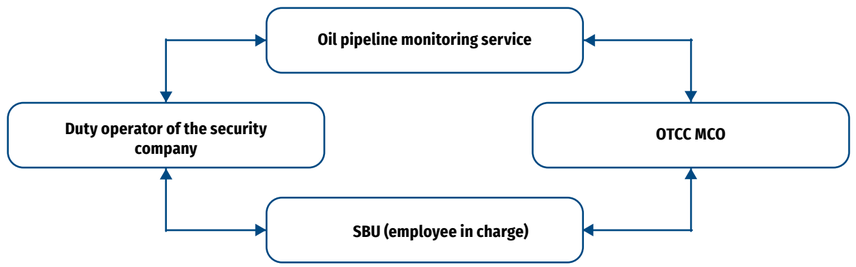
CORPORATE SECURITY

The main oil pipeline system managed by KazTransOil JSC is strategically important as it provides feedstock to Kazakhstan refineries and supplies numerous oil export routes. The above sets high standards as related to corporate security and asset protection. For this purpose, the Company has implemented permanent security guarding of its main pipelines as well as round-the-clock monitoring of oil pipeline security and oil leak detection systems.

The Corporate Security Department is in charge of corporate security management. Illegal actions and intrusions into the pipeline exclusion zones are detected at the headquarters level and by interaction between all SBUs, including KazTransOil JSC mobile security groups and emergency services.

Participants of the Company's asset protection system



In order to prevent and respond to attacks on KazTransOil JSC facilities, the Company, the regional internal affairs authorities and KMG-Security LLP security company have concluded cooperation and interaction memoranda, under which the parties promptly exchange pertinent information, collaborate to develop a strategy to respond to illegal actions at facilities and prepare proposals to improve the laws related to main oil pipelines.

Improvement of the pipeline security system is a key asset protection priority for KazTransOil JSC. The Company makes every effort to introduce security equipment (SE) in accordance with the SE Installation Plan for Company's Facilities up to 2024, which was developed taking into account the provisions of the Law of the Republic of Kazakhstan On Anti-Terrorist Activities. In accordance with this Plan, perimeter security alarm systems and CCTV surveillance are implemented at the Company's production and process facilities.

Changes in Corporate Security in 2020

In order to reduce the number of illegal actions in 2020, the Company jointly with law enforcement agencies and national security authorities continued to monitor detected cases of criminal infringements at the Company's facilities for bringing such cases to court with consequent passing of sentences upon the criminals.

For instance, in February of 2020 the Mangistau Regional Court passed a sentence upon the participants of an organised crime group engaged in oil theft from the Uzen – Zhetybai – Aktau main oil pipeline, attempted theft of oil from the Kalamkas – Karazhanbas – Aktau main oil pipeline and theft of pipes at the Tauchik – Zhyngyldy waterline. Crime group leaders were convicted and sentenced to imprisonment for periods from 5 to 10 years.

The Company regularly holds drills and takes preventative security measures, as well as provides training for production facility employees to simulate potential hazard scenarios.

No unauthorised tie-ins to KazTransOil JSC main oil pipelines were registered in 2020.

Corporate Security Development Plans for 2021 and Medium-Term Plans

The Company intends to take further actions to increase the security of its assets, including:

- to update the SE Installation Plan for Company's Facilities as well as the corresponding scopes and implementation deadlines (in accordance with the RoK anti-terrorist laws and in order to enhance security at the Company's facilities);
- to take further actions to equip facilities with SE in accordance with their categories and the Company approved plans and standards;
- to interact with Kazakhstan – China Pipeline LLP, MunaiTas LLP and Main Waterline LLP on security at facilities of the respective companies;
- to interact with law enforcement authorities on combating terrorist threats, theft of oil and material valuables as well as investigation of criminal acts and legal actions and conduct of joint drills.

INFORMATION SECURITY

Development of digital technologies requires the Company's special attention to information security issues. To manage corresponding risks, KazTransOil JSC has an Information Security Management System (ISMS) in place.
The System is implemented in accordance with the requirements of the RoK laws and ISO/IEC 27001:2013.
The corporate ISMS Improvement Plan is being implemented.

In order to monitor threats and timely upgrade equipment, KazTransOil JSC has developed a Procedure for Regular Monitoring of KazTransOil JSC Corporate Network, Operating and Information Systems for Vulnerabilities and a Procedure for Upgrade of KazTransOil JSC Operating Systems, Software, Network and Server Equipment. The Company continuously monitors compliance with information security requirements in all existing and newly introduced IT systems.

Three levels of incident criticality are distinguished to record information security violations: high, medium and low.

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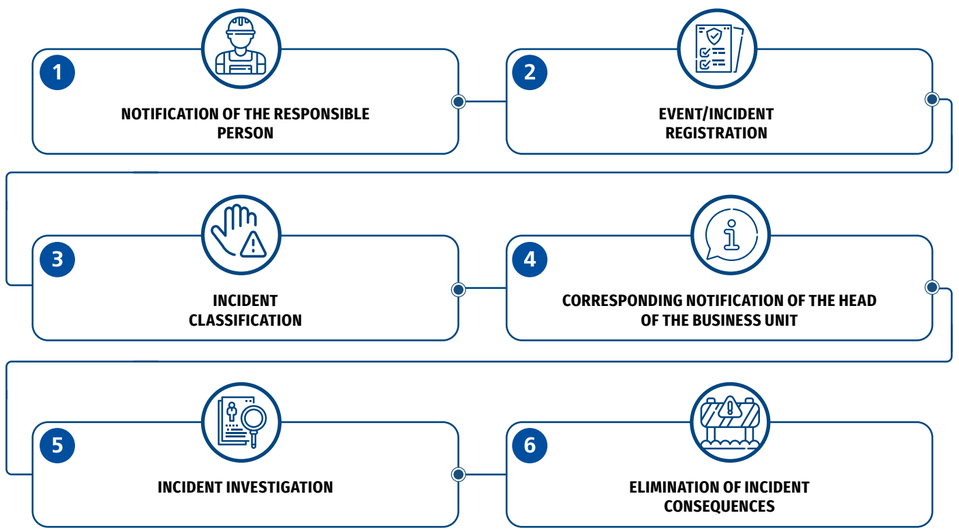
Classification of incident criticality levels

High criticality level	The incident had a significant impact on business continuity, caused significant damage to personnel and/or information assets
Medium criticality level	The incident could have had (but did not have) any significant impact or had an insignificant impact on business continuity, caused insignificant damage to personnel and/or information assets
Low criticality level	The incident did not have any impact on business continuity, caused no damage to personnel and/or information assets

The incident response procedures are different depending on the criticality level. If the incident belongs to the high or medium category, it is recorded and further escalated in accordance with regulated response arrangements. If the incident falls into the low criticality category, it is recorded but not investigated.

Incident response scheme in case of high and medium criticality levels



KazTransOil JSC takes a range of actions to manage information security in accordance with the annual ISMS Improvement Plan, including:

- quarterly assessments of information security risks and mitigation action development;
- supervisory audits of the ISMS to check compliance with international requirements;
- internal audits at SBUs to check compliance with corporate regulations and approaches;
- antivirus protection based on best global practices and technologies;
- promotion of the information security culture among KazTransOil JSC personnel.

In 2020, no information security incidents with high or medium criticality levels were recorded, i.e. those that had or could have a significant impact on business continuity.

Changes in Information Security in 2020

In order to prevent any possible incidents related to above threats, during the year the Company implemented additional security settings at network equipment and operating systems, took measures to raise employees' awareness of cyber threats via the corporate messaging system and distribution of video information on relevant cyber threats via the corporate channel in all of the Company's structural units.

In July 2020, the Company successfully passed a certification audit conducted by the leading auditor of the international certification authority of TUV AUSTRIA Standards and Compliance LLC to check compliance of the information security management system with ISO/IEC 27001:2013.

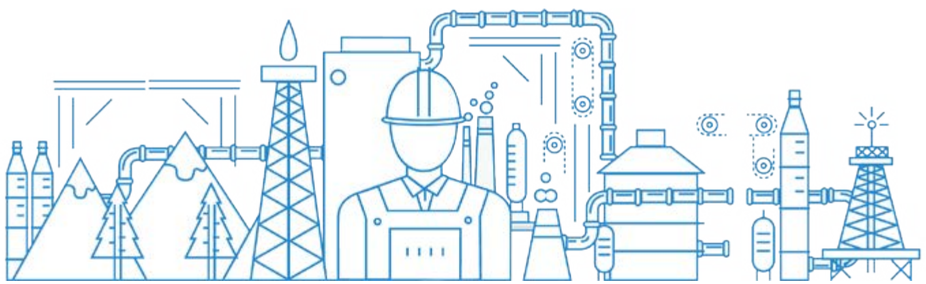
Internal audits to check the Company's SBU ISMS compliance with ISO/IEC 27001:2013 and the corporate documents were also performed.

The Company holds briefings to raise information security awareness among employees and to inform them about any changes to internal documents that govern information security requirements. In 2020, the Company held induction briefings for the Company's 71 employees, contractors' representatives, interns and other persons who have access to the Company's IT systems.

Plans for 2021 and Medium-Term Plans

A number of pilot tests of information security products related to APCS, telecommunications and IT are planned for 2021. The Company plans to continue intensive introduction of new technologies in accordance with the ISMS Improvement Plan for 2021, including:

- supervisory audit of the corporate ISMS to check compliance with ISO/IEC 27001;
- ISMS risk assessment;
- annual internal audits to check the ISMS in the Company's business units;
- a number of pilot tests of information security products are planned for 2021 to improve APCS, telecommunications and IT protection;
- updates to key information in the field of information security management;
- completion of connection to the prompt information security monitoring centre under the Cybershield project.



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SUSTAINABLE DEVELOPMENT MANAGEMENT

In accordance with KazTransOil JSC Corporate Management Code and international best practices, one of the main directions of the Company's effective corporate management is integration of sustainable development issues.

Sustainable development is managed at all management levels at the Company.

The Company's Board of Directors and management are proactive in managing the environmental, social and economic aspects of the Company's business and regularly review sustainable development issues.

Certain sustainable development issues at the level of the Company's headquarters are managed by dedicated departments, while at the SBU level, the services and departments are established to oversee specific sustainable development areas, such as HR management, occupational and industrial safety and environmental protection. The activities of these services and departments are coordinated and approved as part of direct cooperation with the Company's headquarters.

After re-organisation of the Company's structure, certain sustainable development issues at the level of the Company's headquarters are managed by dedicated departments:

- Industrial Safety, Health and Emergency Response Department;
- Process Flow and Energy Management Department;
- HR Management Department;
- Contracting and Local Content Development Department;
- Business Process and Risk Management Department;
- Business Planning and Economic Analysis Department;
- Corporate Management Department.

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SUSTAINABLE DEVELOPMENT MODEL

STAKEHOLDERS

- Shareholders and influential organisations
- Financial institutions
- State authorities
- Personnel
- Service customers and partners
- SJCE
- Suppliers
- General public and mass media
- Competitors

SUSTAINABLE DEVELOPMENT PRINCIPLES

ECONOMICAL
Ensuring effective and uninterrupted business

ECOLOGICAL
Minimising adverse environmental impacts
Sustainable and effective use of natural resources

SOCIAL
Personnel professional development and social assistance
Ensuring occupational safety

SUPPORT TO UN INITIATIVES

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

ADHERING TO THE INTERNATIONAL PRACTICES

GRI
ISO
AccountAbility

COMPLIANCE TO THE MAIN CORPORATE DOCUMENTS

- Code of Social Responsibility
- HR Policy
- Energy Policy
- Golden Rules Health and Safety Code
- HSE Policy and others

STRATEGIC SUSTAINABLE DEVELOPMENT INITIATIVES / 2020 PERFORMANCE RESULTS

TO DEVELOP THE ENERGY CONSERVATION SYSTEM AND TO BOOST ENERGY EFFICIENCY

- **6,584 TOE** – reduced consumption of fuel and energy resources
- **4.47 TOE/million tonnes km** – energy consumption for oil transportation
- **4,557 TOE** – decrease in natural gas consumption
- Transition to the energy management system compliant with ISO 50001:2018 **ISO 50001:2018**

TO REDUCE THE OCCUPATIONAL INJURY RATE

- **5** – number of occupational accidents
- **6,564** employees passed industrial safety training
- **KZT 2.3 billion** – safety and occupational health investments
- **0.46** – LTIR
- **1,211** Protection Cards
- **4,046** inspections
- Transition to the health and safety management system compliant with труда, соответствующую **ISO 45001:2018**

TO REDUCE ADVERSE ENVIRONMENTAL IMPACT

- **KZT 1.3 billion** – environmental protection costs
- **12.3%** – air pollutant emission reduction
- **11.9%** – water intake reduction
- **4 ha** of disturbed lands reclaimed
- **44,055 tonnes** – total waste generation volume
- **0** – accidents associated with environmental damage occurred during oil transportation

TO IMPROVE PERSONNEL ASSESSMENT AND DEVELOPMENT SYSTEM

- **KZT 324 million** – personnel training investments
- **1,073** events under the personnel training and development programmes
- **6 112** employees trained and re-trained at the Training Centre
- **33** employees participated in the rotation procedure

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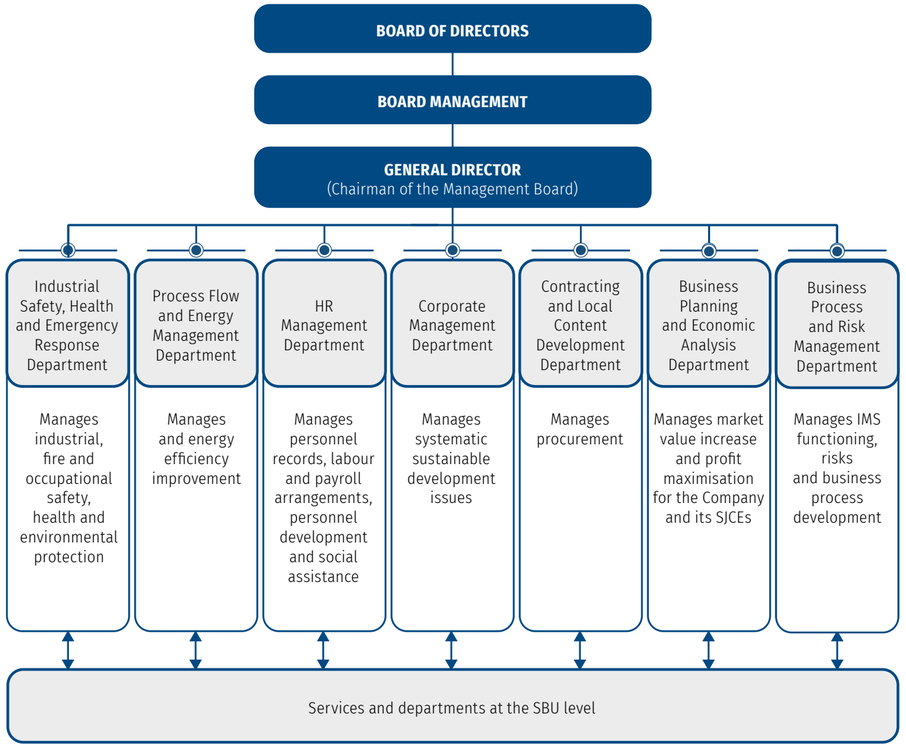
Sustainable development management organisation



According to the results of corporate management diagnostics of KazTransOil JSC conducted by the Internal Audit Service in 4Q 2019, an Action Plan for Corporate Management System Improvement was approved by the decision of the Board of Directors of 16 March 2020. The Action Plan provides for the following sustainable development functions:

- Strategic Planning Committee of the Board of Directors – introduction of sustainable development principles;
- Deputy General Director, member of the Management Board (production development and operating services) – coordination and development of the sustainable development system;
- Corporate Management Department – coordination of introduction and functioning of the sustainable development system;
- Business units supervising separate sustainable development issues – development and functioning of the sustainable development system within their competence.

The actions implemented by KazTransOil JSC to introduce and develop the sustainable development system:

- Submitting a report on sustainable development system functioning for consideration by the Board of Directors (every six months).
- Bringing the Company's internal documents in compliance with international sustainable development standards – Sustainability Management Guidelines, HR Policy, Code of Business Ethics, Environmental Policy, Social Responsibility Code, etc. KazTransOil JSC internal corporate documents should be developed on the basis of the documents developed by NC KazMunayGas JSC.
- Updating the consolidated Stakeholder Map (in cooperation with the subsidiaries).
- Generating the Company's new Talent Pool.
- Conducting sustainable development training for members of the Board of Directors, Management Board and concerned business units (if funds are allocated from the budget).
- Transiting from KazTransOil JSC energy management system compliant with ISO 50001:2011 to the energy management system compliant with ISO 50001:2018.
- Transiting from the health and safety management system compliant with OHSAS 18001:2007 to the health and safety management system compliant with ISO 45001:2018.

The main activities aimed at improving the IMS in 2021 and in the mid term, apart from maintaining the IMS in full compliance with international standards, the RoK laws and KazTransOil JSC internal documents, include arrangement of a certification audit to be conducted by an independent body to confirm compliance of KazTransOil JSC IMS with ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018 and to receive/renew international certificates for another three-year period.

Sustainable Development Strategy

Compliance with the sustainable development principles is an integral part of long-term development at KazTransOil JSC. The Company acknowledges its significant impact on the economy, environment and community, and strives to use the best practices to manage its environmental impact.

The sustainable development priorities of KazTransOil JSC include:

- ensuring effective and uninterrupted business;
- minimising adverse environmental impacts;
- sustainable and effective use of natural resources;
- personnel professional development and social assistance;
- ensuring occupational safety.

Improvement of the sustainable development system is one of the key directions and goals of KazTransOil JSC Development Strategy up to 2028 and long-term sustainable development. The Company is aware of the importance of improving the corporate management system, which will provide integration of the sustainability principles into the key business processes, operations and decision-making processes. This will ensure the balance of KazTransOil JSC economic, environmental and social goals for long-term sustainable development.

The Company's strategic sustainable development initiatives and implementation results set forth in the Development Strategy up to 2025 (in 2020 work was carried out according to these initiatives)

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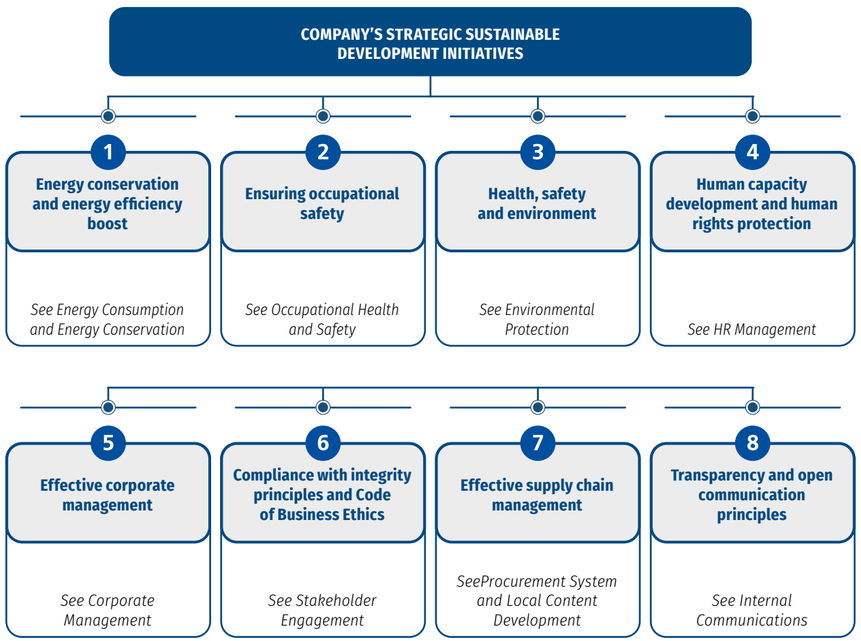
KazTransOil JSC is aware of the importance of improving the corporate management system, which will provide integration of the sustainability principles into the key business processes, operations and decision-making processes. This will ensure the balance of the Company's economic, environmental and social goals for long-term sustainable development.

The health and life of employees is one of the Company's key priorities, therefore work will be continued to ensure social and other protection of employees from COVID-19 coronavirus infection and other challenges influencing the health of employees. KazTransOil JSC will ensure social securities for employees.

The strategic goal "Improvement of the Corporate Management and Sustainable Development System" will ensure better indicators in health, safety and environmental protection, energy saving and energy efficiency system, anti-corruption activities, better relations with stakeholders, higher corporate culture and ethics.

The Company strategic sustainable development initiatives and implementation results set forth in the Development Strategy up to 2028 (these initiatives are planned to be implemented in 2021)



The strategic sustainable development goal according to the following Strategic Initiatives set forth in the Development Strategy up to 2028 is planned to be implemented in 2021.

1. **Effective corporate management.** The Company considers corporate management to be a key driver for increasing the Company's value, competitiveness and investment attractiveness. Continuous improvement of the corporate management system and respect of the shareholders' interests and rights are the priorities of KazTransOil JSC.

2. **Ensuring production safety.** The Company is committed to minimise occupational risks. As part of this initiative, KazTransOil JSC sets the following objectives:
   - failure-free operation of its production facilities;
   - upgrade and equipment integrity;
   - taking actions to ensure safety at the facilities;
   - improving the information security management system;
   - developing and implementing a unified state technical policy in the field of information security.

3. **Health, safety and environment.** The Company will create and maintain safe working conditions and care for the health of employees as well as prevent negative environmental impact.

4. **Energy conservation and energy efficiency boost.** The Company will continue to boost oil transportation energy efficiency by planning best oil pipeline operating modes, increasing efficiency of main pumping units, taking energy conservation and energy efficiency actions aimed to reduce specific energy consumption.

5. **Human capacity development and human rights protection.** The Company is aware that the employees are its key strategic asset. In this regard, KazTransOil JSC focuses on enhancing and developing human resources, raising professional competence and efficiency of its employees and creating conditions for social security and stability among its personnel and in its operating areas.

6. **Compliance with honesty principles and Corporate Ethics Code.** The Company's business activities are governed by honesty, fairness, transparency, good faith and responsibility. The values, concepts and standards of business conduct at the Company are set forth in KazTransOil JSC Code of Business Ethics.

7. **Transparency and open communication principles.** Ensuring transparent management, confirming the Company's commitment to the corporate management standards as well as open and fair communication and respect for other people's opinions and needs.

8. **Effective supply chain management.** Effective management of the supply chain and reduction of procurement costs may result in increased profitability and higher financial stability of the Company.

In order to implement this initiative, KazTransOil JSC plans to take the following actions:
- to improve procurement control via development and implementation of unified processes for procurement of goods, works and services, from planning demand to supplying to the end consumer;
- to increase procurement transparency and maintain fair competition among potential suppliers;
- to manage inventories and optimise logistics;
- to assist in development of local content in goods, works and services.

UN Global Sustainable Development Goals (SDGs)

In 2015, at the New York-based UN Headquarters, the heads of states and governments adopted the Sustainable Development Agenda for the period up to 2030. The Agenda includes the list of 17 Sustainable Development Goals aimed at eradicating poverty, reducing inequality and injustice as well as resolving climate change problems.

The SDGs adopted by the world community significantly intensified the urgency of sustainable development issues both at the national level and at the level of industries and separate companies.

KazTransOil JSC in its activities is committed to the Sustainable Development Goals (SDGs) approved by the UN General Assembly and strives to contribute in achieving the SDGs via responsible business conduct, effective corporate management, environmental impact mitigation, efficient HR management, safe working conditions and zero accidents at production facilities.

Nine goals were identified as most relevant for KazTransOil JSC and where the Company can make the most significant contribution.

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KazTransOil JSC activities in achieving the Sustainable Development Goals (SDGs)

SDG 3

Good health and well-being

To ensure healthy lifestyle and promote well-being for everyone at all ages

Occupational Health and Safety

KazTransOil JSC is aware of its social responsibility towards its employees, people in the Company's operating regions and the society as a whole. The Company implements a wide range of occupational safety activities. In particular, in 2020 the Company completed transition to the occupational health and safety management system compliant with ISO 45001:2018, which was confirmed by the corresponding certificate.

Along with that, in the previous year the Company mainly focused on fighting the global coronavirus pandemic. KazTransOil JSC was one of the first companies to render assistance in fighting COVID-19.

A Crisis Management Team (CMT) was activated in 2020. Thirty CMT meetings were held where the Company made prompt decisions to prevent the spread of coronavirus among the Company's employees and comply with the resolutions of the Chief State Sanitary Doctors of the corresponding administrative and territorial units.

68 lung ventilators manufactured in Europe for the total amount of KZT 1 billion were purchased and sent to 17 Kazakhstan regions. State medical organisations received the lung ventilators with a service package: installation, usage training, guaranteed year service by manufacturer representatives.

Moreover, active work is carried out at production facilities and at the headquarters of the Company: installation of thermal imagers, disinfection tunnels at the entrance to the facilities (at Atyrau and Shymkent OPA and HQ); sanitisers, masks; voice announcements requiring to strictly observe sanitary and preventive measures at working places; outreach for voluntary donation of immune blood plasma is carried out among KazTransOil JSC employees.

Apart from that, a decision was made to compensate for the costs connected with transportation of the bodies of the employees deceased of coronavirus and/or pneumonia (from one administrative and territorial unit to another) in the amount up to KZT 600 thousand, as well as to make one-time payment of KZT 50 thousand to KazTransOil JSC employees who recovered from coronavirus and/or pneumonia.

SDG 4

Quality education

To ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Personnel Training

Personnel development is one of the Company's main strategic initiatives.

Despite the quarantine measures in the country, 1,073 training and personnel development activities were carried out in 2020. Personnel training investments amounted to KZT 324 million.

KazTransOil JSC has the Training Centre at KazTransOil JSC RDC Branch in Aktau that provides the basis and conditions to implement on-the-job training and development programmes. Re-training of the Company's employees is aimed not only at improving their competence level but also at ensuring cross-training to increase the probability of further employment in case of transfer to another job or headcount/staff optimisation.

In 2020, it became necessary to assess KazTransOil JSC Management Board members and the Management Board as a whole in order to prepare and approve a development plan for Management Board members and to determine the needs for their training. In this regard, on 10 December 2020 a contract with KPMG Tax and Advisory LLP was signed to assess KazTransOil employees using the internationally recognised method of personnel efficiency assessment – Hogan Assessment, with further training/advanced training according to the assessment results. Based on the assessment results, a personal development plan is planned to be formed for each member of the Management Board, a plan for succession and need for training. The first assessment stage was completed on 31 December 2020. The next stages are planned to be completed in 2021.

SDG 6

Clean water and sanitation

To ensure availability and sustainable management of water and sanitation for all

Water Resources

The Company is committed to effective water management. To achieve this, KazTransOil JSC defined the key principles of water management to be used by all business units on a mandatory basis. KazTransOil JSC is committed to constantly improve the water management process and ensure stakeholder engagement in the water management process.

Water management at the Company is based on such principles as recognition of high water value for the human life and health, for society and operations, importance of rational and friendly use of national water resources as well as assessment and accounting of fresh water conservation and efficient use when making management decisions and managing operations.

SDG 7

Affordable and clean energy

To ensure access to affordable, reliable, sustainable and modern energy for all

Energy Efficiency

Optimising the use of energy resources is the key area of KazTransOil JSC activities. In particular, the Company focuses on boosting the energy efficiency of its production processes. The strategic importance of these objectives is established in KazTransOil JSC Energy Policy updated in 2020.

In 2020, KazTransOil JSC switched to ISO 50001:2018 which is a principally new practical instrument which allows the Company, taking into account its context and stakeholder demands and expectations, to consistently reduce energy consumption and air emissions of hazardous substances and receive significant financial benefits.

KazTransOil JSC uses various energy resources in its energy consumption framework. The most essential are natural gas and power that collectively make up 91.6% of the total consumption of all types of energy for oil transportation.

The Company was able to reduce energy consumption during oil pumping by 3.9% in 2020 as compared to 2019, by reducing natural gas consumption by 3.9% and power consumption by 5.8%. The reduced energy consumption was due to the use of best oil pipeline operating modes amid a 4.6% drop in oil turnover as compared to 2019.

SDG 8

Decent work and economic growth

To promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

HR Management

KazTransOil JSC is a major employer operating in 11 regions of the Republic of Kazakhstan. The Company employed 6,720 people in 2020.

The Company focuses on enhancing and developing human resources, raising professional competence and efficiency of its employees and creating conditions for social security and stability among its personnel and in its operating areas.

KazTransOil JSC continuously improves its working conditions, remuneration and incentive system, provides training opportunities and improves social support for its employees.

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SDG 9 **Industry, innovation and infrastructure**	**To build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation** KazTransOil JSC investment programme is aimed at ensuring safe and failure-free operation of main oil pipelines. One of the largest and most strategically important investment projects not only for the Company but also for the Republic of Kazakhstan as a whole, is the construction of the Kazakhstan – China main oil pipeline system. KazTransOil JSC also takes actions to digitalise business processes, as well as actively invests in R&D. In accordance with the developed and approved R&D Programme for 2020, the remaining life of the main oil pipeline section was estimated according to internal diagnostics results, pipe metal samples were examined to determine their strength properties, limit state criteria were determined for various deterioration mechanisms to estimate the remaining life of oil pipelines, and the remaining life with consideration of metal fatigue was estimate (continuous accumulation of damages that reduce the service life and strength).	*Investment Activities; Business Process Digitalisation and Automation; Innovation and Technology Development*
SDG 13 **Climate action**	**To take urgent action to combat climate change and its impacts** Control of hazardous substance emissions is the crucial factor of the Company's environmental protection activities. The Company is constantly making efforts to reduce emissions. Apart from that, KazTransOil JSC makes efforts to increase its operating efficiency trying to reduce environmental impact.	*Ambient Air Impact*
SDG 16 **Peace, justice and strong institutions**	**To promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels** The Company's business activities are governed by honesty, fairness, transparency, good faith and responsibility. The values, concepts and standards of business conduct at the Company are set forth in KazTransOil JSC Corporate Ethics Code. The Company rails against any form of corruption. In its interaction with all the stakeholders, the Company strives to develop a constructive dialogue to increase their awareness about the Company's anti-corruption actions. The Company has an internal communication system in place that enables the management to receive the latest information from any employee and other stakeholders on suspected corruption events and other abuses and violations.	*Corporate Ethics*
SDG 17 **Partnerships for the goals**	**Strengthen the means of implementation and revitalise the global partnership for sustainable development** The Company actively participates in various professional and industry-specific initiatives which help share expertise and solve industry-level tasks, including in the area of sustainable development. KazTransOil JSC actively develops its own sustainable development management system. One of the goals of these activities is to find and initiate decisions aimed at overcoming economic, social and environmental problems that require broader cooperation. The Company has approved KazTransOil JSC Stakeholder Map in order to determine, assess and classify groups of stakeholders. The Map shows the importance of certain stakeholder groups. In developing the Stakeholder Map, the Company assesses the impact of stakeholders on the Company and their level of interest in the Company based on specific engagement parameters. The Stakeholder Map was updated in 2020.	*Sustainable Development Management*

Stakeholder Engagement

Effective stakeholder engagement is an integral part of KazTransOil JSC business. The Company builds relations with its stakeholders based on openness and trust, which helps understand and respect their interests and meet their expectations.

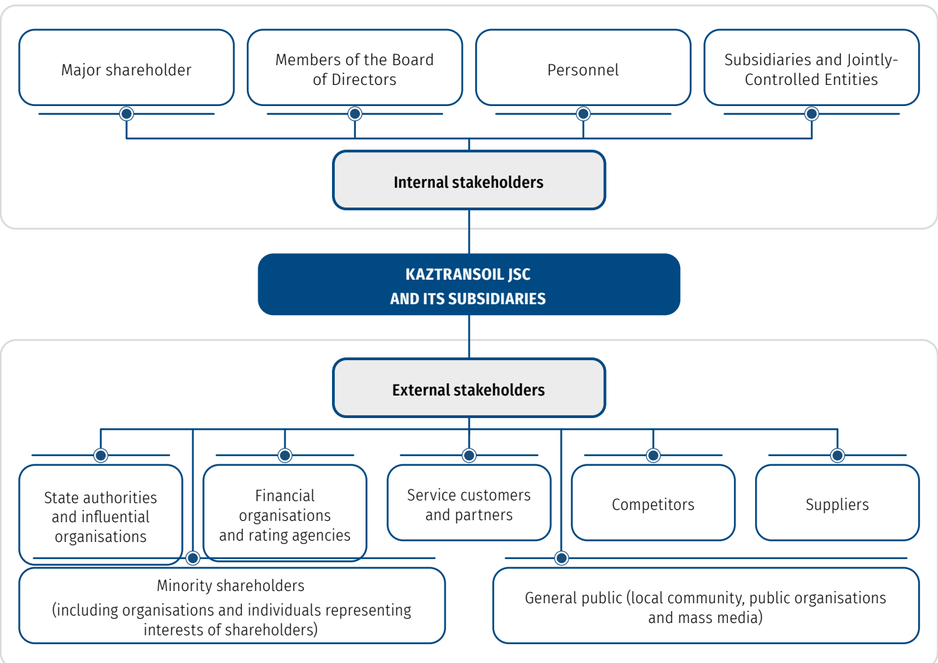
Considering the scale of its business, the Company is aware of its great impact on its stakeholders, which defines its high responsibility in terms of stakeholder engagement.

The Stakeholder Engagement Philosophy is outlined in KazTransOil JSC Corporate Ethics Code. These include honesty, fairness, good faith, transparency and responsibility. Moreover, identification of demands and expectations of stakeholders is the requirement of all standards for management systems introduced by the Company (ISO 9001, ISO 14001, ISO 45001, ISO 50001).

In order to determine, assess and classify groups of stakeholders at the Company, KazTransOil JSC Stakeholder Map Regulations were approved by decision of KazTransOil JSC Management Board (minutes of the meeting dated 22 June 2020 No. 15). The Company developed the Stakeholder Map by assessing the impact of stakeholders on the Company and their level of interest in the Company based on specific engagement parameters. The Stakeholder Map was updated in 2020.

The stakeholder engagement process in place at the Company helps timely identify and assess the interests of various stakeholder groups.

Stakeholder Map



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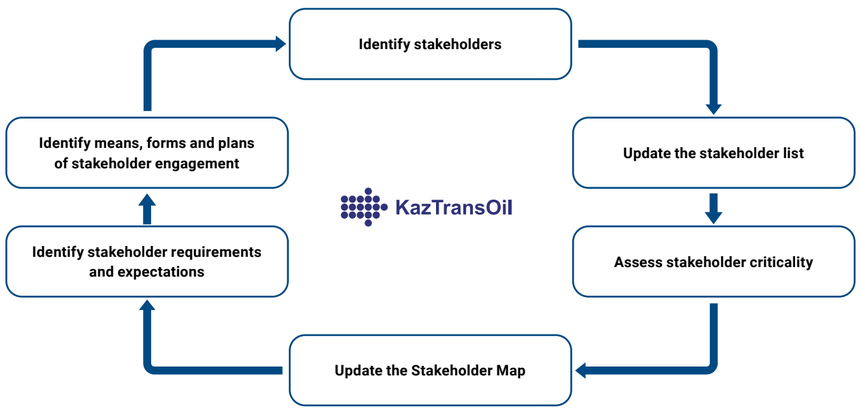
Stakeholder Engagement Process



Stakeholder requirements and expectations are identified by various negotiations with stakeholders, particularly the following:

- Questionnaires and surveys;
- Discussions at open meetings, in task force groups and at round tables;
- Public hearings;
- Open information days and other events which help identify stakeholder requirements and expectations.

By identifying stakeholder requirements and expectations, the Company obtains a coherent picture of events necessary for efficient stakeholder engagement.

EXTERNAL STAKEHOLDERS

Minority shareholders (including organisations and individuals representing interests of shareholders)

Stakeholder requirements

- Ensuring shareholder rights;
- Growth in shareholder value and business continuity;
- Compliance with the effective laws.

Stakeholder expectations

- Profit growth and timely dividend payment;
- Information openness and transparency;
- Effective corporate management according to the best international practices.

Actions taken in 2020

- In February 2020, KASE awarded KazTransOil JSC a certificate to recognise Commitment to Transparency;
- On 18 March 2020, the audit report on KazTransOil JSC consolidated financial statements for 2019 was published;
- The annual General Meeting of KazTransOil JSC Shareholders was held on 27 May 2020;
- In June 2020, the Company paid dividends on ordinary shares for 2019;
- Publication of KazTransOil JSC annual report for 2019;
- Responses were given to all shareholders' queries.

State authorities and influential organisations

Stakeholder requirements

- Compliance with the effective laws;
- Payment of taxes and obligatory charges;
- Mitigation of KazTransOil JSC adverse environmental impacts.

Stakeholder expectations

- Information openness and transparency;
- Economic and social stability in the operating areas.

Actions taken in 2020

- The Company paid taxes and other obligatory charges into the state budget for the total amount of KZT 36.7 billion;
- On 30 October 2020, public hearings were held at the NMRC to review KazTransOil JSC application for approval of the tariffs and tariff estimate for oil transportation to the RoK domestic market via the main pipeline system for 2021–2025.

Financial organisations and rating agencies

Stakeholder requirements

- Compliance with the applicable laws;
- Information transparency.

Stakeholder expectations

- Positive operating and financial performance;
- Corporate Management practices;
- KazTransOil JSC stability and financial integrity;
- Compliance with business ethics standards.

Actions taken in 2020

- By the decision of the Board of Directors dated 10 December 2020, the Corporate Ethics Code of KazTransOil was approved;
- Negotiations held with second-tier banks;
- Accounts opened with second-tier banks;
- Conference calls with rating agencies;
- In March 2020, international rating agency S&P Global Ratings changed its rating outlook for KazTransOil JSC from Stable to Negative;
- In November 2020, international rating agency Fitch Ratings affirmed KazTransOil JSC long-term foreign currency Issuer Default Rating at BBB- with a stable outlook.

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Service customers and partners

Stakeholder requirements

- Compliance with the effective laws;
- Contract execution;
- Transparent tendering;
- KazTransOil JSC stability and financial integrity;
- Anti-corruption;
- Compliance with business ethics standards;
- Full and timely disclosure of any changes in the tariff policy.

Stakeholder expectations

- Timely and high-quality service provision;
- Business continuity;
- Information openness and transparency.

Actions taken in 2020

- In February 2020, the Company announced the completion of compensation payments by Transneft PJSC to Kazakhstan oil companies for off-spec oil;
- In January 2020, a tariff for oil export transportation from the Republic of Kazakhstan was approved, effective from 1 March 2020;
- Monthly meetings with oil pipeline owners regarding operating service;
- A service customer satisfaction survey was conducted and showed 100% customer satisfaction with oil transportation and 95% satisfaction with operating services;
- The Company presented performance reports for six months and the year on implementing the approved tariff estimate and the investment programme, maintaining quality and reliability performance indicators for the regulated services and achieving business performance indicators by natural monopoly entities toward customers and other stakeholders;
- In November 2020, the Company announced the approval of a tariff and tariff estimate for the regulated service of oil transportation to the RoK domestic market over KazTransOil JSC main pipeline system for 2021–2025, effective from 1 January 2021;
- In December 2020, KazTransOil JSC and Caspian Pipeline Consortium JSC discussed their cooperation.

Competitors

Stakeholder requirements

- Compliance with the effective laws;
- Compliance with business ethics standards.

Stakeholder expectations

- Maintaining competitiveness;
- Information openness and transparency.

Actions taken in 2020

- KazTransOil JSC Corporate Ethics Code was approved. According to the Code, one of the ethics standards is compliance with competitiveness requirements. Officials and employees have to refrain from proposals to enter into agreements, express or implied, formal or informal, written or verbal, that are aimed at competitiveness restriction.

Suppliers

Stakeholder requirements

- Compliance with the effective laws;
- Contract execution;
- Transparent tendering;
- Anti-corruption;
- Compliance with business ethics standards.

Stakeholder expectations

- KazTransOil JSC stability and financial integrity.

Actions taken in 2020

- The total amount of KazTransOil JSC contracts with suppliers of goods, works and services was KZT 78 billion;
- As of the end of 2020, the local content in KazTransOil JSC procurement of goods was 53% and of works and services – 75%;
- In 2020, the Company concluded one offtake contract with KMG Automation LLP.

General public (local community, public organisations and mass media)

Stakeholder requirements

- Compliance with the effective laws;
- Industrial environmental safety of KazTransOil JSC activities and nature conservation measures;
- Compliance with business ethics standards.

Stakeholder expectations

- KazTransOil JSC contribution into regional social and economic development, including creation of new jobs;
- Improving the quality of life of the local community;
- KazTransOil JSC stability and financial integrity;
- Information openness and transparency;
- Effective communication channels and prompt feedback.

Actions taken in 2020

- In 2020, 72 press releases were published on the corporate website and 297 information and image publications were made in national and regional mass media;
- Among them, the mass media published 5 analytical materials with comments from KazTransOil JSC management, 6 TV stories were broadcast;
- Interviews with KazTransOil JSC management were published in national and corporate mass media;
- During the reporting period, the Company received 18 requests from mass media and timely provided responses to all of them;
- In March and August 2020, KazTransOil JSC launched its official Instagram account – @kaztransoil.official, and its official Facebook page to inform KazTransOil JSC internal and external stakeholders of the contribution to social and economic development of the country;
- In 2020, the Company performed reclamation of 4 ha in Akzhaik district of West Kazakhstan Region, within the land (historical pollution) reclamation project;
- In October 2020, KazTransOil JSC finished current repairs of the access road with a bridge over Zhaman-Sarysu river. The road is the property of KazTransOil JSC and is available for driving by residents of the nearest localities;
- The Company implemented Charitable Project Birgemiz, under which 68 lung ventilators were delivered to medical organisations of the Republic of Kazakhstan;
- Also, medicines and toys for a specialised infant home in Nur-Sultan were bought at private expense of KazTransOil JSC employees, and assistance was rendered to low-income citizens.

INTERNAL STAKEHOLDERS

Major shareholder

Stakeholder requirements

- Ensuring shareholder rights;
- Compliance with the effective laws.

Stakeholder expectations

- Profit growth and timely dividend payment;
- Growth in shareholder value and business continuity;
- Information openness and transparency;
- Effective corporate management according to the best international practices.

Actions taken in 2020

- On 18 March 2020, the audit report on KazTransOil JSC consolidated financial statements for 2019 was published;
- The annual General Meeting of KazTransOil JSC shareholders was held on 27 May 2020;
- In June 2020, the Company paid dividends on ordinary shares for 2019;
- Responses were given to all shareholders' queries.

Members of the Board of Directors

Stakeholder requirements

- Ensuring shareholder rights;
- Compliance with the effective laws.

Stakeholder expectations

- Growth in shareholder value and business continuity;
- Information openness and transparency;
- Effective corporate management according to the best international practices.

Actions taken in 2020

- During 2020, 12 meetings of KazTransOil JSC Board of Directors were held.

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Personnel

Stakeholder requirements

- Compliance with the effective laws;
- Compliance with business ethics standards.

Stakeholder expectations

- Fair remuneration;
- Safe and comfortable work environment;
- Creating opportunities for professional development and career progress;
- Stability of KazTransOil JSC as an employer;
- Social assistance for employees and their families, as well as veterans and retired persons.

Actions taken in 2020

- Since 2020, the Company uses the new SAMRUK RESEARCH SERVICES (SRS) methodology, which is a monitoring instrument to measure the level of social stability in working teams;
- In 2020, the SRS index rose by 16 p.p. as compared to 2019 and amounted to 91%;
- The personnel turnover ratio was 2.44%;
- 19,211 trainings were held;
- KazTransOil JSC made social payments in the amount of about KZT 3 billion, including voluntary medical insurance costs;
- 33 KazTransOil JSC SBU and headquarters executives were rotated;
- In February 2020, a collective agreement with KazTransOil JSC employees was signed;
- The Company took measures to prevent the spread of coronavirus among the employees, which allowed to preserve the integrity of business processes.

Subsidiaries and jointly-controlled entities

Stakeholder requirements

- Compliance with the effective laws;
- Compliance with business ethics standards;
- Compliance with corporate management concepts.

Stakeholder expectations

- KazTransOil JSC stability and financial integrity ;
- Information openness and transparency of KazTransOil JSC;
- Participation in SJCE management bodies and in audit commissions to audit financial and economic activities;
- Joint participation in investment projects;
- Joint participation in task force groups and meetings.

Actions taken in 2020

- The Company made decisions as the Participant, Partner or Shareholder of SJCE, as well as decisions of the Supervisory Board and the Board of Directors were made;
- Participation in task force groups and meetings devoted to SJCE activities;
- As a member of the audit commissions of SJCEs (KCP LLP, Main Waterline LLP, MunaiTas LLP), the Company audited their financial and economic activities;
- Regular efforts were made to reorganise KCP LLP and MunaiTas LLP;
- Corporate decisions were made for Kazakhstan – China investment projects (implemented by KCP LLP and MunaiTas LLP), Astrakhan – Mangyshlak waterline reconstruction, waterline construction at Kashagan CGTP.

Membership in Associations

The Company actively participates in various professional and industry-specific initiatives which help share expertise and solve industry-level tasks.

Company's membership in associations and other unions in 2020

Title	Description of participation
Kazakhstan Association of Oil-Gas and Energy Sector Organisations KAZENERGY	The Company was appointed as a national main oil pipeline operator. The Company's representatives are members of this Association's Coordination Board for Oil and Gas Sector Development in the Republic of Kazakhstan.
Kazakhstan Taxpayers Association	The main goal of the Kazakhstan Taxpayers Association is to promote protection of legitimate rights and interests of taxpayers and to provide timely information about amendments to tax laws. The Company's representatives participate in task force groups of this Association and ensure the Company's involvement in the development of these amendments and addenda to the tax laws.
International Association of Oil Transporters	The International Association of Oil Transporters (IAOT) was set up to coordinate efforts to effectively develop the oil transportation systems of participating companies and to increase the stability of international oil transportation. IAOT comprises eight largest international oil transportation companies in the former Soviet Union and beyond, and one more company as an observer. Four expert panels were established from among the Association members to address energy efficiency, legal aspects, oil supplies and effective, reliable and safe operation of main oil pipeline systems. In addition to the activities of the permanent expert panels, the Association's main operations include biannual Management Board meetings, conferences, exhibitions and seminars, technical visits and knowledge sharing.
RoK National Chamber of Entrepreneurs "Atameken"	NCE Atameken was established to improve the business and investment climate, promote stability and develop the country's business environment both for domestic and foreign investors. Participation in this organisation safeguards the rights and interests of business entities, ensures wide coverage and involvement of all entrepreneurs in development of legal and other regulatory business rules.

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HR MANAGEMENT

Company's HR Management Approach

As a major employer operating in 11 regions of the Republic of Kazakhstan, KazTransOil JSC focuses on enhancing and developing human resources, raising professional competence and efficiency of its employees and creating conditions for social security and stability among its personnel and in its operating regions.

KazTransOil is aware that the Company's employees are its key strategic asset and thus continuously improves its working conditions, enhances its remuneration and incentives system and promotes training and social assistance for its employees.

The Company does not tolerate any discrimination by age, culture, religion, race or other factors in recruiting personnel, determining remuneration levels and implementing its HR and social policy. The Company supports prevention of any form of discrimination or use of child or forced labour, recruits and promotes staff solely on the basis of professional capabilities, knowledge and skills.

The Company specifically focuses on developing internal corporate communications and establishing trust between employees and management through communication events, a transparent assessment system and work performance feedback tools for both line employees and managers.

The top priorities under KazTransOil JSC HR Policy are:
- to attract, develop and retain top professionals;
- to integrate state-of-the-art HR management practices at the Company;
- to provide social security to the employees, fully respect their interests and rights and ensure workplace safety;
- to manage the Company's talent pool;
- to support innovations and transformations at the Company;
- to build and implement an effective incentive system to boost labour efficiency and quality.

Management Framework and Tools

Human resources and social policy are managed at two levels. These activities are coordinated by the HR Management Department at the headquarters level and by HR services at the SBU level.

The Department of Public Relations and Internal Communications is responsible for corporate culture and internal communications issues, with the HR Management Department assuming responsibility for some issues in these fields.

On 10 December 2020, new KazTransOil JSC Business Ethics Code was approved by decision of the Board of Directors instead of the previous document (dated 2018). The goal of updating the Code was to bring the corporate values and principles of business ethics as well as ethic norms of the Company in compliance with NC KazMunayGas JSC Corporate Ethics Code and KazTransOil JSC Development Strategy up to 2028. The Code provides for unified corporate values and corporate development actions.

The Company takes a wide range of HR and social management actions and initiatives, including:
- an effective employee remuneration and assessment system based on actual KPIs;
- professional training and development programmes for employees;
- a social package that includes financial and non-financial benefits for employees and their families;
- engagement with trade unions;
- an advanced digital internal communications system;
- a talent pool programme aimed at creating broad career development opportunities for employees at different levels;
- improving the corporate culture management, increasing the social stability;
- a rotation programme for SBU and headquarters department managers.
- on-the-job training at the Company's production facilities;
- regular meetings between the Company's management and personnel;
- annual surveys to measure engagement and the social stability level (SAMRUK RESEARCH SERVICES).

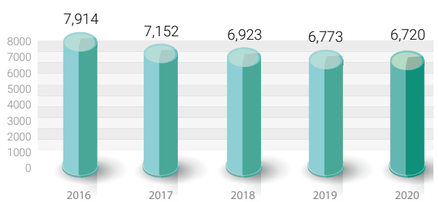
The year 2020 was very challenging due to the spread of COVID-19. The coronavirus pandemic forced to urgently change personnel development approaches. In order to mitigate the risks influencing the life and health of employees, the Company had to shift to remote working for the first time and to stop operations of production personnel, whose work is not expected to be remote, for reasons beyond the employer and employee's control.

The pandemic made everybody work in a timely manner and make decisions more quickly. During the period of strict quarantine measures, the results of business process digitalisation activities enabled the Company to shift all office employees to remote working in a timely manner. The employees' training and meetings are held remotely.

Staff headcount and structure

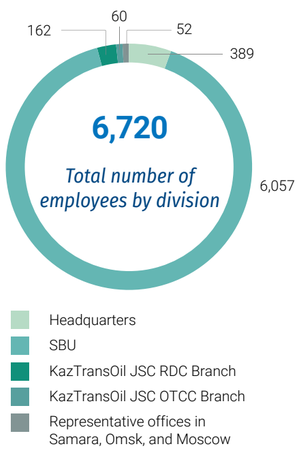
In the reporting period, the headcount reduced by 0.78% as compared to 2019 and amounted to 6,720 people. Such reduction was due to business process optimisation at the Company.

Staff headcount profile



As prescribed by the Labour Code of the Republic of Kazakhstan and the Company's collective agreement, the minimum period of notice to be given to employees upon termination of employment contracts due to downsizing or staff reduction is one month. In 2020, however, no suits were filed by the Company's employees regarding the Company's violation of this specific labour law.

Staff headcount profile by business units, persons



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Staff headcount profile by business units, persons

Description	2018	2019	2020	Difference, %
Headquarters	455	452	**389**	–13.94
SBU	6,269	6,106	**6,057**	–0.80
KazTransOil JSC RDC Branch (former KazTransOil JSC RTC Branch)	151	161	**162**	0.62
KazTransOil JSC OTCC Branch	–	–	**60**	–
Representative offices in Samara, Omsk, and Moscow	48	54	**52**	–3.70
Total	**6,923**	**6,773**	**6,720**	**–0.78**

The Company champions gender equality and strives to secure gender diversity at all Company levels. Due to the specific features of the Company's production activities, the number of male employees among the Company's staff is traditionally higher. The share of male employees in the total headcount was 82% in the reporting period. The Company champions gender equality in management bodies as well: in 2020, KazTransOil JSC Management Board consisted of 8 men and 1 woman.

The Company's employees are mostly aged 30-50 (61%). The average age of the Company's personnel in 2020 was 43.7 years.

Staff structure

Category	Total number (persons)	including by gender groups		including by age groups		
		men	women	under 30	30-50 years old	above 50
Total staff headcount	6,720	5,505	1,215	577	4,130	2,013
Management Board	9	8	1	0	7	2
Administrative and management personnel	393	213	180	27	306	60
Managerial positions	232	146	86	3	183	46
Specialists	161	67	94	24	123	14
Operational personnel	6,327	5,292	1,035	550	3,824	1,953
Managerial positions	654	560	94	13	453	188
Specialists	1,696	1,184	512	122	1,200	376
Workers	3,977	3,548	429	415	2,171	1,389
Personnel turnover, %	2,44	2,45	2,38	0,16	1,53	0,73
Number of employees hired for the year	279	219	60	111	154	14

The Company's employees engaged on the basis of indefinite term employment contracts make up around 99%. The share of full-time employees in the reporting period was 100%.

Number of full-time and temporary employees in 2020, persons

Indicator	Total number, persons	By gender groups	
		Men	Women
Total headcount, including:	6,720	5,505	1,215
full-time	6,637	5,463	1,174
temporary*	83	42	41

** Employees engaged on the basis of employment contracts for temporary replacement of absent employees.*

Number of employees by regions at the end of 2020

Region	persons	Region	persons.
Atyrau Region	1,999	Shymkent	369
Mangistau Region	1,158	Aktobe Region	368
Karaganda Region	748	West Kazakhstan Region	263
Almaty Region	657	Almaty	162
Nur-Sultan	449	North Kazakhstan Region	97
Pavlodar Region	398	Representative offices in Samara, Omsk and Moscow	52

Personnel Recruitment

Employees hired in 2020

The Company recruits staff in accordance with the Rules for Competitive Personnel Selection for Vacancies and Work Occupations at KazTransOil JSC that involve testing elements and transparency, meritocracy and non-discrimination principles.

The Company hired 279 new employees in the reporting year, including 23 headquarters employees and 256 SBU employees. Most newly hired employees are aged 31 to 50.

No cases of discrimination of job candidates or current employees on any grounds were recorded in 2020.

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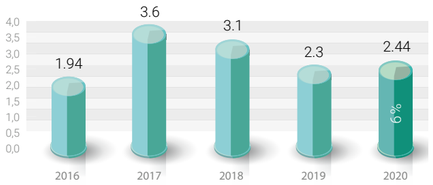
Number of employees hired by regions at the end of 2020

Region	persons	Region	persons
Atyrau Region	61	Pavlodar Region	17
Almaty Region	47	West Kazakhstan Region	15
Mangistau Region	43	Shymkent	11
Karaganda Region	33	Almaty	7
Nur-Sultan	23	North Kazakhstan Region	3
Aktobe Region	17	Representative offices in Samara, Omsk and Moscow	2

Personnel Turnover

Personnel turnover ratio



** The turnover indicator is calculated as a ratio of employees who resigned on their own accord and those dismissed with cause to the Company's average staff headcount for the year*

In 2020, the turnover ratio was 2.44%, which is slightly more than in 2019. The Company's actions to ensure favourable working conditions, implement a system of financial and non-financial incentives and provide opportunities for professional training and career progress have contributed to low level of turnover. Low turnover proves that the Company is capable of retaining its employees by providing favourable work conditions.

The average service duration among the employees is 13 years.

Remuneration and Incentives

KazTransOil JSC offers competitive remuneration to its employees. The Company also elaborates remuneration regulations in view of the opinions expressed by trade unions. The existing corporate remuneration system ensures:

- proper remuneration level consistent with remuneration offered by leading Kazakhstan companies;
- a two-component remuneration system consisting of fixed and variable (bonus) components;
- indexation of operational personnel remuneration based on the inflation level in Kazakhstan.

Extra payment coefficients to account for harsh regional natural and climatic conditions or residence in environmentally unfavourable regions, harmful work allowances and other fixed payments are applied to the fixed part of remuneration.

Every year the minimum remuneration of KazTransOil JSC employees becomes consistently higher than the corresponding remuneration in the Company's operating regions. In 2020, the minimum remuneration at the Company amounted to KZT 132.5 thousand, which is 3.11 times higher than the minimum remuneration in the operating regions. Should be noted that annual report illustrates the algorithm for calculating the minimum remuneration in the Company, taking into account the main constant monthly payments to employees, which distinguishes it from the algorithm for calculating the minimum remuneration in the annual report for 2019, which takes into account only the employee's tariff rate.

In 2020, the Company developed a new remuneration system for its operational personnel that envisages:

- wage increase for essential operational personnel;
- closing the gaps in remunerations between the Company's SBUs;
- personnel categorisation into essential operational, transport and service personnel;
- introduction of certain elements of the Integrated Remuneration System (IRS) for NC KazMunayGas JSC Group employees.

Remuneration indicators for KazTransOil JSC employees

Indicator	2018	2019	2020*
Minimum remuneration in operating regions, KZT thousand	28.3	42.5	**42.5**
Standard remuneration of a newly hired employee at the Company, KZT thousand	116.5	122.3	**132.5**
Minimum remuneration at the Company vs remuneration in operating regions, times	4.11	2.87	**3.11**

** Entry-level remuneration of both men and women is set at the same level. For men and women both, the remuneration indicated of the operator of the boiler Base of the production service of the Uralsk LPDS of the Atyrau Oil Pipeline Department. The minimum remuneration of the Company's employees is indicated after withholding taxes and other mandatory deductions.*

Personnel Assessment System

A year-end bonus is paid to all headquarters employees and SBU managers based on their KPIs approved with account of the accomplishment of the Company's strategic goals and personal performance indicators.

Furthermore, the Company has introduced a "360 degrees" integrated assessment system to assess efficiency of interaction between KazTransOil JSC headquarters departments. As part of this assessment, each division has determined a group of business units within its scope of interaction and the indicators/requirements used as a basis for the assessment.

At the end of 2020, the implemented system helped improve business processes in the headquarters departments subject to assessment and determine methods and means to further improve the interaction.

The competence of managers engaged in the business units at the headquarters, including the Company's Operating Service Department, and SBUs is assessed using a standard personal (business) competency model with the help of assessment centre tools such as analytical presentation, team exercise, competence interview and the "360 degrees" assessment method. The purpose of the assessment is to identify strengths and development areas for the managers subject to assessment. This assessment enables to take more informed staffing decisions and determine more accurate goals for further training.

Based on the results of the assessment centre, personal development plans were prepared. The plans provide for development of personal competencies. In the reporting period, the SBU managers were trained in strategic thinking, effective communications, effective feedback, effective delegation, change management and leadership skills.

In order to develop the staff potential, the Company started working on assessment of Management Board members for further preparation of their personal development plans. The demand in category A management staff was approved to form a Talent Pool in the future.

Approaches to Personnel Rotation

The use of rotation as a method for internal personnel recruitment has proved to be effective and promising. The Company's practices include rotation of SBU management employees and headquarters business unit managers.

Adequate rotation results in an inflow of innovations into the existing management mechanisms, optimal use of the Company's personnel, stronger interaction between the Company's business units, facilitated cooperation to solve future and current production tasks by ensuring that employees understand the needs of other departments, and thus improving the Company's organisational and business performance in general.

Thirty-three managers of the Company's headquarters and SBU business units were subject to rotation in 2020.

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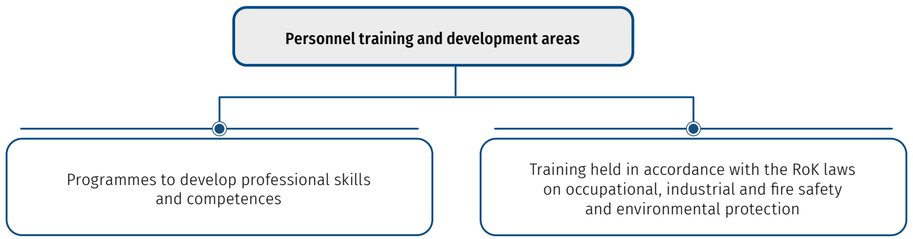
Personnel Training

Providing extensive training opportunities and improving the employee competence are the top priorities for KazTransOil JSC. High vocational training level is crucial for ensuring reliable and efficient activities of the Company.

The Company regards staff development as an integrated project to ensure the competence level required to achieve production goals, promote employee loyalty, create a positive social climate among personnel and exercise a direct impact on the corporate culture development.

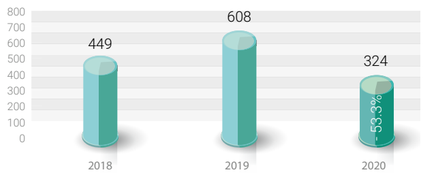
The Company's existing personnel training system provides equal opportunities and support to enable professional development of each Company employee through regular completion of advanced training courses (at least one, but not more than three training courses per employee per year). The system helps effectively acquire and develop the knowledge and skills necessary to implement the tasks assigned to the personnel.

Training areas



In 2020, the Company spent KZT 324 million, which is 53.3% less than in 2019. The cost reduction in the reporting period is due to the restrictions for in-person trainings and business trips and arrangement of on-line training to observe the quarantine measures connected with the COVID-19 coronavirus infection pandemic.

Personnel training investments



KazTransOil JSC has the Training Centre at KazTransOil JSC RDC Branch (former KazTransOil JSC RTC Branch) in Aktau that coordinates the vocational training system and provides the basis and conditions for implementing on-the-job training and development programmes. In 2020, 6,112 employees were trained at the Training Centre.

Re-training of the Company's employees is aimed not only at improving their competence level but also at ensuring cross-training to increase the likelihood of further employment in case of transfer or headcount/staff optimisation.

Information on personnel training (number of trainings performed)

Indicator	All employees	By gender groups		By all employee categories**		
		Women	Men	Managerial positions	Specialists	Office staff/ workers
Number of training hours completed by employees for the reporting period*	305,668	25,775	279,893	51,116	76,016	178,536
Number of employees trained	19,211**	1,564	17,647	1,854	4,420	12,937

** The total number of organisation employees in the corresponding group is used to calculate average indicators.*

*** The total number of organisation employees in terms of training hours is used for the calculation.*

Talent Pool

The main goals of talent pool generation are as follows:
- to ensure long-term HR security and management succession at the Company;
- to identify and develop promising employees in order to maximise their potential to achieve the Company's strategic goals and objectives;
- to motivate employees by providing development and career progress opportunities;
- to create an image of the Company as an employer that helps to attract and retain highly qualified employees by providing development and career progress opportunities.

In accordance with the Talent Pool Generation Rules, KazTransOil JSC has introduced four position categories to generate its talent pool (A, B, C and D). The first three categories cover managers engaged at different levels of the Company's management. The fourth category includes SBU engineering positions other than line managers. Talent pool generation helps to source trained and motivated employees for the Company with minimum time spent on personnel search.

In 2020, in order to generate the Company's Talent Pool in accordance with KazTransOil JSC Talent Pool Generation Rules, demand in category A staff (managers and Chief Executive Officers of SBUs, except for the representative offices) was approved.

After approval of the demand in category B, C and D staff, a list of candidates to be included in the Talent Pool is planned to be formed in 2021.

In the reporting period, 89 workers were transferred to engineering positions within the Company.

Social Policy

KazTransOil JSC acknowledges its responsibility towards its employees and the community and thus pursues a well-balanced social policy aimed at business sustainability, social stability in the operating regions and employee satisfaction in terms of working conditions.

The Collective Agreement concluded between KazTransOil JSC and its employees has always served as a basis for implementation of the Company's social policy.

On 27 February 2020, another three-year Collective Agreement was signed. The goals of the Contract are to render social support to the employees; to achieve the best balance of interests between the Parties to the social partnership; to improve KazTransOil JSC performance; to enhance the parties' responsibilities for production and economic performance. The Collective Agreement covers 100% of personnel.

The Company provides a guaranteed social security package to all employees in order to improve the living conditions of employees and their families as stipulated in the Collective Agreement.

The Company's social package contains:
- social and educational leaves;
- maternity leaves;
- leaves to care for an adopted newborn (newborns);
- short paid leaves in case of an employee's wedding, childbirth (granted to fathers) or death of a close relative;
- a voluntary health insurance option for employees and their family members, including parents.

In 2020, the Company met all the obligations stipulated in the Collective Agreement. The Company's social assistance costs for its employees and their families totalled approximately KZT 3 billion, including the cost of voluntary medical insurance.

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During the COVID-19 pandemic, the Company implemented additional measures to support the employees recovered from COVID-19 by paying financial assistance to them, among other things to compensate for the costs for expensive medicines and medical treatment.

An additional annual paid leave of 2 calendar days is granted to support the employees who have four or more children of preschool and (or) school age.

The Company also cares for its former employees. In addition to mandatory financial assistance upon retirement, the applicable Regulations on Social Assistance to Non-Working Retired or Disabled Persons at KazTransOil JSC also prescribe monthly monetary payments depending on the work record at the Company and financial assistance on national, state and professional holidays for 1,763 retired persons.

Ratio of employees who returned to work in 2020 upon expiration of a childcare leave until the child reaches the age of three

Description	Number of employees who took a childcare leave until the child reaches the age of three		Number of employees who returned to work after a childcare leave until the child reaches the age of three		Share of employees who returned to work after a childcare leave until the child reaches the age of three, %
	Men	Women	Men	Women	
Headquarters	–	6	–	2	3
KazTransOil JSC RDC Branch	–	4	–	3	4
Representative offices in Samara, Omsk and Moscow	–	–	–	–	–
Other SBUs	–	52	5	57	93
Total	**0**	**62**	**5**	**62**	**–**
Total number	**62**	**67**	**100**		

Personnel Engagement Survey

The SAMRUK RESEARCH SERVICES index (the SRS index) is the indicator of KazTransOil JSC personnel engagement. Since 2020, the Company uses a new SRS index research methodology, which is a monitoring instrument to measure the social stability rating in working teams. The Social Engagement and Communications Centre is the authorised SRS research organisation.

Amid the pandemic, a survey of the Company's employees (operational personnel) was held remotely (via telephone).

In 2020, the SRS index rose by 16 p.p. as compared to 2019 and amounted to 91%.

The SRS index comprises the following indicators:
- Engagement index (amounted to 93% in 2020, an increase by 25 p.p. as compared to 2019);
- Social welfare index (amounted to 80% in 2020, an increase by 2 p.p. as compared to 2019);
- Social contentment index (amounted to 93% in 2020, an increase by 16 p.p. as compared to 2019).

SRS index and its components for KazTransOil JSC, %

Indicator	2019	2020
SRS index (agreg.)	75	**91**
Engagement index	68	**93**
Social welfare index	78	**80**
Social contentment index	77	**93**

Internal Communications

Internal communications are another important tool used to build effective communication channels between the stakeholders within the Company.

Internal communications as a strategic management tool are implemented in two areas, namely information and interaction.

The following communication channels are established and effectively used to inform the personnel:
- Corporate information portal;
- KTOinfo integrated notifications;
- Munaiqubyrshy newsletter;
- KTOnews corporate TV channel.

Most of the Company's employees are currently involved in the information flow and have first-hand access to information due to internal communication channel coverage.

In 2020, some projects of the Public Relations and Internal Communications Department switched to online format due to the coronavirus pandemic. For instance, the Open Information Day was renamed as the Department Time. The programme is aimed at raising awareness among the employees about the Company's business processes and core activities and developing face-to-face and video camera speech skills in mid-level managers. Five meetings were held and two programmes were aired in the reporting period.

KTOnews corporate TV channel

The KTOnews network covers all SBUs including remote oil pumping stations and other production facilities. The corporate television was created to establish a communication channel available to most Company's employees in a video format to ensure optimum perception, with targeted on-line information presentation.

The KTOnews programme schedule greatly changed in 2020. The information block started to be shown more frequently, two times per month instead of one. Six new sections appeared on the channel: major reports on activities of business units, My Kazakhstan vlog, Informprovodchik, Department Time, Along the Oil Pipeline and In-studio Guest programmes. The channel broadcast a total of 31 videos including the programmes.

Starting from the next year, the news will be aired in Kazakh and Russian, a new programme, The Children of KazTransOil JSC, is planned to be launched, and free-format interviews with the Company's employees are planned to be shot.

KTOnews TV channel is available on the state-of-the-art screens at SBUs, on the internal corporate portal, in the mobile application and on the YouTube channel of KazTransOil JSC.

Plans for 2021 and Medium-Term Plans

- To develop KazTransOil JSC HR Policy for 2021–2025;
- To form KazTransOil JSC Talent Pool and optimise the Company's internal documents.

National Language Development

KazTransOil JSC places a high priority on development of the national language.

In order to develop the national language at the Company, the Regulation on the National Language Development Committee at KazTransOil JSC was approved in September 2019 along with a Programme for Development and Use of the National Language at KazTransOil JSC Headquarters for 2019–2025 (the Programme).

The Programme is intended to support gradual transition of document management to the national language at KazTransOil JSC Headquarters.

The following key events were held under the 2020 Programme:
- The Company's Headquarters personnel took a KAZTEST to assess their knowledge of the Kazakh language. The test results were used to form 8 groups based on the knowledge of the national language. Starting from 8 January 2020,

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training courses were arranged in accordance with the RoK national standards;
- On the basis of the contract concluded with Eurasian Centre for Training, Refresher Training and Advanced Training LLP for procurement of national language training services for personnel/employees, 73 employees were trained at the elementary level (A2), 52 employees – at the intermediate level (B1) and 64 employees – at the upper-intermediate level (B2);
- The final assessment was performed for 2020. According to the assessment results, 116 employees showed the necessary level of knowledge compliant with the requirements of the Kazakh language knowledge at the upper-intermediate level. This will not only allow the employees to independently work with documents in the national language but will also enable to fully use the national language in the field connected with their profession and work. Moreover, based on the 2020 final testing results, 73 employees completed the Kazakh language course at the intermediate level and are expected to continue their training in 2021 at the upper-intermediate level;
- Efforts were made to translate the general forms of electronic documents (interface) of the electronic document management system (EDMS) and Outlook Email into the national language, electronic means of orthographic and syntactic control of the texts in Kazakh were introduced, the electronic catalogue enabling search of document forms in the national language as well as letter and office memoranda templates in EDMS were updated;
- The "Let's Speak Kazakh" language club was launched;
- The national language test questions were developed to be used for testing the professional knowledge during personnel recruitment to fill the emerging vacancies.

According to the deadlines stipulated in the Programme, the Company plans to complete transition of its document management to the national language by 2025.

EXTERNAL COMMUNICATIONS

In order to establish effective stakeholder engagement, KazTransOil JSC focuses on external communications that allow the Company to respond better to the expectations and queries of its stakeholders and mitigate most reputation risks. Active communication with mass media and regulated procedures in place to manage anti-crisis communications help maintain the Company's positive image.

In 2020, KazTransOil JSC acted as a newsmaker for mass media on numerous occasions, which contributed to intensive and effective information activities.

The most resonating themes of the previous year were:
- Delivery of off-spec oil of CNPC – Aktobemunaigas JSC into KazTransOil JSC main pipeline system;
- Payment of reimbursement to Kazakhstan exporters by Transneft PJSC;
- Payment of dividends to KazTransOil JSC shareholders;
- Implementation of the Kenkiyak – Atyrau Oil Pipeline Reversal Project;
- Reclamation of previously contaminated land.

In 2020, KazTransOil JSC published:
- 72 press releases on the Company's corporate website;
- 26 publications in national and regional newspapers;
- 297 publications on the news feeds of information agencies.

In the reporting period, the communication work also included the development of LinkedIn, Facebook, Instagram and YouTube official accounts of KazTransOil JSC. The information and video materials published on the social networks were devoted to the Company's operations, economic, social and environmental projects, professional and sports achievements of KazTransOil JSC employees, the measures taken to prevent the spread of coronavirus in all KazTransOil JSC business units. Special attention was paid to social topics. A series of photo reports about the Company's employees, mainly of labour professions, was prepared and published to promote the image of labour professions and to raise KazTransOil JSC brand awareness.

Plans for 2021 and Medium-Term Plans

- To continue interaction with mass media as part of the communicative strategy;
- To intensify implementation of the projects aimed to consolidate the Company's staff and increase employee motivation;
- To optimise the corporate information portal as the main source of information for the employees;
- To hold meetings for the management to report to the employees as well as to ensure constant feedback from the CEOs to the Company's staff at the platform.

OCCUPATIONAL SAFETY AND HEALTH

Approach to Occupational Safety and Health Management

Ensuring safe working conditions and minimising occupational risks are key areas of KazTransOil JSC Development Strategy. The Company acknowledges the priority of life and health of its employees over its production performance. As a national main oil pipeline operator and the largest pipeline company of the Republic of Kazakhstan, we understand our responsibility for ensuring production safety and creating safe labour conditions for our employees.

The Company implements these activities to achieve the following:
- Failure-free operation of its production facilities;
- Accident prevention;
- Occupational illness prevention;
- Safe and ergonomic workplace management and proper sanitary and hygienic workplace conditions.

To maintain protection of individuals, legal entities and the environment from the adverse impact of production hazards, the Company has undertaken all industrial safety actions stipulated by the applicable law of the Republic of Kazakhstan.

To mitigate the adverse consequences of emergencies, the Company has set up a rapid response system, including fire safety at production facilities.

In 2019–2020, the Company made great efforts for transition from the occupational safety and health management system compliant with OHSAS 18001:2007 to the occupational safety and health management system compliant with ISO 45001:2018 Occupational Health and Safety Management System. Requirements and Guidelines, confirmed by the corresponding certificate.

In order to ensure automated monitoring of the technical condition of buildings, facilities and fire-extinguishers, the corresponding training of employees was carried out to include the list of buildings, facilities and the list of fire-extinguishers in the SAP TOPO module.

In May 2020, a Procedure for video recording during work performance at KazTransOil JSC main oil pipeline facilities was approved. The Procedure will enable to record violations of the production and fire safety requirements during work performance and after the analysis to develop corresponding measures to prevent injuries, accidents and fires.

Management Framework and Key Tools

Occupational health and safety issues are managed at two levels. These activities are coordinated by the Industrial Safety, Health and Emergency Response Department in the headquarters, and by the occupational health, safety and environment departments at the SBU level.

The Company implements a wide range of occupational health and safety actions and initiatives, including:
- Compliance with the RoK health and safety laws, international and national standards;
- Behavioural observations and implementation of the Protection Card;
- Provision of the required protective clothes, footwear and personal protective equipment (PPE);
- Assessments of occupational safety risks, prevention of occupational injuries;
- A set of reliability and safety actions in accordance with the Industrial Safety Declaration of the Hazardous Production Facility;
- Operation of Industrial Councils at SBUs;
- Monthly meetings with employees on occupational health, safety and environmental issues;
- Safety moments;
- Occupational health and safety and fire safety training of employees within the scope of the fire and occupational safety basics.

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Occupational Hazard and Risk Assessment

Pursuant to KazTransOil JSC Health and Safety Risk Management Regulations, the Company makes efforts to identify hazards for employees and other stakeholders and to assess the associated risks. Health and safety risks are identified at the Company's headquarters and SBUs.

Stages of occupational health and safety risk assessment

1. Compilation/ update of the Hazard List
2. Listing of potential risks associated with an actual hazard
3. Quantification of each risk
4. Identification of high risks

Risks are assessed at least once every two years. Occupational health and safety service employees are involved in the assessment process along with the relevant divisions. The identified risks are subject to reassessment in the event of an emergency or an accident, as well as in the event of significant changes in the production activities. Measures to mitigate high health and safety risks are elaborated based on risk assessment.

The Company also regularly conducts risk assessment training for the personnel involved in ensuring occupational safety and health in order to improve the quality and strict adherence to the procedures. In 2020, in order to perform activities as part of the Year of Safety, training in the risk management system in accordance with ISO 31000:2018 was arranged for 216 production facility managers and occupational safety and health employees of the Company.

In order to identify potential risks and problems in technological processes at T. Kassymov OPS, a HAZOP production risk assessment was performed with the corresponding reporting.

Management System Development

In 2020, the Company continued to develop its health and safety system by implementing various actions according to the approved Roadmap for Comprehensive Development of Health, Safety and Environment Management System at KazTransOil JSC for 2020. Also, measures to prevent the spread of COVID-19 among KazTransOil JSC employees were taken.

The following was developed and approved in the reporting year:

- Amendments to the Protection Card Regulations in KazTransOil JSC;
- Procedure to prevent and respond to the spread of COVID-19 at KazTransOil JSC;
- Corporate Standard ST 6636-1901-AO-039-2.002-2020 Main Oil Pipelines. Motor, Tractor and Special Vehicles. Organisation and Management of a Complex of Traffic Safety Works.

In 2020, 3,516 behavioural observations related to work safety and 2,917 behavioural observations related to driving safety were made at the Company's production facilities. The observations showed that 95% of works are performed safely. All identified cases of unsafe work management and execution were discussed with the employees to indicate the violations, and corresponding actions were developed.

The Company significantly changed its personal protective equipment (PPE) procurement policy in 2020. In particular, it developed new specifications with strict consumer requirements for PPE. The Company selected a PPE vendor taking into account its in-service PPE maintenance capabilities. As a separate effort, the Company envisaged procedures for expert evaluation and testing of the supplied PPE by an accredited laboratory.

As part of internal health and labour safety control activities, 4,046 inspections were carried out with 4,026 non-conformities identified, which were eliminated within the deadlines.

Protection Card

The Company continues to implement the initiative for using the Protection (Qorgau) Card. Any of the Company's employees or any visitor who discovers non-compliance or an event that could become a safety hazard can stop the work until the non-compliance is eliminated and make suggestions on safety improvements by filling in a card. In the reporting period, 1,211 Protection Cards were filled in, out of which action was taken on 625 cards. The card are available on all of the Company's production and office premises and on the Company's website.

As part of implementation of the Roadmap for Integrated Development of the Health, Safety and Environmental Culture at KazTransOil JSC for 2020, the Protection Card Regulations were updated. The Regulations were amended with respect to:

- Frequency of employee incentives;
- Raising the amount of employees' bonus;
- Giving the observer the right to stop works if the works are found to be performed under unsafe conditions.

In order to motivate employees to use the Protection Card, employees were awarded Best Protection Card certificates and a bonus on a monthly or yearly basis.

Number of Protection Cards by observation type in 2020, pcs.

Observation type	Quantity
Unsafe action	252
Hazard	493
Suggestion	466
Total:	**1,211**

Crisis Management Team

In March 2020, KazTransOil JSC Crisis Management Team (CTM) was activated as the World Health Organisation declared the COVID-19 coronavirus infection pandemic and the state of emergency was introduced throughout the Republic of Kazakhstan. A total of 30 CMT meetings were held in 2020. The meetings made prompt decisions to change the working schedule at the Company's facilities, to allocate funds for implementation of sanitary and epidemiological measures and considered other issues aimed to prevention of the spread of coronavirus among the Company's employees and to comply with resolutions of the chief state sanitary doctors of the corresponding administrative and territorial units.

Investments in Occupational Health and Safety

In 2020, the investments in this area amounted to KZT 2.3 billion, which is 17% more than in 2019. In particular, Occupational Safety, Health and Industrial Safety investments increased.

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Investment in occupational health and safety, KZT million

Description	2018	2019	2020	Difference, %
Occupational safety	163.9	188.2	**253**	25
Health	673.9	573.3	**897**	36
Industrial safety	137.7	120.4	**249**	51
Fire safety	914.6	999.0	**887**	–12
Total:	**1,890.1**	**880.9**	**2,286**	**17**

Occupational injuries

Despite extensive measures aimed at improving safety and work conditions, three occupational accidents occurred at the Company in 2020, which harmed 5 employees. All accidents were investigated in line with the RoK legal requirements and the Company's internal procedures.

The accidents happened as a result of electrocution during handling operations and the traffic accident where 5 Company employees were injured.

Investigation showed that the key drivers that contributed to the injuries in those cases were poor work organisation, the employees' personal carelessness and inadequate risk assessment prior to work, violation of the road traffic rules.

Each accident was discussed with the Company's management, the causes of the accidents were analysed.

The incident reviews were sent to the SBUs to be communicated to each employee by displaying them on information boards, holding Safety Moments and using the relevant information during health and safety discussions and meetings. Furthermore, risks were re-assessed and relevant preventive actions were developed.

Number of occupational accidents among the Company's employees

Indicators	2018	2019	2020	Difference, %
Total number of occupational accidents	2	3	**3**	–
Total number of injured persons, including	2	3	**5**	67%
number of minor injuries	2	0	**3**	For 3 cases
number of serious injuries	0	3	**2**	–33%
number of fatalities due to occupational injuries	0	0	**0**	–
Accident frequency rate per 1,000 persons	0.29	0.44	**0.44**	–
Lost Time Injury Frequency Rate (LTIFR)	0.17	0.26	**0.46**	77%

In 2020, three accidents occurred in the Company with five persons injured: two of them received severe occupational injuries, and three employees had injuries that are not classified as severe. A 77% increase is due to the accident where three persons were injured.

Injury Rate among Contractors' Employees

Contractors' employees are also subject to stringent occupational health and safety requirements equivalent to those imposed on the Company's employees. KazTransOil JSC Golden Rules Health and Safety Code also applies to contractors' representatives present at the Company's production facilities.

The Company has adopted the regulatory document named the Joint-Stock Standard on Requirements for Contractors that specifically describe all health and safety requirements for the Company's contractors.

The mandatory contract section which sets forth clear health and safety obligations to be discharged by the contractor is an essential tool to improve safety and health at contractors' companies. Violation of the specified obligations gives rise to the right to take actions and impose sanctions.

The Company regularly organises meetings with the contractors' management where they discuss occupational health and safety issues, application and improvement of personal protective equipment, compliance with the road traffic rules.

In 2020, the contractors recorded one case of the employee's injury without lost time. This case was investigated and communicated to all of the Company's employees. Measures were taken to prevent such cases at the Company's facilities.

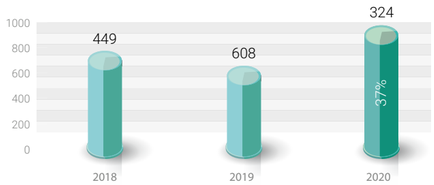
Health

KazTransOil JSC pays close attention to maintaining and supporting the health of its employees. The Company makes efforts to prevent infectious and non-infectious diseases including occupational illnesses and injuries.

In accordance with the RoK laws, the following medical services are provided to the Company's employees:

- Emergency medical aid: medical aircraft and ambulances;
- Paramedical care at a daytime medical centre;
- Qualified medical aid at a first aid station operating on a rotational basis;
- Mandatory medical examinations of employees, including everyday pre-shift screening and annual routine examinations.

Costs for sanitary, epidemiological, treatment and prevention actions, KZT million



Daytime and round-the-clock first aid stations supplied with necessary medicines, medical products and medical equipment are set up to provide timely medical aid at production facilities.

In 2020, special attention was paid to prevent the spread of COVID-19 coronavirus infection among the Company's employees. Actions taken in the reporting period included:

- Risk assessment of the pandemic influence on the Company's performance;
- Survey on employee satisfaction with the preventive measures;
- Training materials "COVID-19 Prevention at KazTransOil JSC" were developed and communicated to all the employees along with testing of knowledge on the materials learnt. The training covered 96% of the Company's employees;

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- A voice announcement about strict compliance with sanitary and preventive measures is regularly broadcast in vehicles and office buildings;
- Posters on the following topics were developed and are constantly demonstrated via internal communication systems: Employee's Actions when COVID-19 Signs Are Detected at KazTransOil JSC, Rules for Wearing Masks, etc.;
- A flu/ARVI vaccination campaign for the Company's employees was carried out;
- Production facilities are also regularly supplied with healthy lifestyle related booklets, brochures and posters.

In 2020, electronic equipment for pre-shift medical inspection of employees was installed at the SBUs and the Company's headquarters. This system allowed to prevent employees showing signs of an acute disease or aggravation of a chronic disease and signs of alcohol, drug and/or other intoxication from accessing a production facility, and therefore to reduce the risk of sudden health deterioration at the workplace, to exclude the human factor and to reduce by two-thirds the time of medical inspection.

Industrial Safety

The Company's industrial and fire safety management system is incorporated into the administrative and engineering actions taken to prevent emergencies and incidents at hazardous production facilities and facilitate emergency containment and response.

In 2020, no man-caused accidents or fires were recorded during operation of the Company's main oil pipelines and other production facilities.

The Company was able to maintain a high safety level mainly due to its comprehensive actions to improve the industrial and fire safety management system:

- According to the approved Procedure for Containment of Hazardous Energy Sources at KazTransOil JSC, the compliance with the uniform requirements for containment of hazardous energy sources during KazTransOil JSC equipment maintenance or repair is controlled;
- A contract was signed for involvement of the professional paramilitary emergency rescue service at the Company's hazardous production facilities;
- Regular checks were held to verify operability of fixed foam extinguishing units and integrity of fire alarm systems and to inspect the fire safety equipment at the production facilities;
- 933 fire safety training sessions and 18,852 fire safety inductions were conducted, 102 members of voluntary fire safety teams were trained and 260 fire safety guidelines were revised to acquire practical skills and theoretical knowledge for responding to a potential fire;
- 20 fire posts with 25 field firefighting trucks were set up at the Company's facilities. Inspection was performed at fire stations operated by the non-state fire protection service that provided fire prevention services at the Company's production facilities. No critical violations of the contractual obligations were identified.

Occupational Health and Fire Safety Training

KazTransOil JSC implements all occupational health and safety training programmes as prescribed by state requirements.

Training in 2020

Types of courses	Employees trained
Occupational health and safety	414
Industrial safety	6,584
Fire safety induction	4,992
Training for non-medical personnel	1,100
Defensive Driving	1,127 drivers (including off-the-job training for 150 drivers)
Safe Driving in Winter Time	for 162 non-professional drivers
Manager of Risk Management System in Compliance with ISO 31000:2018	216
Leadership Skill Development	9

Specialists of Safe Driver LLC certified by the UK Royal Society for the Prevention of Accidents (RoSPA) provided the remote training for 10 employees of KazTransOil JSC in: Training of a Trainer on the Programmes of Defensive Driving, Driving under Difficult Road Conditions, Safe Manoeuvring of Heavy and Special Equipment.

Moreover, 11 employees were trained under the Managing Safely programme and received an international IOSH certificate (Institution of Occupational Safety and Health).

In accordance with the approved schedule, meetings on relevant health, safety and environment topics were held.

In accordance with the Roadmap for Integrated Development of Health, Safety and Environmental Protection Culture at KazTransOil JSC for 2020, on 27 November 2020 KazTransOil JSC held the third annual HSE (Health, Safety & Environment) Forum under the Safe Future slogan. The goal of the forum was to improve occupational safety and achieve zero injuries. Amid the complicated epidemiological situation connected with the spread of COVID-19, the Forum was held online.

The target audiences of the Forum included KazTransOil JSC employees, heads of the Company's subsidiaries and jointly-controlled entities, contractors of KazTransOil JSC. Representatives of NC KazMunayGas JSC, International Social Security Association (ISSA), Total, Royal Dutch Shell Plc, Gazpromneft-GEO and Lomonosov Moscow State University were invited as forum speakers.

According to the programme "Safety Days" at KazTransOil JSC, the Safe Future online marathon was held from 16 to 26 November 2020 with daily mailing of a series of easy and interesting assignments on occupational health and safety. All the assignments were published at the dedicated website: qauipsizbolashaq.kz. The events were covered by the internal communication channels of KazTransOil JSC. Also, the Company organised contests with such nominations as "My Safe Working Place" (photo contest) and "The Most Creative HSE Challenge" (video contest). A total of 476 photos and 141 videos were registered for KazTransOil JSC. All the employees who actively participated in these events received memorable gifts.

Plans for 2021 and Medium-Term Plans

In the short and long term, the following measures are planned to be taken:

- To develop HSE Management System Guidelines according to ISO 45001:2018 and ISO 14001:2015;
- To develop an HSE Company Policy according to ISO 45001:2018 and ISO 14001:2015;
- To update the Golden Rules Occupational Health and Safety Code of KazTransOil JSC;
- To develop a Safe Future Culture Enhancement Programme;
- To develop and introduce a procedure for assessing employees' commitment to HSE;
- To develop and introduce a survey/questionnaire procedure for compliance of the Company's HSE actions with employees' expectations;
- To continue reclamation of previously contaminated land, in particular at the Atyrau Oil Pipeline Administration facilities;
- To develop a project for reclamation of disturbed soils (historical contamination) at the Kulsary Oil Pipeline Administration facilities.

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ENVIRONMENTAL PROTECTION

Management Framework and Tools

Environmental protection (EP) is managed at two levels. These activities are coordinated by the Industrial Safety, Health and Emergency Response Department at the headquarters and by relevant departments at SBUs.

The EP management system is a part of the IMS and is certified in compliance with ISO 14001:2015 Environmental Management System. Requirements and Guidelines and covers all of the Company's production areas. The Company implements a wide range of actions and initiatives as part of environmental protection management, including the following:

- Compliance with the RoK environmental protection laws, international and national standards;
- Compliance with the environmental management system requirements;
- Identification and assessment of environmental aspects and investment into environmental management;
- Actions to assess environmental efficiency of production processes as part of the industrial environmental control involving contractors (laboratories);
- Execution of annual compulsory environmental insurance policies to cover emergency pollution cases;
- Environmental impact assessment according to the effective laws of the Republic of Kazakhstan;
- Development and promotion of environmental awareness among the Company's employees.

Investments and Environmental Payments

The Company's environmental costs are made up of two main components:

- Payments for air emissions, waste water pollutant discharges, production and consumption waste disposal;
- Costs related to environmental protection actions initiated by the Company and aimed at improving the environment quality in Kazakhstan.

In 2020, investments related to environmental protection actions amounted to KZT 1,316 million, which is 42.2% less as compared to 2019. The cost reduction is due to reclamation of disturbed lands (historical contamination) at 984-985 km of the Uzen – Atyrau – Samara main oil pipeline.

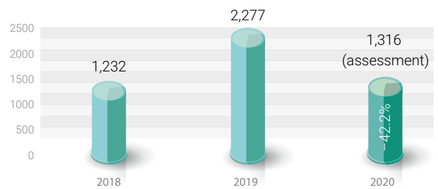
The Company's emission fees in 2020 amounted to KZT 81.69 million, which is 17.6% less as compared to 2019 due to reduced air pollutant emissions.

In 2020, violations of environmental requirements and environmental quality standards were recorded resulting in administrative penalties imposed on the Company by governmental authorities worth KZT 542.9 thousand in total.

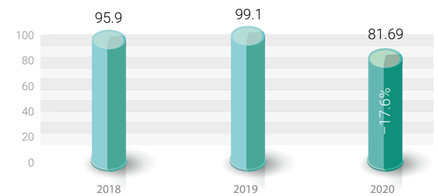
On 26 February 2020, an oil seepage happened at 227 km of the Pavlodar – Shymkent main oil pipeline of the Pavlodar Oil Pipeline Administration caused by the defect of underground pipe. All oil-contaminated soil was promptly recovered and sent for disposal, which enabled to avoid environmental damage claims.

According to the protocol on administrative offence and the administrative fine receipt under truncated administrative offence proceedings, an administrative punishment was imposed in the amount of 100 MCI or KZT 265.1 thousand pursuant to Article 337 part 2 of the RoK Administrative Offence Code for poisoning, pollution or other degradation of land. The administrative fine was paid in a timely manner.

Environmental protection costs. Current costs for environmental protection measures, KZT million



Environmental payments, KZT million



During an unscheduled inspection, the Ecology Department of Atyrau Region of the Environmental Regulation and Control Committee under the RoK Ministry of Ecology, Geology and Natural Resources identified a violation of the Subsoil Use Condition indicated in the environmental emission permit issued to T. Kassymov OPS, clause 5. The violation was related to design and survey works and installation of an aluminium internal floating roof at tank RVS-20000 m^3 (No. 10) in 2020, commissioning – in 2021.

According to the protocol on administrative offence and the administrative fine receipt under the truncated administrative offence proceedings, an administrative punishment was imposed in the amount of 100 MCI or KZT 277.8 thousand pursuant to Article 326 clause 1 of the RoK Administrative Offence Code for non-compliance with the nature use requirements indicated in the environmental permit. The administrative fine was paid in a timely manner.

In 2020, no emergencies associated with environmental damage occurred during oil transportation.

Ambient Air Impact

The main air pollution hazards generated by the Company are emissions from oil heaters, boiler units and oil storage tanks.

To prevent and reduce its adverse impacts on the ambient air, the Company takes action to optimise the combustion process in oil heaters and hot water boilers, and monitors the associated air emissions.

Air emissions, tonnes

Indicator	2018	2019	2020	Difference, %
Air emission volume, including:	**29,951**	**26,665**	**23,396**	**–12.3**
Nox	919	928	**642**	–30.8
Sox	104	89	**93**	4.5
COx	283	285	**273**	–4.2
other air emission categories	28,645	25,363	**22,388**	–11.7

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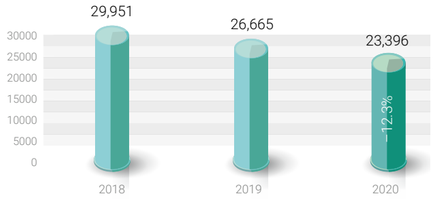
Air emissions, including:



In 2020, the total volume of air emissions did not exceed the established standards. A 12.3% reduction in pollutant emissions as compared to the previous year was due to oil pumping volume reductions.

Control of hazardous substance emissions is the crucial factor of the Company's environmental protection activities.

The maximum permissible atmospheric pollutant emissions (MPE) project provides for monitoring of compliance with the MPE norms at pollutant emission sources. A special company that has a certified laboratory monitors compliance with the MPE norms.

The contribution of the source to the overall emissions of the organisation defines the number of sources subject to monitoring. Maximum emissions shall not exceed the standard values (MPE; g/s) established for each source.

Frequency of the emissions monitoring should be according to the schedules given in the MPE projects.

Greenhouse gas emissions

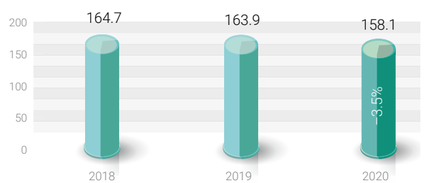
Boilers, oil heaters, fixed and mobile greenhouse gas emission sources, diesel power plants, welding units and other equipment are sources of greenhouse gas emissions at the Company.

Estimation of greenhouse gas emissions and development of a greenhouse gas emission inventory report are based on the data on fuel consumption and oil transportation volume in the reporting year provided by the KazTransOil JSC business units.

Estimated greenhouse gas emissions from sources at KazTransOil JSC business units

Indicator	2018	2019	2020 (forecast)	Difference, %
Gross direct greenhouse gas emissions, thousand metric tonnes of CO_2 equivalent, including:	**164.7**	**163.9**	**158.1**	**–3.5**
carbon dioxide (CO_2), thousand tonnes	163.7	163.0	**157.2**	–3.6
methane (CH_4), thousand tonnes of CO_2 equivalent	0.08	0.09	**0.08**	–11.1
nitrous oxide (N_2O), thousand tonnes of CO_2 equivalent	0.87	0.84	**0.83**	–1.2

Gross direct greenhouse gas emissions, thousand metric tonnes of CO_2-eq., including:



Water resources

KazTransOil JSC takes in water under the existing agreements and special water use permits and makes no significant impact on water resources.

The main objectives of water resources management at KazTransOil JSC are:

- Defining key principles of water management to be applied by all business units;
- Ensuring continuous improvement of water resources management process;
- Ensuring engagement of stakeholders in the process of water resources management.

Total water intake volume by sources, thousand m³

Indicator	2018 **	2019**	2020	Difference, %
Water intake volume, including:	**15,055**	**536**	**472.16**	**–11.9**
surface water	14,727	14	**44.16**	–
groundwater (artesian wells)	240	221	**195.34**	–11.6
municipal and other water supply systems (purchase from third-party companies)	88	301	**232.72**	–22.7

** Water consumption volumes for 2018 are shown taking into account the operation of the Main Waterline Department of KazTransOil JSC from January to June 2018*

*** From July 2018, these activities are within the scope of Main Waterline LLP*

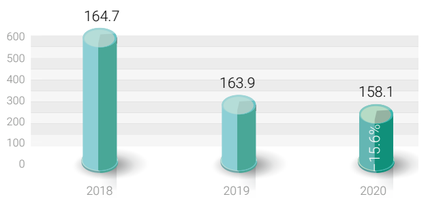
The water consumption volume in the reporting period was 472.16 thousand m³, which is 11.9% less compared to 2019. Decreased water consumption indicator in 2020 is due to a smaller number of seconded employees, contractor employees at the facilities as well as by transition to remote working in the Company.

The waste water discharge volume in 2020 was 231.61 thousand m³, which is 15.6% less due to lower water consumption rate, and did not exceed the Company's permissible limit.

Waste water discharge volume broken down by discharge sources, thousand m³

Indicator	2018	2019	2020	Difference, %
Total discharge volume, including:	**591.5**	**274.5**	**231.61**	**–15.6**
discharge into evaporation (holding) ponds, filtration fields	201.3	183.0	**157.17**	–14.1
discharge into third-party water bodies	94.7	91.1	**76.68**	–15.8
discharge into surface water including swamps, rivers and lakes	295.5	0.4	**0.4**	–

Total waste discharge, including:



In order to control its environmental impacts, the Company monitors groundwater, surface water and waste water by means of water laboratory tests and monitors the effluent treatment degree.

Waste management

Waste management and safe waste handling are among the main points of environmental planning and management at the Company.

Waste collection and removal are performed in strict compliance with the current regulatory legal acts of the Republic of Kazakhstan, the international standards as well as the internal standards of KazTransOil JSC in order to prevent pollution of environmental components.

The waste management objectives are:

- Compliance with requirements of the laws of the Republic of Kazakhstan, the current regulations of the Republic of Kazakhstan, the international standards as well as the internal standards of KazTransOil JSC;
- Separate waste collection at specially allotted and equipped areas or in closed-type containers;

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- Timely conclusion of contracts with specialised organisations for removal and treatment/disposal/neutralisation of consumer and production waste;
- Decreasing volume of temporary waste storage at the production facilities by concluding contracts for waste removal without its temporary storage.

The Company's production processes generate waste, including residues of raw and other materials, goods and products. The bulk of the generated waste is oil-contaminated soil, oil sludge and solid domestic waste.

In accordance with the Environmental Code of the Republic of Kazakhstan, the Company observes the established environmental, sanitary and epidemiological requirements related to safe waste management and disposal. All Company SBUs have waste management programs in place.

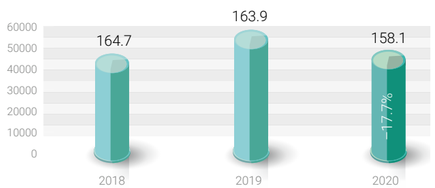
The Company has developed the KazTransOil JSC Waste Management Rules in order to establish the requirements and allocate responsibility to manage waste generated during the Company's production operations. These Rules govern the full waste management cycle, from collection and segregation to waste transfer for further removal, disposal and recycling.

We may classify the production processes causing waste generation at the facilities of KazTransOil JSC as follows:
- Production processes associated with transportation and storage of raw hydrocarbons;
- Machine-tool equipment operation;
- Welding works;
- Repair, construction and preventive maintenance;
- Personnel life activities.

Total waste generation volume, tonnes

Indicator	2018	2019	2020	Difference, %
Generated wastes, including:	**42,219**	**53,524**	**44,055**	**–17.7**
oil-contaminated soil	36,870	42,477	**32,992**	–22.3
oil sludge	1,443	5,890	**5,455**	–7.4
solid domestic waste	2,240	2,875	**2,437**	–15.2
other waste	1,666	2,282	**3,171**	39

Totel waste generation volume, including:



The total waste volume in 2020 is 17.7% less compared to the previous year. The reduction in waste volumes is due to a smaller volume of oil-contaminated soil from reclamation of disturbed lands (historical pollutions) of the Uralsk LOCS of the Atyrau Oil Pipeline Administration of the Company: the soil volume amounted to 38,406 tonnes in 2019, and 32,880 tonnes for the reporting period (-5,526 tonnes).

Moreover, there were two incidents in 2019 with oil seepage at the facilities of Mangistau Oil Pipeline Administration, resulting in 3,971 tonnes of oil-contaminated soil.

The spread of COVID-19 had many employees of the SBUs switched to remote working, which resulted in reduction of solid domestic waste generation by 438 tonnes.

The Environmental Code of the Republic of Kazakhstan established three waste danger levels:
- Green – index G;
- Amber – index A;
- Red – index R.

In 2020, KazTransOil JSC generated 44,055 tonnes of waste, of which 38,928 tonnes are from the amber list and 5,127 tonnes from the green list.

The bulk of 32,880 tonnes of the amber-list waste is oil-contaminated soil from reclamation of the disturbed lands (historical pollution) of Uralsk LOCS of the Atyrau Oil Pipeline Administration.

Waste handling methods

Indicator	Amber list waste	Green list waste	Communal waste	TOTAL
Available at the enterprise at the beginning of 2020	35.4	555.5	0	**590.9**
Generated during the reporting year	38,928.4	2,690.05	2,436.6	**44,055.1**
Handed over to specialised contractual organisations	38,802.5	2,584.8	2,436.6	**43,823.9**
Available at the enterprise at the end of 2020	125.9	105.2	0	**231.10**

Land resources

The Company is responsible for securing the original condition of land resources in its operating regions and performs land reclamation and soil contamination monitoring by engaging independent accredited third-party companies.

KazTransOil JSC also undertook to reclaim the land contaminated in the 1950s-1960s. According to the approved land reclamation project, the Company performs gradual land reclamation of the previously contaminated lands. The work began in 2017.

In 2020, the work continued to rehabilitate the previously contaminated land along the Uzen – Atyrau – Samara main oil pipeline in accordance with the Project on Land Reclamation at the Facilities of the Uralsk line operations control station. Four hectares of disturbed land were rehabilitated in the reporting year.

Impact on biodiversity

KazTransOil JSC currently owns long overhead power lines (OPL) with an average voltage of 6-10 kW, which run along most main pipelines and ensure their cathodic protection.

In certain situations, these OPLs and the associated crossbeams and insulators cause mortality among large and medium birds including those on the Red List of the Republic of Kazakhstan. They die mainly from electrocution as a result of contact with live OPL parts. The main bird species affected by the 6-10 kW OPLs are steppe eagles, eagle owls and, to a lesser degree, golden eagles, saker falcons and others.

In 2020, the Company completed the overhaul of its 6 kW OPLs at the following oil pipelines: Umirzak – OHS – 112 km (30 km) and Zhetybai – OHS – 112 km, 65-112 km section (57 km), which included OPL retrofitting and use of self-supporting insulated wires to significantly reduce potential bird mortality due to contact with such OPLs.

The Company plans to continue focusing on biodiversity conservation at its production facilities.

Plans for 2021 and medium term

The Company will continue its regular activities to determine, assess and manage environmental issues and will endeavour to ensure strict compliance with the environmental laws of the Republic of Kazakhstan. The following actions are planned for 2021:
- Continue rehabilitation of the previously contaminated land, in particular at the Atyrau Oil Pipeline Administration facilities;
- Develop land reclamation project (for previously contaminated land) at the Kulsary Oil Pipeline Administration facilities.

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ENERGY CONSUMPTION AND ENERGY CONSERVATION

Approach to energy efficiency management

Optimising the use of energy resources is a key area of KazTransOil JSC activities. In particular, the Company focuses on boosting the energy efficiency of its production processes. The strategic importance of these tasks is established in the KazTransOil JSC Energy Policy updated in 2020.

The energy resources management objectives are:
- To fully comply with the energy saving and energy efficiency boosting requirements applicable to the Company;
- To constantly improve energy characteristics and increase suitability, adequacy and efficiency of the energy management system;
- To ensure availability of information and resources necessary to achieve energy goals and resolve energy issues;
- To improve the energy saving system of KazTransOil JSC through energy resources saving activities, strict differentiation of rights, obligations and responsibility of the Company's employees for their implementation;
- To develop a system of incentives to promote energy saving by boosting the interest of KazTransOil JSC employees in efficient use and saving of energy resources;
- To procure energy efficient equipment, works and services improving the energy characteristics;
- To decrease negative environmental impact through efficient use of energy resources;
- To ensure availability of information in the field of energy saving and energy efficiency improvement for all employees;
- To perform project activities with consideration of energy characteristics improvement;
- To increase competency level of employees in the field of energy saving and energy efficiency.

KazTransOil JSC General Director (Chairman of the Management Board) annually approves energy efficiency targets for the Company and its SBUs, including:
- Reduction in unit consumption of all energy types (for oil turnover);
- Reduction in unit consumption of power (for oil turnover);
- Reduction in unit consumption of gas for oil turnover in "hot" pipelines;
- Reduction in total energy consumption.

Management Framework and Tools

KazTransOil JSC Process Flow and Energy Management Department is in charge of energy efficiency, develops targets and ensures the corresponding monthly monitoring while ensuring timely and effective control over task progress.

To attain its energy goals, the Company has an energy management system in place, certified according to ISO 50001 international standard. Its scope and coverage are incorporated at all levels: from the OPS energy consumption facilities to the Company level.

Today, the systemic approach to energy management involves forming the processes taking into account the recommendations of ISO 50001 covering the best world practices. An important event in development of the energy management system in 2020 is the Company's transfer from the energy management system compliant with ISO 50001:2011 to the energy management system compliant with ISO 50001:2018. ISO 50001:2018 is a principally new instrument allowing the Company, considering its context, demands and stakeholders' expectations, to consistently reduce energy consumption and atmospheric pollutant emissions and receive significant financial benefits.

The audit conducted in 2019 resulted in approval of the Action Plan for Energy Saving and Energy Efficiency Improvement for 2020–2025 defining the following key actions to improve energy efficiency:
- Replacement of the main pump units with the units with higher efficiency;
- Reconstructing the oil heaters;
- Building gas flow metering stations at the balance inventory boundary;
- Building block boiler house at T. Kassymov OPS.

In the reporting period, headquarters and SBU personnel took external training in Transition to the New Version of ISO 50001:2018.

Energy consumption

The Company accomplished all its energy efficiency goals for 2020 thanks to optimal planning of process operating conditions of main oil pipelines and implementation of the KazTransOil JSC Action Plan for Energy Saving and Energy Efficiency Improvement for 2020.

For instance, the following key actions to optimise energy consumption were implemented in the reporting period:
- Design and survey works on reconstruction of the Zhetybai OPS main pump station;
- Installation of gas flow metering station at the N. Shmanov OPS;
- Construction of a main pump station at Uzen HOPS of the Mangistau Oil Pipeline Administration.

KazTransOil JSC production processes are quite energy intensive, thus the search for and implementation of energy saving solutions is a relevant task for the Company.

KazTransOil JSC uses various energy resources in its energy consumption framework. The most essential are natural gas and power that collectively make up 91.6% of the total consumption of all energy types for oil transportation.

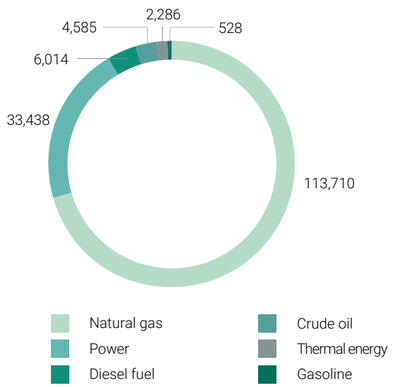
The Company was able to reduce energy consumption during oil pumping by 3.9% in 2020 as compared to 2019, by reducing natural gas consumption by 3.9% and power consumption by 5.8%. The energy consumption reduction was possible because of the use of optimal oil pipeline operating modes along with a 4.6% drop in oil turnover as compared to 2019.

Dynamics and breakdown of primary non-renewable energy sources (separately for KazTransOil JSC)

Energy source	2018		2019		2020		Difference, %
	TOE*	share, %	TOE	share, %	**TOE**	**share, %**	
Natural gas	125,735	70.5	118,267	70.7	**113,710**	**70.8**	–3.9
Power	36,301	20.3	35,496	21.2	**33,438**	**20.8**	–5.8
Diesel fuel	7,231	4.1	6,606	3.9	**6,014**	**3.7**	–8.7
Crude oil	5,262	2.9	4,292	2.6	**4,585**	**2.8**	+6.8
Thermal energy	3,041	1.7	1,819	1.2	**2,286**	**1.4**	+25.6
Gasoline	834	0.5	666	0.4	**528**	**0.3**	–20.8

** TOE means tonnes of oil equivalent*

Dynamics and brekdown of primary non-renewable energy sources, T.O.E.



In order to cut the operating costs, the Company also tracks the energy intensity variations during oil pumping.

In 2020, oil turnover for KazTransOil JSC alone dropped by 4.6% as compared to 2019, while the reduction in total energy consumption was less and amounted to 3.9% due to a 0.03% increase in energy intensity as compared to the previous year. The increase in heat power consumption at the Mangistau Oil Pipeline Administration greatly influenced the total energy consumption due to the charges of heat power losses from subconsumers at the oil pipeline administration since 2020.

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Energy intensity profile (separately for KazTransOil JSC)

Indicator	2018	2019	2020	Difference, %
Total energy consumption, TOE	178,404	167,146	**160,562**	–3.9
Oil turnover (separately for KazTransOil JSC), mln tonnes×km	38,040	37,657	**35,899**	–4.6
Energy consumption for oil transportation, TOE/mln tonnes×km	4.69	4.44	**4.47**	+0.03

** According to KazTransOil JSC energy intensity calculation method, the base indicator is oil turnover. All types of energy used by the Company are taken into account in the calculation*

Plans for 2021 and medium term

- Ensure effective operation of the Company's energy management system compliant with ISO 50001:2018;
- ensure implementation of actions adopted in the KazTransOil JSC Action Plan for Energy Saving and Energy Efficiency Improvement for 2020–2025;
- update of the Energy Management System documents in the first quarter of 2021;
- prevent growth of energy efficiency indicators, keep unit energy consumption for oil turnover at the level of 2018–2020. In the last 10 years, unit energy consumption decreased by 13.6% and unit gas consumption for oil heating decreased by 34%;
- taking into account the future carbon tax and acknowledging the environmental value and efficiency of using renewable power sources, the Company plans to build in the future a solar battery power station at Shymkent HOPS.

PROCUREMENT SYSTEM AND LOCAL CONTENT DEVELOPMENT

Approach to procurement system management

KazTransOil JSC develops its procurement system based on openness, competitiveness and feasibility.

The Company gives preference to the vendors who follow at least the minimum safety and environmental requirements. Such requirements are clearly stated in the documents that govern pre-qualification of potential vendors.

KazTransOil JSC procurement system concepts:
- Open and transparent procurement process;
- Optimal and efficient procurement-related expenditures;
- Procurement of high-quality goods, works and services;
- Fair competition among potential vendors;
- Minimum participation of agents in procurement processes.

The Contracting and Local Content Development Department monitors the procurement processes at all of the Company's business units. The previous reorganisation enabled the procurement function centralisation.

Procurement procedures are implemented using the Samruk-Kazyna Contract LLP on-line trading platform and include the following stages:

Development and approval of procurement plans → **Selection of vendos supply goods, works and services** → **Execution and implementation of procurement contracts**

Computerised procurement processes and an electronic contract system resulted in significant time saving at each procurement stage.

In 2020, the value of contracts concluded by KazTransOil JSC with its vendors was KZT 78,349 mln, including:
- KZT 78,256 mln for the headquarters
- KZT 92,7 mln for RDC Branch of KazTransOil JSC.

The total savings in 2020 as a result of competitive procurement procedures amounted to KZT 3,896 mln.

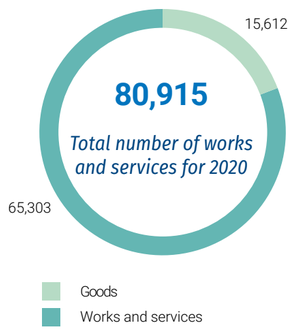
Number of vendors broken down by categor, in 2020

By implementing the state policy on national economy and local content development, KazTransOil JSC endeavours to increase the share of goods procured from Kazakhstani manufacturers.

As a result of procurement processes, long-term contracts for 2020–2024 for the total value of KZT 3,376 mln were signed with local producers and disabled persons associations. Also, in 2020, one-year contracts for KZT 4,928 mln were concluded with local producers with subsequent full completion.

As of the end of 2020, local content in KazTransOil JSC procurement was 71%, including 52% in goods and 75% in works and services. Local content in procurement of goods, works and services is monitored on the web portal of the authorised body.

Local content in procured goods, works and services in 2020, KZT mln*



** Data provided by Samruk-Kazyna Contract LLP*

In the next reporting period, the Company plans to continue its procurement practices according to its corporate concepts and standards, including implementation of the KazTransOil JSC Goods, Works and Services Procurement Plans for 2021 and for 2021–2025.

Further monitoring over the local content in procurement of goods, works and services is also envisaged. Plans for 2021 include ensuring local content at the level of 2020, 52% in the procurement of goods and 75% in procurement of works and services.

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CORPORATE MANAGEMENT SYSTEM AND ITS PRINCIPLES

KazTransOil JSC considers corporate management to be a key driver for increasing the Company's value, competitiveness and investment attractiveness. Hence, continuous improvement of the corporate management system and respecting the shareholders' interests and rights are the Company's priorities.

KazTransOil JSC is building a corporate management system in accordance with the RoK laws, KASE requirements, the Company's Charter and the Corporate Management Code.

The Corporate Management Code sets forth the key concepts to ensure proper corporate management:

- Shareholders' rights and equitable treatment of shareholders;
- Professional Board of Directors and executive body;
- Risk management and internal control;
- Sustainable Development;
- Transparency.

These principles comply with best corporate management practices and are essential for increasing the long-term value, investment attractiveness and sustainable development of the Company as a whole.

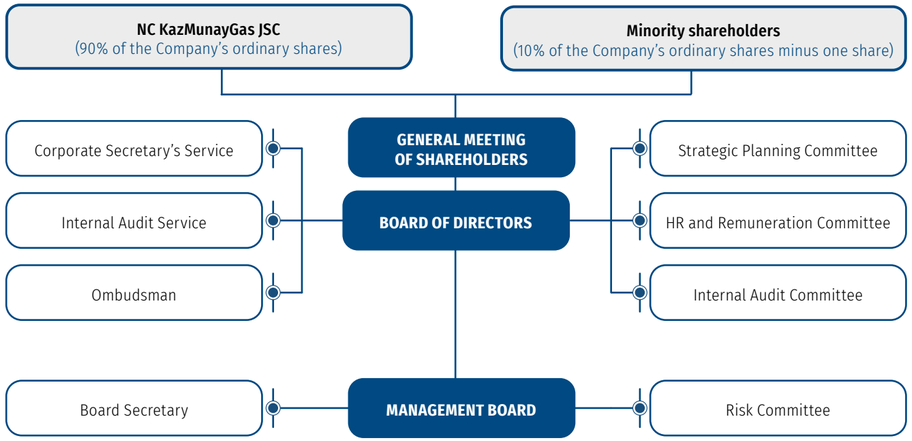
According to the Action Plan for Corporate Management System Improvement for 2020–2021 developed based on recommendations submitted by the Internal Audit Service of KazTransOil JSC in 2019, the following works were performed in 2020:

- The Company's Management Board approved the need for category A management staff in order to form a Talent Pool of KazTransOil JSC;
- Independent external inspection of efficiency of controls ensuring protection of applications and systems of KazTransOil JSC from cyber-attacks was carried out;
- The Board of Directors of KazTransOil JSC approved the Business Ethics Code;
- The Board of Directors of KazTransOil JSC approved the developed consolidated Company Stakeholder Map for 2021–2023.

The Company's bodies deciding on the key issues of the Company's activities and performing general management are:

- General Meeting of Shareholders (supreme body);
- Board of Directors (management body);
- Management Board (executive body).

Company's Corporate Management System



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REPORT ON COMPLIANCE WITH THE CORPORATE MANAGEMENT CODE

The goals set forth by the Corporate Management Code are to improve KazTransOil JSC's corporate management, to ensure transparent management and to confirm the Company's commitment to the appropriate corporate management standards. The principles stipulated in the Code are as follows:

- The Government as Samruk-Kazyna JSC shareholder;
- Interaction between Samruk-Kazyna JSC and entities. Role of Samruk-Kazyna JSC as a National Management Holding;
- Sustainable development;
- Shareholders' rights and equitable treatment of shareholders;
- Efficiency of the Board of Directors and the Executive Body;
- Risk Management, Internal Controls and Audit;
- Transparency.

The Company acknowledges the significance of corporate management and thus lays an emphasis on the need for compliance of the Company's internal regulations and practices with the corporate management principles.

A full report on KazTransOil JSC compliance with the principles and provisions of the Corporate Management Code for 2020 is provided in Appendix 4 to the Report.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's supreme management body that operates in accordance with the RoK Law On Joint-Stock Companies, the Company's Charter, and the Regulations on KazTransOil JSC General Meeting of Shareholders.

The Company strives to maintain equal and fair treatment of all shareholders in terms of exercising their right to participate in the Company's management. The primary way for the shareholders to exercise their rights is to participate in the annual General Meeting of Shareholders and in extraordinary General Meetings of Shareholders.

The procedure for holding the General Meeting of Shareholders is aimed at observing the shareholders' rights and complying with all effective legal requirements and the global best practices in the field of corporate management.

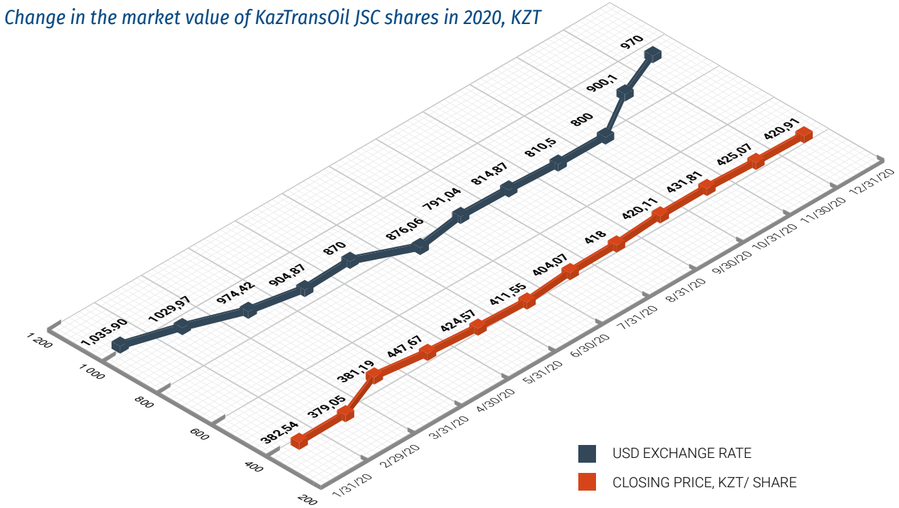
Share capital structure

KazTransOil JSC is a subsidiary of NC KazMunayGas JSC, 90% of which shares belong to Samruk-Kazyna JSC.

As of 31 December 2020, the total number of KazTransOil JSC authorised shares amounts to 384,635,600 ordinary shares, out of which:

- 346,172,040 ordinary shares, or 90% of the total number of shares issued and placed are held by NC KazMunayGas JSC;
- 38,463,559 ordinary shares, or 10% minus one share, were placed through subscription on the KASE, including 7500 ordinary shares repurchased by the Company at the shareholder's request;
- 1 (one) ordinary share in the Company was not placed.

Change in the market value of KazTransOil JSC shares in 2020, KZT



Date	12/31/19	1/31/20	2/29/20	3/31/20	4/30/20	5/31/20	6/30/20	7/31/20	8/31/20	9/30/20	10/31/20	11/30/20	12/31/20
Last deal price, KZT/ share	1,035.90	1,029.97	974.42	904.87	870	876.06	791.04	814.87	810.5	801.5	800	900.1	970
USD exchange rate (USDTOM), KZT/US$	382.54	379.05	381.19	447.67	424.57	411.55	404.07	418	420.11	431.81	432.66	425.07	420.91

Information on Meetings of KazTransOil JSC shareholders held in 2020

Annual General Meeting of Shareholders

The annual General Meeting of the KazTransOil JSC Shareholders was held on 27 May 2020. Amid the epidemiological situation, the meeting was held in absentia without the General Meeting of Shareholders.

The considered issues were as follows:

- Approval of the KazTransOil JSC annual financial statements and consolidated annual financial statements for 2019;
- Approval of the procedure to allocate the KazTransOil JSC net income for 2019 and undistributed profit for previous years, the decision to pay dividends on ordinary shares and approval of the dividend amount per ordinary share at KazTransOil JSC;
- Approval of the Annual Report on Activities Completed by the KazTransOil JSC Board of Directors in 2019;
- Complaints by KazTransOil JSC shareholders regarding the actions by KazTransOil JSC and its officials in 2019, and the corresponding settlement results;
- Approval of the Regulations on KazTransOil JSC General Meeting of Shareholders;
- Early resignation of some members of the KazTransOil JSC Accounting Committee and election of new members of the KazTransOil JSC Accounting Committee.

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Dividend policy

KazTransOil JSC Dividend Policy was developed to balance the interests of the Company and its shareholders, to provide the maximum possible transparency for shareholders and all stakeholders and to determine the dividend amount and payment procedure.

The Dividend Policy sets forth the minimum dividend amount at 40% of the Company's net income. The actual dividend amount may reach or exceed 100% of the Company's net income unless this contradicts the Company's liabilities.

The largest value of consolidated or separate net income is applied to calculate dividends. The Company's Management Board reserves the right to offer a dividend payment level below the 40% standard, based on the Company's actual performance for the corresponding fiscal year, industry-wide development trends and the capital (investment) cost programme.

Dividend payments

Dividend accrual period	Dividend payment commencement date	Dividend amount per ordinary share, KZT	Total payment, KZT
01.01.2016-31.12.2016	27.06.2017	155	59,617,355,345
01.01.2017-31.12.2017	26.06.2018	160	61,540,495,840
01.01.2018-31.12.2018	03.07.2019	104	40,001,322,296
01.01.2019-31.12.2019	18.06.2020	118	45,386,115,682

By decision of the annual General Meeting of Shareholders, KZT 45,121,438,000 were allocated to pay dividends for 2019, which is 100% of the Company's net income for 2019 and KZT 264,677,682 from undistributed profit for the previous years. The total amount allocated for dividend payment based on 2019 amounted to KZT 45,386,115,682 or KZT 118 per ordinary share of the Company. Payment of dividends for 2019 was completed on 25 June 2020.

Information disclosure

Information disclosure by the Company ensures that such information becomes available to all stakeholders, regardless of the purpose for obtaining the information. Information is disclosed in accordance with the RoK Laws On the Securities Market and On Joint-Stock Companies, the Listing Rules by Kazakhstan Stock Exchange JSC, the Company's Charter and other requirements of the RoK laws and the Company's internal documents.

Establishment of effective relations with shareholders based on information transparency and mutual respect is one of the Company's priorities. The Company has an Investor Relations Service to ensure feedback between the Company and its shareholders, potential investors, analysts, professional securities market players and representatives of the investment community in general.

At the end of 2020, the Kazakhstan Stock Exchange awarded KazTransOil JSC a certificate to recognise "Commitment to Transparency" (press release of the Stock Exchange https://kase.kz/ru/news/show/1453420/).

In the previous year, the Company's Annual Report for 2019 took the third place as the Best Annual Report at the Annual Reports Contest of the QRA rating agency.

The Company will continue working on information transparency and efficient information disclosure to stakeholders.

BOARD OF DIRECTORS

The Board of Directors is a management body responsible for strategic management of the Company and supervision over the Management Board within its competence. The Board of Directors is accountable to the General Meeting of Shareholders and is responsible for effective management and supervision over the Company's activities in accordance with the current decision-making system.

The Board of Directors is governed by the RoK Law On Joint-Stock Companies, other RoK legal acts, decisions made at the General Meeting of Shareholders, the Company's Charter, the Corporate Management Code and the Regulations on the KazTransOil JSC Board of Directors.

Within its competence, the Board of Directors determines the Company's development strategy and priority development areas, including in the following areas:

- Corporate management;
- Risk management and internal control;
- Sustainable Development;
- Implementation of major investment and other key strategic projects.

The Board of Directors also exercises regular control over performance in the priority areas of the Company's development, establishes KPIs in the Company's development plan and monitors their implementation.

Members of the Board of Directors

In accordance with the share capital structure (90% of the total number of ordinary shares are held by NC KazMunayGas JSC), one member of the Board of Directors is a representative of the major shareholder, namely KazMunayGas JSC. Three members of the KazTransOil JSC Board of Directors are independent directors, thereby ensuring protection of the rights and interests of minority shareholders, in accordance with the best practices in corporate management. The General Director (Chairman of the Management Board) is also a member of the Company's Board of Directors.

The Chairman of the Board of Directors is Daniyar Berlibayev, a representative of NC KazMunayGas JSC.

All members of the Board of Directors have a sound professional reputation and significant industry experience. All members also have the necessary knowledge and competences in strategic planning, financial reporting and audit, business planning and project management.

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Daniyar Berlibayev

Chairman of the KazTransOil JSC Board of Directors

Representative of NC KazMunayGas JSC

Nationality: Republic of Kazakhstan.

Born on 21 December 1968.

Graduated from Al-Farabi Kazakh State University with a degree in Law as a qualified Lawyer.

Work experience:

2016–2017 – Executive Vice President for Transportation, Processing and Marketing at NC KazMunayGas JSC.

2017 – February 2019 – Advisor to the Chairman of the NC KazMunayGas JSC Management Board.

From 7 February 2019 – Deputy Chairman of the NC KazMunayGas JSC Management Board for Oil Transportation, International Projects and Construction of the Saryarka Gas Pipeline.

From 29 January 2016: Chairman of KazTransOil JSC Board of Directors, Representative of NC KazMunayGas JSC.

Member of the NC KazMunayGas JSC Management Board, Chairman of the KMG International N.V. Board of Directors, Chairman of the CPC-R JSC Board of Directors, Chairman of the AstanaGas KMG JSC Board of Directors.

Mr. Berlibayev holds 9655 Company's shares, or 0.00251% of the total number of the placed shares.

He does not hold any SJCE shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Dimash Dossanov

Member of the KazTransOil JSC Board of Directors, General Director (Chairman of the Management Board) of KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 2 November 1981.

Graduated from Al-Farabi Kazakh State University with a degree in International Relations as a qualified International Relations Specialist; T. Ryskulov Kazakh Economic University with a degree in Finance and Credit as a qualified Economist. MA in Business Administration (MBA), Georgetown University (USA).

Work experience:

January to August 2016 – First Deputy General Director at KazTransOil JSC.

From 6 August 2016 – General Director (Chairman of the Management Board) of KazTransOil JSC.

From 20 October 2016: member of the KazTransOil JSC Board of Directors.

Member of the CPC-R JSC and CPC-K JSC Board of Directors.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

INDEPENDENT DIRECTORS

The presence of independent directors in the Company's Board of Directors is predetermined by the aspiration to achieve an optimum balance of experience, skills and qualifications among the members of the Board of Directors. The independent directors also bring in valuable know-how in corporate management and risk management, as well as international experience, strategic vision and extensive understanding of the oil transportation industry.

In addition to their participation in the activities of the Board of Directors, independent directors act as chairpersons in the committees under the Board of Directors, actively participate in discussing the meeting agendas and ensure that unbiased decisions are made to respect the interests of all shareholders.

In the reporting period, the Company's independent directors fully complied with the independence criteria established by the RoK laws, the Company's Charter and the Regulations on the Company's Board of Directors.

Detailed information on the procedure for independent director election may be found at the Company's website in the Corporate Management section.

Vinicius Agostini

Independent Director

Nationality: Federative Republic of Brazil.

Born on 8 March 1981.

Graduated from Universidade Federal de Minas Gerais (Brazil) with a degree of Bachelor of Business Administration, McDonough Georgetown University Business School (USA) and ESADE Business School (Spain). Has a Master's degree in Business Administration (MBA).

Work experience:

Mr. Agostini has extensive strategic development experience in such industries as cybersecurity, steel production, mining, logistics, telecommunications and management consulting. He is currently engaged as Head of Strategy and Marketing at Exceda (a cloud computing and web security provider in Latin America and the United States) and coordinates the launch of operations in seven countries in the region.

During his time at Usiminas (Brazil), he coordinated the company's long-term strategic plan with the management board and major shareholders (Nippon Steel, Ternium/Tenaris groups).

From 28 January 2019, Mr. Agostini is an independent director at KazTransOil JSC.

He does not participate in management bodies of any other organisations.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

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Almasbek Mukhashov

Independent Director

Nationality: Republic of Kazakhstan.

Born on 5 June 1980.

Mr. Mukhashov graduated from the American University of Rome and has a Bachelor of Science in Business Administration and a Master of Business Administration (MBA) of National University of Singapore, Republic of Singapore.

Work experience:

Mr. Mukhashov has international experience in oil and gas industry. In different periods, he worked with Eni S.p.A., Agip Caspian Sea B.V., Eni Exploration and Production and Agip Kazakhstan North Caspian Offshore Operating Company in different spheres: external relations, economic assessment and project analysis, industrial projects development, commercial direction and international negotiations on hydrocarbon exploration, production and transportation.

From 28 January 2019, Mr. Mukhashov is an independent director at KazTransOil JSC.

He does not participate in management bodies of any other organisations.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Hadrien Fraissinet

Independent Director

Nationality: Swiss Confederation.

Born on 13 December 1979.

Mr. Fraissinet holds a Bachelor's Degree from Wheaton College (USA, Massachusetts), a Master's Degree in Business Administration (MBA) from Georgetown University (USA) and ESADE Business School (Spain).

Work experience:

Mr. Fraissinet has significant international experience in private investment and consulting in different economy sectors. He specialises in identifying growth opportunities and defining strategies aimed at gaining added value. Since the start of his career at Rothschild&Co, Mr. Fraissinet has held senior positions at Baring Vostok Capital Partners and at the International Finance Corporation, has been a member of the World Bank, where he managed investments in Africa, Asia, Latin America and Russia & CIS.

From 28 January 2019, Mr. Fraissinet is an independent director at KazTransOil JSC.

He does not participate in management bodies of any other organisations.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Criteria for selection and election to the Board of Directors

The criteria developed to select and elect members of the Board of Directors, including independent directors and the Chairman of the Board of Directors, are set out in the RoK Law On Joint-Stock Companies, the Company's Charter, the Corporate Governance Code and the Regulations on the Company's Board of Directors.

The General Meeting of Shareholders elects members of the Board of Directors using clear and transparent procedures, with due regard to the knowledge, skills, achievements, business reputation and professional experience of candidates. Their contribution to the performance of the Company's Board of Directors is taken into account during re-election of individual members or all members of the Board of Directors for a new term.

A balance of skills, experience and knowledge is maintained among members of the Board of Directors and its Committees to ensure independent, unbiased and effective decision-making, to respect the interests of the Company and the shareholders, as well as to achieve long-term value growth and sustainable development of the Company.

Conflicts of interests

In accordance with the Regulations on the Board of Directors, members of the Board of Directors must adhere to the principle of not allowing conflict of interests in their activities.

Members of the Board of Directors must abstain from actions that would cause or could potentially cause a conflict of interests between them, the Company and shareholders, and in case of presence or appearance of such conflict, immediately inform the Chairman of the Board of Directors in writing.

A member of the Board of Directors cannot vote on issues when they have interest in them or there is a conflict of interests.

No conflicts of interests were identified in the reporting period.

Activities of the Board of Directors

Attendance of the Board of Directors meetings in 2020

Director	Attendance of meetings		Term as a member of the Board of Directors in the reporting period
	Number of meetings attended	Percentage of meetings attended	
Daniyar Berlibayev	12 of 12	100%	01.01.2020 – 31.12.2020
Vinicius Agostini	12 of 12	100%	01.01.2020 – 31.12.2020
Dimash Dossanov	12 of 12	100%	01.01.2020 – 31.12.2020
Almasbek Mukhashov	12 of 12	100%	01.01.2020 – 31.12.2020
Hadrien Fraissinet	12 of 12	100%	01.01.2020 – 31.12.2020

In 2020, the Board of Directors held 11 meetings in presentio and one in absentia. At the meetings, the participants reviewed and decided on 119 issues, including those related to the Company's core business:

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Strategic development:

- Approval of the KazTransOil JSC Development Strategy up to 2028;
- Review of the KazTransOil JSC Business Plan Implementation Report for 2019;
- Approval of the KazTransOil JSC Business Plans for 2021–2025 on the revalued and historical cost of fixed assets;
- Review of the 2019 report on implementation of KazTransOil JSC Development Strategy up to 2025.

Financial and business activities:

- Convening of the annual General Meeting of KazTransOil JSC Shareholders;
- Preliminary approval of the Company's annual financial statements and consolidated annual financial statements for 2019;
- Proposals from the Board of Directors to the General Meeting of the Company's Shareholders on allocation of the Company's net income for 2019, the undistributed profits for the previous years and the dividend amount for 2019 per ordinary share of the Company;
- Execution of transactions the Company is interested in.

Corporate management:

- Approval of the KazTransOil JSC Business Ethics Code;
- Approval of the KazTransOil JSC Annual Report for 2019;
- Approval of the incentive KPIs for the Company's senior executives, corporate secretary and the Head of the Internal Audit Service of the Company for 2020 and their target values;
- Approval of the Report on the Company's compliance with the concepts and provisions of the Corporate Management Code for 2019;
- Consideration of the Annual Report on Activities Completed by the KazTransOil JSC Board of Directors in 2019.

Internal audit:

- Approval of the annual audit plan of the KazTransOil JSC Internal Audit Service for 2021;
- Approval of the budget for the KazTransOil JSC Internal Audit Service for 2021;
- Hearing of the Company's Internal Audit Service reports.

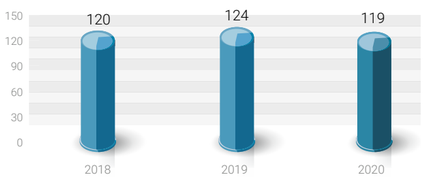
Risk management and internal control:

- Approval of quarterly reports on occupational and non-occupational risks of KazTransOil JSC, its subsidiaries and jointly controlled entities;
- Approval of the results of identification and assessment of occupational and non-occupational risks of KazTransOil JSC, its subsidiaries and jointly controlled entities for 2021.

The Board of Directors also considered a number of issues within the competence of the General Meetings of Participants/Shareholders in the Company's subsidiaries and jointly controlled entities.

Additional information on decisions made by the Board of Directors in 2020 is available on the Company's website in the Corporate Management section.

Number of issues considered at the meetings of the Company's Board of Directors



Results of the Committees of the Board of Directors

Three committees were established under the Board of Directors to enhance its performance by reviewing and preparing recommendations on the most relevant issues that require special expertise: Strategic Planning Committee, HR and Remuneration Committee, and Internal Audit Committee. The Company's Board of Directors appoints the Committee members.

The roles, rights and responsibilities, establishment and management of the Committees are set forth in the relevant internal documents. These documents are available on the Company's website in the Corporate Management section.

Strategic Planning Committee

The main objective of the Strategic Planning Committee is preliminary review and preparation of recommendations for the Board of Directors on the Company's development strategy, including defining the priority areas.

The Committee consists of the members of the Board of Directors and experts with the professional knowledge required for work in the Committee. The Company's Board of Directors determines the membership of the Strategic Planning Committee. Moreover, in accordance with the Company's internal documents, the Committee Chairman should be an independent director.

Members of the Strategic Planning Committee (elected by the decision of the Company's Board of Directors dated 29 January 2019):
- Vinicius Agostini, Independent Director, Chairman;
- Almasbek Mukhashov, Independent Director;
- Hadrien Fraissinet, Independent Director.

The Committee holds meetings as necessary, but at least once every six months.

The Strategic Planning Committee held 4 meetings in presentio in 2020 with considering and developing the recommendations on the following key issues:
- Consideration of the corrected KazTransOil JSC Business Plans for 2020–2024 on the revalued and historical cost of fixed assets;
- Proposal from the Board of Directors to the General Meeting of Shareholders on allocation of the Company's net income for 2019, the undistributed profits for the previous years and the dividend amount for 2019 per ordinary share of the Company;
- Preliminary approval of the KazTransOil JSC Development Strategy up to 2028;
- Consideration of the KazTransOil JSC Business Plans for 2021–2025 on the revalued and historical cost of fixed assets.

HR and Remuneration Committee

The main goal of the HR and Remuneration Committee's activities is assisting the Board of Directors in exercising its powers related to selection, appointment (election), appraisal and remuneration for the members of the Board of Directors, the General Director (Chairman of the Management Board), the members of the Management Board and the Corporate Secretary.

In accordance with the Company's internal documents, the majority of the Committee members, including the Chairman, must be independent directors. The Chairman of the Board of Directors and the General Director (Chairman of the Management Board) must not be the Committee members.

The members of the HR and Remuneration Committee (elected by the decision of the Company's Board of Directors dated 29 January 2019):
- Almasbek Mukhashov, Independent Director, Chairman;
- Vinicius Agostini, Independent Director;
- Hadrien Fraissinet, Independent Director.

The Committee holds meetings as necessary, but at least once every six months.

In 2020, the HR and Remuneration Committee held three meetings in presentio and two in absentia with considering and developing the recommendations on the following key issues:
- Approval of corrected incentive KPIs for some of the Company's senior executives for 2020 and their target values;
- Review of the Report on incentive KPIs attained by the Company's Executives for the first six months of 2020;
- Review of the Report on Incentive KPIs attained by the Company's Executives for the nine months of 2020;
- Review of the Report on incentive KPIs attained by the Company's Corporate Secretary for the first six months of 2020;
- Remuneration of the Company's executives and Corporate Secretary based on their performance in 2019;
- Approval of candidates to the positions appointed by the Company's Board of Directors.

Internal Audit Committee

The Internal Audit Committee is assisting the Board of Directors in issues of external and internal audits, financial statements, internal control and risk management, asset valuations, compliance with the RoK laws and other issues assigned by the Company's Board of Directors.

In accordance with the Company's internal documents, the members of the Board of Directors who are also the members of the Committee, including the Committee Chairman, must be independent directors.

Members of the Internal Audit Committee (elected by the decision of the Company's Board of Directors dated 29 January 2019):
- Hadrien Fraissinet, Independent Director, Chairman;
- Vinicius Agostini, Independent Director;
- Almasbek Mukhashov, Independent Director.

The Internal Audit Committee holds meetings as necessary, but at least once a quarter .

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If necessary and upon invitation from the Committee Chairman, the Lead Partner and/or other representatives of the Company's external auditor Ernst & Young LLP may attend Committee meetings to jointly consider audit findings.

In the reporting period, the Internal Audit Committee held six meetings in presentio and one meeting in absentia with considering and developing the recommendations on the following key issues:

- Preliminary approval of the Company's annual financial statements and consolidated annual financial statements for 2019;
- Review of the data on compliance with the Rules for Internal Control over the Company's insider information management and use and the report on the Company's insider training for 2019;
- Preliminary approval of the Annual Audit Plan for the Company's Internal Audit Service for 2021;
- Preliminary approval of the budget for the Company's Internal Audit Service for 2021.

Additional information on requirements for membership, goals and competencies of the Committees under the Board of Directors and the procedure for meetings of the Committees is available on the Company's website in the Corporate Management section.

Remuneration for members of the Board of Directors

The procedure for remuneration and cost reimbursement payments to independent directors is established by the Rules on Remuneration and Cost Reimbursement Payments to Independent Directors of NC KazMunayGas JSC Joint-Stock Companies.

The representative of NC KazMunayGas JSC and the General Director (Chairman of the Management Board), who are members of the Board of Directors do not receive any remuneration for their participation in this body.

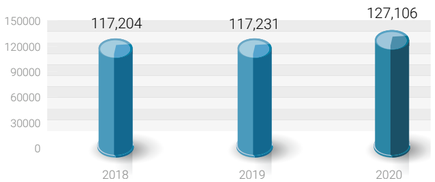
Independent directors receive the following remuneration for their duties as the members of the Board of Directors:

- Fixed remuneration of 80,000 US dollars per year;
- Additional remuneration of 1000 US dollars for attending in presentio meetings of Committees under the Board of Directors.

Independent directors also receive reimbursement to cover the costs (travel, accommodation, subsistence) related to travelling to the meetings of the Board of Directors and its Committees held outside the permanent residence of the independent director.

The total amount of remuneration paid to the Company's independent directors based on their performance in 2020 was KZT 127,106 thousand, including taxes.

Profile of remuneration paid to the Company's independent directors, KZT thousand



Additional information about the terms and conditions of remuneration payments to members of the Board of Directors is available at the Company's website in the Corporate Management section.

Remuneration paid to the Company's independent directors in 2020, KZT thousand

Independent Director	Annual remuneration	Attendance at in presentio meetings of the Committees	Total, net of taxes	Total, including taxes
Vinicius Agostini	32,800	4,884	37,684	42,060
Hadrien Fraissinet	32,800	4,884	37,684	42,060
Almasbek Mukhashov	32,800	4,884	37,684	42,986
Total	**98,400**	**14,652**	**113,052**	**127,106**

THE MANAGEMENT BOARD AND ITS ACTIVITIES

The KazTransOil JSC Management Board is a collegial executive body that manages the Company's daily activities.

The main goals of the Management Board are ensuring successful fulfilment of the objectives established for the Company and implementation of the Development Strategy. The Management Board strives to achieve these goals using the main concepts of honesty, integrity, sound judgement, prudence, coherence and the maximum possible respect for the rights and interests of the Company's shareholders and accountability for implementing the decisions of the General Meeting of the Company's Shareholders and the Company's Board of Directors.

The RoK laws, the Company's Charter, the Corporate Management Code, the Regulations on the Management Board and other internal regulations of the Company govern the Management Board's activities.

The Management Board is established by the Board of Directors and reports to the Board of Directors on the activities performed to achieve the Company's goals. The Management Board is chaired by the General Director (Chairman of the Management Board), who manages and coordinates its activities.

The Management Board is responsible for allocating financial and human resources necessary to achieve the goals set by the General Meeting of Shareholders and the Board of Directors.

Additional information about the authority and performance of the Company's Management Board is available on the Company's website in the Corporate Management section.

Members of the Management Board

In 2020, the Management Board had nine members. The members of the Management Board were re-elected on 23 May 2018 (to elect members of the Management Board for 3 years).

Composition of the Management Board in 2020

First and last name	Position
Dimash Dossanov	General Director (Chairman of the Management Board)
Sabit Arynov	Deputy General Director
Yerbolat Mendybayev (from18.03.2020)	Deputy General Director – Director of Oil Transportation Control Centre Branch of KazTransOil Joint-Stock Company
Alen Tanatarov	Deputy General Director – Director of Research and Development Centre Branch of KazTransOil Joint-Stock Company
Zhaiyk Makhin	Deputy General Director
Chinghiz Seissekenov	Deputy General Director
Shara Adilova	Deputy General Director
Zhaidarman Issakov	Deputy General Director
Daniyar Mukhamed-Rakhim (from 01.07.2020)	Deputy General Director

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Dimash Dossanov

General Director (Chairman of the Management Board) of KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 2 November 1981.

Graduated from Al-Farabi Kazakh State University with a degree in International Relations as a qualified International Relations Specialist; T. Ryskulov Kazakh Economic University with a degree in Finance and Credit as a qualified Economist. MA in Business Administration (MBA), Georgetown University, Washington, USA.

Work experience:

January to August 2016 – First Deputy General Director at KazTransOil JSC.

From 6 August 2016 – General Director (Chairman of the Management Board) of KazTransOil JSC.

From 6 August 2016 to present –Chairman of the KazTransOil JSC Management Board.

From 20 October 2016 to present –member of the KazTransOil JSC Board of Directors.

Member of the CPC-R JSC and CPC-K JSC Board of Directors.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Sabit Arynov

Deputy General Director at KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 29 June 1977.

Graduated from Satpayev Kazakh National Technical University in 1999 with a degree in Mineral Deposit Development Technology and Engineering as a qualified Mining Engineer. Has a Master's degree in Business Administration (MBA), Nazarbayev University.

Work experience:

2009–2017 – Director of the KazTransOil JSC Operation Department.

2017 – Director of the KazTransOil JSC Western Branch.

From 3 January 2018 –Deputy General Director at KazTransOil JSC.

From 3 January 2018 to present –member of the KazTransOil JSC Management Board.

Chairman of the Main Waterline LLP Supervisory Board.

Mr. Arynov owns 7567 Company shares or 0.0000197% of the total number of the placed shares.

He does not hold any SJCE shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Yerbolat Mendybayev

Deputy General Director at KazTransOil JSC — Director of Oil Transportation Control Centre Branch of KazTransOil Joint-Stock Company

Nationality: Republic of Kazakhstan.

Born on 12 November 1965.

Graduated from Lenin Kazakh Polytechnic Institute with a degree in Mechanical Engineering, Metal-Cutting Machines and Tools as a qualified Mechanical Engineer.

Work experience:

From 2006 to March 2020 – Deputy Director at KazTransOil JSC Eastern Branch for Shipment Operations, Transportation Department Director, Main Control Office Director.

From 3 February 2020 – Part-time Deputy General Director at KazTransOil JSC.

From 18 March 2020 – Deputy General Director at KazTransOil JSC.

From 7 July 2020 – Deputy General Director – Director of Oil Transportation Control Centre Branch of KazTransOil Joint-Stock Company.

From 18 March 2020 to present – member of the KazTransOil JSC Management Board.

He does not participate in management bodies of any other organisations.

Mr. Mendybayev owns 11,243 Company shares or 0.000029% of the total number of the placed shares.

He does not hold any SJCE shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Alen Tanatarov

Deputy General Director at KazTransOil JSC

Director of Research and Development Centre Branch of KazTransOil Joint-Stock Company

Nationality: Republic of Kazakhstan.

Born on 23 August 1981.

Graduated from the University of Tulsa (USA), Petroleum Engineering Major. Has a Master's degree in Business Administration (MBA) from the University of Suffolk (USA). In 2016, he studied at Harvard Business School under the Management Personnel Program.

Work experience:

2016–2019 – General Director of Kazakhstan-China Pipeline LLP.

From 9 July 2019 – Deputy General Director at KazTransOil JSC.

From 4 May 2020 – Deputy General Director – Director of Research and Development Centre Branch of KazTransOil Joint-Stock Company

From 9 July 2019 to present – Member of the KazTransOil JSC Management Board.

Chairman of the Supervisory Board at Kazakhstan-China Pipeline LLP.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

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Zhaiyk Makhin

Deputy General Director at KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 30 June 1982.

He graduated from the Moscow State Institute (University) of International Relations under the Ministry of Foreign Affairs of the Russian Federation with a degree in Finance and Credit and a Bachelor's degree in economics. In 2005, he graduated from the same university and was awarded a Master's degree in economics with foreign languages skills in the field of World Economy. In 2014, he graduated from the Russian Presidential Academy of National Economy and Public Administration under the MBA Program in International Business Management with a Master's degree in Business Administration (MBA).

Work experience:

2016–2017 – Deputy General Director for Economics at Kazakhstan-China Pipeline LLP.

December 2017 – Deputy General Director for Economics and Finance at KazTransOil JSC.

From January 3, 2018 – Deputy General Director at KazTransOil JSC

From 20 December 2017 to present – member of the KazTransOil JSC Management Board.

Chairman of the Supervisory Board at Batumi Oil Terminal LLC, member of the Supervisory Board at Main Waterline LLP.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Chinghiz Seissekenov

Deputy General Director at KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 11 April 1981.

Graduated from Ryskulov Kazakh Economic University with a degree in International Economic Relations, International Currency and Financial Relations as a qualified International Currency and Financial Relations Specialist. In 2005, he completed a postgraduate course at Ryskulov Kazakh Economic University in Finance, Money Circulation and Credit. He has a degree of the Candidate of Economic Sciences. In 2019, he graduated from Leonard N. Stern School of Business at New York University, London School of Economics and Political Science and Ecole Supérieure de Commerce of Paris NES. Has a Master's degree in Business Administration (MBA).

Work experience:

2016–2017 – Deputy General Director for Business Support at KazTransOil JSC.

From 3 January 2018 – Deputy General Director at KazTransOil JSC.

From 24 October 2016 to present – member of the KazTransOil JSC Management Board.

Member of the Supervisory Board at Batumi Oil Terminal LLC, member of the Board of Directors at Petrotrans Limited, member of the Supervisory Board at Main Waterline LLP.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

Shara Adilova

Deputy General Director at KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 30 November 1978.

She graduated from the University of Massachusetts with a degree in Accounting and Finance. She also has a Master's degree in Business Administration (MBA) from the University of Massachusetts. In 2009, she graduated from the International School of Management and was awarded the academic degree of Doctor of Economic Sciences (PhD).

Work experience:

2016–2017 – Deputy General Director for Corporate Development and Assets at KazTransOil JSC.

From 3 January 2018 – Deputy General Director at KazTransOil JSC.

From October 24, 2016 to present – member of the KazTransOil JSC Management Board.

Member of the Supervisory Board at Batumi Oil Terminal LLC, member of the Board of Directors at Petrotrans Limited, member of the Supervisory Board at MunaiTas LLP.

She does not hold any shares of the Company or SJCEs.

She does not hold any shares of the Company's suppliers or competitors.

She has not performed any transactions with the Company's shares.

Daniyar Mukhamed-Rakhim

Deputy General Director at KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 29 September 1981.

Graduated from Kazakh Humanities and Law University with a degree in Legal Science, Ryskulov Kazakh Economic University with a degree in Economics, the Russian Academy of National Economy and Public Administration under the President of the Russian Federation with a degree of Master of Economics, majoring in Project and Program Administration.

Work experience:

From September 2016 – Advisor to the General Director of KazTransOil JSC.

2017–2018 – Member of the Supervisory Board, General Director of Batumi Sea Port LLC.

From August 2018 – Deputy Director at Research and Technology Centre Branch of KazTransOil JSC.

From November 2019 – Director of HR Management and Remuneration Department at KazTransOil JSC.

From 1 July 2020 – Deputy General Director at KazTransOil JSC.

From 1 July 2020 to present – member of the KazTransOil Management Board.

He does not participate in management bodies of any other organisations.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

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Zhaidarman Issakov

Deputy General Director at KazTransOil JSC

Nationality: Republic of Kazakhstan.

Born on 29 October 1965.

Graduated from Kirov Kazakh State University with a degree in Law as a qualified Lawyer. In 2003, he studied at the Academy of National Economy under the Government of the Russian Federation majoring in Oil and Gas Industry Law.

Work experience:

2014–2017 – Managing Director for Legal Support at KazTransOil JSC.

From 3 January 2018 – Managing Director at KazTransOil JSC

From 8 June 2020 – Deputy General Director at KazTransOil JSC.

From 12 May 2003 to present – member of the KazTransOil JSC Management Board.

Member of the Supervisory Board at Batumi Oil Terminal LLC.

He does not hold any shares of the Company or SJCEs.

He does not hold any shares of the Company's suppliers or competitors.

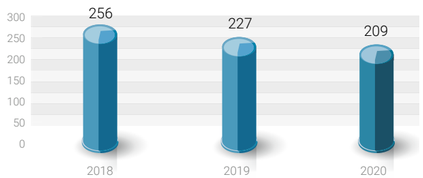
He has not performed any transactions with the Company's shares.

Management Board performance

In 2020, the Company's Management Board held 31 in presentio meetings. No meetings were held in absentia.

The Company's Management Board reviewed and decided on a total of 209 issues and prepared 202 instructions. As of 31 December 2020, all instructions have been completed. As a result of the Management Board activities, 76 issues were submitted for consideration by the Board of Directors, three of which were submitted for consideration at the General Meeting of the Company's Shareholders.

Number of issues considered at the meetings of the Company's Management Board



Attendance at the Company's Management Board meetings in 2020

Member of the Management Board	Attendance of meetings		
	Number of meetings attended	Percentage of meetings attended	Term as a member of the Management Board in the reporting period
Dimash Dossanov	26 of 31	84%	01.01.2020 – 31.12.2020
Sabit Arynov	26 of 31	84%	01.01.2020 – 31.12.2020
Yerbolat Mendybayev	22 of 24 (from 18.05.2020)	92%	18.05.2020 – 31.12.2020
Alen Tanatarov	27 of 31	87%	01.01.2020 – 31.12.2020
Zhaiyk Makhin	26 of 31	84%	01.01.2020 – 31.12.2020
Chinghiz Seissekenov	25 of 31	81%	01.01.2020 – 31.12.2020
Shara Adilova	29 of 31	94%	01.01.2020 – 31.12.2020
Daniyar Mukhamed-Rakhim	14 of 15 (from 01.07.2020)	93%	01.07.2020 – 31.12.2020
Zhaidarman Issakov	29 of 31	94%	01.01.2020 – 31.12.2020

The participants of the Management Board meetings reviewed the issues and took decisions in a number of key areas, including the following:

Strategic development:

- Approval of the KazTransOil JSC Business Plan Implementation Report for 2019
- Approval of the KazTransOil JSC Action Plan for Corporate Management System Improvement for 2020–2021
- Approval of the KazTransOil JSC Level 1, 2 and 3 business process maps "as is"
- Approval of the KazTransOil JSC Stakeholder Map for 2021–2023.

Corporate management:

- Approval of the KazTransOil JSC Annual Report for 2019
- Approval of KazTransOil JSC corporate KPIs for 2020 and their corresponding target values
- Approval of KazTransOil JSC corporate KPIs with actual values and final performance for 2019.

Financial and business activities:

- Approval of the KazTransOil JSC annual financial statements and consolidated annual financial statements for 2019;
- Approval of the annual financial statements and consolidated annual financial statements of subsidiaries and jointly controlled entities;
- Approval of the KazTransOil JSC Business Plans for 2021–2025 on the revalued and historical cost of fixed assets;
- Execution of KazTransOil JSC self-dealing transactions with Samruk-Kazyna JSC group entities.

Risk management and internal control:

- Review of the KazTransOil JSC Risk Committee Performance Report for 2019
- Approval of the Action Plan for the KazTransOil JSC Risk Committee for 2020
- Preliminary reviews of quarterly reports on occupational and non-occupational risks at KazTransOil JSC and its subsidiaries and jointly controlled entities
- Approval of the Regulations on business continuity with the use of information systems at KazTransOil JSC.

Risk Committee performance

The Risk Committee is a separate consultative body established under the Management Board for preliminary consideration of the Company's risk management issues. The Risk Committee's functions include comprehensive consideration of the issues related to risk management at the Company and its SJCEs and preparation of recommendations to facilitate adoption of balanced risk management decisions by the Management Board.

The RoK laws, the Company's Charter, the Corporate Management Code, the Regulations on KazTransOil JSC Risk Committee and other internal regulations of the Company govern the Risk Committee's activities.

Below are the Committee's key objectives:

- To assist the Company's Management Board in the decision-making process with regard to the Company's risk management
- To prepare recommendations and proposals on introducing and maintaining an effective corporate risk management at the Company
- To develop processes aimed at identifying, measuring, monitoring and controlling the Company's risks
- To prepare recommendations and proposals on supervising coordination of the Company's risk management activities.

The General Director (Chairman of the Management Board) is the Chairman of the Risk Committee.

The Risk Committee meetings are held based on the Risk Committee Action Plan approved by the Company's Management Board.

According to the Risk Committee Action Plan for 2020 approved by the decision of the Company's Management Board on 21 January 2020, the Risk Committee held five scheduled meetings, as well as one unscheduled meeting in the reporting period, which resulted in the following:

- Agreement reached on the quarterly reports on occupational and non-occupational risks for the Company and its subsidiaries and jointly controlled entities for Q4 2019 and Q1-Q3 2020
- Agreement reached on the draft KazTransOil JSC Business Process Classifier for 2020 and the Schedule for Development and/or Update of Risks and Controls Matrices and Flowcharts for 2020
- Agreement reached on the results obtained by identification and assessment of occupational and non-occupational risks for the Company and its SJCE for 2021
- Reviewed report of General Director of Batumi Oil Terminal LLC on the measures taken and actions performed to decrease the level of occupational/non-occupational risks of Batumi Oil Terminal LLC after six months of the year.

All issues considered and approved by the Risk Committee in the reporting period were submitted to the corresponding bodies of the Company for further consideration and/or approval pursuant to the established procedure.

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Remuneration of the Management Board Members

The Company's existing remuneration approach for members of the Management Board is intended to attract and retain highly skilled managers and to ensure that they have a financial incentive to effectively perform the tasks faced by the Company.

The procedure for remuneration and bonus payments to the members of the Company's Management Board is determined by the Regulations on KazTransOil JSC Management Board, the Rules for Performance Appraisal of KazTransOil JSC Executives and Management Employees and the Corporate Secretary, as well as the Rules on Remuneration Payments to KazTransOil JSC Executives and Management Employees, Head of the Internal Audit Service and Corporate Secretary.

The remuneration system for the Chairman and members of the Management Board includes a fixed remuneration part and a bonus based on annual performance.

In 2020, the members of the KazTransOil JSC Management Board received remuneration for a total amount of KZT 723,064 thousand including VAT.

The bonus based on annual performance is paid to KazTransOil JSC executives within the funds allocated for this purpose in KazTransOil JSC budget upon approval of the Company's consolidated annual financial statements.

The following are the main eligibility criteria for receiving the bonus based on annual performance:

- Availability of consolidated total profit in the reporting year
- Attaining the incentive KPIs needed to receive the bonus based on annual performance
- Employee's compliance with the performance and labour discipline rules.

Incentive KPIs, which include corporate and functional KPIs developed using the top-down approach for the strategic goals of NC KazMunayGas JSC and KazTransOil JSC, are used to appraise performance among executives.

The bonus based on an executive's annual performance cannot exceed such executive's three-fold annual remuneration for the time actually worked during the reporting period.

The actual achievement of KPIs by executives is approved by the Company's Board of Directors in view of the established data agreement and verification procedures.

ROLE AND ACTIVITIES OF THE COMPANY'S CORPORATE SECRETARY

The Company's Corporate Secretary acts in accordance with the RoK laws, the Company's Charter, the Corporate Management Code, the Regulations on KazTransOil JSC Corporate Secretary, other internal regulations of the Company and decisions of the General Meeting of the Company's Shareholders and the Company's Board of Directors.

The Company's Corporate Secretary is accountable and reports to the Board of Directors. The Corporate Secretary's main tasks comprise the following:

- To ensure compliance by the Company's units and officials with corporate management standards and to improve the corporate management policies and practices
- To ensure effective activities of the Board of Directors and its Committees
- To ensure holding of General Meetings of Shareholders
- To ensure storage, disclosure and submission of material information and to maintain a high level of information transparency
- To ensure clear and effective communications between the Company and its shareholders and among the Company's units.

Airat Makhambetovich Shmanov was appointed as KazTransOil JSC Corporate Secretary with a term of office of three years by the decision of the KazTransOil JSC Board of Directors dated 2 July 2018.

The objectives, roles, rights, duties and responsibilities of the Company's Corporate Secretary are stipulated in the Corporate Management Code and the Regulations on the KazTransOil JSC Corporate Secretary.

The Regulations on the Corporate Secretary are available on the Company's website in the Corporate Management section.

RISK MANAGEMENT

The activities implemented by KazTransOil JSC as an oil transportation company are associated with various risks and opportunities that may affect successful achievement of the Company's operating and strategic goals. Thus, a risk management system is adopted and operated in the Company. This system is aimed at ensuring reasonable guarantees that the established goals will be achieved, and at mitigating adverse impact of risks on the Company's activities.

The risk management system is an integrated system that consists of two subsystems: The Corporate Risk Management System (CRMS) and the Internal Control System (ICS).

The Company's Board of Directors plays a key role in managing and supervising the CRMS and ICS operation. The Company's Management Board is responsible for developing and applying internal controls and risk management policies and procedures.

Development of a risk-oriented culture

The Company specifically focuses on developing a risk-oriented culture based on high awareness of respective risks and employee engagement in the risk management process.

At the time of their recruitment, all employees receive training on the main goals, objectives and concepts as related to CRMS management and operation, which are set forth in the KazTransOil JSC Policy on Corporate Risk Management System.

Regular outreach work and online consultations are envisaged to identify and assess the risks, monitor risk trends and prepare quarterly risk reports. CRMS training presentations and methodology are published on the Company's corporate portal. The main requirements stipulated in the CRMS Policy, the ICS Regulations, goals and objectives, risk management concepts and risk terminology are included in the list of general testing questions used to qualify the Company's personnel and to employ candidates for certain positions.

The 2020 will be the first year for annual automated corporate testing of the Company's personnel in the field of CRMS and ICS in order to identify the need for additional risk briefings or training.

Risk Management System

The Corporate Risk Management System comprises a combination of concepts, methods and procedures that ensure the management and effective operation of the risk management process at all management levels of the Company and its SJCEs. The CRMS forms an integral part of the Company's Corporate Management System.

The main goals of the CRMS are the timely identification, analysis, assessment, monitoring and development of actions to reduce the likelihood and consequences of risk events.

The Company's risk management approach was developed in view of the external and internal situation and complies with the concepts set forth in international risk management standards, including ISO 31000:2018 and COSO ERM:2017.

The key internal document that governs the CRMS operations is the KazTransOil JSC Corporate Risk Management System Policy. A unified methodological database is used at the Company that comprises the documents governing the risk management process, including:

- Rules for Occupational and Non-Occupational Risk Management Process at KazTransOil JSC;
- Methodology for Risk Identification and Assessment and Risk Management Method Selection at KazTransOil JSC.

The CRMS organisation is vertically integrated, which enables to cover risks at all organisational levels within the Company. The Company's management, represented by the Board of Directors and the Management Board, is proactive in ensuring CRMS efficiency.

The Risk Committee under the Management Board plays a key role in aligning and tracking the efficiency of the risk management process. Within its competence, the Risk Committee provides detailed recommendations to the Management Board regarding risk management issues and reviews reports on the status of all risks faced by the Company.

Information on the Risk Committee performance is given in the Management Board section on the Company's website.

The Business Process and Risk Management Department is responsible for coordinating and providing continuous methodological support of the risk management process. This department renders continuous advisory

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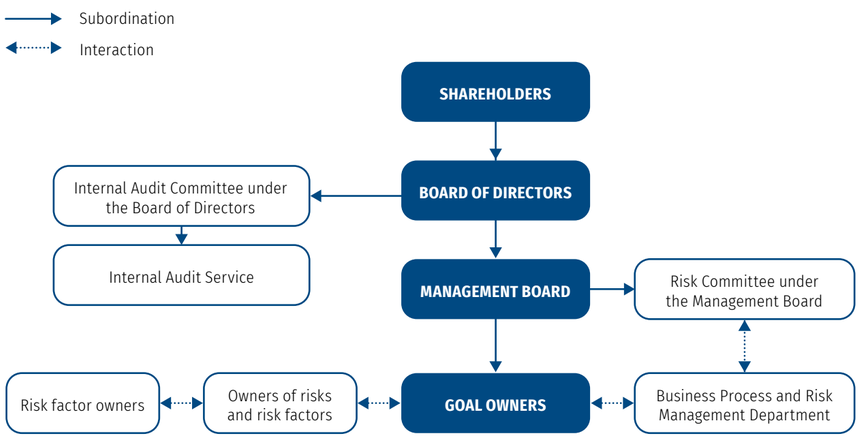
and methodological assistance on identification, analysis and assessment of the risks faced by the Company's SBUs and SJCEs.

The employees of the Company's headquarters, SBUs and SJCEs are intensively involved in the risk management process. A risk coordinator is appointed in each business unit of the Company's headquarters who is responsible for risk management arrangements and coordination in the business unit and interaction with the Business Processes and Risk Management Department. Risk managers are appointed at SBUs and SJCEs who are responsible for risk management arrangements and coordination.

KazTransOil JSC CRMS Organisation



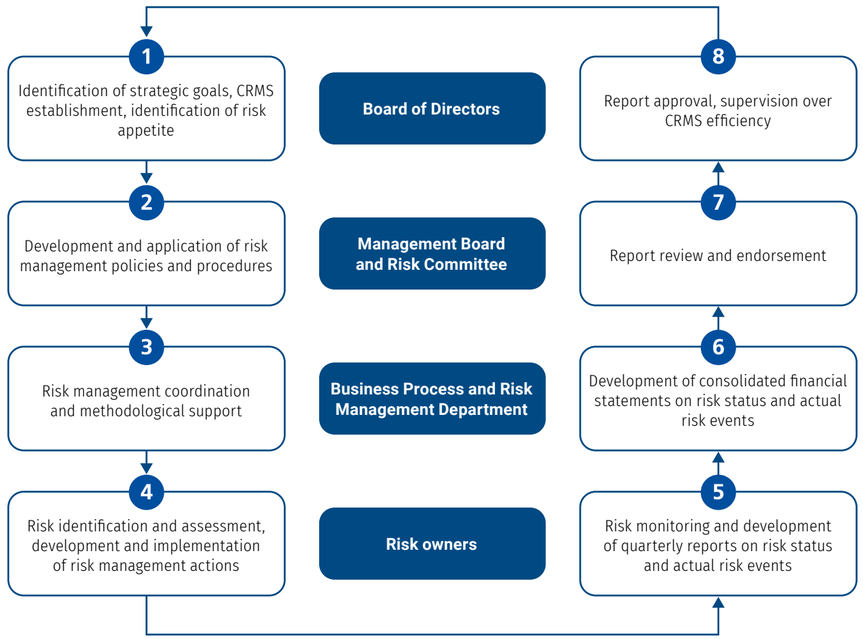
Risk management process

Risk management process arrangements at the Company involve continuous information flow and exchange and interaction on risk management issues at all management levels.

Information transfer along a top-down hierarchy facilitates communication of strategic goals, risk appetite level and risk management approaches to risk owners. A bottom-up information flow provides the Company's management with timely and reliable information on the status of the Company's identified risks, changes in likelihood and impact assessments and implementation status of risk management actions.

The Company's management prepares the Development Strategy by detailed elaboration of alternative options and review of the risks that could influence achievement of the established goals. This risk-oriented approach to goal setting facilitates selection of the Company's optimal development areas and assessment of the associated risks and opportunities.

Main stages of the risk management process



The CRMS facilitates identification, analysis, assessment and priority setting for all risks faced by the Company. Both qualitative and quantitative methods are used as part of the risk assessment approach. Business continuity plans have been developed for the risks that could result in partial or full suspension of the Company's operations.

Risks were identified and assessed in 2020 for the planning year of 2021 based on the Unified Risk Classifier of NC KazMunayGas JSC and its subsidiaries and associates. All of the Company's risks were allocated to two registers: occupational and non-occupational risks triggered by respective risk factors (causes). The results obtained by identification of risks expected in 2021 were approved in December 2020 by the Company's Board of Directors.

The risk reporting system in place at the Company supports the CRMS operations and facilitates adoption of balanced management decisions. Quarterly reports on the Company's risk trends are submitted to the Risk Committee, Management Board and Board of Directors.

There is a unified electronic database on actual risk events on the corporate portal in order to record and subsequently review the data on such events at the Company. Maintenance of the electronic database facilitates collection of the data required to perform quantitative assessments of risks and risk factors and to prepare analytical risk reports.

In the reporting period, the Company constantly monitored the status of occupational and non-occupational risks and their inherent risk factors and implementation of the respective risk management actions, recorded the actual risk events in the actual risk events electronic database and prepared quarterly reports for review by the Company's management.

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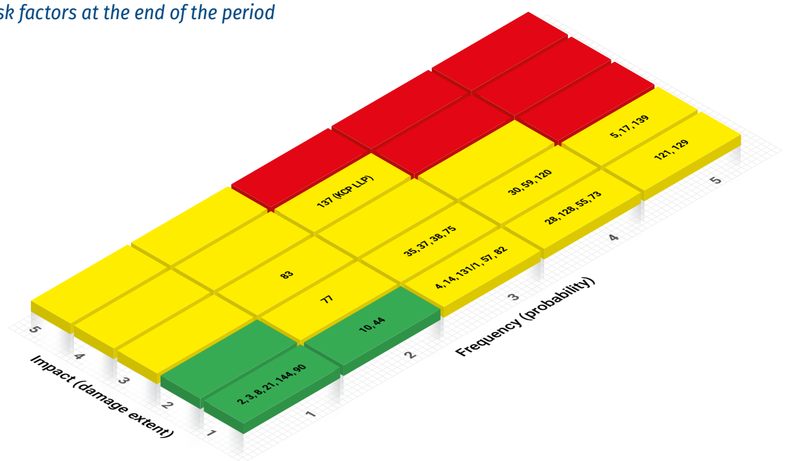
Risk map

The Company drew up a list of the risks that may have the most material impact on the Company's financial position and achievement of its strategic goals. The Company regularly assesses such risks. The risk assessment results for 2020 are included in the KazTransOil JSC Risk Map that clearly demonstrates their impact on the Company's operations.

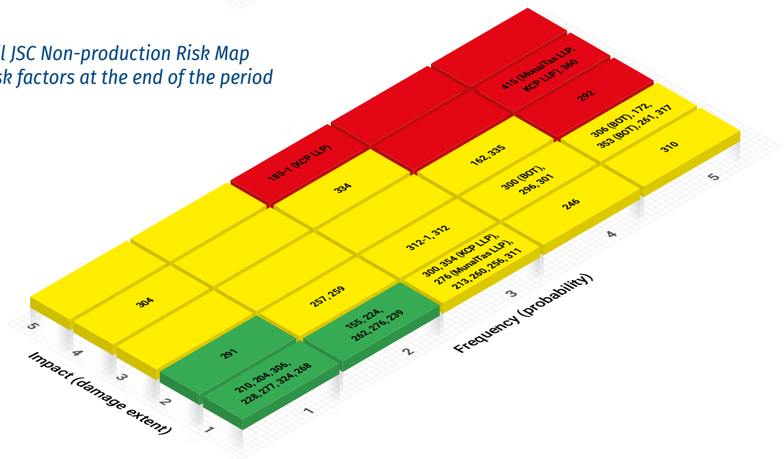
Larger numbers correspond to larger values of the criterion subject to assessment.

Risks are assessed in accordance with the Methodology for Risk Identification and Assessment and Risk Management Method Selection at KazTransOil JSC approved by the Board of Directors.

KazTransOil JSC Production Risk Map residual risk factors at the end of the period



KazTransOil JSC Non-production Risk Map residual risk factors at the end of the period



Risk Map interpretation. Risks and risk factors

№	Risk/Risk Factor	high	middle	low
Non-compliance with production practices				
2	Failure to observe process regulations for technological processes			●
3	Incorrect reading of instrumentation devices: temperature, pressure, level, consumption			●
4	Malfunctions or failure of APMS hardware and software: hardware, software		●	
5	Malfunctions or failure of main channels of EST (engineering software tools): FOL, EST equipment		●	
8	Non-compliance of actual technological modes of equipment with technical norms of its operation			●
10	Non-compliance with industrial, fire and occupational safety			●
14	Insufficient industrial control by work supervisor		●	
17	Employee's feeling unwell		●	
21	Uncoordinated actions of operating personnel			●
28	Driver's failure to observe the road traffic rules while delivering staff (road traffic accident)		●	
121	Disruptions in external power supply		●	
30	Incorrect actions/errors by personnel		●	
128	Disruptions of technologically interconnected equipment outside CTP		●	
129	Environmental impacts, natural disasters		●	
131/1	Premeditated/ unintentional illegal actions by third parties (traffic road accidents due to third parties' fault)		●	
137	Shareholder (member) decisions that impact the Company's activities (KCP LLP)		●	
Late/low-quality repair of equipment				
35	Incorrect repair planning (incorrect identification of the list of equipment subject to routine maintenance)		●	
37	Late maintenance of process equipment		●	
38	Late preparation of process equipment for repair		●	
44	Supply of low-quality spare parts and materials for repair			●
55	Insufficient industrial control by work supervisor		●	
57	Inadequate work management		●	
59	Non-compliance with regulating documents on equipment repair		●	
73	Incorrect actions/errors by personnel		●	
139	Unfavourable weather conditions		●	

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№	Risk/Risk Factor	high	middle	low
Late/low-quality replacement of process equipment				
75	Low-quality diagnostics of process equipment		●	
77	Late maintenance of process equipment		●	
82	Incorrect planning of equipment replacement (incorrect identification of the list of equipment subject to replacement)		●	
83	Installation of low-quality equipment		●	
90	Supply of low-quality equipment			●
120	Incorrect actions/errors by personnel		●	
144	Workmanship defect identified in new equipment during operation			●
Income reduction				
296	Unfavourable oil price change		●	
300 (BOT)	Reduced demand for services/products (BOT)		●	
306	Non-payment of accounts receivable (BOT)		●	●
306	Non-payment of accounts receivable		●	
415	Second Stage of the Second Phase of Kazakhstan-China Pipeline Construction. Increase in Throughput Capacity to 20 Mln Tonnes of Oil per Year (MunaiTas LLP, KCP LLP)	●		
291	Change in relations with strategic partners			●
292	Non-performance of relationship conditions by strategic partners (non-performance or improper performance of contractual obligations by service customers)	●		
301	Oil supply reduction or suspension		●	
300 (OSD)	Reduced demand for services/products (OSD)		●	
304	Event of default on the part of counterparty banks		●	
162	Low quality of approved plans (incorrect investment program planning)		●	
312-1	Decisions made by the authorised body in the field of tariff regulation		●	
172	Late tariff estimate adjustment		●	
155	Incorrect output metering			●
185-1	Company's non-compliance with applicable law (KCP LLP)	●		
210	Unprofessional services rendered in core activities			●
204	Lack of mechanisms to prevent potential publication of knowingly false or distorted information in the mass media regarding the Company's activities with the associated reputation damage			●

№	Risk/Risk Factor	high	middle	low
Cost increase				
335	Growth of foreign currency to tenge exchange rates		●	
334	Inflation growth (FA revaluation)		●	
353	Lawsuits (BOT)		●	
310	Premeditated illegal actions by third parties		●	
354	Premeditated illegal actions by third parties (KCP)		●	
324	Unauthorised external access to the corporate network			●
311	Time required to obtain the necessary approvals and permits from governmental bodies		●	
312	Decisions made by the authorised body in the field of tariff regulation		●	
360	"Fragile supply chain"	●		
317	Environmental impacts, natural disasters (including the COVID-19 pandemic)		●	
213	Incorrect calculation of cost efficiency during capital investment planning			
262	Non-compliance with tax laws			●
261	Non-compliance with environmental protection laws		●	
260	Non-compliance with labour laws		●	
256	Personnel strikes, meetings and protests		●	
257	Company's non-compliance with applicable law		●	
259	Inappropriate legal transaction support		●	
246	Late procurement of goods, works and services		●	
188	Inappropriate legal transaction support			●
244	Late approval of the annual goods, works and services procurement plan		●	
224	Late submission of financial statements			●
228	Incorrect development of financial statements			●
239	Non-compliance with financial/non-financial covenants at the Company			●
276	Failure (loss) of existing software			●
276 (MunaiTas LLP)	Failure (loss) of existing software (MunaiTas LLP)		●	
277	Failure of existing server equipment			●
268	Corruption			●

In 2020, in order to reduce the likelihood of the actual risk events, the management of the Company's SBU and SJCE implemented the necessary preventative actions. The Company also implemented the corresponding corrective actions to respond to the actual risk events in order to minimise potential financial losses. The Company fully completed all planned risk management actions in 2020.

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INTERNAL AUDIT

The Company's Internal Audit Service is directly subordinate and accountable to the Board of Directors.

The main goal of the Internal Audit Service is to submit independent and unbiased information to the Board of Directors to help ensure effective management at the Company by implementing systemic improvements to risk management, internal control and corporate management processes.

The RoK laws, the Company's Charter and the provisions of the following internal regulations govern the operation of the Internal Audit Service:
- Regulations on the KazTransOil JSC Internal Audit Service;
- Manual on Internal Audit Arrangements at KazTransOil JSC.

The Internal Audit Service is governed by the underlying concepts of the International Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (ISPPIA) and the Code of Business Ethics developed by the Institute of Internal Auditors.

Seven audits were conducted in 2020 in accordance with the Annual Audit Plan of the Internal Control Service for 2020. In particular, a comprehensive audit was held to examine production, operational and financial processes at Kazakhstan-China Pipeline LLP, Petrotrans Limited and Pavlodar Oil Pipeline Administration of the Company. Moreover, audit of HR management and payroll calculations in the Company, audit of tariff estimate monitoring, audit of investment program formation and performance in the Company, audit of inventory provision and inventory accounting in the Company, and audit of administrative support in the Company were conducted.

Moreover, in the reporting period, the Internal Audit Service assessed compliance of works on replacement of Uzen – Atyrau – Samara main oil pipeline sections with the design decisions and contractual conditions, and participated in official investigation of delivery of oil with high chlororganic content into the Company's pipeline system.

The audits conducted by the Internal Audit Service in 2020 identified a total of 87 findings and resulted in 108 recommendations.

Based on the recommendations issued by the Internal Audit Service, Corrective Action Plans were developed and approved to address the revealed non-compliances.

The plans to be implemented by the Internal Audit Service in 2021 are as follows:
- to assess business processes, policies and procedures in the Company's main disciplines;
- To monitor implementation of the recommendations issued by the Internal Audit Service of the Company, NC KazMunayGas JSC and the Company's external auditor.

EXTERNAL AUDIT

The Company engages an independent audit firm to verify correctness of financial statements.

The KazTransOil JSC Policy on Engaging Audit Firm Services governs the Company's interaction with the external auditor. This Policy is aimed at ensuring effective engagement of audit firm services (including non-audit services provided by audit firms), implementing unified procedures on their selection and maintaining the independent status by KazTransOil JSC auditors in the course of audit and non-audit services to rule out any conflicts of interest.

The main criteria used to choose audit organisation are the:
- quality of services;
- prompt and timely provision of services;
- cost of services.

The quality of the audit firm services is also determined based on the following criteria:
- Qualification level of the audit firm's specialists;
- Work experience of the audit firm's specialists on both Kazakhstan and international markets;
- Knowledge of the audit firm's specialists in the oil and gas sector;
- Availability of a dedicated technical support group (experts on IFRS accounting issues in the oil and gas sector) in Kazakhstan or the audit firm's commitment to establish such group.

On January 25, 2019, the Board of Directors of the Company determined the payment for the audit organization's services of auditing the financial statements of KazTransOil JSC for 2019-2021 in the amount of KZT 225,909,459, including VAT. On March 5, 2019, a decision was adopted at the extraordinary General Meeting of Shareholders of the Company, to appoint Ernst & Young LLP as the auditor for the Company for 2019-2021.

The amount of annual remuneration, including VAT, for 2019, 2020 and 2021, payable to the audit organization for the audit of financial statements amounted KZT 81,599,217, KZT 84,328,801, KZT 87,090,576, respectively.

In the reporting period, Ernst & Young LLP did not provide any advisory services unrelated to the audit of financial statements.

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CORRUPTION MANAGEMENT

The Company is governed by transparency, good faith and ethical business conduct in its daily activities and also makes continuous efforts to identify and respond to any type of corruption and fraud.

Pursuant to the anti-corruption policy of the Republic of Kazakhstan and in accordance with the RoK Law On Anti-Corruption Actions, the Company takes action to prevent corruption, foster anti-corruption culture, prevent and resolve conflicts of interest.

Anti-corruption policies are implemented at the Company by the Corporate Security Department.

The following documents are the main internal regulations that cover anti-corruption issues at the Company:
- Business Ethics Code of KazTransOil JSC;
- Anti-corruption Policy of KazTransOil JSC;
- Anti-corruption standards of KazTransOil JSC;
- KazTransOil JSC Regulations on Anti-Corruption Monitoring and Internal Analysis of Corruption Risks;
- KazTransOil JSC Violation Risk Management Policy;
- KazTransOil JSC Policy on Settling Conflicts of Interest between Officials and Employees.

The Company uses the following key tools and mechanisms in its anti-corruption activities:
- Anti-corruption monitoring;
- Corruption risk identification, assessment and management;
- Feedback channels to report corruption events;
- Introduction of an anti-corruption section in all agreements with the Company's contractors (applicable starting from 2019);
- Information provided to employees and contractors;
- Regular testing of employees to check the knowledge of the main provisions stipulated in the Company's Business Ethics Code.

In order to foster the anti-corruption culture, the Company works on raising the awareness of anti-corruption actions. In 2020, the Munaiqubyrshy electronic news bulletin published an article of the Company's corporate security department titled "No Single Solution in Fighting Corruption" as well as informed the employees about the Samruk-Kazyna JSC hotline where an employee can report any occupational, corruption and other types of offences.

As part of formation of a unified approach in matters of implementation of the RoK anti-corruption laws, the Pavlodar Region Anti-corruption Department held seminars/lectures for the personnel (70 employees) of Pavlodar Oil Pipeline Administration of KazTransOil JSC on the topics of "Awareness and Anti-corruption Actions" and "Corruption Prevention and Combating in the Quasi-public Sector", "Liability for Corruption Offences".

Peterfeld PMD of Pavlodar Oil Pipeline Administration held the working meeting with financially responsible persons, heads of structural business unit of the Administration in order to prevent corruption risks on their part. Karaganda Oil Pipeline Administration held seminars/lectures for the oil pipeline administration personnel in cooperation with the information and awareness-raising team on forming an anti-corruption culture of the Karaganda Region Anti-corruption Department. The seminars/lectures covered "Address of the Head of State to the people of Kazakhstan on the common task, implementing the Listening Government concept", "Awareness and Anti-corruption Actions", Corruption Prevention and Combating in the Quasi-public Sector".

In Q3 of 2020, teleconferences with specialists of the SBU corporate security services were held in order to implement measures for prevention of corruption offences.

In Q4 of 2020, the KazTransOil JSC employees participated in teleconference of NC KazMunayGas JSC on improving the compliance culture.

In 2020, no instances of corruption or fraud were identified in the Company.

The plans for 2021 include a number of actions to ensure compliance with the Law of the Republic of Kazakhstan On Anti-corruption Actions at the Company, including:
- Forming the anti-corruption culture;
- Developing the Company's internal anti-corruption documents;
- Taking anti-corruption measures.

CORPORATE ETHICS

The Company's business activities are governed by honesty, fairness, transparency, good faith and responsibility. KazTransOil JSC key corporate values are decency, reliability, professional competence and efficiency of employees, mutual assistance and respect for each other, stakeholders and community as a whole.

The values, concepts and standards of business conduct at the Company are set forth in the KazTransOil JSC Business Ethics Code.

The Company, officials and employees follow the following principles of business ethics:
- Openness – the Company is committed to maximum openness and reliability of information about the Company, its achievements and performance, with due account to protection of information constituting a commercial, official or other secret protected by law. Officials and employees strive to be open for meetings, discussions and dialogue, building long-term cooperation with colleagues and stakeholders based on respect for mutual interests, rights and balance between interests of the Company and stakeholders;
- Responsibility – the Company is aware of its social responsibility for influence on economy, environment and society, and its responsibility to shareholders for increasing the long-term value and sustainable development in the long-term. Officials and employees shall make deliberate and rational decisions and perform actions at any level with high degree of responsibility. All officials and employees of the Company are equally responsible for the assumed obligations regardless of their status and position;
- Transparency – the Company's decisions and actions shall be clear and transparent for stakeholders. The Company honestly informs shareholders and other stakeholders about state of business in a timely manner pursuant to the established procedure. The Company is committed to increase transparency and availability of information by improving quality of reporting and accounting in accordance with the laws. Disclosure of information stipulated by the laws and internal documents of the Company by the officials and employees shall be performed with due regard to protection of information constituting a commercial, official or other secret protected by law;
- Ethical conduct – the Company strives to be trustworthy for shareholders, other stakeholders and for public in general. Trust originates from consistent commitment to high ethic norms;
- Respect – the Company ensures observance and respect of the rights and interests of all stakeholders, which arise from the laws, concluded contracts and indirectly as part of business relations;
- Lawfulness – decisions and actions of the Company, its officials and employees shall comply the laws, internal documents of the Company, including the Charter, Corporate Management Code, KazTransOil JSC Development Strategy, resolutions of the Company's General Meeting of Shareholders;
- Fairness and meritocracy – the Company is committed to fair and objective evaluation of individual efforts, abilities and achievements of each employee, promotes formation of the culture of understanding, engagement and support of employees at all levels;
- Corruption intolerance – the Company does not tolerate any form of corruption. In its interaction with all stakeholders, the Company strives to develop a constructive dialogue to increase their awareness about the Company's anti-corruption actions;
- No conflicts of interests – the Company and stakeholders shall act towards each other as fair, responsible, honest and loyal as possible, take measures to prevent, identify and avoid conflicts of interests;

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- Environmental responsibility – the Company in its activities strives to minimise negative environmental and social impact of its operations through careful attitude to resources, introduction of up-to-date environmental management systems and standards.

The basis for decisions and actions of the Company's officials and employees is high moral values such as respect, honesty, openness, team spirit and trust, responsibility and justice. Officials and employees perform their activities based on respectfulness, tolerance, friendliness and decency.

Officials and employees set a singular example of respect for the state and other languages, traditions and customs of the Company's operating regions, are committed to high moral and ethical norms of cultural behaviour, do not allow anti-social and unethical behaviour that can harm the Company's reputation today or in the future.

The Company respects human rights, recognises their importance and generality, fully supports fundamental principles established in the Universal Declaration of Human Rights, Convention for Protection of Human Rights and Fundamental Freedoms, in other internationally recognised human rights documents and arising from the Constitution and the laws.

Employees have the right for fair and just treatment regardless of sex, race, nationality, language, origin, property or occupational position, place of residence, relation to religion and political views.

The Company does not allow granting of any privileges and preferences to particular employees other than based on the laws and/or internal documents, ensuring equal opportunities for all.

The Company understands its responsibility to society and future generations for sustainable use of natural resources and preserving favourable environment, ensuring energy saving, decreasing negative environmental impact, introducing innovative technologies aimed at careful and responsible use of resources and time, increasing labour efficiency. Each employee is responsible for sustainable use of natural resources and environmental protection at their workplaces, in the process of planning and decision-making.

The principles set in the KazTransOil JSC Business Ethics Code shall define conduct of officials and employees of the Company in their interaction with colleagues and with all stakeholders.

The Company has a developed internal communications system allowing the management to receive the latest information from any employee and other stakeholders on suspected corruption events, as well as other abuses and violations.

KazTransOil JSC has the following communication channels for accepting the mentioned information/applications:
- Blog of the General Director (Chairman of the Management Board) on the website of KazTransOil JSC https://kaztransoil.kz/kz/blog_generalnogo_direktora/privetstvie/)
- Helpline at +7 (7172) 555-210
- Special hot line "No to Corruption!" – e-mail 5213@kaztransoil.kz
- Instant text-messaging systems at +7 (776) 044-52-13 (WhatsApp, Telegram).

An ombudsman processed the information received via helpline and e-mail. The General Director personally considers applications submitted to the blog of the General Director (Chairman of the Management Board). The Department of Public Relations and Internal Communications prepares responses to the applications and agrees them with the Company's General Director (Chairman of the Management Board).

The received reports are processed and then considered according to the RoK Law On Procedure for Consideration of Applications from Individuals and Legal Entities. The special hotline is available 24/7. Applications are considered from 9:00 to 18:30 on workdays.

MANAGING CONFLICTS OF INTEREST

A key factor in safeguarding the interests of the Company and its employees is timely identification and action to settle conflicts of interest.

The procedures in place at the Company to prevent conflicts of interest and to manage any violation risks are regulated by the following internal documents:
- KazTransOil JSC Business Ethics Code
- KazTransOil JSC Violation Risk Management Policy
- KazTransOil JSC Policy on Settling Conflicts of Interest between Officials and Employees.

All participants in the violation risk management process are required to apply these documents that also establish the duties of the Company's officials and employees to prevent conflicts of interest and the procedure for settling such conflicts.

The Company strives to exclude any conflicts of interests between the Company, officials and employees. Personal interests of the officials and employees must not influence unbiased performance of their duties.

Officials and employees in their relations with legal entities and individuals are obliged to abstain from actions posing risk of the conflict of interests. They shall avoid financial and other business connections, and participation in joint work with the organisations which activities can cause a conflict of interests and interfere with the Company's efficient operations.

Officials and employees are obliged to immediately inform of any commercial or other interest (direct or indirect) in transactions, contracts, projects connected with the Company, or related to other issues, threat to financial or other interests of the Company, occurrence of third-party personal interests that may bring up a conflict of interests.

In case of a conflict of interests, its participants shall find the ways to resolve them via negotiations in order to ensure effective protection of interests of the Company and stakeholders.

In 2020, no conflicts of interests were identified in the Company.

OMBUDSMAN INSTITUTION

An Ombudsman Institution is operates at KazTransOil JSC to promote the corporate ethics and ensure unbiased settlement of corporate conflicts and ethics-related violations. The RoK laws, the Company's Charter, Regulations on KazTransOil JSC Ombudsman, Business Ethics Code and other internal documents regulate the Ombudsman's activities.

The Ombudsman is appointed by decision of the Board of Directors and is accountable to this body, which ensures their independence, impartiality and confidentiality. Serik Ishanbekovich Akbergenov was appointed the Company's Ombudsman with the two-year term of office starting from 1 November 2019 by resolution of the KazTransOil JSC Board of Directors dated 18 October 2019.

The Ombudsman, acting as a neutral party, promotes establishment and development of corporate values and culture, high standards of professional conduct and corporate ethics at the Company and jointly controlled subsidiaries of KazTransOil JSC.

The Ombudsman's key objectives are:
- Assisting in resolving labour disputes, conflicts, social and labour problems, and compliance with the corporate ethics principles by employees
- Contributing to improvement of the KazTransOil JSC rating and image by early prevention and settlement of disputes and conflicts
- Ensuring informal communication between managers and employees and, based on this, timely identifying problems and areas for improvement, making proposals for improvement of policies and procedures of the Company and SJCE
- Assisting the stakeholders in ethical issues arising during their interaction with the Company.

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The principal functions of the Ombudsman are:

- Consulting the applying employees, members of labour disputes, conflicts and assisting them in finding the mutually acceptable, constructive and feasible resolution with due regard to norms of the laws of the Republic of Kazakhstan and the confidentiality principle, if necessary
- Assisting in resolving the employees' social and labour disputes, and in observance of the corporate ethics principles by employees
- Consulting the managers on resolving and preventing the systemic, legal or organisational disputes (conflicts) and on issues of compliance with the corporate ethics principles
- Explaining provisions of Business Ethics Code of KazTransOil JSC to the Company's managers, employees and stakeholders in case of their application, consulting on ethical issues.

KazTransOil JSC has organised and functioning mechanisms for direct communication with the Ombudsman, which can be used by both employees and stakeholders:

- In oral form via confidential help line +7 (7172) 555-210
- In written form to help e-mail — doverie@kaztransoil.kz
- In hard copy to the Company's legal address: 20 Turan Ave., non-residential premises 12, Esil District, Nur-Sultan, Republic of Kazakhstan, 010000, with the envelope (package) marked "To KazTransOil JSC Ombudsman". The Ombudsman receives such envelopes (packages) from the administrative office unopened.

The Ombudsman responds to the applications in the same form as the applicant: in oral or written form.

In 2020, the Ombudsman was engaged in active work within their competence, which included processing the received applications, explaining provisions of the Corporate Ethics Code and the Violation Risk Management Policy, and consulting employees and other applicants.

By the Ombudsman's request, NC KazMunayGas JSC provided information on the work done to ensure social stability among employees and on the Ombudsman's activities on a quarterly basis.

In November 2020, in accordance with the NC KazMunayGas JSC instruction, the Company's personnel participated in anonymous survey concerning moral and ethical climate inside the Company and the existing corporate possibilities for resolving the disputable (conflict) situations.

In November 2020, in order to inform the employees, KazTransOil JSC in cooperation with the General Director (Chairman of the Management Board) prepared and sent a communication to employees about the Ombudsman's activities and the necessity to apply to them in case of any labour disputes and issues related to corporate (business) ethics violations.

In 2020, the Company's Ombudsman received 27 applications via different communication channels (in 2019, 65 applications were received, and only 31 of them were within the Ombudsman's competence). The number of applications decreased due to decision not to register the applications that were beyond the Ombudsman's competence in the application log. The number of anonymous applications (12 applications) increased in the reporting period compared to 2019 (nine applications).

The Company's Ombudsman received six applications from former employees of KazTransOil JSC, currently the outsourcing employees, concerning mainly the issues of payment and labour arrangement. Seven applications were resolved in favour of employees (applicants).

Number of applications received in 2020 by topics

Topic	Number of applications
Relations with manager	8
Remuneration issues	8
Staff issues	7
Labour arrangement issues	3
Relations with colleagues	1

Number of applications received in 2020 by business units

Business unit	Number of applications
East Operator Services Administration	8
Shymkent Oil Pipeline Administration	3
Atyrau Oil Pipeline Administration	3
Zhezkazgan Oil Pipeline Administration	2
Headquarters	1
Batumi Sea Port LLC	1
Anonymous applications	3

The most popular communication channels are help e-mail (14 applications) and help line (7 applications), which account for 75% of all received applications. At the same time, the practice shows that in most cases the applicants use the help e-mail not as intended. There was no personal appointments in the reporting period due to absence of such requests and applications.

As a whole, in the previous year, there was no serious conflict situations and gross violations of the Business Ethics Code and the Violation Risk Management Policy at KazTransOil JSC. Actual absence of applications from stakeholders during the year is probably due to correct relations and maximum compliance with interests of individuals and legal entities within the Company's activities.

The Ombudsman of KazTransOil JSC processed all applications jointly with the involved business units of the Company's headquarters and separate business units in accordance with the Law of the Republic of Kazakhstan On Consideration of Applications from Individuals and Legal Entities and the Regulations on KazTransOil JSC Ombudsman. The applicants received answers to all their requests in appropriate format.

COMPLIANCE CONTROL SERVICE

The Company has a compliance control service in place, with its main goal to ensure the Company's compliance with the RoK laws, regulatory acts and internal regulations governing disclosure of information about the Company and insider information in order to prevent potential violations of the requirements imposed on KazTransOil JSC as a listed company.

In 2020, 96 publications were posted at KASE with information regarding corporate events and changes in the Company's activities. 22 publications were posted on the website of the Financial Statements Depository with information regarding corporate events and changes in the Company's activities.

In 2020, 95 employees, including 35 SBU employees acting as the Company's insiders, completed the training course on Insider Information: Legal Regulation and Responsibility of the Company and its Insiders.

The training course covered the specific features of insider information disclosure, potential risks associated with unauthorised use of insider information and types of liability envisaged by the RoK laws for violations in this area, and also addressed case studies based on daily activities.

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FINANCIAL AND ECONOMIC PERFORMANCE. MANAGEMENT REPORT

This section presents the results obtained from discussions and review by the Company's management. It is aimed at disclosing information on KazTransOil JSC's current financial position, impact of production performance and changes in the external environment on the Company's financial indicators.

This Report is based on KazTransOil JSC audited annual consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the annual consolidated financial statements and accompanying notes, as well as other information presented in other sections of the Report.

The Consolidated Statement of Comprehensive Income includes income and expenses of the Company and its subsidiaries, namely BOT, Petrotrans Limited and Main Waterline LLP (hereinafter jointly referred to as "the Group"). The financial performance of the jointly controlled entities, namely KCP LLP and MunaiTas LLP, is presented on an equity basis under Share in (Loss)/Profit of Jointly Controlled Entities item.

Key consolidated financial performance

Changes in the financial performance achieved by the Group in 2020 as compared to 2019 are due to the following main factors:

- impairment at revaluation of fixed assets conducted in 2019
- Increased foreign exchange gain due to revaluation of book value of funds and bank deposits with second-tier banks in foreign currency (US dollar) due to US dollar exchange rate growth at the end and during reporting period
- Reduction of total and administrative expenses due to reduction of expenses under Charitable Contributions item as well as business travel expenses and expenses on cultural and health activities due to quarantine restrictions.

The consolidated revenue for 2020 amounted to KZT 235,222 mln. The Company's consolidated net profit in 2020 amounted to KZT 55,954 mln.

Group's financial performance, KZT mln

Consolidated indicators	2018	2019	2020	Difference, %
Revenues	225,400	239,626	**235,222**	–2%
Cost of sales	–152,394	–159,872	**–163,017**	2%
Gross profit	73,006	79,754	**72,205**	–9%
General and administrative expenses	–16,871	–17,878	**–16,614**	–7%
Miscellaneous operating income	1,113	1,558	**3,168**	103%
Miscellaneous operating expenses	–3,151	–3,707	**–3,604**	–3%
Reversal of impairment/(impairment) of fixed assets and intangible assets, net	–2,649	–13,185	**14**	–100%
Operating profit	51,448	46,542	**55,170**	19%
Net foreign exchange profit (loss)	2,594	104	**4910**	4621%
Financial income	2,820	2,675	**3,055**	14%
Financial costs	–2,590	–3,884	**–3,775**	–3%
Share in profit/(loss) of jointly controlled entities	–2,076	13,638	**9730**	–29%
Profit before tax	52,196	59,075	**69,090**	17%
Corporate income tax expenses	–13,711	–13,954	**–13,136**	–6%
Consolidated net profit for the reporting period	38,485	45,121	**55,954**	24%

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Income breakdown (excluding the share in jointly controlled entities), %

Consolidated indicators	2018	2019	2020
Revenues	97.2	98.2	**95.5**
Financial income	1.2	1.1	**1.2**
Miscellaneous income*	1.6	0.7	**3.3**

** Other operating income, exchange gain, reversal of fixed assets and intangible assets impairment, net*

In 2020, the share of revenue in the total profit made up 95.5%, while in 2019 it was 98.2%.

Revenue breakdown, KZT mln

Consolidated indicators	2018	2019	2020	Difference, %
Revenues	225,400	239,626	**235,222**	–1.8%
Crude oil transportation*	189,600	199,874	**194,051**	–2.9%
Pipeline operations and maintenance services	13,233	16,077	**17,067**	6.2%
Transhipment of oil and petroleum products and transportation by rail	3,002	4,438	**6,152**	38.6%
Water supply	7,536	7,577	**6,643**	–12.3%
Oil freight forwarding and sea port services	6,145	5,637	**6,620**	17.4%
Fees for under-delivered oil	4,853	5,249	**2,791**	–46.8%
Other revenues	1,031	774	**1,898**	145.2%

** The Crude Oil Transportation section includes oil transfer, unloading, loading and transhipment via KazTransOil JSC main oil pipeline system.*

Revenue for 2020 amounted to KZT 235,222 mln, which is 1.8% or KZT 4,404 mln less than in 2019.

Crude oil transportation

KazTransOil JSC's revenue from crude oil transportation in 2020 reduced by KZT 5,823 mln as compared to 2019, which was mainly caused by reduced oil turnover separately at KazTransOil JSC by 1,759 mln tonne-km due to reduction of oil delivery by Aktobe region customers in the beginning of 2020 because of the increased organochloride content, reduced production at Kumkol group of fields, reduced oil production in the Republic of Kazakhstan under the OPEC+ agreement.

Operation and maintenance of main oil pipelines owned by third parties

Revenue from operation and maintenance of main oil pipelines increased by 6.2% or KZT 990 mln mainly due to increased prices for services of operation and maintenance of the Atasu – Alashankou and Kenkiyak – Kumkol main oil pipelines from January 2020.

Transhipment of oil and petroleum products and transportation by rail

In 2020, revenues from transhipment and transportation of oil and petroleum products by the Company's foreign subsidiaries (BOT and Petrotrans Limited) increased by 38.6% or KZT 1,714 mln as compared to the same period of the previous year.

This growth was mainly due to increased transhipment of dark oil products, oil and gas as well as other revenues from increased income from storage of cargo and demurrages.

Water supply

Revenue from water supply decreased by 12.3% or KZT 934 mln mainly due to decreased water supply volumes (in 2020 the volume was 28,406 thousand m^3, while in 2019 it was 28,900 thousand m^3).

Oil freight forwarding and sea port services

Revenue increased by 17.4% or KZT 983 mln due to increased dry cargo transhipment volumes, port charges and tow revenues.

Fees for under-delivered oil

In the reporting period, the fee for under-delivered oil reduced by KZT 2,458 mln (by 46.8%), from KZT 5,249 mln to KZT 2,791 mln. Revenue for under-delivered oil is acknowledged based on contracts for oil transportation on a "pump or pay" basis. In the reporting year of 2020, 909 thousand tonnes of oil were under-delivered out of 1,687 thousand tonnes declared by the shippers.

Other revenues

Other revenues increased in 2020 by 145.2% or KZT 1,124 mln as compared to 2019, mainly due to increased income from demurrage and income from lease of land, buildings and other fixed assets of Batumi Oil Terminal LLC and Batumi Sea Port LLC.

Financial income

Financial income in 2020 amounted to 3055 mln mainly due to fees related to free cash from the Company's operating activities placed on deposits in 2020. Interest income on bank deposits and current accounts in the reporting period amounted to KZT 2,658 mln, while in 2019 the same income was KZT 2,357 mln.

Expenses

The total expenses in 2020 amounted to KZT 187,010 mln, which is 5.8% less than the total expenses in 2019 (KZT 198,526 mln).

Breakdown of expenses, %

Consolidated indicators	2018	2019	2020
Cost of sales	85.8	80.5	**87.2**
General and administrative expenses	9.5	9	**8.9**
Depreciation of fixed and intangible assets	1.5	6.6	**–**
Financial costs	1.5	2	**2.0**
Miscellaneous expenses*	1.8	1.9	**1.9**

** Miscellaneous operating costs and net foreign exchange losses, net*

The cost of sales in 2020 amounted to KZT 163,017 mln, which is 2% or KZT 3,145 mln more than in 2019. This growth is mainly due to the following factors:

- Increased personnel expenses due to indexation of salary of the KazTransOil JSC production personnel as well as introduction of a new remuneration system in the KazTransOil JSC production units;
- Increased expenses on railway services due to increased volumes of TCO (PTL) gas transportation;
- Increased expenses from depreciation of fixed assets, intangible assets and assets in the form of right to use due to commissioning of capital construction facilities at the end of 2019;
- Increased expenses on employee benefits upon completion of employment activities due to increased average monthly salary of production personnel as well as acknowledgement in 2019 of reduced cost of services in the previous periods due to introduction of changes in the Regulations for Social Support of Retirees and Disabled Persons of KazTransOil JSC in the comparative period.

At the same time, certain items saw reduction in the reporting period as compared to 2019, including:

- Expenses on environmental protection because in 2019 KazTransOil JSC has remediated the lands subjected to historical pollution
- Business travel expenses because of restrictions for preventing the spread of coronavirus infection
- Expenses on fuel and materials, associated mainly with reduced materials for in-house repair operations;
- Expenses on aerial surveillance services due to temporary suspension of flights from Q2 of 2019.

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Cost of sales breakdown, %

Consolidated indicators	2018	2019	2020
Personnel expenses	33.7	34.2	**34.8**
Depreciation and amortisation	33.3	32.8	**32.6**
Fuel and materials	5.4	5.5	**5.2**
Taxes other than income tax	5.5	5.4	**5.2**
Capital asset operation, repair and maintenance expenses	4.5	5.2	**5.2**
Power	4.8	4.3	**4.4**
Security services	3.3	3.3	**3.5**
Gas expenses	1.9	1.7	**1.6**
Rail transportation services	0.2	1.0	**1.5**
Food and accommodation	1.2	1.3	**1.2**
Environmental Protection	0.7	1.3	**1.0**
Air surveillance services	0.7	0.1	**0.0**
Miscellaneous	4.9	3.9	**3.7**

General and administrative costs in 2020 amounted to KZT 16,614 mln, which is 7.1% less in 2019 (KZT 17,878 mln).

Breakdown of general and administrative expenses, %

Consolidated indicators	2018	2019	2020
Personnel expenses	52.4	53.7	**57.6**
Depreciation and amortisation	9.8	7.8	**9.7**
Charity expenses	0.2	12.5	**8.7**
Office maintenance	3.5	2.9	**3.2**
Consulting services	2.1	2.0	**1.8**
Accrual of credit loss contingencies	4.6	1.2	**1.7**
Repair and maintenance	2.5	1.6	**1.6**
Secondment services	1.3	1.4	**1.6**
Accrual of administrative fines contingencies	6.2	1.8	**1.5**
Taxes other than income tax	1.7	2.2	**1.5**
Materials and fuel	0.6	0.3	**1.5**
Refundable VAT write-off expenses	2.1	0.6	**1.2**
Informational support	0.8	0.7	**0.9**
Communication services	0.8	0.9	**0.7**
Travel expenses	1.9	1.9	**0.5**
Bank services	1.0	0.4	**0.4**
Insurance and security	0.4	0.3	**0.3**
Advertising expenses	0.5	0.6	**0.1**
Miscellaneous	7.6	7.5	**5.5**

Reduction of consolidated general and administrative expenses in 2020 as compared to 2019 was mainly due to:

- Expenses on sponsor support by KazTransOil JSC. In 2019, KazTransOil JSC funded the construction of a facility in Turkestan for the total amount of KZT 2.2 bln. In the reporting period, in order to support the government's anti-coronavirus infection policy, the Company procured and handed over to healthcare organisations of the Republic of Kazakhstan the lung ventilators for the amount of KZT 1 bln and also provided sponsor support in the amount of KZT 405,809 thousand as additional funding for the facility construction in Turkestan;
- Reduction of business travel expenses and expenses on cultural and health activities due to quarantine restrictions. Financial costs amounted to KZT 3,775 mln. Financial costs were mainly the discount depreciation concerning the asset decommissioning and the land reclamation obligations, and the net interest expenses on long-term employee remuneration.

Share in profit/(loss) of jointly controlled entities

The recognised share of KazTransOil JSC profit in the financial performance of jointly controlled entities reduced from KZT 13,638 mln in 2019 to KZT 9,730 mln in 2020.

Share of KazTransOil JSC in profit/(loss) of jointly controlled entities, KZT mln

Indicators	2018	2019	2020	Difference, %
Share in profit of MunaiTas LLP	1,650	943	**1,238**	31.3%
Share in profit/(loss) of KCP LLP	–3,726	12,696	**8,492**	–33.1%
Total	–2,076	13,638	**9,730**	–28.7%

KCP LLP. Net profit of KCP LLP for 2020 amounted to KZT 16,984 mln, while the corresponding share of the Company was KZT 8,492 mln. Reduction of net profit compared to 2019 is mainly related to increased currency exchange expenses on KZT 17.2 bln currency loan (expenses of KZT 16.3 bln in the reporting period, profit of KZT 0.9 bln in 2019) due to increase of the US dollar to tenge exchange rate at the end of the reporting period.

MunaiTas LLP. Net profit of MunaiTas LLP for 2020 amounted to KZT 2,428 mln, while the corresponding share of the Company was KZT 1,238 mln. The growth compared to 2019 is due to increased currency exchange profit from funds and bank deposits with second-tier banks in foreign currency as well as increased profit from the core activities due to increased oil transportation volume.

Income tax

Corporate income tax expenses in 2020 amounted to KZT 13,136 mln, which is 5.9% less than in 2019 (KZT 13,954 mln).

Corporate income tax expenses, KZT mln

Consolidated indicators	2018	2019	2020	Difference, %
Current corporate income tax expenses	20,452	18,191	**17,315**	–4.8%
Savings on deferred income tax	–6,741	–4,237	**–4,180**	–1.4%
Income tax	13,711	13,954	**13,136**	–5.9%

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Assets, equity and liabilities

Assets, equity and liabilities, KZT mln

Consolidated indicators	For the year ending on 31 December			
	2018	2019	2020	Difference, %
Assets	803,441	912,813	**859,162**	–5.9%
Long-term assets	712,479	808,124	**748,298**	–7.4%
Current assets	90,962	104,689	**110,865**	5.9%
Equity and liabilities	803,441	912,813	**859,162**	–5.9%
Equity	625,416	702,979	**652,518**	–7.2%
Long-term liabilities	109,869	135,135	**127,578**	–5.6%
Current liabilities	68,156	74,699	**79,066**	5.8%

In 2020, the Company's assets reduced by 5.9%. The reduction was mainly due to decreased price of process oil and increased depreciation of machinery and equipment due to their revaluation.

Breakdown of fixed assets, KZT mln

Consolidated indicators	2018	2019	2020	Difference, %
Pipelines	199,530	227,757	**235,930**	3.6%
Process oil	160,975	166,122	**100,346**	–39.6%
Machinery and equipment	131,007	155,519	**142,242**	–8.5%
Buildings and structures	94,044	85,201	**85,467**	0.3%
Construction in progress	36,097	49,264	**53,202**	8.0%
Land	21,751	23,949	**25,676**	7.2%
Transportation assets	18,152	18,118	**18,650**	2.9%
Miscellaneous	10,218	8,492	**5,969**	–29.7%
Total	671,774	734,422	**667,480**	–9.1%

The equity capital reduced by 7.2% or KZT 50,461 mln, mainly due to reduction of reserve after asset revaluation.

The Company's current liabilities at the end of 2020 amounted to KZT 79,066 mln, the growth by KZT 4367 mln compared to 2019 (KZT 74,699 mln) is mainly due to increased trade and other payables, which is associated with performance of capital contracts at the end of the year, mainly related to replacement of Uzen – Atyrau – Samara oil pipeline sections.

Performance indicators

Key performance indicators

Key financial indicators	2018	2019	2020	Difference, %
EBITDA*, KZT mln	108,544	115,766	**110,382**	–4.65%
EBITDA margin (EBITDA to revenue ratio), %	48.2	48.3	**46.9**	–1.4 p.p.
Gross profit rate (gross profit to revenue ratio), %	32.4	33.3	**30.7**	–2.6 p.p.
Net profit rate (net profit to revenue ratio), %	17.1	18.8	**23.8**	5.0 p.p.

** The indicator was calculated without consideration of adjustments provided in the revised EBITDA KPI approved by resolution of the Board of Directors of KazTransOil JSC dated 3 September 2020.*

The table below shows the EBITDA operating indicator components based on the profit for the reporting year.

EBITDA calculation, KZT mln

Indicators	2018	2019	2020	Difference, %
Profit for the reporting year	38,485	45,121	**55,954**	24.0%
+ income tax expenses	13,711	13,954	**13,136**	–5.9%
Profit before tax	52,196	59,075	**69,090**	17.0%
- foreign exchange income (net)	2,595	104	**4,910**	4,621.5%
+ financial costs	2,590	3,884	**3,775**	–2.8%
- financial income	2,820	2,675	**3,055**	14.2%
+ shares in loss of jointly controlled enterprises	2,076	–	**–**	–
- share in profit of jointly controlled enterprises	–	13,638	**9,730**	–28.7%
Operating profit	51,447	46,542	**55,170**	18.5%
+ depreciation and amortisation	52,410	53,890	**54,791**	1.7%
+ other operating costs	3,151	3,707	**3,604**	–2.8%
- other operating income	1,113	1,558	**3,168**	103.3%
- Reversal of impairment/(impairment) of fixed assets and intangible assets, net	–2,649	–13,185	**14**	–
EBITDA*	108,544	115,766	**110,382**	–4.7%

** The indicator was calculated without consideration of adjustments provided in the revised EBITDA KPI approved by resolution of the Board of Directors of KazTransOil JSC dated 3 September 2020.*

Key performance indicators, %

Description	2018	2019	2020
ROA (net profit/total annual average assets)	4.9	5.3	**6.3**
ROE (net profit/total annual average equity)	6.3	6.8	**8.3**

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Liquidity and financial stability indicators

The main source of the Company's liquidity and financial stability is the cash generated from its core activities.

The liquidity indicator shows the Company's ability to meet its short-term obligations based on its current assets. The total (current) liquidity ratio indicates the coverage of current liabilities by current assets. As shown in the table below, 1 KZT of current liabilities is averagely covered by 1.40 KZT of current assets.

Liquidity ratios

Consolidated indicators	Standard criteria	2018	2019	2020
Liquidity coverage ratio (current assets / current liabilities)	1.5 – 2.5	1.33	1.40	**1.40**
Quick liquidity ratio ((current assets — inventories) / current liabilities)	1.5 – 2.5	1.26	1.32	**1.30**

The quick liquidity ratio reflects the portion of current liabilities that can be covered not only from cash available to the Company, but also from expected receipts for services rendered (cash and cash equivalents and short-term accounts receivable). Thus, this quick liquidity ratio for the reporting period shows that 1 of current liabilities is covered by 1.30 KZT of easily marketable assets.

Cash and cash equivalents

Cash and cash equivalents of the Group as of 31 December 2020 amounted to KZT 52,015 mln.

Cash turnover, KZT mln

Consolidated indicators	For the year ending on 31 December			Difference, %
	2018	2019	2020	
Net cash flow from operating activities	97,452	94,363	**95,505**	1.2%
Net cash flow used in investing activities	–44,854	–57,336	**–27,250**	–52.5%
Net cash flow used in financing activities	–61,540	–41,853	**–47,434**	13.3%
Net change in cash and cash equivalents	–8,942	–4,826	**20,821**	–
Net exchange difference	1,367	208	**2,534**	1118.5%
Change in contingency for expected credit losses	–17	–11.42	**10.5**	–
Cash and cash equivalents as of the beginning of the period	40,871	33,279	**28,649**	–13.9%
Cash and cash equivalents as of the end of the period	33,279	28,649	**52,015**	81.6%

Net positive cash flows from the Group's operating activities in 2020 amounted to KZT 95,505 mln, which is 1.2% more than in 2019. The main factor contributing to increase of this indicator is the growth of received advance payments due to 6% increase in tariffs for oil transportation to the domestic market from January 2021 (from KZT 4,109.5 /tonne per 1,000 km to KZT 4,355.57 /tonne per 1,000 km).

Net negative cash flows used in the Group's investment activities in 2020 amounted to KZT 27,250 mln, which differs from 2019 by 52.5%. This change is mainly due to placement of deposits with second-tier banks.

Net negative cash flows used in the Company's financial activities in 2020 amounted to KZT 47,434 mln, which is 13.3% more than in 2019. The changes are due to dividend payments in 2020 based on 2019 in the amount of KZT 45,386 mln (KZT 118 per 1 share in KazTransOil JSC). In 2019, dividends paid for 2018 amounted to KZT 40,001 mln (KZT 104 per ordinary share in KazTransOil JSC).

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402 — Interaction of employees with management		
402-1	Minimum period for notification of any significant changes in organisation activities and indication of the period in the collective arrangement	Staff headcount and structure, page 91
403 — Health and safety at work place		
403-1	Health and labour protection system at work place	Labour protection and industrial safety, page 101
403-2	Identification of hazard, risk assessment, investigation of accidents	Labour protection and industrial safety, page 101
403-3	Health protection service	Labour protection and industrial safety, page 101
403-4	Participation of employees, counselling and communication on labour protection and safety at work place	Labour protection and industrial safety, page 101
403-5	Professional training on health and labour protection issues at work place	Labour protection and industrial safety, page 101
403-6	Promotion of employees' health	Labour protection and industrial safety, page 101
403-7	Prevention and mitigation of health consequences and labour safety directly related to business relations	Labour protection and industrial safety, page 101

Indicator index	Indicator name	Section and page in the Report/Comment
403-8	Employees covered by health and labour protection system at work place	Labour protection and industrial safety, page 101
403-9	Industrial injuries	Labour protection and industrial safety/ Occupational injuries, page 104 Lost time injury frequency rate per 1,000 people = (number of accidents related to production) / (average number of production personnel) * 1,000 LTIFR = (lost time injury frequency rate) * 200,000 / (total time worked)
404 — Training and education		
404-1	Average number of training hours	Personnel training, page 96
404-2	Skill development programs and employee adaptation programs	Personnel training, page 96
405 — Diversity and equal opportunities		
405-1	Diversity of management bodies and employees	Staff headcount and structure, page 91
406 — Non-discrimination		
406-1	Cases of discrimination and implemented corrective actions	HR Management Approach, page 90

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UN Global Compact Principles	Corresponding UN Sustainable Development Goals (SDG)	Evidence of KazTransOil JSC operations compliance with the Principles and SDG	Section and page of the Report
Human Rights Principles			
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	SDG 16. Peace, justice and strong institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Business ethics standards established by the Company's Business Ethics Code Institution of ombudsman whose contact details are given on the Company's website https://www.kaztransoil.kz/ru/akcioneram_i_investoram/korporativnoe_upravlenie/ombudsmen/	Sustainable Development Management (page 73). HR Management and Social Policy (page 151).
Principle 2. Businesses should not be complicit in human rights abuses.			
Labour Principles			
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	SDG 1. No poverty End poverty in all its forms everywhere SDG 8. Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 4. Quality education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all SDG 3. Good health and well-being Ensure healthy lives and promote well-being for everyone at all ages	Collective Agreement covering 100% of the Company's personnel Social Responsibility Code Company's HR Policy Company's Social Policy Company's Golden Rules Occupational Health and Safety Code Company's Health, Safety and Environment Policy OHSAS 18001:2007 certificate acknowledged by an international accredited body Investments in health and safety for the amount of KZT 2,3 bln in 2020	HR Management and Social Policy (page 90). Occupational Health and Safety (page 101).
Principle 4. Business should promote elimination of all forms of forced and compulsory labour.			
Principle 5. Business should uphold effective abolition of child labour.			
Principle 6. Business should uphold elimination of discrimination in respect of employment and occupation.			
Environmental Principles			
Principle 7. Business should uphold a precautionary approach to environmental challenges.	SDG 13. Climate action Take urgent action to combat climate change and its impacts SDG 15. Life on land Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss SDG 6. Clean water and sanitation Ensure availability and sustainable management of water and sanitation for all SDG 17. Partnership for the goals Strengthen the means of implementation and revitalise the global partnership for sustainable development	Company's Health, Safety and Environment Policy Water Management Rules Environmental Management Rules Waste Management Rules ISO 14001:2015 certificate acknowledged by an international accredited body Investments in environmental protection activities for the amount of KZT 1,3 bln in 2020	Environmental Protection (page 105).
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.			
Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	SDG 7. Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all SDG 9. Industry, innovation and infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation SDG 12. Responsible consumption and production Ensure sustainable consumption and production patterns		
Anti-Corruption Principles			

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UN Global Compact Principles	Corresponding UN Sustainable Development Goals (SDG)	Evidence of KazTransOil JSC operations compliance with the Principles and SDG	Section and page of the Report
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery	SDG 16. Peace, justice and strong institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Company's Business Ethics Code Company's Anti-Corruption Standards Company's Violation Risk Management Policy Policy on Settling Conflicts of Interest between the Company's Officials and Employees Blog of the General Director (Chairman of the Board) on the KazTransOil JSC's website Helpline at +7 (7172) 555-210 Special "No to Corruption" hotline 5213@kaztransoil.kz and other information in the separate section of the Company's website devoted to corruption management issues https://www.kaztransoil.kz/ru/ustoychivoe_razvitie/protivodeystvie_korrupcii/ No violations of RoK anti-corruption laws in the Company in 2020	Corruption Management (page 148).

APPENDIX 3. LIST OF KAZTRANSOIL JSC SELF-DEALING TRANSACTIONS CONCLUDED BY KAZTRANSOIL JSC IN 2020

Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
CPC-K JSC		
1.	Change Order No. 2 to Service Contract No. K-OD-18-0078//OS125/2018 dated 16 May 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
2.	Change Order No. 3 to Service Contract No. K-OD-18-0078//OS125/2018 dated 16 May 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 10/2020 dated 7 October 2020)
CNPC-AMG JSC, Kazakhstan-China Pipeline LLP and MunaiTas LLP		
3.	Agreement for Settlement of Consequences of Delivery of Off-Spec Oil by CNPC-AMG JSC into the Main Oil Pipeline System	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 2/2020 dated 7 February 2020)
TURGAI-PETROLEUM JSC		
4.	Supplementary Agreement No. 2 to Contract for Oil Transportation Services No. TR 25/2019//KZ-18-8100-0500 dated 23 November 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
5.	Oil Supply Contract	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 10/2020 dated 7 October 2020)
6.	Contract for TURGAI-PETROLEUM JSC Oil Pipeline Operation	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
Tengizchevroil LLP, GAZ Stroy Montazh KZ LLP		
7.	Amendment No. 3 to Tripartite Contract for Design, Procurement, Construction and Commissioning of the Kulsary — Tengiz Process Water Supply Pipeline No. 1612814/6/2018 dated 22 January 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 9/2020 dated 3 September 2020)
Mangistaumunaigas JSC		
8.	Contract for Handover and Takeover of Natural Gas for Kalamkas HOPS and Karazhanbas OPS of KazTransOil Mangistau Oil Pipeline Administration	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 4/2020 dated 24 April 2020)
9.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 06/2020//1417-19 dated 18 October 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
10.	Contract for Oil Transit Management	Decision of the Board of Directors of KazTransOil JSC (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
11.	Contract for Oil Transportation Services	Decision of the Board of Directors of KazTransOil JSC (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
CNPC-AMG JSC		
12.	Supplementary Agreement No. 1 to Contract for Oil Transit Management No. EX03/2020 dated 25 November 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
13.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR05/2020//3859U dated 18 October 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
Kazakhoil-Aktobe LLP		
14.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 08/2020//59CSL1Yk19 dated 18 October 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
15.	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)

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16.	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
Kazgermunai JV LLP		
17.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 30/2020//DG20-ALA-009-0014 dated 18 October 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
18.	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
CNPC Kazakhstan B.V.		
19.	Supplementary Agreement No. 2 to Contract for Oil Transportation Services No. TR 20/2019 dated 10 December 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
20.	Supplementary Agreement No. 1 to Contract for Oil Transit Management No. EX07/2020 dated 13 December 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
PetroKazakhstan Kumkol Resources JSC		
21.	Supplementary Agreement No. 1 Contract for Oil Transportation Services No. TR 14/2020//1908045 dated 18 October 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
Tengizchevroil LLP		
22.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 11/2020 dated 18 October 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
23.	Supplementary Agreement No. 1 to Contract for Oil Transit Management No. EX14/2020 dated 26 December 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
Karazhanbasmunai JSC		
24.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 04/2020//19-KH11-0338 dated 25 October 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
25.	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)
KMK M JSC		
26.	Supplementary Agreement No. 2 to Contract for Oil Transportation Services No. TR 03/2019 dated 21 November 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 5/2020 dated 28 May 2020)
27.	Supplementary Agreement No. 1 to Contract for Oil Transit Management No. EX06/2020 dated 13 December 2019	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 12/2020 dated 10 December 2020)

Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
Kazakhstan-China Pipeline LLP		
28.	Agreements for Operation of the Kenkiyak — Kumkol and Atasu — Alashankou Main Oil Pipelines for 2020–2021	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 6/2020 dated 1 July 2020)
Transtelecom JSC		
29.	Supplementary Agreement No. 1 to Contractor Agreement No. ACS 97/2019 dated 29 December 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 9/2020 dated 3 September 2020)
30.	Supplementary Agreement No. 4 to Contractor Agreement No. CC296/2018 dated 18 January 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 11/2020 dated 16 November 2020)
31.	Supplementary Agreement No. 4 to Contractor Agreement No. CC301/2018 dated 18 January 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 11/2020 dated 16 November 2020)
32.	Supplementary Agreement No. 4 to Contractor Agreement No. CC303/2018 dated 18 January 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 11/2020 dated 16 November 2020)
33.	Supplementary Agreement No. 2 to Contractor Agreement No. CC73/2019 dated 29 December 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 11/2020 dated 16 November 2020)
34.	Supplementary Agreement No. 2 to Contractor Agreement No. CC74/2019 dated 29 December 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 11/2020 dated 16 November 2020)
Main Waterline LLP, Tengizchevroil LLP and GAZ stroy montazh KZ LLP		
35.	Agreement for Novation under Tripartite Contract for Design, Procurement, Construction and Commissioning of the Kulsary — Tengiz Process Water Supply Pipeline No. 1612814/6/2018 dated 22 January 2018	Decision of KazTransOil JSC Board of Directors (Minutes of the Meeting No. 11/2020 dated 16 November 2020)
Ozenmunaigas JSC		
36.	Agreement to Terminate Contract for Oil Transportation Services No. TR 02/2020//1807-206 dated 23 September 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 4 dated 27 February 2020)
37.	Agreement to Terminate Contract for Oil Transit Management No. EX 63/2020//2472-206 dated 26 December 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 4 dated 27 February 2020)
Ozenmunaigas JSC represented by NC KazMunayGas JSC		
38.	Contract for Oil Transit Management	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 4 dated 27 February 2020)
39.	Contract for Oil Transportation Services	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 4 dated 27 February 2020)
40.	Contract for Oil Transit Management	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 28 dated 24 November 2020)

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Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
Main Waterline LLP		
41.	Contract for Property Transfer as an Additional Contribution to the Authorised Capital of Main Waterline LLP	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 8 dated 27 March 2020)
42.	Agreement for Novation under Contractor Agreement No. CC650/2018/237/18 dated 5 May 2018 concluded by the Company with Transtelecom JSC	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 8 dated 27 March 2020)
43.	Contract for Main Waterline Maintenance and Repair	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 29 dated 7 December 2020)
44.	Additional Monetary Contribution to the Authorised Capital of Main Waterline LLP	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 31 dated 31 December 2020)
Embamunaigas JSC represented by NC KazMunayGas JSC		
45.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 68/2020//716-16 dated 26 December 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 10 dated 20 April 2020)
46.	Contract for Oil Transit Management	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 28 dated 24 November 2020)
OOC KazMunayTeniz LLP		
47.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 12/2020//07-453-2019/DU dated 6 December 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 10 dated 20 April 2020)
Kazakhturkmunai LLP represented by NC KazMunayGas JSC		
48.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. 67/2020//714-16 dated 26 December 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 10 dated 20 April 2020)
49.	Contract for Oil Transit Management	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 28 dated 24 November 2020)
KMG Kashagan B.V.		
50.	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. 29/2020 dated 30 October 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 10 dated 20 April 2020)
51.	Supplementary Agreement No. 1 to Contract for Oil Transit Management No. EX 21/2020 dated 27 December 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 30 dated 11 December 2020)
MunaiTas LLP		
52.	Contract for Maintenance of Main/Local Pipelines and Similar Networks/ Systems (Operation of Kenkiyak — Atyrau Main Oil Pipeline Facilities and Structures) for 2020–2021	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 15 dated 22 June 2020)

Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
Samruk-Kazyna JSC		
53.	Agreement for Transfer of the Rights to Use SAP Software in the Future	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 26 dated 10 November 2020)
Facility Construction Company, Corporate Fund		
54.	Supplementary Agreement No. 2 to Sponsorship (Charity) Agreement No. 174/2019 dated 18 February 2019	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 27 dated 16 November 2020)
OOC KazMunayTeniz LLP		
55.	Contract for Oil Transit Management	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 28 dated 24 November 2020)
56.	Contract for Oil Transportation Services	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 28 dated 24 November 2020)
Urikhtau Operating LLP represented by NC KazMunayGas JSC		
57.	Contract for Oil Transportation Services	Decision of KazTransOil JSC Management Board (Minutes of the Meeting No. 28 dated 24 November 2020)

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APPENDIX 4. REPORT ON KAZTRANSOIL JSC COMPLIANCE WITH THE PRINCIPLES AND PROVISIONS OF THE CORPORATE MANAGEMENT CODE FOR 2020

№	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not observed	Actions implemented to comply with Corporate Management Standards/Principles
1	Interaction between Samruk-Kazyna JSC and Entities. Role of Samruk-Kazyna JSC as a National Management Holding.	Observed	The KazTransOil JSC corporate management system ensures appropriate management and control over its activities and is aimed at increasing long-term value and sustainable development. The effective system of interaction between shareholders, the Board of Directors and the Management Board is the key component ensuring the KazTransOil JSC value growth and the guarantee of efficient use of the investors' money. The main strategic objective of KazTransOil JSC is the long-term value growth and sustainable development, as reflected in the KazTransOil JSC development strategy. The KazTransOil JSC approved its Development Strategy up to 2028, with strategic goal of increasing the KazTransOil JSC market value (capitalisation) and respecting the strategic interests of the state in the area of oil transportation via main oil pipelines. KazTransOil JSC and its officials are responsible for increasing the KazTransOil JSC long-term value growth and sustainable development, adopted decisions and actions/omissions pursuant to the RoK laws and internal documents. One of the main components for efficiency assessment of the KazTransOil JSC executive body is key performance indicators (hereinafter, KPI). The KazTransOil JSC Board of Directors approves the list and targets of KPI. The decision of the KazTransOil JSC Board of Directors (minutes of the meeting No. 1/2020 dated 31 January 2020) approved the KPIs of KazTransOil JSC for 2020 and their corresponding targets. The same decision of the KazTransOil JSC Board of Directors approved the incentive key performance indicators of the KazTransOil JSC executives and their corresponding targets for 2020. The KPI achievement assessment is performed on an annual basis and influences the remuneration of KazTransOil JSC executives.
2	Sustainable Development	Observed	Sustainable development is the priority of KazTransOil JSC and its main goal is to develop the business, maintain and protect the environment, create favourable working conditions and safe workplaces and contribute to development of the local communities in the KazTransOil JSC operating areas. The basis of sustainable development should be execution of the approved health, safety and environment and quality policies. KazTransOil JSC activities cover development and implementation of a set of legal, socio-economic, administrative and engineering, sanitary and epidemiological, recovery, medical treatment and preventive measures to create and ensure safe and healthy working conditions at production facilities, to prevent occupational injuries and occupational diseases, to create and ensure favourable conditions for the environment, biodiversity and human life pursuant to ISO 14001 and ISO 45001. KazTransOil JSC defined a constant increase of energy efficiency level as the one of its main priorities and continues work on improvement of the energy management system that is a part of the integrated management system (hereinafter, IMS). From 12 to 16 October 2020, KazTransOil JSC successfully passed the KazTransOil JSC IMS inspection audit for compliance with the requirements of the new version ISO 50001. As a result, conformity assessment body SGS Italia issued the certificate of conformity of the KazTransOil JSC energy management system with the requirements of ISO 50001:2018. In its sustainable development activities, KazTransOil JSC follows the principles and provisions stipulated in the UN Global Compact, ISO 26000 standard — Guidance on Social Responsibility, AA1000 Stakeholder Engagement Standard, the sustainable development reporting of GRI G4 and is regulated by a number of the KazTransOil JSC internal documents in certain sustainable development areas, which are posted on the KazTransOil JSC website. KazTransOil JSC approved the KazTransOil JSC Stakeholder Map identifying the list of stakeholders who influence or can influence the KazTransOil JSC activities. KazTransOil JSC developed the Stakeholder Map by assessing the influence of stakeholders on KazTransOil JSC and their level of interest in KazTransOil JSC based on specific engagement parameters. The map is updated at least once in three years.
2.1	Environmental Protection		Environmental protection (hereinafter, EP) and environmental safety are critical elements that ensure sustainable development at KazTransOil JSC. KazTransOil JSC focuses on actions aimed at mitigating the negative environmental impacts of its activities and implementing the principles of sustainable nature use. KazTransOil JSC strictly adheres to the Environmental Code of the Republic of Kazakhstan, best international practices and provisions of the KazTransOil JSC Policy on Health, Safety and Environmental Protection and other internal corporate documents, identifies and assesses environmental aspects and ensures transparent and open environmental protection actions. The EP issues are managed at two levels. The Industrial Safety, Labour Protection and Emergency Department coordinates the work at the headquarters and the HSE departments coordinate it at the level of separate business units. The EP management system covers all lines of KazTransOil JSC production activities, is certified to ISO 14001:2015, and is a part of the KazTransOil JSC IMS. Based on the inspection audit by SGS SA, KazTransOil JSC confirmed compliance of the EP management system with ISO 14001:2015. In the reporting period, KazTransOil JSC invested KZT 1.316 bln in environmental protection, which is 42% more than in 2019, and made emissions payments in the amount of KZT 81.69 mln. No emergencies resulting in environmental damage occurred during oil transportation in 2020.
2.2	Health and Safety		In terms of health and safety, KazTransOil JSC seeks to ensure failure-free operation of production facilities, creates and maintains safe working conditions, cares for the health of its employees and strictly adheres to the RoK laws, international and national standards, provisions of the KazTransOil JSC Policy on Health, Safety and Environmental Protection and the KazTransOil JSC internal documents. Key internal documents • KazTransOil JSC Policy on Health, Safety and Environmental Protection • Uniform Health and Safety Management System at KazTransOil JSC • KazTransOil JSC Industrial Safety Declaration • "Golden Rules" Occupational Health and Safety Code of KazTransOil JSC • Leadership and Commitment Code of KazTransOil JSC Employees on Safety and Labour Protection, Industrial, Fire, Transport Safety and Environmental Protection. • KazTransOil JSC Policy on Alcohol, Drugs, Psychotropic Substances and their Equivalents • Procedure for Reporting on Incidents at KazTransOil JSC. Creation of safe labour conditions, internal prevention, minimisation of occupational risks and trainings are the daily contribution to development and improvement of the safe labour culture. Every year KazTransOil JSC makes considerable investments in development of the occupational health and safety management system. In 2020, investments amounted to KZT 5.753 bln. KazTransOil JSC implements all occupational health and safety training programs as prescribed by state requirements. In 2020, 414 employees of KazTransOil JSC completed compulsory safety and labour protection training, 6,584 employees completed industrial safety training, 4,992 employees completed basic fire safety training. In 2020, KazTransOil JSC registered 3 industrial accidents related to labour activities. All accidents were investigated in line with the RoK legal requirements. Investigations showed that the key factors that contributed to the injuries in those cases were the employees' personal carelessness and inadequate risk assessment prior to work.

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№	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not observed	Actions implemented to comply with Corporate Management Standards/Principles
2.3	HR and Social Policy		Improvement of the KazTransOil JSC HR Policy is one of the critical drivers for KazTransOil JSC long-term sustainable development. The priorities under the KazTransOil JSC HR Policy are to ensure an appropriate level of remuneration and create a social assistance system for employees, to provide professional development and career progress opportunities, to build and implement an effective personnel incentive system and to increase personnel satisfaction. The KazTransOil JSC HR Policy defines the system of principles, key areas and levels of personnel management. KazTransOil JSC builds its HR and Social Policy in accordance with the RoK laws and the collective agreement concluded with the KazTransOil JSC employees. KazTransOil JSC pays special attention to social stability and creation of favourable climate among employees based on balanced social and labour policy implementation and systemic measures on regulation of social and labour relations. KazTransOil JSC provides a guaranteed social security package to its employees in order to improve the living conditions of employees and their families. Moreover, the employees receive additional bonuses and guarantees stipulated in the collective agreement. The social stability studies help to assess the satisfaction and motivation level among the KazTransOil JSC employees. Since 2020, the Company uses the new SAMRUK RESEARCH SERVICES (hereinafter, SRS) methodology, which is a monitoring instrument for measuring the level of social stability in the working teams. The Social Engagement and Communications Centre is the authorised SRS research organisation. In the pandemic conditions, the Company's employees (production personnel) underwent survey remotely via telephone. In 2020, the SRS index rose by 16 percentage points (hereinafter, p.p.) as compared to 2019 and amounted to 91%. The SRS index consists of the following indicators: 1) Engagement index (amounted to 93% in 2020, an increase of +25 p.p. compared to 2019) 2) Social welfare index (amounted to 80% in 2020, an increase of +2 p.p. compared to 2019) 3) Social contentment index (amounted to 93% in 2020, an increase of 2019 +16 p.p. compared to 2019). With regard to HR Management, KazTransOil JSC works in such areas as organisational structure improvement, personnel development, labour efficiency management, implementation of the main tasks and areas of the youth policy, formation and development of the corporate culture. In addition, the Company specifically focuses on developing internal corporate communications and establishing trust between employees and management through communication events, a transparent assessment system and work performance feedback tools for both the core personnel and the managers. KazTransOil JSC pays a year-end bonus to all headquarters employees and SBU managers based on their KPIs with account of the accomplishment of the KazTransOil JSC strategic goals and personal performance indicators, which resulted in significantly improved responsibility of headquarters employees and the separate business units of KazTransOil JSC. This approach forms the vertically integrated KPI structure, which allows allocating responsibility for strategic goals to each responsible participant of the KazTransOil JSC business processes. KazTransOil JSC recruits staff in accordance with the Rules for Competitive Personnel Selection for Vacancies and Work Occupations at KazTransOil JSC. KazTransOil JSC performs search and selection of qualified specialists, keeps the candidates database, and implements transparent competitive procedures during selection of personnel for vacant positions/work occupations including the use of testing elements. In 2020, 1073 training programme and personnel development activities were carried out. Many employees completed vocational training, refresher training and advanced training in several specialties (areas). The total training costs in 2020 amounted to KZT 324 mln. KazTransOil JSC provides a wide range of opportunities for self-filfilment and career progress of its employees. KazTransOil JSC formed a Talent Pool to ensure succession and training of its own management staff. KazTransOil JSC is pursuing a policy of internal rotation and successive appointment of employees to managerial positions as part of the Talent Pool practice development. KazTransOil JSC strives to realise the needs of employees for career progress, creating equal conditions for all employees based on performance assessment, experience as well as business and personal skills. The employees from the Talent Pool are the first considered for vacant managerial positions. In 2020, in order to consistently form the KazTransOil JSC Talent Pool in accordance with the Regulations on Formation of the KazTransOil JSC Talent Pool, the need for category A staff (managerial staff and the SBU Chief Executive Officers) was identified. In the reporting period, 89 workers were transferred to engineering positions in KazTransOil JSC. An important area of the KazTransOil JSC HR Policy is the work with young specialists. KazTransOil JSC implements a complex approach stipulated in the KazTransOil JSC Youth Policy and aimed at recruiting young specialists to work in the Company and working with young staff.

№	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not observed	Actions implemented to comply with Corporate Management Standards/Principles
2.4	Procurement System and Local Content		An effective procurement system and timely provision of high-quality goods, works and services are essential to ensure sustainable development of the KazTransOil JSC business in view of its scale. KazTransOil JSC selects its suppliers based on the Rules for Procurement applicable to Sovereign Wealth Fund Samruk-Kazyna JSC and legal entities with more than fifty percent of the voting shares (interest) directly or indirectly owned or held in trust management by Samruk-Kazyna JSC. In 2020, KazTransOil JSC concluded the contracts under the annual procurement plan for KZT 43.9 bln and under the long-term procurement plan for KZT 34.4 bln. In 2020, the actual local content in procurement of goods was 53% and 75% in works and services. Information on procurement of goods, works and services for KazTransOil JSC (procurement plans, announcements, results protocols, contracts) is placed and formed on the Samruk-Kazyna JSC Procurement Portal zakup.sk.kz.
3	Rights of Shareholders (Participants) and Equitable Treatment of Shareholders (Participants)	Observed	Open and effective interaction with shareholders to the maximum possible extent is a key operating principle adopted by KazTransOil JSC. The main rights of shareholders are exercised pursuant to the legal acts and the KazTransOil JSC Charter (hereinafter, the Charter). Structure of corporate management at KazTransOil JSC ensures equal rights and fair treatment of all shareholders. In accordance with the laws of the Republic of Kazakhstan, shareholders have the right to participate in the General Meeting of shareholders and vote in person or by proxy based on a power of attorney. The laws of the Republic of Kazakhstan, the Charter and the Regulations on interaction between KazTransOil JSC business units when posting information on the websites of the financial statements depository and Kazakhstan Stock Exchange JSC regulate the information disclosure issues. The KazTransOil JSC Board of Directors guarantees equitable treatment of all shareholders, gives them opportunity to participate in management of KazTransOil JSC via the General Meeting of shareholders, obtain information on the KazTransOil JSC activities and exercise their right to receive dividends. The method and procedures for holding the General Meeting of shareholders ensure equitable treatment of all shareholders. The major shareholder of KazTransOil JSC is NC KazMunayGas JSC owing 90% of ordinary shares of KazTransOil JSC. Due to the initial public offering of KazTransOil JSC shares at Kazakhstan Stock Exchange on 30 October 2012, KazTransOil JSC and NC KazMunayGas JSC, as its major shareholder, concluded an Agreement on Relationship securing the transparent market principles of interaction between KazTransOil JSC and its major shareholder and allowing KazTransOil JSC to act in the interests of all its shareholders. The websites of KazTransOil JSC, Kazakhstan Stock Exchange JSC and the financial statements depository timely post the information concerning the interests of shareholders. KazTransOil JSC has the Investor Relations Service, with a main goal to organise effective communication between the KazTransOil JSC management and investment community (potential investors, minority shareholders and professional security market players) in order to support and strengthen the reputation of KazTransOil JSC as an investment-attractive company. On 27 May 2020, at the Annual General Meeting of shareholders the following issues were considered: • On approval of the annual financial statements and consolidated annual financial statements of KazTransOil JSC for 2019 • On approval of the procedure for allocating the KazTransOil JSC net income for 2019 and undistributed profit for previous years, the decision to pay dividends on ordinary shares and approval of the dividend amount per ordinary share of KazTransOil JSC • On approval of the Annual Activities Report of the KazTransOil JSC Board of Directors for 2019 • On complaints from KazTransOil JSC shareholders regarding the actions of KazTransOil JSC and its officials in 2019, and their consideration results • On approval of the Regulations on KazTransOil JSC General Meeting of Shareholders • On early resignation of some members of the KazTransOil JSC Accounting Committee and on election of new members of the KazTransOil JSC Accounting Committee. Shareholders and stakeholders also receive the information via the Annual Report that includes the report of the Board of Directors and the audited Annual Financial Statements.

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№	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not observed	Actions implemented to comply with Corporate Management Standards/Principles
4	Efficiency of the Board of Directors and the Executive Body	Observed	The Board of Directors is the KazTransOil JSC management body that ensures the KazTransOil JSC strategic management, supervises the activities of KazTransOil JSC Management Board within its competence and is accountable to the Company's General Meeting of Shareholders for effective management and appropriate supervision of the KazTransOil JSC activities in accordance with the current decision-making system. According to the Charter of KazTransOil JSC, there are 6 members elected in the Board of Directors. In accordance with the share capital structure (90% of the total number of ordinary shares are owned by NC KazMunayGas JSC), two members of the Board of Directors of KazTransOil JSC are representatives of the major shareholder NC KazMunayGas JSC, the powers of one of which were terminated early from 13 March 2020 based on his written notification. Three members of the KazTransOil JSC Board of Directors are independent directors, which ensures protection of the rights and interests of minority shareholders in accordance with the best global practices of corporate management. The General Director (Chairman of the Management Board) is also a member of the KazTransOil JSC Board of Directors. All members of the KazTransOil JSC Board of Directors have impeccable business reputation and significant work experience in the industry. The criteria to elect members of the Board of Directors, including independent directors, are set out in the Law of the Republic of Kazakhstan On Joint-Stock Companies, the Charter, the Corporate Management Code and the Regulations on the KazTransOil JSC Board of Directors. The report on activities of the Board of Directors is annually disclosed in the KazTransOil JSC Annual Report. In 2020, the Board of Directors held 11 meetings of in presentio and 1 in absentia, considering and deciding on 119 issues of the key areas of the KazTransOil JSC activities. The Board of Directors also considered a number of issues within the competence of the General Meetings of Participants/ Shareholders of the KazTransOil JSC subsidiaries and jointly controlled entities. The Board of Directors monthly considered the key changes in the KazTransOil JSC activities and the management reporting. Additional information on decisions made by the Board of Directors in 2020 is available on the KazTransOil JSC website in the Corporate Management section. For preliminary consideration of the most important issues and preparation of recommendations for the Board of Directors, the following Committees of the Board of Directors are functioning at KazTransOil JSC: ● Strategic Planning Committee ● Internal Audit Committee ● HR and Remuneration Committee. The KazTransOil JSC Board of Directors appoints members of the Committees. The procedure of formation and organisation of the Committees' activities is set forth in the corresponding regulations. In 2020, the Strategic Planning Committee held 4 meetings in presentio, the Internal Audit Committee held 6 meetings in presentio and 1 meeting in absentia, the HR and Remuneration Committee held 3 meetings in presentio and 2 meetings in absentia. Members of the Board of Directors, excluding independent directors, perform their activities on a non-reimbursable basis. The Rules of Remuneration and Cost Reimbursement Payments to Independent Directors of Joint-Stock Companies of NC KazMunayGas JSC regulate the procedure for remuneration and/ or cost reimbursement payments to independent directors. The KazTransOil JSC Management Board is a collegial executive body that manages the current activities of KazTransOil JSC and performs its functions based on the Charter, the Regulations on KazTransOil JSC Management Board and other internal documents of KazTransOil JSC. The General Director (Chairman of the Management Board) heads the KazTransOil JSC Management Board. Article 12 of the Charter defines the competence of the Management Board and powers of the General Director (Chairman of the Management Board) of KazTransOil JSC. In 2020, the KazTransOil JSC Management Board held 31 in presentio meetings. In total, the KazTransOil JSC Management Board made decisions on 209 considered issues, gave 202 assignments, all assignments were completed. At the same time, the Management Board submitted 76 considered issues for consideration by the Board of Directors, three of which went for consideration at the General Meeting of KazTransOil JSC Shareholders. The participants of the meetings reviewed the issues and decided on such key areas as strategic development, corporate management, financial and administrative activities, risk management and internal control.

№	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not observed	Actions implemented to comply with Corporate Management Standards/Principles
5	Risk Management, Internal Controls and Audit	Observed	An important element of KazTransOil JSC corporate management system is the risk management system that includes the Corporate Risk Management System (hereinafter, CRMS) and the Internal Control System (hereinafter, ICS). The CRMS is a combination of principles, methods and procedures that ensure arrangement and effective operation of the risk management process at all management levels of KazTransOil JSC. The CRMS is intended to promptly identify, assess, monitor and mitigate potential risk events that may have an adverse impact on attaining the KazTransOil JSC strategic and operating goals. KazTransOil JSC identifies and assesses the risks based on the Unified Risk Classifier of NC KazMunayGas JSC and its subsidiaries and associates. All KazTransOil JSC risks are divided into two categories: occupational and non-occupational risks triggered by the respective risk factors (causes). In 2020, the Company continuously monitored the status of occupational and non-occupational risks and their inherent risk factors and the implementation of the respective risk management actions. The Risk Committee, Management Board and Board of Directors of KazTransOil JSC received quarterly reports on the risk dynamics. The corporate portal maintains a unified electronic database on occurring risk events in order to record and subsequently analyse the data on occurred risks at KazTransOil JSC, which facilitates collection of statistics required to perform quantitative assessments of risks and risk factors and to prepare reports. In 2020, work was carried out to identify and assess risks for 2021, which allowed to develop corresponding preventive and corrective actions. The KazTransOil JSC Board of Directors approved the results of this work. The KazTransOil JSC ICS helps to timely identify and analyse the process-level risks inherent to KazTransOil JSC activities, as well as identify and analyse the control procedures to manage these risks in three key ICS areas: operational activities, preparation of financial statements and compliance with the legal and regulatory requirements. In 2020, the following actions were implemented for further ICS improvement: ● 1) Update of the business process classifiers of KazTransOil JSC headquarters and separate business units ● 2) Update of the risks and controls matrix for individual business processes of separate business units of KazTransOil JSC. KazTransOil JSC has the Internal Audit Service (hereinafter, the Service) to monitor financial and business activities of KazTransOil JSC, assess internal controls, manage risk, prepare corporate management documents and give advice for KazTransOil JSC activities improvement. The Service is directly subordinate to the Board of Directors and reports to it about its work. The Internal Audit Committee of the KazTransOil JSC Board of Directors supervises the Service's activities. The Service performs its activities in accordance with the Annual Audit Plan approved by the KazTransOil JSC Board of Directors. During the reporting period, in accordance with the Service Work Plan for 2020, 7 audits of production, operational and financial processes at Kazakhstan-China Pipeline LLP, Petrotrans Limited and Pavlodar Pipeline Administration JSC of KazTransOil JSC, audit of monitoring of tariff estimate preparation, formation and implementation of investment programme at KazTransOil JSC, audit of administrative support at KazTransOil JSC and audit of inventory provision and inventory accounting at KazTransOil JSC were carried out. The audits conducted by the Internal Audit Service in 2020 identified 87 nonconformities and issued 108 recommendations. It should be noted that the audited entities developed and approved Corrective Action Plans to address the revealed nonconformities based on the recommendations from the Service issued in 2020.

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№	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not observed	Actions implemented to comply with Corporate Management Standards/Principles
6	Transparency	Observed	KazTransOil JSC ensures timely and full disclosure of information to stakeholders on all aspects of its activities, excluding the cases when the information constitutes commercial, official or other secret protected by law, pursuant to: • The Law of the Republic of Kazakhstan On Joint-Stock Companies dated 13 May 2003; • The Law of the Republic of Kazakhstan On the Securities Market dated 2 July 2003; • The Law of the Republic of Kazakhstan On Accounting and Financial Reporting dated 28 February 2007; • Resolution No. 189 of the Management Board of the RoK National Bank dated 27 August 2018 On approval of Regulations on Information Disclosure by the Issuer, Requirements for the Content of Information subject to Disclosure by the Issuer and the Timing of Information Disclosure by the Issuer on the website of the Financial Reporting Depository; • The Listing Rules approved by decision of the Kazakhstan Stock Exchange JSC Board of Directors (minutes of the meeting No. 15 dated 27 April 2017) (hereinafter, the Listing Rules); • The Charter and Corporate Management Code, Regulations on KazTransOil JSC information disclosure, Rules for Internal Control of KazTransOil JSC Insider Information Management and Use, Regulations on Interaction between KazTransOil JSC Business Units when Posting Information on the Websites of the Financial Statements Depository and Kazakhstan Stock Exchange JSC and other internal documents of KazTransOil JSC. The data on compliance with the Rules for Internal Control of KazTransOil JSC Insider Information Management and Use and the Report on KazTransOil JSC Insider Training for 2020 were submitted to be considered by the Internal Audit Committee of KazTransOil JSC Board of Directors. From 16 to 18 November 2020, KazTransOil JSC held a training for employees who are insiders in the form of training workshop on Insider Information: Legal Regulation and Responsibility of KazTransOil JSC and its Insiders. The total number of attendees amounted to 95 employees who completed the training online by means of video conferencing. The training covered certain particulars of insider information disclosure, potential risks associated with unauthorised use of insider information, types of liability specified by the RoK laws for violations in this field, and analysed case studies occurring in daily operations. As a whole, KazTransOil JSC properly performs the work on transparency improvement through timely disclosure of relevant information about KazTransOil JSC activities. There was no facts of untimely submission of information or comments to the relevant materials from the regulatory bodies. KazTransOil JSC prepares the annual, semi-annual and quarterly financial statements in accordance with the International Financial Reporting Standards. The reports are published on the website of the Financial Statements Depository, the Stock Exchange and KazTransOil JSC in a timely manner. Ernst & Young LLP carried out external audit of the financial statements of KazTransOil JSC for 2020 and confirmed accuracy of the KazTransOil JSC financial state reflection as of 31 December 2020 as well as financial results and cash flows for the year that ended on the said date in compliance with the International Financial Reporting Standards.

APPENDIX 5. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 with the independent auditor's report

Consolidated statement of financial position
Consolidated statement of comprehensive income
Consolidated statement of cash flows
Consolidated statement of changes in equity
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Notes	**31 December 2020**	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	6	**667,480,058**	734,421,997
Right-of-use assets	7	**2,547,819**	3,902,044
Intangible assets	8	**7,167,364**	7,728,097
Investments in joint ventures	9	**63,422,815**	55,015,339
Advances to suppliers for property, plant and equipment	10	**74,922**	898,475
VAT recoverable	14	**2,047,148**	1,958,523
Other long-term accounts receivable	12	**983,401**	1,128,626
Bank deposits	16	**3,569,402**	2,139,767
Investments in bonds	19	**913,746**	919,511
Other non-current assets		**90,917**	11,866
		748,297,592	808,124,245
Current assets			
Inventories	11	**8,234,956**	6,278,501
Trade and other accounts receivable	12	**4,266,802**	5,858,238
Advances to suppliers	13	**724,318**	1,258,565
Prepayment for income tax		**1,350,911**	1,823,885
VAT recoverable and other prepaid taxes	14	**8,014,017**	7,121,095
Other current assets	15	**8,285,445**	6,859,636
Bank deposits	16	**27,342,909**	45,960,400
Cash and cash equivalents	17	**52,014,612**	28,649,091
		110,233,970	103,809,411
Non-current assets held for sale	18	**630,839**	879,814
		110,864,809	104,689,225
Total assets		**859,162,401**	912,813,470

In thousands of Tenge	Notes	**31 December 2020**	31 December 2019
Equity and liabilities			
Equity			
Share capital	20	**61,937,567**	61,937,567
Treasury shares repurchased from shareholders	20	**(9,549)**	(9,549)
Asset revaluation reserve	20	**221,632,815**	299,585,499
Foreign currency translation reserve	20	**38,325,342**	37,737,309
Other capital reserves	20	**(5,999,468)**	(1,893,432)
Retained earnings		**336,631,554**	305,621,572
Total equity		**652,518,261**	**702,978,966**
Non-current liabilities			
Employee benefit obligations	21	**21,559,008**	15,756,306
Deferred tax liabilities	36	**62,221,923**	80,564,703
Provision for asset retirement and land recultivation obligation	27	**33,688,837**	27,780,887
Deferred income	22	**8,693,200**	8,141,994
Lease liabilities	24	**1,415,473**	2,891,445
		127,578,441	135,135,335
Current liabilities			
Current part of employee benefit obligations	21	**693,235**	658,941
Income tax payable		**1,057,326**	1,187,559
Trade and other accounts payable	23	**22,352,736**	15,183,124
Lease liabilities	24	**1,994,823**	1,912,220
Advances received	25	**20,815,865**	18,478,982
Other taxes payable	26	**5,418,739**	5,697,566
Provisions	27	**1,269,350**	306,553
Liability on a contribution to charter capital of a joint venture	9	**–**	5,000,000
Other current liabilities	28	**25,463,625**	26,274,224
		79,065,699	74,699,169
Total liabilities		**206,644,140**	209,834,504
Total equity and liabilities		**859,162,401**	912,813,470
Book value per ordinary share (in Tenge)	20	**1,678**	1,808

Signed and approved for issue on 4 March 2021.

General Director (Chairman of the Management Board) _____

Dossanov D.G.

Chief Accountant _____

Sarmagambetova M.K.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Notes	For the year ended 31 December	
		2020	2019
Revenue	29	**235,222,082**	239,625,950
Cost of sales	30	**(163,016,593)**	(159,871,851)
Gross profit		**72,205,489**	79,754,099
General and administrative expenses	31	**(16,614,132)**	(17,878,396)
Other operating income	32	**3,167,990**	1,558,451
Other operating expenses	33	**(3,603,608)**	(3,706,953)
Reversal/(charge) of impairment of property, plant and equipment and intangible assets, net	6, 8	**14,020**	(13,185,067)
Operating profit		**55,169,759**	46,542,134
Net foreign exchange gain, net		**4,910,340**	103,827
Finance income	34	**3,054,504**	2,675,477
Finance costs	35	**(3,775,306)**	(3,884,190)
Share in income of joint ventures	9	**9,730,312**	13,638,401
Profit before income tax		**69,089,609**	59,075,649
Income tax expense	36	**(13,135,711)**	(13,954,211)
Net profit for the year		**55,953,898**	45,121,438
Earnings per share (in Tenge)	20	**145**	117

In thousands of Tenge	Notes	For the year ended 31 December	
		2020	2019
Other comprehensive loss			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign operations of the Group		**588,033**	(1,835,455)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**588,033**	(1,835,455)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods			
Impairment and revaluation of property, plant and equipment of the Group, net	6	**(65,719,882)**	91,146,458
Income tax effect	36	**13,143,976**	(18,231,513)
		(52,575,906)	72,914,945
Charge of provision for asset retirement and land recultivation obligation of the Group	27	**(4,516,118)**	(3,334,156)
Income tax effect	36	**903,224**	666,831
		(3,612,894)	(2,667,325)
Revaluation of property, plant and equipment of joint ventures		**–**	9,005,755
Income tax effect		**–**	(1,801,151)
	9	**–**	7,204,604
Charge of provision for asset retirement and land recultivation obligation of joint ventures		**(1,652,105)**	(662,878)
Income tax effect		**330,421**	132,576
	9	**(1,321,684)**	(530,302)
Actuarial loss from employee benefit obligations of the Group	21	**(4,220,893)**	(1,872,560)
Income tax effect	36	**116,009**	51,467
		(4,104,884)	(1,821,093)
Actuarial loss from employee benefit obligations of joint venture		**(1,440)**	(242)
Income tax effect		**288**	49
	9	**(1,152)**	(193)
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net		**(61,616,520)**	75,100,636
Total other comprehensive (loss)/income for the year, net of tax		**(61,028,487)**	73,265,181
Total comprehensive (loss)/income for the year, net of tax		**(5,074,589)**	118,386,619

Signed and approved for issue on 4 March 2021.

General Director (Chairman of the Management Board) _____

Dossanov D.G.

Chief Accountant _____

Sarmagambetova M.K.

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CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge	Notes	For the year ended 31 December 2020	2019
Cash flows from operating activities			
Profit before income tax		**69,089,609**	59,075,649
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortization	30, 31	**54,791,095**	53,890,388
Share in income of joint ventures	9	**(9,730,312)**	(13,638,401)
Net foreign exchange gain		**(4,910,340)**	(103,827)
Finance costs	35	**3,775,306**	3,884,190
Finance income	34	**(3,054,504)**	(2,675,477)
Write-off of VAT recoverable	31, 33	**2,024,266**	964,398
(Reversal)/charge and revision of estimates on provision on asset retirement and land recultivation obligation, net	32,33	**(1,112,046)**	1,445,338
Employee benefit obligations, current and past services costs	30, 31	**1,023,026**	352,387
Charge of other current provisions, net	30, 31, 33	**1,021,404**	224,398
Charge of expected credit losses, net	31	**289,261**	206,260
Amortisation of deferred income	32	**(267,758)**	(246,812)
Impairment of non-current assets held for sale	33	**232,631**	960,743
Actuarial loss	33	**188,150**	77,964
Charge of provision for obsolete inventories	31	**177,757**	201,231
Loss on disposal of property, plant and equipment and intangible assets, net	33	**118,644**	73,809
Gain on disposal of non-current assets held for sale, net	32	**(63,446)**	(34,624)
(Reversal)/charge of impairment of property, plant and equipment and intangible assets, net	6, 8	**(14,020)**	13,185,067
Income on recognition of inventory	32	**(8,512)**	(74,338)
Others		**(19,982)**	(39,611)
Operating cash flows before working capital changes		**113,550,229**	117,728,732
(Increase)/decrease in operating assets			
Inventories		**(3,352,128)**	(2,270,498)
Trade and other accounts receivable		**1,534,858**	(306,580)
Advances to suppliers		**542,323**	(514,466)
VAT recoverable and other prepaid taxes		**(3,073,474)**	(319,360)
Other current assets		**(1,377,045)**	876,057
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**1,510,905**	(530,083)
Advances received		**2,320,518**	(2,180,689)
Other taxes payable		**(166,796)**	(609,939)
Other current and non-current liabilities and employee benefit obligations		**(1,782,731)**	(767,696)
Cash generated from operating activities		**109,706,659**	111,105,478
Income taxes paid		**(16,528,263)**	(18,777,492)
Interest received		**2,326,147**	2,035,120
Net cash flows from operating activities		**95,504,543**	**94,363,106**

In thousands of Tenge	Notes	For the year ended 31 December 2020	2019
Cash flows from investing activities			
Withdrawal of bank deposits		**56,416,891**	58,141,587
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		**218,487**	1,929,361
Proceeds from bonds redemption	19	**227,749**	74,177
Placement of bank deposits		**(37,281,605)**	(78,395,261)
Purchase of property, plant and equipment		**(41,795,781)**	(38,955,906)
Contribution to charter capital of a joint venture	9	**(5,000,000)**	(100,000)
Purchase of intangible assets		**(35,659)**	(30,366)
Net cash flows used in investing activities		**(27,249,918)**	(57,336,408)
Cash flows from financing activities			
Dividends paid	20	**(45,386,116)**	(40,001,322)
Payment of lease liabilities	24	**(2,047,939)**	(1,851,566)
Net cash flows used in financing activities		**(47,434,055)**	(41,852,888)
Net change in cash and cash equivalents		**20,820,570**	(4,826,190)
Net foreign exchange difference		**2,534,462**	207,858
Change in allowance for expected credit losses	17	**10,489**	(11,420)
Cash and cash equivalents at the beginning of the year		**28,649,091**	33,278,843
Cash and cash equivalents at the end of the year	17	**52,014,612**	28,649,091

Signed and approved for issue on 4 March 2021.

General Director (Chairman of the Management Board) _____

Dossanov D.G.

Chief Accountant _____

Sarmagambetova M.K.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2019	61,937,567	(9,549)	299,585,499	37,737,309	(1,893,432)	305,621,572	702,978,966
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**55,953,898**	**55,953,898**
Other comprehensive loss	**–**	**–**	**(57,510,484)**	**588,033**	**(4,106,036)**	**–**	**(61,028,487)**
Total comprehensive loss for the year	**–**	**–**	**(57,510,484)**	**588,033**	**(4,106,036)**	**55,953,898**	**(5,074,589)**
Amortization of revaluation reserve for revalued property, plant and equipment	**–**	**–**	**(20,442,200)**	**–**	**–**	**20,442,200**	**–**
Dividends *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**(45,386,116)**	**(45,386,116)**
As at 31 December 2020	**61,937,567**	**(9,549)**	**221,632,815**	**38,325,342**	**(5,999,468)**	**336,631,554**	**652,518,261**
As at 31 December 2018	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Changes in accounting policy	–	–	–	–	–	(822,530)	(822,530)
As at 1 January 2019 (restated)	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	279,576,056	624,593,669
Net profit for the year	–	–	–	–	–	45,121,438	45,121,438
Other comprehensive income	–	–	76,921,922	(1,835,455)	(1,821,286)	–	73,265,181
Total comprehensive income for the year	–	–	76,921,922	(1,835,455)	(1,821,286)	45,121,438	118,386,619
Amortization of revaluation reserve for revalued property, plant and equipment	–	–	(20,925,400)	–	–	20,925,400	–
Dividends *(Note 20)*	–	–	–	–	–	(40,001,322)	(40,001,322)
As at 31 December 2019	61,937,567	(9,549)	299,585,499	37,737,309	(1,893,432)	305,621,572	702,978,966

Signed and approved for issue on 4 March 2021.

General Director (Chairman of the Management Board) _____

Dossanov D.G.

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1. GENERAL

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company "Transportation of Oil and Gas" (hereinafter - "TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the "KazTransOil" CJSC NOTC shares to TNG, and, as a result, "KazTransOil" CJSC NOTC was re-registered and renamed as "KazTransOil" CJSC.

Under Decree of the President of the Republic of Kazakhstan dated on 20 February 2002, on the basis of closed jointstock companies, National Oil and Gas Company "Kazakhoil" and National Company "Transport of Oil and Gas", reorganized by merger, the National Company "KazMunayGas" Closed Joint-Stock Company was created and became the sole shareholder of "KazTransOil" CJSC.

On 31 May 2004 in accordance with the requirements of Kazakhstani legislation, "KazTransOil" CJSC was reregistered as "KazTransOil" JSC (hereinafter - "Company").

As at 31 December 2020 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter - "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 December 2020 and 2019 the Company had ownership interest in the following companies:

	Place of incorporation	Principal activities	Ownership	
			31 December 2020	31 December 2019
"MunaiTas" LLP (hereinafter - "MunaiTas")	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan-China Pipeline" LLP (hereinafter - "KCP")	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Oil Terminal" (hereinafter - "BOT")*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	**100%**	100%
"Petrotrans Limited" (hereinafter - "PTL")	United Arab Emirates	Forwarding of oil and oil products	**100%**	100%
"Main Waterline " LLP (hereinafter - "Main Waterline")	Kazakhstan	Water transportation	**100%**	100%

** BOT has the exclusive right to manage 100% of the shares of "Batumi Sea Port" LLC (hereinafter - "BSP").*

The Company and its subsidiaries are hereinafter referred to as the "Group".

The Company's head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue.

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North - Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also the Company has branches, which are located in Almaty (Research and Development Centre) and in Nur-Sultan (Oil Transportation Control Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline.The Group operates network of main oil pipelines of 5,372 km and water pipelines of 1,945 km. The company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer rights of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter - "CRNM"). CRNM is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

Starting from 1 January 2020, the temporary tariff for pumping oil on the domestic market is 4,109.50 Tenge per ton for 1,000 kilometers without VAT (from 1 January to 31 August 2019 - 4,721.72 Tenge per ton for 1,000 kilometers without VAT; from 1 September to 31 December 2019 - 4,716.62 Tenge per 1 ton for 1,000 kilometers without VAT).

Starting from 1 April 2018 to 29 February 2020 tariff for pumping oil on export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 March 2020, the tariff for this service was increased to 7,358.76 Tenge per ton for 1,000 kilometers without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline "Tuymazy - Omsk - Novosibirsk-2" starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers.

Starting from 1 January 2019 тариff for transportation of Russian oil through the territory of Kazakhstan to the People's Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) - Atasu (Republic of Kazakhstan) - Alashankou (People's Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk - Atasu sector).

In accordance with the CRNM order No. 71-OD dated 27 November 2020, for the period from 2021 to 2025, the approved tariff for pumping oil to the domestic market is 4,355.57 Tenge per ton for 1,000 kilometers without VAT.

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity's profitability at the level ensuring effective functioning of a natural monopoly.

These consolidated financial statements were approved by Internal Audit Committee of the Company's Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 4 March 2021.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group (hereinafter - "the consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS") as issued by the International Accounting Standards Board (hereinafter - "IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are stated at revalued amounts, and other items described in the accounting policies and notes to the consolidated financial statements.

The consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

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3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Interest in a joint venture

The Group has interests in joint operations in the form of joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Factors considered in determining joint control are similar to the factors considered in determining the existence of control of subsidiaries.

The Group's investment in its joint ventures is accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

Financial statements of joint ventures are prepared for the same reporting period as for the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on own investments in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in consolidated statement of comprehensive income under "Share in profit or loss of joint ventures".

Upon loss of significant influence over the joint control over the joint ventures, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in statement of comprehensive income.

4.2 Foreign currency translation

The Group's consolidated financial statements are presented in Tenge. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company, Main Waterline and the joint ventures MunaiTas and KCP is Tenge. Functional currency of PTL and BOT is US Dollar, functional currency of BSP is Georgian Lari.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All exchange differences arising from repayment and recalculation of monetary items, are included in consolidated profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Foreign currency translation (continued)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at weighted average currency exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange at the reporting date.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (hereinafter - "KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

Weighted average currency exchange rates for the year ended 31 December 2020 and 2019 are as follows:

Tenge	For the year ended 31 December	
	2020	2019
US Dollars	**413.46**	382.87
Russian Rubles	**5.73**	5.92
Euro	**472.05**	428.61
Georgian Lari	**134.02**	136.8

As at 31 December the currency exchange rates of KASE are as follows:

Tenge	**2020**	2019
US Dollars	**420.91**	382.59
Russian Rubles	**5.62**	6.16
Euro	**516.79**	429
Georgian Lari	**128.92**	134.48

4.3 Current versus non-current classification of assets and liabilities

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.4 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in *Note 18*. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation models that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs..

All assets and liabilities for which fair value is measured in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group and external appraisers also compare changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purposes of the disclosure of the fair value the Group classified assets and liabilities based on their nature, characteristics and risks inherent in them, as well as the applicable level in the fair value hierarchy, as described above.

An analysis of the fair value of property, plant and equipment and additional information about the methods of its definition are provided in *Note 5*.

4.6 Property, plant and equipment

Property, plant and equipment initially are recognized at cost. The subsequent accounting is at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation.

In identifying excess of technological oil the Group assesses whether the transferred item from customers meets the definition of an asset, and if it is so, recognises the transferred asset as property, plant and equipment. At initial recognition such property, plant and equipment is measured at zero cost and revalued at each reporting date.

The Group periodically engages independent appraisers to revalue property, plant and equipment to their fair value. According to Accounting Policy property, plant and equipment is revalued each 3 years (except for technological oil, which is revalued during the period when the fair value changes) in order to ensure that fair value of the revalued asset does not significantly differ from its book value.

Any revaluation surplus is recorded in other comprehensive income and, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation and impairment as at the revaluation date, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Further detailed information about the recognized asset retirement and land recultivation obligation is disclosed in *Notes 5 and 27.*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	5-50
Machinery and equipment	3-30
Pipeline systems	15-30
Other transportation assets	5-12
Other	2-10

According to the Group's accounting policy technological oil, construction in progress and land are not subject to depreciation.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

Residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over seven-ten years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognised.

4.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (hereinafter - "CGU") fair value less costs to sell and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less selling costs, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for the previously overvalued property, plant and equipment when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount previously conducted revaluation.

At each reporting date the Group makes an assessment as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised through profit or loss, unless the asset is carried at revalued amount. In the latter case the reversal is treated as a revaluation increase.

Information on impairment of non-financial assets is disclosed in *Notes 5, 6 and 8.*

4.9 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way" trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term bank deposits, trade and other receivables, and investments in bonds..

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

- *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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4.9 Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other accounts receivables, funds in credit institutions (cash and cash equivalents, bank deposits).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group includes bonds of "Special financial company DSFK" LLP to this category *(Note 19)*.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group doesn't have financial assets of this category.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group doesn't have financial assets of this category.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (e.g., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.10 Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Disclosures for significant assumptions *(Note 5)*;
- Trade and other accounts receivable *(Note 12)*;
- Bank deposits *(Note 16)*;
- Cash and cash equivalents *(Note 17)*.

The Group recognises an allowance for expected credit losses (ECLs) for all loans and other debt financial assets that are not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. ECLs are discounted at an approximation of the original effective interest rate for a similar instrument with a similar credit raiting.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision model that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated ECLs based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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4.11 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other accounts payable and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Trade and other accounts payable and lease liabilities

After initial recognition, trade and other accounts payable and lease liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income as income or expense.

4.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.13 Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories is determined by using of FIFO basis.

4.14 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

4.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss excluding any reimbursement.

The Group records a provision on asset retirement and land recultivation obligation. Provisions on asset retirement and land recultivation obligation are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pretax rate that reflects the risks specific to the asset retirement and land recultivation obligation. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as a finance cost.

The estimated future costs on asset retirement and land recultivation obligation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset *(Notes 5 and 27)*.

4.16 Employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreements between the Group and its employees and Company's Rule of social support of non-working pensioners and disabled people. The Collective agreement provides for one-off retirement payments, financial aid for employees' disability, anniversaries and funeral. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments on the end of labor activity. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements are recognised in the current period, including current service cost, any past services cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality rate. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

The results of the revaluation of employee benefits obligations, including actuarial gains and losses, are recognized by the Group as follows:

- Remuneration after termination of employment through other comprehensive income. In subsequent periods, the revaluation results will not be reclassified to profit or loss;
- Other long-term benefits through profit or loss.

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4.16 Employee benefits (continued)

Net interest is calculated by applying the discount rate to the net defined benefit obligations or asset, The Company recognises the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "finance expenses" in consolidated statement of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs;
- Net interest expense or income.

Employee benefits are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

More information is disclosed in *Notes 5 and 21.*

4.17 Revenue and other income recognition

The Group's activities mainly relates to the transportation of oil and water through main pipelines on the territory of the Republic of Kazakhstan, as well as to the transshipment of oil and oil products in Georgia.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as a principal in all of its revenue arrangements (as it typically controls the goods or services before transferring them to the customer), except for transportation expedition contract where the Group is acting as an agent for which the Group recognizes revenue commission for its services.

In the consolidated financial statements, the Group generally recognizes revenue for the following types:

Rendering of transportation services

Revenue from rendering of transportation and transshipment services is recognized at a point in time on the basis of actual volumes of oil and water transported during the reporting period.

Rendering of pipeline operation and maintenance services

Revenues from pipeline operation and maintenance services are recognized over time, as the buyer simultaneously receives and benefits from the performance of the Group's contractual obligations.

Rendering of other services

Revenue from rendering of other services is recognized as services are provided.

Interest income

For all financial instruments measured at amortized cost and at fair value through profit or loss, as well as at fair value through other comprehensive income, interest income or expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

Dividends

Dividend income is recognized when the Group's right to receive the payment is established (on the date of dividends approval).

Fees for undelivered oil volumes

Income from fees for undelivered oil volumes is recognized for nominated and non-delivered oil volumes under oil transportation contracts on "ship or pay" terms.

In preparing to adopt IFRS 15, the Group is considering the following:

Variable consideration

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

The variable consideration is absent in contracts with customers, due to the absence of discounts, credit payment, concessions in price, incentives, bonuses for results or other similar items. This update will have no effect on revenue recognition.

Principal versus agent considerations

IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer / customer's buyer.

The Group determined that it acts as a principal for all contracts under which revenue is recognized (since it controls the promised service before it is transferred to customer or to customer's buyer), except for contracts on oil transportation coordination services where Group determined that it does not control the services before they are accepted by the customer's buyer. Hence, Group is an agent, rather than principal in these contracts on oil transportation coordination services.

Advances received from customers

Advance payments received from customers are contractual obligations. The contractual obligations are the obligation to transfer to the buyer the goods or services for which the Group has received compensation from the buyer. If the buyer pays compensation before the Group transfers the product or service to the buyer, the contractual obligation is recognized at the time the payment is made or at the time the payment becomes payable (whichever is earlier). Contractual liabilities are recognized as revenue when the Group fulfills its contractual obligations.

Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts.

The Group receives only short-term advances from its customers. They are presented as part of advances received. The Group determined that the length of time between the delivery of the services to the customer by the Group and the time when the customer pays for such services is relatively short. Therefore, the Group has concluded that given contracts do not contain significant financing component.

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4.17 Revenue and other income recognition (continued)

In accordance with the requirements for the consolidated financial statements, the Group has detailed information on revenue recognized under contracts with customers in categories reflecting how economic factors influence the nature, size, timing and uncertainty of revenue and cash flows. Disclosure of detailed revenue is discussed in *Note 29*.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. These changes did not affect to the consolidated financial statements of the Group.

4.18 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised in other comprehensive income is recognised in equity and not in the statement of comprehensive income. Management of the Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Value added tax (VAT)

VAT related to sales is payable to the budget when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of VAT, except for instances, where amount of VAT is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the consolidated statement of financial position on a net basis.

Due to specifics of tax legislation and the Group's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing CGU.

Receivables and payables are stated including VAT.

The net amount of sales tax recoverable from or payable to, the taxation authority is included as part of VAT recoverable, other taxes prepaid and other taxes payable in the statement of financial position.

4.19 Equity

Share capital

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds from share issue in equity.

Treasury shares repurchased from shareholders

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Equity (continued)

Dividends

The Group recognises a liability to make cash or non-cash distributions to shareholders, when the distribution is authorised and the distribution is no longer at the discretion of the Company. According to legislation of the Republic of Kazakhstan, distribution is authorised by the shareholders. A corresponding amount is recognised directly in equity.

At the moment of distribution of non-monetary assets the difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated statement of comprehensive income.

Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before consolidated financial statements are authorized for issue.

4.20 Changes in accounting policies and disclosures

The applied accounting policy is in line with the accounting policy applied in the previous reporting year, with the exception of the acceptance of the following new IFRS effective from 1 January 2020.

New standards, interpretations and amendments adopted by the Group

Some amendments are applied for the first time in 2020. The nature and the impact of each new standard and amendment are described below:

Amendments to IFRS 3 Definition of a Business

The amendments to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could be reasonably expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The *Conceptual Framework* is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the *Conceptual Framework* is to assist IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the *Conceptual Framework* includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-*Related Rent Concessions* - amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Issuance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of the type of entities that issue them, as well as to certain guarantees and financial intruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1 Clarification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 and 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are executed unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018–2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Standards*. The amendments permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:
- Financial risk management and policies *(Note 40)*;
- Sensitivity analyses disclosures *(Note 40)*.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value measurement of the Group's property, plant and equipment

During 2019 the Group engaged independent external appraisers to perform valuation of its property, plant and equipment.

The valuation methods used by the Group in assessment and analyses of the fair value of property, plant and equipment are considered from the perspective of the best and most efficient use of the valued asset. The best and most efficient use of the Group's assets, except BOT and Main Waterline, is their use in operating activities. The best and most efficient use of the BOT's assets is their realization. The best and most efficient use of the Main Waterline's assets is their use in conjunction with the assets of oil production companies in the region.

The initial data used to determine the fair value of the Group's office buildings in the cities of the Republic of Kazakhstan with the relevant land plots, land plots in Georgia (Batumi), as well as vehicles and certain other nonspecialized assets, refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

The remaining property, plant and equipment of the Group are specialized and the initial data used for determining their fair value refer to Level 3 in the fair value hierarchy (unobservable inputs).

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

The methodology used in valuation of the specialized assets of the Group's companies, except BOT, was initially based on the valuation of the depreciable replacement cost ("cost method"). The fair value of BOT's assets was determined using market approach.

As part of the valuation of the fair value, the appraiser performed a test for adequate profitability using the income approach to determine the amount of economic depreciation of the Group's specialized items of property, plant and equipment. The recoverable amount of the property, plant and equipment of the Group companies, excluding BOT and Main Waterline, was determined by the discounted cash flow model. Cash flow forecasting was based on business plans of the Group's companies approved by the management of the Group. The following main assumptions were applied in the income approach:

	Cash-generating unit	
	Oil transportation (Company)	**BSP**
Discount rate (WACC)	13.94%	11.82%
Long-term growth rate	3.9%	2%

The 2019 assessment results obtained from the income approach were lower than those measured at the amortized replacement cost and, therefore, were taken as the fair value of the Group's corresponding property, plant and equipment. The results of assessing by the income approach are most sensitive to the changes of discount rate and long-term growth rate indicators and also to the forecasts regarding the volumes of sales of services provided and the level of tariffs for services provided.

An increase in the discount rate by 0.5% or a decrease in the long-term growth rate by 0.5% will result in a decrease in the fair value of the Group's property, plant and equipment by 19,504,759 thousand Tenge or by 15,177,369 thousand Tenge, respectively.

As a result, during the 12 months ended 31 December 2019, the carrying amount of the Group's property, plant and equipment (except for technological oil) increased by 71,339,490 thousand Tenge *(Note 6)*. The net revaluation through revaluation reserve was amounted to 85,991,715 thousand Tenge and write off the revaluation reserve through profit and loss was amounted to 14,652,225 thousand Tenge. The write off the revaluation was mainly due to impairment of BOT's property, plant and equipment.

At each reporting date the Group assesses if there is any difference between the carrying amount of property, plant and equipment and the amount which was determined using the fair value at the reporting date. As at 31 December 2020, the Group's management revised its estimates in relation to the fair value of property, plant and equipment. To assess possible fluctuations in the fair value of the Group's specialized assets, excluding Main Waterline, the Group's management calculated the present value of expected future cash flows from the use of property, plant and equipment. To assess possible fluctuations in the fair value of the specialized assets of Main Waterline, the Group's management calculated the replacement cost of the assets. To assess possible fluctuations in the fair value of the Group's nonspecialized assets, the Group's management determined the market prices for similar assets.

Based on the results of the analysis, the Group's management determined that at the end of 2020 there were no significant differences between the carrying amount of the Group's property, plant and equipment and their fair value.

Revaluation of technological oil

Technological oil is revalued at each reporting date, due to the fact that fluctuations are quite frequent and significant. Technological oil of the Company was revalued on each reporting date of interim periods and on 31 December 2020 and 2019.

Input data for determining the fair value of technological oil refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

The following judgments were taken into account by the Group's management when determining fair value of technological oil:

- Technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible and, accordingly, the object of valuation is a specialized asset;
- Technological oil cannot be sold or otherwise disposed due to regulations imposed by CRNM;
- Tariffs are being closely monitored by CRNM and the Government (except export tariffs and transit through the territory of Kazakhstan) to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- And if the Group needs to buy additional oil to fill in new parts of pipeline, it would use the terms of the transportation agreements, according to which the oil extracting entities, upon the request of the Group, provide oil to fill the system of the Group's main pipelines;
- For the oil extracting entities there is an internal or tolling price for oil, which is delivered to the refineries of the KMG Group.

Taking into account all these factors as at 31 December 2020 the fair value of the Group's technological oil was determined based on the price of 38,336 Tenge per ton (as at 31 December 2019: 63,774 Tenge per ton). Other comprehensive loss from the effect of the change in fair value of the technological oil during 2020 was equal to 66,267,938 thousand Tenge (during 2019: other comprehensive income of 1,938,556 thousand Tenge), in addition during 2020 other comprehensive income from the revaluation of technological oil surplus in the amount 492,886 thousand Tenge was recognized (during 2019: 3,216,187 thousand Tenge). During 2020 the net other comprehensive loss as a result of revaluation was equal to 65,775,052 thousand Tenge (during 2019: other comprehensive income for 5,154,743 thousand Tenge) *(Note 6)*.

The volume of oil in the pipeline as at 31 December 2020 amounted to 2,618 thousand tons (31 December 2019: 2,605 thousand tons). According to the results of stock count held at the end of 2020 the oil surpluses in the amount of 12,857 tons (for 2019: 50,431 tons) were recognized, in addition, there was the write-off of oil in the amount of 176 tons in the reporting period (for 2019: 120 tons).

Impairment of assets

Based on the results of independent assessment of the fair value of BSP's land plots based on their market value, in 2019 the Group reversed previously recognized impairment of the BSP's land use right in the amount of 3,832 thousand US Dollars (equivalent to 1,467,158 thousand Tenge) *(Note 8)*.

Useful lives of items of property, plant and equipment

ΓThe Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial yearend and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Asset retirement and land recultivation obligation

According to the Law of the Republic of Kazakhstan *About the Main Pipeline* which came into force on 4 July 2012, the Group has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. Activities on land recultivation are carried out when replacing the pipelines at the end of their useful life.

Asset retirement and land recultivation obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan. Pipeline decommission expense as at 31 December 2020 is equal to 6,560 thousand Tenge per kilometer (as at 31 December 2019: 5,954 thousand Tenge).

Reserve on liquidation of landfills and waste management is also reflected within the asset retirement and land recultivation obligation. The reserve was created in 2013 in accordance with the requirements of Environmental Code of the Republic of Kazakhstan, which states that the owner of the landfills has to create a liquidation fund for recultivation of land and for monitoring of environmental impact right after the closure of the landfill.

The reserve was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations, and the discount rate at the end of the reporting period which is presented below:

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

As a percentage	**2020**	2019
Discount rate	**6.71%**	7.46%
Inflation rate	**5.54%**	5.48%
Period of fulfillment of obligations	**14 years**	15 years

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds the Group considers to use risk-free rates of US Treasury bonds as an estimated discount rate adjusted for country risk and inflation rate of the Republic of Kazakhstan with maturities corresponding to the expected duration of the asset retirement and land recultivation obligation.

As at 31 December 2020 the carrying amount of the asset retirement and land recultivation obligation was 33,688,837 thousand Tenge (31 December 2019: 27,780,887 thousand Tenge) *(Note 27).*

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore uncertainties in the estimates of these costs include potential changes in regulatory requirements, alternative disposal and recovery of damaged land and levels of discount and inflation rates, and the time, when such obligations will be due.

Sensitivity analysis of asset retirement and land recultivation obligation for the change in significant assumptions as at 31 December 2020 is as follows:

In thousands of Tenge	**(Decrease)/increase in rate**	**(Decrease)/ increase in liability**
Discount rate	–0.5%	2,270,872
	+0.5%	(2,116,743)
Inflation rate	–0.5%	(2,149,147)
	+0.5%	2,285,660

Reserves for the impairment of advances to suppliers

The Group recognized reserve for the impairment of long-term and short-term advances to suppliers. In estimating the reserve historical and anticipated suppliers performance are considered. Changes in the economy, industry and specific characteristics may affect the reserves recorded in the consolidated financial statements.

As at 31 December 2020 and 2019 these reserves have been created for the amount of 811,543 thousand Tenge and 742,567 thousand Tenge, respectively *(Notes 10 and 13).*

Allowances for financial assets

The Group recognises allowances for expected credit losses for trade accounts receivable and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.As at 31 December 2020 and 2019 allowance for expected credit losses was created in the amount of 5,565,145 thousand Tenge and 4,952,944 thousand Tenge, respectively *(Notes 12, 16 and 17).*

Tax provision

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of inspections by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2020 was 13,044,282 thousand Tenge (as at 31 December 2019: 11,176,846 thousand Tenge) *(Note 36).* As at 31 December 2020 and 2019 the Group did not have unrecognized deferred tax assets.

Employee benefits

The cost of defined long-term employee benefits to employees before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As there is no an active market for highly liquid corporate bonds of the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds the Group uses risk-free rates of US Treasury bonds as an estimated discount rate, with maturities corresponding to the expected term for fulfilling of employee benefits obligations adjusted for country risk and inflation rate of the Republic of Kazakhstan.

The mortality rate is based on publicly available mortality tables. Increase in future salary and pension is based on expected future inflation rates for the respective country.

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

Principal actuarial assumptions used for valuation of employee benefit obligations as at 31 December 2020 and 2019 were as follows:

	2020	2019
Discount rate	**6.71%**	7.28%
Future salary increase	**5.34%**	5.00%
Mortality rate	**5.81%**	5.09%

As at 31 December 2020 the average period of post-retirement benefit obligations were 18.8 years (as at 31 December 2019: 19.3 years).

In connection with the certain changes introduced in 2019 to the Regulation on social support of non-working pensioners and disabled people, the Company during 2019 revised its obligations and reflected 369,482 thousand Tenge as the past period service cost *(Note 21)*.

Sensitivity analysis of employee benefit obligations for the change in significant estimates as at 31 December 2020 is as follows:

In thousands of Tenge	**(Decrease)/increase in rate**	**(Decrease)/ increase in obligation**
Discount rate	–0,5%	1,375,854
	+0,5%	(1,258,190)
Future salary increase	–0,5%	(1,269,468)
	+0,5%	1,381,397
Life duration	–1 year	(229,521)
	+1 year	228,580

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6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2019 and 2020 are as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Gross carrying amount as at 1 January 2019	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Foreign currency translation	(68,422)	–	(223,048)	(860,836)	(527,523)	–	(7,036)	47,384	(1,639,481)
Additions	–	75,434	2,711,868	18,209	2,277,559	–	769,665	36,413,000	42,265,735
Disposals	(1,400,156)	(910,442)	(152,045)	(182,024)	(2,120,999)	(7,310)	(542,231)	(89,674)	(5,404,881)
Revaluation (through revaluation reserve)	3,760,170	40,974,514	1,401,903	5,125,188	31,622,144	5,154,743	1,974,108	1,141,096	91,153,866
(Impairment)/revaluation (through profit and loss), net	(26,761)	664,400	(1,031,517)	(5,883,295)	(5,774,565)	–	(209,625)	(2,350,763)	(14,612,126)
Substraction of accumulated depreciation and impairment due to revaluation	–	(43,990,419)	(6,694,396)	(21,263,640)	(62,823,961)	–	(12,957,244)	(321,557)	(148,051,217)
Transfers to non-current assets held for sale *(Note 18)*	(73,519)	–	(339,155)	(672,938)	(31,483)	–	(604)	–	(1,117,699)
Transfers from construction-in-progress	7,856	1,352,304	728,208	3,262,878	16,172,930	–	219,535	(21,743,711)	–
Transfers to intangible assets *(Note 8)*	–	–	–	–	–	–	–	(245,274)	(245,274)
Transfers and reclassifications	–	26,464	(728,305)	(3,413,930)	4,141,436	–	(36,728)	11,063	–
Gross carrying amount as at 31 December 2019	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Foreign currency translation	**1,786,462**	**–**	**93,151**	**(196,814)**	**37,229**	**–**	**889**	**38,166**	**1,759,083**
Additions	**–**	**23,130**	**3,055,322**	**203,791**	**1,652,443**	**–**	**238,965**	**44,537,447**	**49,711,098**
Disposals	**(60,483)**	**(330,858)**	**(20,737)**	**(38,917)**	**(183,241)**	**(1,064)**	**(238,333)**	**(17,542)**	**(891,175)**
Additions in estimates on asset retirement and land recultivation obligation *(Note 27)*	**–**	**410,941**	**–**	**–**	**–**	**–**	**–**	**–**	**410,941**
Reversal/(charge) of impairment (through revaluation reserve)	**–**	**65,834**	**–**	**–**	**–**	**(65,775,052)**	**–**	**–**	**(65,709,218)**
Reversal of Impairment (through profit and loss)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,202**	**49,202**
Transfers to non-current assets held for sale *(Note 18)*	**–**	**–**	**(51,399)**	**(5,867)**	**–**	**–**	**–**	**–**	**(57,266)**
Transfers from construction-in-progress	**–**	**22,171,009**	**430,258**	**6,892,147**	**10,584,438**	**–**	**330,920**	**(40,408,772)**	**–**
Transfers to intangible assets *(Note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(226,536)**	**(226,536)**
Transfers and reclassifications	**–**	**(100,889)**	**(84,688)**	**52,494**	**112,641**	**–**	**20,442**	**–**	**–**
Gross carrying amount as at 31 December 2020	**25,675,555**	**255,382,248**	**22,716,444**	**94,724,034**	**177,842,763**	**100,345,811**	**10,463,016**	**53,235,624**	**740,385,495**

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In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Accumulated depreciation and impairment as at 1 January 2019	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Foreign currency translation	-	-	66,207	72,951	99,573	-	4,478	-	243,209
Depreciation charge	-	(14,748,940)	(2,795,570)	(6,519,063)	(23,328,207)	-	(4,427,486)	-	(51,819,266)
Disposals	-	793,849	136,384	122,789	2,066,580	-	528,911	21,411	3,669,924
Impairment (through profit and loss)	-	(268)	-	(1,588)	-	-	-	(38,243)	(40,099)
Impairment (through revaluation reserve)	-	(1,083)	-	(6,325)	-	-	-	-	(7,408)
Substraction of accumulated depreciation and impairment due to revaluation	-	43,990,419	6,694,396	21,263,640	62,823,961	-	12,957,244	321,557	148,051,217
Transfers to non-current assets held for sale *(Note 18)*	-	-	189,980	8,829	2,465	-	604	-	201,878
Transfers to intangible assets *(Note 8)*	-	-	-	-	-	-	-	7	7
Transfers and reclassifications	-	533	1,178	85,494	(87,118)	-	(87)	-	-
Accumulated depreciation and impairment as at 31 December 2019	-	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	-	(1,618,342)	-	(20,917,369)
Foreign currency translation	**-**	**-**	**2,230**	**5,298**	**(694)**	**-**	**(1,094)**	**-**	**5,740**
Depreciation charge	**-**	**(14,227,031)**	**(2,914,998)**	**(6,657,563)**	**(25,640,576)**	**-**	**(3,111,750)**	**-**	**(52,551,918)**
Disposals	**-**	**155,266**	**8,439**	**11,252**	**171,681**	**-**	**236,852**	**-**	**583,490**
Impairment (through profit and loss)	**-**	**(1,068)**	**(2,663)**	**-**	**-**	**-**	**-**	**(31,451)**	**(35,182)**
Impairment (through revaluation reserve)	**-**	**(4,209)**	**(2,267)**	**(1,627)**	**-**	**-**	**-**	**(2,561)**	**(10,664)**
Transfers to non-current assets held for sale *(Note 18)*	**-**	**-**	**18,000**	**2,466**	**-**	**-**	**-**	**-**	**20,466**
Transfers and reclassifications	**-**	**10,508**	**1,356**	**(364)**	**(11,473)**	**-**	**(27)**	**-**	**-**
Accumulated depreciation and impairment as at 31 December 2020	**-**	**(19,452,527)**	**(4,066,407)**	**(9,257,007)**	**(35,601,123)**	**-**	**(4,494,361)**	**(34,012)**	**(72,905,437)**

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In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2020									
Gross carrying amount	**25,675,555**	**255,382,248**	**22,716,444**	**94,724,034**	**177,842,763**	**100,345,811**	**10,463,016**	**53,235,624**	**740,385,495**
Accumulated depreciation and impairment	**–**	**(19,452,527)**	**(4,066,407)**	**(9,257,007)**	**(35,601,123)**	**–**	**(4,494,361)**	**(34,012)**	**(72,905,437)**
Net book value	**25,675,555**	**235,929,721**	**18,650,037**	**85,467,027**	**142,241,640**	**100,345,811**	**5,968,655**	**53,201,612**	**667,480,058**
As at 31 December 2019									
Gross carrying amount	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Accumulated depreciation and impairment	–	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	–	(1,618,342)	–	(20,917,369)
Net book value	23,949,576	227,757,088	18,118,033	85,200,731	155,519,192	166,121,927	8,491,791	49,263,659	734,421,997

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the consolidated financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss is as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2020	**19,626,982**	**171,963,756**	**16,799,118**	**63,016,044**	**110,093,905**	**30,405,235**	**4,880,812**	**53,213,837**	**469,999,689**
As at 31 December 2019	17,966,615	154,981,672	15,537,257	59,764,353	112,835,701	30,407,824	6,273,128	49,777,755	447,544,305

As at 31 December 2020 construction in progress mainly includes the following production facilities:
- Replacement of the pipeline sections of the Uzen – Atyrau – Samara main oil pipeline;
- Replacement, reconstruction and construction of the objects of main oil pipeline (pumping stations, communication lines, automation system and other).

As at 31 December 2019 construction in progress mainly includes the following production projects:
- Replacement of a pipe section of the "Astrakhan – Mangyshlak" main water pipeline;
- Overhaul with replacement of the separate sections of the Uzen-Atyrau-Samara, "Prorva-Kulsary" main oil pipelines;
- Replacement and reconstruction of the objects of main oil pipeline (communication lines, power supply, automation system and other).

As at 31 December 2020:
- The gross carrying amount and corresponding accumulated depreciation of fully depreciated plant and equipment still in use were 3,537,132 thousand Tenge (31 December 2019: 1,030,764 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,667,280 thousand Tenge (31 December 2019: 3,669,128 thousand Tenge), which were acquired for construction works.

Depreciation for the year ended 31 December 2020, included in the cost of construction in progress amounted to 22,253 thousand Tenge (for the year ended 31 December 2019: 26,734 thousand Tenge).

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7. RIGHT-OF-USE ASSETS

Right-of-use assets as at 31 December 2019 and 2020 are as follows:

	Right-of-use assets				
In thousands of Tenge	**Land and other assets**	**Transportation assets**	**Buildings and constructions**	**Machinery, equipment and transfer devices**	**Total**
Net book value as at 1 January 2019	–	–	–	–	–
Changes in accounting policy	97,419	4,512,445	373,420	–	4,983,284
Additions *(Note 24)*	–	–	–	341,652	341,652
Amortization charge *(Note 24)*	(10,951)	(1,254,808)	(84,932)	(72,201)	(1,422,892)
Net book value as at 31 December 2019	86,468	3,257,637	288,488	269,451	3,902,044
Additions *(Note 24)*	**216,948**	**–**	**119,511**	**–**	**336,459**
Disposals	**–**	**–**	**(1,009)**	**(30,554)**	**(31,563)**
Transfer to intangible assets *(Note 8)*	**(117,514)**	**–**	**–**	**–**	**(117,514)**
Amortization charge *(Note 24)*	**(106,950)**	**(1,254,808)**	**(115,286)**	**(64,563)**	**(1,541,607)**
Net book value as at 31 December 2020	**78,952**	**2,002,829**	**291,704**	**174,334**	**2,547,819**
As at 31 December 2020					
At cost	**131,814**	**6,106,397**	**514,457**	**303,459**	**7,056,127**
Accumulated amortization	**(52,862)**	**(4,103,568)**	**(222,753)**	**(129,125)**	**(4,508,308)**
Net book value	**78,952**	**2,002,829**	**291,704**	**174,334**	**2,547,819**
As at 31 December 2019					
At cost	131,814	6,106,397	399,633	341,652	6,979,496
Accumulated amortization	(45,346)	(2,848,760)	(111,145)	(72,201)	(3,077,452)
Net book value	86,468	3,257,637	288,488	269,451	3,902,044

8. INTANGIBLE ASSETS

Intangible assets as at 31 December 2019 and 2020 are as follows:

In thousands of Tenge	**Licenses**	**Software**	**Right for land use**	**Other**	**Total**
Net book value as at 1 January 2019	385,291	1,242,087	5,232,792	31,129	6,891,299
Additions	169,893	21,119	–	3	191,015
Transfers from construction in progress *(Note 6)*	86,225	159,042	–	–	245,267
Amortization charge	(128,506)	(348,364)	(193,732)	(4,362)	(674,964)
Reversal of impairment *(Note 5)*	–	–	1,467,158	–	1,467,158
Disposals	–	(62,635)	–	–	(62,635)
Foreign currency translation	(5,851)	–	(323,192)	–	(329,043)
Net book value as at 31 December 2019	507,052	1,011,249	6,183,026	26,770	7,728,097
Additions	**22,871**	**12,779**	**–**	**–**	**35,650**
Transfers from construction in progress *(Note 6)*	**102,574**	**123,962**	**–**	**–**	**226,536**
Amortization charge	**(177,410)**	**(325,054)**	**(213,412)**	**(3,947)**	**(719,823)**
Transfers from right-of-use assets *(Note 7)*	**117,514**	**–**	**–**	**–**	**117,514**
Disposals	**(15,213)**	**(57,954)**	**–**	**–**	**(73,167)**
Transfers and reclassifications	**1,935**	**(1,935)**	**–**	**–**	**–**
Accumulated depreciation on disposal	**15,213**	**57,954**	**–**	**–**	**73,167**
Foreign currency translation	**1,977**	**–**	**(222,587)**	**–**	**(220,610)**
Net book value as at 31 December 2020	**576,513**	**821,001**	**5,747,027**	**22,823**	**7,167,364**
As at 31 December 2020					
At cost	**1,459,593**	**5,017,171**	**8,198,470**	**93,279**	**14,768,513**
Accumulated amortization and impairment	**(883,080)**	**(4,196,170)**	**(2,451,443)**	**(70,456)**	**(7,601,149)**
Net book value	**576,513**	**821,001**	**5,747,027**	**22,823**	**7,167,364**
As at 31 December 2019					
At cost	1,220,215	4,940,617	8,514,525	93,279	14,768,636
Accumulated amortization and impairment	(713,163)	(3,929,368)	(2,331,499)	(66,509)	(7,040,539)
Net book value	507,052	1,011,249	6,183,026	26,770	7,728,097

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9. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 December 2019 and 2020 are as follows:

In thousands of Tenge	KCP	MunaiTas	Total
As at 1 January 2019	10,513,603	19,487,720	30,001,323
Changes in accounting policy	(398,494)	–	(398,494)
Share in income of joint ventures	12,695,882	942,519	13,638,401
Share in other comprehensive income/(loss) of joint ventures	6,756,413	(82,304)	6,674,109
Additional contributions to the charter capital	–	5,100,000	5,100,000
As at 31 December 2019	29,567,404	25,447,935	55,015,339
Share in income of joint ventures	8,491,918	1,238,394	9,730,312
Share in other comprehensive loss of joint ventures	(1,150,944)	(171,892)	(1,322,836)
As at 31 December 2020	**36,908,378**	**26,514,437**	**63,422,815**

At the end of 2019, by the decision of the participants, the charter capital of MunaiTas was increased by the total amount of 10,000,000 thousand Tenge, including the Company's share amounted to 5,100,000 thousand Tenge. As at 31 December 2019 the amount of the cash contribution made by the Company amounted to 100,000 thousand Tenge, the remaining amount of 5,000,000 thousand Tenge is recognized as the liability on a contribution to charter capital of a joint venture.

In June 2020 the Group repaid the liability on a contribution to charter capital of MunaiTas.

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

	KCP			
	31 December 2020		31 December 2019	
In thousands of Tenge	**50%**	**100%**	50%	100%
Assets and liabilities of joint ventures				
Current assets	**35,114,810**	**70,229,620**	26,652,051	53,304,102
Non-current assets	**107,775,535**	**215,551,070**	112,103,745	224,207,490
Current liabilities	**(22,730,676)**	**(45,461,352)**	(21,010,934)	(42,021,868)
Non-current liabilities	**(83,251,291)**	**(166,502,582)**	(88,177,458)	(176,354,916)
Net assets / net book value of investment	**36,908,378**	**73,816,756**	29,567,404	59,134,808
Additional information				
Cash and cash equivalents	**24,593,042**	**49,186,084**	15,968,565	31,937,129
Short-term financial liabilities, net of trade and other payables and provisions	**(17,764,072)**	**(35,528,144)**	(15,056,917)	(30,113,834)
Long-term financial liabilities, net of trade and other payables and provisions	**(66,833,998)**	**(133,667,995)**	(75,869,231)	(151,738,462)

Long-term and short-term financial liabilities of KCP are represented by liabilities under loan agreement from 27 June 2018 with the Industrial and Commercial Bank of China Limited jointly with Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was 540 million US Dollars (equivalent to 191,756,400 thousand Tenge at the date of attraction), the loan period is 6 years with the possibility of early repayment.The purpose of the loan is to refinance the loans from Industrial and Commercial Bank of China and ING Bank N.V. and Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC.

As a result of refinancing, the bank margin was reduced from 3.96% to 2.375% and the deadlines for the final repayment of the principal debt were postponed from 2023 to 2024.

The Company along with the second participant of KCP did not guarantee the loans.

As at 31 December 2020 total payable under loan including interest equals to 401,977 thousand US Dollars (equivalent to 169,196,139 thousand Tenge), as at 31 December 2019 to 475,319 thousand US Dollars (equivalent to 181,852,296 thousand Tenge).

	MunaiTas			
	31 December 2020		31 December 2019	
In thousands of Tenge	**51%**	**100%**	51%	100%
Assets and liabilities of joint ventures				
Current assets	**8,075,486**	**15,834,286**	12,193,177	23,908,190
Non-current assets	**22,374,126**	**43,870,835**	17,450,072	34,215,827
Current liabilities	**(1,154,719)**	**(2,264,155)**	(1,471,757)	(2,885,798)
Non-current liabilities	**(2,780,455)**	**(5,451,873)**	(2,723,557)	(5,340,308)
Net assets / net book value of investment	**26,514,438**	**51,989,093**	25,447,935	49,897,911
Additional information				
Cash and cash equivalents	**4,430,616**	**8,687,482**	6,565,142	12,872,827
Short-term financial liabilities, net of trade and other payables and provisions	**–**	**–**	–	–
Long-term financial liabilities, net of trade and other payables and provisions	**–**	**–**	–	–

	KCP			
	For the year ended 31 December			
	2020		2019	
In thousands of Tenge	**50%**	**100%**	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	**38.913.981**	**77.827.962**	38.093.128	76.186.256
Income from continuing operations for the year	**8.491.918**	**16.983.836**	12.695.882	25.391.764
Income/(loss) from discontinued operations for the year	**–**	**–**	–	–
Other comprehensive (loss)/income	**(1.150.944)**	**(2.301.888)**	6.756.413	13.512.826
Total comprehensive income	**7.340.974**	**14.681.948**	19.452.295	38.904.590
Dividends	**–**	**–**	–	–

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9. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	KCP			
	For the year ended 31 December			
	2020		2019	
In thousands of Tenge	**50%**	**100%**	50%	100%
Dividends				
Additional information				
Depreciation and amortization	**(7,362,363)**	**(14,724,725)**	(6,753,476)	(13,506,951)
Interest income	**111,604**	**223,208**	97,095	194,190
Interest expense	**(3,777,288)**	**(7,554,576)**	(5,443,989)	(10,887,978)
(Loss)/income on exchange differences	**(6,665,780)**	**(13,331,560)**	363,920	727,840
Income tax expense	**(2,829,302)**	**(5,658,604)**	(3,141,393)	(6,282,786)

	MunaiTas			
	For the year ended 31 December			
	2020		2019	
In thousands of Tenge	**51%**	**100%**	**51%**	**100%**
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	3,825,734	7,501,439	3,690,358	7,235,996
Income from continuing operations for the year	1,238,394	2,428,224	942,519	1,848,076
Income from discontinued operations for the year	–	–	–	–
Other comprehensive loss	(171,892)	(337,043)	(82,304)	(161,380)
Total comprehensive income	1,066,502	2,091,181	860,215	1,686,696
Dividends	–	–	–	–
Additional information				
Depreciation and amortization	(1,109,565)	(2,175,618)	(1,028,403)	(2,016,476)
Interest income	437,091	857,041	614,557	1,205,014
Income tax expense	(311,078)	(609,957)	(231,209)	(453,351)

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Advances to third parties for property, plant and equipment and construction services	**885,818**	1,640,395
Less: impairment allowance	**(810,896)**	(741,920)
Total	**74,922**	898,475

Movement in reserve for impairment of advances given to suppliers for property, plant and equipment was as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**741,920**	744,818
Foreign currency translation	**68,976**	(2,898)
As at 31 December	**810,896**	741,920

11. INVENTORIES

Inventories as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Spare parts	**3,254,942**	3,265,439
Fuel	**2,398,257**	1,184,427
Construction materials	**787,269**	799,249
Overalls	**717,797**	360,870
Goods	**426,763**	78,972
Chemical reagents	**278,469**	190,344
Other	**371,459**	399,200
Total	**8,234,956**	6,278,501

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12. TRADE AND OTHER ACCOUNTS RECEIVABLE

Other long-term accounts receivable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Other accounts receivable from third parties	**1,146,596**	1,206,111
Less: allowance for expected credit losses	**(163,195)**	(77,485)
Total	**983,401**	1,128,626

Movement in allowance for expected credit losses related to other long-term accounts receivable is as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**77,485**	–
Charge for the year, net *(Note 31)*	**85,710**	77,485
As at 31 December	**163,195**	77,485

Current trade and other accounts receivable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Trade accounts receivable from third parties	**6,871,092**	7,406,294
Trade accounts receivable from related parties *(Note 38)*	**1,966,138**	2,446,713
Other accounts receivable from third parties	**701,529**	767,842
Other accounts receivable from related parties *(Note 38)*	**509**	509
Less: allowance for expected credit losses	**(5,272,466)**	(4,763,120)
Total	**4,266,802**	5,858,238

Movement in allowance for expected credit losses related to trade and other receivables is as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**4,763,120**	4,701,509
Charge for the year, net *(Note 31)*	**203,551**	128,775
Used for write-off of receivables	**–**	(3,066)
Currency translation	**305,795**	(64,098)
As at 31 December	**5,272,466**	4,763,120

Trade and other accounts receivable as at 31 December 2020 and 2019 are denominated in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**3,666,155**	5,152,735
US Dollar	**591,799**	693,253
Russian Ruble	**2,113**	2,303
Other currency	**6,735**	9,947
Total	**4,266,802**	5,858,238

Information on the Group's exposure to credit risk from trade and other accounts receivable using the estimated reserves model as at 31 December is provided:

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	**Unexpired**	**Less than 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
As at 31 December 2020						
Estimated total gross carrying value at default	**4,639,148**	**338,154**	**107,892**	**139,708**	**5,460,962**	**10,685,864**
Expected credit losses	**(190,891)**	**(16,485)**	**(19,751)**	**(25,880)**	**(5,182,654)**	**(5,435,661)**

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	**Unexpired**	**Less than 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
As at 31 December 2019						
Estimated total gross carrying value at default	6,136,378	558,655	254,038	230,709	4,647,689	11,827,469
Expected credit losses	(145,384)	(2,043)	(41,372)	(12,065)	(4,639,741)	(4,840,605)

13. ADVANCES TO SUPPLIERS

Advances to suppliers as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Advances to related parties *(Note 38)*	**395,440**	549,212
Advances to third parties	**329,525**	710,000
	724,965	1,259,212
Less: impairment	**(647)**	(647)
Total	**724,318**	1,258,565

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14. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2020
Current VAT recoverable	**7,465,375**	6,705,365
Non-current VAT recoverable	**2,047,148**	1,958,523
Other taxes prepaid	**548,642**	415,730
Total	**10,061,165**	9,079,618

15. OTHER CURRENT ASSETS

Other current assets as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2020
Due for oil transportation coordination services	**8,150,231**	6,726,960
Prepaid insurance	**70,638**	35,760
Deferred expenses from third parties	**31,183**	34,805
Due from employees	**15,504**	31,905
Other	**17,889**	30,206
Total	**8,285,445**	6,859,636

16. BANK DEPOSITS

Bank deposits as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2020
Short-term bank deposits – US Dollars	**27,359,150**	45,910,799
Long-term bank deposits – Tenge	**3,588,695**	2,158,180
Accrued interest on deposits – Tenge	**35,293**	39,791
Accrued interest on deposits – US Dollars	**34,824**	69,414
Less: allowance for expected credit losses	**(105,651)**	(78,017)
Total	**30,912,311**	48,100,167

Movement in allowance for expected credit losses on short-term bank deposits is as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**59,604**	27,462
Charge for the year, net *(Note 35)*	**26,754**	32,142
As at 31 December	**86,358**	59,604

Movement in allowance for expected credit losses on long-term bank deposits is as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**18,413**	24,130
Charge/(reversal) for the year, net *(Note 35)*	**880**	(5,717)
As at 31 December	**19,293**	18,413

As at 31 December 2020 and 2019 bank deposits comprised of the following:

- US Dollars denominated deposits with maturity from 3 to 12 months, with interest from 0.5% to 0.55% per annum (as at 31 December 2019: from 0.5% to 1.2% per annum), maturing from January to June 2021 (as at 31 December 2019: from January to June 2020);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2030, respectively (as at 31 December 2019: from 2% to 3.5% per annum maturing in 2028 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2020
Time deposits with banks – Tenge	**34,440,034**	19,238,432
Current accounts with banks – Tenge	**10,948,018**	2,920,193
Current accounts with banks – US Dollar	**6,263,193**	4,365,671
Current accounts with banks – Lari	**326,205**	2,080,907
Current accounts with banks – Russian Rubles	**26,260**	32,182
Current accounts with banks – Euro	**8,839**	22,573
Other current accounts with banks	**25,639**	23,175
Cash in hand	**257**	280
Less: allowance for expected credit losses	**(23,833)**	(34,322)
Total	**52,014,612**	28,649,091

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17. CASH AND CASH EQUIVALENTS (CONTINUED)

Movement in allowance for expected credit losses on cash and cash equivalents is as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**34,322**	22,902
(Reversal)/charge for the year, net *(Note 35)*	**(8,327)**	8,858
Foreign currency translation	**(2,162)**	2,562
As at 31 December	**23,833**	34,322

As at 31 December 2020 current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.50% to 8.40% per annum (as at 31 December 2019: from 6.75% to 8.60% per annum).

Interest for current accounts placed in US Dollars ranged as at 31 December 2020 and 2019 from 0.25% to 4% per annum.

18. NON-CURRENT ASSETS HELD FOR SALE

Changes in non-current assets held for sale for the twelve month period ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**879,814**	2,406,231
Transfers from property, plant and equipment *(Note 6)*	**36,800**	915,821
Sold	**(53,144)**	(1,481,495)
Impairment for the year *(Note 33)*	**(232,631)**	(960,743)
As at 31 December	**630,839**	879,814

As at 31 December 2020 and 2019 non-current assets held for sale are represented by property of the administrative residential building in Almaty, as well as unused vehicles. The Group plans to recover their carrying amount through sale rather than through continuing use. These assets were recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition. At the end of the reporting period, the carrying amount of the given assets does not exceed their fair value less costs to sell.

The net amount of income from the sale of non-current assets held for sale during 12 months 2020 amounted to 63,446 thousand Tenge *(Note 32)*.

During 12 months 2019 the administrative residential building in Pavlodar was sold on terms of instalment payments over a ten-year period, as well as certain vehicles. The net amount of income from the sales of the abovementioned assets amounted to 34,624 thousand Tenge *(Note 32)*.

19. INVESTMENTS IN BONDS

In December 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group purchased bonds of "Special Financial Company DSFK" LLP (hereinafter – "DSFK bonds") using the funds placed with RBK Bank JSC. The nominal amount of the bonds was 5,019,520 thousand Tenge, the number of bonds is 5,019,520 thousand units. DSFK bonds carry coupon interest of 0.01% per annum and mature in 15 years. The above mentioned bonds are secured by a financial guarantee of "Kazakhmys Corporation" LLP of 1,379,913 thousand Tenge. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

In 2020 the Group revised the fair value of bonds based on the market interest rate of 12.29% and, as a result, recognized income from revision of bond's fair value in the amount of 221,984 thousand Tenge (in 2019: the Group revised the fair value of bonds based on the market interest rate of 12.4% and, as a result, recognized income from revision of bond's fair value in the amount of 165,251 thousand Tenge) *(Note 34)*. Thus, the book value of the investments in bonds as at 31 December 2020 amounted to 913,746 thousand Tenge (as at 31 December 2019: 919,511 thousand Tenge).

During the 2020 and 2019 years the issuer repurchased 227,749 thousand units of bonds and 74,177 thousand units of bonds at a price of 1 Tenge per 1 bond, respectively.

20. EQUITY

Share capital

As at 31 December 2020 and 2019 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 31 December 2020 and 2019 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Treasury shares repurchased from shareholders

In 2016 based on request of a minority shareholder and the subsequent decision of the Board of Directors, the Company repurchased the announced common shares in the amount of 7,500 units for 9,549 thousand Tenge.

Asset revaluation reserve

Revaluation reserve was formed based on revaluation and devaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

In thousands of Tenge	**31 December 2020**	31 December 2019
Revaluation reserve for property, plant and equipment of the Group	**191,551,374**	266,033,531
Share in the asset revaluation reserve of the joint ventures	**30,081,441**	33,551,968
Total	**221,632,815**	299,585,499

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20. EQUITY (CONTINUED)

Foreign currency translation reserve

As at 31 December 2020 foreign currency translation reserve was equal to 38,325,342 thousand Tenge (as at 31 December 2019: 37,737,309 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries as a result of changes in exchange rates *(Note 4.2)*.

Other capital reserves

As at 31 December 2020 other capital reserves represent a loss amounted to 5,999,468 thousand Tenge (as at 31 December 2019: 1,893,432 thousand Tenge). Change in this reserve is due to recognition of actuarial losses from revaluation of the Group's and joint ventures's employee benefits obligations under defined benefit plans. Actuarial losses from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 4,220,893 thousand Tenge *(Note 21)*, income tax effect of which amounted to 116,009 thousand Tenge *(Note 36)*. For the same period of 2019 actuarial gain from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 1,872,560 thousand Tenge *(Note 21)*, income tax effect of which amounted to 51,467 thousand Tenge *(Note 36)*.

Dividends

During 2020 the Company accrued and paid dividends as the result of 2019 year to the shareholders based on the decision of the general meeting of shareholders dated 27 May 2020 in the amount 45,386,116 thousand Tenge (calculated as 118 Tenge per 1 share), with the use of net income received in 2019, in the amount 45,121,438 thousand Tenge and retained earnings of previous years in the amount 264,678 thousand Tenge, including 40,848,301 thousand Tenge *(Note 38)* related to KMG and 4,537,815 thousand Tenge related to minority shareholders.

During 2019, the Company accrued and paid dividends as the result of 2018 year to the shareholders based on the decision of the general meeting of shareholders dated 28 May 2019 in the amount of 40,001,322 thousand Tenge (calculated as 104 Tenge per 1 share), with the use of net income received in 2018, in the amount 38,484,983 thousand Tenge and retained earnings of previous years in the amount 1,516,339 thousand Tenge, including 36,001,892 thousand Tenge related to KMG *(Note 38)* and 3,999,430 thousand Tenge related to minority shareholders.

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Since the Company, as the Parent of the Group, does not issue convertible financial instruments, basic earnings per share of the Group are equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

In thousands of Tenge	**2020**	2019
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	**55,953,898**	45,121,438
Weighted average number of ordinary shares for the year for basic earnings per share	**384,628,099**	384,628,099
Basic earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company, as a Parent company of the Group (in Tenge)	**145**	117

Book value per ordinary share

Book value per ordinary share is calculated in accordance with requirements of KASE of the Parent of the Group is as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Total assets	**859,162,401**	912,813,470
Less: intangible assets *(Note 8)*	**(7,167,364)**	(7,728,097)
Less: total liabilities	**(206,644,140)**	(209,834,504)
Net assets for calculation of book value per ordinary share	**645,350,897**	695,250,869
Number of ordinary shares	**384,628,099**	384,628,099
Book value per ordinary share (in Tenge)	**1,678**	1,808

21. EMPLOYEE BENEFIT OBLIGATIONS

The Group has employee benefit obligations, mainly consisting of additional payments for pensions and jubilee obligations, applicable to all employees. These payments are unfunded.

Employee benefit obligations as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Non-current portion of employee benefit obligations	**21,559,008**	15,756,306
Current portion of employee benefit obligations	**693,235**	658,941
Total	**22,252,243**	16,415,247

Changes in the present value of employee benefit obligations for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Employee benefit obligations as at 1 January	**16,415,247**	13,604,374
Interest cost (Note 35)	**1,166,996**	1,182,087
Current services cost (Notes 30, 31)	**1,023,026**	721,869
Past services cost (Notes 5, 30, 31)	**–**	(369,482)
Actuarial loss through profit and loss (Note 33)	**188,150**	77,964
Actuarial loss through other comprehensive income (Note 20)	**4,220,893**	1,872,560
Benefits paid	**(762,069)**	(674,125)
Employee benefit obligations as at 31 December	**22,252,243**	16,415,247

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22. DEFERRED INCOME

As at 31 December 2020 deferred income mainly represents a liability of the Group to provide individual BSP assets for long-term lease to a counterparty in the amount of 8,693,200 thousand Tenge (as at 31 December 2019: 8,141,994 thousand Tenge).

The change in the amount of these liabilities as at 31 December 2020 is due to changes in the exchange rates at the reporting date as well as amortization of liabilities for the period.

23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Accounts payable to third parties for goods and services	**20,148,254**	10,318,431
Accounts payable to related parties for goods and services *(Note 38)*	**1,607,708**	3,743,715
Other accounts payable to third parties	**596,774**	1,116,797
Other accounts payable to related parties *(Note 38)*	**–**	4,181
Total	**22,352,736**	15,183,124

Trade and other accounts payable included payables to related and third parties, related to property, plant and equipment and construction in progress in the amount of 14,387,429 thousand Tenge (as at 31 December 2019: 7,730,268 thousand Tenge). The increase in trade payables as at 31 December 2020 is associated with the fulfilment of construction services contracts at the end of the year, mainly on the replacement of pipeline sections of the Uzen – Atyrau – Samara oil pipeline.

Trade and other accounts payable as at 31 December 2020 and 2019 are in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**21,732,754**	14,576,983
US Dollars	**276,413**	179,750
Russian Rubles	**5,156**	4,830
Euro	**2,525**	23,667
Other currency	**335,888**	397,894
Total	**22,352,736**	15,183,124

24. LEASE LIABILITIES

Lease liabilities as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Current portion of obligations	**1,994,823**	1,912,220
Non-current portion of obligations	**1,415,473**	2,891,445
Total	**3,410,296**	4,803,665

Changes in the present value of obligations for the twelve months ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**4,803,665**	–
Changes in accounting policy	**–**	5,513,329
Payments for the period	**(2,047,939)**	(1,851,566)
Unwinding of discount on obligations *(Note 35)*	**494,662**	638,724
Additions for the period *(Note 7)*	**336,459**	341,652
Transfer to/from trade payables	**(141,081)**	161,526
Disposals for the period	**(35,470)**	–
As at 31 December	**3,410,296**	4,803,665

The information below describes the cost of expenses reflected in the consolidated statement of comprehensive income for 2020 and 2019:

In thousands of Tenge	**For the year ended 31 December 2020**	For the year ended 31 December 2019
Right-of-use assets amortization *(Note 7)*	**1,541,607**	1,422,892
Unwinding of discount on obligations *(Note 35)*	**494,662**	638,724
Low-value assets lease expenses *(Notes 30, 31)*	**30,907**	35,000
Total	**2,067,176**	2,096,616

25. ADVANCES RECEIVED

Advances received as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Advances received from related parties *(Note 38)*	**13,151,992**	11,220,896
Advances received from third parties	**7,663,873**	7,258,086
Total	**20,815,865**	18,478,982

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26. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Personal income tax	**3,134,337**	3,382,103
Withholding tax at the source of payment to non-residents	**1,037,543**	1,071,635
Social tax	**725,436**	708,284
Property tax	**123,686**	126,139
VAT payable	**24,986**	19,067
Other taxes	**372,751**	390,338
Total	**5,418,739**	5,697,566

27. PROVISIONS

Movements in provisions for the years ended 31 December 2020 and 2019 are as follows:

Short-term provisions

In thousands of Tenge	**Tax provisions (BOT)**	**Provision on compensating tariff (Company)**	**Sponsorship (Company)**	**Other provisions**	**Total**
As at 1 January 2019	192,484	1,046,994	–	396,126	1,635,604
Charge for the year, net *(Notes 31, 33)*	–	18,100	1,200,000	206,298	1,424,398
Provisions used	–	(1,062,122)	(1,200,000)	(476,604)	(2,738,726)
Foreign currency translation	(13,432)	–	–	(1,291)	(14,723)
As at 31 December 2019	179,052	2,972	–	124,529	306,553
Charge for the year, net *(Notes 30, 31, 33)*	**255,932**	**–**	**–**	**765,472**	**1,021,404**
Provisions used	**–**	**(2,665)**	**–**	**(75,186)**	**(77,851)**
Foreign currency translation	**(2,289)**	**–**	**–**	**21,533**	**19,244**
As at 31 December 2020	**432,695**	**307**	**–**	**836,348**	**1,269,350**

As at 31 December 2020 the Group's other reserves include estimated liabilities to the client of BOT related to probable reimbursement of losses incurred during transshipment of oil products, as well as fines imposed on BOT by the Georgian customs services *(Note 41)*.

Pursuant to the instructions of the Head of State from 29 September 2018 and the decision of the Management Board of KMG from 11 February 2019, as well as the decision of the Board of Directors of the Company from 29 January 2019, the Company in 2019 provided sponsorship for the construction of the facility in Turkestan in the amount of 2,200,000 thousand Tenge of which 1,200,000 thousand Tenge was paid from the reserve accrued in March 2019.

Long-term provisions

Asset retirement and land recultivation obligation

As at 31 December 2020 and 2019, the Company revised the long-term provisions considering current best estimate. Assumptions used and the sensitivity to changes in the discount and inflation rates are reflected in *Note 5*.

In thousands of Tenge	**2020**	2019
As at 1 January	**27,780,887**	21,109,397
Charge for the year through asset *(Note 6)*	**410,941**	–
Revision of estimates through other comprehensive loss	**4,516,118**	3,334,156
Reversal through profit and loss *(Notes 32, 33)*	**(1,195,741)**	(207,747)
Revision of estimates through profit and loss *(Notes 32, 33)*	**83,695**	1,653,085
Unwinding of discount on asset retirement and land recultivation obligation *(Note 35)*	**2,092,937**	1,891,996
As at 31 December	**33,688,837**	27,780,887

28.OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Salaries and other compensations	**10,893,589**	11,099,128
Accounts payable for oil transportation coordination services to related parties *(Note 38)*	**7,701,845**	8,193,956
Accounts payable for oil transportation coordination services to third parties	**4,878,213**	5,192,306
Accounts payable to pension fund	**952,276**	870,184
Current portion of deferred income from third parties	**654,336**	576,806
Other accruals	**383,366**	341,844
Total	**25,463,625**	26,274,224

Salaries and other compensations comprise of current salary payable, remunerations based on the year results and vacation payments payable.

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29. REVENUE

Revenue for the years ended 31 December 2020 and 2019 are as follows:

	2020				
In thousands of Tenge	**Oil transportation and related services**	**Oil transshipment**	**Water transportation**	**Others**	**Total segments**
Crude oil transportation	**194,051,103**	**–**	**–**	**–**	**194,051,103**
Pipeline operation and maintenance services	**17,066,891**	**–**	**–**	**–**	**17,066,891**
Water transportation	**–**	**–**	**6,643,175**	**–**	**6,643,175**
Oil transshipment and railway shipment	**–**	**6,152,285**	**–**	**–**	**6,152,285**
Seaport services	**–**	**–**	**–**	**5,933,564**	**5,933,564**
Fees for undelivered oil volumes	**2,790,960**	**–**	**–**	**–**	**2,790,960**
Oil transportation coordination services	**686,051**	**–**	**–**	**–**	**686,051**
Oil storage services	**80,927**	**–**	**–**	**–**	**80,927**
Other	**44,878**	**–**	**2,639**	**1,769,609**	**1,817,126**
Total	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**235,222,082**
Geographic regions					
Kazakhstan	**189,286,371**	**3,332,074**	**6,645,814**	**–**	**199,264,259**
Russia	**25,434,439**	**–**	**–**	**–**	**25,434,439**
Georgia	**–**	**2,103,685**	**–**	**6,503,312**	**8,606,997**
Other states	**–**	**716,526**	**–**	**1,199,861**	**1,916,387**
Total revenue under contracts with customers	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**235,222,082**
Timing of revenue recognition					
At a point in time	**197,653,919**	**6,152,285**	**6,645,814**	**7,703,173**	**218,155,191**
Over time	**17,066,891**	**–**	**–**	**–**	**17,066,891**
Total	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**235,222,082**

	2019				
In thousands of Tenge	**Oil transportation and related services**	**Oil transshipment**	**Water transportation**	**Others**	**Total segments**
Crude oil transportation	199,874,262	–	–	–	199,874,262
Pipeline operation and maintenance services	16,077,069	–	–	–	16,077,069
Water transportation	–	–	7,576,717	–	7,576,717
Fees for undelivered oil volumes	5,248,781	–	–	–	5,248,781
Seaport services	–	–	–	4,960,464	4,960,464
Oil transshipment and railway shipment	–	4,437,846	–	–	4,437,846
Oil transportation coordination services	677,031	–	–	–	677,031
Oil storage services	52,861	–	–	–	52,861
Other	101,665	–	6,661	612,593	720,919
Total	222,031,669	4,437,846	7,583,378	5,573,057	239,625,950
Geographic regions					
Kazakhstan	197,920,245	2,105,402	7,583,378	–	207,609,025
Russia	24,111,424	–	–	–	24,111,424
Georgia	–	1,601,162	–	5,561,954	7,163,116
Other states	–	731,282	–	11,103	742,385
Total revenue under contracts with customers	222,031,669	4,437,846	7,583,378	5,573,057	239,625,950
Timing of revenue recognition					
At a point in time	205,954,600	4,437,846	7,583,378	5,573,057	223,548,881
Over time	16,077,069	–	–	–	16,077,069
Total	222,031,669	4,437,846	7,583,378	5,573,057	239,625,950

For the year ended 31 December 2020 revenue from the five major customers amounted to 49,310,766 thousand Tenge, 33,747,370 thousand Tenge, 12,399,989 thousand Tenge, 11,120,462 thousand Tenge and 6,081,249 thousand Tenge (for 2019: revenue from these customers amounted to 53,294,711 thousand Tenge, 32,177,845 thousand Tenge, 11,417,470 thousand Tenge, 13,868,640 thousand Tenge and 9,525,424 thousand Tenge, respectively).

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30. COST OF SALES

Cost of sales for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Personnel costs	**56,718,591**	54,667,892
Depreciation and amortization	**53,173,092**	52,498,771
Materials and fuel	**8,553,505**	8,839,641
Taxes other than income tax	**8,533,127**	8,595,272
Repair and maintenance	**8,425,072**	8,274,395
Electric energy	**7,105,495**	6,888,443
Security services	**5,681,646**	5,266,613
Gas expense	**2,671,579**	2,662,309
Railway services	**2,514,250**	1,629,495
Food and accomodation	**1,929,573**	2,022,624
Environmental protection	**1,670,489**	2,097,765
Post-employment benefits *(Note 21)*	**972,123**	318,435
Insurance	**719,451**	665,263
Business trip expenses	**662,038**	971,107
Outstaffing services	**429,386**	426,839
Communication services	**384,323**	382,931
Diagnostics of production assets	**365,939**	337,544
Transportation services	**150,251**	184,944
Rent expenses *(Note 24)*	**4,446**	8,965
Accrual of provision for environmental protection *(Note 27)*	**446**	-
Air services	**-**	239,144
Other	**2,351,771**	2,893,459
Total	**163,016,593**	159,871,851

31.GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Personnel costs	**9,567,728**	9,592,215
Charity expenses	**1,440,953**	2,235,607
Depreciation and amortization	**1,618,003**	1,391,617
Office maintenance	**532,254**	511,978
Consulting services	**290,935**	358,096
Charge of allowance for expected credit losses, net *(Note 12)*	**289,261**	206,260
Repair and maintenance	**268,532**	289,248
Outstaffing services	**258,762**	244,602
Charge of short-term provisions *(Note 27)*	**255,932**	315,138
Taxes other than income tax	**251,026**	385,317
Materials and fuel	**250,842**	53,201
Write-off of VAT recoverable	**200,563**	99,133
Charge of provision for obsolete inventories, net	**177,757**	201,231
Information services	**151,603**	126,764
Communication services	**114,302**	163,929
Business trip expenses	**81,354**	338,041
Social sphere expenses	**76,060**	298,176
Bank costs	**68,632**	67,839
Post-employment benefits *(Note 21)*	**50,903**	33,952
Insurance and security	**43,008**	56,421
Transportation services	**34,565**	15,190
Rent expenses *(Note 24)*	**26,461**	26,035
Advertising expenses	**22,184**	106,911
Other	**542,512**	761,495
Total	**16,614,132**	17,878,396

Charity expenses for 2020 are associated with the purchase in August 2020 of artificial lung ventilation devices for the amount of 1,000,000 thousand Tenge, which were donated as sponsorship to health care organizations of the Republic of Kazakhstan in order to support government policy in the fight against coronavirus infection with COVID-19.

Based on the decision of the Board of Directors of Samruk-Kazyna dated 8 October 2020 and in pursuance of the instructions of the Head of the Country dated 29 September 2018 the Company in 2020 provided sponsorship assistance in the amount of 405,809 thousand Tenge as additional financing for the construction of an object in the city of Turkestan.

The charity expenses for 2019 were mainly associated with the sponsorship by the Company for the construction of a facility in the city of Turkestan in the amount of 2,200,000 thousand Tenge.

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32. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Income from fines and penalties	**1,497,383**	867,020
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation *(Note 27)*	**1,112,046**	-
Amortization of deferred revenue	**267,758**	246,812
Income from sale of inventories, net	**127,934**	39,580
Income from sale of non-current assets held for sale, net *(Note 18)*	**63,446**	34,624
Income from recognition of inventories	**8,512**	74,338
Income from reimbursement of insurance payment	**496**	127,013
Other income	**90,415**	169,064
Total	**3,167,990**	1,558,451

33. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Loss on write-off of VAT on disposed property, plant and equipment	**1,823,703**	865,265
Charge/(reversal) of current provisions, net *(Note 27)*	**765,026**	(90,740)
Impairment of non-current assets held for sale *(Note 18)*	**232,631**	960,743
Actuarial loss *(Note 21)*	**188,150**	77,964
Loss on disposal of property, plant and equipment and intangible assets, net	**118,644**	73,809
Reversal of provision and revision of estimates on provision on asset retirement and land recultivation obligation, net *(Note 27)*	**–**	1,445,338
Other expenses	**475,454**	374,574
Total	**3,603,608**	3,706,953

34. FINANCE INCOME

Finance income for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Interest income on bank deposits and current accounts	**2,658,267**	2,356,914
Income from revision the fair value of bonds *(Note 19)*	**221,984**	165,251
Unwinding of discount on long-term receivables	**13,736**	136,479
Income from termination of lease of right-of-use assets	**3,905**	-
Other finance income	**156,612**	16,833
Total	**3,054,504**	2,675,477

35. FINANCE COSTS

Finance costs for the years ended 31 December 2020 and 2019 are as follows:

In thousands of Tenge	**2020**	2019
Unwinding of discount on asset retirement and land recultivation obligation *(Note 27)*	**2,092,937**	1,891,996
Interest cost on employee benefit obligations *(Note 21)*	**1,166,996**	1,182,087
Unwinding of discount on lease liabilities *(Note 24)*	**494,662**	638,724
Charge of allowance for expected credit losses of cash and cash equivalents, bank deposits, net *(Notes 16 and 17)*	**19,307**	35,283
Accrual of discount on long-term accounts receivables	**–**	136,100
Other finance costs	**1,404**	-
Total	**3,775,306**	3,884,190

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36. INCOME TAX EXPENSE

Income tax expense for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Current income tax expense	**17,245,410**	18,274,732
Changes in estimates of current income tax of the prior periods	**69,953**	(83,663)
Deferred income tax benefits	**(4,179,652)**	(4,236,858)
Income tax expense	**13,135,711**	13,954,211

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate and current income tax expense for the years ended 31 December 2020 and 2019 is as follows:

In thousands of Tenge	**2020**	2019
Profit before income tax	**69,089,609**	59,075,649
Statutory rate	**20%**	20%
Income tax expense on accounting profit	**13,817,922**	11,815,130
Changes in estimates of current income tax of the prior periods	**69,953**	(83,663)
Non-deductible losses and non-taxable income of foreign operations, net	**461,358**	–
Non-deductible expense on long-term employee benefit obligations	**409,939**	276,396
Differences in tax rates	**–**	2,808,506
Non-deductible loss on write of VAT recoverable	**388,728**	191,400
Gain on surplus of technological oil	**123,695**	789,688
Representative expenses and holiday events	**–**	76,146
Non-deductible fines	**247**	63,304
Revision of estimates on taxable temporary differences related to property, plant and equipment	**(212,064)**	281,813
Other (non-taxable)/non-deductible expenses, net	**21,995**	463,171
Tax effect of other adjustments		
Profit of joint ventures recognized based on equity method	**(1,946,062)**	(2,727,680)
Income tax expense reported in the consolidated statement of comprehensive income	**13,135,711**	13,954,211

Starting from 1 January 2020 amendments to the Tax Code of the Republic of Kazakhstan came into force in terms of taxation of controlled foreign companies (hereinafter – "CFC").

According to the Tax Code a CFC is an entity which meets the following conditions at the same time: 1) a non-resident legal entity; 2) 25 and more percent of the participation interest (voting shares) in the entity directly or indirectly, or constructively belong to a legal entity or an individual which is the resident of the Republic of Kazakhstan; 3) the effective income tax rate of a non-resident legal entity is less than 10 percent.

The profit of CFC indicated in its separate financial statements is a subject of income tax for resident company of the Republic of Kazakhstan.

The Group's management has analysed and determined that the following companies of the Group fall under the definition of CFC: BOT, PTL and BSP. In this respect, the Company, as the parent company of the Group, has included in its taxable income for 2020 the profits of BSP and PTL. BOT's figures are not included in the Company's taxable income as BOT recognized a net loss in its separate financial statements for 2020.

In accordance with provisions of the Tax Code of the Republic of Kazakhstan that was effective until 1 January 2020, the profits of non-resident companies of the Group were not included in the taxable income of the Company since the Republic of Kazakhstan has international treaties concluded with Georgia and the United Arab Emirates that regulate issues of double taxation.

Deferred income tax balances, calculated by applying the statutory income tax rates in effect at the respective statement of financial position dates to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, comprised the following at 31 December:

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36. INCOME TAX EXPENSE (CONTINUED)

In thousands of Tenge	31 December 2020	Charged to profit and loss	Charged to other comprehensive income	Other	31 December 2019	Charged to profit and loss	Charged to other comprehen-sive income	Other	Charged to retained earnings	1 January 2019
Deferred tax assets										
Employee benefits and other employee compensation and related costs *(Note 20)*	**2,270,557**	**(21,351)**	**116,009**	**(81)**	2,175,980	170,964	51,467	(13)	–	1,953,562
Reserve for impairment of advances to suppliers	**10,781**	**–**	**–**	**–**	10,781	–	–	–	–	10,781
Provision for obsolete and slow-moving inventories	**40,855**	**(3,386)**	**–**	**–**	44,241	40,888	–	–	–	3,353
Provision for assets retirement and land recultivation obligation	**6,737,767**	**196,178**	**903,224**	**82,188**	5,556,177	667,465	666,831	–	–	4,221,881
Provision for environmental protection and other provisions	**61**	**(8,758)**	**–**	**–**	8,819	594	–	–	–	8,225
Lease liabilities	**682,059**	**(280,486)**	**–**	**39,076**	923,469	(179,197)	–	–	1,102,666	–
Taxes payable	**141,817**	**22,652**	**–**	**–**	119,165	(6,751)	–	–	–	125,916
Revaluation of investments in bonds	**138,783**	**61,538**	**–**	**–**	77,245	(24,359)	–	–	–	101,604
Transfer of losses for subsequent periods	**2,464,878**	**913,214**	**–**	**–**	1,551,664	856,708	–	–	–	694,956
Unrealized income from intragroup transactions	**87,063**	**(178,797)**	**–**	**–**	265,860	(135,961)	–	–	–	401,821
Provision for expected credit losses	**241,732**	**25,044**	**–**	**–**	216,688	36,110	–	–	–	180,578
Discount on long-term accounts receivables	**227,929**	**1,172**	**–**	**–**	226,757	226,757	–	–	–	–
Total	**13,044,282**	**727,020**	**1,019,233**	**121,183**	11,176,846	1,653,218	718,298	(13)	1,102,666	7,702,677
Deferred tax liabilities										
Property, plant and equipment	**(74,756,641)**	**3,137,998**	**13,143,976**	**(77,475)**	(90,961,140)	2,367,392	(18,231,513)	–	–	(75,097,019)
Right-of-use assets	**(509,564)**	**314,634**	**–**	**(43,789)**	(780,409)	216,248	–	–	(996,657)	–
Total	**(75,266,205)**	**3,452,632**	**13,143,976**	**(121,264)**	(91,741,549)	2,583,640	(18,231,513)	–	(996,657)	(75,097,019)
Net deferred income tax liabilities	**(62,221,923)**	**4,179,652**	**14,163,209**	**(81)**	(80,564,703)	4,236,858	(17,513,215)	(13)	106,009	(67,394,342)

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36. INCOME TAX EXPENSE (CONTINUED)

The deferred taxes on property, plant and equipment represent differences between tax and book base of property, plant and equipment due to different depreciation rates in tax and accounting books and impairment of property, plant and equipment.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

37. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has four reportable segments, as follows:

- Oil transportation and related services;
- Oil transshipment;
- Water transportation;
- Other segments.

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue comprises less than 10% of combined revenue) are combined in “Other segments”. Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of drycargo, ferry and container terminals, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group’s main operating activities, or with main asset of the Group – pipelines, such as: oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through BSP with operation of BOT are included in “Oil transshipment” segment. Revenue from oil terminal is generated through storage, transshipment of oil and oilproducts and expedition. Expedition services rendered by PTL, represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to oil terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

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37. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2020						For the year ended 31 December 2019					
In thousands of Tenge	**Oil transportation and related services (Kazakhstan)**	**Oil transshipment (Georgia)**	**Water transportation (Kazakhstan)**	**Other**	**Adjustments and exceptions**	**Total segments (consolidated)**	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Adjustments and exceptions	Total segments (consolidated)
Revenue												
External customers	**214,720,810**	**6,152,285**	**6,645,814**	**7,703,173**	**–**	**235,222,082**	222,031,669	4,437,846	7,583,378	5,573,057	–	239,625,950
Intersegmental	**771,041**	**–**	**77,076**	**–**	**(848,117)**	**–**	845,333	–	83,048	–	(928,381)	–
Total revenue	**215,491,851**	**6,152,285**	**6,722,890**	**7,703,173**	**(848,117)**	**235,222,082**	222,877,002	4,437,846	7,666,426	5,573,057	(928,381)	239,625,950
Financial results												
Reversal/(charge) of impairment of property, plant and equipment and intangible assets through profit and loss	**(35,182)**	**49,202**	**–**	**–**	**–**	**14,020**	2,248,788	(11,696,677)	(2,245,133)	(1,492,045)	–	(13,185,067)
Impairment of investments in subsidiaries	**(3,534,256)**	**–**	**–**	**–**	**3,534,256**	**–**	(16,205,432)	–	–	–	16,205,432	–
Depreciation and amortization	**(49,286,407)**	**(822,372)**	**(3,695,387)**	**(986,929)**	**–**	**(54,791,095)**	(48,371,061)	(1,511,187)	(3,090,401)	(917,739)	–	(53,890,388)
Interest income	**2,110,771**	**46,308**	**354,411**	**146,777**	**–**	**2,658,267**	2,080,787	21,441	155,140	99,546	–	2,356,914
Share in income of joint ventures	**9,730,312**	**–**	**–**	**–**	**–**	**9,730,312**	13,638,401	–	–	–	–	13,638,401
Income tax (expense)/ benefits	**(13,911,276)**	**–**	**911,068**	**(68,634)**	**(66,869)**	**(13,135,711)**	(15,255,873)	–	1,394,707	(74,277)	(18,768)	(13,954,211)
Segment profit/(loss) for the period	**55,346,099**	**(2,468,769)**	**(3,825,374)**	**3,615,299**	**3,286,643**	**55,953,898**	46,982,093	(13,671,522)	(4,391,173)	(67,002)	16,269,042	45,121,438
Other disclosures												
Total assets	**774,775,719**	**38,864,304**	**59,337,371**	**16,914,690**	**(30,729,683)**	**859,162,401**	850,670,882	34,273,177	37,714,300	17,833,668	(27,678,557)	912,813,470
Total liabilities	**188,729,640**	**8,339,490**	**1,751,086**	**11,120,863**	**(3,296,939)**	**206,644,140**	193,054,249	5,450,760	1,496,097	12,040,490	(2,207,092)	209,834,504
Investments in joint ventures *(Note 9)*	**63,422,815**	**–**	**–**	**–**	**–**	**63,422,815**	55,015,339	–	–	–	–	55,015,339
Capital expenditures	**47,033,059**	**1,088,228**	**1,031,386**	**709,084**	**(115,009)**	**49,746,748**	40,984,572	393,973	687,081	537,933	(146,809)	42,456,750
Property, plant and equipment	**47,027,731**	**1,076,238**	**1,019,470**	**702,469**	**(114,810)**	**49,711,098**	40,794,706	393,973	687,081	536,784	(146,809)	42,265,735
Intangible assets	**5,328**	**11,990**	**11,916**	**6,615**	**(199)**	**35,650**	189,866	–	–	1,149	–	191,015

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38. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during 2020 and 2019 and the related balances as at 31 December 2020 and 2019.

Trade and other accounts receivables from related parties are as follows:

In thousands of Tenge	Notes	**31 December 2020**	31 December 2019
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		**969,932**	931,715
Trade accounts receivable from entities under common control of KMG		**535,390**	639,045
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		**460,816**	875,953
Total trade accounts receivable from related parties	12	**1,966,138**	2,446,713
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		**509**	509
Total other accounts receivable from related parties	12	**509**	509
Less: allowance for expected credit losses		**(5,055)**	(4,586)
Total		**1,961,592**	2,442,636

Advances provided to related parties are as follows:

In thousands of Tenge	Notes	**31 December 2020**	31 December 2019
Advances paid to related parties			
Advances paid to entities under common control of KMG		**394,336**	548,107
Advances paid to entities under common control of Samruk-Kazyna Group		**1,104**	1,105
Total advances paid to related parties	13	**395,440**	549,212

Trade and other accounts payable to related parties are as follows:

In thousands of Tenge	Notes	**31 December 2020**	31 December 2019
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		**1,087,746**	2,919,074
Trade accounts payable to entities under common control of KMG		**507,202**	815,957
Trade accounts payable to joint ventures		**12,760**	8,684
Total trade accounts payable to related parties for goods and services	23	**1,607,708**	3,743,715
Other payables to entities under common control of Samruk-Kazyna Group		**–**	2,344
Other payables to joint ventures		**–**	1,837
Other payables to entities under common control of KMG		**–**	–
Total other payables to related parties for goods and services	23	**–**	4,181
Total trade and other accounts payable to related parties for goods and services		**1,607,708**	3,747,896

Advances received from related parties are as follows:

In thousands of Tenge	Notes	**31 December 2020**	31 December 2019
Advances received from related parties			
Advances from entities under common control of KMG		**12,896,046**	10,979,288
Advances from entities under common control of Samruk-Kazyna Group		**255,946**	241,608
Total advances received from related parties	25	**13,151,992**	11,220,896

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38. RELATED PARTY TRANSACTIONS (CONTINUED)

Other current liabilities to related parties are as follows:

In thousands of Tenge	Notes	**31 December 2020**	31 December 2019
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		**7,701,845**	8,193,956
Total of accounts payable for oil transportation coordination services to related parties	28	**7,701,845**	8,193,956
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		**62,412**	52,873
Total employee benefits obligation of key management personnel		**62,412**	52,873
Total other current liabilities to related parties		**7,764,257**	8,246,829

During the years ended 31 December the Group had the following transactions with the related parties:

	For the year ended 31 December	
In thousands of Tenge	**2020**	2019
Sales to related parties		
Revenue from main activities with entities under common control of KMG	**122,418,453**	127,191,643
Revenue from main activities with joint ventures	**10,147,818**	9,473,092
Revenue from main activities with entities under common control of Samruk-Kazyna Group	**7,401,728**	7,824,032
Income from other activities with entities under common control of KMG	**65,916**	534,291
Income from other activities with entities under common control of Samruk-Kazyna Group	**42,856**	31,880
Income from other activities with joint ventures	**–**	950
Total	**140,076,771**	145,055,888

Revenue from main activities with entities under common control of KMG is related to the services of oil and water transportation.

Purchase of services and assets from related parties is as follows:

	For the year ended 31 December	
In thousands of Tenge	**2020**	2019
Purchases from related parties		
Purchases of services from entities under common control of KMG	**5,476,823**	5,892,343
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	**2,665,102**	16,608,319
Purchases of services from entities under common control of Samruk-Kazyna Group	**1,873,448**	2,675,196
Purchases of services from joint ventures	**134,193**	84,103
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	**9,657**	204,201
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**180**	–
Purchases of inventory from entities under common control of KMG	**153**	572,619
Total	**10,159,556**	26,036,781

In 2019 the Company acquired property, plant and equipment from related party in the amount of 16,608,319 thousand Tenge, as part of the projects under overhaul with replacement of the main oil pipeline.

Cash flows to related to the payment of dividends are as follows:

	For the year ended 31 December	
In thousands of Tenge	**2020**	2019
Cash flows to related parties		
Dividends paid to the KMG (*Note 20*)	**40,848,301**	36,001,892
Total	**40,848,301**	36,001,892

Total accrued compensation to key management personnel for the year ended 31 December 2020 amounts to 793,977 thousand Tenge (for the year ended 31 December 2019: 887,705 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

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39. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstan economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of Kazakhstani Tenge that took place in 2015. The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Coronavirus pandemic (COVID-19)

In connection with the spread of the coronavirus (COVID-19) pandemic, many countries, including the Republic of Kazakhstan, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to mitigate its consequences could affect the activities of companies from various industries. However, at the moment the Group's management is unable to estimate with a reasonable degree of certainty the effect of such influence on the future activities of the Group.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not usual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe.

Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2020. As at 31 December 2020 the Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the "arm's length" principle.

The transfer pricing law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest as at 31 December 2020.

As at 31 December 2020 the Management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Tax liabilities of enterprises in Georgia

In 2015 Georgian Tax Authorities (hereinafter – "GTA") additionally accrued taxes and fines in the amount of 2,224 thousand US Dollars (equivalent to 936,104 thousand Tenge) as a result of tax inspections of BSP for the period of 2010–2014. As a result of appeals of the GTA's decisions to the authorised bodies of the Revenue Service of Georgia, carried out in the period from 2015 to 2020, the amount of additional taxes and fines assessed was reduced and as of 31 December 2020 amounted to 1,805 thousand US Dollars (equivalent to 759,743 thousand Tenge).

The management of BOT Group, based on an analysis of local tax legislation and current practice on similar tax proceedings, at the end of 2016 recognized tax liabilities in the amount of 701 thousand US Dollars (equivalent to 295,058 thousand Tenge) and accrued provisions for taxes in the amount of 409 thousand US Dollars (equivalent to 172,152 thousand Tenge). The remaining amount of 1,104 thousand US Dollars (equivalent to 464,685 thousand Tenge) was not recognized as additional liabilities, since the management believes that BSP's appeal will be successful and estimates the possibility of an outflow of financial resources in this regard as being remote. As at 31 December 2020 an appeal on this issue is in the Kutaisi City Court.

Environmental obligations

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Group's financial position or results of operations, except for those disclosed in these consolidated financial statements *(Notes 5, 27)*.

Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insurance coverage over property, third party liability in respect of property or environmental damage arising from accidents on Company's property or relating to the Group's operations.

Contractual commitments

As at 31 December 2020 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 42,183,935 thousand Tenge (31 December 2019: 22,828,704 thousand Tenge).

Share of the Company as at 31 December 2020 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 2,901,809 thousand Tenge (31 December 2019: 8,193,937 thousand Tenge).

Investment program commitments of the Company

As at 31 December 2019 the Company had an unfulfilled obligation under the approved investment program for 20152019 for the total amount of 26.6 billion Tenge. This amount (in the share attributable to the service of pumping oil to the domestic market of the Republic of Kazakhstan) in accordance with the requirement of the legislation of the Republic of Kazakhstan on natural monopolies, was considered by CRNM in the approved tariff for the regulated service for pumping oil to the domestic market of the Republic of Kazakhstan through the main pipeline system of the Company for 2021–2025 (order of CRNM No. 71-OD dated 27 November 2020).

In addition, in November 2020, by a joint order of the Ministry of Energy of the Republic of Kazakhstan and the CRNM, an investment program for 2021–2025 was approved, according to which the obligation to fulfill is 214 billion Tenge.

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39. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Investment program commitments of joint venture

In accordance with the order of the head of the Department of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan for Almaty (hereinafter - "the Authorized Body") dated 27 August 2020, from 1 October 2020 to 30 September 2022, the temporary compensating tariffs were approved to the KCP service for pumping oil. The basis for the approval of the temporary compensating tariffs was the nonperformance of certain measures of the investment program of the KCP for 2015–2019. The amount of compensation (unjustified income) according to Authorised Body's calculations amounted to 29 billion Tenge (the Company's share is 14.5 billion Tenge).

The non-performance of certain measures of the investment program by KCP is due to a shortage of funds associated with a decrease in the volume of oil transportation to the domestic market and a change in the exchange rate of the national currency against the US Dollar during the period of the specified investment program, which led to an increase in the financial burden for servicing the KCP foreign currency loan.

On 18 September 2020 the KCP submitted an application (complaint) to cancel the specified above order to the CRNM. By the letter of the CRNM dated 5 November 2020 the application (complaint) of KCP was denied. On 5 November 2020 the KCP submitted an application for challenging the order of the Authorized Body to the Specialized interdistrict economic court (SIEC) of Almaty city. According to the decision of SIEC dated 23 December 2020 was declared illegal. On 26 January 2021 the Authorised Body filed an application to appeal against the decision of the SIEC to the Almaty city court.

In accordance with the Law of the Republic of Kazakhstan *On Legal Acts*, submission of an application for cancellation of the order to a higher state body or court suspends its effect until an appropriate decision is made.

Based on the results of the analysis of the impact of the application of temporary compensating tariffs on the value of the assets of KCP and the Company, no impairment was identified.

Legal proceedings

Legal proceedings BOT with business counterparties

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the claim of business counterparties of BOT (hereinafter - "plaintiffs") that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT - the land plot (c. Batumi) and buildings and constructions located on it. The total carrying amount of this property as at 31 December 2020 was 4.85 million US Dollars (equivalent to 2,041 million Tenge). This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the above decision in the Tbilisi City Court. The BOT management believes that the plaintiffs' claims against the BOT are unfounded and sent to the court a response on the statement of claim with the position of the BOT in this case.

On 12 February 2019, the Tbilisi City Court decided in favor of the plaintiffs, and also partially satisfied the claim of the BOT. As a result of the court decision, BOT's net liabilities to business counterparties amounted to 15.65 million US Dollars (equivalent to 6.587 million Tenge). On 27 February 2020 the Tbilisi Court of Appeal cancelled the decision dated 12 February 2019 and redirected the case to the court of first instance. Taking into account the decision of the Tbilisi Court of Appeal as at 31 December 2020 the Group's management did not recognize additional obligations in these proceedings. As at 31 December 2020 BOT continues litigation on this issue in the court of first instance.

Claim of business counterparty to BOT

In 2014 BOT and a business counterparty (Buyer) concluded construction agreements, according to which the Buyer acquired the rights on constructing the reservoirs on the territory of BOT and on BOT's cargo transshipments services. According to the Buyer, BOT is not complying with the terms of these agreements, in this connection the legal proceeding has been initiated.

On the basis of a court ruling dated 21 October 2020 as security for the Buyer's claim, BOT's funds placed on accounts in Georgian banks were seized. The specified court ruling was adopted at the request of the Buyer to prohibit the creation of obstacles by BOT and compensation for damage in the form of lost income in the amount of 12.5 million US Dollars (equivalent to 5,261 million Tenge).

By a court ruling dated 19 November 2020, the Buyer's claim was left without consideration, the dispute was terminated, all arrests and restrictions were lifted.

Legal proceedings of BOT against the Georgian Railway

In 2005, Georgian Railway JSC (hereinafter - "GR") filed a claim to the Tbilisi City Court against BOT for the recovery of the 14 million Lari (equivalent to 1,805 million Tenge) for using tank wagons and storing cargo due to idle tank wagons in dead ends of BOT in the period related to 2003. On 16 April 2019 the Tbilisi City Court partially satisfied the claim of the GR in the amount of 8.4 million Lari (equivalent to 1,083 million Tenge). On 16 April 2020 BOT filed a cassation appeal to the Supreme Court of Georgia. As of 31 December 2020 the Group did not recognize any additional commitments on this matter, as management assesses the risk of an outflow of financial resources as possible.

The risk of termination of the BSP management agreement

In accordance with BSP Management agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT shall pay the following penalties for:

- Non-fulfillment of up to 1 million tons in the amount of 0.1 US Dollars (ten US cents) per ton;
- Non-fulfillment of 1 to 2 million tons in the amount of 0.2 US Dollars (twenty US cents) per ton;
- Non-fulfillment of over 2 million tons in the amount of 1 US Dollars per ton.

The management of the Group believes, as at 31 December 2020, BSP was not subject to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for 2020 amounted to 5.873 million tons (as at 31 December 2019: 5.9 million tons). In accordance with the Agreement based on the actual volumes for 2020, a reserve was created for expected fines in the amount of 13 thousand US Dollars (equivalent to 5,472 thousand Tenge).

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

The Group is exposed to market risk that comprises: credit risk, currency risk and liquidity risk. The management of the Group reviews and agrees policies for managing each of these risks which are summarized below.

Credit risk

The Group enters into transactions with known and creditworthy parties only. In accordance with the Group's policy, all clients wishing to trade on a commercial loan terms are subject to a credit check procedure. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Group.

The Group places deposits with Kazakhstani and foreign banks *(Notes 16 and 17)*. Management of the Group reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. In accordance with IFRS 9, the Group accruals allowances for expected credit losses in respect of funds with credit institutions.

The table below shows the balances of bank deposits and cash and cash equivalents at the reporting date using the "Moody's", "Fitch" and "Standard & Poor's" credit ratings.

Bank	Location	Rating		31 December 2020	31 December 2019
		31 December 2020	31 December 2019		
Bank					
"Halyk Bank of Kazakhstan" JSC	Kazakhstan	**BB+/Stable**	BB+/Positive	**79,906,160**	70,920,702
Halyk Bank of Georgia	Georgia	**BB/Stable**	BB/Positive	**1,766,559**	1,726,629
Emirates NBD Bank PJSC	UAE	**A+/Stable**	A+/Stable	**1,081,318**	299,950
TBC Bank	Georgia	**Ba2/Stable**	Ba2	**90,075**	495,837
Bank of Georgia	Georgia	**Ba2/Stable**	Ba3/Ba2	**47,984**	55,093
Hellenic Bank	Cyprus	**B3/Positive**	B+/Caa1	**30,726**	248,301
"Sberbank of Russia" JSC	Russia	**BBB/Stable**	Baa3	**3,413**	7,511
"ForteBank" JSC	Kazakhstan	**B/Stable**	B+/Stable	**424**	2,994,955
"Altyn Bank" JSC (SB China Citic Bank Corporation Ltd)	Kazakhstan	**BBB-/Stable**	–	**7**	–
Total				**82,926,666**	76,748,978

Liquidity risk

The Group monitors its risk to a shortage of funds using a current liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2020 and 2019 based on contractual undiscounted payments.

In thousands of Tenge	On demand	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at 31 December 2020						
Trade and other accounts payable	**–**	**22,352,736**	**–**	**–**	**–**	**22,352,736**
Lease liabilities	**–**	**1,994,823**	**1,035,973**	**288,124**	**91,376**	**3,410,296**
Total	**–**	**24,347,559**	**1,035,973**	**288,124**	**91,376**	**25,763,032**
As at 31 December 2019						
Trade and other accounts payable	–	15,183,124	–	–	–	15,183,124
Other payables	5,000,000	–	–	–	–	5,000,000
Lease liabilities	–	1,912,220	1,811,043	982,616	97,786	4,803,665
Total	5,000,000	17,095,344	1,811,043	982,616	97,786	24,986,789

Currency risk

The table below shows the total amount of foreign currency denominated assets and liabilities that give rise to foreign exchange exposure.

In thousands of Tenge	US Dollar	Russian Ruble	Euro	Other currencies	Total
At 31 December 2020					
Assets	**34,162,608**	**28,373**	**8,839**	**332,940**	**34,532,760**
Liabilities	**276,414**	**5,156**	**2,525**	**335,887**	**619,982**
At 31 December 2019					
Assets	51,086,579	34,485	22,573	2,100,802	53,244,439
Liabilities	787,685	77,358	45,475	747,198	1,657,716

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. The Group also has transactional currency exposures. Such exposure arises from revenues in US Dollars.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro and Russian Ruble exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on the Group's equity.

In thousands of Tenge	**Increase/decrease in US Dollar exchange rate**	**Effect on profit before tax**
2020		
US Dollar	**+14.00%**	**4,744,067**
	–11.00%	**(3,727,481)**
Russian Ruble	**+15.00%**	**3,483**
	–15.00%	**(3,483)**
Euro	**+14.00%**	**884**
	–11.00%	**(695)**
2019		
US Dollar	+12.00%	6,035,867
	–9.00%	(4,526,900)
Russian Ruble	+12.00%	(5,145)
	–12.00%	5,145
Euro	+12.00%	(2,748)
	–9.00%	2,061

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

As at 31 December 2020 and 2019 the Group does not have significant debts. The Group has sufficient cash, exceeding its debt as at the reporting date.

Fair value of financial instruments

The carrying amount of cash, bank deposits, trade and other accounts receivable, loans, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

41. SUBSEQUENT EVENTS

Claim of business counterparty to BOT

On 5 February 2021 BOT received a claim from one of the business counterparties on compensation of unearned revenue for the amount 12.5 million US Dollars (equivalent to 5,248 million Tenge), as well as establishing fixed tariffs for transshipment, without the right to change them unilaterally. Earlier, in 2014 BOT and a business counterparty concluded construction agreements, according to which the business counterparty acquired the right to build tanks on the territory of BOT and for BOT services for cargo transshipment. According to the business counterparty BOT does not comply with the terms of these agreements, in connection with which it initiated the specified claims.

On 11 February 2021 BOT received Batumi city court ruling dated 27 January 2021 according to which as a security for this claim, a ban was imposed on the alienation and mortgage encumbrance on a land plot in Batumi with a carrying amount of 3.5 million US Dollars (equivalent to 1,470 million Tenge). BOT does not recognize the claims of the business counterparty and appealed on the specified-above court ruling to the Batumi City Court on 12 February 2021 and submitted a response to the claim of the business counterparty.

The right to tax lien/mortgage on the property of BOT

On 3 February 2021 BOT received a notification from the Audit Department of the Revenue Service of Georgia about the start of the inspection of BOT's activities. In the result of the inspection, a violation of customs clearance procedures on transshipment of oil products was revealed. In accordance with the protocols and requirements of the Customs Department of the Revenue Service of Ministry of Finance of Georgia dated 5 February 2021, fines and taxes were imposed on BOT in the amount of 4 million Lari (equivalent to 508 million Tenge). The Group accrued a provision on the amount of taxes and penalties in the consolidated financial statements for 2020.

In connection with the imposed taxes and fines, the notification of the Revenue Service of Ministry of Finance of Gerogia dated 9 February 2021 a tax lien/mortgage limitation was imposed on all types of BOT property. BOT management is working to transfer the tax lien/mortgage from the entire property of BOT to a land plot in Batumi with a book value of 4.4 million US Dollars (equivalent to 1,847 million Tenge). The BOT management intends to appeal against the taxes and fines presented in the established order. As of the date of issue of the consolidated financial statements, the audit of BOT activities by the state bodies of Georgia has not been completed.

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CPC-K JSC	Caspian Pipeline Consortium Joint-Stock Company
Samruk-Kazyna JSC	Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company
MunaiTas NWPC JSC	MunaiTas North-Western Pipeline Company Joint-Stock Company
NC KazMunayGas JSC	National Company KazMunayGas Joint-Stock Company
Atyrau Refinery	Atyrau Refinery LLP
APMS	Automatic Process Management System
APMS&MS	Automatic Process Management System and Metrological Support
BOT	Batumi Oil Terminal Limited Liability Company
OPL	Overhead power lines
WPS	Water pumping station
WTF	Water treatment facility
FOL	Fibre optic communication lines
EOSA	KazTransOil JSC East Operator Services Administration
MCO	Main Control Office under OTCC of KazTransOil JSC
HOPS	Head Oil Pumping Station
OSD	Operator Services Department
SJCE	Subsidiaries and Jointly Controlled Entities
NOTC KazTransOil CJSC	National Oil Transportation Company KazTransOil Closed Joint-Stock Company
WOSA	KazTransOil JSC West Operator Services Administration
IMS	Integrated Management System
OG IAC	Oil and Gas Information and Analytical Centre
Lung ventilator	Lung ventilation apparatus
IT	Information technology
ETSM	Engineering and technical security means
SE	Security equipment
PRC	People's Republic of China
Company	KazTransOil JSC
KPI	Key performance indicators
KPO	Karachaganak Petroleum Operating B.V.
NMRC	Natural Monopoly Regulation Committee under the RoK Ministry of National Economy
CRMS	Corporate Risk Management System
CPC	Caspian Pipeline Consortium
CMT	Crisis Management Team
LOCS	Line operations control station
IAOT	International Association of Oil Transporters
MOP	Main oil pipeline
ISPPIA	International Standards for Professional Practice of Internal Auditing issued by Institute of Internal Auditors by Institute of Internal Auditors
IFRS	International Financial Reporting Standards
VAT	Value-added tax
R&D	Research and development
OLS	Oil Loading Station
Refinery	Oil refinery
OPS	Oil Pumping Station
OPA	Oil Pipeline Administration
HSE	Health, safety and environment
UN	United Nations
EP	Environmental Protection
SBU	Separate business units
Report	KazTransOil JSC Integrated Annual Report for 2020
OPEC+	Organisation of Petroleum Exporting Countries
MPE	Maximum permissible emissions
PKOP	PetroKazakhstan Oil Products LLP
RCD	Receipt and control device
Pavlodar Refinery	Pavlodar Oil Chemistry Refinery LLP
SW	Software
DED	Design estimate documentation
CTP	Custody Transfer Point
IBV	Industrial block valves
ICS	Internal Control System
PPE	Personal protective equipment
LACT	Lease Automatic Custody Transfer System
OHSMS	Occupational Health and Safety Management System
MM	Mass media
GRI Standards	GRI (Global Reporting Initiative) Standards on Sustainability Reporting
ISMS	Information Security Management System
OHS	Oil heating station
EDMS	Electronic Document Management System
KCP LLP	Kazakhstan-China Pipeline LLP
MunaiTas LLP	MunaiTas North-Western Pipeline Company Limited Liability Partnership
FS	Feasibility study
CGTP	Complex Gas Treatment Plant
RDC Branch of KazTransOil JSC	Research and Development Centre Branch of KazTransOil Joint-Stock Company

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OTCC Branch of KazTransOil JSC	Oil Transportation Control Centre Branch of KazTransOil Joint-Stock Company
HQ	Headquarters
UN SDG	United Nations Sustainable Development Goals
TON-2	Tuimazy – Omsk – Novosibirsk-2 Main Oil Pipeline
COSO ERM:2017	Risk management concept of the Committee of Organisations Sponsoring Tradeway Commission (COSO) — Organisation Risk Management. Integration with Strategy and Performance Efficiency
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
HAZOP	Hazard and Operability Study
HSE	Health, Safety & Environment System
IIRC	International Integrated Reporting Council
IOSH	Institution of Occupational Safety and Health
KASE	Kazakhstan Stock Exchange
LTIFR	Lost Time Injury Frequency Rate
LTIR	Lost Time Injury Rate
MBA	Master of Business Administration
OHSAS 18001:2007	OHSAS 18001:2007 International Standard: Occupational Health and Safety Management Systems. Requirements
PTL	Petrotrans Limited Company
ROA	Return on Assets (net profit/average annual amount of assets)
ROE	Return on Equity (net profit/average annual amount of equity)
SAP	Systems, Applications and Products in Data Processing — specialised software for automation of enterprise business processes
SCADA	Supervisory Control and Data Acquisition — a software package used for development or online maintenance of monitoring or control object data collection, processing, display and archiving systems
SGS	Societe Generale de Surveilance — an international certification body

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