SUSTAINABILITY MANAGEMENT

We embrace sustainability and work towards embedding it throughout our entire value chain. KMG is also striving to meet the highest safety and corporate governance standards. Our Development Strategy until 2028 relies on continuous improvement of the system of governance that promotes better corporate social responsibility, health, safety and environmental protection; enhances regional economic impact and anti-corruption efforts; better relations with stakeholders; and improves corporate governance, corporate culture, corporate ethics, and compliance ratings.

KMG's corporate social responsibility policy fosters development across our operating regions. We promote meritocracy, fairness, and integrity while providing every employee with a workplace conducive to new achievements and assessing their respective contributions to KMG's overall success based on merit. We also foster a culture of understanding, engagement, and support among our employees at all levels.

MANAGEMENT SYSTEM

To ensure transparency of its activities for stakeholders, KMG publishes annual Sustainability Reports. KMG's sustainability reporting is guided by the Global Reporting Initiative's (GRI) Standards.

KMG's Sustainability Report is available on the Company's website

ACTIVITIES TO IMPLEMENT THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS

In 2015, Kazakhstan ratified the UN Sustainable Development Goals (SDGs) and incorporated them into the Kazakhstan–2025 and the Kazakhstan–2050 strategies. Since the Government of Kazakhstan is responsible for setting priorities for and the implementation of the respective SDGs, national SDG implementation plans have been adopted. Achieving these targets will require large-scale cooperation and joint efforts with businesses and the civil society.

KMG joined the UN Global Compact (UNGC) in 2006 and has been an active member since then, reiterating its commitment to the UNGC's ten principles for sustainable development and the United Nations' 17 SDGs.

The Company's annual Sustainability Report also serves as our Communication on Progress for the UN Global Compact and is available on the UNGC website at: www.unglobalcompact.org/what-is-gc/participants/6810.

KMG contributes to all the UN SDGs, but some are more relevant than others in terms of risks and business impact. Here we highlight several of the SDGs:

Goal 3. Ensure healthy lives and promote well-being for all at all ages,

Goal 6. Ensure availability and sustainable management of water and sanitation for all,

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all,

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all,

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation,

Goal 12. Ensure sustainable consumption and production patterns,

Goal 13. Take urgent action to combat climate change and its impacts,

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

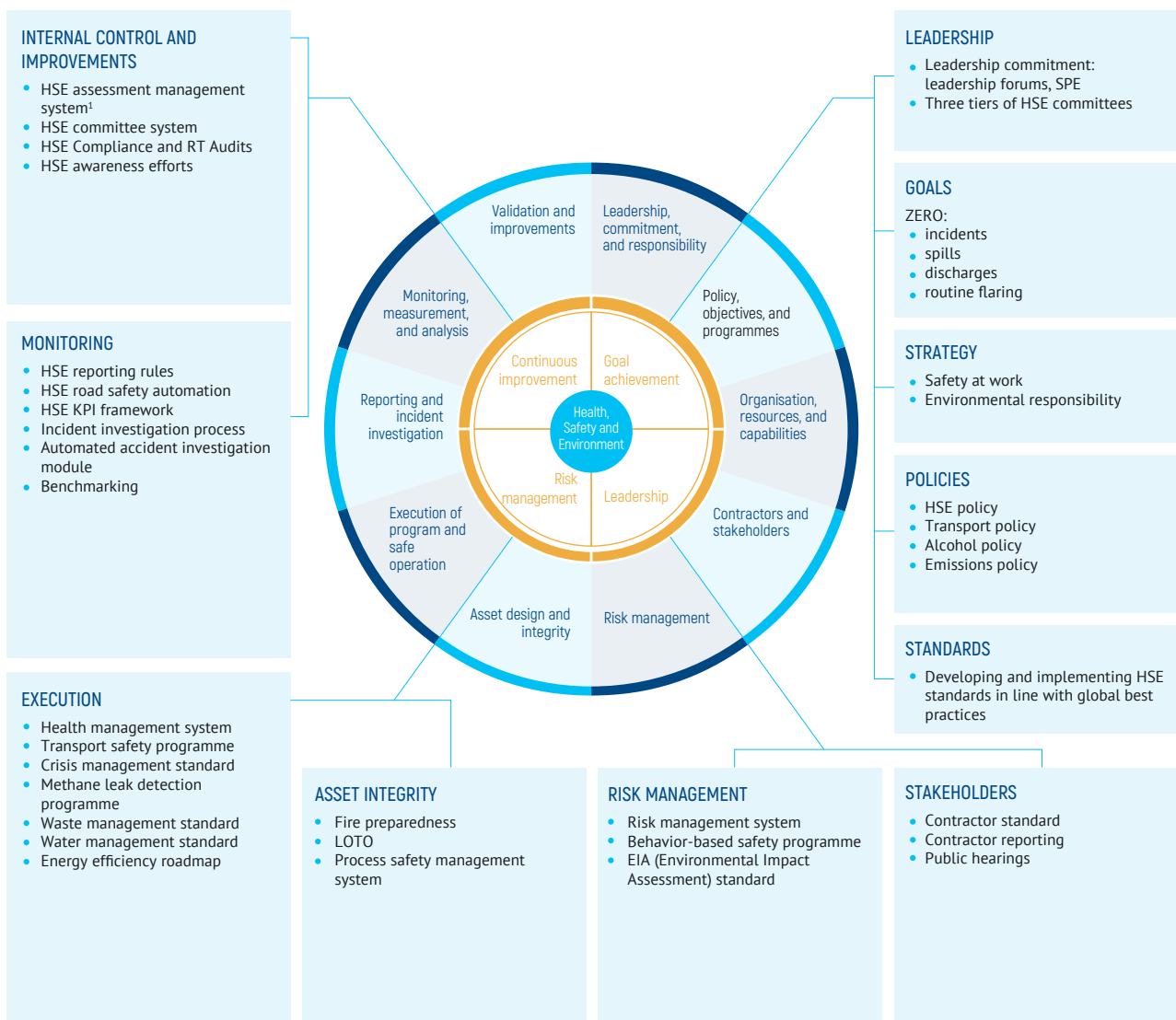# HEALTH, SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM (HSE MS)

KMG's health, safety and environment management system is designed to global best practices and the guidelines of the International Association of Oil & Gas Producers (IOGP), ISO 14000, and ISO 45001. The System covers ten areas and relies on four pillars: leadership, goal achievement, risk management and continuous improvement.

Since 2006, all our subsidiaries operate a quality, environmental, and occupational health and safety management system compliant with ISO 9001, ISO 14001, and OHSAS 18001. KMG's significant energy users are certified to ISO 50001. The effectiveness of our management systems is verified by independent auditors on a regular basis.

To improve their occupational safety management, KMG Group subsidiaries have plans to certify their occupational health and safety management systems to ISO 45001:2018 (replacing OHSAS 18001:2007) by 2021.

HSE MS STRUCTURE AND IMPLEMENTATION OF INDUSTRY BEST PRACTICES

INTERNAL CONTROL AND IMPROVEMENTS
- HSE assessment management system[1]
- HSE committee system
- HSE Compliance and RT Audits
- HSE awareness efforts

MONITORING
- HSE reporting rules
- HSE road safety automation
- HSE KPI framework
- Incident investigation process
- Automated accident investigation module
- Benchmarking

EXECUTION
- Health management system
- Transport safety programme
- Crisis management standard
- Methane leak detection programme
- Waste management standard
- Water management standard
- Energy efficiency roadmap

ASSET INTEGRITY
- Fire preparedness
- LOTO
- Process safety management system

RISK MANAGEMENT
- Risk management system
- Behavior-based safety programme
- EIA (Environmental Impact Assessment) standard

STAKEHOLDERS
- Contractor standard
- Contractor reporting
- Public hearings

LEADERSHIP
- Leadership commitment: leadership forums, SPE
- Three tiers of HSE committees

GOALS
ZERO:
- incidents
- spills
- discharges
- routine flaring

STRATEGY
- Safety at work
- Environmental responsibility

POLICIES
- HSE policy
- Transport policy
- Alcohol policy
- Emissions policy

STANDARDS
- Developing and implementing HSE standards in line with global best practices

Diagram (inner ring): Continuous improvement, Goal achievement, Risk management, Leadership — around Health, Safety and Environment.

Diagram (outer ring): Validation and improvements; Leadership, commitment, and responsibility; Policy, objectives, and programmes; Organisation, resources, and capabilities; Contractors and stakeholders; Risk management; Asset design and integrity; Execution of program and safe operation; Reporting and incident investigation; Monitoring, measurement, and analysis.

* HSE - Health, Safety and Environment

The Company has in place a 3-tier HSE management system:
- At the level of KMG's Board of Directors
- Health, Safety and Environment Committee at KMG's Management Board level
- HSE committees at subsidiaries

In 2019, the Health, Safety and Environment Committee was launched at the Fund.

Safety, health and environmental protection reports are presented monthly at the meetings of KMG's Board of Directors, and detailed, informative reports are presented at the meetings of the Health, Safety, Environment and Sustainable Development Committee of the Board of Directors.

In 2019, the Company updated its risk register, adding risks related to climate change and water shortages. The KMG Corporate Centre conducts regular reviews of environmental protection metrics, comparing them with the historical performance and global industry benchmarks (IOGP, IPIECA), along with audits of production facilities. Regular inspections of production facilities for compliance with legal requirements are also conducted at the corporate level, informing preventive measures to improve performance.

MANAGEMENT MOTIVATION SYSTEM

To increase motivation and accountability for HSE compliance, the Company included the Corporate Governance Score into the list of its corporate-level KPIs for 2019, and developed the following list of environmental and social responsibility KPIs for top managers:

Environmental and social responsibility KPIs

Environmental responsibility	HSE Managing Director – Reduced Rate of Associated Petroleum Gas Flaring. HSE Co-Managing Director – Reduced Energy Consumption. HSE Managing Director and HSE Co-Managing Director – Achieving Zero Historical Oil Waste.
Social responsibility	Managing Director for Human Resources – Social Responsibility. Managing Director for Safety – Safety Management at Contracting Organisations. Contracting Organisations' Reporting Transparency.

The Company also approved using KMG's ESG rating as a corporate KPI for 2020.

over 50%
share of contractors

CONTRACTOR MANAGEMENT

The Company's strong capabilities in selection and management of contractors give us a critical competitive advantage. Contractors account for over 50% of our blue-collar workers, and improvements to their safety eventually affect KMG's overall productivity. The Company seeks to improve its selection criteria for potential contractors in order to ensure high-quality execution and full transparency on the entire service cycle.

KMG Group Corporate Standard on Engaging Contractors on HSE is a structural element of the Management System comprising requirements for agreements with contractors, including the HSE Agreement on compliance with, and penalties for violation of, HSE requirements, as well as HSE-based pre-mobilisation preparedness audit of contractors' machinery, equipment, and staff. The Company also holds regular forums and meetings with potential service providers to discuss future joint partnerships and HSE requirements of KMG.

On 2 October 2019, Aktau hosted our Forum on Technologies for Management and Recycling of KMG's Historical Waste. A total of over 30 companies providing similar services took part in the Forum. The Forum brought together Kazakhstan's operators providing oil waste recycling/management services to raise their awareness on the requirements for quality, scope, and timelines for providing similar services with respect to KMG's historical waste and help them evaluate their capabilities for adopting new technology.

The Forum also discussed KMG's category procurement management strategy, Waste Management (Historical Waste), which will serve as the platform for procuring services to address historical pollution and remediate oil contaminated soils.