

DEVELOPMENT OF THE COMPANY'S REGIONS OF OPERATION

KMG contributes to social and economic development in its regions of operation. We actively cooperate with local authorities, maintain an ongoing dialogue with key stakeholders, and focus on training and development of young skilled talent. We also run social initiatives for KMG Group's employees and are committed to supporting domestic producers through off-take agreements. Among other things, KMG Group companies invest in the development of socially important facilities, construction of sports complexes, and regional social and economic development under subsoil use contracts and the Comprehensive Development Plan.

The subsoil use contracts signed by KMG subsidiaries provide for significant investment in developing the regions of operation and social support to vulnerable population groups. The Company's subsidiaries and associates also provide funds to local executive bodies, which are further distributed in line with the needs of local communities under agreements and memoranda concluded with the akimats of the respective regions. On top of that, KMG makes timely progress on its commitments under the Zhanaozen Comprehensive Development Plan. In 2022, the Group allocated over KZT 12 bln to its regions of operation, with the main share of contributions towards the development of the Atyrau and Mangistau regions coming from KMG Kashagan B.V., a 100% subsidiary of KMG from 15 September 2022. The funds were allocated by the Group's entities as follows:

- Ozenmunaigas allocated KZT 1,700 mln to finance the development of social infrastructure in Zhanaozen and the Karakiya District.
- Embamunaigas contributed KZT 831 mln for the construction of schools in Kulsary (the Zhylyoi District) and Atyrau.

- Kazgermunai invested KZT 149 mln in social, economic and infrastructure development of the Kyzylorda Region.
- Karazhanbasmunai allocated KZT 480 mln to support social, economic and infrastructure development of the Mangistau Region as part of an agreement with the local akimat.
- Kazakhoil Aktobe contributed KZT 169 mln to the social, economic and infrastructure development of the Aktobe Region, with another KZT 46 mln coming from Kazakhturkmunay. In addition, Kazakhturkmunay transferred KZT 44 mln to the Mangistau Region's akimat under the contract signed.

In the reporting period, social projects worth over KZT 8 bln were completed using the funds of KMG Kashagan B.V., such as the improvement of microdistricts, construction of a 500-bed student hostel in Aktau, and the construction of a three-storey 60-apartment block of flats in Kulsary, Atyrau Region. The reporting year saw the commencement of projects to construct a 50-bed family outpatient clinic in the Bereke microdistrict, an 80-bed annex to the regional children rehabilitation centre, a kindergarten for 160 children in the Orleu residential area (Taskala-2) in Atyrau, a three-storey 60-apartment block of flats in the Miyaly village of the Kyzylkoga District, a three-storey 60-apartment block of flats in the Makhambet village of the Makhambet District, and a three-storey 60-apartment block of flats in the Akkystau village of the Atyrau Region. The construction of the Schoolchildren Palace for kids and teenagers in Aktau started in 2021 and is currently underway.

Indicator	2020	2021	2022
Funds transferred to local executive bodies (under subsoil use contracts), KZT bln	4.5	8 ¹	11.7 ²

1 — This amount includes KZT 5 bln transferred to local executive bodies and KZT 3 bln allocated under the Zhanaozen Comprehensive Development Plan.
 2 — The main share of KMG's contributions towards the development of the Atyrau and Mangistau regions came from KMG Kashagan B.V., a 100% subsidiary of KMG from 15 September 2022.

Charity and sponsorship

Samruk-Kazyna Trust Social Development Foundation, Samruk-Kazyna Group's unified charity operator, is responsible for the Company's charitable and sponsorship activities.

Samruk-Kazyna Trust's charitable initiatives focus on assisting people and communities in the social and medical sectors, developing media and cultural communities, fostering human resources, enhancing labour and inter-ethnic relations, investing in sustainable development, and supporting regional business initiatives.

The 2022 budget covered 43 projects totalling KZT 10.4 bln, of which four projects were completed or are ongoing taking into account KMG's needs:

- Zharylkau non-governmental foundation – a KZT 168.9 mln project to upgrade the infrastructure and equipment of Zhanaozen's secondary schools;
- IQanat Educational Foundation – an IQanat-Zharkyn Bolashak project totalling KZT 253 mln;
- Bilim Foundation – a Zharkyn Bolashak project worth KZT 292.5 mln;
- Construction Company corporate foundation – a KZT 1.01 bln project to build sports grounds in Zhanaozen and Zhetybai.

In 2022, the Management Board of Samruk-Kazyna Trust Social Development Foundation approved the Rules for Planning, Review and Pre-Approval of Charitable Support (Charitable Projects) by Samruk-Kazyna Group entities. These Rules sets limits to donations from KMG and its subsidiaries and associates. In 2023, KMG plans to adopt a charity policy drawing on these Rules.

In 2022, the Foundation's Board of Directors resolved to expand the Charity Programme of Samruk-Kazyna, with certain social projects implemented by:

- Ozenmunaigas – a KZT 8,224,545 project to build a Schoolchildren Palace in Zhanaozen of the Mangistau Region with an estimated capacity of 500 children per shift;
- Embamunaigas – 1) construction of a special school for 150 disabled children in the Zhylyoi District of the Atyrau Region, totalling KZT 591,832,863; 2) construction of four multifunctional sports grounds in the settlements of Dossor and Makat (Makat District), Mukur (Kyzylkoga District), Akkistau (Isatay District, Atyrau Region) for a total of below KZT 706,228,840.

KMG subsidiaries also provided charitable assistance to local communities in the Atyrau, Mangistau, Aktobe, Kyzylorda, Turkestan, Pavlodar, West Kazakhstan regions and the city of Astana for over KZT 2.5 bln.

Student and young talent engagement

KMG Group pays special attention to engaging with students and young specialists. We actively cooperate with educational institutions in the regions of operation with due regard to the industry's development trends and modern technological requirements.

A dual education programme is running on a permanent basis at Embamunaigas, Pavlodar Refinery, Atyrau Refinery and Karazhanbasmunai in Aktau. In 2022, 26 graduates of the programme got jobs at KMG production facilities.

KMG Engineering, an R&D company, runs a niche expertise training programme for young specialists jointly with the Safi Utebayev University of Oil and Gas in Atyrau. Ten students of the Oil and Gas University are currently taking classes under the programme; they also receive advance training and get hands-on experience at KMG Engineering.

In 2022, KMG together with Mangistaumunaigas implemented a unique project to train the unemployed youth of the Mangistau Region on the basis of Sh. Yessenov State Engineering and Technology University. This project met the need to ensure the stability of social,

labour and economic relations and to achieve strategic goals and objectives in sustainable development, namely, to reduce unemployment in the Mangistau Region.

Mangistaumunaigas helped deliver an educational programme featuring intensive training for the unemployed. This helped them master the knowledge and skills needed for further

employment and adaptation at the workplace. The programme resulted in 223 people finding jobs with Mangistaumunaigas – first jobs for most of them.

In addition, KMG Group cooperates with Kazakhstan's universities and vocational schools to organise and conduct pre-graduation internships and work placements for students.

Unified internal communications system

To promote dialogue between employers and employees, improve the social and psychological environment for the Group's staff, nurture ongoing contact with employees and ensure a feedback mechanism across KMG enterprises, a unified system of internal communications between employers and employees is in place. Among other things, it rests on reporting meetings between KMG's subsidiaries' chief executive officers and employees at least twice a year. At the meetings, CEOs inform employees about the current situation as regards economics, work scopes, production targets, occupational health and safety, HR and social issues, and answer their questions.

Other types of internal communications include:

- ad-hoc meetings between management and trade unions/employees to discuss urgent issues requiring immediate decisions;

- corporate information website and newspaper;
- a screen for video announcements; a box for employees' proposals;
- teambuilding: professional skills competitions, sporting events, corporate parties, etc.

The Regulations enable any employee to ask questions and receive a timely response.

In 2022, 20 subsidiaries and associates with blue-collar employees held about 80 reporting meetings. Common questions raised by employees at the meetings were wage increases, the employment of personnel's children, specific questions on health care, and those related to improving working conditions, including the need to repair or construct buildings and facilities. All questions were answered and relevant decisions were made.

Social support for employees

KMG Group has a Standard Collective Bargaining Agreement Form for Group companies that defines the types of social support for employees of KMG subsidiaries and associates and rules for providing it.

According to KMG Group collective bargaining agreements, there are 35 types of social support. In the reporting period, all the terms and conditions of collective bargaining agreements were met and maintained across all KMG enterprises, regardless of their financial and economic situation. In 2022, KMG signed updated collective bargaining agreements

with Karazhanbasmunai, the Water Production and Transportation Department, Ken-Kurylys-Service, Kazakhturkmunay, Atyrau Refinery, PetroKazakhstan Oil Products, MangistauEnergoMunay and Munaytelecom due to the expiry of their terms; many social benefit amounts were raised as per the current standards for KMG Group. The amount of social benefits significantly increased compared to previous periods.

In 2022, KMG Group companies spent approximately KZT 24 bln on social support for their employees, including social support for unemployed retirees.

Parameter	2020	2021	2022
Social support for employees, KZT bln	21	22	24

Distribution of social support for employees of KMG Group

Indicator	%
Health insurance for employees and their families	33
Financial assistance to retirees	17
Recreation / improvement of employees' housing conditions / attendance of sports institutions	15
Financial assistance related to the birth of children / pregnancy and childbirth / parental leave / payment for preschool institutions / purchase of school supplies for the start of the school year	13
Financial assistance to large families and low-income families / workers in special need / disabled people, workers with a spouse and/or children with disabilities from childhood (1st, 2nd and 3rd groups) / in connection with the death of an employee / employee's family members / due to general inability to work or disability / financial assistance to pay for medical treatment / internationalist soldiers (Afghans) / participants in the liquidation of the Chernobyl accident, Semipalatinsk Test Site / temporary disability benefit based on preferential conditions	8
Anniversary / retirement age benefits	6
Other types of social support	8

In 2022, KMG Group conducted 177 audits of contractors for compliance with labour laws, of which 156 were scheduled and 21 were ad hoc. The audits identified salary and employment at KMG subsidiaries and associates as the key labour issues.

177 audits
conducted by KMG Group in 2022

Subsidiary and associate interaction with contractors

KMG approved regulations on interactions with contractors to ensure labour guarantees for their employees.

To make contractors deliver on their labour commitments, 21 KMG subsidiaries and associates included the regulations' requirements in their contractual obligations

To centralise this work, the Corporate Centre set up a contractor relations office, with relevant structural units (IR) established at subsidiaries and associates. These units monitor and control compliance with labour laws and the provision of social and living conditions.

In the Mangistau Region, 12 subsidiaries and associates established standalone IR units, while in one subsidiary IR is part of other units.

In the Atyrau Region, three subsidiaries and associates launched standalone IR functions.

In the Aktobe Region one subsidiary set up an IR function and two others integrated it with other domains.

Subsidiaries and associates in Pavlodar and Kyzylorda regions and Shymkent combine contractor relations with other functions.

All subsidiaries and associates have officers in charge of checking contractors for compliance with the applicable labour laws.

From the start of 2022, to ensure social stability in the Mangistau, Atyrau, and Pavlodar regions, KMG took steps to reduce the wage gap between KMG subsidiaries and associates and their contractors. For this purpose, the following measures were put in place:

- wages of contractor employees were increased,
- a decision was made to adjust contractors' wages annually for inflation, in line with those of the client,
- guaranteed social benefits for contractor employees were introduced.

These activities were coordinated with the Interdepartmental Headquarters for Addressing Issues of the Zhanaozen, Atyrau and Pavlodar regions.

To formalise these changes and an increase in contractual prices, KMG subsidiaries and associates of the Mangistau Region signed 158 additional agreements with contractors. Measures taken to increase wages cover more than 19 thous. employees. On average, wage increases range from 35 to 40%. In monetary terms, the signed additional agreements total KZT 37.2 bln.

Additionally, 12 agreements were signed in the Atyrau Region. Measures taken to increase wages cover over 1.3 thous. employees. On average, wage increases range from 13% to 76%. In monetary terms, the amount of signed additional agreements stands at KZT 3.5 bln.

In the Pavlodar Region, 29 additional agreements were signed. Measures taken to increase wages cover more than 2.4 thous. employees. On average, wage increases range from 14% to 56%. In monetary terms, the signed additional agreements total KZT 5.9 bln.

Company-wide events

KMG Group holds various events every year. For example, we organise a corporate sports competition and the Uzdyk Maman competition to promote a healthy lifestyle and professional development

Uzdyk Maman professional skills competition

Akshabulak and Nuraly fields of Kazgermunai hosted the competition that took place from 3 to 7 October 2022. Among the participants were the representatives of 17 KMG subsidiaries and associates specialising in 13 areas: operators of oil and gas production, well testing operators, reservoir pressure maintenance operators, oil treatment operators, processing unit operators, well workover and servicing teams, fitters, electric and gas welders, electricians, chemical analysis laboratory technicians, compressor operators and lathe operators.

Those who came first in KMG subsidiaries' internal competitions took part in the corporate one.

During a theory test, participants completed an online form. There was a special KMG commission that drew up regulations for practical assignments and approved equipment, tools, and workplaces. The results of the practical section were reviewed by the jury from among the production personnel of KMG enterprises.

The awards ceremony took place at the Bekezhanov Drama Theatre and featured a performance by musicians from the Kyzylorda Region.

The winners were awarded with Uzdyk Maman medals and diplomas. They were also invited to the KMG meeting timed to coincide with Kazakhstan's Republic Day and attended by the Chairman of KMG Management Board. A total of more than 230 people took part in the event, including 120 competitors.

KMG sports competition

In 2022, KMG Group held a corporate sports competition for team building purposes.

Eight groups of over 1,600 people from 33 enterprises took part in the two-stage competition. The first qualifying stage for eight groups distributed by location of subsidiaries and associates ended on 18 July 2022. The final part of the competition, which ran from 8 to 12 August 2022 in Atyrau, saw some 400 representatives of subsidiaries and associates as participants.

Competitions were held in minifootball, volleyball, basketball, table tennis, tennis, chess, swimming, togyzkumalak, Arkan Tartu, and athletics.

The Super Cup went to the team of NC KMG.

PRIORITY AREAS OF OUR SOCIAL POLICY

Training and professional development programmes

The main objective of the Company's personnel development programmes is to ensure the progressive success of KMG by promoting employee efficiency improvements based on the knowledge, skills and competencies that fully meet corporate needs and contribute to the Company's strategic goals.

Leadership Training Programme

The Company is proceeding with its MANSAP project to develop the Succession Plan for Key Positions within KMG Group.

Jointly with the Moscow School of Management SKOLKOVO we implemented the Leadership Training Programme, a succession development plan for A pool positions. Pool contenders successfully completed the programme modules focusing on strategy implementation and change management skills.

The Company also developed and launched a succession development programme for B pool positions – On the Path to Improvement. This programme is geared towards the Company's strategic goals and a competence and value model. The development of relevant skills will help leaders from the middle management team deliver on KMG's strategy.

The key focus areas of the programme are as follows:

- Leadership and Communications;
- Resilience Culture Management;
- Safety Culture Management;
- Strategic Leadership;
- Project Management.

The leadership programmes are available to both top managers and engineering personnel. As a way to raise awareness about key industrial relations challenges and tendencies, nurture production leadership skills and create an on-site leadership role model, Ozenmunaigas is running a comprehensive training programme for senior and middle management.

The programme kicked off with the launch of its first module (School of Industrial Relations) in autumn 2022. Today it also serves as a communication and discussion platform for the managers of KMG and its subsidiaries and associates, as it helps to improve corporate culture and streamline communications. More than 400 employees of Ozenmunaigas have completed the training so far.

On top of that, the Company put in place communications, time management and financial literacy programmes designed to improve the skills of line managers at production companies and professional associations. One of the key focus areas has been strengthening communications and corporate culture within KMG Group, and fostering dialogue between the management team and employees.

For example, with a view to engaging the management and personnel in a constructive dialogue the Company organised meetings between KMG's management team, including Magzum Myrzagaliev, the Chairman of the Management Board, and trade union leaders at the Company's subsidiaries such as Ozenmunaigas, Mangistaumunaigaz and Karazhanbasmunai. The meetings were attended by the managers of subsidiaries and representatives of trade union organisations. They were held in the form of training sessions and incorporated team-building techniques, while also leveraging a variety of facilitation and team coaching tools.