

ASSESSMENTS OF THE EXTERNAL AND INTERNAL AUDIT PROCESS PERFORMANCE

The IAS conducts regular surveys among members of the Audit Committee and units of JSC NC KazMunayGas interacting with the external auditor to facilitate an assessment of the external auditor's performance.

The assessment is based on the results of a completed questionnaire and a specific discussion between members of the Audit Committee with input from the relevant senior management. The assessment results were reviewed at an Audit Committee meeting and communicated to the external auditor.

As required by the quality assurance and improvement programme for KMG's Internal Audit Service, following each audit, the audited entity is required to complete a form assessing the IAS' performance. Results of these assessments are consolidated into the IAS annual performance reports approved by the Audit Committee.

An independent external assessment of the Internal Audit Service was performed in 2020 in accordance with International Standards for the Professional Practice of Internal Auditing. KPMG Tax and Advisory LLP, one of the "big four" companies, won the public tender and was awarded a contract for conducting an external assessment of the IAS' performance.

In 2020 an independent external assessment of the IAS' compliance with the International Standards for the Professional Practice of Internal Auditing, international best practices, KMG's Regulations on the Internal Audit Service, the Company's code of ethics and other applicable external and internal regulations governing internal audit functions found 100% compliance with the Standards. Therefore, the activities of the IAS were found to be fully compliant with the requirements of the Standards.

COMPLIANCE SERVICE

Amid the economic crisis caused by the COVID-19 pandemic, ethical issues remain as relevant as ever, since ethics, being a pillar of the compliance programme, foster a compliance culture whereby employees' conduct and actions are aligned with the Company's standards and requirements.

2020 proved a kind of a stress test for the Company's compliance function, enabling the assessment of how nimble we are in exercising oversight and control over compliance risk management processes and how well the compliance function adapts to the extreme environment versus best practices.

Restrictions on social interactions enabled the Compliance Service to look into ways to better organise its activities in a new environment as part of upgrading the systemic organisational and practical measures to prevent corruption among the Group employees. This optionality highlighted a much greater value placed on the Company's digital capabilities and skills, including adaptation of the way our scheduled training programme is delivered. All KMG employees took training in ethics online.

The shift to remote interactions within the Company has facilitated the adaptation of corporate policies and procedures, their simplification to maximise responsiveness and reflect changes in the protocols driven by remote work. It also increased the role of corporate communications through a greater focus on newsletters containing reminders to employees about the Company's anti-corruption requirements, regulatory changes and hotline operation, which enabled us to cover 100% of employees, raising

their awareness and boosting the engagement of employees and other persons on the use of the hotline administered by Samruk-Kazyna's Social Partnership Centre. The hotline is a powerful tool to monitor how well the Company and its employees observe the statutory and ethical compliance standards. This is evidenced by a threefold increase in the number of hotline calls, with 118 calls received in 2020 versus 42 in 2019. All reports received were reviewed in a due and timely manner and followed up with relevant measures and a notification to the caller. Most of the calls to our hotline (52) related to HR issues, such as labour disputes, unethical behaviour, unequal working conditions, misuse of office etc. Based on its analysis of the calls received, the Compliance Service developed and submitted recommendations and preventive measures. With remote work arrangements for employees in place, one such recommendation, for instance, was to work out measures to ensure proper monitoring of employees' compliance with work discipline, Kazakhstan's labour laws and KMG's internal documents, as well as to give special focus to training in business ethics for middle management, with the HR team looking into employee morale in order to prevent employee dissatisfaction with working conditions from becoming a persistent issue. Making sure that the voice of every employee contacting the Compliance Service is heard remains our priority.

The new reality has required the Compliance Service to come up with new approaches at the intersection of regulation and ethics. This is how the updated Code of Business Ethics was approved to maintain the high level of our corporate governance and drive a mindset shift towards a zero-tolerance approach to any violations among employees in line with global best practice. The Code was enhanced with the addition of a Q&A section, improved and broader definitions section, updates to KMG's corporate values, and the introduction of limits on gifts and compliance communication channels, to bring it in line with the Samruk-Kazyna Code of Conduct and recommendations of international compliance audit firms. A procedure was also introduced for declaring conflict of interest by employees and officers.

The pandemic-driven adaptation effort also covered the Tone at the Top, a key compliance principle. In December 2020, as part of promoting high ethical standards of business conduct and zero tolerance for any form of corruption, an extended online meeting was held attended by the Chairman of the KMG Management Board and chief executives of KMG subsidiaries and associates. The meeting reviewed reports by the compliance teams of KMG and its subsidiaries and associates detailing their performance, and discussed the relevance of corporate intelligence

for counterparty checks and the use of data analytics as a powerful tool to identify non-compliance within the various business processes. Measures were also announced to prevent and minimise the risk of fraud in a remote work environment, all resulting in more productive interactions on compliance and ethics issues between senior management and the Compliance Service. On top of that, the 2021 action plan was announced along with the shareholder's expectations from subsidiaries and associates' efforts in this area.

Integrity is a cornerstone of the entire framework of good governance, providing an assurance that the Company's interests are protected and prioritised over own interests. The Compliance Service will continue proactive efforts to raise awareness of managers' accountability for corruption offences by their subordinates and failure to take anti-corruption measures.

OMBUDSMAN OFFICE

One of the key roles of the Ombudsman Office is to improve KMG's ranking and profile through early prevention, dispute settlement and conflict resolution, and escalate systemic issues requiring action to relevant bodies and officers, as well as to make proposals to stabilise conflict situations. KMG's Code of Business Ethics clearly states the principles stipulating that KMG employees and officers shall not tolerate intimidation, even in the form of a joke, discrimination against anyone on the basis of race, religion, nationality, gender, political or other affiliation, social origin, material position, job, language or other circumstances, as well as the granting of any privileges to individual employees based on the above characteristics. KMG ombudsman's activities are guided by Kazakhstan's laws and KMG's internal documents.

The Ombudsman submits regular report detailing their activities for review by KMG's Nomination and Remuneration Committee and Board of Directors.

In 2020, in order to communicate the Code of Business Ethics requirements, as well as ombudsman's roles and objectives, meetings were arranged with the leaders of KMG's business verticals, executives from subsidiaries and associates, representatives of trade unions and conciliation commissions of subsidiaries and associates, the heads of HR and social teams, and members of legal, engineering and technical teams from subsidiaries and associates.

KMG's Ombudsman took a number of actions to settlement disputes and conflicts during the COVID-19 lockdown:

- ◆ A message to KMG employees calling for greater unity, understanding and accountability;
- ◆ A video with a message from Ombudsman explaining ethical standards;
- ◆ A training for OzenMunaiGas employees on KMG's corporate values, held together with LLP KMG Engineering within the Professional Foreman modular programme;
- ◆ In order to mitigate the risk of conflicts, a Memo on Ethical Standards of the Code of Business Ethics was produced and circulated to KMG employees to provide a practical quick reference guide;
- ◆ As part of KMG employees training and implementation of the Corporate Governance Plan, an online training course was developed themed "The Code of Business Ethics for all Employees Training Programme" based on the existing in-person programme. The course was also made available to new employees as part of the onboarding course to introduce them to the corporate values and ethical standards;
- ◆ To avoid conflicts, the Ombudsman provided support to the HR team throughout the corporate workforce rightsizing programme implemented as we seek a leaner structure

During the reporting period, the Ombudsman received 44 enquiries, of which:

- ◆ 32 were sent to the sponsors following preliminary review;
- ◆ 12 were reviewed by the Ombudsman.

Swift action was taken wherever possible in response to the enquiries received to settle the reported issues early on, and to give recommendations, including to restore the violated rights and lawful interests. As a result, repeat complaints were avoided, including to judicial bodies and other public authorities.

Enquiries to the Ombudsman Office

