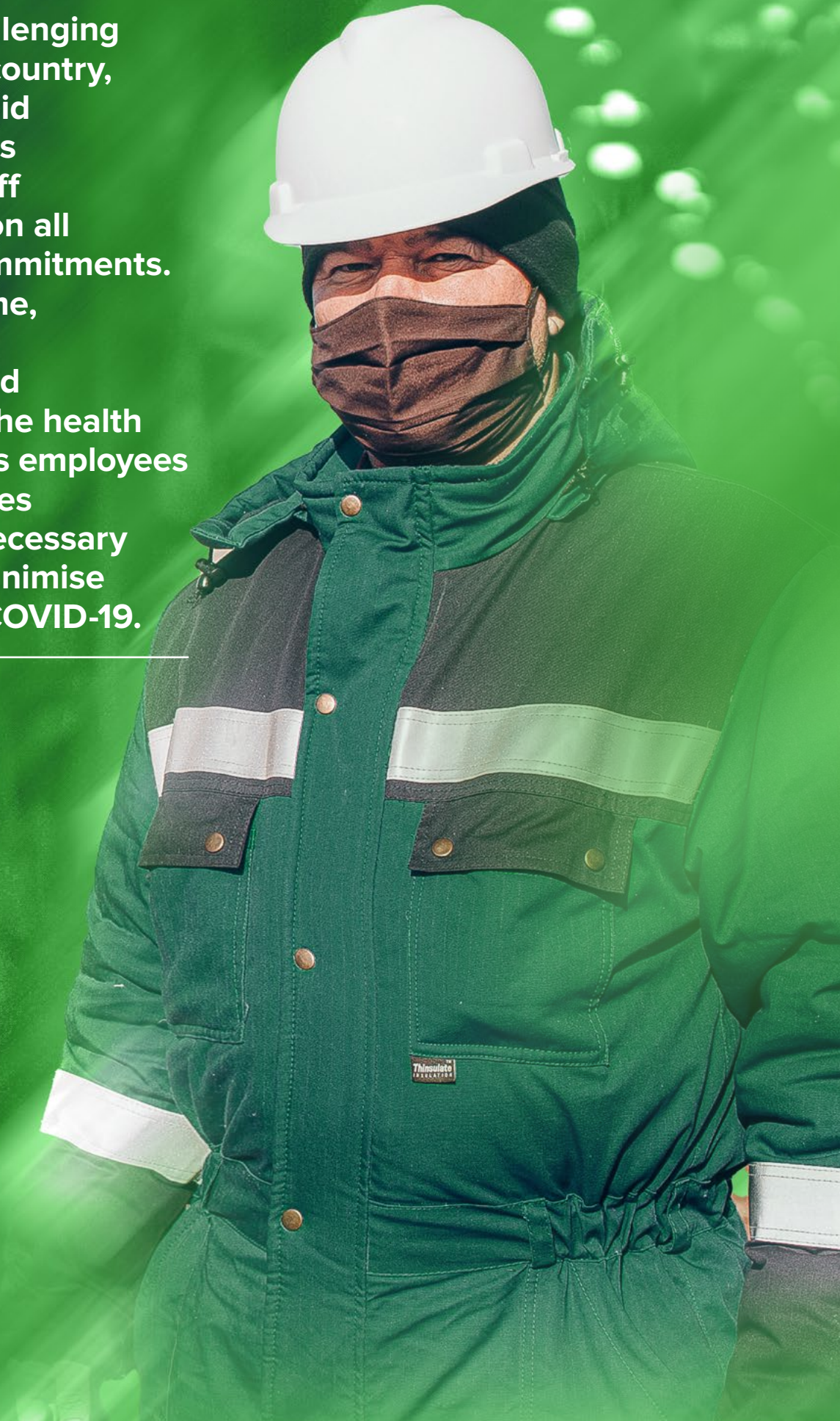

During the challenging period for the country, the Company did not downsize its operational staff and delivered on all of its social commitments. At the same time, the Company remains focused on protecting the health and safety of its employees and their families and takes all necessary measures to minimise the spread of COVID-19.



ENSURING SUSTAINABLE DEVELOPMENT



We lay a special emphasis on sustainability and embedding ESG factors throughout our operations. KMG's Development Strategy until 2028 defined sustainability as one of our strategic goals. KMG's Board of Directors approved a corporate KPI for 2020 – threshold ESG score of 60.

Without prejudice to the focus on implementing and embedding sustainability principles throughout key business processes and operating activities, KMG continues to act on its commitment to the UNGC's ten principles and the United Nations' 17 Sustainable Development Goals (SDGs). In 2020, we started integrating the SDGs into our business processes. Six priority SDGs were identified until 2025 and key sub-tasks were defined within these goals:




In 2020, the Sustainalytics international rating agency scored KMG at 69 out of 100. KMG's ESG aspects were rated as follows: environmental aspect scored 69, social aspect scored 70, and governance aspect scored 67.

On top of that, KMG's ESG risk rating was assessed at 34.5, which attests to a high level of unmanageable ESG risk. The Company was placed in category four out of five based on the level of risk¹. Sustainalytics analysts assessed KMG's ESG risk management as "strong" while initial exposure to risks was assessed as "high". KMG's high score is due mainly to industry risks which are beyond the management team's control.



KMG's key ESG challenges are carbon emissions from operating activities and emissions from using the Company's products, as well as community relations in our operating regions.

KMG's ESG risk rating is featured on Sustainalytics' website at <https://www.sustainalytics.com/esg-ratings/> 



KMG's 2019 Sustainability Report is available on the Company's website at https://www.kmg.kz/eng/ustoichivoe_razvitie/reports/ 

The Company's annual Sustainability Report also serves as Communication on Progress for the UN Global Compact: <https://www.unglobalcompact.org/what-is-gc/participants/6810> 

¹ ESG risk rating measures the extent to which a company's economic value is exposed to risk associated with ESG factors.

Sustainable Development Goals	Priority targets	KMG's contribution
 <p>Ensure healthy lives and promote well-being for all at all ages</p>	<p>3.6. By 2020, halve the number of global deaths and injuries from road traffic accidents</p> <p>3.8. Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all</p>	<p>The Company implements the Travel Management project aimed at improving transport safety. KMG Group's Regulations on Safe Operation of Land Vehicles and Policy on Safe Operation of Land Vehicles have been updated and approved.</p> <p>KMG employees have been covered by medical health insurance for many years. Medical examinations and vaccination of employees are carried out on a regular basis, free of charge.</p> <p>A set of measures to improve working conditions and prevent occupational diseases at production facilities is being implemented.</p> <p>We are tracking and monitoring the implementation of the 10 Steps to Better Health initiative and KMG Group's standard on emergency medical response setting unified requirements to emergency treatment procedures, medical centres equipment, and the emergency medical response action plan.</p> <p>3.9. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</p> <p>Occupational health and safety procedures and initiatives are reviewed and enhanced on a regular basis.</p> <p>The Code of Employees' HSE Leadership and Commitment has been introduced and is being implemented.</p> <p>A near miss reporting programme is being implemented.</p> <p>The Korgau card is used to define the procedure for identifying and reporting an unsafe condition/unsafe behaviour/unsafe action/hazardous factor.</p>
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>7.1. By 2030, ensure universal access to affordable, reliable and modern energy services.</p>	<p>Since 2017, KMG has had in place a roadmap for its subsidiaries and associates, including jointly controlled entities and joint ventures, to save energy and improve energy efficiency in 2017–2020.</p> <p>Objectives set out in KMG's energy saving roadmap:</p> <ul style="list-style-type: none"> ◆ Increasing senior management's accountability, introducing energy efficiency KPIs for managers responsible for energy saving and energy efficiency ◆ Promoting efficient use of energy ◆ Reducing energy payments by enhancing energy efficiency and energy saving efforts <p>KMG Group's key strategic energy saving and energy efficiency initiatives include process equipment upgrades, deployment of energy saving technologies, optimisation of heat generation and consumption, and the development of the Group's own generation assets including APG-fired generation.</p> <p>In 2017–2020, 263 energy saving and energy efficiency initiatives were implemented.</p> <p>In 2019–2020, energy audits were conducted at KMG enterprises; based on their results, energy saving and energy efficiency improvement measures to be implemented in the next five years will be proposed.</p>

Sustainable Development Goals	Priority targets	KMG's contribution
	7.b. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing states and landlocked developing countries, in accordance with their respective programmes of support.	KMG explores opportunities to introduce renewable energy sources (RES) at its production facilities. For more details see the HSE section.
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	KMG is consistently focused on providing continuous employee training and increasing employee satisfaction and productivity, including through the Reservoir Engineer, Professional Foreman and other technical competency development programmes.
	8.6. By 2020, substantially reduce the proportion of youth not in employment, education or training.	We are implementing the Leadership programme and the Mentoring, Coaching, Training programme along with plans to strengthen corporate culture and enhance social stability and industrial relations. KMG Group participates in the Zhas Orken programme of young talent rotation, aimed at providing development opportunities to talented youth in Kazakhstan. To help talented youth improve their skills in digital technologies and digitalisation, the Digital Summer programme was launched in 2018. Its objective is to involve young talents in digitalisation projects.
	8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Social support for employees of KMG subsidiaries and associates is set out in their collective bargaining agreements and the Rules for Rendering Social Support. To unify the types and standards of social support across all enterprises of KMG Group, the Standard Rules for Rendering Social Support to Employees of KMG Subsidiaries and Associates were adopted. Best practices in applying the OHS management system are actively implemented. For more details see the Personnel Development section and the HSE section.
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p>	9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	KMG carries out construction and overhaul of industrial (bases, workshops, etc.) and non-industrial (dormitory, canteen) facilities to improve working and living conditions for employees with an emphasis on the development of infrastructure in our operating regions.
	9.b. Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.	KMG's digital transformation programme promotes the expansion of scientific research and development of technological capabilities across industrial sectors. KMG invests heavily in relevant scientific research and local capacity building. The development of domestic technological capacities to ensure industrial diversification will also have a positive impact on the climate situation in the country. For more details see the Personnel Development and Digital Transformation sections.

Sustainable Development Goals	Priority targets	KMG's contribution
 <p>Take urgent action to combat climate change and its impacts</p>	<p>13.2. Integrate climate change measures into national policies, strategies and planning.</p> <hr/> <p>13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<p>KMG is committed to managing the climate risk by reducing emissions, launching an energy efficiency CAPEX programme, tracking its progress and sharing best practices with other global players.</p> <p>KMG Group's Emissions Management Policy has been approved. The Policy comprises eight key principles, six of which directly address climate change, and is aimed at complete elimination of routine flaring.</p> <p>KMG calculates its carbon footprint and water footprint; as from 2019, KMG calculates its carbon footprint and posts its Climate Questionnaire on the website of the Carbon Disclosure Project (CDP). In 2020, a water footprint was calculated for KMG Group and a Water Security Questionnaire was posted as part of its international reporting for the first time.</p> <p>Company-wide green initiatives are being actively promoted, and the Green Office principles, including the introduction of separate waste collection, water and energy saving in the office, etc., are being gradually implemented.</p> <hr/> <p>In August 2020, KMG issued its 2019 Greenhouse Gas Emissions Report as part of the CDP Climate Change Questionnaire, disclosing data on direct and indirect GHG emissions across all KMG's assets, including its subsidiaries and associates in Romania and Georgia.</p> <p>KMG made an official commitment to contribute to water conservation efforts in Kazakhstan. In 2020, data on water management were posted on the CDP's website as part of the 2019 Water Security Questionnaire.</p>
 <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>	<p>15.3. By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.</p> <hr/> <p>15.5. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.</p>	<p>KMG implements projects aimed at curbing discharges and reducing fresh water withdrawal from natural sources:</p> <ul style="list-style-type: none"> ◆ The Tazalyq project at Atyrau Refinery to curb discharges and enhance water conservation ◆ Construction of a desalination plant at KBM <p>Measures are taken to recycle and reuse water. Historical pollution is addressed and projects to remediate oil contaminated soils are being implemented.</p> <hr/> <p>Priorities have been identified in maintaining biodiversity across our operating regions.</p> <p>Measures are taken to reduce the possible negative impact on fauna and flora.</p> <p><i>For more details see the Environmental Protection section.</i></p>

In 2021, we plan to engage in a focused effort to approve and implement sustainability initiatives aimed at ensuring systematic improvement in sustainability performance.

To further the shaping of the sustainable development management system, in 2020, KMG's Board of Directors approved KMG Group's Sustainability Management Guidelines. The Guidelines will enable the implementation of sustainability elements and principles as well as systematic evaluation

of the effectiveness of sustainability measures taken at the Company. Along with building a sustainability system, particular attention is paid to enhancing the sustainability culture. Sustainability training courses are held on a regular basis for employees of the Corporate centre and subsidiaries and associates.

KMG strives to ensure a high level of openness and transparency of its activities by maintaining an active dialogue with stakeholders. Every year we disclose information on all material aspects of the Company’s performance in our Sustainability Report prepared in accordance with GRI standards, which enables us to maintain a healthy balance between economic, social and environmental aspects of our operations.



The Company’s annual Sustainability Report also serves as Communication on Progress for the UN Global Compact: <https://www.unglobalcompact.org/what-is-gc/participants/6810>.

KMG’s 2019 Sustainability Report is available on the Company’s website at https://www.kmg.kz/eng/ustoichivoe_razvitie/reports/.

Participation in initiatives and programmes



The World Bank’s Zero Routine Flaring by 2030 initiative



UN 17 Sustainable Development Goals initiative

HEALTH, SAFETY AND ENVIRONMENT (HSE)

INDUSTRIAL SAFETY, OCCUPATIONAL HEALTH AND ENVIRONMENTAL PROTECTION

Advanced corporate governance framework and commitment to sustainability principles

KMG is committed to environmental sustainability and social stability and recognises its responsibility to current and future generations.



CDP climate programme

Performance highlights

Social highlights

Indicator	2018	2019	2020
Lost Time Incident Rate (LTIR)	0.32	0.31	0.22
Fatal Accident Rate (FAR)	0.65	1.28	0.00
Fatalities	1	2	0



Global Methane Initiative

Environmental highlights

Indicator	2018	2019	2020
NO _x emissions, tonnes per 1,000 tonnes of produced hydrocarbons	0.20	0.21	0.22
SO _x emissions, tonnes per 1,000 tonnes of produced hydrocarbons	0.25	0.20	0.23
APG flaring rate, tonnes per 1,000 tonnes of produced hydrocarbons	6.00	2.95	2.2

Caspian Environmental Protection Initiative – CEPI

