

**Approved
by the resolution of the Board of Directors
of “KazTransOil” JSC
dated April 24, 2020
(minutes of the meeting No. 4/2020)**

**Report on compliance by "KazTransOil" JSC with the principles and provisions
of the corporate governance code for 2019**

In accordance with the Corporate Governance Code approved by the decision of the General Meeting of Shareholders of "KazTransOil" JSC dated May 27, 2016 (Minutes No. 3/2016) (hereinafter referred to as the Code), the Corporate Secretary annually prepares a report on compliance / non-compliance with the principles and provisions of the Code.

The objectives of the Code are to improve corporate governance in "KazTransOil" JSC (hereinafter referred to as the Company), ensure transparency of management, confirm the Company's commitment to follow the standards of good corporate governance. The principles of the Code are:

1. The Government as a shareholder of Samruk-Kazyna JSC *.
2. Interaction of Samruk-Kazyna JSC and organizations. The role of Samruk-Kazyna JSC as a national managing holding company.
3. Sustainable development.
4. Shareholder rights and fair treatment of shareholders.
5. The effectiveness of the Board of Directors and the executive body.
6. Risk management, internal control and audit.
7. Transparency.

The Company, realizing the importance of corporate governance, pays great attention to the need for compliance with internal documents and practices of the Company to its principles.

* The first principle of the Code is specific and relates to the management features of Samruk-Kazyna JSC, the interaction between Samruk-Kazyna JSC and the Government of the Republic of Kazakhstan.

№	Corporate Governance Code Norm / Corporate Governance Principle	Complied / not complied	Activities implemented to comply with corporate governance standards / principles
1	Interaction of Samruk-Kazyna JSC and organizations. The role of Samruk-Kazyna JSC as a national managing holding.	Complied	<p>The corporate governance system in the Company ensures proper management and control of its activities and is aimed at increasing long-term value and sustainable development.</p> <p>An effective system of interaction between shareholders, the Board of Directors and the Management Board is the most important element that ensures the growth of the value of the Company, and a guarantee that investors' money is used efficiently.</p> <p>The main strategic objective of the Company is the growth of long-term value and sustainable development, which is reflected in the development strategy of the Company. The Company approved the Development Strategy of “KazTransOil” JSC until 2025, the strategic goal of which is to increase the market value (capitalization) of the Company and to comply with the strategic interests of the state in the field of oil transportation through the main oil pipeline.</p> <p>The Company and their officers are responsible for the growth of long-term value and sustainable development of the Company, and decisions and actions / inaction taken in the manner established by the legislation of the Republic of Kazakhstan and internal documents.</p> <p>One of the main elements of evaluating the performance of the executive body of the Company is a system of key performance indicators (hereinafter - KPI). The list and target values of efficiency are approved by the Board of Directors of the Company.</p> <p>So, by a decision of the Board of Directors of the Company dated January 29, 2019 (meeting minutes No. 1/2019), the corporate key performance indicators of the Company for 2019 and their target values were approved. By the same decision of the Board of Directors of the Company, the motivational key performance indicators of the executive employees of the Company for 2019 and their target values were approved.</p> <p>On an annual basis, an assessment of the achievement of the KPI is carried out, affecting the remuneration of senior employees.</p>

2	Sustainable development	Partially Complied	<p>Sustainable development is a priority in the activities of the Company, the purpose of which is to develop business along with preserving and protecting the environment, creating favorable working conditions, ensuring safety at workplaces and contributing to the development of local communities in which the Company operates.</p> <p>Sustainable development should be based on the implementation of approved policies in the field of safety and labor protection, environmental protection, quality.</p> <p>The Company provides the development and implementation of a range of legal, socio-economic, organizational and technical, sanitary and epidemiological, rehabilitation, treatment and preventive measures to create and ensure safe and healthy working conditions in the workplace, to prevent occupational injuries and occupational diseases, to create and ensure favorable environmental conditions, biodiversity and human life in accordance with international standards ISO 14001 and OHSAS 1800 1.</p> <p>The Company has identified for itself as one of the main priority tasks a constant increase in energy efficiency and continues to work to improve the functioning of the energy management system in order to reduce energy consumption in accordance with the requirements of the international standard ISO 50001.</p> <p>In carrying out activities in the field of sustainable development, the Company is guided by the principles and provisions enshrined in the UN Global Compact, ISO 26000 Social Responsibility Guide, AA1000 Standard “Stakeholder Engagement Standard”, GRI G4 reporting on sustainable development and is regulated by a number of internal documents of the Company in certain areas of activity in the field of sustainable development, which are posted on the corporate website of the Company.</p> <p>The Company approved the Map of stakeholders of “KazTransOil” JSC, where a list of interested parties that affect or may affect the activities of the Company is defined. When forming a stakeholder map, the Company assesses the influence of stakeholders on the Company and assesses the degree of their interest in the Company based on specific interaction parameters. The card is updated at least once every three years.</p> <p>In accordance with the Annual Audit Plan of the Internal Audit Service of the Company for 2019, approved by a decision of the Board of Directors of the Company dated October 18, 2018 (protocol No. 11/2018), from October 16 to December 31, 2019, the corporate governance of the Company was assessed based on the Methodology corporate</p>
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2.1	<i>Environmental protection</i>	<p>governance diagnostics in legal entities, more than fifty percent of the voting shares of which are directly or indirectly owned by NWF Samruk-Kazyna JSC, approved by the decision of the Management Board of NWF Samruk-Kazyna JSC dated September 26, 2016.</p> <p>Based on the results of the assessment of the corporate governance of the Company, a report is submitted to the Board of Directors for consideration of the Company, which identifies the most important areas for improvement and gives recommendations for improving the efficiency of corporate governance in the Company, including on sustainable development.</p> <p>In addition, the Company has prepared an Action Plan to improve the corporate governance system of "KazTransOil" JSC for 2020-2021, the implementation of which will allow the Board of Directors and management of the Company to be actively involved in the process of managing sustainable development of the Company, on a regular basis to consider and analyze key results of the Company's work in the field of sustainable development, including in terms of personnel management, environmental activities, the functioning of the integrated management system.</p> <p>Environmental protection and ecological safety are important components of the sustainable development of the Company.</p> <p>The company pays great attention to measures to minimize the negative impact of its activities on the environment and the implementation of the principles of rational use of natural resources.</p> <p>The Company strictly adheres to the requirements of the Environmental Code of the Republic of Kazakhstan, advanced international standards, the provisions of the Policy of "KazTransOil" JSC in the field of labor and labor safety, environmental protection and other internal corporate documents, identifies and evaluates environmental aspects, ensures transparency and openness of its actions in the field environmental protection.</p> <p>Management of environmental issues (hereinafter referred to as environmental protection) is carried out at two levels. In the central office, the work is coordinated by the Department of Industrial Safety, Labor Protection and Emergencies, at the level of separate business unit (SBU) - the department of occupational safety, health and environmental protection.</p>
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2.2	<i>Safety and labor protection</i>	<p>The environmental management system covers all areas of the Company's production activities and is certified for compliance with the requirements of ISO 14001: 2015. The system is part of the IMS of the Company. On September 10, 2019, the international certification body SGS (Societe Generale de Surveillance) conducted a certification audit of the integrated management system, following which the Company confirmed compliance with the requirements of the ISO 14001: 2015 standard.</p> <p>During the reporting period, the Company invested 2,227 million tenge in environmental protection, which is 84.8% more than the same indicator in 2018, and made payments for emissions in the amount of 99.1 million tenge in the reporting period. There were no accidents involving environmental damage during oil transportation in 2019.</p> <p>In the field of safety and labor protection, the Company seeks to ensure a trouble-free operation of production facilities, creates and maintains safe working conditions, takes care of the health of workers and clearly follows the requirements of the legislation of the Republic of Kazakhstan, international and national standards, and provisions of the "KazTransOil" JSC Safety and Security Policy labor, environmental protection and internal documents of the Company.</p> <p><i>Key internal documents</i></p> <ul style="list-style-type: none"> • Policy of KazTransOil JSC in the field of safety and labor protection, environmental protection; • Unified system of safety and labor protection management in “KazTransOil” JSC. • Declaration of industrial safety of “KazTransOil” JSC; • Code of “KazTransOil” JSC in the field of safety and labor protection “Golden Rules”; • Code of leadership and commitment of employees of “KazTransOil” JSC to comply with safety and labor protection, industrial, fire, transport, environmental protection requirements; • Policy of “KazTransOil” JSC in relation to alcohol, narcotic drugs, psychotropic substances and their analogues; • The procedure for reporting incidents to "KazTransOil" JSC.
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2.3	<i>Personnel and Social Policy</i>	<p>Improving the personnel policy of “KazTransOil” JSC is considered as one of the most important factors for the sustainable long-term development of the Company.</p> <p>The priorities of the personnel policy of the Company are to ensure a decent level of wages and create a system of social support for employees, the possibility of professional development and career growth, the construction and implementation of an effective system of personnel motivation, and increase staff satisfaction.</p> <p>The Personnel Policy of “KazTransOil” JSC in the Company for 2015-2019 determines the system of principles, key areas and levels of personnel management. The Company builds personnel and social policies in accordance with the legislation of the Republic of Kazakhstan and the collective agreement concluded with the collective of employees of the Company.</p> <p>The Company pays special attention to ensuring social stability and creating a favorable climate in labor collectives on the basis of a balanced social and personnel policy and the implementation of systemic measures to regulate social and labor relations.</p> <p>The company provides its employees with a guaranteed social package aimed at improving the living conditions of workers and members of their families. In addition,</p>

employees are provided with an additional amount of benefits and guarantees, which are provided for in the collective agreement.

To assess the level of satisfaction and motivation of the Company's personnel, the Center for Social Partnership on an annual basis carries out studies of social stability among production personnel and the degree of involvement among administrative and managerial personnel. The social stability rating in 2019 was 75%; the personnel engagement index of the Company was 68%.

In the field of human resources management, the Company works in such areas as improving the organizational structure, staff development, labor efficiency management, implementation of the main tasks and directions of youth policy, the formation and development of corporate culture.

Also, special attention is paid to the development of internal corporate communications and the building of trusting relationships between employees and management through the implementation of communication activities, a transparent rating system and feedback tools based on the results of work both of the main staff and managers.

In the Company, for all employees of the central office and SBU executives, remuneration is paid based on key performance indicators (KPIs) based on the results of the year, taking into account the achievement of the strategic goals of the Company and individual performance indicators, as a result, the responsibility of employees of the central office and the separate structural divisions of the Company has significantly increased.

In the framework of this approach, a vertically integrated efficiency structure is formed, which allows you to distribute responsibility for achieving strategic goals for each responsible participant in the Company's business processes.

The personnel selection procedure in the Company is carried out in accordance with the Rules of competitive selection of personnel for vacant positions in KazTransOil JSC. The Company searches and selects qualified specialists, maintains a database of candidates, introduces transparent competitive procedures when selecting personnel for vacant positions / work professions, including using test elements.

In 2019, 668 events were held under training and staff development programs. Many employees underwent training in several specialties (areas) of training, retraining and advanced training. The total cost of training in 2019 amounted to 608 million tenge.

2.4	<i>Procurement System and Local Content</i>	<p>The company provides great opportunities for unlocking the potential and career growth of its employees.</p> <p>The Company has formed a personnel reserve, the purpose of which is to ensure the continuity and education of its own managerial personnel. The company pursues a policy of internal rotation and consistent appointment of employees to senior positions as part of the development of personnel reserve practices. The company seeks to realize the needs of employees in building a career by creating an equal playing field for all employees based on an assessment of work results, experience, as well as business and personal qualities. Employees included in the personnel reserve are considered as a matter of priority when there are vacancies for senior positions. In 2019, the Rules for the formation of the personnel reserve of the Company were updated.</p> <p>Between 2017 and 2019 30 employees of the Company who were in the personnel reserve were transferred to management positions.</p> <p>An important area of the personnel policy of the Company is work with young specialists. A comprehensive approach is being implemented to attract young specialists to work in the Company and work with young personnel, which is enshrined in the Youth Policy of "KazTransOil" JSC.</p> <p>For the sustainable development of the Company's business, given its scale, an effective procurement system and timely provision of high-quality goods, works and services to the Company are essential.</p> <p>When choosing suppliers, the Company was guided by the Rules for the procurement of goods, works and services by the Joint-Stock Company National Welfare Fund Samruk-Kazyna and organizations of fifty or more percent of voting shares (participatory interests) of which directly or indirectly belong to Samruk-Kazyna JSC by right of ownership or trust management.</p> <p>In 2019, the Company concluded contracts for the amount of 65 076 million tenge.</p> <p>The share of local content under contracts for 2019 was 71%.</p>
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3	The rights of shareholders (participants) and fair treatment of shareholders (participants)	Complied	<p>The most open and effective interaction with shareholders is one of the key principles of the Company. The implementation of the fundamental rights of shareholders is carried out in accordance with the laws and the Charter of "KazTransOil" Joint Stock Company (hereinafter - the Charter).</p> <p>Corporate governance in the Company is built in such a way as to ensure equal rights and fair treatment for all shareholders. In accordance with the legislation of the Republic of Kazakhstan, shareholders have the right to participate in the General Meeting of Shareholders and vote in person or through their representative by proxy.</p> <p>Issues of information disclosure are regulated by the legislation of the Republic of Kazakhstan, the Charter and the rules of interaction between structural divisions of "KazTransOil" JSC when posting information on the Internet resources of the financial reporting depository and Kazakhstan Stock Exchange, the corporate website of "KazTransOil" JSC.</p> <p>The Board of Directors of the Company guarantees a fair attitude to all shareholders, gives them the opportunity to participate in the management of the Company through the General Meeting of Shareholders, receive information on the activities of the Company and exercise their right to receive dividends. The procedure and procedures for holding General Meetings of Shareholders ensures equal treatment of all shareholders.</p> <p>The major shareholder of the Company is NC "KazMunayGas" JSC, which owns 90% of the common shares of the Company.</p> <p>A relationship agreement was signed between the Company and NC "KazMunayGas" JSC, as its major shareholder, in connection with the initial public offering of the Company's shares on the Kazakhstan Stock Exchange on October 30, 2012, fixing transparent market principles of interaction between the Company and its major shareholder and allowing the Company to act in the interests of all its shareholders.</p> <p>Information affecting the interests of shareholders is timely posted on the corporate website of the Company, the Internet resources of Kazakhstan Stock Exchange JSC and the depository of financial statements.</p>

			<p>The Company has an investor relations service, the main task of which is the organization of effective communications between the management of the Company and the investment community (potential investors, minority shareholders and professional participants in the securities market) in order to maintain and strengthen the reputation of the Company as an attractive investment company.</p> <p>In the reporting period, 3 General Meetings of Shareholders were held, annual and 2 extraordinary.</p> <p>On January 28, 2019 at the extraordinary General Meeting of Shareholders of the Company, the following issues were considered:</p> <ul style="list-style-type: none"> - On introducing changes and amendments to the Charter of KazTransOil Joint Stock Company; - On determining the quantitative composition, term of office of the Board of Directors of the Company, election of its members, including the chairman of the Board of Directors; - On determining the amount and terms of payment of remuneration and compensation of expenses to independent directors of the Company for the performance of their duties; - On determining the quantitative composition and term of office of the Counting Commission of the Company, election of its members; <p>On March 5, 2019, by absentee voting without holding a meeting, the following issue was considered at an extraordinary General Meeting of Shareholders of the Company:</p> <ul style="list-style-type: none"> - On the determination of the audit organization conducting the audit of the Company for 2019-2021, and the purchase of its services by a single source; <p>On May 28, 2019, the following issues were considered at the annual General Meeting of Shareholders of the Company:</p> <ul style="list-style-type: none"> - On approval of the annual financial statements and the consolidated annual financial statements of the Company for 2018;
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4	The effectiveness of the Board of Directors and the executive body	Complied	<p>The Board of Directors is the management body of the Company, which provides strategic management of the Company, exercises control over the activities of the Management Board of the Company within its competence and is responsible to the General</p>

		<p>Meeting of Shareholders for the effective management and proper control of the activities of the Company in accordance with the current decision-making system.</p> <p>On January 28, 2019 at the extraordinary General Meeting of Shareholders of the Company in connection with the expiration of the term of office of the current composition of the Board of Directors of the Company, a new composition of the Board of Directors of the Company was determined in the amount of six people, members of the Board of Directors were elected, including the chairman of the Board of Directors of the Company. In accordance with the Charter of the Company, the composition of the Board of Directors was elected in the amount of 6 people. In accordance with the structure of share capital (90% of the total number of ordinary shares belongs to JSC NC “KazMunayGas”) two members of the Board of Directors of the Company are representatives of a large shareholder - JSC NC “KazMunayGas”. Three members of the Board of Directors of the Company are independent directors, which allows protecting the rights and interests of minority shareholders in accordance with the best global corporate governance practices. Also a member of the Board of Directors is the General Director (Chairman of the Management Board) of the Company.</p> <p>All members of the Board of Directors of the Company have a high professional reputation and significant experience in the industry.</p> <p>The selection criteria for members of the Board of Directors, including independent directors, are determined by the Law of the Republic of Kazakhstan “On Joint Stock Companies”, the Charter, the Corporate Governance Code and the Regulation on the Board of Directors of “KazTransOil” JSC.</p> <p>The report on the activities of the Board of Directors is annually disclosed in the Annual Report of the Company.</p> <p>In 2019, 10 in-person meetings of the Board of Directors were held at which decisions on 124 issues of key areas of the Company’s activities were considered and adopted. The Board of Directors also considered a number of issues within the competence of the general meetings of participants / shareholders of subsidiaries and jointly controlled entities of the Company.</p> <p>The Board of Directors monthly reviewed key changes in the Company's activities and management reporting.</p>
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			<p>remuneration and compensation of expenses of independent directors of JSC NC “KazMunayGas” JSC.</p> <p>The Management Board of the Company is a collegial executive body that manages the current activities of the Company and performs its functions on the basis of the Charter, the Regulation on the Management Board of “KazTransOil” JSC and other internal documents of the Company.</p> <p>The Management Board of the Company is headed by the General Director (Chairman of the Management Board). The competence of the Management Board and the powers of the General Director (Chairman of the Management Board) of the Company are determined by Article 12 of the Charter.</p> <p>During 2019, the Management Board of the Company held 25 meetings in person. In total, the Management Board of the Company adopted decisions on the 227 issues considered, 219 instructions were given, and there were no outstanding orders. At the same time, 86 issues considered by the Management Board were submitted for consideration by the Board of Directors, 8 of which were submitted for consideration by the General Meeting of Shareholders of the Company. Within the framework of the meetings, among other things, issues were considered and decisions were made in such key areas as strategic development, corporate governance, financial and economic activities, risk management and internal control.</p>
5	Risk management, internal control and audit	Complied	<p>Important elements of the Company's corporate governance system is the risk management system, which includes the corporate risk management system (hereinafter referred to as CRMS) and the internal control system (hereinafter referred to as ICS).</p> <p>CRMS is a set of principles, methods and procedures that ensure the organization and effective functioning of the risk management process at all levels of the Company's management. The CRMS of the Company is aimed at the timely identification, assessment, monitoring and reduction of potential risk events that may adversely affect the achievement of the strategic and operational goals of the Company.</p> <p>The identification and assessment of risks in the Company is carried out according to the Unified classifier of risks of NC “KazMunayGas” JSC and its subsidiaries and affiliates. So, all the risks of the Company are divided into two categories - production and non-production risks, the sources of which determine the corresponding risk factors (causes).</p>

			<p>During 2019, constant monitoring of the state of production and non-production risks and the inherent risk factors, the implementation of measures for their management was carried out. Quarterly reports on the dynamics of risks were submitted for consideration to the Risk Committee, the Management Board and the Board of Directors of the Company.</p> <p>In order to record and further analyze data on realized risks, the Company has created a unified electronic database of realized risk events on the corporate portal. The maintenance of this database contributes to the accumulation of statistics necessary for the quantitative assessment of risks and risk factors, as well as the preparation of reports.</p> <p>In 2019, work was carried out to identify and assess risks for 2020, for which measures of preventive and corrective action were developed. The results of this work are approved by the Board of Directors of the Company.</p> <p>ICS of the Company is aimed at the timely identification and analysis of process-level risks inherent in the activities of the Company, as well as the identification and analysis of control procedures for managing these risks in three key areas of ICS: operations, preparation of financial statements and compliance with legislative and regulatory requirements.</p> <p>In 2019, in order to further improve the ICS, the following activities were implemented:</p> <ol style="list-style-type: none"> 1) updated classifiers of business processes of the central office and separate structural divisions of the Company; 2) risk and control matrices are updated for individual business processes of the central office of the Company; 3) the risk and control matrices for individual business processes of the separate structural divisions of the Company have been updated. <p>In order to monitor the financial and economic activities of the Company, evaluate internal control, manage risks, execute documents in the field of corporate governance and advise the Company has an internal audit service (hereinafter referred to as the Service).</p> <p>The service reports directly to the Board of Directors and reports to it on its work. The activities of the Service are supervised by the Internal Audit Committee of the Board of Directors of the Company.</p> <p>The Service carries out its activities in accordance with the Annual Audit Plan approved by the Board of Directors of the Company.</p> <p>For the reporting period, in accordance with the Service's Work Plan for 2019, 5 audits of production, operational and financial processes of 2 oil pipeline departments of the</p>
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6	Transparency	Complied	<p>The Company ensures timely and complete disclosure to interested parties of information on all aspects of its activities, except when the information is a commercial, official or other secret protected by law guided by:</p> <ul style="list-style-type: none"> - The Law of the Republic of Kazakhstan dated May 13, 2003 "On Joint-Stock Companies"; - The Law of the Republic of Kazakhstan dated July 2, 2003 "On the Securities Market"; - The Law of the Republic of Kazakhstan dated February 28, 2007 "On Accounting and Financial Reporting"; - By the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated August 27, 2018 No. 189 "On approval of the Rules for disclosing information by the issuer, Requirements for the content of information to be disclosed by the issuer, as well as the timing of disclosure of information by the issuer on the Internet resource of the financial reporting depository"; - The listing rules approved by the decision of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes No. 15 of April 27, 2017) (hereinafter the Listing Rules); - The Charter and the Corporate Governance Code, the Rules on disclosure of information of "KazTransOil" JSC, the Rules of internal control over the disposal and use of insider information of "KazTransOil" JSC, the rules of interaction between the structural divisions of "KazTransOil" JSC when posting information on the online resources of the

		<p>financial reporting depository and Kazakhstan Stock Exchange JSC, the corporate website of "KazTransOil" JSC and other internal documents of the Company.</p> <p>Information on compliance with the Internal Control Rules for the disposal and use of insider information of "KazTransOil" JSC and a report on the results of the training of the Company's insiders for 2019 were reviewed by the Internal Audit Committee of the Board of Directors of the Company on March 16, 2020 (meeting minutes No. 2/2020- IAC). In the period from November 5 to 7, 2019, training was held for employees of the Company, who are insiders, by holding a training seminar on the topic "Insider information: issues of legal regulation and responsibility of the company and its insiders." The total number of trainees was 225 employees, including 178 employees of separate structural divisions of the Company, for whom the training was carried out online through video conferencing.</p> <p>During the training, some features of the disclosure of insider information were examined, possible risks associated with the misuse of insider information, types of liability provided for by the legislation of the Republic of Kazakhstan for violations in this area, as well as specific practical situations arising in the course of everyday work were analyzed.</p> <p>In general, work to increase the transparency of the Company by timely disclosure of relevant information on the activities of the Company is carried out properly.</p> <p>There were no facts of untimely sending information or comments on relevant materials from regulatory authorities.</p> <p>The company prepares annual, semi-annual and quarterly financial statements in accordance with international financial reporting standards. Reports are posted on the Internet resources of the depository of financial statements, the stock exchange and the corporate website of the Company in a timely manner.</p> <p>An external audit of the financial statements of the Company for 2019 was carried out by Ernst & Young LLP, which confirmed the accuracy of the reflection of the financial position of the Company as of December 31, 2019, as well as financial results and cash flows for the year ended on that date, in accordance with international financial reporting standards.</p>
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