

**Approved
by the resolution of the General Meeting
Shareholders of “KazTransOil” JSC
(minutes of the meeting
dated May 19, 2022
No. 3/2022)**

**Annual report of the Board of Directors of
“KazTransOil” JSC on the performed work for 2021**

Nur-Sultan, 2022

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1. General information about the Board of Directors

The Board of Directors is the governing body of KazTransOil JSC (hereinafter referred to as the Company) and performs its functions in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter, the Corporate Governance Code, the Regulations on the Board of Directors and other internal documents of the Company.

The Board of Directors provides strategic management of the Company, exercises control over the activities of the Company's Management Board within its competence and is responsible to the General Meeting of Shareholders for the effective management and proper control of the Company's activities in accordance with the current decision-making system.

In accordance with the Charter of the Company, the composition of the Board of Directors is elected for people. In accordance with the share capital structure (90% of the total number of ordinary shares belongs to NC KazMunayGas JSC), two members of the Board of Directors of the Company are representatives of a major shareholder - NC KazMunayGas JSC. Three members of the Company's Board of Directors are independent directors, which makes it possible to ensure the protection of the rights and interests of minority shareholders in accordance with the best global corporate governance practices. The General Director (Chairman of the Management Board) of the Company is also a member of the Board of Directors.

All members of the Board of Directors of the Company have an impeccable business reputation and significant experience in the industry.

2. Composition of the Board of Directors as of December 31, 2021

Name Surname	Position
Daniyar Berlibayev	BoD Chairman
Marlen Orazbekov	representative of NC "KazMunayGas" JSC
Vinicius Agostini Alves	independent director
Dimash Dossanov	BoD Member
Alberto Martinez Lopez	independent director
Hadrien Fraissinet	independent director

3. Criteria for selection of members of the Board of Directors

The criteria for selecting members of the Board of Directors, including independent directors, are determined by the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Company's Charter, the Corporate Governance Code, and the Regulations on the Company's Board of Directors and are posted on the Company's Internet resource in the "Corporate Governance" section.

In accordance with the Corporate Governance Code, the Board of Directors has determined that the directors Vinicius Agostini Alves, Alberto Martinez Lopez, and Hadrien Fraissinet are independent and that there are no relationships or circumstances that have or may have a significant impact on the independent decisions of the above directors.

4. Competence of the Board of Directors

The Board of Directors acts in the interests of the Company, determines strategic goals, priority areas for development and sets the main guidelines for its activities in the long term, based on the principles of sustainable development. Ensures that the necessary financial and human resources are available to achieve the set goals and considers other significant issues.

Issues related to the exclusive competence of the Board of Directors cannot be transferred for decision to the Management Board of the Company.

The Board of Directors is not entitled to make decisions on issues that, in accordance with the Charter of the Company, are within the competence of the Management Board of the Company, as well as make decisions that contradict the decisions of the General Meeting of Shareholders.

5. Responsibility of the Board of Directors

Articles 11 and 12 of the Company's Charter determine the distribution of powers between the Board of Directors, the Management Board and the General Director (Chairman of the Management Board).

The Board of Directors is responsible to the General Meeting of Shareholders for effective management and proper control over the Company's activities in accordance with the current decision-making system.

The Board of Directors exercises control over the activities of the Management Board within its competence.

6. Information about meetings of the Board of Directors

In total, 12 in-person meetings of the Board of Directors were held in 2021, at which decisions were considered and made on 118 issues in the following key areas of the Company's activities:

Strategic Development

- consideration of the Report for 2020 on the implementation of the Development Strategy of "KazTransOil" JSC until 2025;

- consideration of the Report on the implementation of the Business Plan of “KazTransOil” JSC for 2020-2024 in terms of the budget for 2020 at the revalued cost of fixed assets;
- approval of the Business Plans of “KazTransOil” JSC for 2022–2026 on the revalued and historical cost of fixed assets.

Financial and economic activity

- on convening the annual General Meeting of Shareholders of “KazTransOil” JSC;
- preliminary approval of the annual financial statements and consolidated annual financial statements of “KazTransOil” JSC for 2020;
- approval of interim (semi-annual) financial statements and interim (semi-annual) consolidated financial statements of “KazTransOil” JSC for the first half of 2021;
- proposals of the Board of Directors to the General Meeting of Shareholders of the Company on the procedure for distributing the net income of “KazTransOil” JSC for 2020 and the amount of dividend for 2020 per one ordinary share of “KazTransOil” JSC;
- conclusion of transactions in which the Company has an interest.

Corporate Governance

- approval of the Annual Report of “KazTransOil” JSC for 2020;
- approval of motivational key performance indicators for executives, the corporate secretary and the head of the Internal Audit Service of the Company for 2021 and their target values;
- approval of the Report on compliance of “KazTransOil” JSC with the principles and provisions of the corporate governance code for 2020;
- approval of the annual report of the Board of Directors of “KazTransOil” JSC on the performed done for 2020.

Internal audit

- approval of the annual audit plan of the Internal Audit Service of “KazTransOil” JSC for 2022;
- approval of the budget of the Internal Audit Service of “KazTransOil” JSC for 2022;
- hearing reports of the Internal Audit Service of “KazTransOil” JSC.

Risk management and internal control

The Corporate Risk Management System (hereinafter referred to as RMCS) and Internal Control System (hereinafter referred to as ICS) are the key components of the corporate governance system and are aimed at timely identification, assessment, monitoring and mitigation of potential risk events that may adversely affect the achievement of the Company's strategic and operational

goals . According to the RMCS Policy of the Company, one of the main tasks of the RMCS is to introduce a vertical process for managing production and non-production risks in the Company, starting from the top level to the linear level, integrating the risk management process with the key business processes of the Company.

During the reporting period, the Board of Directors considered the following issues:

- approval of quarterly reports on production and non-production risks of “KazTransOil” JSC and its subsidiaries and jointly controlled organizations;
- approval of the results of identification and assessment of production and non-production risks of “KazTransOil” JSC and its subsidiaries and jointly controlled organizations for 2022.

The Board of Directors also considered a number of issues related to the competence of general meetings of participants/shareholders of subsidiaries and jointly controlled organizations of the Company.

The Board of Directors reviewed key changes in the Company's activities and management reporting on a monthly basis.

Additional information about the decisions of the Board of Directors in 2021 is available on the Company's Internet resource www.kaztransoil.kz

7. Attendance at meetings of the Board of Directors

Director	Meeting attendance (12 meetings in person)	%	Period of being a member of the Board of Directors in the reporting period
Daniyar Berlibayev	12 of 12	100%	01.01.2021 – 31.12.2021
Marlen Orazbekov	2 of 2	100%	25.11.2021 – 31.12.2021
Dimash Dossanov	12 of 12	100%	01.01.2021 – 31.12.2021
Vinicius Agostini Alves	12 of 12	100%	01.01.2021 – 31.12.2021
Alberto Martinez Lopez	2 of 2	100%	25.11.2021 – 31.12.2021
Almasbek Mukhashov	9 of 9	100%	01.01.2021 – 27.10.2021
Hadrien Fraissinet	12 of 12	100%	01.01.2021 – 31.12.2021

8. Report on the work of committees of the Board of Directors

Committees are consultative and advisory bodies of the Board of Directors of the Company and are created to facilitate the effective performance of the functions of the Board of Directors, consider the most important issues and prepare recommendations for the Board of Directors within their competence.

The Board of Directors has three committees:

- Committee for Strategic Planning, Safety and Environmental Protection;
- Nomination and Remuneration Committee;
- Internal Audit Committee.

Committee for Strategic Planning, Safety and Environmental Protection

The Committee was established in order to improve the efficiency and quality of the work of the Board of Directors of the Company through preliminary consideration and preparation of recommendations to the Board of Directors on the issues of the Company's development strategy, including the determination of priority areas of activity.

By the decision of the Board of Directors of the Company (minutes of the meeting dated September 3, 2021 No. 7/2021), the Strategic Planning Committee of the Board of Directors of “KazTransOil” JSC was renamed into the Committee for Strategic Planning, Safety and Environmental Protection of the Board of Directors of “KazTransOil” JSC and a new Regulation on Committee for Strategic Planning, Safety and Environmental Protection of the Board of Directors of “KazTransOil” JSC.

The Committee consists of members of the Board of Directors and experts with the necessary professional knowledge to work in the Committee, the quantitative composition of which is determined by the Board of Directors of the Company. The Chairman of the Committee must be an independent director.

Committee meetings are held as needed, but at least once every six months.

Composition of the Committee for Strategic Planning, Safety and Environmental Protection (elected by the decision of the Board of Directors of the Company dated November 25, 2021):

- Hadrien Fraissinet – independent director, chairman;
- Vinicius Agostini Alves – independent director;
- Alberto Martinez Lopez – independent director;

During 2021, the Committee held 2 meetings in person, in which all its members took part. At the meetings, recommendations were considered and developed on the following main issues:

- proposal of the Board of Directors to the General Meeting of Shareholders on the procedure for distributing the net income of “KazTransOil” JSC for 2020 and the amount of dividend for 2020 per one ordinary share of “KazTransOil” JSC;
- consideration of the adjusted business plans of “KazTransOil” JSC for 2021–2025 at the revalued and historical cost of fixed assets;
- consideration of the issue of interaction with minority shareholders of “KazTransOil” JSC;
- consideration of business plans of “KazTransOil” JSC for 2021-2025 on the revalued and historical cost of fixed assets;
- consideration of key indicators of “KazTransOil” JSC on HSE in 2021.

Nomination and Remuneration Committee

The main purpose of the Committee is to assist the Board of Directors in the exercise of its powers related to the selection, appointment (election), evaluation and remuneration of members of the Board of Directors, the General Director

(Chairman of the Management Board) and members of the Management Board, the corporate secretary.

The majority of Committee members, including the Chairman of the Committee, must be independent directors. The Chairman of the Board of Directors and the General Director (Chairman of the Management Board) of the Company shall not be members of the Committee.

Composition of the Nomination and Remuneration Committee (elected by the decision of the Board of Directors of the Company dated November 25, 2021):

- Alberto Martinez Lopez – independent director, chairman;
- Vinicius Agostini Alves – independent director;
- Hadrien Fraissinet – independent director.

Committee meetings are held as needed, but at least twice a year.

During 2021, 5 in-person meetings of the Human Resources and Remuneration Committee and 3 meetings by absentee voting were held, at which recommendations were considered and developed on the following main issues:

- approval of the adjusted corporate key performance indicators of “KazTransOil” JSC for 2021 and their target values;
- approval of the adjusted motivational key indicators of executives and the corporate secretary of “KazTransOil” JSC for 2021 and their target values;
- consideration of the issue of determining the quantitative composition, term of office of the Management Board of “KazTransOil” JSC, election of the General Director (Chairman of the Management Board) and members of the Management Board of “KazTransOil” JSC;
- consideration of the issue of determining the size of official salaries and terms of remuneration and bonuses for the General Director (Chairman of the Management Board) and members of the Management Board of “KazTransOil” JSC;
- consideration of the issue of approving motivational key performance indicators for executives and the corporate secretary of “KazTransOil” JSC with actual values and final performance for 2020;
- consideration of the issue of approving corporate and functional key performance indicators of the Ombudsman of “KazTransOil” JSC with actual values and final performance for 2020 and remuneration of the Ombudsman of “KazTransOil” JSC based on the results of work for 2020;
- consideration of the issue of remuneration based on the results of work for 2020 for executives and the corporate secretary of “KazTransOil” JSC;
- consideration of the issue of appointing A. Shmanov as the corporate secretary of “KazTransOil” JSC, determining the term of his office, as well as the amount of salary and remuneration conditions;
- approval of the adjusted corporate key performance indicators of “KazTransOil” JSC for 2021 and their target values;
- approval of the adjusted motivational key performance indicators of the executives and the corporate secretary of “KazTransOil” JSC for 2021 and their target values;

- consideration of a report on the performance of motivational key performance indicators for executives and the corporate secretary of “KazTransOil” JSC based on the results of six months of 2021;
- approval of individual development plans for members of the Management Board of “KazTransOil” JSC;
- consideration of the issue of recommendations on the quantitative composition and term of office of the Board of Directors of “KazTransOil” JSC and the formation of a list of candidates for members of the Board of Directors of “KazTransOil” JSC;
- consideration of the issue of recommendations on the extension of the term of office of the Ombudsman of “KazTransOil” JSC, S. Akbergenov;
- consideration of the Report on the performance of motivational key performance indicators of the executives of “KazTransOil” JSC based on the results of nine months of 2021;

Internal Audit Committee

The activities of the Internal Audit Committee are aimed at assisting the Board of Directors of the Company on issues of external and internal audit, financial reporting, internal control and risk management, asset valuation, compliance with the legislation of the Republic of Kazakhstan, as well as on other issues on behalf of the Board of Directors of the Company.

Members of the Board of Directors who are members of the Committee, including the Chairman of the Committee, must be independent directors.

Composition of the Internal Audit Committee (elected by the decision of the Board of Directors of the Company dated November 25, 2021):

- Vinicius Agostini Alves – independent director, chair;
- Alberto Martinez Lopez – independent director;
- Hadrien Fraissinet – independent director.

Meetings of the Internal Audit Committee are held as needed, but at least once a quarter.

If necessary, the lead partner and/or other representatives of the external auditor of the Company - Ernst & Young LLP may be present at the meetings of the Committee at the invitation of the Chairman of the Committee for the purpose of joint consideration of the audit results.

In the reporting period, the Internal Audit Committee held 3 in-person meetings and 2 meetings by absentee voting, at which recommendations were developed on the following main issues:

- preliminary approval of individual and consolidated financial statements of “KazTransOil” JSC for 2020, for 6 months of 2021;
- consideration of the issue of operating results and financial condition of Batumi Oil Terminal LLC;
- consideration of the issue of consideration of information on compliance with the Rules of internal control over the disposal and use of insider information

of “KazTransOil” JSC and a report on the results of the training of insiders of “KazTransOil” JSC for 2020;

- consideration of the issue of preliminary approval of the report of the Internal Audit Service of “KazTransOil” JSC based on the results of work for 2020;
- consideration of the issue of consideration of the final report on the comprehensive examination of information technologies of “KazTransOil” JSC;
- consideration of the issue of preliminary approval of the interim condensed consolidated financial statements of “KazTransOil” JSC for the three months ended March 31, 2021;
- consideration of the report on the implementation of the Action Plan for the implementation of the recommendations of the independent auditor of “KazTransOil” JSC, Ernst & Young LLP, based on the results of the audit of the consolidated and separate financial statements of “KazTransOil” JSC for 2019;
- consideration of the Confidential report of the independent auditor to the Management and the Internal Audit Committee of the Board of Directors of “KazTransOil” JSC;
- approval of the Action Plan for the implementation of the recommendations of the independent auditor of “KazTransOil” JSC, Ernst & Young LLP, based on the results of the audit of the consolidated and separate financial statements of “KazTransOil” JSC for 2020;
- consideration of a report on the volume of services rendered and remuneration paid by “KazTransOil” JSC to the external auditor for the previous period equal to 12 months (January 1, 2020 - December 31, 2020);
- consideration of issues on preliminary approval of the report of the Internal Audit Service of “KazTransOil” JSC based on the results of work for the 1st, 2nd and 3rd quarters of 2021;
- consideration of the issue of preliminary approval of functional key performance indicators of the Internal Audit Service of “KazTransOil” JSC and its head with actual values and final performance, as well as the amount of remuneration for employees of the Internal Audit Service of “KazTransOil” JSC based on the results of work for 2020.

Additional information on the requirements for the composition of the Committees under the Board of Directors and the procedure for holding meetings of the Committees is available on the Company's Internet resource in the "Corporate Governance" section.

9. Shareholder Relations

One of the key principles of the Company's activities is the most open and effective interaction with shareholders.

The implementation of the basic rights of shareholders is carried out in accordance with the legislation of the Republic of Kazakhstan and the Charter of the Company.

The Board of Directors of the Company guarantees equal treatment of all shareholders, gives them the opportunity to participate in the management of the Company through the General Meeting of Shareholders, receive information about the activities of the Company and exercise their right to receive dividends.

Information affecting the interests of shareholders is posted on the Internet resources of the Company, Kazakhstan Stock Exchange JSC and the financial reporting depository in a timely manner.

The Company has an Investor Relations Service whose main task is to organize effective communications between the Company's management and the investment community (potential investors, minority shareholders and professional participants in the securities market) in order to maintain and strengthen the Company's reputation as an investment-attractive company.

In 2021, there were no appeals from the Company's shareholders regarding the actions of the Company and its officials.

Relationship with major shareholder

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, the Relationship Agreement was concluded, which establishes transparent market principles of interaction between the Company and its major shareholder and allows the Company act in the interests of all its shareholders.

The full version of the Agreement is published on the Company's Internet resource www.kaztransoil.kz in the "Shareholders and Investors" section.

10. Remuneration of members of the Board of Directors

The procedure for payment of remuneration and reimbursement of expenses of independent directors is established by the Rules for the payment of remuneration and reimbursement of expenses of independent directors of joint-stock companies of NC KazMunayGas JSC.

Representatives of NC KazMunayGas JSC, as well as the head of the executive body of the Company, who are members of the Board of Directors, do not receive remuneration for their work in this body.

Independent directors, on the basis of contracts concluded with them, are paid:

- fixed remuneration in the amount of 80,000 (eighty thousand) US dollars per year;
- additional remuneration for participation in face-to-face meetings of committees under the Board of Directors in the amount of 1,000 (one thousand) US dollars.

Independent directors are compensated for expenses (travel, accommodation, daily allowance) associated with travel to meetings of the Board of Directors and committees of the Board of Directors of the Company held outside the place of permanent residence of an independent director.

The total amount of accrued remuneration to independent directors of the Company based on the results of their work for 2021 amounted to 169,109 thousand tenge, including taxes.

Remuneration to independent directors of the Company in 2021

(thousand tenge)

Name	Annual remuneration	For participation in the in-person meeting of the Committees	Total excluding taxes	Total including taxes
Almasbek Mukhashov	27 573	3 550	31 123	37 394
Vinicius Agostini Alves	35 041	3 579	38 620	44 214
Hadrien Fraissinet	35 041	3 579	38 620	44 214
Alberto Martinez Lopez	3 852	434	4 286	4 334
Total:	101 507	11 142	112 649	130 156

Additional information on the terms of payment of remuneration to members of the Board of Directors is available on the Company's Internet resource in the "Corporate Governance" section.

11. Management Board report for 2021

The Management Board of the Company is a collegial executive body that manages the current activities of the Company.

The main goals of the Management Board are to ensure the effective fulfillment of the tasks facing the Company and the implementation of the Development Strategy. When fulfilling these goals, the Management Board is guided by the following main principles: honesty, conscientiousness, reasonableness, prudence, regularity, as well as maximum observance of the rights and interests of the Company's shareholders and accountability to the decisions of the General Meeting of Shareholders and the Board of Directors of the Company.

The activity of the Management Board is regulated by the legislation of the Republic of Kazakhstan, the Charter of the Company, the corporate governance code, the Regulations on the Management Board and other internal documents of the Company.

The Management Board is formed by the Board of Directors and reports to the Board of Directors for the work done to achieve the goals of the Company. The Board is headed by the General Director (Chairman of the Board), who organizes and coordinates its work.

The Management Board is responsible for allocating financial and human resources to achieve the goals set by the General Meeting of Shareholders and the Board of Directors.

Additional information on the powers and results of the activities of the Company's Management Board is available on the Company's Internet resource in the "Corporate Governance" section.

12. Composition of the Management Board

The Board of Directors of the Company decided to determine from May 23, 2021 the quantitative composition of the Management Board - 9 (nine) people.

Composition of the Management Board as of December 31, 2021:

Name	Position
Dimash Dossanov	General Director (Chairman of the Board)
Sabit Arynov	Deputy General Director
Yerbolat Mendybayev	Deputy General Director
Alen Tanatarov	Deputy General Director
Zhaiyk Makhin	Deputy General Director
Chingiz Seisekenov	Deputy General Director
Daniyar Mukhamed-Rakhim	Deputy General Director
Shara Adilova	Deputy General Director
Zhaidarman Isakov	Deputy General Director

13. Information about Board meetings in 2021

During 2021, the Management Board of the Company held 33 meetings in person.

In total, the Management Board of the Company made decisions on 182 issues, gave 167 instructions, and as of December 31, 2021, there were no outstanding instructions. Based on the results of the work of the Management Board, 74 issues were submitted for consideration by the Board of Directors, 6 issues were submitted for consideration by the General Meeting of Shareholders of the Company.

Board meeting attendance in 2021:

MB Member	Meeting attendance		Period of being a member of the Management Board in the reporting period
	Number of meetings attended	Percentage of meetings attended	
Dimash Dossanov	26 of 33	79%	01.01.2021 – 31.12.2021
Sabit Arynov	25 of 33	76%	01.01.2021 – 31.12.2021
Yerbolat Mendybayev	22 of 33	67%	01.01.2021 – 31.12.2021
Alen Tanatarov	28 of 33	85%	01.01.2021 – 31.12.2021
Zhaiyk Makhin	26 of 33	79%	01.01.2021 – 31.12.2021
Chingiz Seissekenov	23 of 33	70%	01.01.2021 – 31.12.2021
Daniyar Mukhamed-Rakhim	28 of 33	85%	01.01.2021 – 31.12.2021
Shara Adilova	31 of 33	94%	01.01.2021 – 31.12.2021
Zhaidarman Issakov	31 of 33	94%	01.01.2021 – 31.12.2021

During the meetings, among other things, issues were considered and decisions were made in the following key areas:

- approval of the Report on the implementation of the Business Plan of “KazTransOil” JSC for 2020-2024 in terms of the budget for 2020 at the revalued cost of fixed assets;
- approval of maps of business processes of “KazTransOil” JSC of 1-2-3 level “as will be” and the Action Plan for change management in “KazTransOil” JSC.

Corporate Governance:

- approval of the Annual Report of “KazTransOil” JSC for 2020;
- approval of corporate key performance indicators of “KazTransOil” JSC for 2022 and their target values;
- approval of corporate key performance indicators of “KazTransOil” JSC with actual values and final performance for 2020.

Financial and economic activity:

- approval of the annual financial statements and consolidated annual financial statements of “KazTransOil” JSC for 2020;
- Approval of the annual financial statements and consolidated annual financial statements of subsidiaries and jointly controlled entities;
- approval of draft business plans of “KazTransOil” JSC for 2022-2026 on the revalued and historical cost of fixed assets;
- conclusion with organizations belonging to the group
- Samruk-Kazyna JSC, transactions in which “KazTransOil” JSC has an interest.

Risk management and internal control:

- consideration of the Report on the results of the activities of the Risk Committee of “KazTransOil” JSC for 2021;
- approval of the Work Plan of the Risk Committee of “KazTransOil” JSC for 2022;
- preliminary consideration of quarterly reports on production and non-production risks of “KazTransOil” JSC and its subsidiaries and jointly controlled organizations.

14. Report on the work of the Management Board Committees in 2021

The Risk Committee is a consultative and advisory body under the Management Board of the Company and was established for preliminary consideration of risk management issues of the Company and its subsidiaries and jointly controlled organizations and preparation of recommendations on them for the Management Board of the Company to make the necessary decisions.

In its activities, the Risk Committee is guided by the legislation of the Republic of Kazakhstan, the Charter, the Corporate Governance Code, decisions of the Company's bodies and the Regulations on the Risk Committee of "KazTransOil" JSC, approved by the decision of the Company's Management Board (minutes of the meeting dated January 21, 2019 No. 2), and other internal documents of the Society.

In accordance with paragraph 13 of the above Regulations, the Risk Committee holds meetings in accordance with the annual work plan approved by the Management Board of the Company.

According to the Work Plan of the Risk Committee for 2021, approved by the decision of the Management Board of the Company (minutes of the meeting dated January 25, 2021 No. 1), during the reporting period, the Risk Committee held 5 scheduled meetings, at which:

1) reviewed and approved quarterly reports on production and non-production risks of the Company and its subsidiaries and jointly controlled organizations for the 4th quarter of 2020 and 1-3 quarters of 2021;

2) reviewed the report of the General Director of Batumi Oil Terminal LLC on the measures taken and measures taken to reduce the level of production / non-production risks of Batumi Oil Terminal LLC for 2020;

3) the results of identification and assessment of production and non-production risks of the Company and its subsidiaries and jointly controlled organizations for 2022 were reviewed and agreed upon.

The relevant bodies of the Company submitted all issues considered and agreed upon by the Risk Committee in the reporting period in accordance with the established procedure for further consideration and/or approval.