

**Approved  
by the resolution of the General Meeting  
Shareholders of “KazTransOil” JSC  
(minutes of the meeting  
dated May 24, 2023  
No. 1/2023)**

**Annual Report  
of the Board of Directors of “KazTransOil” JSC  
on the work done in 2022**

**Astana, 2023**

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## 1. General information about the Board of Directors

The Board of Directors is a management body of “KazTransOil” JSC (hereinafter – 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, supervises the activities of the Company's Management Board within its competence and is responsible to the General Meeting of Shareholders for effective management and proper control over the Company's activities in accordance with the existing decision-making system.

In accordance with the Charter of the Company, the Board of Directors consists of 6 members. In accordance with the share capital structure (90% of the total number of ordinary shares is owned by “NC “KazMunayGas” JSC) two members of the Company's Board of Directors are representatives of the major shareholder – “NC “KazMunayGas” JSC. Three members of the Company's Board of Directors are independent directors, which makes it possible to protect the rights and interests of minority shareholders in accordance with international best practices in corporate governance. The General Director (Chair of the Management Board) of the Company is also a member of the Board of Directors.

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

## 2. Composition of the Board of Directors as of December 31, 2022

<b>First name, last name</b>	<b>Position</b>
Marat Ormanov	Chair of the Board of Directors, representative of “NC “KazMunayGas” JSC
Marlene Orazbekov	representative of “NC “KazMunayGas” JSC
Vinicius Agostini Alves	independent director
Talgat Kurmanbayev	member of the Board of Directors, General Director of “KazTransOil” JSC
Alberto Martinez Lopez	independent director
Hadrien Fraissinet	independent director

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

The criteria for selection of 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 Regulation on the Board of Directors of the Company and are posted on the Company's website in the section “Corporate Governance”.

In accordance with the Corporate Governance Code, the Board of Directors has established the independence of directors Vinicius Agostini Alves, Alberto Martinez Lopez and Hadrien Fraissinet, and has determined that there are no relationships or circumstances that have or could have a significant impact on the independent decision-making of the aforementioned directors.

### **4. Competence of the Board of Directors**

The Board of Directors acts in the interests of the Company, determines the strategic goals, priority areas of development and sets the main guidelines of its activities in the long term, based on the principles of sustainable development. It ensures that the necessary financial and human resources are available to carry out the objectives and addresses other significant issues.

Issues within the exclusive competence of the Board of Directors may not be delegated to the Management Board of the Company.

The Board of Directors may not adopt resolutions on issues which in accordance with the Company's Charter fall within the competence of the Company's Management Board, nor may they adopt resolutions contrary to the resolutions of the General Meeting of Shareholders.

### **5. Responsibility of the Board of Directors**

The distribution of powers between the Board of Directors, the Management Board and the General Director (Chair of the Management Board) is determined by Articles 11 and 12 of the Company's Charter.

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

The Board of Directors controls the activities of the Management Board within its competence.

### **6. Information about meetings of the Board of Directors**

A total of 21 in-person meetings of the Board of Directors were held in 2022, at which 180 issues in the following key areas of the Company's activity were considered and resolved:

#### *Strategic development*

- consideration of the Report for 2021 on the implementation of the Development Strategy of “KazTransOil” JSC until 2028;

- consideration of the Report on the implementation of the Business Plan of “KazTransOil” JSC for 2021-2025 in terms of the budget for 2021 at the revalued cost of fixed assets;
- approval of the Business Plans of “KazTransOil” JSC for 2023-2027 at 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 2021;
- approval of the interim (semi-annual) financial statements and interim (semi-annual) consolidated financial statements of “KazTransOil” JSC for the first half of 2022;
- 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 2021 and the amount of dividend for 2021 per one ordinary share of “KazTransOil” JSC;
- entering into interested-party transactions.

#### *Corporate governance*

- approval of the Annual Report of “KazTransOil” JSC for 2021;
- approval of motivational key performance indicators of the executives, Corporate Secretary and Head of the Internal Audit Service of “KazTransOil” JSC for 2022 and their target values;
- approval of the Report on compliance of “KazTransOil” JSC with the principles and provisions of the Corporate Governance Code for 2021;
- endorsement of the Annual Report of the Board of Directors of “KazTransOil” JSC on the work done in 2021.

#### *Internal audit*

- approval of the Annual Audit Plan of the Internal Audit Service of “KazTransOil” JSC for 2023;
- approval of the budget of the Internal Audit Service of “KazTransOil” JSC for 2023;
- hearing of reports of the Internal Audit Service of “KazTransOil” JSC.

#### *Risk management and internal control*

The Corporate Risk Management System (hereinafter – CRMS) and the internal control system (hereinafter – ICS) are key components of the corporate governance system and are aimed at timely identification, assessment, monitoring and reduction of potential risk events that may adversely affect the achievement of

strategic and operational objectives of the Company. According to the Company's CRMS Policy, one of the main objectives of the CRMS is to introduce a vertical process for managing production and non-production risks in the Company, starting from the top level to the line level and integrating the risk management process with the Company's key business processes.

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 entities;
- approval of the results of identification and assessment of production and non-production risks of “KazTransOil” JSC and its subsidiaries and jointly controlled entities for 2023.

The Board of Directors also considered a number of issues referred to the competence of general meetings of participants/shareholders of the Company's subsidiaries and jointly controlled entities.

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

## 7. Attendance of the Board of Directors meetings

Director	Attendance of meetings	%	Period of being a member of the Board of Directors in the reporting period
Daniyar Berlibayev	8 of 8	100%	January 1, 2022 – May 19, 2022
Marat Ormanov	13 of 13	100%	May 19, 2022 – December 31, 2022
Marlene Orazbekov	21 of 21	100%	January 1, 2022 – December 31, 2022
Talgat Kurmanbayev	15 of 15	100%	April 12, 2022 – December 31, 2022
Vinicius Agostini Alves	21 of 21	100%	January 1, 2022 – December 31, 2022
Alberto Martinez Lopez	21 of 21	100%	January 1, 2022 – December 31, 2022
Hadrien Fraissinet	21 of 21	100%	January 1, 2022 – December 31, 2022

## 8. Report on the work of the Committees of the Board of Directors

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

There are three committees under the Board of Directors:

- Strategic Planning, Safety and Environmental Protection Committee;
- Nomination and Remuneration Committee;

- Internal Audit Committee.

### **Strategic Planning, Safety and Environmental Protection Committee**

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

The Committee consists of members of the Board of Directors and experts with the necessary professional knowledge to serve on the Committee, the number of members of which shall be determined by the Board of Directors of the Company. The Committee shall be chaired by an independent director.

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

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

Meetings of the Committee shall be held as necessary, but at least once every six months.

During 2022, the Committee held 3 in-person meetings and 1 meeting by absentee vote, in which all of its members participated. The meetings considered and made recommendations on the following major issues:

- On recommendations to the Board of Directors of “KazTransOil” JSC for preparation of proposals to the General Meeting of Shareholders of “KazTransOil” JSC on the procedure for distribution of net income of “KazTransOil” JSC for 2021 and the amount of dividend for 2021 per ordinary share of “KazTransOil” JSC;
- On consideration of the Report on the results of development and functioning of the sustainable development system of “KazTransOil” JSC for 2021;
- On recommendations to the Board of Directors of “KazTransOil” JSC on approval of the business plans of “KazTransOil” JSC for 2023-2027 at the revalued and historical cost of fixed assets;
- On recommendations on the issue of communication with the minority shareholders of “KazTransOil” JSC;
- On consideration of updated information on the impact of sanctions against the Russian Federation on the activities of “KazTransOil” JSC and its subsidiaries and jointly controlled entities.

### **Nomination and Remuneration Committee**

The main purpose of the Committee is to assist the Board of Directors in exercising its powers relating to the selection, appointment (election), evaluation

and remuneration of members of the Board of Directors, General Director (Chair of the Management Board) and members of the Management Board, and the Corporate Secretary.

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

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

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

Meetings of the Committee are held as necessary, but at least twice a year.

During 2022, 3 in-person meetings of the Personnel and Compensation Committee and 7 meetings by absentee vote were held to consider and make recommendations on the following major issues:

- On recommendations on the issue of approval of motivational key performance indicators of the executives for 2022 and their target values;
- On recommendations on the issue of approval of the motivational key performance indicators of the Corporate Secretary of “KazTransOil” JSC for 2022 and their target values;
- On recommendations on the issue of approval of corporate and functional key performance indicators of the Ombudsman of “KazTransOil” JSC for 2022 and their target values;
- On recommendation on the issue of consideration of the Report on the results of the work of the Ombudsman of “KazTransOil” JSC for 2021;
- On recommendation on the issue of approval of motivational key performance indicators of the executives and Corporate Secretary of “KazTransOil” JSC with the actual values and the final performance for 2021.

### **Internal Audit Committee**

The activity of the Internal Audit Committee is aimed at assisting the Board of Directors of the Company on issues of external and internal audit, financial statements, internal control and risk management, evaluation of assets, compliance with the laws of the Republic of Kazakhstan, as well as on other issues as directed by the Board of Directors of the Company.

The members of the Board of Directors who are members of the Committee, including the Chair of the Committee, shall be independent directors.

*Composition of the Internal Audit Committee* (elected by resolution 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 necessary, but at least once a quarter.

If necessary, the lead partner and/or other representatives of the Company's external auditor, "Ernst & Young" LLP, may attend Committee meetings at the invitation of the Committee Chair in order to jointly consider the audit results.

During the reporting period, the Internal Audit Committee held 3 in-person meetings and 5 meetings by absentee vote, which resulted in recommendations on the following key issues:

- On preliminary endorsement of the separate and consolidated financial statements of "KazTransOil" JSC for 2021;
- On preliminary endorsement of the Report of the Internal Audit Service of "KazTransOil" JSC on the results of work for 2021;
- On consideration of information on compliance with the Rules of internal control over the disposal and use of insider information of "KazTransOil" JSC and the report on the results of training of insiders of "KazTransOil" JSC for 2021;
- On preliminary endorsement of the Annual Audit Plan of the Internal Audit Service of "KazTransOil" JSC for 2023;
- On preliminary endorsement of the budget of the Internal Audit Service of "KazTransOil" JSC for 2023;
- On preliminary endorsement of the Strategic Plan of the Internal Audit Service of "KazTransOil" JSC for 2023-2025;
- On preliminary endorsement of functional key performance indicators of the Internal Audit Service of "KazTransOil" JSC and its Head for 2023.

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 website in the "Corporate Governance" section.

## **9. Shareholder relations**

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

The basic rights of shareholders shall be exercised in accordance with the laws of the Republic of Kazakhstan and the Company's Charter.

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

Information affecting the interests of shareholders is timely posted on the Internet resources of the Company, "Kazakhstan Stock Exchange" JSC and the depository of financial statements.

The Company has the 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

securities market participants) in order to maintain and strengthen the Company's reputation as an investment-attractive company.

During 2022, three shareholder appeals were received and considered, with the following responses provided:

regarding the first shareholder appeal concerning the reduction of the dividend amount for 2021, the Company explained that when preparing the dividend proposal for 2021 the Board of Directors proceeded from the need to ensure the Company's financial stability against the background of the current situation in the country and the world and the need for the Company's long-term development in the interests of shareholders;

regarding the second appeal signed by 10 shareholders demanding that an extraordinary General Meeting of Shareholders be convened to consider the issue of additional dividend payments for 2021, as well as demanding that the Company buy back outstanding shares at their book value in the event that the Company refuses to convene an extraordinary General Meeting of Shareholders, the relevant explanations were provided on the impossibility of considering the issue of the additional payment of dividends for 2021, the inconsistency of the request for the Company to buy back the outstanding shares with the provisions of Article 27 of the Law;

regarding the third appeal of a shareholder regarding buyback of the outstanding shares by the Company due to the shareholder's disagreement with the decision on conclusion of the transaction between “Main Waterline” LLP and “Renco-Kat” LLP to implement the project “Reconstruction and expansion of the main water pipeline “Astrakhan-Mangyshlak” Stage 1”, the Company gave explanations on non-compliance of the request for the Company's buyback of the outstanding shares with provisions of sub-clause 2) of clause 1 of Article 27 of the Law.

### **Relationship with the major shareholder**

On October 30, 2012 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, entered into the Relationship Agreement which establishes transparent market principles of interaction between the Company and its major shareholder and allows the Company to act in the interests of all its shareholders.

*The full version of the Agreement is published on the Company's website [www.kaztransoil.kz](http://www.kaztransoil.kz) in the “To 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 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 Company's executive body, 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 attending in-person meetings of the committees of the Board of Directors in the amount of 1,000 (one thousand) US dollars.

Independent directors are reimbursed for expenses (travel, accommodation, per diem) associated with trips to meetings of the Board of Directors and committees of the Board of Directors 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 their performance in 2022 amounted to 137,277 thousand tenge, including taxes.

### **Remuneration to the independent directors of the Company in 2022**

(thousand tenge)

<b>Full name</b>	<b>Annual remuneration</b>	<b>For participation in in-person Committee meetings</b>	<b>Total net of taxes</b>	<b>Total including taxes</b>
Vinicius Agostini Alves	37,060	3,688	40,748	45,879
Hadrien Fraissinet	37,060	3,688	40,748	45,629
Alberto Martinez Lopez	37,060	3,688	40,748	45,769
<b>Total:</b>	<b>111,180</b>	<b>11,064</b>	<b>122,244</b>	<b>137,277</b>

Additional information on the terms of remuneration to the members of the Board of Directors is available on the Company's website in the “Corporate Governance” section.

### **11. Report of the Management Board for 2022**

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

The main objectives of the Management Board are to ensure the effective accomplishment of the Company's tasks and the implementation of its development strategy. In carrying out these objectives, the Management Board is guided by the following basic principles: honesty, integrity, reasonableness, prudence, regularity, as well as maximum respect for the rights and interests of the

Company's shareholders and accountability to the resolutions of the General Meeting of Shareholders and the Board of Directors of the Company.

The activity of the Management Board is governed by the laws of the Republic of Kazakhstan, the Company's Charter, 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 on the work done to achieve the Company's goals. The Management Board is headed by the General Director (Chair of the Management 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 about the powers of the Company's Management Board is available on the Company's website in the "Corporate Governance" section.

## **12. Composition of the Management Board**

The Board of Directors of the Company decided to set the number of members of the Management Board at 7 (seven) persons starting from March 1, 2022.

Composition of the Management Board as of December 31, 2022:

<b>First name, last name</b>	<b>Position</b>
Talgat Kurmanbayev	General Director (Chair of the Management Board)
Sabit Arynov	Deputy General Director for Production
Erik Sagiyev	Deputy General Director for Transportation
Amirzhan Ospanov	Deputy Director General for Economics and Finance
Gaziz Koshanov	Managing Director for Social and Labor Relations and General Issues
Zhaidarman Issakov	Managing Director for Legal Issues

## **13. Information about the Management Board meetings in 2022**

During 2022, the Company's Management Board held 43 in-person meetings; the Management Board passed resolutions on 236 issues.

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

### *Strategic development*

- endorsement of the Report for 2021 on the implementation of the Development Strategy of “KazTransOil” JSC until 2028;

- endorsement of the Report on the implementation of the Business Plan of “KazTransOil” JSC for 2021-2025 in terms of the budget for 2021 at the revalued cost of fixed assets;
- endorsement of the draft business plans of “KazTransOil” JSC for 2023-2027 at the revalued and historical cost of fixed assets.

Corporate governance:

- endorsement of the Annual Report of “KazTransOil” JSC for 2021;
- approval of the corporate key performance indicators of “KazTransOil” JSC with the actual values and the final performance for 2021.

Financial and economic activity:

- endorsement of the annual financial statements and consolidated annual financial statements of “KazTransOil” JSC for 2021;
- endorsement of the procedure for distribution of net income of “KazTransOil” JSC for 2021 and the amount of dividend for 2021 per ordinary share of “KazTransOil” JSC;
- endorsement of the annual financial statements and consolidated annual financial statements of subsidiaries and jointly controlled entities.

Risk management and internal control:

- endorsement of quarterly reports on production and non-production risks of “KazTransOil” JSC and its subsidiaries and jointly controlled entities;
- endorsement of the results of identification and assessment of production and non-production risks of “KazTransOil” JSC and its subsidiaries and jointly controlled entities for 2023;
- approval of the Rules of the business continuity management system of “KazTransOil” JSC;
- endorsement of the draft Rules of the internal control system of “KazTransOil” JSC.

**Attendance of the Management Board meetings in 2022:**

Member of the Management Board	Attendance of meetings		Period of being a member of the Management Board in the reporting period
	Number of meetings attended	Percentage of meetings attended	
Talgat Kurmanbayev	35 of 37	95%	February 23, 2022 – December 31, 2022
Dimash Dossanov	0 of 1	0 %	January 1, 2022 – January 14, 2022
Sabit Arynov	35 of 43	81 %	January 1, 2022 – December 31, 2022
Erik Sagiyev	27 of 35	77 %	March 5, 2022 – December 31, 2022

Member of the Management Board	Attendance of meetings		Period of being a member of the Management Board in the reporting period
	Number of meetings attended	Percentage of meetings attended	
Amirzhan Ospanov	21 of 21	100 %	June 15, 2022 – December 31, 2022
Gaziz Koshanov	30 of 31	97 %	April 15, 2022 – December 31, 2022
Zhaidarman Issakov	42 of 43	98 %	January 1, 2022 – December 31, 2022
Chingiz Seissekenov	2 of 3	67 %	January 1, 2022 – January 28, 2022
Daniyar Mukhamed-Rakhim	2 of 3	67 %	January 1, 2022 – January 28, 2022
Alen Tanatarov	6 of 7	86 %	January 1, 2022 – February 28, 2022
Shara Adilova	5 of 7	71 %	January 1, 2022 – February 28, 2022
Yerbolat Mendybayev	6 of 8	75 %	January 1, 2022 – March 4, 2022
Arman Maikenov	3 of 5	60 %	March 1, 2022 – April 14, 2022
Zhaiyk Makhin	15 of 19	79 %	January 1, 2022 – May 20, 2022

#### **14. Report on the work of the Committees under the Management Board in 2022**

The Risk Committee is an advisory and consultative 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 entities (hereinafter – SJCEs) and preparation of recommendations on them to the Management Board of the Company for taking necessary decisions.

In its activities, the Risk Committee is guided by the laws of the Republic of Kazakhstan, the Charter, the Corporate Governance Code, resolutions of the Company's bodies and the Regulations on the Risk Committee of “KazTransOil” JSC, approved by the Management Board of the Company (Minutes No. 2 dated January 21, 2019), and other internal documents of the Company.

In accordance with clause 13 of the aforementioned Regulations, the Risk Committee meets in accordance with the annual work plan approved by the Company's Management Board.

According to the Work Plan of the Risk Committee of “KazTransOil” JSC for 2022, approved by the resolution of the Management Board of the Company (minutes of the meeting dated January 21, 2022 No. 2), during the reporting period, the Risk Committee held 6 meetings, at which:

1) considered and agreed upon quarterly reports on production and non-production risks of the Company and its SJCEs for Q4 2021 and Q1 through Q3 2022;

2) considered the risk associated with unlawful acts on the part of third parties;

3) considered and agreed upon the results of the identification and assessment of production and non-production risks of the Company and its SJCEs for 2023;

4) considered and agreed upon the calendar schedule of works on the internal control system of “KazTransOil” JSC for 2023.

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