

**Approved
by the resolution
of the General Meeting
of Shareholders of
“KazTransOil” JSC
(minutes of the meeting
dated May 2023, 2024 No. 1/2024)**

**Annual Report
of the Board of Directors of “KazTransOil” JSC
on the work done in 2023**

Astana, 2024

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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, 2023

In November 2021, the quantitative composition of the Board of Directors of 6 persons was determined by resolution of the General Meeting of Shareholders. The same resolution determined the term of office for three years and elected the members of the Board of Directors.

In accordance with the submitted written notifications:

On July 15, 2023, the powers of Marlen Orazbekov, a member of the Board of Directors of the Company, were early terminated on his own initiative;

On July 17, 2023, the powers of Marat Ormanov, Chair of the Board of Directors of the Company, were early terminated on his own initiative.

In accordance with the resolution of the General Meeting of Shareholders of the Company:

On August 14, 2023, the terms of office of Vinicius Agostini Alves and Alberto Martinez Lopez, members of the Board of Directors of the Company, were early terminated.

By the same resolution, the following persons were elected to the Board of Directors of the Company:

- 1) Bulat Zakirov – representative of “NC “KazMunayGas” JSC;
- 2) Ardak Kassymbek – representative of “NC “KazMunayGas” JSC;
- 3) Kazbek Kussainov – independent director;
- 4) Timothy Glen Miller – independent director.

First name, last name	Position
Bulat Zakirov	Chair of the Board of Directors, representative of “NC “KazMunayGas” JSC
Ardak Kassymbek	representative of “NC “KazMunayGas” JSC
Talgat Kurmanbayev	member of the Board of Directors, General Director (Chair of the Management Board) of “KazTransOil” JSC
Kazbek Kussainov	independent director
Timothy Glen Miller	independent director
Hadrien Fraissinet	independent director

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

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 Regulations on the Board of Directors of the Company.

In accordance with the Corporate Governance Code, the Board of Directors has established the independence of directors Kazbek Kussainov, Timothy Glen Miller and Hadrien Fraissinet, and has also determined that there are no relationships or circumstances that have or may have a significant influence on the independent decision-making of the above 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 accomplish 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 it 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 16 in-person meetings of the Board of Directors were held in 2023, at which 142 issues in the following key areas of the Company's activity were considered and resolved:

Strategic development

- consideration of the Report for 2022 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 2022-2026 in terms of the budget for 2022 at the revalued cost of fixed assets;
- approval of the business plans of “KazTransOil” JSC for 2024-2028 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 audited annual financial statements and audited consolidated annual financial statements of “KazTransOil” JSC for 2022;
- approval of the interim (semi-annual) financial statements and interim (semi-annual) consolidated financial statements of “KazTransOil” JSC for the first half of 2023;
- proposals of the Board of Directors to the General Meeting of Shareholders of “KazTransOil” JSC on the procedure for distribution of net income of “KazTransOil” JSC for 2022 and the amount of dividend for 2022 per ordinary share of “KazTransOil” JSC;
- entering into interested-party transactions.

Corporate governance

- approval of the Annual Report of “KazTransOil” JSC for 2022;
- approval of motivational key performance indicators of the executives of “KazTransOil” JSC for 2023 and their target values;
- approval of motivational key performance indicators of the Corporate Secretary of “KazTransOil” JSC for 2023 and their target values;

- approval of the Report on compliance of “KazTransOil” JSC with the principles and provisions of the Corporate Governance Code for 2022;
- endorsement of the Annual Report of the Board of Directors of “KazTransOil” JSC on the work done in 2022.

Internal audit

- approval of the annual audit plan of the Internal Audit Service of “KazTransOil” JSC for 2024;
- approval of the budget of the Internal Audit Service of “KazTransOil” JSC for 2024;
- hearing of reports of the Internal Audit Service of “KazTransOil” JSC.

Risk management and internal control

The corporate risk management system and the internal control system 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 corporate risk management system policy of the Company, one of its main tasks is to introduce a vertical process of production and non-production risk management in the Company, starting from the top level up to the line level, and to integrate 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 entities (hereinafter – SJCEs);
- approval of the results of identification and assessment of production and non-production risks of “KazTransOil” JSC and its SJCEs for 2024.

The Board of Directors also considered a number of issues within the competence of the General Meetings of Participants/Shareholders of the Company's SJCEs.

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
	Number of meetings attended	Percentage of meetings attended	
Marat Ormanov	10 out of 10	100%	January 1, 2023 – July 16, 2023
Bulat Zakirov	5 out of 5	100%	August 14, 2023 – December 31, 2023
Marlen Orazbekov	10 out of 10	100%	January 1, 2023 – July 14, 2023
Ardak Kassymbek	5 out of 5	100%	August 14, 2023 – December 31, 2023
Talgat Kurmanbayev	16 out of 16	100%	January 1, 2023 – December 31, 2023
Vinicius Agostini Alves	11 out of 11	100%	January 1, 2023 – August 14, 2023
Alberto Martinez Lopez	11 out of 11	100%	January 1, 2023 – August 14, 2023
Kazbek Kussainov	5 out of 5	100%	August 14, 2023 – December 31, 2023
Timothy Glen Miller	5 out of 5	100%	August 14, 2023 – December 31, 2023
Hadrien Fraissinet	16 out of 16	100%	January 1, 2023 – December 31, 2023

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 August 14, 2023):

- Timothy Glen Miller – independent director, Chair;
- Kazbek Kussainov – independent director;
- Hadrien Fraissinet – independent director.

During 2023, the Committee held 2 in-person meetings and 1 meeting by absentee vote, with all Committee members in attendance. The meetings considered and made recommendations on the following main issues:

- 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 2022 and the amount of dividend for 2022 per ordinary share of “KazTransOil” JSC;
- on consideration of the Report on Sustainable Development of “KazTransOil” JSC for 2022;
- on recommendations to the Board of Directors of “KazTransOil” JSC on approval of the business plans of “KazTransOil” JSC for 2024-2028 at the revalued and historical cost of fixed assets;
- on recommendations on the issue of interaction with minority shareholders of “KazTransOil” JSC.

Nomination and Remuneration Committee

The main purpose of the Committee is to assist the Board of Directors in exercising its powers in the area of HR and social policies, succession planning for the Chair and members of the Management Board, the system of election/appointment and remuneration of members of the Board of Directors, members of the Management Board, including the General Director (Chair of the Management Board), Corporate Secretary and Ombudsman of the Company.

A majority of the independent directors of the Board of Directors of the Company shall be members of the Committee. At the same time, independent directors of the Board of Directors of the Company shall represent the majority of the Committee's members.

Composition of the Nomination and Remuneration Committee (elected by resolution of the Board of Directors of the Company dated August 14, 2023):

- Kazbek Kussainov – independent director, Chair;
- Ardak Kassymbek – representative of “NC “KazMunayGas” JSC;
- Timothy Glen Miller – independent director;
- Hadrien Fraissinet – independent director.

Committee meetings shall be held as needed, but at least four times a year.

During 2023, the Nomination and Remuneration Committee held three in-person meetings and three meetings by absentee vote to consider and make recommendations on the following main issues:

- on recommendations on the issue of approval of corporate key performance indicators of “KazTransOil” JSC for 2023 and their target values;
- on recommendations on the issue of approval of motivational key performance indicators of the executives for 2023 and their target values;
- on recommendations on the issue of approval of motivational key performance indicators of the Corporate Secretary of “KazTransOil” JSC for 2023 and their target values;
- on recommendations on the issue of approval of motivational key performance indicators of the executives and the Corporate Secretary of “KazTransOil” JSC with the actual values and final performance for 2022;
- on recommendations on formation of the list of candidates to the Board of Directors of “KazTransOil” JSC.

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.

Three members of the Committee, including the Chair of the Committee, must be independent directors.

Composition of the Internal Audit Committee (elected by resolution of the Board of Directors of the Company dated August 14, 2023):

- Hadrien Fraissinet – independent director, Chair;
- Kazbek Kussainov – independent director;
- Ardak Kassymbek – representative of “NC “KazMunayGas” JSC;
- Timothy Glen Miller – 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 6 in-person meetings and 3 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 2022;
- on preliminary endorsement of the Report of the Internal Audit Service of “KazTransOil” JSC on the results of work for 2022;

- on consideration of the Report on the activities of the Compliance Control Service of “KazTransOil” JSC for 2022;
- on preliminary endorsement of the annual audit plan of the Internal Audit Service of “KazTransOil” JSC for 2024;
- on preliminary endorsement of the budget of the Internal Audit Service of “KazTransOil” JSC for 2024;
- on preliminary endorsement of the functional key performance indicators of the Internal Audit Service of “KazTransOil” JSC and its head for 2024.

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, the main task of which 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.

Thus, in 2023, in order to highlight the Company's activities, 3 meetings with shareholders were held within the framework of the Issuer's Day on KASE platform: to announce production and financial results for 2022, for 1 half of 2023 and for 9 months of 2023, respectively.

In 2023, there were no appeals of the Company's shareholders against actions of the Company and its officials.

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 in the "To Shareholders and Investors" section.

10. Remuneration of members of the Board of Directors

The procedure and terms of payment of remuneration and reimbursement of expenses to the members of the Board of Directors are established by the Rules of formation of the Boards of Directors / Supervisory Boards of the companies of "NC "KazMunayGas" JSC.

The amount and terms of remuneration to representatives of a major shareholder "NC "KazMunayGas" JSC shall be determined based on the resolution of the authorized body of "NC "KazMunayGas" JSC. At the same time, employees of "NC "KazMunayGas" JSC, whose functional duties include representing the interests of "NC "KazMunayGas" JSC in the Boards of Directors of the companies of "NC "KazMunayGas" JSC, are not paid remuneration for membership in the Board of Directors. In addition, the Head of the Company's executive body who is a member of the Board of Directors does not receive remuneration for his/her work in this body.

The following remunerations are paid to the members of the Board of Directors on the basis of contracts concluded with them:

Independent directors:

- fixed remuneration in the amount of 80 thousand US dollars per year;
- additional remuneration for participation in in-person meetings of the Committees under the Board of Directors in the amount of 1 thousand US dollars.

Representative of "NC "KazMunayGas" JSC:

- fixed remuneration in the amount of 18 million tenge per year;
- additional remuneration for participation in in-person meetings of the Committees under the Board of Directors in the amount of 450 thousand tenge.

The Company reimburses members of the Board of Directors for expenses (travel, accommodation, per diem) associated with travel to meetings of the Board of Directors, Committees of the Board of Directors and meetings initiated by the Chair of the Board of Directors and/or the Chair of the Management Board of "NC "KazMunayGas" JSC held outside the place of permanent residence of a member of the Board of Directors.

The total amount of accrued remuneration based on the results of work for 2023 to the members of the Board of Directors of the Company on the basis of contracts concluded with them amounted to 151,332 thousand tenge, including taxes.

Remuneration to the members of the Board of Directors of the Company in 2023

(thousand tenge)

Member of the Board of Directors	Annual remuneration	For participation in in-person Committee meetings	Total net of taxes	Total including taxes
Vinicius Agostini Alves	22,495	2,791	25,286	28,733
Alberto Martinez Lopez	22,495	2,791	25,286	28,733
Timothy Glen Miller	13,854	2,425	16,279	18,235
Kazbek Kussainov	13,853	2,407	16 260	18,235
Ardak Kassymbek	6,871	1,867	8,738	10,440
Hadrien Fraissinet	36,348	5,218	41,566	46,956
Total:	115,916	17,499	133,415	151,332

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 2023

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 performed 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 resolved to determine the number of members of the Management Board as of March 1, 2022 – 7 (seven) persons.

Composition of the Management Board as of December 31, 2023:

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

13. Information about the Management Board meetings in 2023

During 2023, the Company's Management Board held 32 in-person meetings, and the Company's Management Board adopted resolutions on 210 issues.

Within the framework of the meetings held, among other things, issues were considered and resolutions were adopted in the following key areas:

Strategic development

- endorsement of the Report for 2022 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 2022-2026 in terms of the budget for 2022 at the revalued cost of fixed assets;
- endorsement of draft business plans of “KazTransOil” JSC for 2024-2028 at the revalued and historical cost of fixed assets.

Corporate governance

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

Financial and economic activity

- endorsement of the audited annual financial statements and the audited consolidated annual financial statements of “KazTransOil” JSC for 2022;

- endorsement of the procedure for distribution of net income of “KazTransOil” JSC for 2022 and the amount of dividend for 2022 per ordinary share of “KazTransOil” JSC;
- endorsement of the annual financial statements and consolidated annual financial statements of subsidiaries and jointly controlled entities for 2022.

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 2024.

Attendance of the Management Board meetings in 2023:

Member of the Management Board	Attendance of meetings		Period of membership in the Management Board in the reporting period
	Number of meetings attended	Percentage of meetings attended	
Talgat Kurmanbayev	30 out of 32	94%	January 1, 2023 – December 31, 2023
Sabit Arynov	4 out of 4	100%	January 1, 2023 – March 2, 2023
Temirkhan Abdirov	20 out of 28	71%	March 13, 2023 – December 31, 2023
Amirzhan Ospanov	31 out of 32	97%	January 1, 2023 – December 31, 2023
Erik Sagiyeu	28 out of 32	87%	January 1, 2023 – December 31, 2023
Zhaidarman Issakov	30 out of 32	94%	January 1, 2023 – December 31, 2023
Gaziz Koshanov	26 out of 32	81%	January 1, 2023 – December 31, 2023

14. Report on the work of the Committees under the Management Board in 2023

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 SJCEs and preparation of recommendations on them to the Management Board of the Company for adoption of necessary resolutions.

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 2023, approved by the resolution of the Management Board of the Company (minutes of the meeting dated January 20, 2023 No. 1), during the reporting period the Risk Committee held 7 meetings, at which:

- 1) considered and agreed upon quarterly reports on production and non-production risks of the Company and its SJCEs for Q4 2022 and Q1-3 2023;
- 2) considered and agreed upon the Classifier of business processes of "KazTransOil" JSC;
- 3) considered and agreed upon block diagrams, risk and control matrices for some business processes of "KazTransOil" JSC;
- 4) considered and agreed upon the results of the identification and assessment of production and non-production risks of the Company and its SJCEs for 2024.

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.