

**Analytical Statement
based on the Corruption Risks Internal Analysis
in KazTransOil JSC for the period of 2021-2022**

Astana city

December 26, 2022

In order to identify and study the causes and conditions that may contribute to the commission of corruption offenses in KazTransOil JSC (the Company), in the period from November 15 to December 9, 2022, a working group established by Order No. 132 of the General Director (Chairman of the Management Board) of the Company dated November 15, 2022 "On Internal Analysis corruption risks in KazTransOil JSC", in the following composition:

Abdirova Gulnara Kaiyrbekovna – Chief Manager, Compliance Control Service, Head;

Ibraimov Rauan Sabituly – Deputy Director, Contracts Legal Expertise Department;
Isenova Asem Bolatovna – Head, Business Process Management Unit under the Business Process and Risk Management Department;

Bekibayev Tuyakbai Sergeyeovich – Chief Manager, Corporate Security Sector under the Corporate Security Department;

Yelshibekov Bakytzhan Kenesbekovich – Chief Manager, Compliance Control Service;

Sunkarbekov Yerken Sabitovich – Chief Legal Adviser, Contracts Legal Expertise Department (hereinafter referred to as the working group),

an internal analysis of corruption risks in the Company was carried out in the following areas:

1) identification of corruption risks in the organizational and managerial activities of the Company on the following issues:

monitoring the procurement contracts execution;

making purchases using a single source method;

ensuring safety, labor protection and emergency management;

2) identification of corruption risks in the Company's internal documents on the issues specified in subparagraph 1) of this paragraph.

The basis for conducting an internal analysis of corruption risks in the Company

Order of the General Director (Chairman of the Management Board) of the Company dated November 15, 2022 No. 132 "On conducting an internal analysis of corruption risks in KazTransOil JSC".

Information on identified corruption risks

1. Identification of corruption risks in organizational and managerial activities on the following issues:

1.1 Monitoring the execution of procurement contracts

The process of monitoring the execution of contracts for the procurement of goods, works, services (hereinafter referred to as GWS) is an auxiliary business process of the

Company aimed at ensuring that both suppliers of GWS and the Company fulfill their obligations under contracts for the GWS purchase. This process covers such areas as confirmation of high-quality, timely fulfillment by GWS suppliers of concluded contracts (by signing certificates of completed work / services, waybills for goods, providing certificates of conformity of goods and other documents in accordance with the terms of contracts), control over the timely fulfillment by the Company of obligations under concluded contracts, including acceptance of GWS, payment for GWS, as well as the performance by the Company of claims and lawsuits against suppliers of GWS that failed/improperly fulfilled their obligations under the concluded contracts.

In 2021, the Company filed claims to 229 suppliers in the amount of 173,447,456.50 tenge; 129,600,763.24 tenge was paid. For 9 months of 2022, 231 claims were made to suppliers in the amount of 441,827,210.32 tenge; 338,729,782.12 tenge were paid.

Moreover, in 2021, the Company initiated 4 court proceedings related to suppliers' failure to perform/ improperly perform contracts for the procurement of goods in the amount of 10,972,399 tenge, for the elapsed period of 2022 in the amount of 334,601,392.31 tenge. As of December 1, within the framework of the lawsuits initiated by the Company, suppliers paid fines in the amount of KZT 341,111,058.31.

When monitoring GWS procurement contracts, the Company, among other things, is guided by the following documents:

- 1) Civil Code of the Republic of Kazakhstan;
- 2) Civil Procedure Code of the Republic of Kazakhstan;
- 3) The procurement procedure of Samruk-Kazyna National Welfare Fund JSC and legal entities with fifty or more percent of the voting shares (participatory interest) directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, approved by the Board of Directors of Samruk-Kazyna JSC (hereinafter - the Fund) (Minutes No. 193 of March 3, 2022) (in effect since April 1, 2022) (hereinafter - the Procurement Procedure);
- 4) The Procurement Rules through E-shop, approved by the resolution of the Management Board of the Fund (Minutes No. 59/21 of the meeting as of December 30, 2021);
- 5) The rules of control over the procurement by Samruk-Kazyna National Welfare Fund JSC and legal entities with fifty percent or more of the voting shares (participation interests) directly or indirectly belong to Samruk-Kazyna National Welfare Fund JSC on the right of ownership or trust management, approved by the resolution of the Board of Directors of the Fund (Minutes of the Meeting as of December 9, 2021 No. 190);
- 6) The procedure for supporting producers approved by the resolution of the Fund's Management Board (Minutes of the Meeting dated September 21, 2020 No. 34/20);
- 7) The Rules for Managing the procurement activities of the National Company KazMunayGas Joint Stock Company and legal entities with fifty or more percent of the voting shares (participation interests) directly or indirectly owned by NC KazMunayGas JSC on the right of ownership or trust management, approved by the resolution of the Board of NC KazMunayGas JSC (Minutes of the Meeting dated March 26, 2020 No. 11);
- 8) The Rules for the preparation, conclusion, registration and execution of contracts in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the Meeting dated July 30, 2015 No. 17) (hereinafter – the Rules for Contracts);

9) Rules for the Management of Legal Support Processes approved by the resolution of the Company's Management Board (Minutes of the meeting dated November 21, 2018 No. 30) (hereinafter referred to as the MB Rules);

10) The Rules for Making payments to KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the Meeting dated November 1, 2018 No. 27) (hereinafter referred to as the Payment Rules).

It should be noted that earlier, before the enactment of the Procurement Procedure, the Procurement Management Standard of Samruk-Kazyna National Welfare Fund JSC and entities with fifty or more percent of voting shares (equity) directly or indirectly owned by the Fund on the right of ownership or trust management (was in effect until January 1, 2022) (hereinafter - the Standard), the Procurement Procedure of Samruk-Kazyna National Welfare Fund Joint Stock Company and entities with fifty or more percent of the voting shares (interest) directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, in the editions approved by the resolutions of the Board of Directors of the Fund dated July 3, 2019 (Minutes of Meeting No. 161), dated December 9, 2021 (Minutes of Meeting No. 190) (hereinafter - the Order), provided obligations for the customer:

organization of claim work in accordance with the terms of the procurement contract and in compliance with the requirements of the current legislation of the Republic of Kazakhstan;

control over the execution of the contract in accordance with the civil legislation of the Republic of Kazakhstan, the Procedure, Standard and internal document of the customer regulating the preparation, conclusion and execution of contracts.

Currently, Article 63.2 of the Procurement Procedure (effective from April 1, 2022) strictly regulates the obligation of the customer to monitor the execution of procurement contracts in terms of supplies of GWS (quantity, quality, timing), payment, conducting claim work by developing reports using automation tools. In accordance with paragraphs 47 - 50 of the Contract Rules, the control of the contract and taking necessary measures to prevent possible non-performance or untimely performance of the contract is the responsibility of the contract initiator. At the same time, the Contracts and Local Content Development Department of the Company (the CLCDD) has the right to request information from the Company's business units on the progress of the contract to clarify the reasons for non-performance and/or improper performance of the concluded contract. In the event that the Company or another party violates the terms of the contract, the initiating department sends a memo signed by the head of the initiating department and the Company's Deputy General Director for Business Support (currently the Managing Director for Commerce) with supporting materials to decide on further measures to execute or terminate the contract. At the same time, in the course of the established practice, the monitoring of the execution of contracts is also carried out by the CLCDD in the electronic procurement system www.zakup.sk.kz, which is the web portal of the Fund's purchases and the Fund's entities (the Procurement System).

According to paragraph 18 of the MB Rules, if the Company's counterparty fails to perform or improperly performs its contractual obligations under the contract concluded with the Company, the CLCDD together with the procurement initiator in the prescribed manner sends a claim to such counterparty. In the event of a complete or partial refusal to satisfy the Company's claim or failure to receive a response within 30 (thirty) calendar days from the date of the claim or within the time stipulated in the contract, not counting the

time the postal item is in transit, CLCDD, together with the initiator of the purchase, initiates filing a lawsuit in court in accordance with the established procedure.

Payments under concluded contracts are carried out in the Company automatically in the SAP system in accordance with the procedure defined by the Payment Rules.

The Working Group studied the results of inspections of the Company by control bodies in 2021, as well as for the past period of 2022, whereby recommendations were made aimed at taking measures against suppliers who did not fulfill their obligations under contracts, as well as to prevent the extension of the contract terms in case of no grounds provided for by the Procurement Procedure. Corruption risks were not identified during these inspections.

In view of the above, the working group notes that the Company's procedures for monitoring contract performance are quite effective and transparent, but the contract performance monitoring process needs to be updated in terms of setting contract closure deadlines in the Procurement System (in terms of entering data on the performance of procurement contracts).

1.2 Making purchases using a single source method

Procurement procedures of GWS from one source are carried out by the Company in the procurement information System and include the following stages:

- development and approval of procurement plans;
- selection of GWS suppliers;
- conclusion and execution of procurement contracts.

In 2021-2022, purchases were carried out by the Company in accordance with the annual Procurement Plans for goods, works and services of the Company (hereinafter referred to as Procurement Plans) approved in accordance with the established procedure. In 2021, 37 amendments were made to the relevant Procurement Plan, in 2022 - 32 amendments. The main reasons for making amendments to the Procurement Plans were:

- postponement of the procurement month;
- changes in amounts due to an increase in prices, the volume of delivery of goods, the performance of works, the provision of services and the corresponding deadlines.

In view of the above, the working group notes a decrease in the number of amendments to the Procurement Plan in 2022.

In 2021, according to the Procurement Plan, purchases were made in the amount of 48.5 billion tenge, of which 2.6 billion tenge or 6% of purchases were made from a single source. As of December 1, 2022, the amount of purchases of GWS amounted to 27.9 billion tenge, of which 4.3 billion tenge or 15% was purchased from a single source.

Information on the volume of purchases provided for in the Procurement Plans and their execution is given in Table 1.

Table 1

Year	Procurement method, KZT mln. without VAT	Open competitive bidding	Request for quote	Competitive negotiations bidding (CNB)	CNB based on failed procurements	Single Source (SS)	Intra-holding cooperation	TOTAL
2021	Plan	29 481	2 477	6 559	3 139*	2 697	10 412	51 626
	Fact	24 979	1 687	6 172	3 023	2 673	10 317	48 851
	Economy	1 395	755	381	116	15	89	2 751
	Not disbursed	1	2	6	-	9	6	24
	Amounts based on the failed purchases	3 106	33	-	-	-	-	3 139*
	Execution fact/ plan, %	85%	68%	94%	96%	99%	99%	95%

	Share in purchases, %	57%	5%	13%	-	5%	20%	100
	Share in purchases, fact, %	51%	3,5%	13%	6%	5,5%	21%	100
	Number of lines, plan	1 250	4 553	2 129	88*	414	23	8 369
	Number of lines, fact	1 194	4 516	2 125	88	412	22	8 357
9 months 2022	Plan	21 733	3 355	91	149*	4 523	1 694	31 396
	Fact	18 864	2 456	158	140	4 307	1 690	27 615
	Economy	1 098	613	- 67	9	216	4	1 873
	Not disbursed	1 622	286		-	-	-	1 908
	Amounts based on the failed purchases	149		-		-	-	149*
	Execution fact/ plan, %	87%	73%	173%	94%	95%	100%	88%
	Share in purchases, %	69,2%	10,7%	0,3%	-	14,4%	5,4%	100
	Share in purchases, fact, %	68,3%	8,9%	0,7%	0,5%	15,6%	6%	100
	Number of lines, plan	1 952	7 789	23	10*	221	10	9 995
	Number of lines, fact	1 742	6 937	23	10	220	10	8 942

During the period under review, 181 contracts were concluded from a single source within the framework of annual Procurement Plans for 2021 and 2022.

Table 2 presents information on procurement contracts concluded by the Company from a single source by periods:

Table 2

Name	m.u.	2021	2022*	Total
<i>From a single source, including</i>				
Number of contracts	pcs.	80	101	181
Cost of contracts	KZT, bln.	3	4	7
Share of purchases from one source due to failed purchases	%	0.006	0.02	
Share by amount	%	5	12	Not applicable

*as of 01.12.2022

As part of the analysis, the working group studied the legal framework governing procurement activities from a single source in the Company, including, but not limited to:

- 1) The Law of the Republic of Kazakhstan "On the National Welfare Fund";
- 2) Procurement procedure;
- 3) The rules of control over the procurement by Samruk-Kazyna National Welfare Fund JSC and legal entities with fifty percent or more of the voting shares (participation interests) directly or indirectly belong to Samruk-Kazyna National Welfare Fund JSC on the right of ownership or trust management, approved by the resolution of the Board of Directors of the Fund (Minutes of the Meeting as of December 9, 2021 No. 190);
- 4) The Rules for Managing the procurement activities of the National Company KazMunayGas Joint Stock Company and legal entities with fifty or more percent of the voting shares (participation interests) directly or indirectly owned by NC KazMunayGas JSC on the right of ownership or trust management, approved by the resolution of the Board of NC KazMunayGas JSC (Minutes of the Meeting dated March 26, 2020 No. 11);
- 8) Contract Rules;
- 9) Policy on the reliability of counterparties of NC KazMunayGas JSC and its subsidiaries and affiliates, approved by the resolution of the Board of Directors of NC KazMunayGas JSC dated September 9, 2021, Minutes No. 14/2021);

10) Regulations on checking the reliability of counterparties of KazTransOil JSC, approved by the resolution of the Management Board of the Company (Minutes No. 35 of the meeting dated November 2, 2022).

It should be noted that earlier in 2021, before the introduction of the Procurement Procedure, the issues of procurement by a single source method were regulated by the Standard, the Procedure.

According to the requirements of the Procurement Procedure, the approval of the application of the procurement method from a single source in accordance with Article 59.1, Paragraph 1 (6, 11, 14) of the Procurement Procedure is carried out by the Compliance Control Service of the Company, which verifies the validity of this procurement from a single source. The Company's Compliance Control Service approves the use of a single-source procurement method in these cases at the stage of procurement planning (approval of the Procurement Plan/amendments/supplements to the Procurement Plan). In addition, in accordance with the Regulations on the reliability of counterparties of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated November 2, 2022 № 35), the Compliance Control Service checks the reliability of counterparties of the Company.

The procedure for approving draft contracts in the Procurement System is carried out by the concerned business units of the Company in accordance with the procedure set forth in the Contracts Rules.

During the period under review, there were no instances of single-source procurement of goods not covered by the approved procurement plan(s).

Based on the results of the study of documents regulating the single-source procurement process in the Company, the working group concluded that the Company has sufficiently detailed regulation of the single-source procurement procedure and its transparency, which minimizes extra-legal contacts between representatives of the customer and the potential supplier, as a result of which no prerequisites and grounds for corruption risks can be seen. At the same time, the internal processes of the Company in respect of single source procurement of GWS in accordance with Article 59.1 (10) of the Procurement Procedure requires additional regulation in terms of establishing the requirement for the contract initiator to conduct a market analysis for a reasonable choice of supplier.

1.3 Ensuring safety, labor protection and emergency management

The process of managing the safety of the Company's production activities, labor protection of employees and emergency management in the Company's production activities covers such areas as ensuring fire safety at the Company's facilities, preventing and eliminating emergencies, ensuring environmental protection, safety and labor protection of the Company's employees at work, safety during the operation of the Company's motor transport, ensuring effective functioning and improvement of the health, labor and environmental protection management system in the Company, as well as ensuring the effective functioning of the control system in these areas of the Company's activities. Ensuring the functioning of the safety and labor protection system, emergency management in the Company is the task of the Industrial Safety, Labor Protection and Emergency Situations Department (hereinafter – ISLP&ESD).

In its activities, the ISLP&ESD is guided, among other things, by the following documents:

- 1) Law of the Republic of Kazakhstan "On Civil Protection";
- 2) Code of KazTransOil JSC in the field of occupational safety and health "Golden Rules", approved by the resolution of the Company's Management Board (minutes of the meeting dated December 26, 2019 No. 5);
- 3) Code of Leadership and Commitment of employees of KazTransOil JSC on compliance with the requirements of occupational safety and health, industrial, fire, transport safety, environmental protection, approved by the resolution of the Company's Management Board (Minutes of the meeting dated February 22, 2018 No. 4);
- 4) Policy of KazTransOil JSC in the field of health protection and occupational safety, approved by the resolution of the Company's Management Board (Minutes of the meeting dated June 22, 2022 No. 23);
- 5) Environmental Policy of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated June 22, 2022 No. 23);
- 6) Policy of KazTransOil JSC in relation to alcohol, narcotic drugs, psychotropic substances and their analogues, approved by the resolution of the Company's Management Board (Minutes of the meeting dated March 14, 2018 No. 6);
- 7) Policy of safe operation of vehicles of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated April 13, 2018 No. 9);
- 8) Management of the health, labor and environmental protection management system in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated October 19, 2021 No. 23);
- 9) Regulations for the internal investigation of incidents in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated December 31, 2021 No. 33);
- 10) Regulations for the organization of work on occupational health and hygiene in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated May 31, 2022 No. 21);
- 11) Regulations on the Permanent Commission on Safety and Labor Protection of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated August 2, 2019 No. 14);
- 12) Regulations for the use of the "Korgau" card in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated October 21, 2020 No. 25);
- 13) Regulations on the organization of emergency medical care in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated August 14, 2018 No. 22);
- 14) Regulations for the inspection and assessment of the readiness of the non-state fire service to prevent and extinguish fires at the facilities of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated August 14, 2018 No. 22);
- 15) Regulation on Production control over compliance with industrial safety requirements at hazardous production facilities of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting No. 4 dated February 22, 2018);

16) The procedure for preventing and responding to the spread of COVID-19 coronavirus infection in KazTransOil JSC, approved by Order No. 77 of the General Director (Chairman of the Management Board) of the Company dated September 10, 2020;

17) Rules of Water Resources management in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated November 30, 2021 No. 27);

18) The procedure for internal and external communications on health, labor and environmental issues in KazTransOil JSC, approved by Order No. 136 of the Acting General Director (Chairman of the Management Board) of the Company dated December 24, 2021;

19) The procedure for promotion in the field of health, labor and environment protection in KazTransOil JSC, approved by Order No. 146 of the General Director (Chairman of the Management Board) of the Company dated December 30, 2021;

20) The procedure for managing emissions of pollutants into the atmospheric air in KazTransOil JSC, approved by Order No. 142 of the Acting General Director (Chairman of the Management Board) of the Company dated December 29, 2021;

21) The procedure for monitoring key indicators and evaluating the effectiveness of the health, labor and environmental management system in KazTransOil JSC, approved by Order No. 139 of the Acting General Director (Chairman of the Management Board) of the Company dated December 27, 2021;

22) The procedure for determining the competencies of employees of the safety and labor protection services of KazTransOil JSC in the field of health, labor and the environment, approved by Order No. 134 of the General Director (Chairman of the Management Board) of the Company dated November 16, 2022;

23) Regulations for the management of Greenhouse gas emissions in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated November 30, 2021 No. 27);

24) The Rules of risk management in the field of safety and labor protection of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated August 19, 2014 No. 18) (as of the current date have become invalid due to the entry into force of the Regulations of Risk Management in the field of health and safety of KazTransOil JSC, approved by the resolution of the Management Board of the Company (Minutes of the meeting dated December 21, 2022 No. 41));

25) Waste Management Rules in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated December 15, 2021 No. 30);

26) Rules of management of environmental aspects of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated December 28, 2018 No. 33);

27) Rules of behavioral security surveillance in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated August 14, 2018 No. 22);

28) The procedure for isolation of energy sources of KazTransOil JSC, approved by Order No. 36 of the General Director (Chairman of the Management Board) of the Company dated May 28, 2019;

29) The procedure for the development of instructions on safety and labor protection, fire safety measures, operation of equipment in KazTransOil JSC, approved by

Order No. 48 of the General Director (Chairman of the Management Board) of the Company dated July 5, 2019;

30) Procedure for preparing and holding conference calls on occupational safety and health, industrial and fire safety, and environmental protection at KazTransOil JSC, approved by Order No. 98 of the Acting General Director (Chairman of the Management Board) of the Company dated December 30, 2019;

31) The procedure for video recording during work at the facilities of the main oil pipelines of KazTransOil JSC, approved by Order No. 35 of the General Director (Chairman of the Management Board) of the Company dated May 25, 2020;

32) Regulations on the Department of Industrial Safety, Labor Protection and Emergencies of KazTransOil Joint Stock Company, approved by the resolution of the Company's Management Board (Minutes of the meeting dated December 31, 2020 No. 31);

33) Regulations on the Health, Labor and Environment Protection Committee of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated July 15, 2022 No. 25);

34) Regulations on the Crisis Management Team at KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated July 4, 2019 No. 13);

35) Register of legislative and regulatory requirements in the field of health, labor and environment protection of KazTransOil JSC, approved by the Director of the ISLP&ESD on June 24, 2022;

36) The Register of Significant Environmental Aspects for 2021-2023 for KazTransOil JSC, approved by the General Director (Chairman of the Management Board) of the Company on June 3, 2021;

37) The procedure for reporting incidents to KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated May 30, 2018 No. 14);

38) Procedure for conducting the "Safety Minute", approved by Order No. 220 of the General Director (Chairman of the Management Board) of the Company dated December 15, 2017.

The Working Group notes a fairly high degree of regulation of the Company in the areas of safety, labor protection and emergency management at the legislative and corporate levels, which helps to minimize the risks of committing corruption offenses. At the same time, according to the results of the analysis carried out by the working group, the following was established. In accordance with paragraph 19 of the Regulations on the Permanent Commission on Safety and Labor Protection of KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated August 2, 2019 No. 14), in preparation for the audit by members of the Permanent Commission on Safety and Labor Protection (hereinafter – PC), the Company is required to compile a checklist of issues for checking the state of safety and labor protection (hereinafter - the checklist), taking into account the specifics of production and the structure of the inspected object, which is subject to approval by the Chairman of the PC. The form of the checklist and an approximate list of issues to be included in it are given in Annex 1 to the said Regulations. At the same time, the specified list does not contain questions concerning such indicators of the Company's activity in the field of safety and labor protection as incidents, inconsistencies; results of inspections/audits, implementation of corrective actions, complaints and appeals. As a consequence, there is a risk of substandard

inspections, the emergence of repeated and new violations, as well as the risk of concealment/misreporting of detected incidents. In view of the above, in order to improve the quality of inspections conducted by the PC, it is necessary to include such issues as incidents, non-compliances, results of inspections/audits, implementation of corrective actions, complaints and appeals in the above checklists when preparing for inspections.

4. Identification of corruption risks in internal documents affecting the Company's activities

An analysis of the Company's internal documents regulating its business processes showed a significant degree of the Company's regulation of the discussed areas of activity both at the legislative and corporate levels, which contributes to minimizing the risks of corruption offenses in the Company. At the same time, certain sub-processes of the Company need to be more thoroughly regulated.

Procurement monitoring

Given the significant degree of influence on the Company's activities of the issues of timeliness and quality of performance of contracts for the procurement of goods, the potential risk of involvement of contract initiators in illegal actions related to the commission of actions (inaction) aimed at taking the goods that do not meet the requirements of the contract, or committing other illegal actions of corruption in the control of contract performance, the working group noted the lack of regulation:

deadlines for the Company to send claims (demands) to the counterparty for the payment of fines/penalties in case of non-fulfillment or improper fulfillment of contractual obligations by the counterparty;

deadlines for closing contracts in the Procurement System (in terms of entering data on the execution of procurement contracts).

Single source method procurement

Rules of Determination of Marketing Prices for Goods, approved by the Fund Board (Minutes of the meeting of December 30, 2021 № 59/21), regulates the mechanism for determining the marketing prices of goods purchased by the Fund and legal entities with fifty percent or more of the voting shares (interests) directly or indirectly owned by the Fund on the right of ownership or trust management, and the provision of marketing (pricing) conclusions. Regarding the procurement of services/works, the requirement for conducting a price analysis is not defined. At the same time, as practice shows, in the case of using the method of procurement from a single source according to Article 59.1 (10) of the Procurement Procedure, the initiators of the contract conduct market research. At the same time, the absence of a requirement for the initiators of contracts to conduct market analysis for a reasonable choice of supplier (by functional, technical, qualitative and operational characteristics) can potentially lead to corruption risks.

Ensuring safety, labor protection and emergency management

In accordance with paragraph 37 of the Regulations on application of the Korgau map in KazTransOil JSC, approved by the Management Board of the Company (Minutes of the meeting of October 21, 2020 № 25), the Company creates committees for the Korgau map of the Company / separate business units (hereinafter - SBU), the composition of which shall be approved by Order of the General Director (Chairman of the Management Board) of the Company or the person replacing him/her/the Head of the SBU or a person replacing him/her (in coordination with the ISLP&ESD), respectively. At the same time,

the said Regulations do not stipulate the responsibility of members of the relevant committees on the "Korgau" map for failure to disclose / untimely disclosure of situations of conflict of interest in decision-making.

5. Assessment of identified corruption risks

Based on the internal analysis of the Company's corruption risks, the working group assessed them in order to identify the most significant risks that could have a negative impact on the level of corruption in the Company. Based on the results of the corruption risk assessment, a risk map was drawn up (Annex to this Analytical Statement).

6. Conclusion and recommendations on the elimination of identified corruption risks

The internal analysis of corruption risks in the Company has shown that further work is required in relation to the organizational and managerial activities of the Company, as well as in relation to internal documents of the Company, aimed at minimizing possible corruption risks. In view of this, the following recommendations are made aimed at avoiding the potential risk of corruption offenses and situations of conflict of interest in the activities of the Company:

1) the Rules for the preparation, conclusion, registration and Execution of contracts in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the meeting dated July 30, 2015 No. 17), include requirements regarding the establishment of:

deadlines for the Company to send claims (demands) to the counterparty for the payment of fines/penalties in case of non-fulfillment or improper fulfillment of contractual obligations by the counterparty;

deadlines for closing contracts in the Procurement System (in terms of entering data on the execution of procurement contracts);

2) establish a requirement for the initiator of the contract to conduct a market analysis for a reasonable choice of a supplier (by functional, technical, qualitative and operational characteristics) with the application of price proposals of at least 2 (two) potential suppliers operating in the market of purchased works, services, when making purchases from a single source in accordance with Article 59.1 (10) of the Procurement Procedure;

3) when preparing for inspections, members of the PC should include in the checklists questions regarding such indicators of the Company's activities in the field of safety and labor protection as incidents, inconsistencies; the results of inspections/audits, the implementation of corrective actions, complaints and appeals;

4) in the Regulations for the use of the Korgau card in KazTransOil JSC, approved by the resolution of the Company's Management Board (Minutes of the Meeting dated October 21, 2020 No. 25), establish the responsibility of members of the relevant committees on the Korgau card for non-disclosure /untimely disclosure of conflict of interest situations when making decisions.

Head, Compliance Control Service

E. Druz

Chief Manager, Compliance Control Service _____ G. Abdirova

Chief Manager, Compliance Control Service _____ B. Yelshibekov

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Head, Business Process Management Unit under the Business Process and Risk Management Department _____ A. Isenova

Chief Manager, Corporate Security Sector of the Corporate Security Department _____ T. Bekibayev

Chief Legal Adviser, Contract Legal Expertise Department _____ E. Sunkarbekov

Agreed by:

Director, Contracts and Local Content Development Department _____ S. Ashimova

Director, Industrial Safety, Labor Protection and Emergency Department _____ A. Kabulov

Annex
to the analytical report dated December 26, 2022
based on the results of an internal analysis of
corruption risks in KazTransOil JSC
for the period 2021-2022

Assessment of corruption risks

Based on the results of the internal analysis of corruption risks of the Company, the working group assessed them in order to identify the most significant risks that may negatively affect the level of corruption in the Company.

Risks were assessed in terms of the probability (frequency) of their occurrence and impact.

The risk level was calculated according to the following formula:

$$\text{Risk level} = \text{impact probability}^*$$

Ser. No.	Name of the risk	Risk probability score*	Risk impact score*	Risk level
				(5=3*4)
1	2	3	4	5
Monitoring the execution of procurement contracts				
R-1	Non-compliance of the procedure for monitoring the execution of contracts of KazTransOil JSC with the requirements of the legislation of the Republic of Kazakhstan	1	1	1
R-2	Non-compliance of the requirements of the internal documents of KazTransOil JSC on monitoring the execution of contracts with the requirements of the legislation of the Republic of Kazakhstan	2	2	4
R-3	Lack/weak automation of the process	1	1	1
R-4	Availability/transparency of information	1	1	1
Making procurement using a single source method				
R-5	Non-compliance of the procurement procedure by means of a single source in KazTransOil JSC with the requirements of the legislation of the Republic of Kazakhstan	1	1	1
R-6	Non-compliance of the requirements of the internal documents of KazTransOil JSC on the issues of procurement by means of a single source with the requirements of the legislation of the Republic of Kazakhstan	2	2	4
R-7	Lack/weak automation of the process	1	1	1
R-8	Availability/transparency of information	1	1	1
Ensuring safety, labor protection and emergency management				
R-9	Non-compliance of the process of ensuring safety, labor protection and emergency management in KazTransOil JSC with the requirements of the legislation of the Republic of Kazakhstan	1	2	2

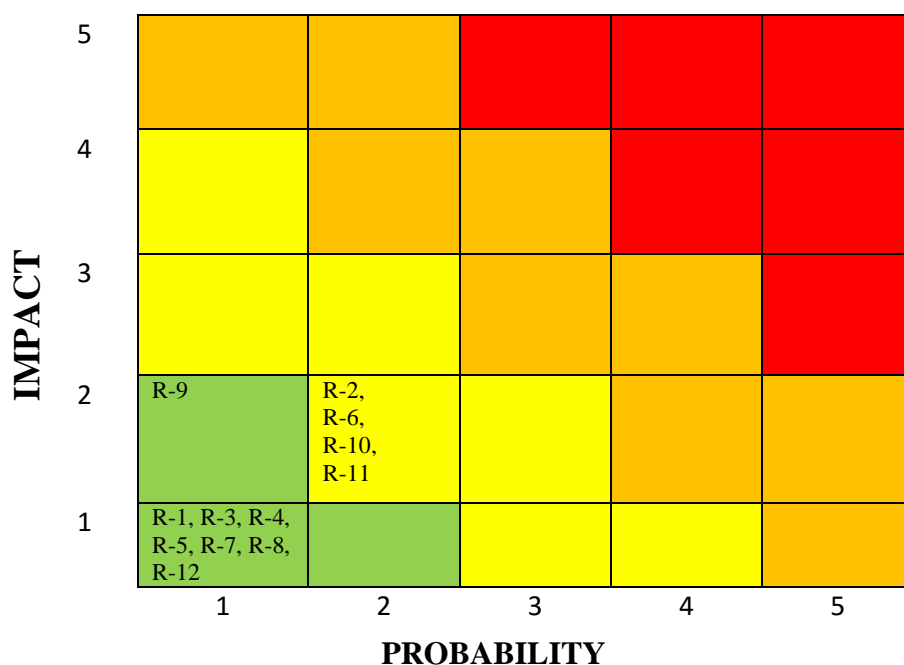
Ser. No.	Name of the risk	Risk probability score*	Risk impact score*	Risk level
				(5=3*4)
1	2	3	4	5
R-10	Non-compliance of the requirements of the internal documents of KazTransOil JSC on safety, labor protection and emergency management with the requirements of the legislation of the Republic of Kazakhstan	2	2	4
R-11	Lack/weak automation of the process	2	2	4
R-12	Availability/transparency of information	1	1	1

* Risk probability assessment criteria and risk impact assessment criteria are given below





The Company's Corruption Risk Map

Risk map:

- 1) assessment of the relative significance of each identified risk;
- 2) identification of key risks that require measures to prioritize the allocation of human and financial resources.



According to the results of the corruption risk assessment, the level of corruption risks in the Company does not exceed 2. Corruption risks are low and do not affect the level of corruption in the Company.

	risks that are critical and/or catastrophic due to the high probability of occurrence, or due to the serious potential for consequences that may affect the level of corruption in the object of analysis, or due to both factors
	risks that have a high probability of occurrence or a large potential impact on the level of corruption in the object of analysis
	risks that have an average probability of occurrence or an average potential impact on the level of corruption in the object of analysis
	risks that have a low probability of occurrence and/or do not have a significant impact on the level of corruption in the object of analysis

*** Risk probability assessment criteria**

Point	Meaning	Frequency of implementation	Probability of implementation
1	Very rarely	Single events registered in the activity of the object of analysis over the past 5 years.	The event can be implemented in very rare cases or with a probability of implementation of up to 1%.
2	Rarely	There are few known or registered incidents in the activity of the object of analysis over the past 2 years.	The event can be implemented in rare cases or with a probability of implementation from 1% to 10%.
3	From time to time	The event was registered in the activity of the object of analysis during the last year.	The probability of risk realization is from 11% to 25%.
4	Often	The event was registered in the activity of the object of analysis during the last six months.	The probability of risk realization is from 26% to 50%.
5	Very often	The event has been registered repeatedly during the last six months.	The probability of the event being realized is very high from 50% to 100%.

***Risk impact assessment criteria**

Point	Degree of influence	General characteristics of the consequences	Compliance
1	Insignificant	Absence of any negative consequences in case of risk realization	Minor violation of regulatory requirements, lack of grounds for bringing employees of the object of analysis to administrative and/or other responsibility. Absence of fines, penalties, penalties and other financial violations in relation to the object of analysis.

			Absence of violation of the rights and interests of individuals and legal entities.
2	Significant	The consequences of the implementation of the risk are insignificant	Minor violation of regulatory requirements. Warnings about the possible collection of fines from employees of the object of analysis, receiving warnings about the possible collection of fines, penalties, penalties and the identification of other financial violations in relation to the object of analysis.
3	Large	The consequences of the implementation of the risk are significant, but can be completely corrected	Repeated violation of regulatory requirements, which may lead to fines, penalties, penalties and other financial violations. Collection of fines from employees of the objects of analysis. Violations of the rights and interests of individuals and legal entities.
4	Critical	The consequences of implementing the risk are very significant, but can be corrected to a certain extent	Serious violation of regulatory requirements, as a result of which the object of analysis is obliged to pay fines, penalties, penalties, etc. Bringing employees of the object of analysis to administrative or criminal responsibility. Violation of the rights and interests of individuals and legal entities.

5	Catastrophic	The consequences of the risk realization are very significant and cannot be corrected. The risk has uncompensated consequences.	<p>Extreme violation of regulatory requirements or several financial violations that resulted in large fines, penalties, penalties and other payments, as well as revocation of issued licenses (if any). Repeated involvement of employees in administrative/criminal and/or other liability.</p> <p>Violation of the rights and interests of individuals and legal entities.</p>
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** Risk probability assessment criteria and risk impact assessment criteria are determined according to the Methodological Recommendations for Conducting an Internal Analysis of Corruption Risks provided by NC KazMunayGas JSC by letter No. 47-47/1176 dated February 23, 2021*