

2021



QAZAQGAZ
NATIONAL COMPANY

Integrated Annual Report

2021

NC QazaqGaz JSC

'21



Integrated Annual Report

2021

NC QazaqGaz JSC



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4 LIMITATIONS AND ASSUMPTIONS

The information given in this report is relevant to all events that occurred in 2021, unless stated otherwise in the text, and does not include documents and events that occurred after that date. Since January 2022 significant corporate events have occurred, which will be reflected in the report for the relevant period, the current Management Board of the Company forms a report based on the available documents for the reporting period to compile this report.

The results presented in this document are not final and may require additional information. The summarized conclusions in this Report are the result of the collection and analysis of available corporate data, but not of facts and evidence.

According to the instructions of the President of the Republic of Kazakhstan on the reform of «Samruk-Kazyna» JSC,

approved by the decision of the Board of «Samruk-Kazyna» on February 24, 2022, № 13/22, as well as the instruction of the President of the Republic of Kazakhstan on the Comprehensive Audit of the Company's activities, in 2022 several violations that occurred in 2021 were identified and determined. Detailed information on the results of the Comprehensive Audit of the Company will be reflected in the report for 2022.

The Company's current Management Board does not assume responsibility for any decision, receipt, or achievement of any results, as well as for similar actions reflected in this Report and occurred in 2021.

In preparing this Report, the Company assumes that the documents submitted to form the Report and other data are accurate and complete for the relevant period of the Report.





6 PERFORMANCE HIGHLIGHTS OF 2021

QazaqGaz today

LEADING POSITION IN THE KAZAKHSTAN'S GAS TRANSPORTATION SECTOR

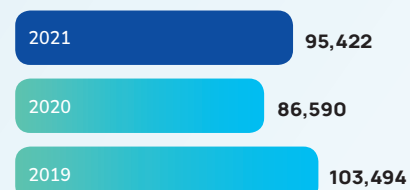
STATUS OF THE GAS INDUSTRY NATIONAL OPERATOR OF THE REPUBLIC OF KAZAKHSTAN

9,500,000

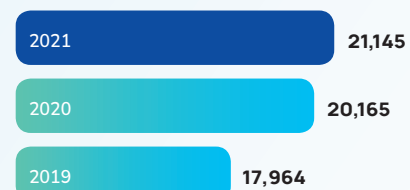
CONSUMERS IN THE DOMESTIC MARKET

Operating performance

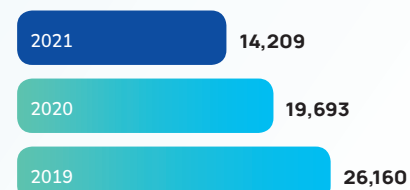
MAIN TRANSPORTATION OF GAS, million m³



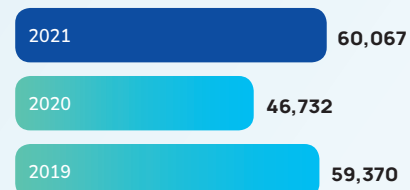
DOMESTIC GAS TRANSPORTATION, million m³



TRANSPORTATION OF GAS FOR EXPORT, million m³



INTERNATIONAL TRANSIT, million m³



GAS SALES VOLUME, million m³



45

COMPRESSOR STATIONS

3

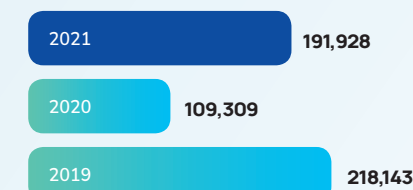
LARGE UNDERGROUND GAS STORAGES

20.6

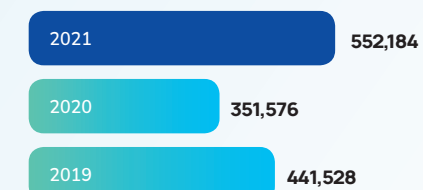
THOUSAND KM OF MAIN GAS PIPELINES

Financial indicators

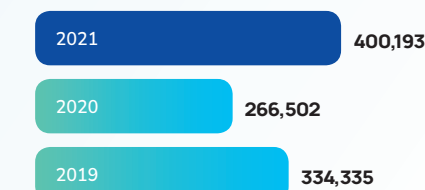
GROSS PROFIT, million tenge



EBITDA, million tenge



NET PROFIT, million tenge



Social indicators

THE LEVEL OF GASIFICATION OF THE POPULATION OF THE REPUBLIC OF KAZAKHSTAN, %



NUMBER OF PERSONNEL, people

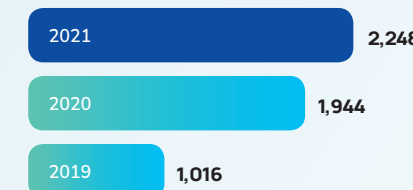


STAFF TURNOVER, %

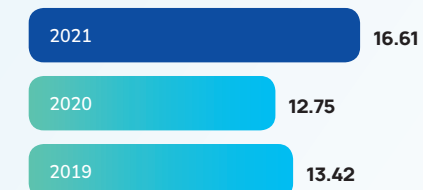


Environmental indicators

INVESTMENTS IN ENVIRONMENTAL PROTECTION, million tenge



SPECIFIC GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2), tons of CO₂-eq/ton of product



SPECIFIC ENERGY INTENSITY, GJ/thousands tenge





HIGHLIGHTS OF 2021

January

- The Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan approved tariffs and tariff estimates for transportation of marketable gas by distribution pipelines in West Kazakhstan, Aktobe, Kostanay and Mangistau regions with effect from January 1, 2021.
- The President of Kazakhstan has instructed the Cabinet of Ministers and Samruk-Kazyna JSC, to increase the resource base for marketable gas production and develop new approaches to regulating the market.

March

- A new automatic gas distribution station (hereinafter referred to as the AGDS) Merke was launched in Jambyl region. AGDS will ensure stable gas supply to 16 settlements of Merke district.
- The Resolution of the Government was adopted and the Agreement between Samruk-Kazyna JSC and KazMunayGas JSC on the transfer of KazTransGas JSC to the trust management of Samruk-Kazyna JSC was signed.

June

- Order of the Ministry of Energy of the Republic of Kazakhstan № 188 approved the marginal-cost pricing of wholesale sales of commercial gas on the domestic market for the period from July 1, 2021 to June 30, 2022.
- The Prime Minister of the Republic of Kazakhstan gave the start to the construction of a gas processing plant - complex gas treatment plant - in the Kashagan field. The processing capacity of the enterprise will be 1 billion m³ of sulfur dioxide per year, from which 815 million m³ of marketable and 119 thousand tons of liquefied gas, 212 thousand tons of sulfur and 35 thousand tons of gas condensate will be produced.

July

- The gas networks in cities Temirtau and Zhezkazgan transferred to KazTransGas trust management.

August

- The village of Bagys was gasified in Turkestan region. The gasification of Bagys village and nearby settlements on the border with Uzbekistan was completed within three months.
- In the Aktobe region, gasification of several villages in the Irgiz district, which is remote from the regional center, took place more than 2,200 residents of Shenbertal, Kurylys and Akshi villages received access to gas.

September

- Natural gas in the village of Khanaryk, Tolebi district, was provided to 8 settlements, 18 km of gas distribution networks were laid, 188 gas distribution cabinets were installed. Due to this about 2,000 people have been provided with blue fuel.
- KazTransGas completed the construction of new gas metering stations (GMS) Zhetyсай and Shardara in Turkestan region. Commissioning of the new GMS will improve the accuracy of gas metering coming from Uzbekistan to Kazakhstan.

October

- KazTransGas received the award — Best Debut KIOGE-2021 at the International Exhibition Oil and Gas.
- The Company acquired 222,415 ordinary shares of KazMunayGas-Service NS JSC by payment (replenishment of authorized capital) in the amount of 222,415,000 tenge at placement price of 1,000 tenge.

November

- Decree of the Government of the Republic of Kazakhstan No. 791 On the alienation of a strategic object was approved — a 100% of the shares in KazTransGas JSC in favor of Samruk-Kazyna JSC.
- The company gasified Voznesenovka and Dostyk villages of Martuk district of Aktobe region. As part of the project, more than 30 km of supply gas pipeline was built, the length of underground distribution networks in the two settlements was about 16 km.
- In accordance with the resolutions of the Government of the Republic of Kazakhstan from November 30, 2021, No. 852, No. 853 KazTransGas JSC received the status of national company and was renamed into National Company KazTransGas JSC.
- By the Decree of the Government of the Republic of Kazakhstan of 30 November 2021, No. 854 the division of activities of national companies the field of subsoil use was approved. According to this document, JSC KazTransGas has been granted a preferential right for exploration and gas and natural-gas condensate production.
- KazTransGas connected the first consumers in Karaganda and Temirtau to the gas supply. The launch of the 2nd start-up complex allowed gasification of 1,209 out of 2,377 planned houses of the Mikhailovka district.
- The company together with the Governor's Office of the capital connected to natural gas residential areas Internatsionalny, Michurino and Kuygenjar. The total length of gas pipelines is 101 km and is supported by an appropriate gas infrastructure.

December

- The Company connected to natural gas first consumers Zhezkazgan (village Talap on Bektepbergenova Street and Youth).
- New gas metering stations (hereinafter referred to as the GMS) have been commissioned in Turkestan Oblast. New GMS Zhetyсай is located on 372 km of main gas pipeline (hereinafter referred to as the MGP) Bukhara gas bearing district — Tashkent — Bishkek — Almaty. Shardara GMS is located on 314 km of Gazli-Shymkent MGP.
- By the resolution of the Government of Kazakhstan of December 31, 2021, No. 982 JSC NC KazTransGas was renamed into NC QazaqGaz JSC.
- In Shymkent on the basis of the training center of JSC Intergas Central Asia a Mobile application was presented, which will help employees to acquire knowledge on compliance with industrial safety and health at work. This program was developed by the Company within the framework of digitalization of business processes.
- The Company and NCOC signed an agreement to work together on the basic design of Phase 2A of the Kashagan field for 2022-2023, which involves increasing the crude gas processing capacity of the Kashagan field by 2 billion m³.
- The company completed the construction of the Beineu GIS in the Mangistau region.

- The Company paid KazTransGazAimak JSC about 591,186,505 tenge as a financial aid for the further implementation of the investment project Modernization of GDS Taraz 2nd stage of production facility 3.
- The company provided Intergas Central Asia JSC with an inter-group loan of 26,159,463,250 tenge to finance the investment project Construction of the main gas pipeline from CGTU Kashagan to the main gas pipeline Makat-North Caucasus with compressor station.



QAZAQGAZ'S CONTRIBUTION TO THE SDGS

QazaqGaz fully supports the United Nations' 2030 Agenda for Sustainable Development and recognizes the importance of all 17 UN SDGs. At QazaqGaz, we have identified and prioritised 7 Sustainable Development Goals to which we contribute directly.

QAZAQGAZ ENSURES A HEALTHY LIFESTYLE AND PROMOTES WELL-BEING FOR ALL

3 GOOD HEALTH AND WELL-BEING

QAZAQGAZ PROMOTES UNIVERSAL ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

7 AFFORDABLE AND CLEAN ENERGY

QAZAQGAZ IS COMMITTED TO BUILDING SUSTAINABLE INFRASTRUCTURE, PROMOTING INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND INNOVATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

QAZAQGAZ FOCUSES ON ENERGY EFFICIENCY AND CLIMATE CHANGE ISSUES

13 CLIMATE ACTION

QAZAQGAZ PROMOTES GENDER EQUALITY AND EMPOWERMENT OF ALL WOMEN AND GIRLS

5 GENDER EQUALITY

QAZAQGAZ IS COMMITTED TO SUPPORTING SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

8 DECENT WORK AND ECONOMIC GROWTH

QAZAQGAZ IS COMMITTED TO ENSURING OPENNESS, SAFETY, RESILIENCE AND SUSTAINABILITY OF CITIES AND COMMUNITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

1. COMPANY OVERVIEW



The Prime Minister of the Republic of Kazakhstan gave the start to the construction of a gas processing plant — complex gas treatment plant — in the Kashagan field. The processing capacity of the enterprise will be

1 billion m³

of sulfur dioxide per year, from which 815 million m³ of marketable and 119 thousand tons of liquefied gas, 212 thousand tons of sulfur and 35 thousand tons of gas condensate will be produced.

The company provided Intergas Central Asia JSC with an inter-group loan of

26.2 billion tenge

to finance the investment project Construction of the main gas pipeline from CGTU Kashagan to the main gas pipeline Makat-North Caucasus with compressor station.

The Company and NCOC signed an agreement to work together on the basic design of Phase 2A of the Kashagan field for 2022-2023, which involves increasing the crude gas processing capacity of the Kashagan field by

2 billion m³



14 Material Topics

- Economic Performance
- Taxation

GRI indicators

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7

Key indicators for 2021

20.6 THOUSAND KM
length of main gas pipelines

59 THOUSAND KM
the length of distribution gas pipelines

Contribution to the achievement of the UN SDGs



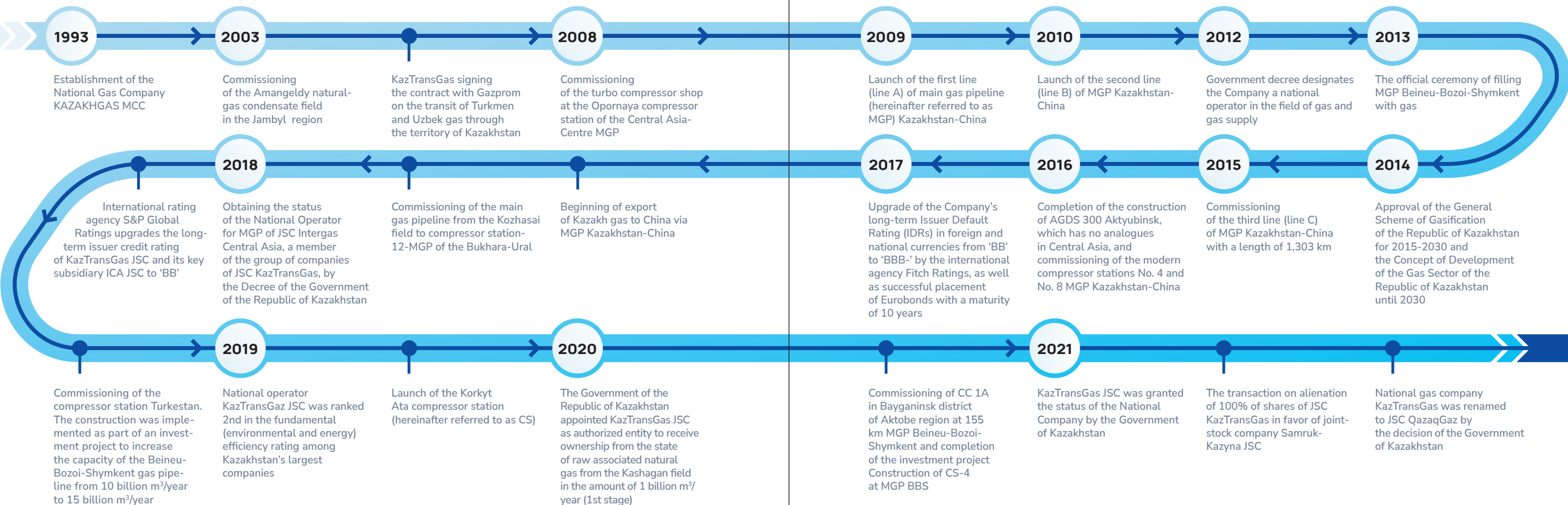
896,255 MILLION TENGE
revenue

HISTORY OF THE COMPANY

GRI 102-1, GRI 102-5

NC QazaqGaz JSC is a vertically integrated national gas company operating along the entire chain from exploration and production to sales of finished products.

The Company manages the centralised infrastructure for transporting marketable gas through main gas pipelines and gas distribution networks, ensures international transit and sells gas on domestic and foreign markets, develops, finances, constructs and operates pipelines, gas storage facilities, gas and gas condensate fields.



16 BUSINESS MODEL

GRI 102-2, GRI 102-3, GRI 102-7

NC QazaqGaz JSC is the main gas energy and gas transportation company of the Republic of Kazakhstan, representing the interests of the state both in the domestic and foreign gas market.

CAPITALS

Financial capital



Natural capital



Production capital



Intellectual capital



Human capital



Social capital



OPERATING CYCLE

RESOURCE BASE DEVELOPMENT



Purchase of gas on a contractual basis

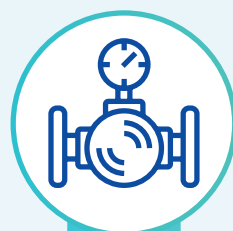


Gas import



Gas exploration and production

GAS TRANSPORTATION



Transit transportation



Construction and operation of main gas pipelines



Modernization of the gas pipeline network

GAS SALE



Transportation to the domestic market



Recycling and distribution



Export transportation



Domestic gas sales



Gas export

QazaqGaz's development priorities are to promote the energy transition of Kazakhstan's economy from coal to cleaner and more affordable heat and energy sources by expanding, increasing the gas resource base and increasing gas processing capacity, as well as upgrading the main gas pipelines network.

VALUE CREATION

Financial capital

896,255 million tenge revenue

Natural capital

22,821 million tenge environmental investments

Production capital

80 thousand km total length of gas pipelines

Intellectual capital

311 million tenge training expenses

Human capital

13,701 employees headcount

Social capital

83% social stability rating based on employee survey results (within Samruk Research Services platform)

A comprehensive, vertically integrated business model corresponds to the strategic goal of QazaqGaz, improves the efficiency of operations and promotes the modernization and diversification of the gas industry.



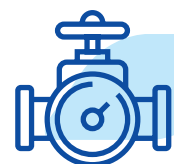
ASSET STRUCTURE

GRI 102-5

The shareholder of QazaqGaz is Samruk-Kazyna JSC (100%). Samruk-Kazyna JSC is a sovereign fund whose sole shareholder is the Government of the Republic of Kazakhstan.

During the reporting period, the QazaqGaz group consisted of 12 subsidiaries and jointly-controlled entities, which operate in five business areas.

ASSET STRUCTURE¹



MAIN GAS TRANSPORTATION

Intergas Central Asia JSC



GAS DISTRIBUTION AND GASIFICATION OF REGIONS

KazTransGas Aimak JSC

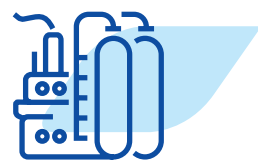


GAS SALES

KazRosGas LLP



Asian Gas Pipeline LLP



RESOURCE BASE

QazaqGaz Exploration and Production LLP



GAS ENGINE INFRASTRUCTURE

KazTransGas Onimderi LLP



¹ The table shows the assets within the scope of this report.

MARKET REVIEW

GRI 102-4, GRI 102-6, GRI 403-2

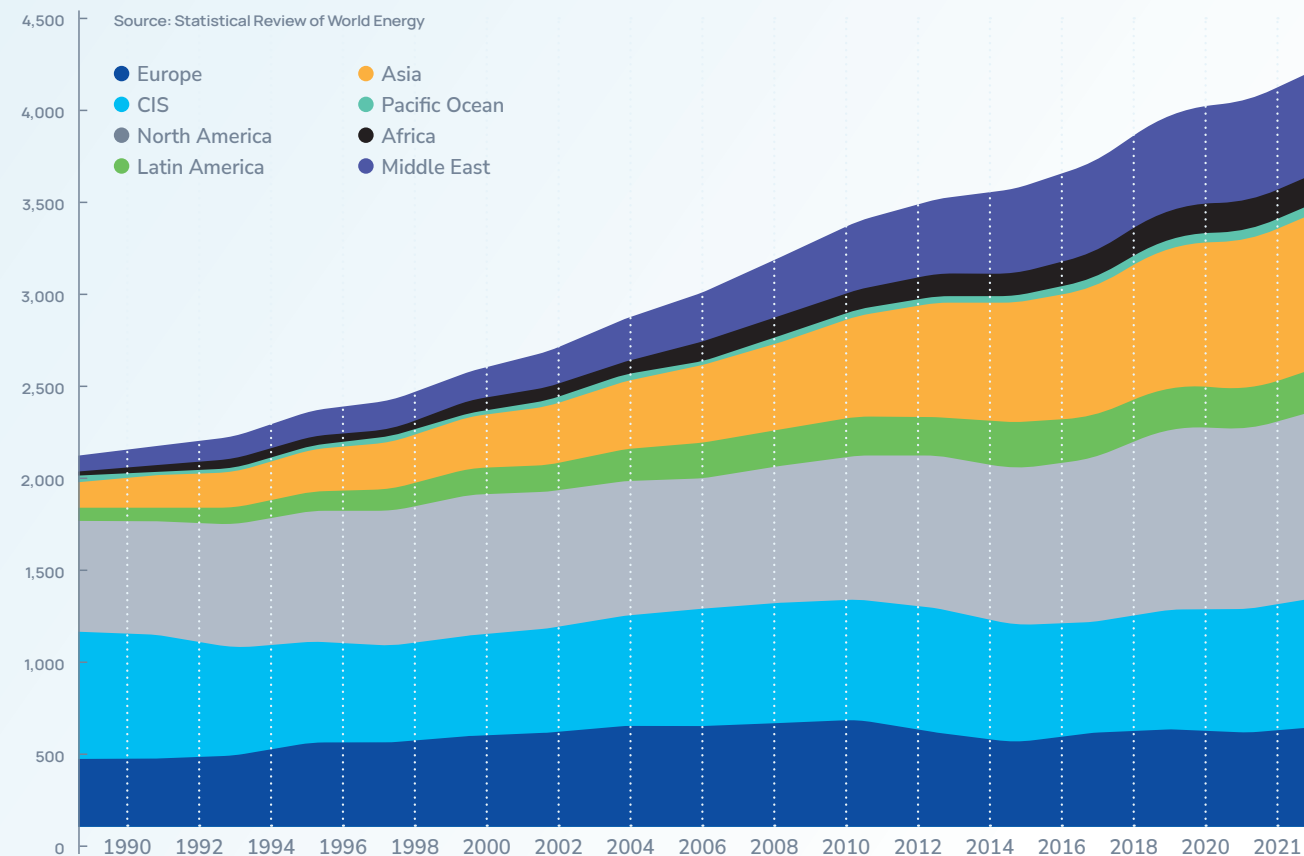
Gas consumption is becoming more and more widely used and practically uncontested transit type of energy resource at the time of the global transition to "green" energy sources.

Thanks to the current transition to gas resources, the annual increase in the consumption of this type of fuel in the United States amounted to 2% in the period 2010-2021. In addition, a significant increase in demand in Asia has made a significant contribution to the change in the global gas trade balance. For example, in China, an increase in gas consumption is observed due to an increase in access to the gas resource of industrial and municipal

sectors. In East Asia, consumption increased due to regional gasification projects. The only exceptions are some countries. For example, in Japan, gas consumption, on the contrary, decreased by 4% due to a reduction in electricity consumption, the transition to nuclear energy and the generation of electricity from renewable resources. In EU countries, gas consumption has increased, as well as in producing countries such as Russia, Egypt and Brazil.

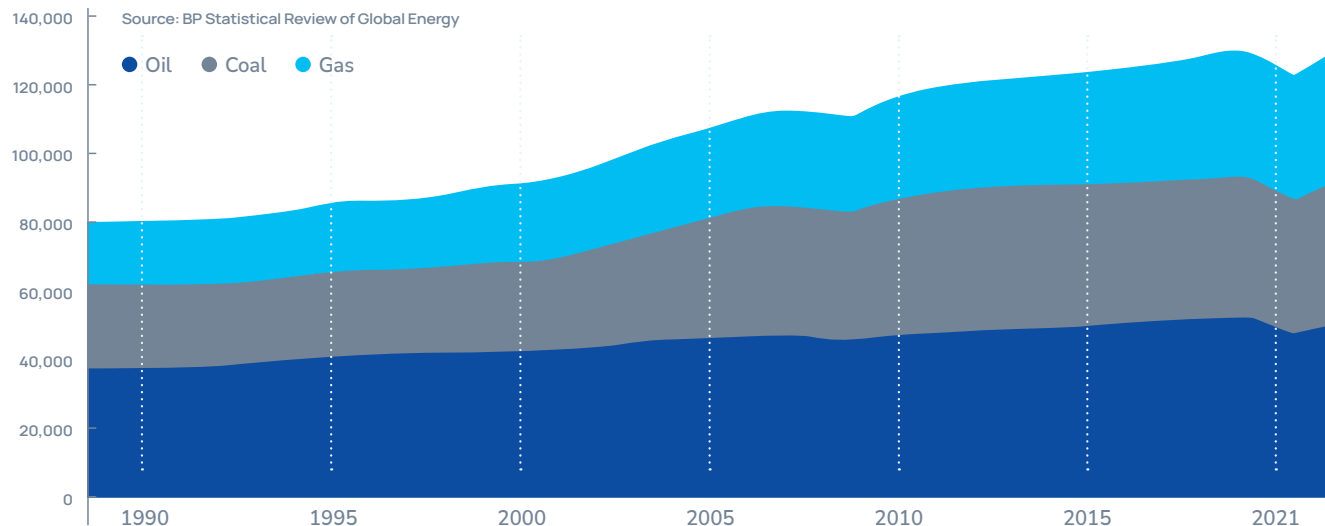
Together, the rising trend in access to gas has led to a 5% increase in global gas consumption in 2021 compared to 2020, even though natural gas demand in the world's energy markets declined earlier due to the COVID-19 pandemic.

DOMESTIC CONSUMPTION OF NATURAL GAS FOR THE PERIOD 1990-2021, billion m³

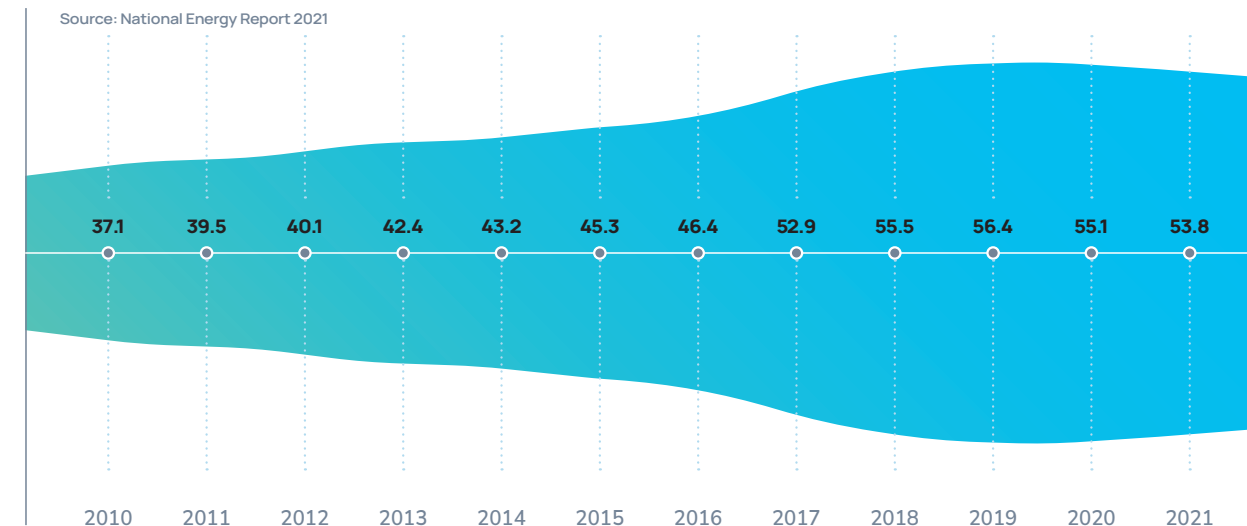




20 FOSSIL FUEL CONSUMPTION BY FUEL TYPE, WORLD, TWh



21 NATURAL GAS EXTRACTION IN KAZAKHSTAN DURING THE PERIOD 2010-2021, billion m³ per year



OVERVIEW OF THE DOMESTIC GAS MARKET IN KAZAKHSTAN

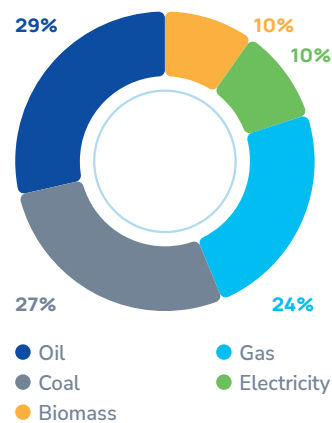
~3.9
TRILLION M³
the approved recoverable reserves of gas in Kazakhstan

~2.16 trillion m³
the associated gas
~1.75 trillion m³
the free gas

13.5 (65%)
MILLION PEOPLE
planned to cover by gasification by 2030

BREAKDOWN OF GLOBAL ENERGY CONSUMPTION IN 2021, %

Source: Statistical Review of World Energy



Kazakhstan is one of the top 30 countries in terms of gas reserves and production, and constantly increasing its potential in the production and expanding its sphere of influence in the gas field in the world, taking on proven natural gas reserves the 16th place in the world. The approved recoverable reserves are about 3.9 trillion m³, of which the associated gas is 2.16 trillion m³, the free gas 1.75 trillion m³.

Gas consumption is also growing in Kazakhstan. Gasification of regions is actively carried out in the country. By 2030 it is planned to cover 65% of Kazakhstani people — 13.5 million people. Industrial facilities also switch to gas. According to the Ministry of Energy

of the Republic of Kazakhstan, gas consumption in the country has grown by 35% over the past 5 years. The annual increase was 7% and in the future it will only grow. This is facilitated by the commissioning of new industrial facilities and large gas chemical projects.

A significant part of the domestic gas consumption is directed to the needs of the population, which is a priority energy policy of the Government.

Kazakhstan is striving to implement systematic measures, including increasing the resource base and gas processing, in order to generate export revenues and ensure full domestic demand.

35%
growth in gas consumption in the Republic of Kazakhstan over the past 5 years

7%
annual increase in gas consumption in Kazakhstan

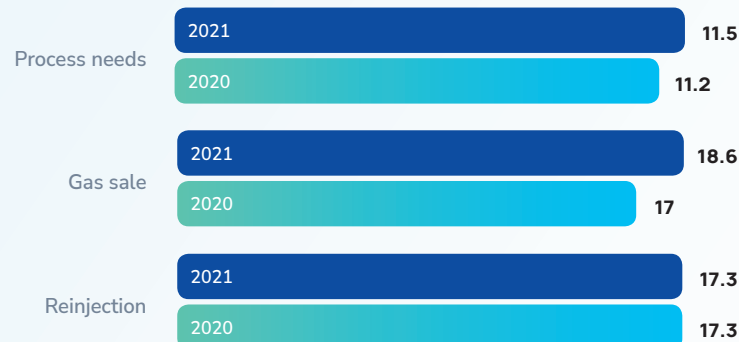
IMPORT AND EXPORT OF GAS IN KAZAKHSTAN DURING THE PERIOD 2020-2021, billion m³ per year

Source: National Energy Report 2021



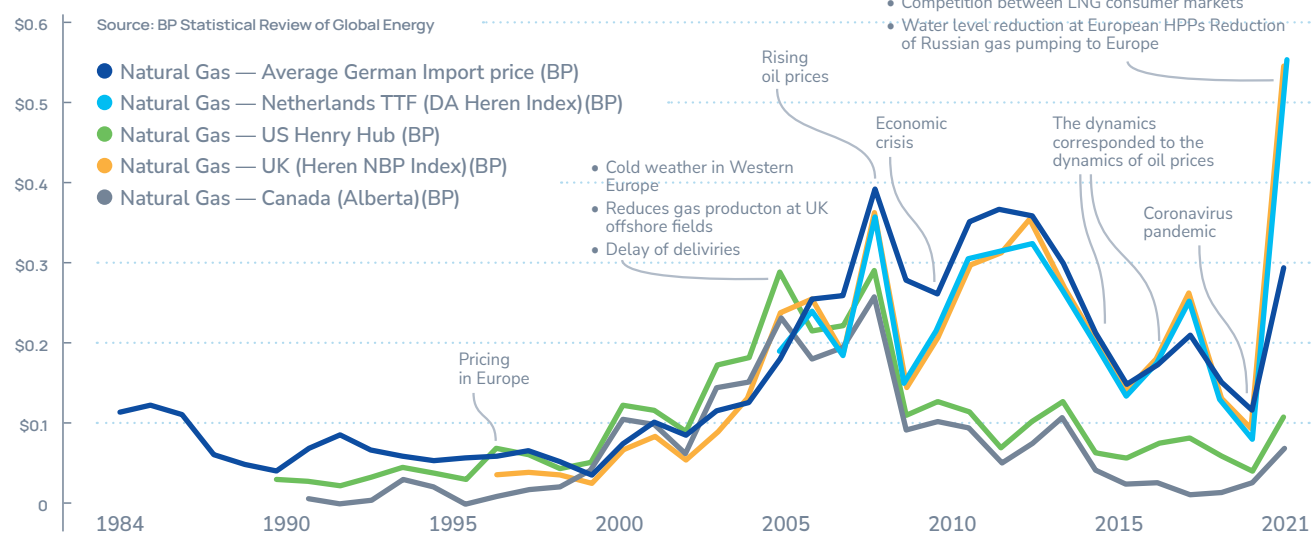
GAS DISTRIBUTION IN KAZAKHSTAN DURING THE PERIOD 2020-2021, billion m³ per year

Source: National Energy Report 2021

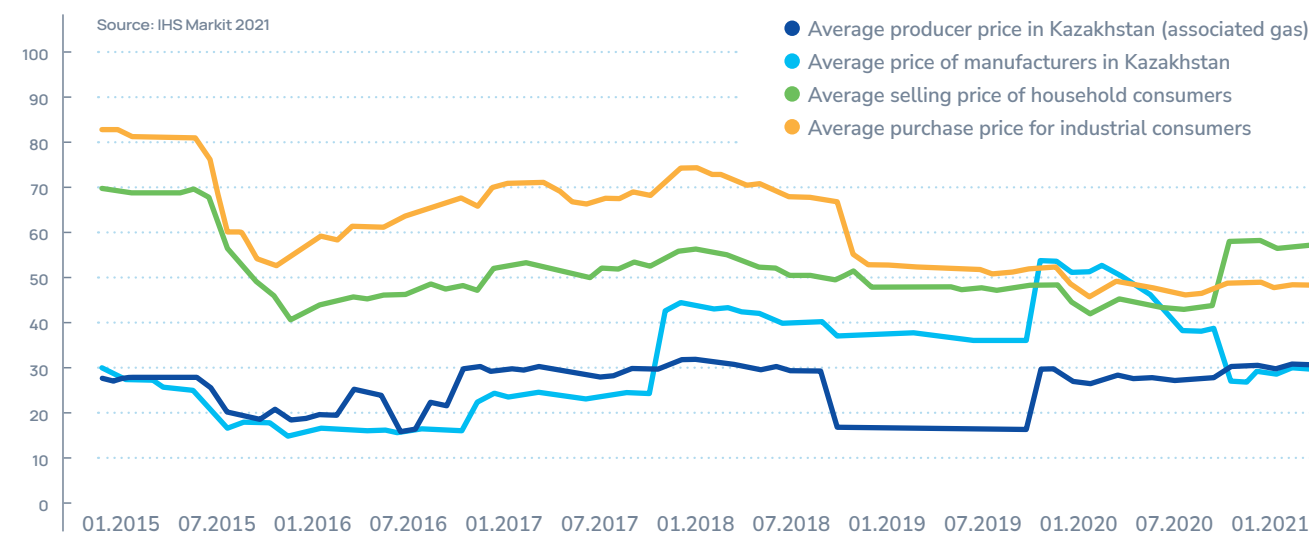




NATURAL GAS PRICES IN 1984–2021, USD/m³



MONTHLY DYNAMICS OF DOMESTIC GAS PRICES IN KAZAKHSTAN, USD/thousand m³



While the global economy was recovering from the effects of the pandemic lockdown and oil prices were stabilizing due to the OPEC+ agreements, gas prices also began to rise in January 2021.

Due to low reserves in European reservoirs, hot weather, which led to increased electricity consumption and lower water levels in European hydropower reservoirs, and competition with Asia over LNG, gas prices continued to rise during 2021. In September 2021, the market prices set an absolute record of \$800 for 1,000 m³. In September 2021, the market prices of the United States of America and Europe reached a record high of \$800.

In Kazakhstan, the Committee on the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (CRNM) regulates gas prices for end consumers according to regions and of consumer categories (9). Its approach is guided not so much by energy policies per se but by more general macroeconomic considerations. NC QazaqGaz JSC performs wholesale of commodity gas at the maximum wholesale prices, approved annually by the Ministry of Energy in agreement with the Ministry of National Economy.

THE LEGISLATION OF THE COUNTRY PROVIDES FOR A 15% ANNUAL LIMIT FOR THE INCREASE OF WHOLESALE PRICES (ORDER OF THE MINISTRY OF ECONOMIC DEVELOPMENT OF THE REPUBLIC OF KAZAKHSTAN №209 OF 15.12.2014). IN PRACTICE, WHOLESALE COMMODITY GAS PRICES HAVE NOT INCREASED BY 15% SIMULTANEOUSLY IN ALL REGIONS OVER THE PAST NINE YEARS.

Prices paid to mining companies are set individually through negotiations between them and buyers, represented primarily by QazaqGaz. Low regulated end-user prices affect all aspects of the domestic value chain. At the same time, the prices set for extractive companies do not always fully cover their costs.

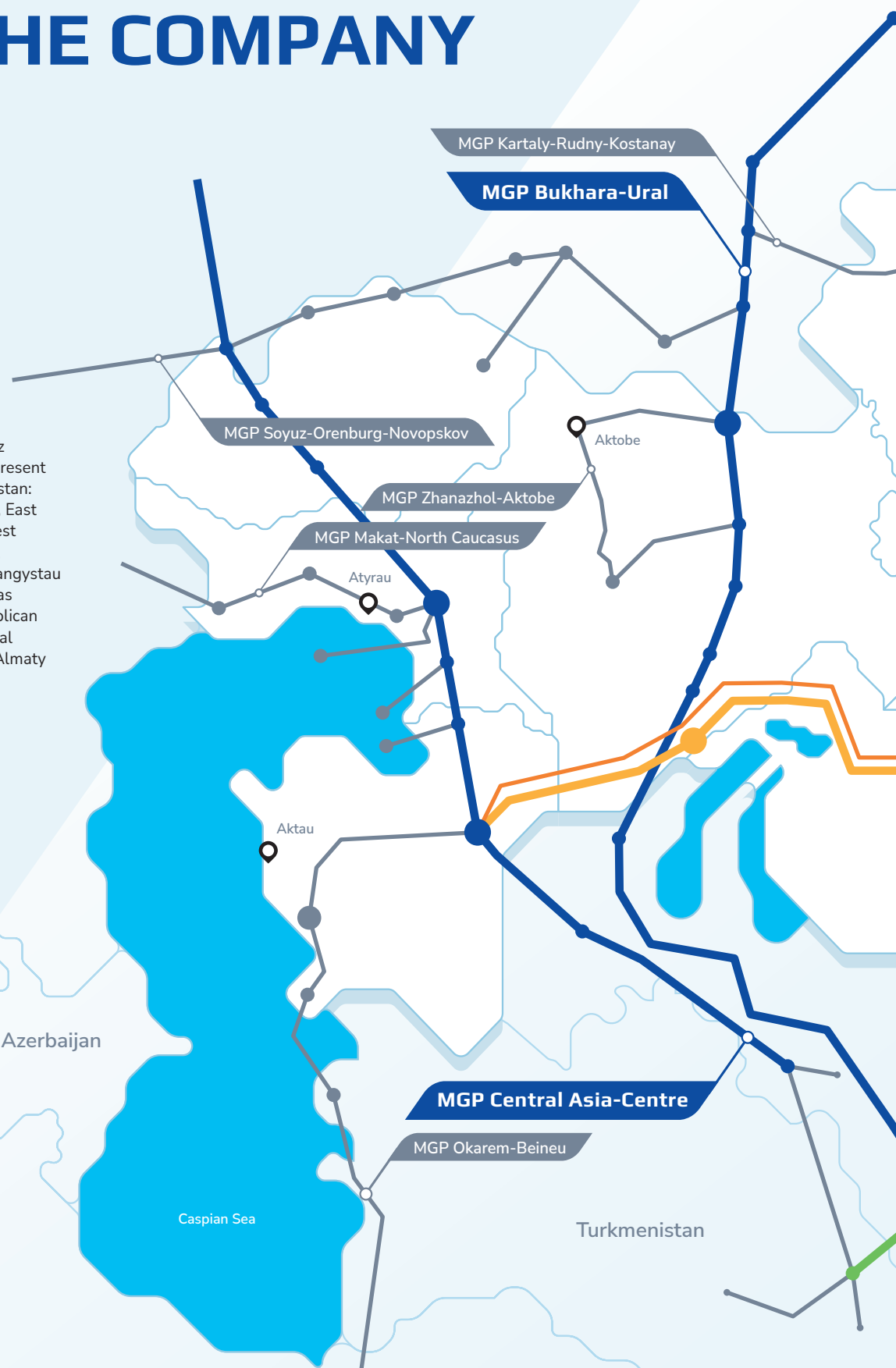
At low gas prices for producers, producing companies have little incentive to increase their sales of marketable gas to QazaqGaz or to seek further development of new gas fields. In order to cover domestic demand, the Government and various industry groups are actively discussing measures to increase gas production.



GEOGRAPHY AND BUSINESS AREAS OF THE COMPANY

GRI 102-4, GRI 102-6

Currently, the QazaqGaz group of companies is present in 11 regions of Kazakhstan: Almaty, Aktobe, Atyrau, East Kazakhstan, Jambyl, West Kazakhstan, Karaganda, Kostanay, Kyzylorda, Mangystau and Turkestan regions, as well as in cities of republican significance — the capital of Kazakhstan Astana, Almaty and Shymkent.



QazaqGaz's business areas:

1. Main gas transportation





ASIA GAS PIPELINE LLP

Year of establishment

2008

Location (Headquarters)

Republic of Kazakhstan, Almaty city



Ownership structure

Asian Gas Pipeline LLP is a joint company established on an equal share basis. The participants of the Partnership are NC QazaqGaz JSC (RK) and Trans-Asia Gas Pipeline Company Limited (China).

CEO

Sagintaev Galymzhan Taymasovich

Activity

Asia Gas Pipeline Asian Gas Pipeline LLP is the operator of the project of construction and operation of MGP Kazakhstan — China, which provides supply of Turkmen and Uzbek gas to the Chinese market, as well as supply of gas of Kazakh origin to the domestic market of the Republic of Kazakhstan (southern consumption) and exports to the China.

13 CS
operation of compressor stations

7 GDS
operation of gas distribution stations

184 assemblies
operation of crane assemblies

2 units
units of gas flow measure

18 units
treatment facility units

42 GPU
gas pumping units

2,609.97 km
length

1,067 mm
pipe diameter

55 billion m³ per year
bandwidth

9.81 MPa
operating pressure

1,265 people
total number of employees

BEINEU-SHYMKENT GAS PIPELINE LLP

Year of establishment

2011

Location (Headquarters)

Republic of Kazakhstan, Almaty city



Ownership structure

BSGP is a joint venture established on an equal share basis. The participants of the Partnership are NC QazaqGaz JSC (RK) and Trans-Asia Gas Pipeline Company Limited (China).

CEO

Jiang Jintian

Activity

The Beineu-Bozoi-Shymkent gas pipeline is the largest pipeline project in the history of independent Kazakhstan. The pipeline connects the western oil and natural gas fields with the southern regions of the country, as well as with the Bukhara Gas Pipeline — Tashkent-Bishkek-Almaty and the Gazli-Shymkent pipeline and the C-line of the Central Asia-China gas pipeline. The main purpose is to transport natural gas from the fields in northern and western Kazakhstan to the southern and eastern regions of the country. The BSGP provides natural gas to the southern regions of the country, enables the diversification of export supplies of Kazakh gas, ensures the energy security of the country and creates a unified gas transportation system.

6 CS
operation of compressor stations

3 GBS
operation of gas distribution stations

59 assemblies
operation of crane assemblies

47 nodes
linear crane units

12 units
safety crane units

20 GPU
gas pumping units

1,454 km
length

up to **15** billion m³ per year
bandwidth

1,067 mm
pipe diameter

7.5-9.81 MPa
operating pressure

208 people
total number of employees



INTERGAS CENTRAL ASIA JSC

Year of establishment

1997

Location (Headquarters)

Republic of Kazakhstan, Astana city



Ownership structure

100% subsidiary of NC QazaqGaz JSC

CEO

Tasybaev Manas Mukhitovich

Activity

Intergas Central Asia JSC carries out domestic transportation and transit of natural gas through the territory of Kazakhstan through the Western and Southern pipeline networks:

- Western Pipeline Network — networks of gas pipelines in western Kazakhstan that serve the existing natural gas fields in Central Asia (includes the Central Asian System, Ural and Aktope Gas Pipeline System);
- South Pipeline Network — networks of gas pipelines in southern Kazakhstan supplying Kazakhstan and/or imported gas from the border of Uzbekistan and Kazakhstan to the southern regions of the country (includes the southern and Kyzylorda pipeline system).

International transportation of natural gas is the main profitable component of ICA business. The Company also includes engineering, technical and scientific-technical centers.

27 CS
operation of compressor stations

238 GDS
operation of gas distribution stations

10 MGPO
main gas pipeline offices — production branches in regions

302 GPU
gas pumping units

20,613 km
length of main gas pipelines (including 7,007 km — third-party MGP)

65,686 km
the length of distribution networks maintained in 12 regions (KazTransGas Aimak JSC, local executive bodies)

203.5 billion m³
bandwidth

57-1,420 mm
pipe diameter

3-9.81 MPa
operating pressure

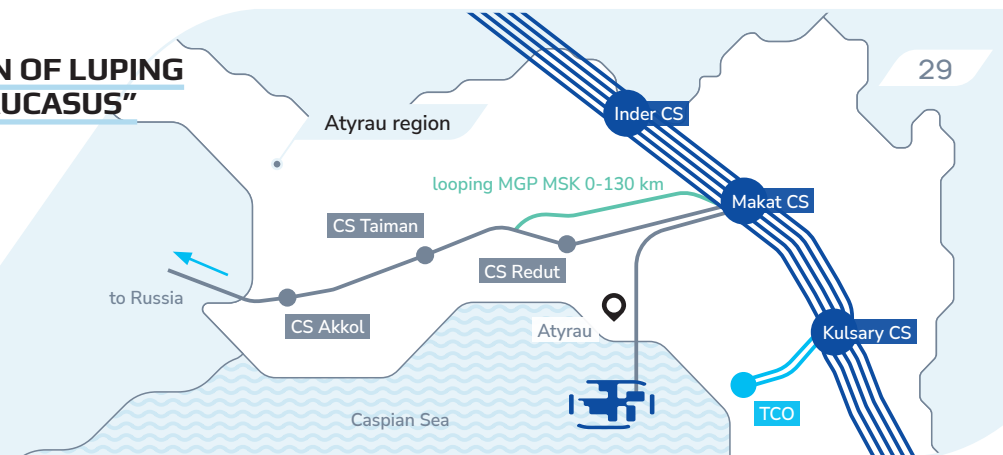
8,188 человек
total number of employees

3 UGS
underground gas storages

- Bozoi UGS 4 billion m³
- Poltoratskoye UGS 0.35 billion m³
- Akyrtobe UGS 0.3 billion m³

PROJECT "CONSTRUCTION OF LUPING MGP MAKAT – NORTH CAUCASUS"

The project is being implemented to ensure a reliable gas supply to the population and large industrial enterprises in Atyrau city and Atyrau region to prevent emergencies caused by the stoppage of the single line gas pipeline.



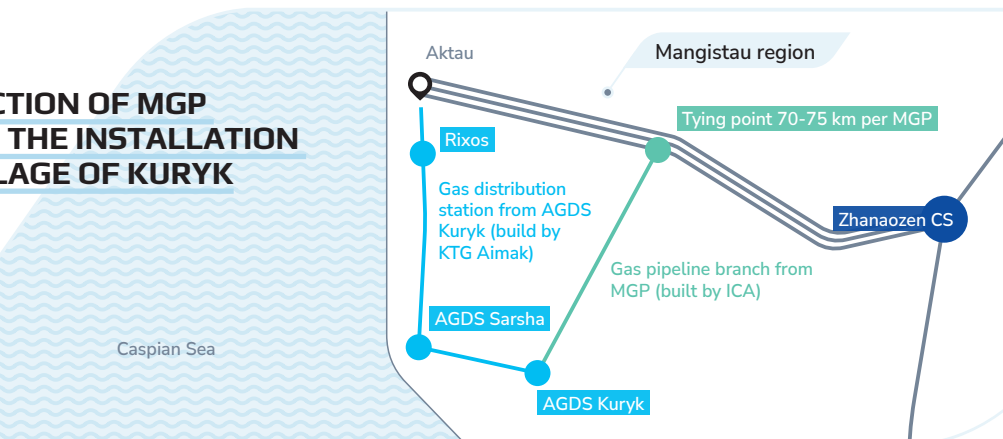
PROJECT "CONSTRUCTION OF THE 2ND LINE OF MGP BEINEU-ZHANAOPEN"

The project is being implemented to provide stable gas supply to communities and major enterprises in the Mangistau Region, as well as to MAEC-Kazatomprom LLP.



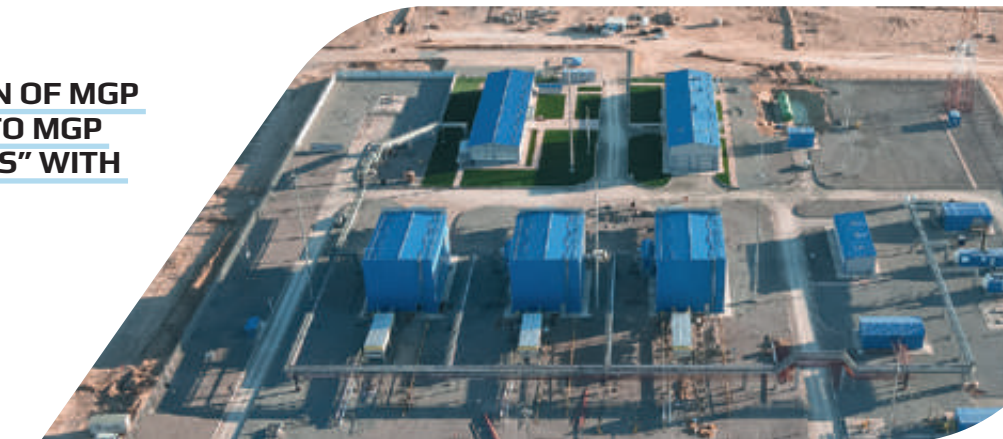
THE PROJECT "CONSTRUCTION OF MGP ZHETYBAY-KURYK" WITH THE INSTALLATION OF AGDS – 80 IN THE VILLAGE OF KURYK

The project is being implemented to supply natural gas to consumers in Sarsha and the Warm Beach resort areas in Mangistau region.



PROJECT "CONSTRUCTION OF MGP FROM CGTU KASHAGAN TO MGP MAKAT-NORTH CAUCASUS" WITH A COMPRESSOR STATION

To provide the necessary infrastructure within the project Construction of the gas processing plant Kashagan.





2. Gas distribution and gasification of regions

KAZTRANS GAS AIMAK JSC

Year of establishment

2002

Location (Headquarters)

Republic of Kazakhstan, Astana city

Ownership structure

100% subsidiary of QazaqGaz NC JSC

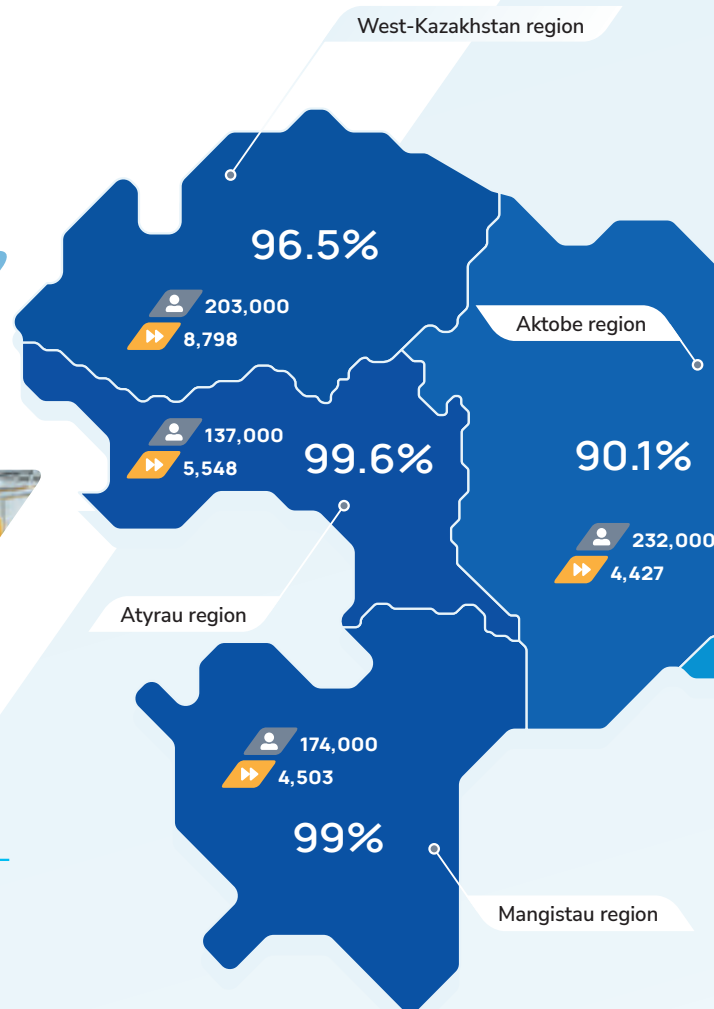
CEO

Maksut Hakim Kayrgeldiuly

Activity

KazTransGas Aimak JSC is the largest gas supply company in the Republic of Kazakhstan, operating distribution gas pipelines in all eleven gasified regions and three cities of the republican importance.

The main tasks of the enterprise are organization of supply of commodity gas, transportation of blue fuel through distribution networks, management of gas distribution assets in regions. The main direction of activity is provision of accident-free and uninterrupted gas supply of the population, municipal and industrial enterprises.



14 PB number of production branches

59,181 km total length of gas pipelines

13,884 km gas pipelines according to agreement on share participation

33,362 km own distribution networks

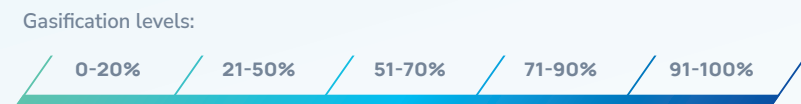
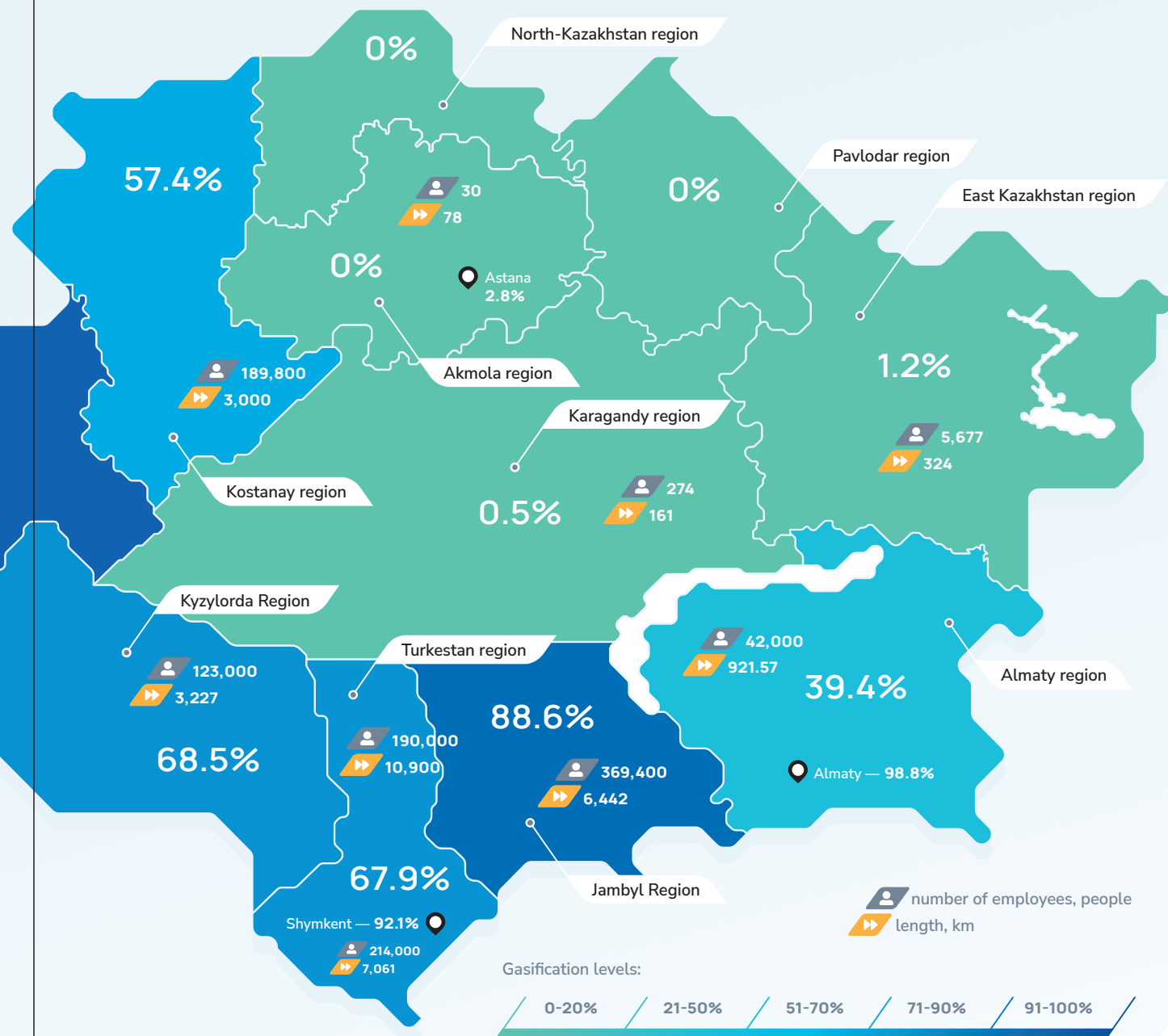
9,787 km other gas pipelines

3.9 thousand industrial enterprises

11 million people level of gasification (57.67%)

2.7 million subscribers number of consumers

LEVEL OF GASIFICATION OF REGIONS OF KAZAKHSTAN AND PRODUCTION BRANCHES OF KAZTRANS GAS AIMAK JSC



KazTransGas Aimak JSC projects:

- project Gasification of 3 settlements (Zhitikara, Tobol village, Bolshaya Churakovka village) of Kostanay region;
- project Construction of a high-pressure gas supply pipeline and gas distribution networks in the village of Saimasai, Kainar, Enbekshikazakh district of Almaty region (1 and 2PF);
- project Construction of high-pressure gas supply pipelines from AGDS to CHPP-2 and CHPP-3 in Almaty;
- project Construction of a high-pressure gas pipeline from the AGDS in the area of the village of Kuryk to the area Sarsha and the hotel Rixos Aktau in the resort area Warm Beach with the installation of two Gas Regulation Units;
- project Modernization of the gas distribution network of Taraz city;
- project Modernization, reconstruction and new construction of gas distribution networks in settlements of the Mangistau region;
- project Gasification of Almaty city, reconstruction of gas distribution networks in Almaty city.



3. Gas sales

QazaqGaz, as the national operator in the field of gas and gas supply, exercises the state's pre-emptive right to purchase raw and (or) commercial gas from subsoil users/suppliers. In accordance with the legislation, subsoil users send a commercial offer to the national operator indicating the volumes, price and point of delivery of raw and (or) commercial gas. The national operator decides whether to exercise or waive the State's right of priority.

23,644 million m³
commercial gas sales volume

17,600 million m³
domestic market

10.9%
domestic consumption

6,044 million m³
export volumes

KAZROSGAS LLP

Year of establishment

2001

Location (Headquarters)

Republic of Kazakhstan, Almaty city

CEO

Abdrasulov Nurlan Kadyrovich



Ownership structure

KazRosGas LLP is a joint venture formed on a parity basis by the national company NC KazMunayGas JSC and Gazprom OJSC. KazRosGas LLP is held in trust by NC QazaqGaz JSC.

Activity

KazRosGas LLP is engaged in marketing, processing, transportation and sale of Kazakhstan's natural gas and its processing products on domestic and foreign markets. The activity of KazRosGas LLP is aimed at ensuring the maximization of the economic value of the Company, based on the use of new opportunities to increase the economic

value of the Company's assets. Since 2002 KazRosGas has been supplying gas to the domestic market of the Republic of Kazakhstan and selling the remaining gas for export. The main volumes of processed dry Karachaganak gas are primarily delivered to the domestic market to meet the needs of Kazakhstan's consumers.

PROJECT CREATION OF A SULPHUR GRANULATION PRODUCTION FACILITY

One of the promising projects of KazRosGas LLP is the construction and commissioning of a production base for sulfur granulation with an annual capacity of up to 500,000 tons near the Orenburg gas complex. At present, the commercial sulphur produced during the processing of the Karachaganak gas is in liquid molten form and is limited to transportation over relatively short distances due to high costs. The most preferable is the supply of sulphur in a granular form, providing low losses during trans-shipment, transport, storage and the possibility of transporting sulphur by any means of transport at any distance. The implementation of this project improves the efficiency of sulfur sales by ensuring its storage, packaging and transportation in accordance with international requirements.



Decision of the Investment Commission of NC KazMunayGas JSC from 07.11.2014 as part of the measures taken to ensure the financial sustainability of NC KazMunayGas JSC suspended further implementation of the project to create a production base for sulfur granulation.

Also, by the decision of the Supervisory Council of KazRosGas LLP from 18.12.2015 the implementation of the investment project Creation of a sulphur granulation production facility was suspended.

PROJECT IMASHEVSKOYE DEPOSIT

One of the promising areas of work of KazRosGas is the implementation of a joint project for the geological study and exploration of the transboundary Imashevskoye gas condensate field, which is located in the Astrakhan region of Russia and the Atyrau region of Kazakhstan. According to preliminary estimates, the field's recoverable reserves are estimated at more than 128 billion cubic metres of gas and 20 million tonnes of natural-gas condensate.

Negotiations on joint work at the Imashevskoye field were conducted since 2007 and ended in September 2010 in Ust-Kamenogorsk by signing an agreement between the Government of Kazakhstan and the Government of the Russian Federation on joint activities for geological study and exploration of the field. KazRosGas LLP was appointed as the single operator for implementation of the Imashevskoye field geological study and exploration project.

The Intergovernmental Agreement provides for the geological study and exploration of the Imashev field with the calculation of hydrocarbon reserves and technical and economic evaluation of the development of the deposit, on conditions of equal financing of expenses between authorized organizations of the parties — JSC NC KazMunayGas and JSC Gazprom. At present, issues related to obtaining the right of subsoil use and preparation of the Geological Study and Exploration Program are being worked out.

The implementation of the Intergovernmental Agreement between Kazakhstan and Russia on Joint Geological Research and Exploration of this Transboundary Deposit will contribute to the further development of bilateral cooperation between the countries in the oil and gas industry, growth of economic potential and improvement of welfare of the peoples of the two States.

On February 28, 2017 the Supervisory Board of KazRosGas adopted a decision to suspend the financing of the project Imashevskoye in connection with instability of global commodity markets and a general decline in macroeconomic indicators in Kazakhstan and Russia.

4. Resource base

QAZAQGAZ EXPLORATION AND PRODUCTION LLP

Year of establishment

2003

Location (Headquarters)

Republic of Kazakhstan, Astana city

Ownership structure

100% subsidiary of NC QazaqGaz JSC

Activity

QazaqGaz Exploration and Production LLP is a gas producing company whose main activities are gas and gas condensate extraction, geological exploration and exploration, exploration drilling at the company's production facilities and wholesale of natural gas.

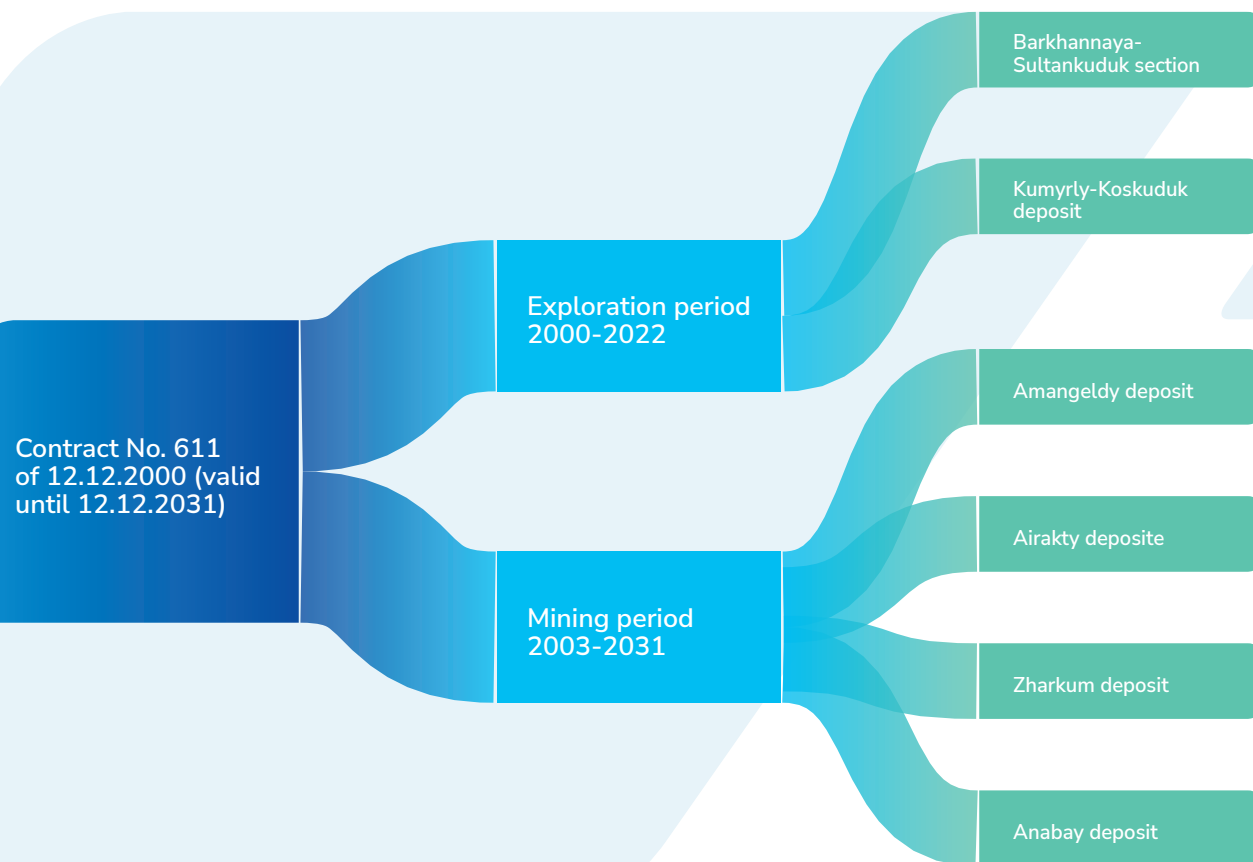
CEO

Kuandykov Almas Baltabekovich

51 boreholes
(2 observation boreholes)

15.5 billion m³
mining group (dry gas residual recoverable reserves)

32.6 billion m³
exploration group (inferred resources)

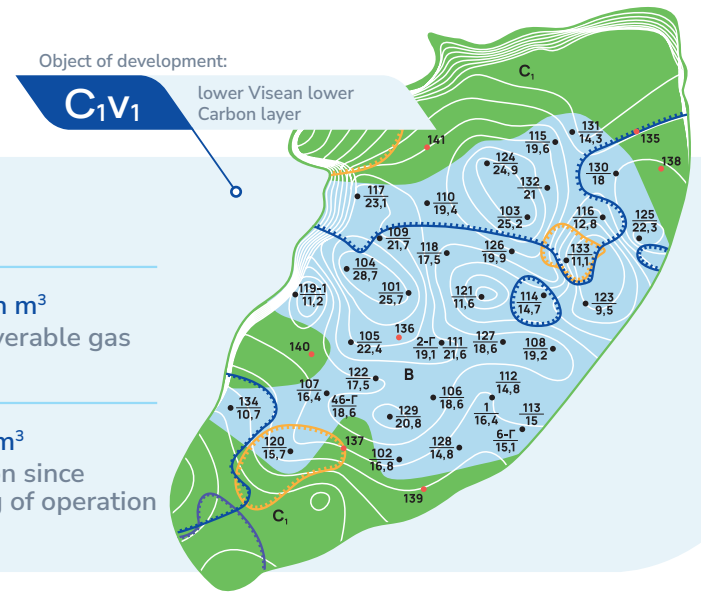


Amangeldy deposit

Amangeldy natural-gas condensate deposit is located in the territories of the Moyinkum and Talas districts of the Jambyl region, 190 km, north of the city of Taraz.

Object of development:

C₁V₁ lower Visean lower Carbon layer



Stage: industrial development since 2007.

Development mode: natural depletion of reservoir energy.

16.0 billion m³
initial recoverable reserves

10.2 billion m³
residual recoverable gas reserves

38 units
production well boreholes
(average depth 2,280 m)

5.5 billion m³
gas production since the beginning of operation

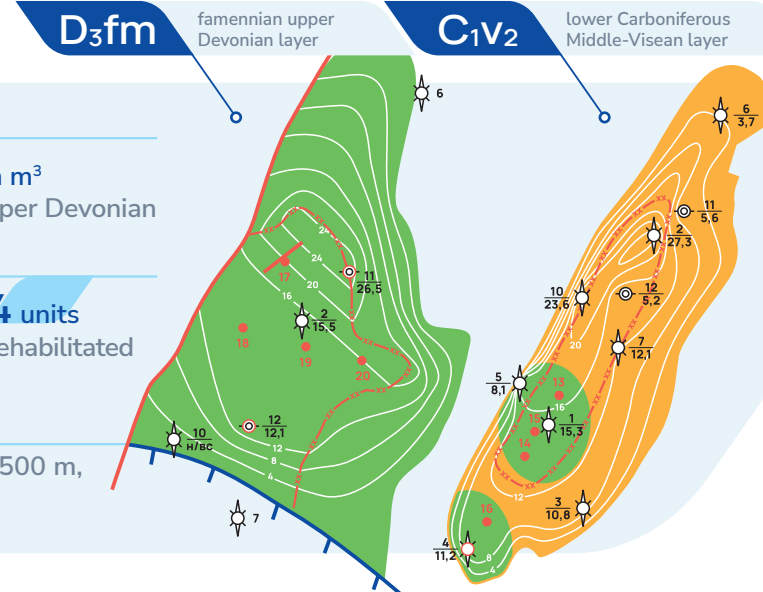
Anabay deposit

Anabay gas deposit is part of the Amangeldy group of fields.

Object of development:

D₃fm famennian upper Devonian layer

C₁V₂ lower Carboniferous Middle-Visean layer



3.2/2.4 billion m³
reserves in place/
recoverable reserves (C₁)

1.42 billion m³
famennian upper Devonian layer (D₃fm)

0.81 billion m³
lower Carboniferous Middle-Visean Stage formation (C₁V₂)

11.12 wellstock units drilled
4 units rehabilitated

8 units planned (4 medium depth wells — 3,500 m, 4 medium depth wells — 2,700 m)

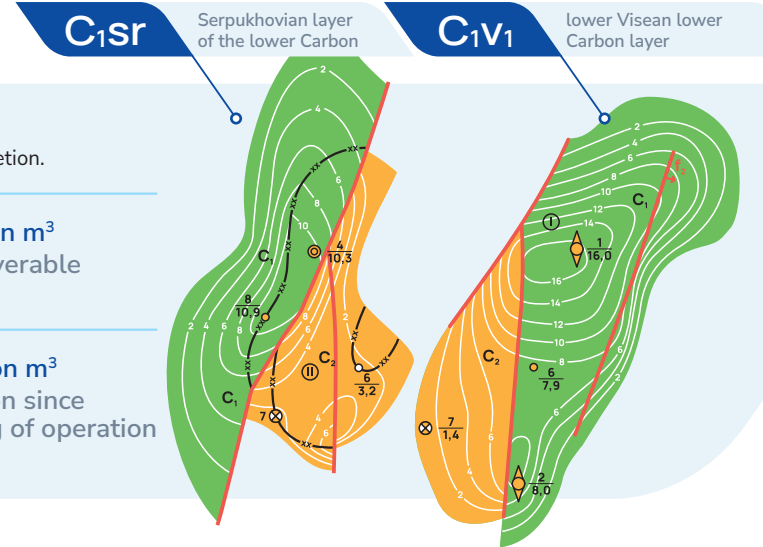
Zharkum deposit

Zharkum natural-gas condensate deposit is part of the Amangeldy group of fields.

Object of development:

C₁Sr Serpukhovian layer of the lower Carbon

C₁V₁ lower Visean lower Carbon layer



Stage: industrial development since 2017.

Development mode: natural mode of reservoir energy depletion.

0.43 billion m³
initial recoverable reserves

0.34 billion m³
residual recoverable reserves

5 units
production well stock
(average depth — 2,100 m)

83.3 million m³
gas production since the beginning of operation



36 Airakty deposit

Airakty natural-gas condensate deposit is part of the Amangeldy group of fields.

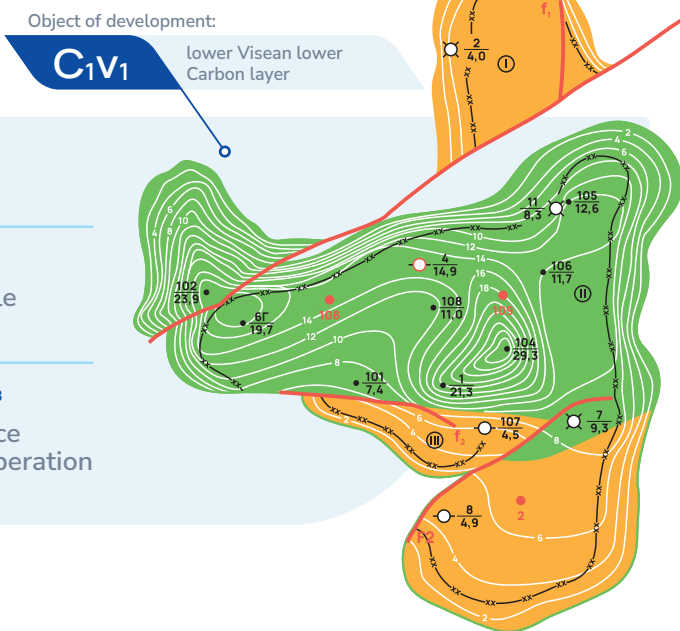
Stage: industrial development since 2017.
Development mode: natural mode of formation energy depletion.

2.63 billion m³
initial recoverable reserves

2.49 billion m³
residual recoverable reserves

8 units
production well stock
(average depth — 2,250 m)

141.5 million m³
gas production since
the beginning of operation



Barkhannaya-Sultankuduk section

The Barkhannaya-Sultankuduk section is located within the Moiynkum district of the Jambyl region of the Republic of Kazakhstan.

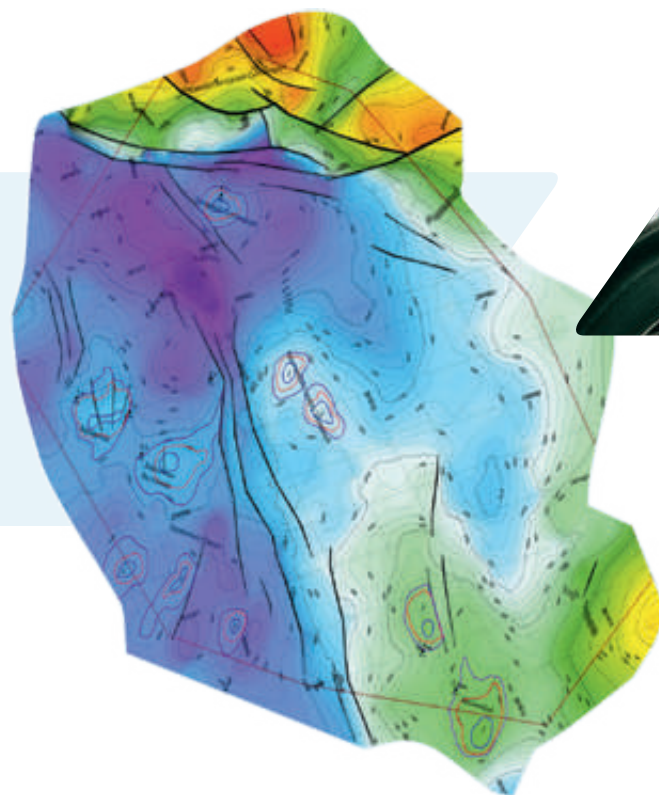
In recent years, the site has undergone geological exploration, including seismic exploration of common depth point-2D (2008, 2010, 2011) and CDP-3D in the amount of 690 km² (2020-2021).

In 2016, borehole R-1 was drilled with a depth of

In 2022, borehole B-5 was drilled with a depth of

4,500 m

3,200 m



Other projects of QazaqGaz Exploration and Production LLP:

- structure Koskuduk (Eastern Kumyrlı);
- Sultankuduk structure;
- Ucharal, Kempirtobe, Western and Northern Ucharal deposits.

5. Gas engine infrastructure

KAZTRANS GAS ONIMDERI LLP

Year of establishment

2001

Location (Headquarters)

Republic of Kazakhstan,
Astana city



Ownership structure

100% subsidiary of NC QazaqGaz JSC

CEO

Kulkybaev Yernar Gabdullovich

Activity

The main activity of KazTransGas Onemderi LLP is the provision of transport services, construction and installation works, the implementation of compressed natural gas.

The Partnership promotes the development of the market for gas engine fuel on methane.

Technology and advantages of CNG (compressed natural gas) and LNG (liquefied natural gas).

1,569 units
of equipment

1,765 people
total number of employees

10 AGFCS
automobile gas-filling
compressor stations

4 AGFCS
under construction

11 AGFCS
planned

2 liquefied natural
gas plants
planned



Rent of vehicles and special equipment

As part of the measures on transformation of the group of companies NC QazaqGaz JSC on the basis of KazTransGas Onlmderi LLP the whole fleet of motor vehicles and special equipment has been consolidated.

Road transport works

As part of the expansion of its activities, the Company obtained a licence for construction and installation work with activities on 29 July 2016:

- construction of load-bearing and (or) protective structures of buildings and structures, including major repair and reconstruction of facilities, including installation of metal structures;
- special construction and installation work on laying of linear structures, including field and trunk networks of oil pipelines, gas pipelines, as well as trunk networks of oil product pipelines;

- construction of motorways and railways, including major repairs and reconstruction, including foundations and pavements, safety structures and development of motorways of technical categories III, IV and V, as well as the carriageway of settlements that are not motorways.

KazTransGas Onemderi LLP takes an active part in the construction in-field roads of oil and gas fields and along highway roads of main gas pipelines, in the development of sites for boreholes of QazaqGaz group and other companies.

A road service staffed with qualified personnel, specialised and road equipment has been organised to carry out the above works.

Since the receipt of the license, work has been completed on the construction of along-track roads of main gas pipelines, infield roads, and the arrangement of sites for drilling equipment in the amount of more than 1.5 billion tenge.

In addition, specialists of the Partnership provide technical assistance in the design and construction of the AGFC in the Republic of Kazakhstan.

1.5

BILLION TENGE

work has been completed on the construction of along-track roads of main gas pipelines, infield roads, and the arrangement of sites for drilling equipment



Compressed natural gas

The implementation of the "Action Plan to expand the use of natural gas as a motor fuel for 2019-2022", approved by the Decree of the Government of the Republic of Kazakhstan dated November 29, 2018 No. 797, continues to be implemented, which provides for significant economic and socio-environmental effects for the economy and population of the Republic of Kazakhstan.





2. RISK MANAGEMENT STRATEGY



TURKESTAN REGION

1 The village of Bagys was gasified in Turkestan region. The gasification of Bagys village and nearby settlements on the border with Uzbekistan was completed within three months.

2 KazTransGas completed the construction of new gas metering stations (GMS) Zhetysay and Shardara in Turkestan region. Commissioning of the new GMS will improve the accuracy of gas metering coming from Uzbekistan to Kazakhstan.

3 Natural gas in the village of Khanaryk, Tolebi district, was provided to

8 settlements

Were laid

18 km of gas distribution networks

Were installed

188 gas distribution cabinets

Due to this about

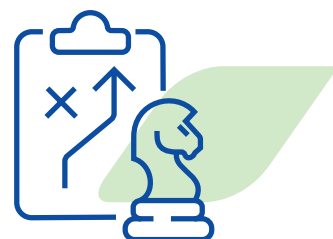
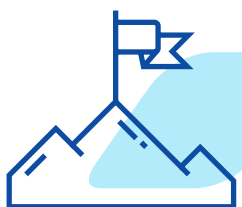
2,000 people have been provided with blue fuel.



CHALLENGES

GLOBAL TRENDS

COMPANY'S STRATEGY REQUIREMENTS



- Capacity shortage of gas processing
- Rapid consumption growth
- Loss-making sales of marketable gas in the domestic market
- Gas shortage

Global energy crisis

- Expansion of the RK gas resource base
- Development of new gas processing facilities
- Fair pricing reform
- Development of gas transit and export

- Critical deterioration of the gas transportation infrastructure
- Unsustainable design decision-making on GDS
- Disinvestment and employment reduction in the oil and gas industry

Following the ESG agenda

- Investment and operational efficiency
- Increase gasification coverage
- Strengthening energy security

- Carbon neutrality in the gas chemical industry
- Transition to green energy sources

Decarbonization of energy systems

- Transition to rational consumption
- Reduction of GHG emissions

- Digitization of GDS objects
- Accelerated development of digital technologies

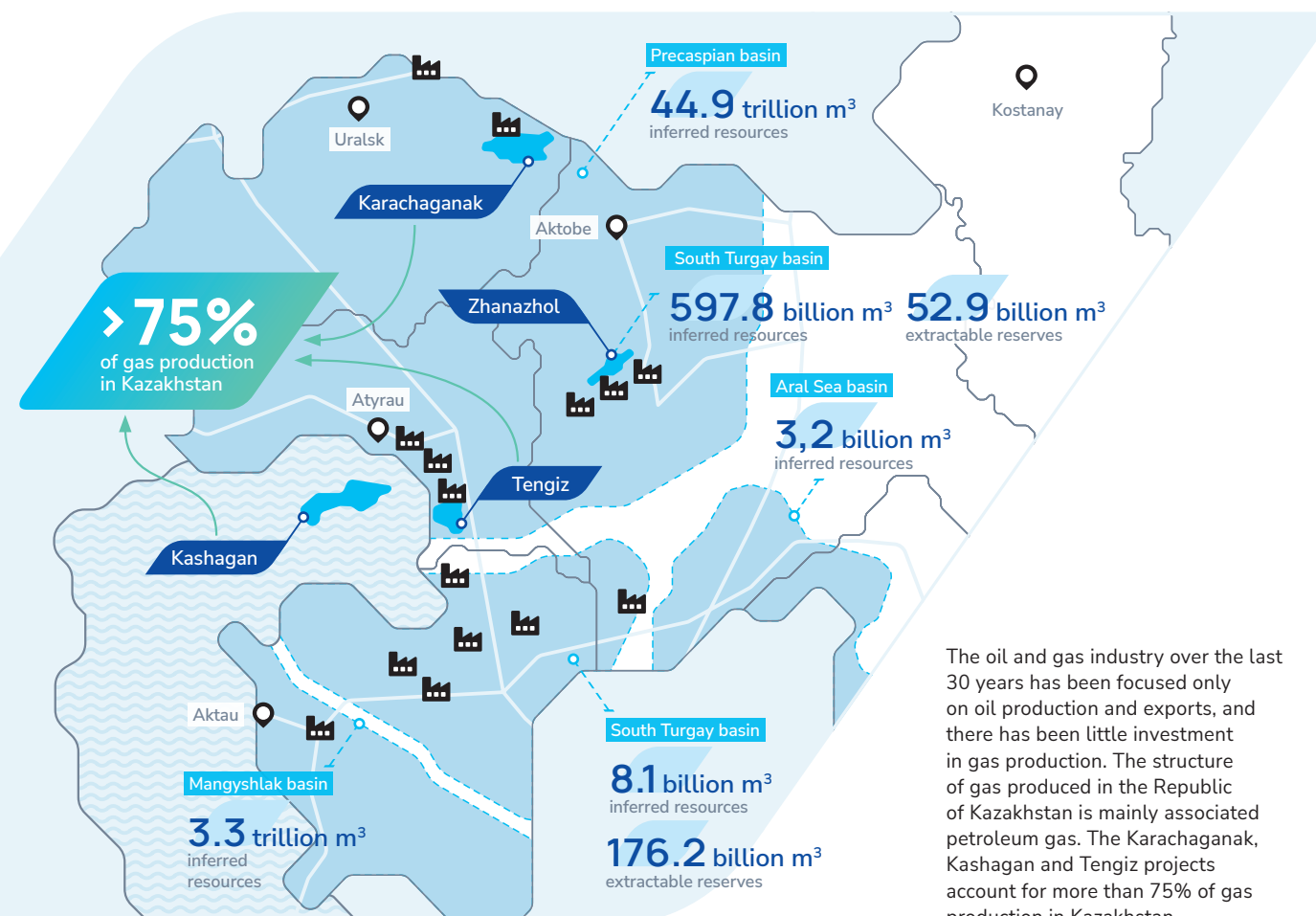
Digitalization

- Automation of business process
- Remote monitoring of CS and GDS
- Mapping

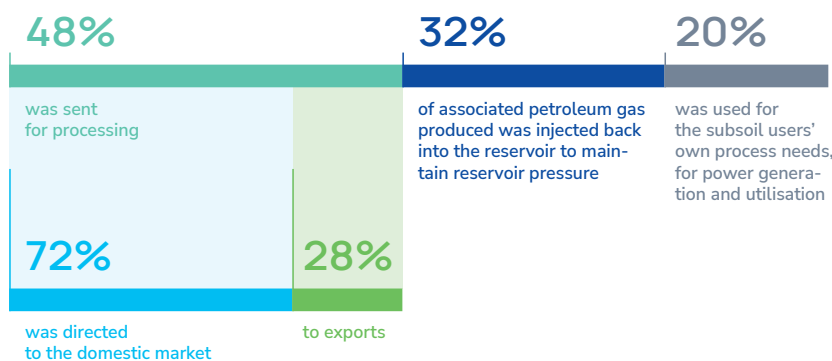
CONSTRAINTS TO GAS SECTOR DEVELOPMENT

The gas industry plays a key role in the economic and social well-being of the Republic of Kazakhstan. In order to improve the energy and economic security of QazaqGaz it is necessary to focus on the development of the Company's strategy, the implementation of which will allow the gradual development of the country's gas industry in the medium and long term.

1. Shortage of marketable gas resources



The oil and gas industry over the last 30 years has been focused only on oil production and exports, and there has been little investment in gas production. The structure of gas produced in the Republic of Kazakhstan is mainly associated with petroleum gas. The Karachaganak, Kashagan and Tengiz projects account for more than 75% of gas production in Kazakhstan.



3.9
TRILLION M³
recoverable gas reserves of the Republic of Kazakhstan

GAS PROCESSING CAPACITIES OF THE REPUBLIC OF KAZAKHSTAN, billion m³ per year

N ^o	Name	Capacity, billion m ³ per year	Loading, %
1	GPT Tengiz	13.00	100%
2	GPP Zhanazhol	8.40	62%
3	OGPP Bolashak	6.30	84%
4	GPP Chinarevskiy	4.20	16%
5	KazGPP	1.50	60%
6	GPP Shagyrlı	1.30	73%
7	GPT Amangeldy	0.70	49%
8	GTU Akshabulak	0.55	67%
9	GTU Tarbagatai	0.55	52%
10	GPT Kozhasai (GPC)	0.43	100%
11	GPP Alibekmola	0.43	100%
12	GPP Borankol	0.36	10%
13	GPT Sagidulla Nurzhanov	0.15	100%
14	GPT Karakuduk	0.13	26%
15	GTU Arystanovskoye	0.12	44%
16	GPT East Makat	0.04	100%
17	GPTP EmirOil	0.04	87%
18	GPT Balginbaev S.	0.02	100%
19	GTU Kulzhan	0.01	26%
General power		38.2	74%

The country's recoverable reserves of 3.9 trillion m³ are sufficient for decades. However, there is not enough capacity to process the associated gas. Oil companies are forced to pump it back into the reservoir.

Over the period 2010-2021, domestic gas consumption increased by 106% from 9 billion m³ to 18.6 billion m³. In Kazakhstan, a gas deficit is forecasted to start in 2024. If the current situation in the industry continues, investment and employment in the oil and gas sector of Kazakhstan will decline significantly after 2023, unless immediate measures are taken. This eliminates the possibility of subsidizing the domestic market from the export earnings of the national operator and requires the adoption of a package of measures to increase the volume of commercial gas production.

QazaqGaz's response

- construction of Kashagan's 1 billion m³ GPP started²;
- construction of Stage 2A GPP on Kashagan is planned, technical indicators are being harmonized with the Field Operator (North Caspian Operating Company, NCOC);
- it is planned to conclude an agreement with the NCOC on the extraction of the entire volume of the LPG to cover the growing demand of the domestic market;
- work continues on the utilisation and modernisation of existing gas processing facilities (including: Chinarevskiy GPP, GPT-40 Kozhasai);
- a road map is being drawn up for a Memorandum of Cooperation to increase Orenburg Gas Processing Plant of the Karachaganak oil and gas condensate field at the Orenburg GPP (from 9 billion m³ to 11 billion m³ per year) concluded in St. Petersburg on 17.06.2022;
- it is planned to conclude an agreement with KPO on extraction of free volume of raw gas for realization of programs on development of gas processing capacity on the basis of raw material of Karachaganak field.

² GPC Investment LLP was transferred from Samruk-Kazyna JSC to QazaqGaz NC JSC in August 2021 at 100% FDI.

Domestic wholesale sales of marketable gas are unprofitable for NC QazaqGaz JSC. These losses are compensated by revenues from gas exports, which decrease annually.

In the coming years, due to the prioritization of domestic gas supply, there is a need for fair pricing that takes into account social responsibility and diversified development of the industry.

Without the reform of current pricing, and without the use of state subsidy mechanisms and concessional lending to the industry, the commodity gas deficit will increase dramatically. This threat of a shortage of commercial gas on the domestic market will negatively affect plans for further gasification of the country. Improvement of gas pricing is also necessary given the accession to the EAEU Common Market in 2025, according to which there are risks of price increases.

18.6 ▲ 106%
BILLION M³
volume of gas consumption in the domestic market for 2021

QazaqGaz's response

In order to ensure a break-even domestic gas price, there is a need for a social and equitable price reform that would provide a 10 per cent rate of return to the national operator for wholesale gas prices. QazaqGaz has taken the following steps to create a break-even pricing in the supply chain of gas to the domestic market:

- a new category for socially vulnerable segments of the population has been introduced, for which preferential gas prices have been set;
- work is under way to introduce new categories of large industrial consumers and miners to which gas will be supplied at market prices;
- steps are being taken to provide an attractive purchase price for commercial gas to independent subsoil users.

2. Critical deterioration of the gas transmission infrastructure

One of the constraints to the development of gas transportation, both domestically and abroad, is the critical deterioration of the infrastructure and its insufficient capacity. Most gas pipelines are over 50 years old, and average wear is over 70%. The highest rates of accidents of gas transportation system are observed in Atyrau (84%), Mangistau regions (86%), where the critical condition of such gas pipelines as Beineu — Zhanaozen, Zhanaozen — Aktau at any moment can lead to disruption of gas-pipelineswater and electricity supply of settlements and production facilities.

At the same time, domestic demand for gas is growing. The current capacity

of the gas transport infrastructure is insufficient to continue gasification of the regions and to provide gas for promising oil and gas chemistry projects. To address the problem, a number of measures need to be considered to comprehensively upgrade the gas transportation system.

In addition to the above, today, due to the fact that QazaqGaz does not participate in the most important processes, such as the design and construction of gas pipelines, there are a number of problems related to poor-quality design and execution of construction works,

about which QazaqGaz repeatedly informed at different levels. In some cases, it is not rational to make design decisions (overcapacity/undercapacity, inappropriate selection of technology, equipment, etc.), as well as improper preparation of execution and technical documentation, on which the entire subsequent life cycle of the object depends. All this in the future creates problems on the acceptance of gas pipelines to the balance of QazaqGaz, and as a result, it is impossible to include their maintenance costs in the tariff. At present, 736 objects (about 60%) of the objects transferred by local executive bodies require removal of the comments.



QazaqGaz's response

In order to develop the gas transport system of Kazakhstan as a Central Asian gas hub, work is under way to ensure the reliable and effective functioning of the existing State technical service (hereinafter referred to as the STS) as well as to increase its capacity:

as part of the modernisation of the STS in the domestic market, the General Scheme of Gasification is being updated, taking into account the development of new projects to increase natural gas coverage of the population, as well as updating the technical and economic parameters laid down;

a technical audit is being carried out in order to make a preliminary assessment of the volume of investments. In addition, the mandatory use of automation and digitalisation processes is part of the comprehensive modernisation of the STS, in this regard, work is underway on the remote monitoring of CS and other facilities of the gas transport infrastructure, mapping and digitisation of STS facilities;

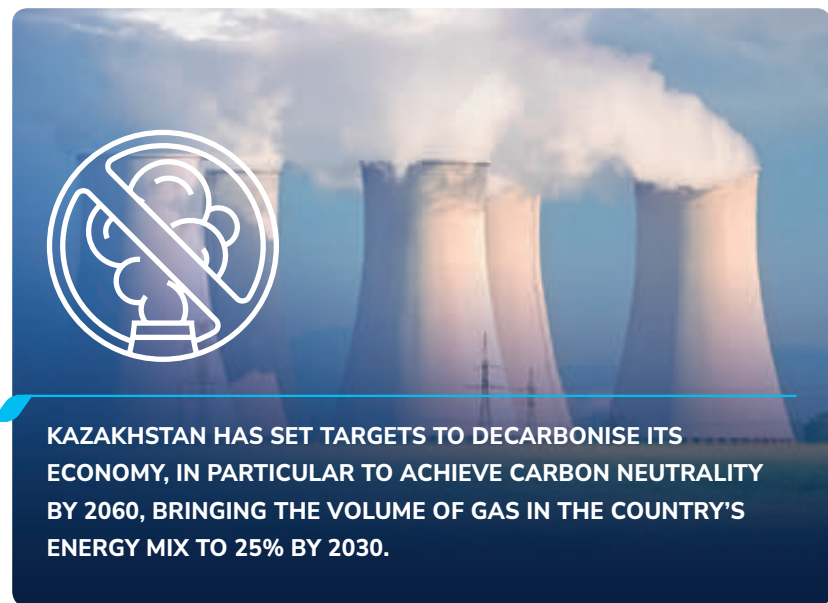
works on modernisation of the existing gas transportation system and construction of new gas pipeline networks, including construction of MGP Makat-North Caucasus looping and construction of the 2nd line of MGP Beineu-Zhanaozen;

at various stages, work continues on the reconstruction and repair of existing main gas pipelines based on the results of diagnostics;

in order to ensure the safety of citizens, uninterrupted and accident-free gas supply and the quality of gas pipeline infrastructure, the issue of transferring the local executive bodies' functions of gas supply system construction to the specialized company QazaqGaz, which will allow the National Operator to effectively implement projects both at the design and construction stage and at the operation stage by synchronising resource availability, infrastructure readiness and consumer readiness;

to expand the export-transit potential and transfer heat and power generation enterprises to gas, the construction of the second line of the MGP Beineu-Bozoi-Shymkent with a capacity of 10 billion m³ per year or more is required.

3. Lack of a long-term strategy for the gas industry and a vision for the energy transition



KAZAKHSTAN HAS SET TARGETS TO DECARBONISE ITS ECONOMY, IN PARTICULAR TO ACHIEVE CARBON NEUTRALITY BY 2060, BRINGING THE VOLUME OF GAS IN THE COUNTRY'S ENERGY MIX TO 25% BY 2030.

Natural gas will play a key role in Kazakhstan's energy transition:

- transition fuel — replacing coal with gas could play a key role in decarbonising the economy by reducing CO₂ emissions and reducing the carbon footprint by 10-20% by 2050;
- launching hydrogen economy — thanks to inexpensive natural gas, Kazakhstan has the potential to produce cheap hydrogen for local decarbonisation and export to other countries;
- balancing generation — renewables will play a major role in replacing coal by rapidly increasing capacity, which will require additional volumes of marketable gas.

QazaqGaz's response

Formation and development of the country Doctrine/Strategy for Energy Security and Energy Transition is proposed to be carried out under the coordination of the Ministry of National Economy of the Republic of Kazakhstan and the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan within the framework of Projects for the implementation of the Low-Carbon Development Strategy of the Republic of Kazakhstan until 2060.

The company has ambitious plans for the medium term, including the following important areas of work in the field of ESG integration, aware of the significance of social changes economic and environmental conditions within the framework of identifying strategic opportunities and ensuring its competitiveness:

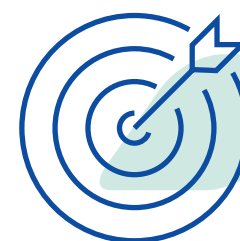
conducting a sustainability disclosure system diagnostic on QazaqGaz operations and developing an ESG Roadmap for the short, medium and long term in 2022;

development of a programme to reduce the carbon footprint;

verification and receipt of ESG rating in 2023-2024.

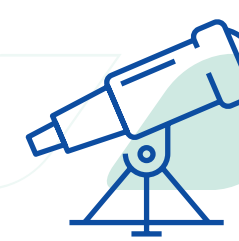
Development strategy of QazaqGaz

MISSION



To ensure the energy security of the country, creating a new quality of life for the people and strengthening the partnership in the global world.

VISION



A highly efficient gas energy company of international standing.

NC QAZAQGAZ JSC INTENDS TO PROVIDE GROWTH OF NATURAL GAS RESOURCE BASE TO INCREASE NATURAL GAS SUPPLY TO BOTH EXPORT AND DOMESTIC MARKETS.

For effective use of gas transport potential and increase of export and transit component in revenues the Company in 2022 presented a new vision of development Zhargagan QazaqGaz. According to this vision, the Strategy Zhargagan QazaqGaz will be formed on five main aspects to build a vertically integrated company.



1. Expansion of the gas resource base of the Republic of Kazakhstan

NC QazaqGaz JSC will use the status of the National Company with priority right to subsoil use to form a balanced portfolio of assets in the gas exploration and production sector and

obtain subsoil use rights for major projects. QazaqGaz will strengthen its role in gas processing projects in order to ensure the loading of existing GPP capacities.

At the same time, in order to expand the resource base, the National Operator plans to develop a set of incentive measures, including:

- fiscal preferences for subsoil users;
- providing an attractive purchase price to subsoil users for additional volumes of gas, with the possibility of sending part of the gas volumes within the export channels of the National Operator;
- incentive approaches to reduce re-injection and flaring;
- joint activities in gas processing, gas chemistry and development of new gas transmission capacities.

2. Domestic Market Development and Pricing Reform

QazaqGaz, represented by the National Operator, in the face of a shortage of marketable gas resources and unprofitable prices on the domestic market, is initiating a set of proposals including:

- expansion of the list of categories of consumers ready to purchase marketable gas at market prices;
- approval of temporary regulations for the distribution of limited commercial gas resources, taking into account the technical readiness of regional gas distribution organizations and the efficiency of gas consumption projects;
- rational gas consumption.

In the field of domestic market development, the Company aims to increase the gasification level to 65% and to reach a break-even point. Implementation of the General Gasification Scheme of the Republic of Kazakhstan will continue with private investment from independent gas distribution organisations.

3. Development of gas transit and export

The implementation of new gas transportation projects will be carried out on the condition that the projects themselves are recouped and that there is a synergistic effect for the Company as a whole, expressed in maximal use of possibilities of existing gas transportation systems and creation of new routes for transportation of Kazakhstan gas.

4. Development of gas chemistry

In the gas chemistry industry, QazaqGaz aims to provide gas for the most profitable gas chemistry projects at a market price. In addition, the Company sets goals for the development of new energy and gas chemistry projects.

5. Investment and operational efficiency

QazaqGaz is committed to ESG principles and high corporate governance standards. In order to comply with these requirements, the Company intends to apply the best international experience in conducting business (digital transformation), protecting the environment, ensuring safe working conditions, developing human capital, as well as socio-economic development of regions, in which the activity takes place.



ACTIVITIES TO IMPLEMENT THE STRATEGY

In order to implement the development strategy the Company takes activities in the following areas:



Areas

INCREASING THE RESOURCE BASE

Targets by 2030

+15 billion m³ per year
increase in commercial gas production due to the launch of the most prepared projects for gas production and due to gas processing instead of flaring and re-injection

Areas of development

- the regulatory framework to stimulate production;
- ensuring the loading of the existing capacities of the gas processing plant — 5 billion m³;
- launch of the most developed gas production projects;
- gas processing projects instead of flaring and re-injection;
- development of a fair pricing formula for subsoil users for additional gas volumes.



Areas

DEVELOPMENT OF THE DOMESTIC GAS MARKET

Targets by 2030

65%
gasification rate

Areas of development

- socially fair pricing reform;
- development of rational gas consumption in the domestic market;
- attraction of private business to gasification and distribution of gas.



Areas

DEVELOPMENT OF GAS TRANSIT AND EXPORT

Targets by 2030

+5 billion m³ per year increase in gas exports
+30 billion m³ per year increase in the transit of Turkmen and Russian gas

Areas of development

- proposals to countries and partners to increase gas transit and export;
- building capacity, taking into account agreements on transit and export with countries and partners.



Areas

GAS PROCESSING FOR GAS CHEMICAL DEVELOPMENT

Targets by 2030

4-5 billion m³ per year of gas for the most profitable gas chemistry projects at a market price

Areas of development

- determination of profitable directions for the development of gas chemistry;
- attracting investors to gas chemistry;
- development of new energy industry.



Areas

INVESTMENT AND OPERATIONAL EFFICIENCY

Targets by 2030

0.2% ROACE
8.87 ROI

Areas of development

- preservation and enhancement of human capital;
- implementation of ESG principles;
- transparency of corporate governance;
- digital transformation.



52 TRANSFORMATION

Digital transformation

Digital transformation is a priority tool to achieve QazaqGaz’s strategic goals in today’s world. In order to achieve investment and operational efficiency in 2021 QazaqGaz continues the process of digitalization of business.

In 2021, as part of the Business Transformation Program roadmap, the 5th stage of work on the Implementation of Analytical Geographic Information System on Gas Pipeline Facilities (AGIS) project was carried out. The purpose of this project is to create a digital map of the gas transmission system facilities, online access to technical and financial data, ensuring reduction of gas losses, control of maintenance and repair costs through data analysis.

As part of this phase, the digitisation of gas transmission system facilities has been completed, data for 30% of gas distribution facilities has been entered, and the digitisation of data for all subscribers of the gas transmission system has been completed.

100%

the digitisation of data for all subscribers of the gas transmission system has been completed

PROJECT DIGITAL GAS METERING IN KAZTRANSGAS AIMAK JSC

Objective of the project

Automation of accounting processes for the transportation and sale of natural gas through the introduction of modern gas measurement systems with the function of remote control and data transmission.

Expected benefits (qualitative)

- Transparent and prompt accounting of gas sales;
- Decrease in receivables;
- Rational use of gas by domestic consumers of the Republic of Kazakhstan — saving up to 2% or 78 million m³/year;
- Improvement of the environment, reduction of CO₂ emissions up to 144 thousand tons/year;
- Restraining the growth of technological losses of gas to 13.1 million m³/year will provide gas to 81 thousand new subscribers in the period from 2022 to 2032.

Status

STAGE 1. PILOT PROJECT IN SHYMKENT

Implemented a unified platform for managing metering devices;

61,000

 pieces

(81%) of 75,000 G4 household meters were installed at the expense of QazaqGaz.

STAGE 2. MAIN PHASE

Amendments are being made to the legal documents regulating the mandatory installation of modern automated gas metering systems from 2024.

A comprehensive program of consumer information preparation for upcoming changes for 2022–2024 is being developed.

Ensuring information security

For the organization of information security in the group of companies QazaqGaz, in the period from 2019 to 2021, solutions for preventing data leakage and protecting against malicious software were implemented, and acquired the services of the information security operations centre.

This center ensures compliance with the requirements for critical information and communication infrastructure in the field of information security, according to the legislation, as well as the support of network information security tools and endpoints on the group of companies QazaqGaz.





DIRECT ECONOMIC VALUE CREATED AND DISTRIBUTED

GRI 201-1

The company recognizes that the long-term success of any business depends on maintaining socio-economic stability in the regions of operation and in the country as a whole, on maintaining mutually beneficial relations with interested parties, as well as the quality of working conditions and workers' safety. The company aims to openly inform founders, partners, employees and other stakeholders about the results of economic value creation. The disclosure of this indicator allows the Company's stakeholders to see how QazaqGaz creates and distributes the economic value over the reporting period.

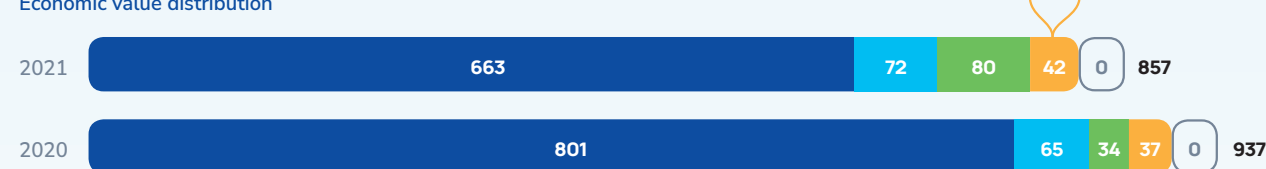
DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED, billion tenge

Direct economic value



- Income from sales of products and services
- Profits of joint ventures
- Finance income
- Other operating income

Economic value distribution



- Operating expenses
- Accrual basis payment
- Salaries, other payments and benefits to employees
- Payments to providers of capital on an accrual basis
- Investment in local communities
- Dividends
- Financial expenses

Retained economic value (net profit)





RISK MANAGEMENT AND INTERNAL CONTROL

GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30

Management approach

GRI 103-1, GRI 103-2, GRI 103-3

Risk management is a key element in the process of strategic planning, corporate management and maintenance of financial sustainability of JSC QazaqGaz. The Company's risk management approach is based on both external and internal factors and is consistent with international risk management standards.

The Company has established and operates a corporate risk management system (hereinafter referred to as the CRMS), which aims to identify, assess and monitor all significant risks in a timely and adequate manner, as well as to take timely and adequate measures to reduce the level of risks.

The main principles and approaches of CRMS organization are established by the Board of Directors and reflected in the Policy on the Corporate Risk Management System of JSC QazaqGaz. The Company uses a unified methodological base of documents regulating the process of risk management.

The QazaqGaz Board of Directors is responsible for the availability of an effective CRMS. The QazaqGaz Board is responsible for the organization and effective functioning of CRMS, compliance with risk management and internal control policies and procedures, which are constantly improved in the light of changes in internal and external business environment.

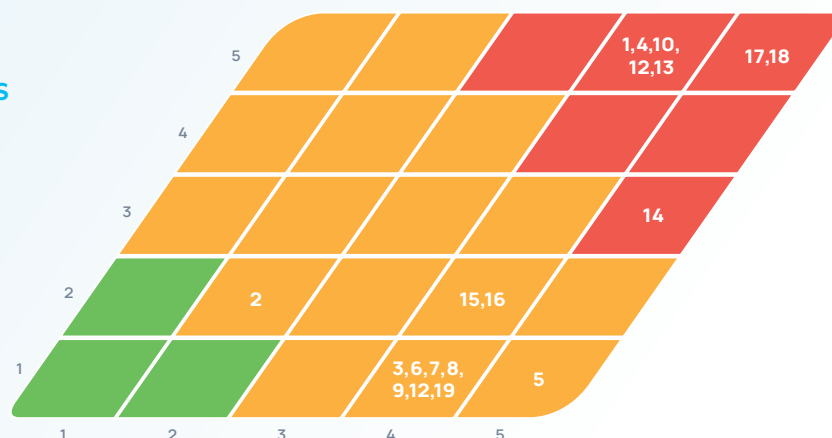
The effectiveness of QazaqGaz CRMS is confirmed by independent assessments conducted by internal and/or external auditors or independent experts, recognised by QazaqGaz shareholders, board members, rating agencies, investors, lenders and other stakeholders.

QazaqGaz Group's operations are subject to operational and nonoperational risks. Risk management is performed on an ongoing basis and is integrated into all business processes. On an annual basis, the Board of Directors of QazaqGaz approves a register of risks, which are assessed using qualitative and quantitative tools.

The Company conducts a risk analysis, impact and potential impact assessment before launching projects. If identified, mitigation measures are developed, up to and including the decision to abandon the project, thereby implementing the precautionary principle.

THE COMPANY'S RISK REGISTER AND RISK MAP FOR 2021 CONSISTS OF 19 RISK FACTORS, OF WHICH 8 ARE CRITICAL RISK FACTORS.

In order to reduce the probability of risk events during 2021, the Company implemented the following preventive and corrective measures.



LIST OF RISK ACTIVITIES FOR 2021

#1	#4	#10
NON-PERFORMANCE BY COUNTERPARTY BANKS	FAILURE TO COMPLY WITH FINANCIAL/NON-FINANCIAL COVENANTS	FAILURE TO REPAY LOANS, FINANCIAL ASSISTANCE, ETC. ON TIME
Damage in billion tenge/Inherent	Damage in billion tenge/Inherent	Damage in billion tenge/Inherent
10.0 [FREQUENCY 0.5]	407.7 [FREQUENCY 0.2]	121.5 [FREQUENCY 1]
Preventive action	Preventive action	Preventive action
Analysis of financial stability of the financial institution. Compliance with established limits on placement of free funds.	Monitoring and strict compliance with financial covenants. On the basis of audited financial statements within the framework of existing credit agreements, the Company monitors financial covenants, including DEBT/EBITDA. In this way the Company monitors the default risk and maintains the rating at the appropriate level.	Monitoring of timely fulfillment of debt obligations and compliance with financial covenants of Beineu-Shymkent Gas Pipeline LLP before creditors.
Corrective action	Corrective action	Corrective action
Development of a mechanism to implement the return of funds, including the replacement of the amount for securities or other financial instruments.	Negotiations with credit institutions. Debt repayment and bringing the amount of debt to an acceptable level.	Negotiations with lending institutions to restructure the loan. Early repayment of debt.
Results for 2021	Results for 2021	Results for 2021
All funds of the Company were placed in banks with a fairly high rating. The default risk of such counterparty banks was not realized.	There were no violations of covenants. At the same time, during 2021, QazaqGaz worked with creditors to exclude a number of covenants from the covenant package.	The risk has not been realised.

#11
FAILURE TO REPAY LOANS, FINANCIAL ASSISTANCE, ETC. ON TIME
Damage in billion tenge/Inherent
228.1 [FREQUENCY 1]
Preventive action
Monitoring of timely fulfillment of debt obligations of Beineu-Shymkent Gas Pipeline LLP before the Company.
Corrective action
Negotiations with Beineu-Shymkent Gas Pipeline LLP to restructure intragroup liabilities.
Results for 2021
The risk has not been realised.



#13

CURRENCY APPRECIATION RELATIVE TO TENGE

Damage in billion tenge/Inherent

5 (point)
[FREQUENCY 1]

Corrective action

A partial buy-back of Eurobonds is planned in order to reduce the debt burden of the Company's group.

Preventive action

Implementation of daily monitoring of exchange rates against the tenge.

Results for 2021

The Company has foreign currency assets and foreign currency liabilities. The Company's operations generate cash flows in foreign currency.

#14

NATURAL IMPACTS, DISASTERS

Damage in billion tenge/Inherent

3 (point)
[FREQUENCY 2]

Corrective action

1. Reduction of AT&T line output;
2. Warning employees to be held liable for violation of the state of emergency;
3. Conducting explanatory work with personnel on the necessity to observe safety measures, wear masks, conduct disinfection;
4. Provision of labour leave and transfer to remote work of workers over 55 years old;
5. Monitoring the health status of workers over 55 years of age.

Preventive action

1. Cancellation of public events (festivities, concerts, cultural, sporting events, conferences, forums, seminars, exhibitions, etc.);
2. Conducting distance (online) education, seminars, trainings;
3. Transition to electronic document turnover;
4. Transfer of employees to remote form of work 60%;
5. Conducting meetings by telephone and video-conferencing;
6. Informing employees about the restriction of personal travel;
7. Treatment of vehicles with detergents and disinfectants.

Results for 2021

In 2021, vaccination coverage, population adaptation and mortality reduction are factors for a downward reassessment of the risk.

#17

ADVERSE CHANGE IN OIL PRICES

Damage in billion tenge/Inherent

5 (point)
[FREQUENCY 3]

Corrective action

Revision of the Budget for 2021.

Preventive action

Negotiating with counterparties.

Results for 2021

In 2021, the oil price was trending upwards (prices were rising).

#18

NATURAL IMPACTS, DISASTERS

Damage in billion tenge/Inherent

5 (point)
[FREQUENCY 4]

Corrective action

Cooperation with the Chinese side on the possibility to increase the volume of Kazakh gas.

Preventive action

Negotiate by correspondence with PetroChina International Company Ltd. to maintain planned export volumes.

Results for 2021

In 2021, no natural impacts, disasters have been recorded, hence no impact on exports.

Internal control system

The internal control system is an integral part of the risk management framework. The ICS uses the COSO model and includes the following five interrelated components: control environment, risk assessment, control procedures, information and communication, and monitoring. The ICS is integrated into QazaqGaz core and auxiliary business processes and includes procedures for immediately informing the appropriate management level of any significant control weaknesses and deficiencies, together with details of corrective actions that have been taken or that should be taken.

QazaqGaz delineates the competence of the ICS subjects according to their role in the processes of development, approval, application and evaluation of ICS performance in accordance with internal documents. The Board of Directors of QazaqGaz determines the basic principles and approaches to the organisation of the internal control system, which are reflected in the Internal Control Policy. The management board of QazaqGaz determines the structure, lines of authority,

respective powers, duties and responsibilities. The Company has a function which carries out scheduled and unscheduled audits, including those aimed at detecting misuse, unjustified and inefficient use of funds, property.

In 2021, the Internal Control and Risk Management Department at QazaqGaz continued work aimed at further implementing and improving internal control systems. In the course of the activities, areas for improvement were identified and recommendations for improvement of control procedures were prepared. In 2022 and upcoming years Internal Control and Risk Management Department will continue to improve ICS and plans to provide recommendations on control procedures, update the risk matrix and corporate level controls, conduct training and improve the risk culture.

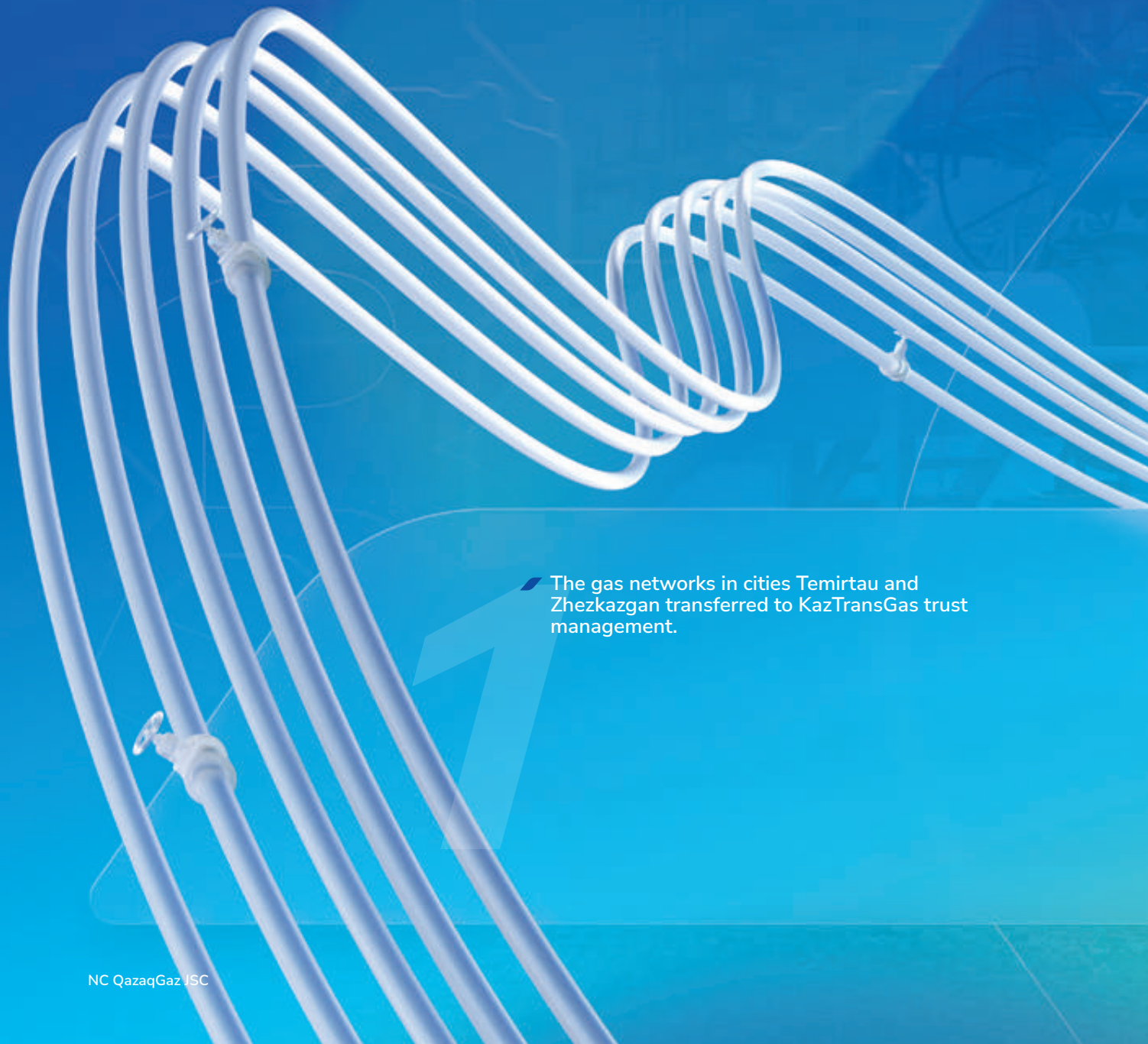
It should also be noted that QazaqGaz is aware of the importance of ICS in relation to the financial reporting preparation and review process. This process involves providing reasonable assurance regard-

ing the reliability of financial reporting data and its compliance with applicable accounting standards. To this end, QazaqGaz has formalised and implemented an internal control process, including a risk matrix and controls over financial reporting, in addition to methodological documents which set out its approach to the accounting for transactions and preparation of financial statements. The effectiveness of the Company's internal controls over financial reporting is regularly audited by independent auditing companies.

As part of the order of the President of the Republic of Kazakhstan to conduct a full audit of the activities of NC QazaqGaz JSC the Supreme Audit Chamber of the Republic of Kazakhstan together with other state bodies of the Republic of Kazakhstan conducted a state audit of the financial and economic activities in NC QazaqGaz JSC and its five subsidiaries, the results of which revealed violations and shortcomings in the activities of NC QazaqGaz JSC, including those committed in 2021*.

* The results of the audit will be reflected in the non-financial report of 2022.

3. FINANCIAL AND OPERATIONAL RESULTS



The gas networks in cities Temirtau and Zhezkazgan transferred to KazTransGas trust management.



KARAGANDY REGION

KazTransGas connected the first consumers in Karaganda and Temirtau to the gas supply. The launch of the 2nd start-up complex allowed gasification of

1,209 out of 2,377 planned houses of the Mikhailovka district.

The Company connected to natural gas first consumers Zhezkazgan (village Talap on Bektepbergenova Street and Youth).



SIGNIFICANT FACTORS AFFECTING THE GROUP'S PERFORMANCE

GRI 207-1

QazaqGaz operates in an ever-changing environment. The Company manages and monitors the main factors that can affect performance and sustainable development. According to the analysis of external and internal factors, QazaqGaz is exposed to the following significant factors:

- change in taxation;
- changes in the asset mix;
- the impact of changes in currency exchange rates;
- changes in prices due to the pandemic and availability of critical operating materials;
- political developments;
- transactions with subsidiaries, joint ventures;
- changes in corporate governance structure;
- increase in the number of accidents at facilities;
- increase in intermediary schemes.

KEY FINANCIAL AND OPERATIONAL INDICATORS

>20.6 THOUSAND KM

total length of the largest network of main gas pipelines in the Republic of Kazakhstan

255 BILLION M³

annual capacity of the network of main gas pipelines

QazaqGaz operates the largest network of main gas pipelines in the Republic of Kazakhstan with a total length of over 20,600 km (including 2,793 km of branch pipelines) with an annual capacity of 255 billion m³ and gas distribution networks with a length of over 59 thousand km.

The company operates 3 largest underground gas storages (Bozoi, Akirtobe, Poltoratskoye) in the Republic of Kazakhstan with total active storage capacity of 4.6 billion m³. Gas transportation is provided by 45 compressor stations and 361 gas compressor units.

QazaqGaz is the main supplier of gas to the domestic market of the Republic of Kazakhstan, providing marketable gas to more than half of the country's population. It should be noted that in recent years the Company has carried out large-scale work on renovation and construction of gas transportation infrastructure and distribution networks in different regions of the country. Over the last eight years alone, around four million Kazakhstanis have been able to use gas, and the level of gasification of the population has increased from 30% in 2013 to 57.67% in 2021, totalling over 11 million citizens. The number of gasified domestic enterprises doubled, from 23,725 to 54,615.

4.6 BILLION M³

total active storage capacity of 3 largest underground gas storages in the Republic of Kazakhstan (Bozoi, Akirtobe, Poltoratskoye)

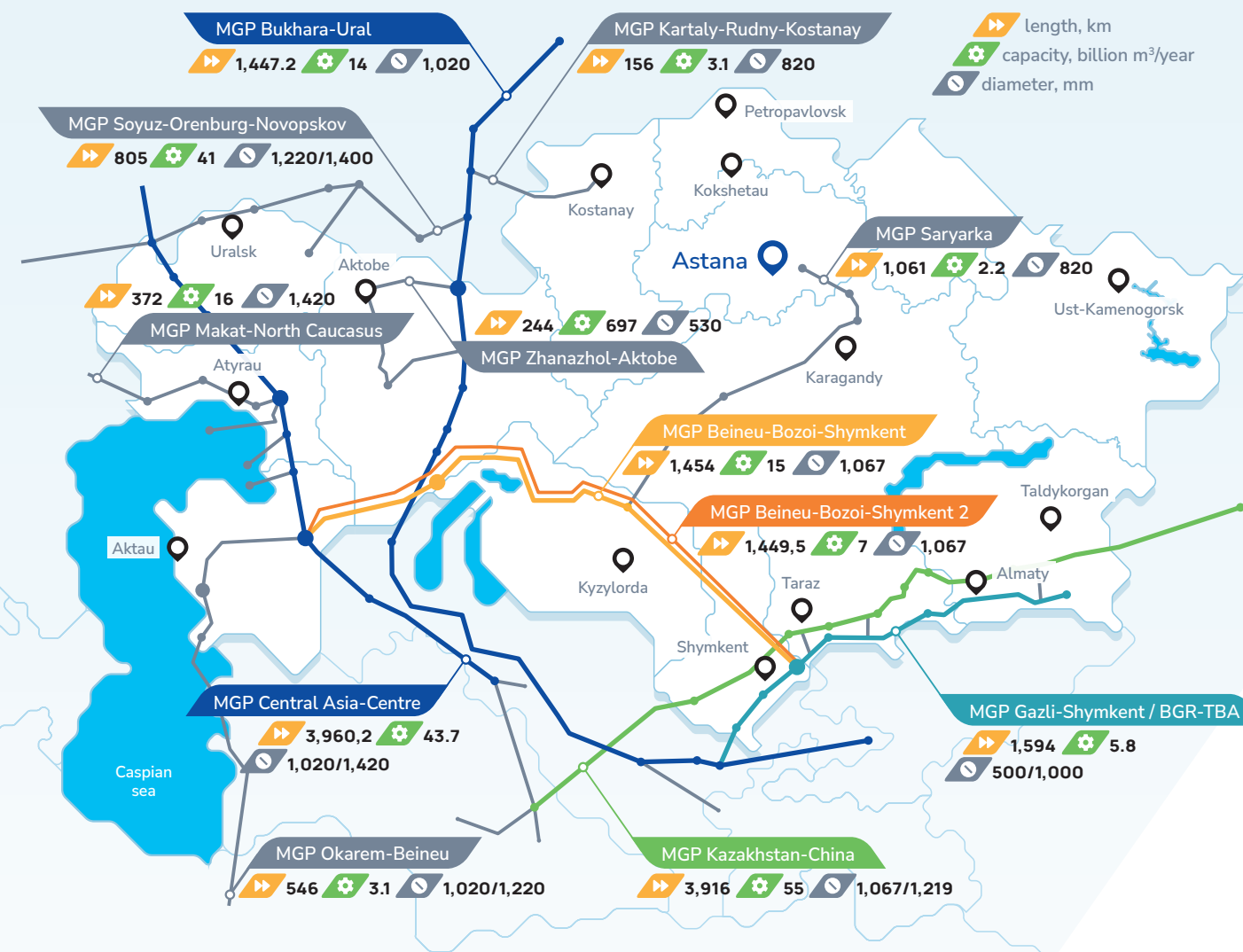
45 UNITS

of compressor stations provided gas transportation

361 UNITS

of gas compressors

MAP OF MAIN GAS PIPELINES IN THE REPUBLIC OF KAZAKHSTAN



>59 THOUSAND KM

length of gas distribution networks

11 MILLION CITIZENS

level of gasification of the population in 2021

54,615 UNITS

number of gasified domestic enterprises



QazaqGas' reserves and production volumes in the market of the Republic of Kazakhstan are small, with a share of about 1-2%. The structure of gas produced in the Republic of Kazakhstan is mainly associated petroleum gas.

By the end of 2021, crude gas production was 53.8 billion m³, of which three major projects accounted for 81% of gas production, including: Karachaganak 35%, Tengiz 28% and Kashagan 18%.

Of the total gas extracted, 32% is re-injected into the reservoir to maintain reservoir pressure, 20% is used for the subsoil users' own needs, power generation and utilisation, and 48% is processed into marketable gas. In order to maintain energy security and further sustainable development of the gas industry, the resource base needs to be expanded.

278

MILLION M³

gas production in 2021

23,644

MILLION M³

sales of gas

191,928 ▲43%

MILLION M³

gross profit

400,193 ▲33%

MILLION M³

net profit

20.3% ▲4%

return on average capital employed (ROACE)

QAZAQGAZ KEY OPERATING INDICATORS, million m³

Indicators	2019	2020	2021
Sales of gas, including:	23,926	23,841	23,644
- domestic market (wholesale)	15,120	15,989	17,600
- export	8,806	7,852	6,044
Trunk transportation	103,494	86,590	95,422
Commodity transport work	58,394	49,886	55,927
Gas production	350	326	278

FINANCIAL INDICATORS OF QAZAQGAZ, million tenge

Indicators	2019	2020	2021	The change
Income from sales of products and services	1,103,075	945,520	896,255	-5%
Cost price	884,932	836,212	704,327	-19%
Gross profit	218,143	109,309	191,928	+43%
Net profit	334,335	266,502	400,193	+33%
Return on average capital employed (ROACE)	24.0%	16.3%	20.3%	+4%
Profitability with JV	30%	28%	45%	+17%
Profitability without JV	10%	4%	9%	+5%

In 2021, there is a decrease in sales revenue compared to 2020, due to reduced gas sales in China. In addition, there were no gas export sales to the Russian Federation in the reporting period due to the absence of supply agreements.

The decrease in cost of sales in 2021 compared to 2020 was due to a reduction in gas purchase costs, which was mainly due to the arbitration court ruling of 19.02.2021 relating to gas from the Kashagan field of 102.4 billion tenge. The decrease in gas costs is also

due to a reduction in the volume of gas sales. Lower costs had a positive impact on gross profit, which, in turn, was reflected in profitability, which increased from 28% to 45% in 2021.

The increase in net profit in 2021 is mainly due to the increase in gross profit by 82.6 billion tenge, as well as the increase in the share of North Kazakhstan region by 88.7 billion tenge. The increase in net profit is naturally reflected in ROACE (return on average capital employed), which rose from 16.3% to 20.3% in 2021.

Key production and financial indicators by business area for QazaqGaz

Main gas transportation³

244,630 ▲21%

MILLION TENGE

income from sales of products and services of ICA

97,005 ▲14%

MILLION TENGE

gross profit of ICA

56,063 ▼1%

MILLION TENGE

net profit of ICA

2,046

MILLION M³

gas withdrawal from UGS by ICA

1,756

MILLION M³

gas injections to UGS by ICA

³ As at 31 December 2021, the Group had interests in the following joint ventures, which are accounted for in the consolidated financial statements using the equity method.

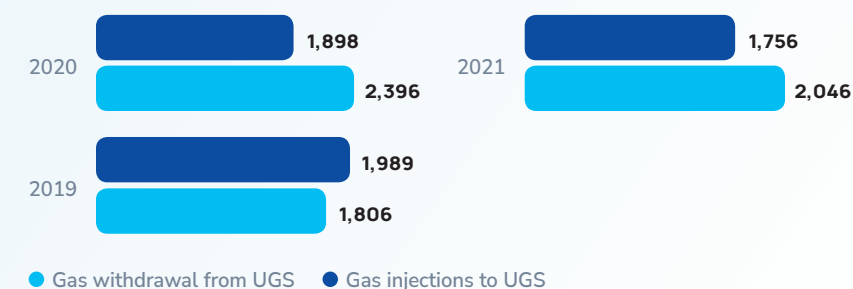
COMMODITY TRANSPORT OPERATIONS, billion m³•km

Indicators	2019	2020	2021	The change
ICA	22,325	16,302	19,040	+14%
AGP (50%)	28,735	24,668	28,403	+13%
BSGP (50%)	7,334	8,915	8,484	-5%
Total:	58,394	49,885	55,927	+11%

ICA GAS TRANSPORTATION VOLUMES FROM 2019 TO 2021, million m³

FINANCIAL INDICATORS OF ICA, million tenge

Indicators	2019	2020	2021	The change
Income from sales of products and services	236,542	193,163	244,630	+21%
Gross profit	135,467	83,767	97,005	+14%
Net profit	94,182	56,669	56,063	-1%

GAS WITHDRAWAL AND INJECTION FROM UNDERGROUND GAS STORAGES (UGS) IN 2019-2021, million m³



66 Gas distribution and gasification of regions: KazTransGas Aimak JSC

267,760

MILLION TENGE

income from sales of products and services of the KazTransGas Aimak JSC

21,844

MILLION TENGE

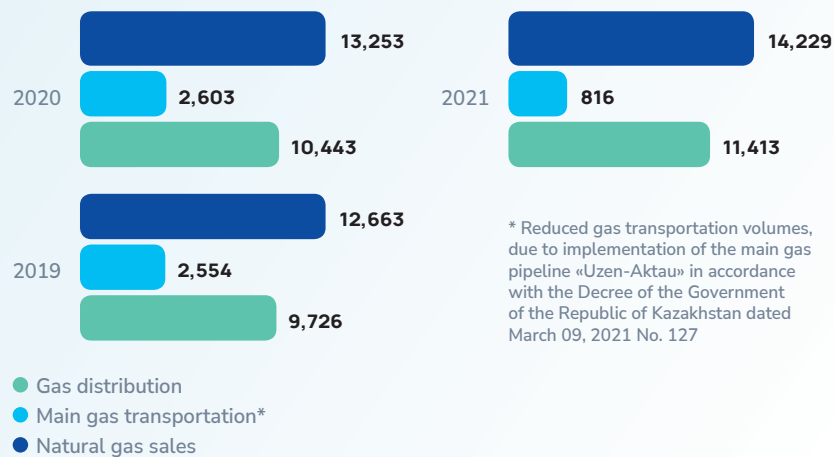
gross profit

10,485

MILLION TENGE

net profit

PRODUCTION INDICATORS , FOR 2019-2021, million m³



* Reduced gas transportation volumes, due to implementation of the main gas pipeline «Uzen-Aktau» in accordance with the Decree of the Government of the Republic of Kazakhstan dated March 09, 2021 No. 127

FINANCIAL INDICATORS, million tenge

Indicators	2019	2020	2021	The change
Income from sales of products and services	222,504	233,670	267,760	+13%
Gross profit	17,693	18,589	21,844	+15%
Net profit	6,332	4,108	10,485	+61%

Resource base: QazaqGaz Exploration and Production LLP

13,594

MILLION TENGE

income from sales of products and services of the QazaqGaz Exploration and Production LLP

9,274

MILLION TENGE

gross profit

6,794

MILLION TENGE

net profit

PRODUCTION INDICATORS FOR 2019-2021, units

Indicators	2019	2020	2021	The change
Gas production, million m ³	350	326	278	-17%
Gas condensate production, tons	17	15	14	-7%

The deviation in gas and normal-gas condensate production volumes is due to unscheduled repair work on the Amangeldy-KS-5 trunk pipeline, as well as failure to confirm planned production rates and natural depletion of the field.

FINANCIAL INDICATORS FOR 2019-2021, million tenge

Indicators	2019	2020	2021	The change
Income from sales of products and services	13,048	9,497	13,594	+30%
Gross profit	9,092	5,568	9,274	+40%
Net profit	5,950	3,299	6,794	+51%

The increase in income from sales of products and services was mainly due to the adjustment of natural gas sales price from 23,515 tenge/1,000 m³ to 39,000 tenge/1000 m³, as well as sales of natural gas to industrial enterprises at the price of 77,400 tenge/1,000 m³.

Net profit for the period was 6,794 million tenge, or 51% higher than the target. This was due to an increase in income while the cost of production and general and administrative expenses decreased due to optimisation.

67 Gas engine infrastructure: KazTransGas Onimderi LLP

15,922

MILLION TENGE

income from sales of products and services of the KazTransGas Onimderi LLP

2,698

MILLION TENGE

gross profit

587

MILLION TENGE

net profit

ФИНАНСОВЫЕ ПОКАЗАТЕЛИ ЗА 2019-2021 ГОДЫ, млн тенге

Indicators	2019	2020	2021	The change
Income from sales of products and services	14,108	14,377	15,922	+10%
Gross profit	2,364	2,263	2,698	+16%
Net profit	340	363	587	+38%



REVIEW OF INVESTMENT PROGRAMS

In accordance with the main strategic priorities and business directions, the long-term Investment Program QazaqGaz is focused on the following tasks:

implementation of a program for additional exploration and commissioning of new gas fields, a project for the commercialization of inert gases;

ensuring a balanced, reliable and uninterrupted provision of gas transportation services to end consumers;

modernization of the system of main gas pipelines in order to increase their reliability, safety and efficient operation by optimizing the production and technological potential;

expansion of the domestic gas supply market through gasification of settlements of the Republic of Kazakhstan;

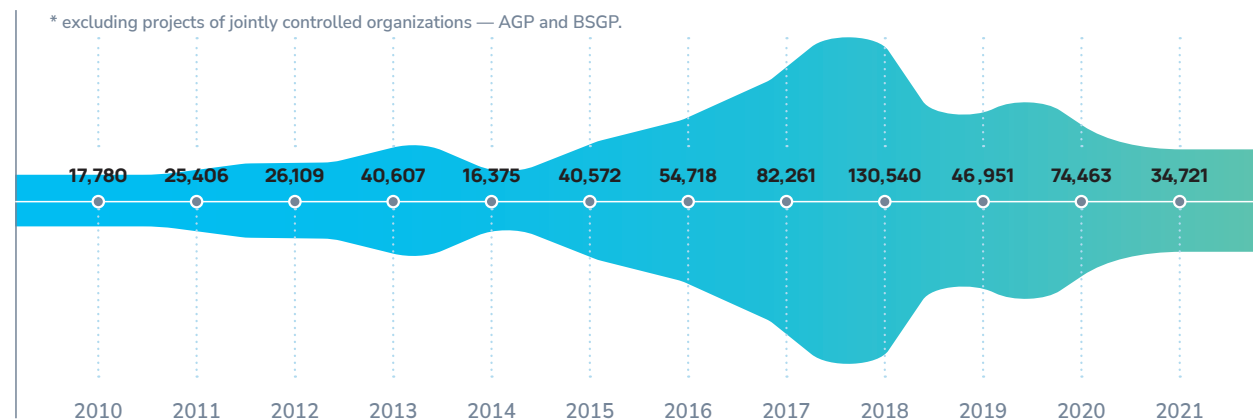
development of transit and export potential of the Republic of Kazakhstan;

expansion of the resource base;

creation of a competitive gas chemistry industry.



CAPITAL INVESTMENTS IN NEW INVESTMENT PROJECTS FOR THE PERIOD 2010-2021, mln tenge, excluding VAT*



INFORMATION ON INVESTMENT INVESTMENTS OF QAZAQGAZ, units⁴

TRUNK TRANSPORTATION

	Cost, million tenge excluding VAT	Implementation period, years	% of execution
Design and estimate documentation construction of the second line of on MGP Beineu-Bozoi-Shymkent	2,876	2022	—
Construction of high pressure gas supply pipelines from AGDS to CHPP-2 and CHPP-3 in Almaty	81,377	2021-2023	—
Construction of the Beineu-Bozoi-Shymkentgas pipeline	882,560	2011-2023	75%
Construction of MGP from GPT Kashagan to MGP Makat-North Caucasus with compressor station	71,948	2020-2023	24%
Reconstruction of gas transportation system of Mangystau region	203,862	2021-2024	—
Construction of a looping on the MGP Makat-North Caucasus	87,695	2021-2023	—

GAS PRODUCTION

	Cost, million tenge excluding VAT	Implementation period, years	% of execution
The mining group of the project Development Amangeldy gas group Deposits	73,453	2012-2031	68%
Exploration group of the project Development Amangeldy group of gas fields	12,182	2012-2022	70%

⁴ The cost of projects varies depending on the currency of investment.

34,721 ▼ 53%
MILLION TENGE

the total amount of capital investments for implementation of investment projects of QazaqGaz and its subsidiaries in 2021

In 2021, the total amount of capital investments for implementation of investment projects of QazaqGaz and its subsidiaries amounted to 34,721 million tenge. Decrease in investments in the reporting period compared to the same indicator of the previous period is related to completion of the investment project «Construction of 4 (four) compressor stations on MGP Beineu-Bozoi-Shymkent.

REGIONAL TRANSPORTATION

	Cost, million tenge excluding VAT	Implementation period, years	% of execution
Gasification of 3 settlements (Zhitikara, Tobol, Bolshaya Churakovka) in Kostanay region	2,872	2021-2022	51%
Construction of gas pipeline from AGRS to the Sarsha area with installation of 2 PGB	7,411	2021-2023	—
Construction of gas pipelines from AGDS to CHPP-2 and CHPP-3 in Almaty	4,011	2022-2023	—
Gasification of Almaty, modernization, reconstruction of gas distribution systems in Almaty	11,178	2018-2021	100%
Construction of a high-pressure gas supply pipeline and gas distribution networks in the village of Saimasai, Kainar, Enbekshikazakh district of Almaty region (1 and 2 PFs)	2,046	2021-2022	5%
Construction of gas distribution networks 1 and 2 start-up complexes of the 2nd stage in Astana	5,482	2020-2021	100%

GAS PROCESSING

	Cost, million tenge excluding VAT	Implementation period, years	% of execution
Construction of a gas processing plant at the Kashagan field	348,559	2021-2025	—



TAX POLICY

Approach to the fulfillment of tax obligations

GRI 207-1

QazaqGaz treats tax obligations with high responsibility and considers tax payments as the most important corporate contribution to the economic growth and social development of the state.

The Company's tax accounting procedures are set out in its Tax Accounting Policy (TAP). It complies with the requirements of the Code of the Republic of Kazakhstan On Taxes and Other Obligatory Payments to the Budget (Tax Code), as amended by the legislative acts of the Republic of Kazakhstan. TAP is interconnected with IFRS, the Law of the Republic of Kazakhstan «On Accounting and Financial Reporting», legislative acts of the Republic of Kazakhstan, as well as internal documents regulating the Company's activities.

The Tax Accounting Policy and amendments thereto are approved by the Board of Directors of the Company. In the event of amendments to the Tax Code resulting in changes in the procedure for calculation and payment of taxes and other obligatory payments to the budget, or in the procedure for tax accounting established by the provisions of the Tax Code, the relevant amendments to the Tax Policy must be made. Until such amendments are made to the TAP, the provisions of the TAP shall apply by the Company to the extent that they comply with the Tax Code.

Compliance with tax legislation is a key principle of QazaqGaz's business operations. The Company seeks to minimise risks, including in taxation and tax accounting. An integral aspect of the tax strategy is openness and transparency regarding tax obligations, maintaining a dialogue with the tax authorities, and minimising the risks of tax disputes.

Tax risk management and control

GRI 207-2

The Company has an effective procedure in place for identifying and addressing tax risks. The Deputy Chairman of the Management Board for Economics and Finance has ultimate responsibility for tax matters and delegates responsibility for day-to-day tax matters to the Tax Reporting Section of the Central Accounting Department. The Company's Central Accounting Department reports to the Vice Chairman of the Management Board for Economics and Finance.

The tax accounting departments are staffed by experienced, qualified professionals who carry out the majority of the taxation and tax accounting activities. The tax risk register is regularly updated and discussed with management in charge of economics and finance. Tax information is reviewed by independent auditors as part of the audit of financial statements.



Interaction with tax stakeholders

GRI 207-3

The interaction of the parties is based on the principles of cooperation, reasonable trust, integrity, legality, transparency and enhanced information interaction. A Roadmap has been signed with the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan to implement measures within the pre-project work on Horizontal Monitoring to the Interaction Agreement.

The Company is a responsible taxpayer, seeks to minimise tax risks and builds business relationships based on sound commercial principles and in compliance with the Kazakhstan tax legislation. The Company conducts ongoing training for employees in the Central Accounting Department to keep abreast of current trends and changes in tax legislation, and additionally engages external consultants to deal with various operational issues.

The employees of the Central Accounting Department are regularly informed about changes in the tax legislation, about the position of the tax authorities on arising taxation issues, about the introduction of new technologies of administration, and about the introduction of the pilot projects. The employees of the Central Accounting Department are also regularly informed by the different specialised information sources, including the distribution of the Taxpayers' Association of Kazakhstan, of which the Company is a member. Also, employees of the Central Accounting Department of the Company actively participate in working groups, round tables, working meetings held by the state bodies and associations.



FINANCIAL OBLIGATIONS

In 2021, the international rating agencies Standard&Poor's, Fitch Ratings and Moody's confirmed the long-term corporate rating of QazaqGaz at BB, BBB- and Baa3 respectively, the forecast on the rating stable/positive.

CREDIT RATING OF QAZAQGAZ FOR 2020 AND 2021

Rating agency	Date of confirmation / change of rating	Rating	Forecast
Standard & Poor's	2021	BB	Positive
FitchRatings	2020	BBB-	Stable
Moody's	2021	Baa3	Positive

In 2021, work was done to improve the terms of financing on the credit documentation of the group of companies QazaqGaz, in terms of facilitation of the covenant package, namely:

in April 2021 consent of QazaqGaz Eurobond holders was received to amend the Eurobond prospectus and covenant package conditions were improved, including exclusion of financial covenant Net debt / EBITDA;

in connection with the transfer of 100% of shares of QazaqGaz to Samruk-Kazyna JSC from NC KazMunayGas JSC, on 27 October 2021 amended the Loan and Guarantee Agreement for the amount of 720 million US dollars, dated 14 August 2019, previously attracted by Beyneu-Shymkent Gas Pipeline LLP from a syndicate of banks — MUFG Bank, Ltd. and Bank of China, Ltd. under the guarantee of NC KazMunayGas JSC and QazaqGaz, provided on a parity basis (50%/50%), in accordance with which QazaqGaz became 100% Guarantor of liabilities of Beyneu-Shymkent Gas Pipeline LLP;

in September 2021 signed an additional agreement between QazaqGaz and Development Bank of Kazakhstan JSC to the Guarantee agreement, which is collateral for loans of KazTransGas Aimak JSC, on exclusion of financial covenant Total financial debt to EBITDA;

in December 2021 signed an additional agreement on amendments and additions to the Guarantee, Non-Assignment, Subordination and Support Agreements dated 26 May 2016 between QazaqGaz, Intergas Central Asia JSC and European Bank for Reconstruction and Development and QazaqGaz, KazTransGas Aimak JSC and European Bank for Reconstruction and Development in terms of exclusion of financial covenant Net financial debt to EBITDA;

borrowings from KazMunayGas NC JSC to replenish working capital in the amount of \$55.9 million.

CONSOLIDATED LOAN PORTFOLIO OF NC QAZAQGAZ JSC AS OF DECEMBER 31, 2021, units

Lender	Creditor	Amount under the contract / prospectus	Currency	Current debt
QazaqGaz NC JSC	Eurobonds	750,000,000	USD	706,320,000
QazaqGaz NC JSC	VTB Bank PAO and VTB Kazakhstan	15,245,000,000	RUB	15,151,500,000
Intergas Central Asia JSC	European Bank for Reconstruction and Development	53,400,000,000	KZT	27,711,749,959
Intergas Central Asia JSC	European Bank for Reconstruction and Development	19,000,000,000	KZT	10,424,035,651
KazTransGas Aimak JSC	European Bank for Reconstruction and Development	20,000,000,000	KZT	9,666,744,654
KazTransGas Aimak JSC	Development Bank of Kazakhstan	74,027,075,951	KZT	36,428,158,389
KazTransGas Aimak JSC	International investors	30,500,000,000	KZT	5,000,000,000

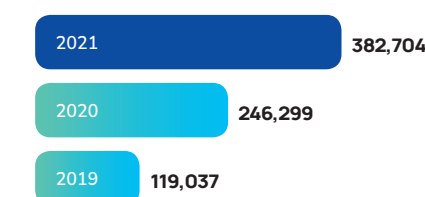


THE TOTAL AMOUNT OF THE CONSOLIDATED DEBT OF NC QAZAQGAZ JSC AS OF DECEMBER 31, 2021, USD

Covenant	2019	2020	2021
Net Debt/EBITDA* <=4.0	1.42	1.74	1.24

* includes the profit share of the JV and the nominal value of the guarantee provided.

BALANCE OF CASH AND CASH EQUIVALENTS AS OF DECEMBER 31, 2021, million tenge

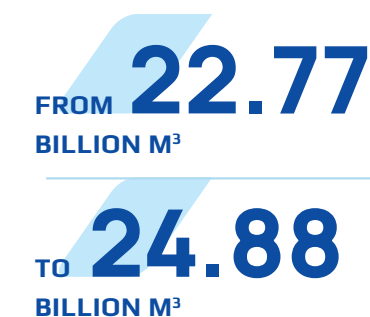


FORECAST INDICATORS

The Company's plans for 2022 and the medium term:

- approval of the Comprehensive Gas Sector Development Plan 2022-2026;
- completion of construction of the along-road at Beineu-Bozoi section, telecommunication system and SCADA Stage 2;
- completion of the project Construction of high pressure gas supply pipeline and gas distribution networks in Saimasai, Kainar, Enbekshikazakh district, Almaty region (1 and 2 PF);
- elaboration of the Company's Development Concept;
- increase of marketable gas production by 15 billion m³ per year by launching the most advanced gas production projects and by processing gas instead of flaring and re-injection;
- increase of the gasification rate to 65% by 2030;
- reaching break-even point;
- private investment in gasification while replacing non-refundable budget spending on gasification;
- 5 billion m³ gas export growth;
- 30 billion cubic metres of transit of Russian and Turkmen gas;
- gas for the most profitable gas chemistry projects for 4-5 billion m³ per year.

It is expected that the volume of gas production in 2022 will be





4.

SUSTAINABLE DEVELOPMENT GOVERNANCE



1 A new automatic gas distribution station (hereinafter referred to as the AGDS) Merke was launched in Jambyl region. AGDS will ensure stable gas supply to **16** settlements of Merke district.



2 The Company paid KazTransGazAimak JSC about **591,186,505** tenge as a financial aid for the further implementation of the investment project Modernization of GDS Taraz 2nd stage of production facility 3.



COMPANY REPORTING

QazaqGaz provides timely and accurate disclosure of all relevant facts concerning its activities, including its financial position, performance, ownership and management structure of QazaqGaz and other information, in accordance with best corporate governance practices and in accordance with the Company's Information Policy Regulation.

QAZAQGAZ IS GUIDED BY THE FUNDAMENTAL PRINCIPLES OF:



transparency



availability



balance



information protection

SUSTAINABLE DEVELOPMENT MANAGEMENT APPROACH

GRI 102-12

Compliance with the principles and values of sustainable development is an important factor in the implementation of QazaqGaz activities. The company is committed to ESG principles and corporate governance standards. In order to comply with these principles, the Company actively applies international best practices in business, environmental protection, safe working conditions, human capital development. Following ESG principles ensures the Company's long-term success in a competitive

market. QazaqGaz aims to contribute to a sustainable future by providing and multiplying long-term economic, social and environmental benefits for both present and future generations.

The Company's sustainable development is shaped by the areas of safety (industrial and environmental), responsibility (social attractiveness of the Company to the residents of the regions and employees) and environmental production (conservation and reproduction of the resources used).

EBRD Gold Award for Sustainable Development

In 2021, NC QazaqGaz JSC received the EBRD's Gold Award for achievements in timely reduction of carbon dioxide emissions. As the main supplier of gas to the domestic RoK market, the company has made a significant contribution to environmental and social sustainability. Sustainability is at the heart of the EBRD's activities and honorary awards are given annually to partner companies that are committed to sustainability in their operations.



subsequence



documented support



efficiency



equality



completeness



objectivity



protection of information resources



regularity



attitude to business



authenticity



connectivity

QazaqGaz realizes that climate change and environmental issues are one of the major challenges of our time. The company is developing a carbon neutrality plan that includes energy efficiency projects and green technology investments. Decarbonization processes are an important step towards the Company's IPO and international ESG rating. The company plans to develop a decarbonization strategy and roadmap by 2023.

QazaqGaz will continue to improve corporate culture among employees and implement socially significant projects in the regions. In the next few years it

is planned to expand the opportunities for training and professional development of employees, which will increase the Company's attractiveness as an employer in the labor market. Industrial safety remains a key aspect of QazaqGaz operations. The company uses digital technology and automation to improve security.

Today QazaqGaz defines for itself 7 priority goals in the field of UN sustainable development, corresponding to the business profile, goals and missions of the Company. The table below contains the relevant goals and substantive themes of sustainable development.

7
PRIORITY GOALS
in the field of UN sustainable development defines QazaqGaz for itself today



E : Environmental aspect



SDG 13. Take urgent action to combat climate change and its impacts



SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all



SDG 3. Ensure healthy lives and promote well-being for all at all ages

Material topic

Emissions

SDG targets

- 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning;
- 13.B Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities.

Goals, projects and results

- Launch of the operation of the system of dry suppression of pollutant emissions (SoLoNOx) ;
- Commissioning of the Ustyurt compressor station in MGP Beineu-Bozoi-Shymkent with gas compressor units and a dry emission suppression system;
- Installation of units with low emission combustion system;
- Repair of indoor and outdoor lighting systems with replacement of lamps with energy-saving LEDs at facilities of GDS and CS affiliated organizations;
- Regulation of boiler operation at night, weekends and holidays in the administrative and production premises of the subsidiary.

Energy

- 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix;
- 7.A By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology;
- 7. B By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support.

Goals, projects and results

- Increasing the share of RES in the total energy consumption;
- Generation of heat and electricity from RES for own needs;
- Replacement of inefficient cathode protection stations at a new generation station at objects of main gas pipelines;
- Replacement of existing outdoor lighting fixtures of the industrial site with energy-efficient LED analogues at compressor stations.

Occupational health and safety

- 3.C Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States;
- 3.D Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.

Goals, projects and results

- 0.18 — lost time injury rate (LTIFR);
- 9,489 people were trained in OHS and emergency preparednesses.

S : Social aspect



SDG 9. Build resilient infrastructure, promote sustainable industrialization and foster innovation



SDG 5. Achieve gender equality and empower all women and girls



SDG 11. Make cities inclusive, safe, resilient and sustainable

Innovation and Science

- 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all;
- 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities;
- 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

Goals, projects and results

- Implementation of an analytical geoinformation system for gas pipeline facilities;
- More than 22 thousand residents and about 250 social and business facilities were supplied with natural gas as part of gasification projects.

Employment, Non-discrimination

- 5.1 End all forms of discrimination against all women and girls everywhere;
- 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life.

Goals, projects and results

- 17% of employees are women;
- In 2021, no cases of discrimination were recorded.

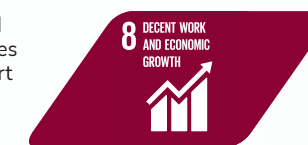
Local communities

- 11.A Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.

Goals, projects and results

- Construction of a gas processing plant based on raw materials from the Kashagan field;
- Construction of gas distribution networks 1 and 2 start-up complexes of the 2nd stage in Astana;
- Gasification of Almaty, modernization, reconstruction of GDS in Almaty;
- Construction of the Beineu-Bozoi-Shymkent gas pipeline;
- Gasification of the Sarsha area and the resort area Warm Beach;
- Functioning of feedback mechanisms.

G: Aspect of corporate governance



ЦУР 8. Содействие поступательно-му, всеохватному и устойчивому экономическому росту, полной и производительной занятости и достойной работе для всех

Material topic

Employment, Workplace safety and health

SDG targets

- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value;
- 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Goals, projects and results

- Social stability rating (within the Samruk Research Services platform) — 83%;
- Turnover rate — 4%;
- Development and approval of the Regulations of the Committee on Labour Protection, Industrial Safety and Environmental Protection.



STAKEHOLDER ENGAGEMENT

GRI 102-21, GRI 102-40, GRI 102-42, GRI 102-43

Open, high-quality and long-term stakeholder engagement underpins the Company's sustainable development. Stakeholders' expectations and interests have a direct impact on shaping QazaqGaz goals, values and strategies. The Company carries out systematic work to build its positive image and business reputation and to inform stakeholders about its activities.

Key stakeholder groups are identified based on the assessment of their impact on the Company's ongoing operations and strategic development, as well as the established practice of interaction with them.

The Company's engagement with stakeholders is based on the following principles:

- respecting and taking into account the interests, views and preferences of stakeholders;
- timely and regular informing of stakeholders;
- responsible fulfilment of obligations.

LIST OF STAKEHOLDERS



Shareholder

Mechanisms of interaction

- decisions of the Board of Directors of the Company;
- holding meetings, negotiations, meetings;
- channels of intracorporate communication.

Company actions

- timely and complete provision of information about the activities of the Company;
- ensuring the protection of the rights and legally protected interests of the Sole Shareholder and shareholders of subsidiaries;



Subsidiaries

Mechanisms of interaction

- decisions of the Board of Directors of the Company;
- Company reporting;
- holding meetings, negotiations, meetings;
- signing contracts, memorandums, agreements;
- orders and orders of the Company;
- Company website.

Company actions

- ensuring stable financial development, profitability, increasing the investment attractiveness of QazaqGaz and subsidiaries;
- ensuring the protection of the rights and legally protected interests of the Sole Shareholder and shareholders of subsidiaries;
- harmonization of relations between the Sole Shareholder, officials and employees of the Company and subsidiaries, taking systematic measures to prevent conflicts between them and within these groups;
- development and implementation of an effective strategy and investment policy of QazaqGaz and subsidiaries.



Population in regions of operation

Mechanisms of interaction

- feedback channels;
- press conferences;
- public hearings;
- company reporting,
- website, social networks.

Company actions

- support for socially unprotected segments of the population;
- development of projects in priority areas of the economy for the Company, implementation of significant charitable projects in social, cultural and educational areas.
- participation in socially significant events;
- participation of the Board in conferences, forums, round tables dedicated to the development of the Kazakhstani economy
- ensuring the operation of feedback mechanisms.



Suppliers and contractors

Mechanisms of interaction

- holding meetings;
- business correspondence;
- signing contracts and agreements;
- the Company's website;
- Company reporting.

Company actions

- adherence to the principles of openness, honesty;
- observance of the interests of mutual benefit, understanding of full responsibility for the obligations assumed;
- compliance with all conditions of contractual relations;
- showing respect and good faith in relationships in accordance with the Code of Business Ethics and the Code of Corporate Governance.



Media

Mechanisms of interaction

- publication of press releases, information messages, articles on the Company's website and in the media;
- holding press conferences, press tours, forums, and other media events.

Company actions

- organizing and holding press conferences, interviews, meetings;
- visiting production facilities;
- issuance of press releases;
- holding corporate events;
- posting information on the websites of QazaqGaz and Subsidiaries.



State authority

Mechanisms of interaction

- Company reporting;
- verification of compliance with the legislation of the Republic of Kazakhstan;
- holding meetings, negotiations, meetings;
- direct interaction via email.

Company actions

- conclusion of agreements on social partnership;
- ensuring transparency in the payment of taxes and disclosure of tax information.



Employees

Mechanisms of interaction

- feedback channels;
- meetings and face-to-face meetings with management;
- assessment of the effectiveness of employees;
- the Company's reporting.

Company actions

- creation of favorable working conditions;
- providing conditions for training and education;
- ensuring equal opportunities for the realization of the potential of employees in the process of labor activity;
- assessment of the results of the work of employees;
- selection and career growth of employees solely on the basis of professional abilities, knowledge and skills;
- holding annual and quarterly meetings of management with work teams;
- publication of information on the ongoing social policy and social responsibility in the activities of the Company;
- ensuring the operation of feedback mechanisms.



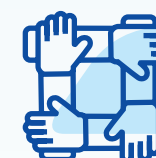
Partners

Mechanisms of interaction

- meetings, negotiations, business correspondence;
- Company reporting;
- Company website.

Company actions

- adherence to business principles ethics;
- management of risks.



Unions

Mechanisms of interaction

- Company reporting;
- public hearings;
- signing contracts and agreements on cooperation.

Company actions

- observance of norms in the field of labor protection and personnel management
- compliance with the terms of contracts and agreements.



Clients

Mechanisms of interaction

- feedback system;
- meetings and negotiations;
- Company reporting;
- signing contracts and agreements.

Company actions

- compliance with the terms of contracts and agreements;
- compliance with the Code of Business Ethics.



Associations and alliances

Mechanisms of interaction

- signing contracts and agreements on cooperation;
- company reporting;
- meetings;
- participation in events.

Company actions

- participation of the Company in the improvement of the sectoral business of the country;
- assistance in promoting the Company's legislative initiatives.



PARTICIPATION IN ASSOCIATIONS AND ADHERENCE TO INTERNATIONAL PRINCIPLES

GRI 102-13

Membership in international and national associations is an important part of the Company's activities, contributing to uniting efforts based on common goals and interests to achieve joint objectives as quickly and effectively as possible. Openness, constructiveness and responsibility in interaction with government agencies and other stakeholders underpins QazaqGaz's economic value creation, as well as promotion of key sustainable development principles.

MEMBERSHIP OF QAZAQGAZ AND SUBSIDIARIES IN ASSOCIATIONS AND ALLIANCES

Organizations

- NC QazaqGaz JSC
- Intergas Central Asia JSC
- KazTransGas Aimak JSC
- KazRosGas LLP
- Asian Gas Pipeline LLP

Association/Alliances

Association of legal entities (hereinafter referred to as the ALE) KAZENERGY is a non-profit association of oil and gas and energy complex legal entities, including mining and transportation, service and geophysical, uranium and other transnational companies, which promotes the sustainable development of the oil and gas and energy complexes of the Republic of Kazakhstan.

- NC QazaqGaz JSC
- Intergas Central Asia JSC
- KazTransGas Aimak JSC
- KazRosGas LLP
- Asian Gas Pipeline LLP
- Beineu-Shymkent Gas Pipeline LLP
- QazaqGaz Exploration and Production LLP
- KazTransGas-Onimderi LLP

The National Chamber of Entrepreneurs of the Republic of Kazakhstan Atameken is a non-profit organization created to strengthen the negotiating power of business with the Government of the Republic of Kazakhstan and state authorities.

- Intergas Central Asia JSC
- KazRosGas LLP

ALE Association of Taxpayers of Kazakhstan is a non-profit organization established to promote the protection of the legal rights and interests of taxpayers, increase their knowledge level in order to ensure voluntary and timely payment of taxes.



Organizations

- Intergas Central Asia JSC

Association/Alliances

Kazakhstan Welding Association KazWeld — Kazakhstan Authorized Body for accreditation of training centers for training and education of welding specialists from workers to engineers under the program of the International Welding Institute (IIW).

- Intergas Central Asia JSC

Union of Power Engineers of the Republic of Kazakhstan — association of Kazakhstan scientific, design and training institutes in the field of energy, energy services of industrial enterprises, manufacturers of power equipment to address issues of power supply of industrial enterprises, advanced training of energy service workers, provision of regulatory and technical documentation existing in Kazakhstan.

- Intergas Central Asia JSC

IRIS National Business Association is a non-profit organization that unites representatives of business circles of the Republic of Kazakhstan with the aim of promoting the protection of legitimate rights and interests of entrepreneurs, stimulating the development of entrepreneurship of the Republic of Kazakhstan; Increasing the interest of state authorities and management in the development of entrepreneurship, providing the opportunity to freely express and defend their interests all members of the Association, etc.



5. CORPORATE GOVERNANCE



AKMOLA REGION

The company together with the Governor's Office of the capital connected to natural gas residential areas Internatsionalny, Michurino and Kuygenjar. The total length of gas pipelines is

101 km

and is supported by an appropriate gas infrastructure.



86 Material Topics

- Anti-corruption
- Non-discrimination
- Training and education

GRI, SASB indicators

GRI 102-17, GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-22, GRI 102-24, GRI 102-26, GRI 102-34, GRI 102-36, GRI 205-1, GRI 205-2, GRI 205-3

Key indicators for 2021

Preparation for the introduction of the Internal Audit Service and the Compliance Service functions

QazaqGaz, as the main gas operator in the Republic of Kazakhstan, realizes the importance of following the principles of corporate governance and sustainable development, as well as strengthening the Company's financial stability. Improving the efficiency of corporate governance is one of the strategic directions of QazaqGaz.



Main internal corporate governance documents:

- Articles of Association of the Company;
- Corporate Governance Code;
- Regulations on the Board;
- Regulations on the Board of Directors;
- Regulations on the Audit Committee;
- Regulations on the Appointment and Remuneration Committee;
- Regulations on the Strategy Committee;
- Policy on the corporate risk management system of NC QazaqGaz JSC.

In the reporting year, the Company changed its shareholder: on November 9, 2021, a deal to alienate 100% of the Company's share owned by NC KazMunayGas JSC to Samruk-Kazyna JSC (hereinafter referred to as the Fund).

In 2015, the Fund's Corporate Governance Code was approved by a decision of the Sole Shareholder. The Code applies to the activities of QazaqGaz. The purpose of the Code

is to improve corporate governance in the Fund and Organizations owned by the Fund, to ensure transparency in management, to confirm the commitment of the Fund and Organizations to follow the standards of good corporate governance. The Company strictly monitors compliance with the corporate governance principles specified in the Code. No serious violations were identified during the reporting period.

Contribution to implement the UN SDGs



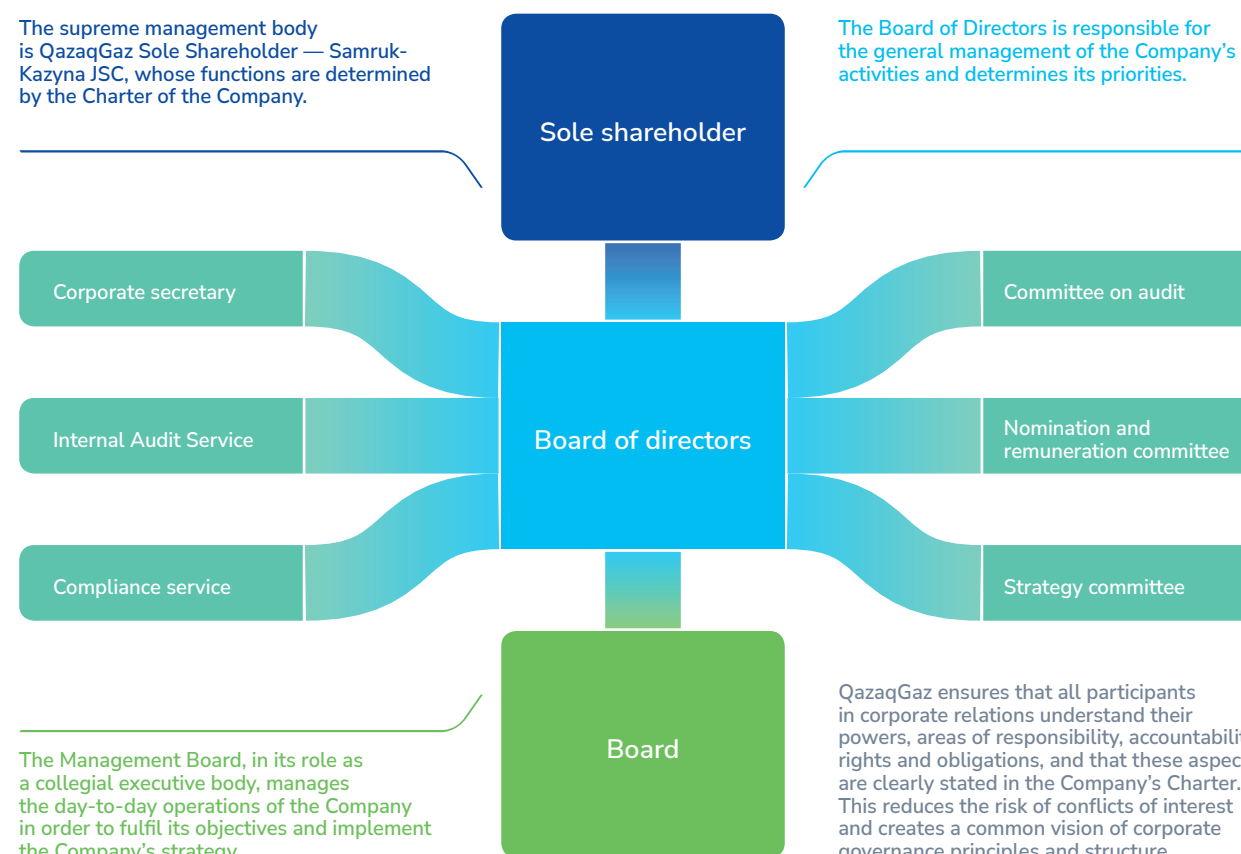
CORPORATE GOVERNANCE STRUCTURE

GRI 102-18

CORPORATE GOVERNANCE STRUCTURE, INCLUDING SERVICES INTRODUCED AFTER THE REPORTING PERIOD

The supreme management body is QazaqGaz Sole Shareholder — Samruk-Kazyna JSC, whose functions are determined by the Charter of the Company.

The Board of Directors is responsible for the general management of the Company's activities and determines its priorities.



The Management Board, in its role as a collegial executive body, manages the day-to-day operations of the Company in order to fulfil its objectives and implement the Company's strategy.

QazaqGaz ensures that all participants in corporate relations understand their powers, areas of responsibility, accountability, rights and obligations, and that these aspects are clearly stated in the Company's Charter. This reduces the risk of conflicts of interest and creates a common vision of corporate governance principles and structure.



BOARD OF DIRECTORS

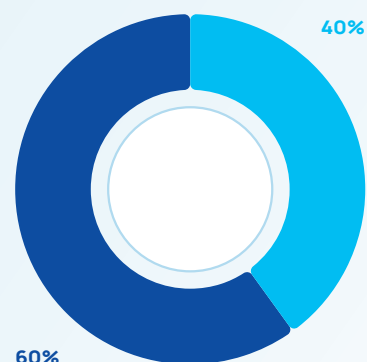
GRI 102-22

The Board of Directors shall be responsible to the Sole Shareholder for the effective management and proper control of QazaqGaz activities and shall act in accordance with the approved decision-making procedure. The important functions of the Board of Directors, along with other substantive issues, are to determine the priorities of QazaqGaz activities and to decide on the conclusion of major transactions.

THE ACTIVITY OF THE BOARD OF DIRECTORS IS BASED ON THE FOLLOWING PRINCIPLES:

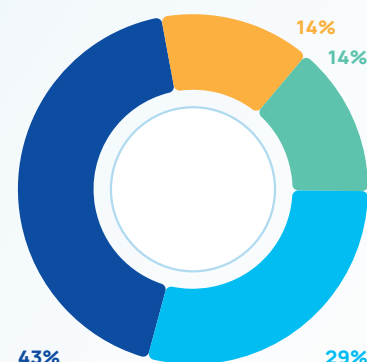
- professionalism
- reasonableness
- discretion
- honesty
- efficiency
- objectivity
- responsibility

INDEPENDENCE OF THE BOARD OF DIRECTORS AS OF DECEMBER 31, 2021, %



● Members of the Board of Directors, who are not independent
● Independent members of the Board of Directors

PROFESSIONAL SPECIALIZATION OF MEMBERS OF THE BOARD OF DIRECTORS, %



● Economics and Finance ● Political science
● Law ● Engineering

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

Dzhaksybekov Adilbek Ryskeldinovich *

Chairman of the Board of Directors

Specialization: Economy
Date of Birth: 07/26/1954 (age 68)
Citizenship: The Republic of Kazakhstan

Sharipbaev Kairat Kamataevich *

Chairman of the Board

Specialization: Economics, marketing, commerce, agronomy
Date of Birth: 08/16/1963 (age 59)
Citizenship: The Republic of Kazakhstan

Nurgaziev Airat Aittanovich *

Independent director

Specialization: Engineering
Date of Birth: 01/13/1958 (age 64)
Citizenship: The Republic of Kazakhstan

Saulebay Malik Oraluly *

Representative of the Sole Shareholder

Specialization: Economics, law, business administration
Date of Birth: 05/07/1975 (age 47)
Citizenship: The Republic of Kazakhstan

Zhamanbalin Serik Zhardemovich *

Independent director

Specialization: Law, finance
Date of Birth: 06/24/1983 (age 39)
Citizenship: The Republic of Kazakhstan

* withdrew from the Board of Directors in February 2022



The composition of the Board of Directors was changed in early 2022. The current list of members of the Board of Directors is available on the Company's official website at: <https://qazaqgaz.kz/directors>

The new Board of Directors plans to focus on the issues that underpin the ESG agenda: environment, social responsibility and corporate governance.

PLAN FOR IMPROVING THE STRUCTURE OF THE BOARD OF DIRECTORS



Chairman of the Board of Directors



Independent director

50%

NOT LESS

Share of independent members of the Board of Directors

1

PERSON

Number of women on the Board of Directors

≥ 6

PEOPLE

Composition of the Company's Board of Directors

1

PERSON

Management Representative

2

PERSON

Independent directors



Selection and appointment

The Chairman of the Board of Directors of the Company is elected (appointed) by the decision of the Company's Sole Shareholder. Members of the Board of Directors, except for independent directors, are elected from among the persons proposed for election to the Board of Directors of the Company as representatives of the interests of the Sole Shareholder.

A person cannot be elected to the position of a member of the Board of Directors:

- having an outstanding or unregistered criminal record in accordance with the procedure established by law;
- formerly Chairman of the Board of Directors, First Chairman (Chairman of the Board), Deputy Head, Chief Accountant of another legal entity in a period of not more than one year prior to the decision on the compulsory liquidation or

compulsory redemption of shares, or the preservation of another legal entity declared bankrupt in accordance with established procedure. This requirement shall apply within five years after the date on which the decision on the compulsory liquidation or compulsory redemption of shares or the preservation of another legal entity declared bankrupt in accordance with the established procedure is taken.

Meetings of the Board of Directors

10

IN-PERSON MEETINGS

were held by the Board of Directors in the reporting year

127

QUESTIONS

were considered

60

QUESTIONS

were related to the activities of the Company

67

QUESTIONS

were related to the subsidiaries

ATTENDANCE OF BOARD OF DIRECTORS AT MEETINGS

Member of the Board of Directors	Meeting attendance
Dzhakysbekov Adilbek	10/10
Sharipbaev Kairat	10/10
Saulebai Malik	9/10
Nurgaziev Airat	10/10
Zhamanbalin Serik	10/10

Main issues considered at the meetings relating to the Company's activities:

- preliminary approval of the annual financial statements and other reports;
- personnel issues;
- approval of the business plan and adjustments to it;
- approval of the KPI of the Company's strategic map and motivational corporate and individual KPIs of executive and managerial employees;

- approval and amendment of QazaqGaz internal regulations;
- financial concerns;
- approval of related-party transactions;
- other questions.

THE MAIN ISSUES DISCUSSED AT THE MEETINGS REGARDING THE ACTIVITIES OF SUBSIDIARIES



Committees of the Board of Directors of the Company

The Committees are accountable to the Board of Directors. Their terms of reference are governed by the relevant Committee Regulations.

Audit Committee	Strategy Committee	Nomination and Remuneration Committee
Committee → Zhamanbalin Serik Zhardemovich; → Nurgaziev Airat Aittanovich.	→ Nurgaziev Airat Aittanovich; → Sharipbaev Kairat Kamataevich; → Zhamanbalin Serik Zhardemovich.	→ Nurgaziev Airat Aittanovich; → Sharipbaev Kairat Kamataevich; → Zhamanbalin Serik Zhardemovich.
Goals The Committee's activities are aimed at assisting the Board of Directors in matters of external and internal audit, financial reporting, internal control and risk management, compliance with the Law, as well as other matters on behalf of the Board of Directors.	The main purpose of the Committee's activity is to assist the Board of Directors in determining the strategic goals, priority directions of development and setting the main directions of the Company's activity for the medium and long term.	The Committee was established to develop recommendations on attracting qualified specialists to the Board of Directors, the Management Board, and other positions in the Company, whose appointment and appointment are agreed by the Board of Directors.
12 meetings were held	60 issues were considered	7 meetings were held
		38 issues were considered
		8 meetings were held
		25 issues were considered

PROSPECTS FOR THE DEVELOPMENT OF THE ACTIVITIES OF COMMITTEES UNDER THE BOARD OF DIRECTORS OF QAZAQGAZ NC JSC IN 2022 INCLUDE:

- Strengthening the work and competence of the Audit Committee: introduction of the functions of the Internal Audit Service and the Compliance Service (implemented in early 2022).**
- Introduction of the practice of preliminary consideration by the nomination and remuneration Committee of candidates proposed to the management bodies of subsidiaries and affiliates.**
- Detailed consideration of investment projects by the strategy Committee in accordance with the recommendations of the Sole shareholder.**



MANAGEMENT BOARD

GRI 102-19, GRI 102-20

The key task of the Company Management Board is the management of current activities, which is carried out in accordance with the principles enshrined in the Charter, the Corporate Governance Code, internal documents of the Company and the Regulations on the Board. The Board shall operate on the basis of the principle of maximum respect for the interests of the Sole Shareholder, as well as accountability to the Sole Shareholder and the Board of Directors.

The Management Board is responsible for the development of the plan of measures for the implementation of the decisions of the Board of Directors and on current issues of financial and economic and production activities of the Company.

Committees of the Management Board

Risk Committee	Budget Planning Committee	Investment Projects Committee
<p>Committee</p> <ul style="list-style-type: none"> → Hwang Valentin Borisovich; → Zhanuzak Taiyr Zhalgasbekuly; → Abaiyldanov Bekzat Kalyshepkovich; → Abdullin Ruslan Sabitovich; → Nesonov Evgeny Grigorievich; → Budnik Mikhail Mikhailovich. 	<ul style="list-style-type: none"> → Serdi Ibulla Zhumaguly ; → Zhanuzak Taiyr Zhalgasbekuly; → Suleymanov Rustam Eduardovich; → Abaiyldanov Bekzat Kalyshepkovich; → Hwang Valentin Borisovich; → Maitiev Azamat Bakdauletovich; → Rashitova Sholpan Suyundikovna; → Cruz David Omarovich; → Suyindikov Ruslan Oblysuly; → Bekmukhambetova Aizhanna Anuarkyzy; → Nesonov Evgeny Grigorievich; → Allayarbek Zhanar Allayarbekkyzy; → Zhaldaev Nurgali Kuanuly; → Abdibekov Timur Nurmukhambetovich; → Musaev Daulet Zhumabayuly; → Marekov Arlen Sabitovich 	<ul style="list-style-type: none"> → Serdi Ibulla Zhumaguly; → Suleymanov Rustam Eduardovich; → Hwang Valentin Borisovich; → Zhanuzak Taiyr Zhalgasbekuly; → Abaiyldanov Bekzat Kalyshepkovich; → Maitiev Azamat Bakdauletovich; → Nesonov Evgeny Grigorievich; → Suyindikov Ruslan Oblysuly; → Kusaynov Zhanbolat Utegenovich; → Marekov Arlen Sabituly; → Cruz David Omarovich; → Allayarbek Zhanar Allayarbekkyzy; → Bekmukhambetova Aizhanna Anuarkyzy; → Zhaldaev Nurgali Kuanuly; → Satkaliyev Andas Maidanovich; → Kaziev Nun Mudarisovich; → Musaev Daulet Zhumabayuly.
<p>Goals</p> <p>The purpose of the Committee is to assist the Management Board of the Company in ensuring the effective functioning of the QazaqGaz Group of Companies, prompt and in-depth consideration of issues in the field of risk management, of QazaqGaz Group of Companies.</p>	<p>The Committee is a consultative and advisory body established to review, agree and make decisions on issues related to the implementation of business planning and strategic development of the Company.</p>	<p>The purpose of the Committee is to effectively manage the investments and assets of QazaqGaz and its subsidiaries.</p>
<p>6 meetings were held</p> <p>7 issues were considered</p>	<p>7 meetings were held</p> <p>7 issues were considered</p>	

Composition of the Management Board

Sharipbaev Kairat Kamataevich *

Chairman of the Board

Appointment date: October 5, 2020
Date of Birth: 08/16/1963 (age 59)
Citizenship: The Republic of Kazakhstan

Serdi Ibulla Zhumagulyly *

First deputy Chairman boards

Appointment date: November 5, 2020
Date of Birth: 01/31/1976 (age 46)
Citizenship: The Republic of Kazakhstan

Abaiyldanov Bekzat Kalyshepkovich *

Deputy Chairman of the Management Board for Exploration and Production

Appointment date: March 6, 2020
Date of Birth: 08/16/1976 (aged 46)
Citizenship: The Republic of Kazakhstan

Zhanuzak Taiyr Zhalgasbekuly *

Deputy Chairman of the Board for Economics and Finance

Appointment date: December 6, 2018
Date of Birth: 06/13/1993 (age 29)
Citizenship: The Republic of Kazakhstan

Suleymanov Rustam Eduardovich *

Deputy Chairman of the Board for Processing and Marketing

Appointment date: December 11, 2015
Date of Birth: 03/04/1973 (age 49)
Citizenship: The Republic of Kazakhstan

Hwang Valentin Borisovich *

Deputy Chairman of the Board for Transportation and Technical Policy

Appointment date: December 5, 2020
Date of Birth: 08/12/1980 (age 42)
Citizenship: The Republic of Kazakhstan

Maitiev Azamat Bakdauletovich *

Chief of staff

Appointment date: June 1, 2021
Date of Birth: 10/21/1980 (age 42)
Citizenship: The Republic of Kazakhstan

Abdullin Ruslan Sabitovich *

Legal Department Director

Appointment date: December 15, 2021
Date of Birth: 09/16/1977 (age 45)
Citizenship: The Republic of Kazakhstan

* withdrew from the Management Board in February 2022

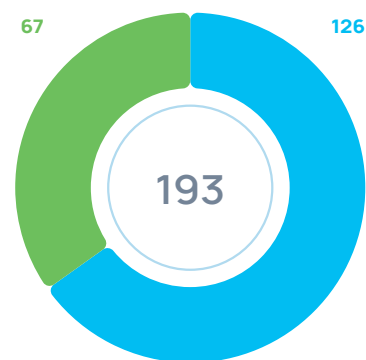


The composition of the Board was changed in early 2022. The new composition is available on the Company's official website at: <https://qazaqgaz.kz/governing>

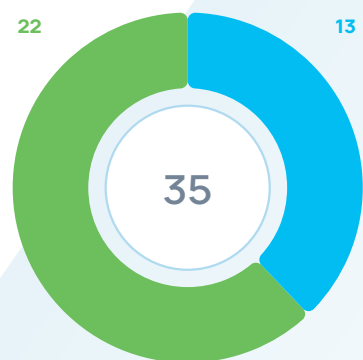


GENERAL INFORMATION ABOUT QAZAQGAZ MANAGEMENT BOARD MEETINGS AND CORPORATE DECISIONS

СВЕДЕНИЯ О СДЕЛКАХ, В ОТНОШЕНИИ СОВЕРШЕНИЯ КОТОРЫХ УСТАНОВЛЕНЫ ОСОБЫЕ УСЛОВИЯ



- Issues related to the activities of NC QazaqGaz JSC
- Issues related to the activities of Subsidiaries



- Transactions previously approved and submitted to the Board of Directors of QazaqGaz
- Approved within the framework of the Rules for concluding transactions between organizations that are part of the Samruk-Kazyna JSC group, in respect of which the Law On Joint Stock Companies establishes special conditions

43

IN-PERSON MEETINGS

held the Management Board for 12 months of 2021

100%

the attendance of Board members during the reporting year



REMUNERATION

GRI 102-36

QazaqGaz pays considerable attention to the analysis of work and assessment of management activities, based on the personal contribution of each member of the Board of Directors and the Board of Directors to the achievement of strategic goals of the Company.

377,262

THOUSAND TENGE

total amount of remuneration paid to the members of the Board of Directors and the Management Board in 2021

The total amount of remuneration paid by the Company to the members of the Board of Directors and the Management Board in 2021, including salaries and all types of cash incentives, was 377,262 thousand tenge, including 53,513 thousand tenge to the members of the Board of Directors.

Plans for 2022 and the medium term in the field of corporate governance

53,513

THOUSAND TENGE

remuneration paid to the members of the Board of Directors

Management plans

- increase the share of independent directors in the Board of Directors to 50%;
- review the competencies of the Board of Directors and its committees to cover ESG issues;
- increase the number of women on the Board of Directors to 1 person;
- appoint an independent director to the position of the Chairman of the Board of Directors;
- update the Charter of QazaqGaz, taking into account the granting of the status of a national company;
- increase the composition of the Board of Directors of the Company to at least six people;
- to expand the competences of the Boards of subsidiaries.

Disclosure plans

- ensure effective collection and internal control of the correctness of data for the Company's non-financial reporting;
- optimize the process of signing contracts and primary documentation for timely reflection in financial and tax reporting;
- expand the content of the site;
- strengthen the information policy of the Company.

Organizational structure plans

- create a structural unit for ESG, including specialists in each of the three areas of sustainable development;
- to include in the staff of the Department of industrial safety, labor protection and ecology (HSE) specialists in the field of environmental protection in various areas;
- attract qualified IT specialists to support the system of consolidated and separate accounting;
- allocate a separate structural unit / expand the functional responsibilities of the department for investment projects, to ensure work on international cooperation;
- create an IPO preparation service;
- create an investment unit (department);
- create a department of capital construction;
- allocate the department for internal control into a separate structural unit;
- organize the effective work of the internal audit service.





INTERNAL AUDIT SERVICE

Since May 2022, the Company has had an independent Internal Audit Service (hereinafter referred to as IAS), which reports directly to the Board of Directors. The Internal Audit Service ensures the organization and implementation of the internal audit of the Company, which is supervised by the Audit Committee. The main objective of the Internal Audit Service is to provide the Board of Directors with independent and objective information to ensure the effective management of the Company.



Main documents in the field of internal audit:

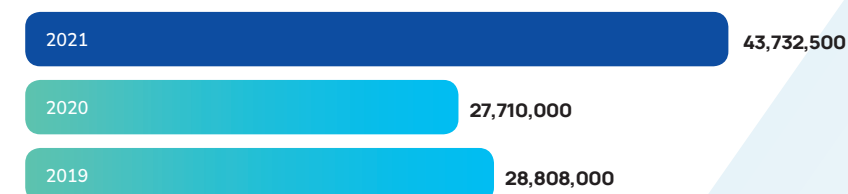
- Rules of the internal control system;
- Policy of the internal control system;
- Regulations on the Audit Committee;
- Regulations on the Internal Audit Service.

EXTERNAL AUDIT

The selection of an audit organization to provide audit services on financial statements for the Company and its subsidiaries was carried out by the Single Commission on the selection of an audit organization. The Company concluded the Agreement on Audit of Financial Reporting with the Independent Audit Organization of Ernst & Young LLP.

Apart from audit services, no other services were provided by Ernst & Young LLP. In order to maintain the independence of the audit by one organization, an external auditor is replaced within five consecutive years.

DETAILS OF THE REMUNERATION OF THE EXTERNAL AUDITOR, *tenge*





CORPORATE ETHICS

GRI 102-16, GRI -102-17

QazaqGaz is underpinned by a commitment to business ethics, respect for human rights and anti-corruption, which is essential for trusted stakeholder relations.



The Company's main corporate ethics documents:

- Code of Business Ethics;
- Anti-Corruption Policy;
- Regulations on the Compliance Service;
- Conflict-of-interest policy for employees and officers of the company;
- Whistleblowing Policy;
- Rules on due diligence of company counterparties.

The Company's Code of Business Ethics complies with high standards of business conduct and business ethics. The document is a code of conduct and requirements of corporate ethics that guide all employees of the Company. The Code was developed in accordance with the legislation of the Republic of Kazakhstan, the Charter and other internal documents of the Company, as well as recognized world norms and practices of business conduct and

corporate management. The Code is based on the Company's corporate values, which define the most important principles and standards of conduct in relation to the Company's stakeholders and partners. The Code aims to develop corporate culture and strengthen the reputation of QazaqGaz as an open and honest market participant.

The principles of QazaqGaz based on the Code:

- responsibility;
- openness;
- transparency;
- ethical behavior;
- respect;
- legality;
- professionalism;
- justice;
- intolerance to corruption;
- inadmissibility of conflicts of interest;
- environmental responsibility;
- security.

Ombudsman

The Ombudsman Institution is established as part of the initiatives, measures and actions taken by the Sole Shareholder, the Board of Directors and the Management Board of the Company to:
→ ensuring compliance with the Code by structural units and all employees of the Company;

→ strengthening measures to prevent and resolve corporate conflicts and conflicts of interest.

The main functions of the Ombudsman are to advise officers and employees on the provisions of the Code, initiate and participate in the resolution

of disputes on breaches of the Code. The appointment and early termination of the Ombudsman is carried out by the Company's Board of Directors.

Compliance service

The Compliance Service was established in 2021 with accountability to the Executive Body of the company, since 2022 is a structural unit reporting to the Board of Directors. A regular newsletter on the activities of the Compliance Service is sent to all employees of the Company.

The main tasks of the Compliance Service of the Company:
→ identification of external regulatory requirements;
→ compliance assessment;
→ development of internal compliance policies, regulations and procedures;

- communication and implementation of compliance policies;
- monitoring and control of compliance of directions;
- investigating potential compliance breaches and developing and enforcing corrective measures.

Training in corporate ethics and anti-corruption

GRI 205-2

>200

EMPLOYEES

were tested online for knowledge of the Company's regulations on combating corruption

The Company conducts regular training on compliance and anti-corruption issues. The Compliance Service holds conferences, webinars, presentations and trainings. In 2021, in order to improve the compliance culture, more than 200 employees were tested online for knowledge of the Company's regulations on combating corruption, fraud, conflicts of interest, etc.

In addition, a number of compliance training sessions developed for Company employees, including governing bodies, were held during the reporting year.

COMPLIANCE TRAINING PROGRAMME IN 2021

Trained workers	Program (topic)
Company employees	Policy for resolving conflicts of interest among employees and officials of the Company
Employees of the Company and subsidiaries	Measures to combat corruption
Employees of the Company and subsidiaries	Issues of submitting a declaration of assets and liabilities
Employees of the Company and subsidiaries	Anti-corruption policy
Employees of the Company and subsidiaries	Compliance with anti-corruption laws
Employees of the Company, Compliance Services of Subsidiaries and persons entrusted with compliance functions in subsidiaries	Requirements of anti-corruption legislation and internal documents of the Company on giving business gifts
Employees of Compliance Services of subsidiaries	Compliance service: creation, main goals, tasks, functionality
Employees of the Compliance Services of the Company and subsidiaries	Economic security
Officials of the Company and Subsidiaries, managers of the Company, heads of departments of the Company and persons exercising managerial functions in Subsidiaries	Universal declaration in the Republic of Kazakhstan, features of implementation in the tax mechanism of Kazakhstan
Persons performing managerial functions in the Company and subsidiaries, heads of departments of the Company	Provision of declarations by persons performing managerial functions in a subject of the quasi-public sector within the framework of universal declaration
Persons exercising managerial functions and officials	Responsibilities of persons performing management functions in a quasi-public sector entity to combat corruption
Persons performing managerial functions, employees of departments	Customer due diligence questions
Persons performing managerial functions in the Company and subsidiaries, heads of departments	Providing a declaration of income and property
Newly hired employees or candidates for positions that fall under the requirements of anti-corruption legislation	Conducting instructional or adaptation trainings for newly hired employees or candidates for positions that fall under the requirements of anti-corruption legislation



ANTI-CORRUPTION

GRI 205-1, GRI 205-2, GRI 205-3

The Company takes all available anti-corruption measures. QazaqGaz activities to minimise conditions conducive to corruption include:

- Establishment of institutional and legal mechanisms to ensure accountability, accountability and transparency of decision-making processes;
- fair competition;
- prevention of conflicts of interest;
- acceptance and compliance with business ethics;
- taking action on formation of anti-corruption culture ;
- interaction with state authorities and other organizations on issues warnings corruption.

Compliance Service ensures compliance of the Company and its employees with the legislation of the Republic of Kazakhstan on anti-corruption. The Service monitors the implementation of anti-corruption measures, including the assessment of corruption risks in the Company.

The Company and its Subsidiaries have an internal anti-corruption policy. The aim of the Policy is to ensure adherence to high standards of conduct, conduct

open and honest business, strengthen business reputation, and increase the level of confidence of stakeholders in the Company.

The Company's main anti-corruption principles:

- zero tolerance for any manifestations of corruption;
- top management commitment and setting the "tone from above";
- involvement of officials and employees;
- the inevitability of punishment;
- legality and compliance of the Policy with the current legislation;
- proportionality of procedures for prevention and counteraction;
- effectiveness of anti-corruption procedures;
- monitoring and control;
- avoidance of conflicts of interest;
- due diligence;
- leadership and coordination.

In addition, the Company has an internal document — Anti-Corruption Standard for employees of the group of companies QazaqGaz, developed as part of the work on preventive measures to prevent corruption offences.



IN 2021 THERE WERE NO CASES OF CORRUPTION AMONG QAZAQGAZ EMPLOYEES AND SUBSIDIARIES. NO SANCTIONS HAVE BEEN IMPOSED ON EMPLOYEES FOR CORRUPTION OFFENCES, INCLUDING TERMINATION OF EMPLOYMENT CONTRACTS AND CRIMINAL PROCEEDINGS.

Interaction with contractors

When interacting with the counterparties, great attention is paid to how the counterparties ensure the integrity and integrity of their business relationship, take care of their own reputation, demonstrate commitment to high ethical standards, Implement their own anti-corruption measures.

QazaqGaz makes reasonable efforts to minimise the risk in business relationships with counterparties that may be involved in corrupt activities. The Company regularly assesses the reliability of counterparties, including whether they have their own anti-corruption policies and procedures, their willingness to comply with the Company's policies, and to support mutual assistance for ethical business conduct and corruption prevention.

Hotline

Samruk-Kazyna JSC Hotline is functioning in the Company, which covers the Company and its subsidiaries. The hotline is a channel for reporting alleged violations of legislation and/or the Code of Conduct, fraud, corruption, unauthorized disclosure of confidential and insider information. All requests are recorded in an electronic journal.

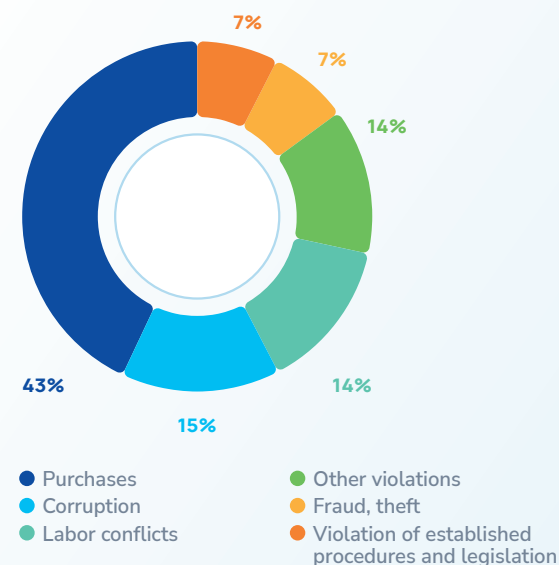
Responsibility for the implementation of appeals from individuals is vested in the heads of structural subdivisions to which they are sent. The executors shall inform the authors in writing of the results of consideration of the appeals in the state language or the language of the appeal.



Interested parties can submit appeals to QazaqGaz through the following communication channels:

- hot line Samruk — Kazyna JSC;
- info@qazaqgaz.kz (corporate email address of QazaqGaz, office);
- dcb@qazaqgaz.kz (e-mail address of the corporate security department);
- postcenter@qazaqgaz.kz (e-mail address of the Internal Control and Risk Management Department);
- ombudsmen@qazaqgaz.kz (email address of the Ombudsman).

TOPICS OF APPEALS RECEIVED ON THE "HOTLINE"



14

MESSAGES

were received through the Hotline website and email in 2021



6. SOCIAL ASPECT



In the Aktobe region, gasification of several villages in the Irgiz district, which is remote from the regional center, took place more than

2,200 residents

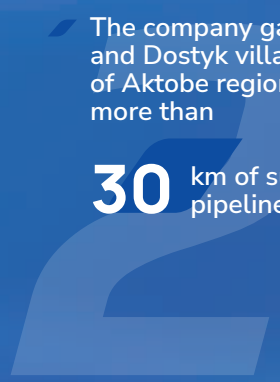
of Shenbertal, Kurylys and Akshi villages received access to gas.



AKTOBE REGION

The company gasified Voznesenovka and Dostyk villages of Martuk district of Aktobe region. As part of the project, more than

30 km of supply gas pipeline was built.



The length of underground distribution networks in the two settlements was about

16 km





104 Material Topics

- Employee and Labor Relations
- Occupational and Industrial Safety
- Personnel training and development
- Employment
- Consumer health and safety
- Diversity and Equal Opportunity

- Non-discrimination
- Local communities
- Response to the COVID-19 pandemic
- Emergency Preparedness and Response
- Science and innovation
- Procurement practices

GRI indicators

GRI 102-7, GRI 102-8, GRI 102-9, GRI 102-10, GRI 102-35, GRI 102-36, GRI 102-41, GRI 103-2, GRI 103-3, GRI 202-1, GRI 202-2, GRI 203-1, GRI 203-2, GRI 204-1, GRI 401-1, GRI 401-2, GRI 401-3

Key indicators for 2021

13,701 PEOPLE
number of employees

4%
turnover rate

247 HOURS
the average number of training hours per year per employee

0.18
lost time injury rate (LTIFR)

9,489 PEOPLE
were trained in OIS and emergency situations

90%
share of purchases from local suppliers⁵

>22 THOUSAND RESIDENTS
were supplied by natural gas within the framework of gasification projects

~250 SOCIAL AND BUSINESS FACILITIES

⁵ Suppliers of the Republic of Kazakhstan.

105

Contribution to implement the UN SDGs



GRI 403-1, GRI 403-2, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-8, GRI 403-9, GRI 403-10, GRI 404-1, GRI 404-2, GRI 404-3, GRI 405-1, GRI 405-2, GRI 406-1, GRI 407-1, GRI 413-1, GRI 413-2, GRI 419-1

10,041,063 LABOR HOURS
without accidents and fatalities

23%
of employees had been periodic evaluated of performance and career development of staff





HUMAN RESOURCES AND SOCIAL POLICY

Personnel management approach

GRI 102-41, GRI 103-1, GRI 103-2, GRI 103-3, GRI 406-1

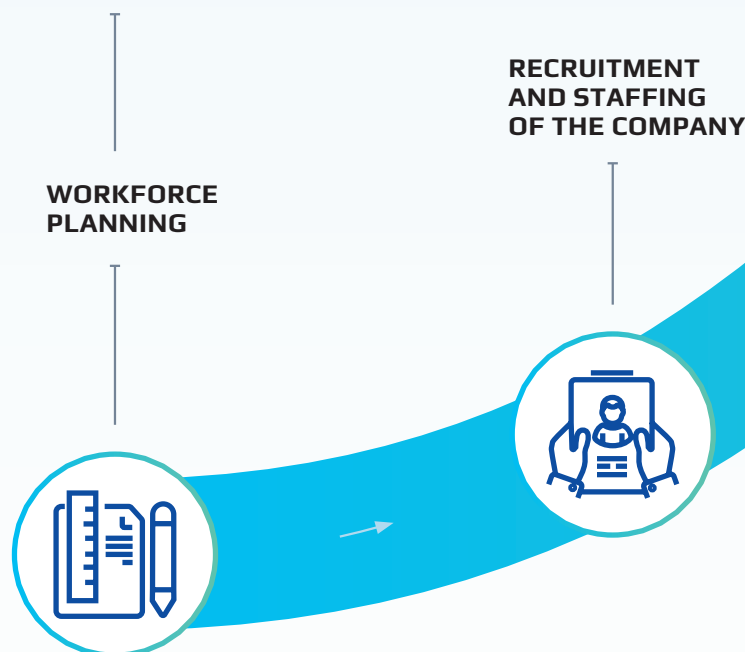
The teamwork of the people who are part of QazaqGaz is a fundamental element in achieving goals and success in the Company. With the rapid transformation of the gas transportation system, which increasingly requires the Company to be motivated, flexible and ready to meet current and future challenges related to human resources. To this end, QazaqGaz works to develop employees' skills, involve them in processes through transparent management and encourage them to take an active and proactive stance within the Company.

In addition, the Company has developed talent identification and training of diverse professionals relevant to industry development, creating an inclusive work environment where diversity and equal opportunities are protected and valued: these are important elements in QazaqGaz's work.

QazaqGaz personnel management is designed to grow with people in an inclusive environment where human resources are valued and opportunities for personal and professional development are provided. The Company's management believes that it is essential to prepare the Company and employees for the future in a rapidly changing environment.

The company has a strong corporate culture and is guided by the values of sustainable development. On the basis of these principles, high standards are set, which not only attract new, highly qualified employees, but also provide comprehensive support to those already employed by the Company.

QAZAQGAZ IS IMPLEMENTING THE FOLLOWING AREAS TO IMPROVE PERSONNEL MANAGEMENT:



On a quarterly basis, the performance of administrative officers is assessed (quarterly performance targets). Managerial and supervisory employees are assessed on the performance of KPIs at the end of the year.

QazaqGaz also carries out an annual employee evaluation to further build individual development plans. The Company's employees are assessed for compliance with their position once every three years.

The Company follows the principle of equal opportunities and does not tolerate any form of discrimination, including discrimination based on gender, race, nationality, origin, property, family, social and official status, age, religion, and other circumstances unrelated to the professional qualities of an employee. During the reporting period, the Company did not receive any complaints about cases of discrimination in the workplace.

INFORMATION SUPPORT

IMPROVEMENT OF CORPORATE COMMUNICATIONS

THE COMPANY'S CURRENT SOCIAL RISKS:

Low (insufficient) qualification of personnel

Advocacy is carried out with the workforce individually and in the associations and alliances when updating internal regulations

Insufficient staff motivation

Regular social surveys and monitoring of associations and alliances are carried out

Lack of employee satisfaction in remuneration policy

Automation of personnel administration is underway. Remuneration is paid in accordance with internal regulations.

Unauthorized strikes

The Samruk-Kazyna JSC hotline is operational

The Company has the following regulations governing human resource management processes:

- Code of Business Ethics;
- Rules for the training and development of employees;
- Rules for the formation and preparation of a personnel reserve;
- Regulations on wages;
- Rules for remuneration of managerial and administrative personnel;
- Rules for the training of young specialists;
- Collective agreement;
- Rules for recruitment and selection.



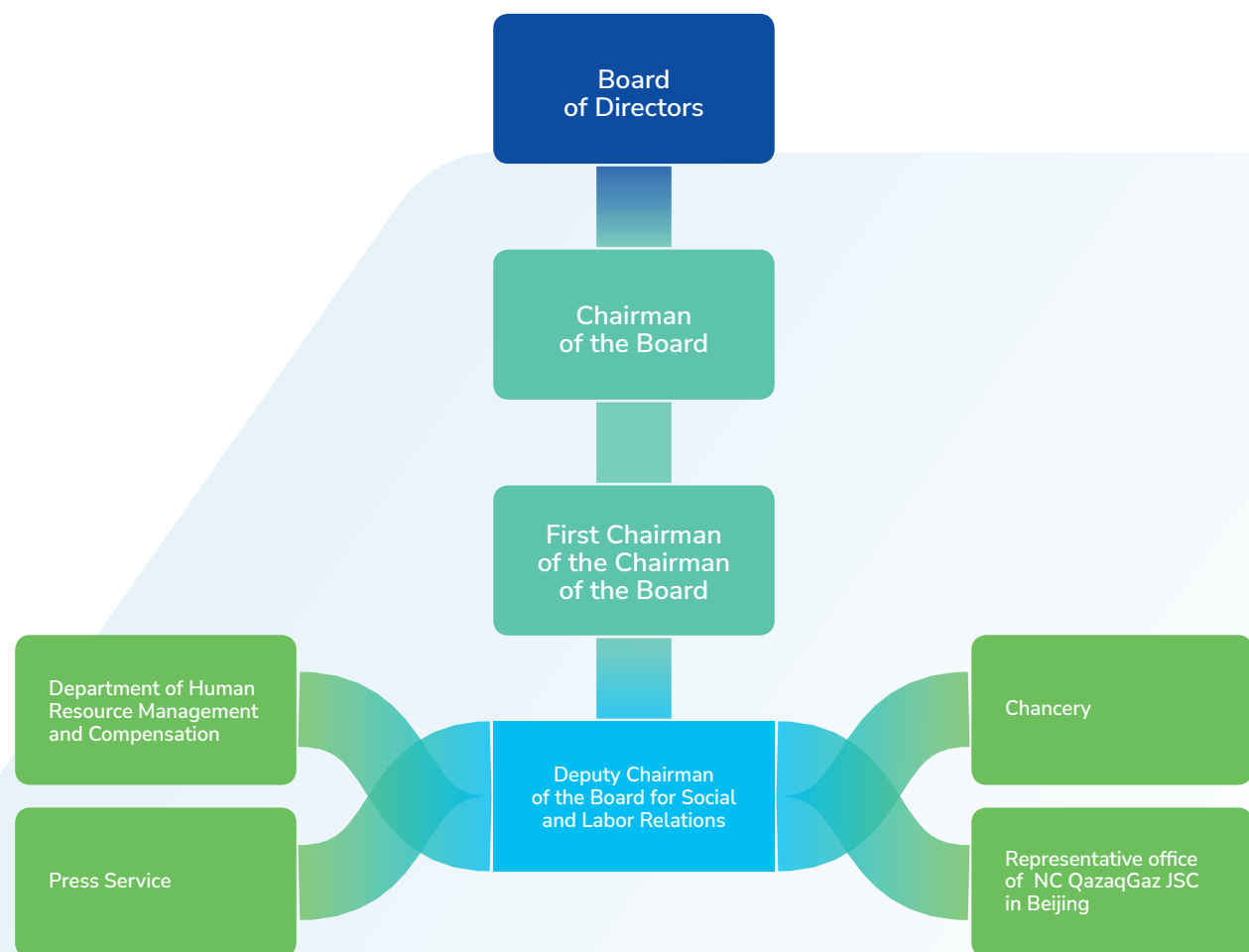
Organizational structure

GRI 102-7, GRI 103-2

The Department for Human Resources Management and Labor is accountable to Administrative Director. As the Company's strategy was aimed at transforming itself in line with international norms, during the reporting period the Department focused on the following tasks:



ORGANIZATIONAL STRUCTURE IN THE SOCIAL AND LABOR DIRECTION



Management tools

GRI 103-2

The QazaqGaz Group has introduced internal communications tools, according to which managers hold regular reporting meetings with labour collectives and the trade union on a regular basis. This makes it possible to determine the social mood in the teams in order to promptly solve urgent issues.

0
COMPLAINTS
no complaints related to discrimination or violation of human rights

14
ENQUIRIES
received in total for 2021

2
ISSUES
related to labour relations

In addition, through the new Open Window interactive resource, every employee has the opportunity to address his or her questions directly to the management and receive a timely response. Issues covered include remuneration, training, professional development, training and retraining of workers, production and economic activities, provision of social benefits, compensation and guarantees, sanitation and living conditions at production facilities, provision of PPE, special food, special clothing and other issues. Term of consideration of appeals depending on the subject is from 15 to 30 calendar days.

In the reporting period, there were no complaints related to discrimination or violation of human rights. A total of 14 enquiries were received, including 2 issues related to labour relations, both of which were resolved at the level of the responsible departments. The results of interactions with the directors and management of the Company are disseminated via phone call or e-mail and the summarised data is presented to the Board of Directors by the Compliance Department.

IN 2021, DIRECTORS FOCUSED ON TWO THEMES:

Personnel issues >22 decisions made

Annual report forms >9 decisions taken

As a result of the discussions, it was decided to transfer a part of associations and alliances to the grading system, the HR system was automated in BSGP and AGP. A full-scale certification was carried out, followed by the promotion and training of outstanding workers abroad. Proposals related to retraining of personnel have been made in order to raise awareness of personnel in the field of sustainable development. The article considers possibilities of introduction of SAP products in the sphere of sustainable development.

The social security package was also revised. QazaqGaz plans to expand its corporate inclusiveness programs: first of all, it is planned to evaluate all the Company's offices in terms of accessibility for people with disabilities, support for women and increase their overall share in the Company, Creating conditions for workers of all ages.

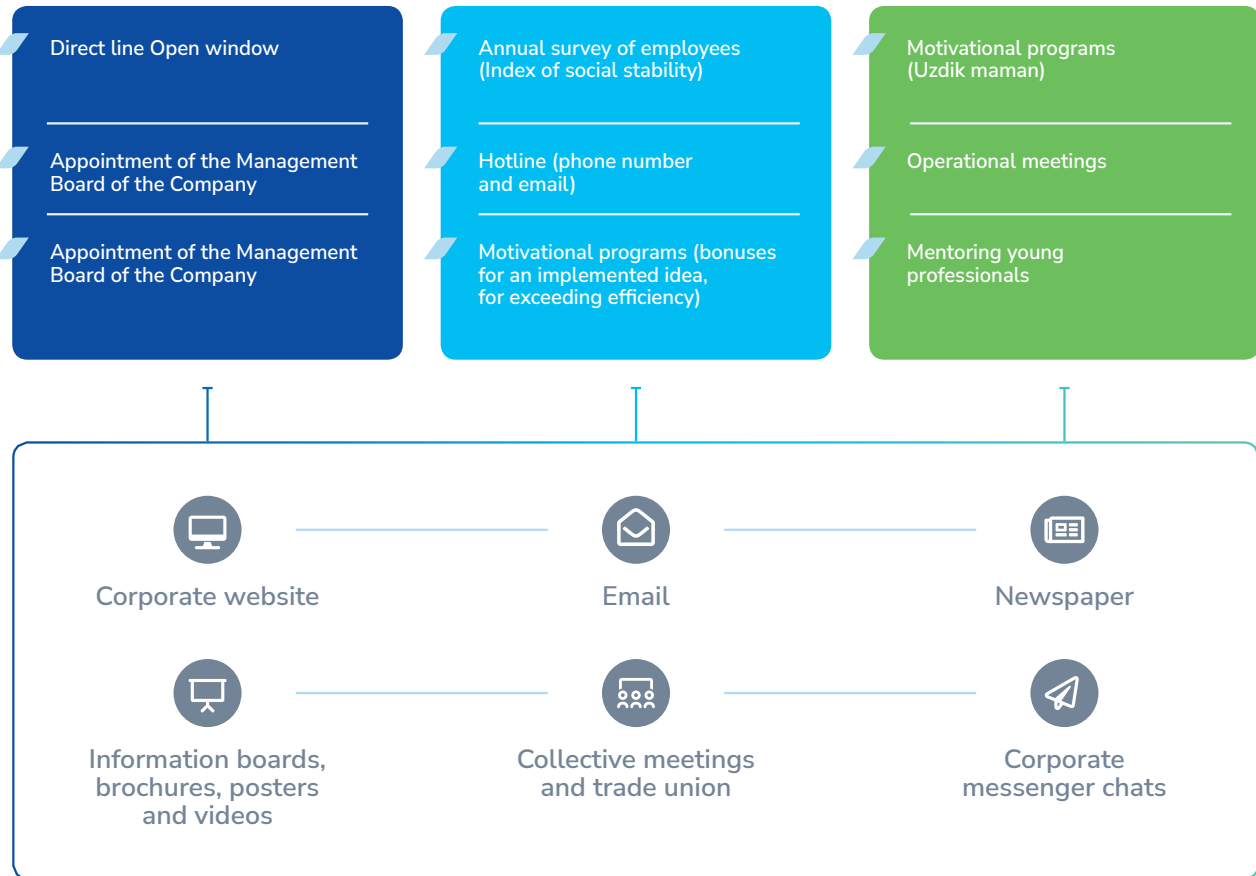
In 2021, work was carried out on the transition to the Samruk-Kazyna JSC, in this regard, goals and decisions were set to change the form of reporting, policies, regulations. Revision of local regulations planned in 2022.



Board of Directors

Board of QazaqGaz

Management of subsidiaries and affiliates



Employment, socio-cultural diversity and equal opportunity

GRI 102-8, GRI 405-1

The Company values the diversity of perspectives and experiences among employees. To improve and strengthen the Company's strategy on inclusion and equal opportunities, the Company plans to create a single document on diversity and inclusion: the Human Rights and Human Resources Policy. All equality and inclusion issues are raised at meetings of the Nomination and Remuneration Committee.

The Company's short-term strategy includes a goal to increase the number of jobs allocated to employees with disabilities. At the end of 2021, the number of employees with disabilities was 3.

In 2021, the Company approved a ten-year Diversity and Inclusion Programme. The programme aims to eliminate bias in the workplace, empower the human rights and diversity teams and attract and retain employees with impressive diversity experiences.

Supporting mature employees in mentoring roles and increasing the number of women on the team is also one of the priority goals in QazaqGaz's Roadmap for Sustainable Development.

At the end of 2021 the number of permanent employees was 13,701, an increase of 7% over the previous year. There were no significant changes in the number of employees in the Company. The total number of employees has been formed by summing up the data by divisions.

All members of the Board of Directors are citizens of the Republic of Kazakhstan. A large proportion of the Company's positions are held by local professionals and account for 82%.

82%

of the Company's positions are held by local professionals

13,701

the number of permanent employees at the end of 2021



DYNAMICS OF THE TOTAL NUMBER OF PERSONNEL OF QAZAQGAZ, people

GRI 102-7, GRI 102-8

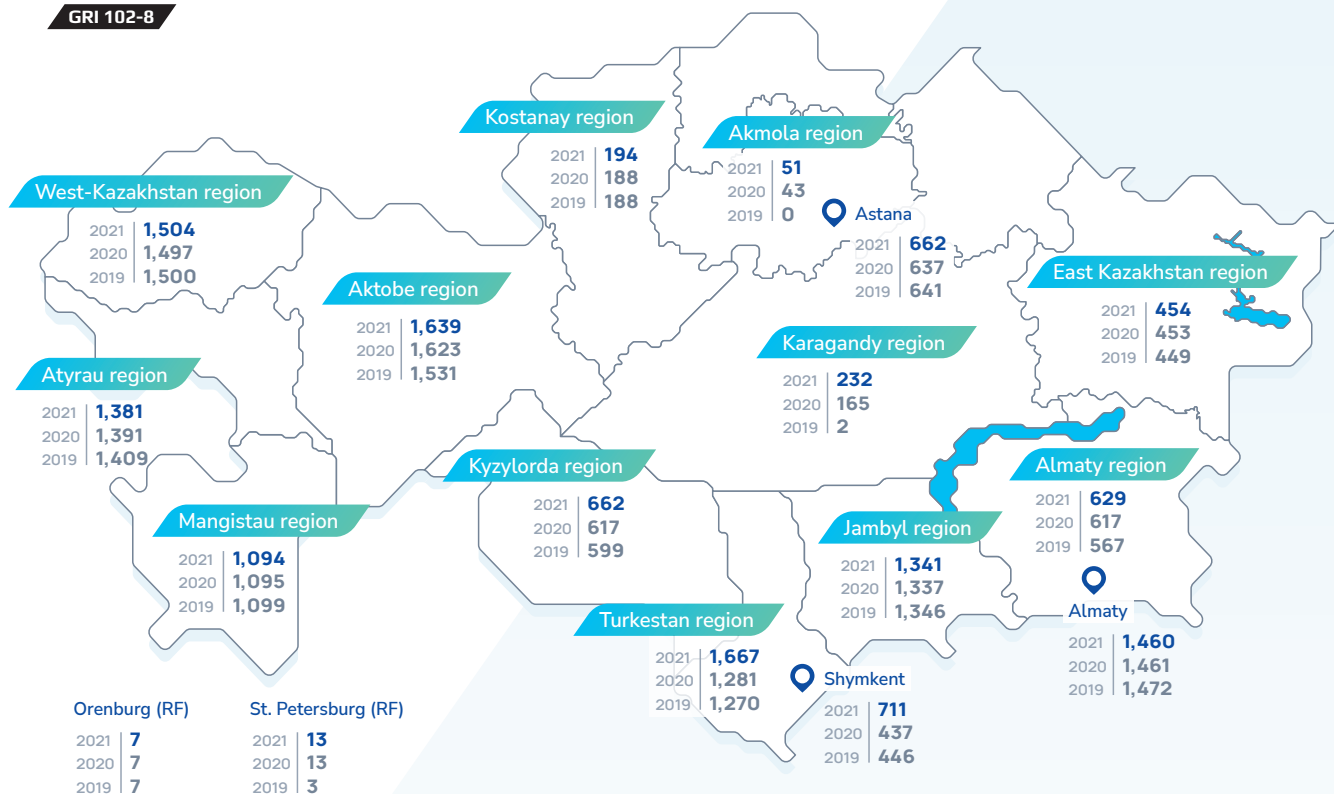


7%

increase of the number of employees in the regions of presence compared to previous years

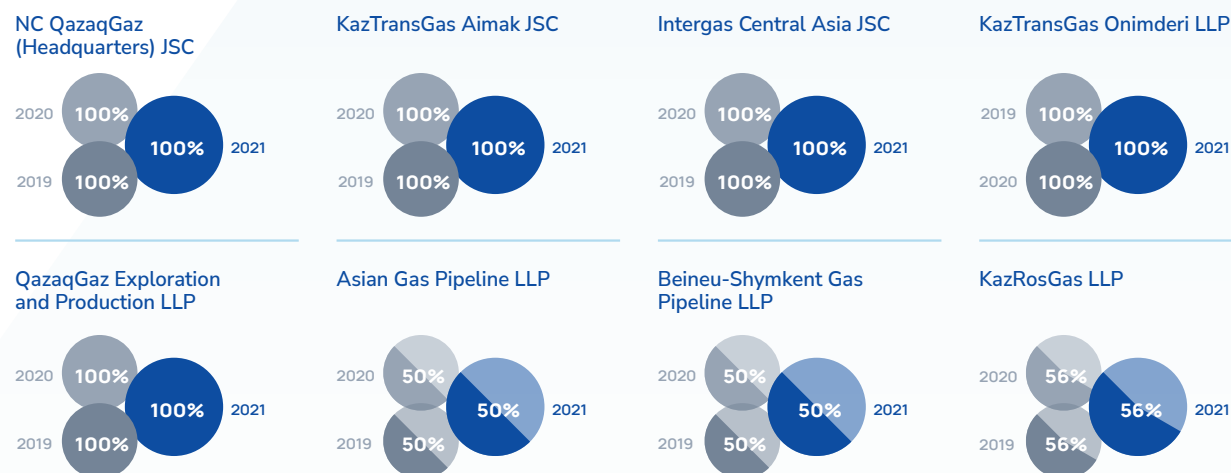
NUMBER OF EMPLOYEES BY REGIONS FOR 2019-2021, people

GRI 102-8



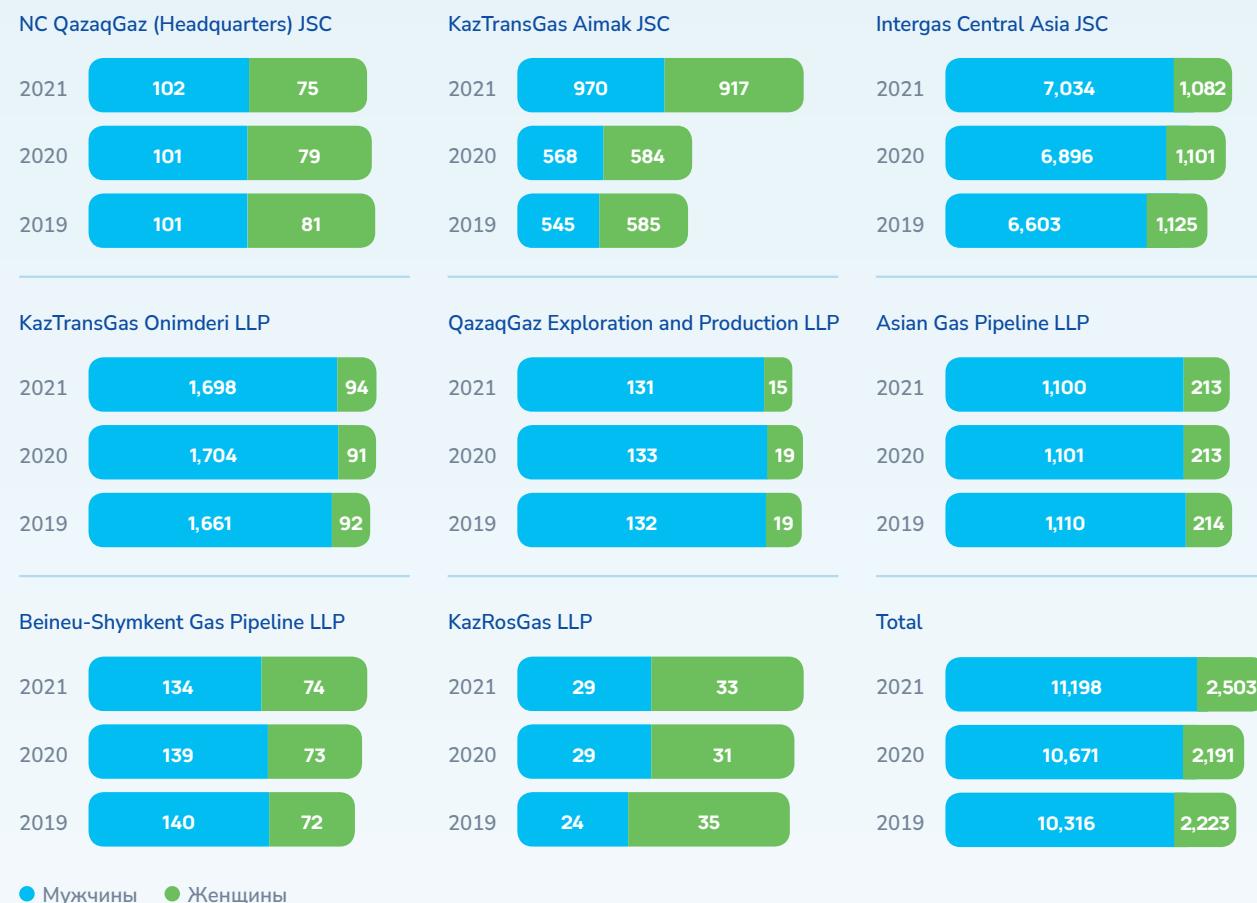
PROPORTION OF LOCAL RESIDENTS AMONG SENIOR MANAGERS, %

GRI 202-2



NUMBER OF EMPLOYEES BY COMPANY AND GENDER, AS AT 31 DECEMBER 2021, people

GRI 102-8

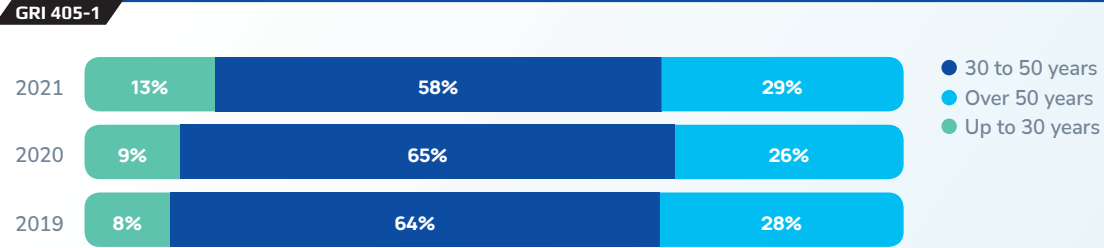


Due to the specifics of production activities, the share of women in the total number of QazaqGaz employees is relatively low. In the reporting period, the indicator remained at the level of the previous year and at the end of 2021 it was 18%. In order to increase the diversity of its workforce, the Company participates in the Women's Energy Club (WEC) under the KAZENERGY Kazakhstan Association of Oil, Gas and Energy Sector Organisations.

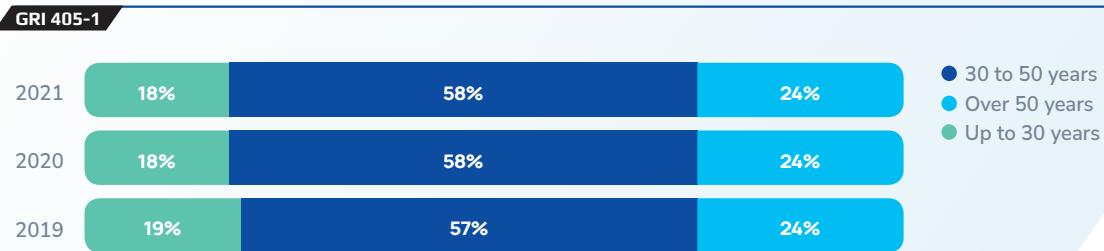
The average age of the Company's personnel is 39 years old. The share of employees between the ages of 30 and 50 is 58%. Compared to the previous year, the age group of specialists has remained practically unchanged. It is worth noting that the average age of managers in the Company also varies within this range, indicating the support and promotion of middle-aged professionals.



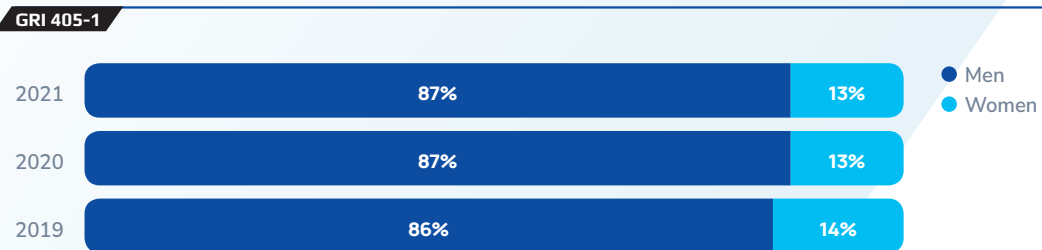
THE STRUCTURE OF QAZAQGAZ MANAGEMENT PERSONNEL BY AGE FOR 2019-2021, %



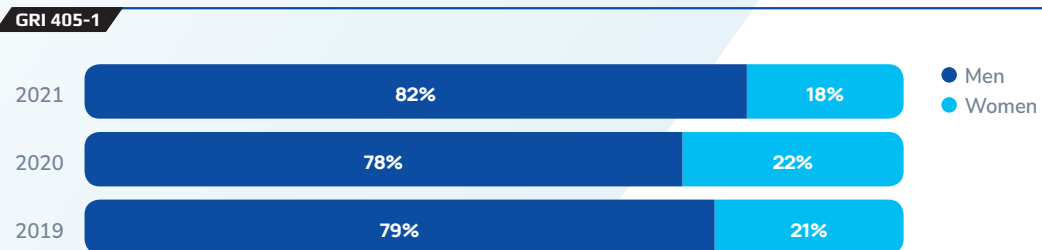
AVERAGE HEADCOUNT OF QAZAQGAZ BY AGE FOR 2019-2021, %



THE STRUCTURE OF QAZAQGAZ MANAGEMENT PERSONNEL BY GENDER FOR 2019-2021, %



THE AVERAGE NUMBER OF EMPLOYEES OF QAZAQGAZ BY GENDER FOR 2019-2021, %



Recruitment and staff turnover

GRI 102-8, GRI 401-1, GRI 401-2

Recruitment

The company constantly improves the recruitment processes. Recruitment is based on the Personnel Policy 2017-2021, which is planned to be improved in 2022.

During the reporting period, a database of internal candidates was established as a priority form of recruitment, including for appointment and election to senior positions, aimed at retention of highly qualified and prospective employees through planned career development in the Company, preservation of corporate knowledge, skills and skills.

In 2021 the Company began to develop the conditions of external competitive selection — publication of vacancy announcements on the Company's websites and mass media. Specialists in the selection of personnel have been trained on the analysis of candidates' resume, methods of testing knowledge and qualifications have been improved.

In addition, the Company has introduced adaptation measures to accelerate the employee's entry into his post, reduce psychological tension in the new team, develop satisfaction and increase motivation, and form a positive image of the Company.

The process of personnel selection in the Company in 2020 has largely changed to the online format. This approach gives more flexibility to candidates as candidates — study cases and solve tasks from home — and HR staff and line managers have more opportunities to organize and conduct interviews.

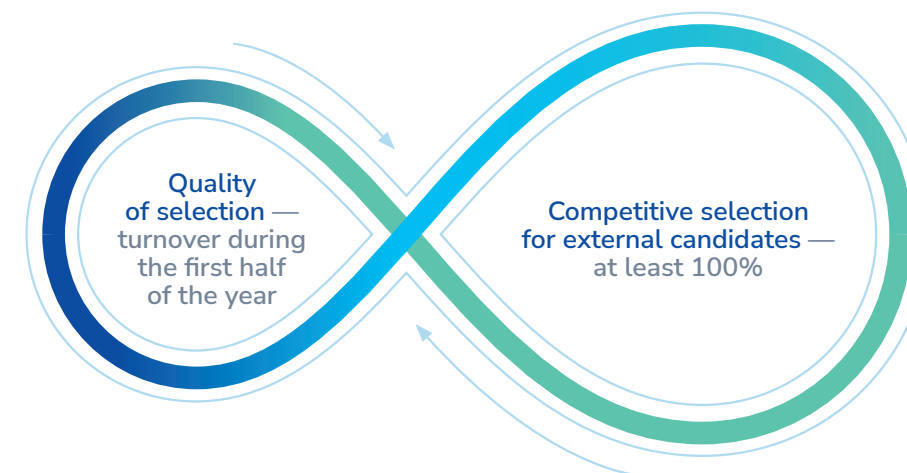
2,080
PEOPLE

hired to QazaqGaz in 2021

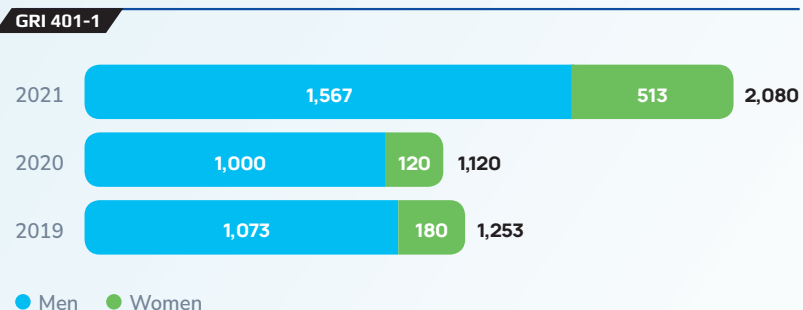
15%

the percentage of employees hired in 2021

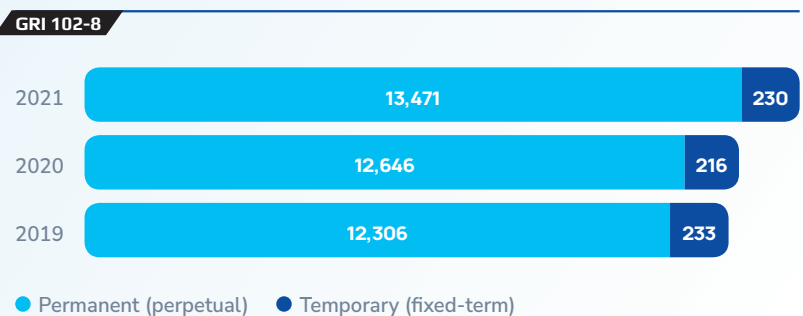
KEY PERFORMANCE INDICATORS OF THE PERSONNEL SELECTION AND RECRUITMENT SYSTEM



TOTAL NUMBER OF EMPLOYEES HIRED IN THE REPORTING PERIOD, people



QAZAQGAZ PERSONNEL STRUCTURE BY CONTRACT TYPE, people



QAZAQGAZ PERSONNEL STRUCTURE BY POSITIONS, people



98%

permanent employees as of 31 December 2021

The Company's main work is carried out by full-time employees; external consultants are engaged on a commercial contract basis during the independent audit period.

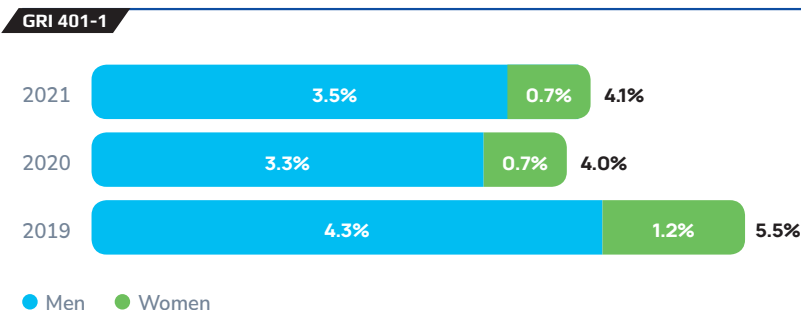
The Company has the following types of benefits available to full-time employees, which are not available to temporary or part-time employees:

- Life insurance (available in all divisions except KazTransGas Onimderi LLP, BSGP, KazRosGas)
- Medical services (available in all divisions)
- Health resort treatment and recreation (available at all divisions except KazTransGas Onimderi LLP, Asian Gas Pipeline LLP, KazRosGas LLP)
- Disability and incapacity payments (stipulated by the legislation of the Republic of Kazakhstan)
- Parental leave (stipulated by the legislation of the Republic of Kazakhstan)
- Severance pay (over and above what is required by law)
- Material aid of all types (stipulated by the legislation of the Republic of Kazakhstan)

Staff turnover

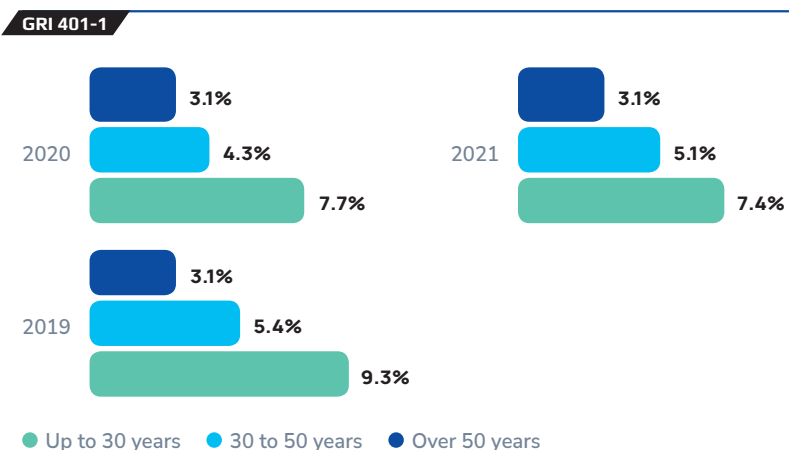
The low turnover of personnel favorably influences the development of the Company as a whole, contributes to the qualitative renewal of the staff, reduces significant economic losses, organizational, personnel, technological, psychological difficulties.

STAFF TURNOVER RATE FOR 2019-2021, %



4% ▼ 1%
staff turnover in QazaqGaz in 2021

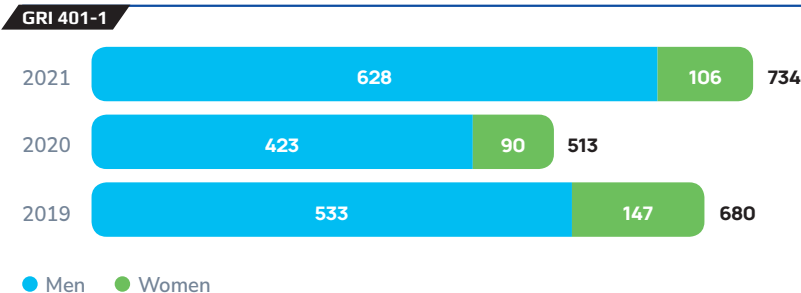
GENERAL TURNOVER RATE BY AGE GROUPS IN QAZAQGAZ, %



1,002
LABOUR CONTRACTS were terminated in 2021 in total

In total, 1 002 labour contracts were terminated in 2021, and the requirements of the Labour Code were met.

THE TOTAL NUMBER OF EMPLOYEES LAID OFF FOR QAZAQGAZ FOR 2019-2021, people





Remuneration and motivation

GRI 102-35, GRI 102-36, GRI 202-1, GRI 401-3, GRI 405-2

Remuneration

The QazaqGaz system is based on the principles of fairness and competitiveness, which helps to attract and retain professionals and to achieve the strategic goals of the Company.

377,262

THOUSAND TENGE

the total amount of remuneration paid to members of the Board of Directors and the Executive Body of the Company in 2021

53,513

THOUSAND TENGE

remuneration paid to members of the Board of Directors

496

THOUSAND TENGE PER MONTH

the average salary of QazaqGaz employees in 2021

As a responsible employer, the Company strives to provide its employees with decent wages. Remuneration and rewards are regulated by the Regulation on Remuneration, which includes Rules of remuneration of managerial and administrative personnel and Rules of remuneration of industrial personnel.

The Human Resources and Pay Department is also responsible for the planning, monitoring and control of payroll expenditure, and the calculation of remuneration based on the performance of efficiency motivational cards (KPI) and for the correct registration and submission to the Central Accounting Office of the Compensation Certificates.

No external consultants are involved in determining bonuses and efficiency (KPI), and all calculations are carried out by the Department of Human Resources and Pay.

In accordance with the Collective Agreements and the internal regulations governing the remuneration of employees, QazaqGaz sets uniform salary, monthly rates and surcharges. The remuneration of employees does not depend on the sex of the employee.

When recruiting employees, the minimum salary for the respective position is set.

The salary may be changed at least once a year. The salary may be increased with the promotion of the post, the request of the direct manager and the approval of the Director-General.

When terminating a contract with an employee, the Company is guided by the Labor Code of the Republic of Kazakhstan, regardless of the position of specialists. Termination indemnities are calculated individually for each specialist, on the basis of the concluded contract.

Monthly surcharges depend on the location of work (the environmental coefficient for work in the Aral Sea region varies from 20% to 50%) and the results of training (assessments and tests up to 20%).

The total amount of remuneration paid by the Company to members of the Board of Directors and the Executive Body of the Company in 2021, including salaries and all types of cash incentives, was 377,262 thousand tenge, including 53,513 thousand tenge to members of the Board of Directors.

In 2021, the average salary of QazaqGaz employees was 496 thousand tenge per month. The company regularly updates its staff schedule.



Since the beginning of 2017, monthly indexation is paid to all types of wage payments, except minimum wage payments, and in accordance with the macroeconomic indicators for 2021, an inflation index of 4% has been applied.

LEVEL OF BASIC SALARY AND REMUNERATION FOR MEN AND WOMEN, thousand tenge

GRI 405-2

	Managers		Specialists		Workers and other employees	
	M	W	M	W	M	W
Kaztransgaz Aimak JSC	164	197	102	98	84	85
Intergas Central Asia JSC	187	187	126	126	110	110
Kaztransgaz Onimderi LLP	186	186	112	112	79	79
QazaqGaz Exploration and Production LLP	348	348	250	250	155	155
Asian Gas Pipeline LLP	531	494	272	272	198	222
Beineu Shymkent Gas Pipeline LLP	474	474	272	272	-	-
KazRosGaz LLP	741	741	445	445	-	-

STAFF SALARY INDICATORS COMPARED TO THE MINIMUM WAGE IN THE REGIONS OF OPERATION FOR 2020-2021, thousand tenge

GRI 202-1, GRI 405-2

Index	2020	2021
Minimum wage in the regions of operation	42.5	42.5
Salary of an entry-level employee in the Company	215.1	223.7
The ratio of the minimum wage in the Company to wages in the regions of presence, times	5.1	5.3

5.3

TIMES

QazaqGaz's minimum wage higher than the national minimum wage of the regions of presence

By the regions of the Company's presence the Company means the objects in which a significant number of employees work.



Motivation

The approach to staff motivation is based primarily on the principles of decent remuneration, transparency and respect for employee rights.

The Company pays one-time bonuses for proposals aimed at improving the quality of work, reducing the Company's costs and on holidays to all personnel, regardless of the Company's management level (Nauryz, Oil and Gas Workers Day, Independence Day of the Republic of Kazakhstan) as part of financial motivation.

QazaqGaz offers its employees a package of social services, including medical insurance, compensation and financial aid, including medical treatment and recreation for employees during their leave and much more. Based on collective agreements and the Social Support Regulations, the following main types of material assistance were paid to QazaqGaz employees in 2021:



financial aid for health leave

4,448.121
thousand tenge



at the birth of a child

228,303
thousand tenge



in case of the death of an employee/employee's family members

110,327
thousand tenge



social benefits for pregnancy and childbirth, who adopted and adopted newborns

197,287
thousand tenge



other payments (upon marriage, upon retirement, on anniversaries, etc.)

604,160
thousand tenge

In order to differentiate the amount of bonuses for administrative employees with total seniority with the Company, the following coefficients of total seniority shall be established.

COEFFICIENTS FOR DIFFERENTIATING THE SIZE OF THE PREMIUM, units

Work experience, months	Coefficient, units
3 to 6	0.5
6 to 12	1.0
1 to 2	1.25
2 to 2,5	1.5
2,5 to 3	1.75
3 and above	2.0

EMPLOYEES ON PARENTAL LEAVE IN 2020–2021, people

GRI 401-3

Indicators	2020	2021
Number of employees who was on parental leave:	341	346
- men	10	18
- women	331	328
Percentage of employees who returned to work during the reporting period after parental leave	31%	25%
Proportion of employees who returned to work after the end of their parental leave and were 12 months after returning to work	19%	16%

1,450
MILLION TENGE

QazaqGaz provided medical insurance to employees for a total in 2021

63
MILLION TENGE

medical insurance to QazaqGaz employees

For non-material motivation purposes, QazaqGaz budgets annually allocate funds for voluntary medical insurance, which includes a wide range of medical services in the best clinics in Kazakhstan. In addition, the employee's medical care programme, in addition to providing the full range of medical services, provides for the care of the employee's family (parents, spouse and children) on the same terms. In addition, the insurance company's range of services includes the care of physiological pregnancies.

Work is being carried out on the prevention of illness in employees, as well as their treatment and rehabilitation during leave periods. For example, in 2021 QazaqGaz provided medical insurance to employees for a total of 1,450 million tenge, including 63 million tenge for QazaqGaz employees.



122 Personnel training and development

GRI 404-1, GRI 404-2, GRI 404-3

Professional training and development of working personnel is one of the long-term and priority directions of QazaqGaz personnel policy, as the professional level of working personnel is the most important factor for increasing the efficiency of safe production, increasing productivity and improving the quality of work.

11,106

PARTICIPANTS

took part in training events, held at QazaqGaz in 2021

311,443

MILLION TENGE

amount of expenses on training events in 2021

QazaqGaz promotes employee competence development and constantly improves its approach to training. The Human Resources Management Department is responsible for organization, selection of optimal training formats and methods, and interacts with the Company's business units within the framework of personnel training.

QazaqGaz employees participate in professional development courses, seminars, internships and trainings both at the private institution Samruk-Kazyna Corporate University in Astana, and at other training centres of the Republic of Kazakhstan, near and far abroad countries.

In order to provide distance learning, an information system Unified platform for assessment, training and development of personnel oStudy has been in operation since 2020.

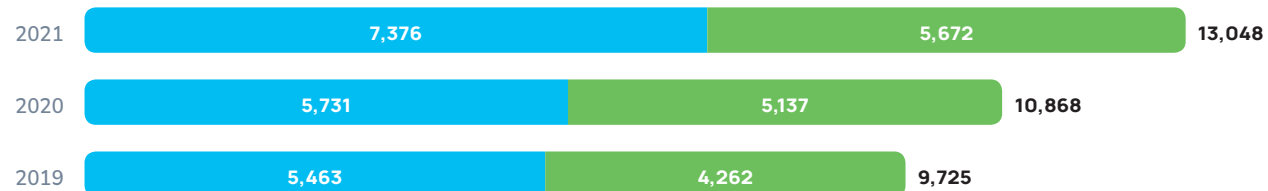
QazaqGaz divisions provide training on environmental, HR and health and safety topics, compliance and other topics at the request of Departments.

In 2021, 11,106 participants took part in training events held at QazaqGaz for a total of 311,443 million tenge.

The total amount of training programs Training and advanced training, Young specialist, Corporate University Samruk-Kazyna amounted to 154,158 million tenge.

NUMBER OF EMPLOYEES WHO COMPLETED TRAINING IN 2020-2021, people

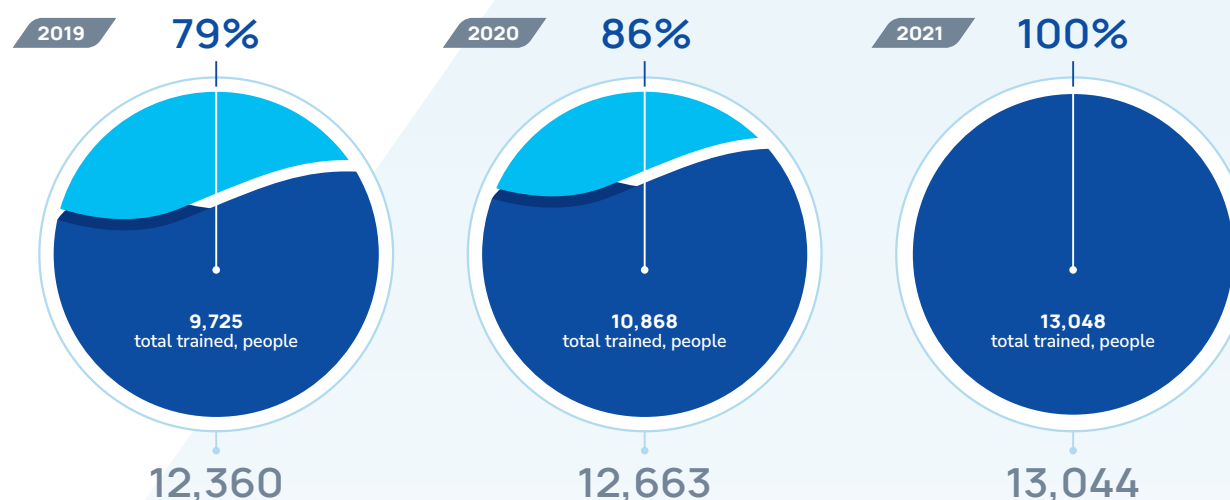
GRI 404-1



● Production personnel ● Managers, professionals and employees

PERCENTAGE OF EMPLOYEES TRAINED ON PAYROLL IN 2019-2021

GRI 404-1



LEARNING ENVIRONMENT

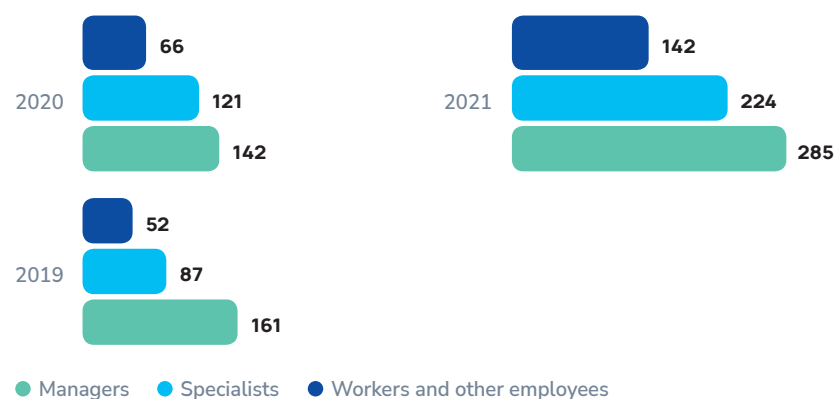
GRI 404-2

Type of program/assistance	Brief information about the program
Employee training and development calendar	Financial support for external training or education
Young Specialist	Financial support for external training or education
The Bolashak programme has chosen the Electronics, Electrical Engineering and Management	Retraining for those wishing to continue working after retirement
	Sponsored master's study.



AVERAGE ANNUAL NUMBER OF TRAINING HOURS PER EMPLOYEE BY WORKER GROUP, hours

GRI 404-1



TRAINING TOPICS ON ENVIRONMENTAL

- Implementation of the new Environmental Code of the Republic of Kazakhstan, review of new environmental regulations
- State regulation of greenhouse gas emissions and emissions trading mechanisms
- Low-carbon development

TRAINING TOPICS ON COMPLIANCE

- General declaration in the Republic of Kazakhstan
- Requirements of anti-corruption legislation
- Universal declaration: features of introduction in the tax mechanism of Kazakhstan
- Main objectives, tasks and functionalities of the Compliance service
- Security checks of contractors

Searching for and training young people

In order to systematically fill the emerging vacancies, as well as to form a group of young professionals with the ability to operational management activities that meet the requirements of the position of one or another direction, individual subsidiaries of QazaqGaz have developed and approved Rules of young professionals training.

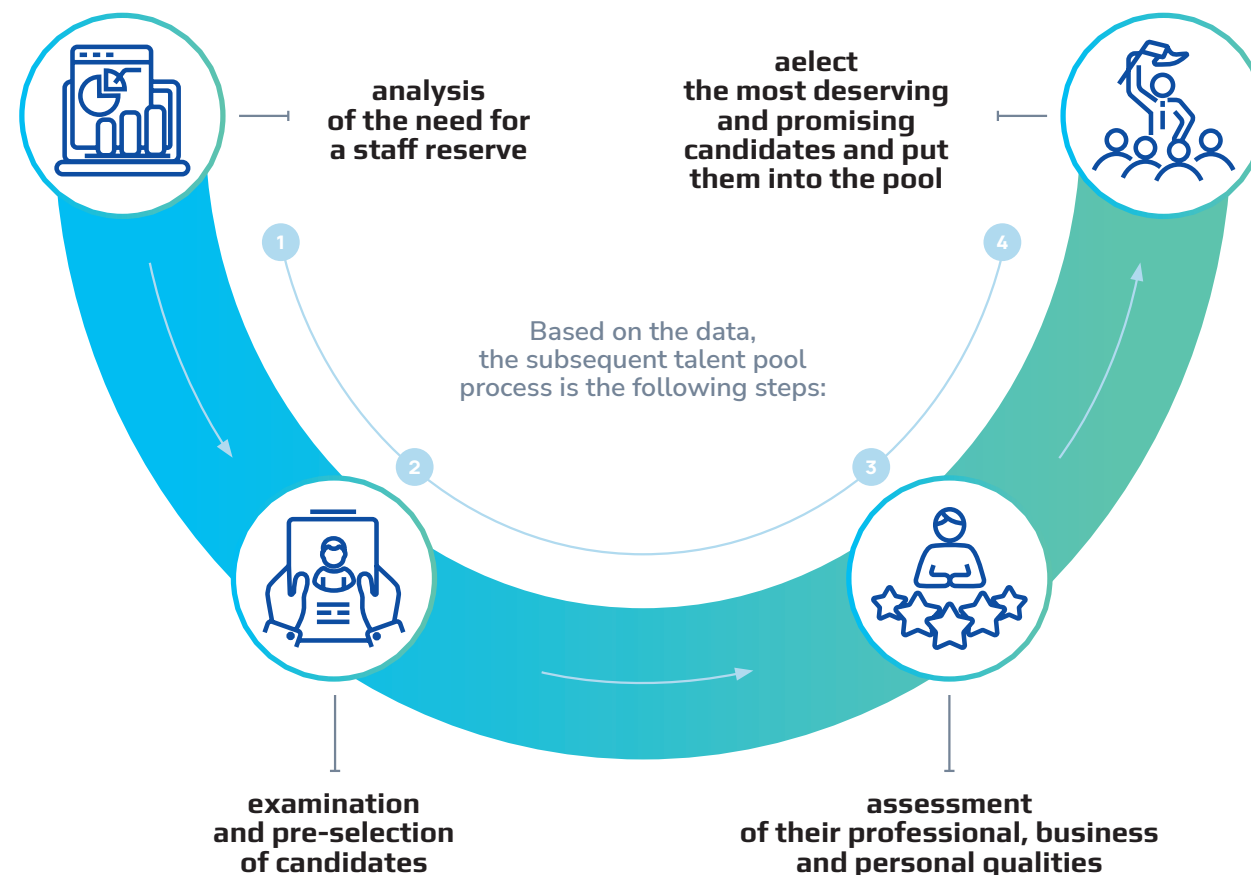
This internal document describes the procedure for determining the training needs of young specialists, recruiting candidates, the procedure for sending them for training in educational institutions of the Republic of Kazakhstan, near and far abroad.

Personnel reserve

GRI 103-2

QazaqGaz uses the Personnel Reserve Rules for proper assessment of staff. Rules of formation of personnel reserve regulate issues on implementation of the program of formation of personnel reserve in order to provide QazaqGaz qualified managers of different levels and presupposes training of highly qualified employees for management and professional positions.

QazaqGaz personnel reserve is formed on the basis of the total number of employees of the head office and all associations and alliances.



After all the above steps, an IPDP (Individual Career Development Plan) is signed with the reservist on the basis of the results of the selection process. The IPDP is drawn up for a certain period, in accordance with the timeframe for filling the position. The number of the personnel reserve was 24 people (in associations and alliances).

24

PEOPLE

the number of the personnel reserve (in associations and alliances)



Social politics

Collective agreement

GRI 102-41, GRI 103-3, GRI 407-1

QazaqGaz, aware of the social responsibility of business, makes efforts to promote social progress and growth of welfare of QazaqGaz, stable development and well-being of the population of regions, increase the level of well-being of its employees. The company strictly observes workers' right to freedom of association and collective bargaining. Trade unions operate within enterprises and collective agreements are concluded with workers.

The basic document in the sphere of social support is the Collective Agreement and the Rules for Social Support, which were introduced in 2012. In 2021, 82% of workers were covered by collective agreements. In KazRosGas LLP during the reporting period he works on the collective agreement, in case of full formation will be presented to the employees of the division.

In the Company, every employee has the opportunity to join associations and adopt a collective agreement.

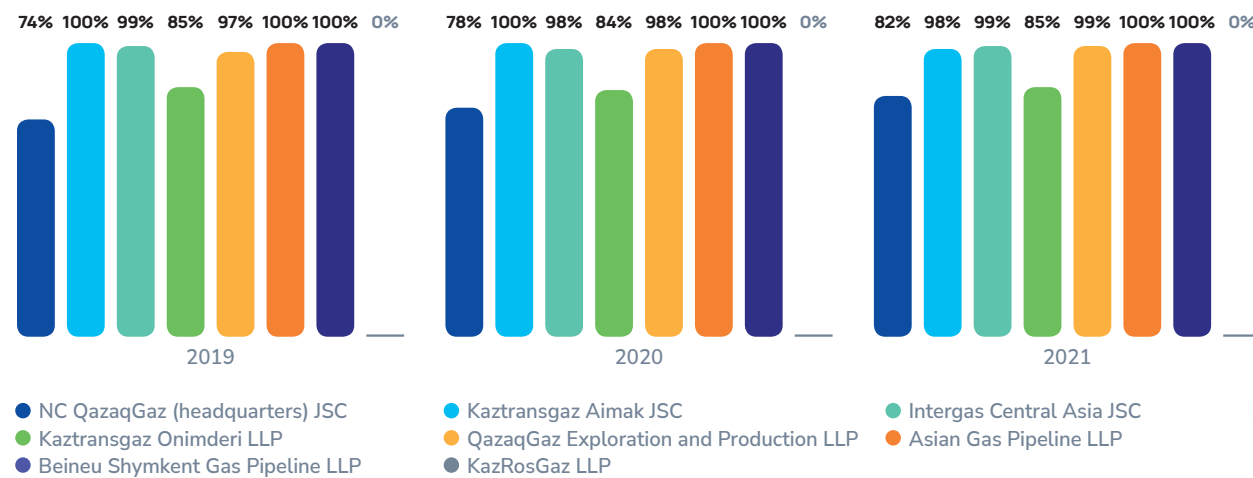
82%

OF WORKERS

were covered by collective agreements in 2021

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS FOR 2019-2021, %⁶

GRI 102-41



CHANGE IN THE INDEX OF SOCIAL STABILITY



83%

STABLE ZONE

the Social Stability Index in 2021

According to the study, the Social Stability Index in 2021 was 83% (Stable zone). Compared to 2020, there is a 10% decrease, the reason for the decrease was a change in the structure of salaries, which affected the mood of staff. The company plans to increase the employee participation rate by more than 70%.

⁶ The work on conclusion of collective agreement in LLP KazRosGas is planned in 2022.

Competition Koktem shuagy



The Samruk-Kazyna Fund, which includes Kazakgaz, organised the Koktem Shuagy competition for female employees working in its member companies. The purpose of the event was to identify and reward the most talented female employees who have distinguished themselves by their professional qualities and achievements during their career. The selection process was divided into several stages and took about a month. First, the 55 best female

staff members who had distinguished themselves at work were selected. This was followed by a quiz, which revealed the 36 most intelligent participants. The last stage was online voting, which resulted in the best 11 representatives of the Fund's portfolio companies. As Lyazzat Borankulova, Managing Director for Strategic Development of Samruk-Kazyna JSC, noted at the award ceremony, the Fund's management creates all conditions for career growth and improvement of women's potential.

The Uzdik Maman professional skills competition



Every year the Company holds a competition of professional skills Uzdik Maman. Every worker can take part in the competition and, if he or she wins, secure a good salary supplement for a year.

In 2021, the competition Uzdik Maman was held on the basis of a new polygon of the Company's own Training and Course Combine, located near the village of Akbulak Sairam district

of the Turkestan region. The competition Uzdik Maman is held annually in two stages: the first — in the branches, the second at the level of the Company as a whole. The main purpose of this event is to improve professional skills, the opportunity to learn and share with colleagues best practices and techniques, ways to ensure a trouble-free, high-performance, reliable operation of the country's gas transportation system.

Supporting the children of employees



QazaqGaz pays for the education of employees' children in higher education institutions of Kazakhstan and far abroad at the expense of the DHS and QazaqGaz funds, which after graduation will return to work in the gas industry.



Trade union activities



74%

OF EMPLOYEES

were covered by trade union agreements in 2021

The Company recognises the Trade Union as its partner representing the interests of employees under the collective agreement when negotiating and amending the collective agreement and carries out its relationship with the Trade Union in accordance with the Code, the Act, the company's Articles of Association, the collective agreement and internal regulations. The Company does not take decisions without first agreeing the decisions with the Trade Union Committee.

During the reporting period, 74% of employees were covered by trade union agreements. During the reporting period, the Trade Union held 4 meetings with the top managers of QazaqGaz in order to increase internal communication. During the meeting, the topics on improvement of personnel housing issues, increase of sports and cultural activities and non-financial incentives for employees in the form of benefits and guarantees were discussed.

Within the framework of social policy, in order to strengthen the corporate spirit, the Trade Unions of QazaqGaz Group employees held a number of events dedicated to the 30th anniversary of independence of the Republic of Kazakhstan. Sports events, family intellectual games and relay races, children's drawing competition, round tables with veteran gas workers, What? Where? When? competition were held in all branches and subdivisions in the reporting period.

Plans for 2022 and medium term

GRI 103-2

- development of policies on staff diversity and inclusion, as well as on human rights;
- updating the Remuneration Policy based on the employee's KPI;
- improvement of the Code of Business Conduct and anti-corruption policies;
- introduction of mechanisms to improve diversity in the workforce;
- introduction of mechanisms to calculate and publish indicators reflecting the employee appraisal system;
- by 2026, train 20 employees in environmental specialties, including RES, green technology, geology, exploration, seismology;
- by 2025, consideration of at least 2 countries for training in gas engineering (e.g. USA, England, Canada — top training in petroleum engineering);
- GRI, ISO, ESG courses for at least 3 employees in 2022;
- development of human capital.

OCCUPATIONAL AND INDUSTRIAL SAFETY AND EMERGENCY PREPAREDNESS

HSE management approach

GRI 102-1, GRI 103-1, GRI 103-2, GRI 103-3, GRI 403-1, GRI 403-2

One of the key ESG challenges for QazaqGaz is issues related to occupational safety and health development at all Company facilities.

QazaqGaz Group operates three underground gas storages, trunk pipeline systems, develops Amangeldy group of gas fields and other activities, which are related to work with high level of hazards in case of non-compliance with HSE requirements. To prevent negative incidents and

consequences in the area of HSE, 100% of the Company's employees are involved in fulfilling the relevant requirements.

QazaqGaz annually reviews and updates goals for the main development vectors of its activities.

Each of the Company's associations and alliances has its own internal HSE documents, which are subject to revision in accordance with the established schedule for updating internal regulatory documents.

QAZAQGAZ HSE TARGETS FOR 2021



The company's activities in this area are governed by internal and external documents:

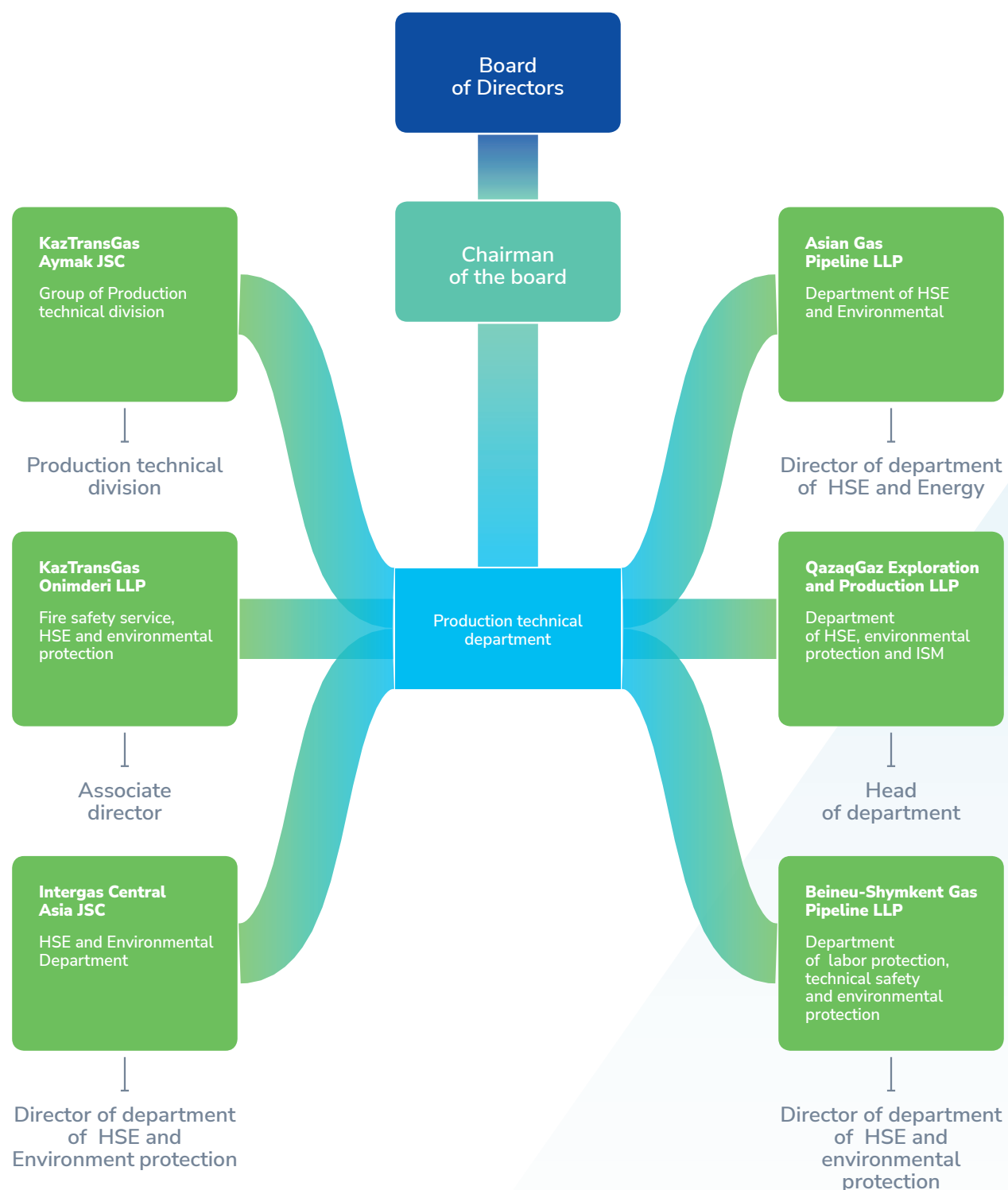
- Guide to the Integrated Management System ;
- Safety Behavioral Surveillance Rules;
- Rules on the procedure for notification and investigation of incidents;
- Rules for conducting an internal audit of the IMS;
- Code of workers in the field of safety and labor protection;
- ISO 45001.



130 Structure and management tools

Understanding the structural characteristics of the QazaqGaz group, HSE activities have been allocated according to an approved structural scheme and functional allocation.

HSE MANAGEMENT STRUCTURE



11

Occupational Health and Safety Councils have been established

For a more detailed approach to HSE management at QazaqGaz, responsibility areas are functionally allocated at the level of association and alliance. Each associations and alliances has HSE representatives. The main subdivision of HSE QazaqGaz is the Production technical department. In 2021, the Production technical department subdivision was subordinate to the deputy director general for technical development. Responsibility for the functions and tasks of the HSE division lies with the head of structural units and their deputies, who lead their structural units for this area in the association and alliance. Personal responsibility of HSE employees or representatives is defined within their job descriptions.

The Company has implemented a unified occupational health and safety management system (hereinafter — UOHSMS), the key objectives of which are the implementation of a set of measures to create and ensure safe, healthy working conditions at work, prevention of occupational injuries, occupational diseases, accidents and incidents at the entire QazaqGaz group.

The Company has adopted a procedure for registration and investigation of occupational accidents as part of the UOHSMS, which allows the management and all responsible employees to analyze the incidents and take measures to eliminate them as soon as possible.

In 2021, 11 Occupational Health and Safety Councils (hereinafter referred to as Councils) have been established, including those in the central office. The Councils are comprised of technical occupational safety inspectors as well as all members of the Union.

AUTHORITY OF THE OCCUPATIONAL SAFETY COUNCIL

implementation of the constitutional right of employees to protection of their life and health in the course of their work activities, to safe and healthy working conditions, regulation of relations between the employer and the Company's employees and their representatives on occupational health and safety, occupational health and working environment;

bringing together the employer, trade union and employees of the company to take measures to ensure safe workplace health and safety, developing a unified teamwork on occupational health and safety;

to coordinate organizational and other measures in the area of occupational safety and health;

bringing together the employer, trade union and employees of the company to take measures to ensure safe workplace health and safety, developing a unified teamwork on occupational health and safety;

development of long-term and current plans for measures to ensure compliance with state regulatory requirements for occupational health and safety, and to prevent occupational injuries and occupational diseases.

HEADS OF HSE STRUCTURAL DIVISIONS OF THE QAZAQGAZ GROUP OF COMPANIES AT EACH LEVEL CONTROL THE SAFETY OF PRODUCTION PROCESSES THROUGH INTERNAL AND EXTERNAL AUDITS. AUDITS ARE CARRIED OUT ON THE BASIS OF A SCHEDULE AND A PROTOCOL IS DRAWN UP BASED ON THE RESULTS OF THE AUDITS.



Key aspects in HSE

QazaqGaz management has identified the Plan-Do-Check-Act concept as the main development vector in the HSE area.



HSE risk management

GRI 403-2, GRI 403-3

In 2021, QazaqGaz continued to work on updating and corporate risk management in the Company. In 2021 the Company was able to implement this process through occupational health and safety management systems, which applied a consistent approach to anticipating, identifying, assessing, controlling and monitoring occupational health risks.

The Company's risk management process is regulated through risk identification, risk analysis, risk assessment, risk treatment, and risk monitoring and analysis.

The Company's fundamental document for HSE risks is the Consolidated List of Hazardous and Noxious Occupational Risks, which is updated annually. Risk management for the entire

Group of Companies is conducted through a methodology that defines the type of risk and takes into account the Company's employees, the condition of the equipment in operation, and all possible hazards (external and internal).

In order to eliminate and reduce the risks in the Company, in 2021 a list of risk management measures was

prepared, in which all acceptable and effective options were proposed and corrective actions were taken. This list is reviewed annually and new risks are included if the modelling or occurrence of a situation poses a minimal risk of working out or prevention.

In 2021, HSE risks have been identified and appropriate corrective actions taken.

HSE RISKS AND ACTIONS TO MINIMIZE RISKS IN 2021

Risks	Prevention actions
<p>Fire and explosion risks:</p> <ul style="list-style-type: none"> → hazardous environment in pipelines, tanks and other equipment; → poisoning by gas, chemicals, hot steam/water, etc. 	<p>Fire risks:</p> <ul style="list-style-type: none"> → exposure to open fire; → elevated temperature; → product combustion.
<p>Risks related to transport, lifting gear, loading/unloading of cargo, etc.:</p> <ul style="list-style-type: none"> from falling weights, hitting the machine due to: → insufficient stability; → uncontrolled loading, overloading, exceeding the permissible inclination; → unexpected/unintended movement of the load; → due to the impact of the load on personnel (impact of the load or counterweight). 	<p>Prevention actions</p> <ol style="list-style-type: none"> 1. Conducting extraordinary briefings and training on this topic and the basics of SR. 2. Provision of warning systems and security complexes. 3. Controlling the design, installation and maintenance of electrical equipment. 4. Prevention of harmful influence and emergencies, installation of protective interlocks in control systems. 5. Competent operation of fire and gas sensor systems, pressure reduction.
	<ol style="list-style-type: none"> 1. Provision of warning signs, fire-fighting equipment, fire extinguishing systems, systems for detecting smoke detectors in administrative and industrial premises. 2. Ensuring the correct location of the fire evacuation plan / scheme, preparing a safe entrance / exit. 3. Provision of a public address system, alarm and notification. 4. Conducting fire drills with personnel. 5. onstruction supervision, installation and maintenance of electrical equipment.
	<ol style="list-style-type: none"> 1. Conducting a safety briefing for work. 2. Use of personal and collective protective equipment. 3. Compliance with safety precautions during round-trip operations, unloading and loading operations. 4. Equipping workplaces with first-aid kits. 5. Provision of first aid in accordance with the Instruction on the provision of first aid in emergency situations, Rules of emergency medical care.



Risks

Electrical risks:

- high exposure to electric current (human contact, short-circuit, defective, bare wires, etc.);
- contact with live parts (direct contact);
- contact with live parts which are live in a defective state (indirect contact).

Danger from machine elements and workpieces:

- pressure hazard;
- risk of injury;
- risk of slitting or rupture;
- risk of impact;
- risk of being pricked/punctured;
- friction/Abrasion/Liquid Emission Hazard

Prevention actions

1. Use of personal and collective protective equipment.
2. Application of low-voltage workers, electrical separation of networks, electrical insulation, protection from touch to current-conducting parts, protective grounding (grounding performance requirements), nulling, protective disconnection devices.
3. Control of electrical network parameters — voltage, current, phase insulation, phase definition.
4. Compliance with the Regulation on the installation of electrical installations.
5. Compliance with the Safety Regulations in the operation of electrical installations of consumers.
6. Compliance with the Rules for Technical Operation of Consumer Electrical Installations.
7. Registration of the Order-approval for work on electrical safety.

1. Availability of mechanical and electrical protection equipment at Objects.
2. Provision of enclosures, safety and locking devices, emergency shut-off devices, restrictive devices, braking devices, monitoring and alarm devices.
3. Periodic examination of the knowledge of the employees responsible for this area.

HSE arrangement

GRI 403-4

A document was introduced to implement HSE activities in the Company. This document defined the key performance indicators for the reporting period. The main responsibility of QazaqGaz management is to communicate HSE information in a timely manner, including through internal communication with the Company's employees. This is achieved through briefings, meetings and seminars, support of HSE programmes and initiatives, dialogue between management and employees through visual media (reports, posters, videos, memos), incident reporting, advice and alerts via corporate information systems.

Safety is paramount in the gas industry

A mobile app was developed and implemented in QazaqGaz to improve the quality of the process of acquiring professional knowledge in terms of occupational health and safety compliance. Such know-how was presented in Shymkent during the reporting period, where a meeting on occupational health and safety was held.

This application provides employees with the opportunity to complete the training online

and at any convenient time, which makes it much easier for employees to access it.

Chief engineers of the Company's production branches and specialists responsible for health, safety, environment and social and labour conditions took part in the meeting at the ICA Gas Transport Company's training facility. The meeting not only consisted of theory, the participants practised their safety skills in practice as well.



Occupational Safety

GRI 403-6, GRI 403-7, GRI 403-8

In accordance with the targets set in the Company with regard to occupational safety, 100% transparency of occupational safety reporting has been achieved, which is confirmed by the conclusions of field (random) inspections of QazaqGaz production facilities. Transparent reporting for QazaqGaz group of companies is ensured by timely entry of reliable data on all types of incidents in the corporate data management information system.

0 MEDICAL SERVICES

from the Company were recorded in health care facilities in 2021

12,438 EMPLOYEES

were vaccinated against coronavirus for 2021

In accordance with the requirements of occupational safety legislation, measures have been organized and implemented for multilevel control, training and knowledge testing, certification of facilities for working conditions, creation of sanitary and hygienic working conditions, provision of protective clothing, accident insurance, medical and pre-shift examinations.

Labour protection services were established in two PBs, Shymkent and Turkestan, to comply with the requirements in 2021.

In 2021, due to epidemiological constraints associated with the pandemic coronavirus infection, 5 inspections of the Standing Safety Council were conducted in the structural subdivisions of associations and alliances, which revealed 14 violations, which were subsequently eliminated in the reporting year.

During the reporting period, the Company performed 100% medical examinations

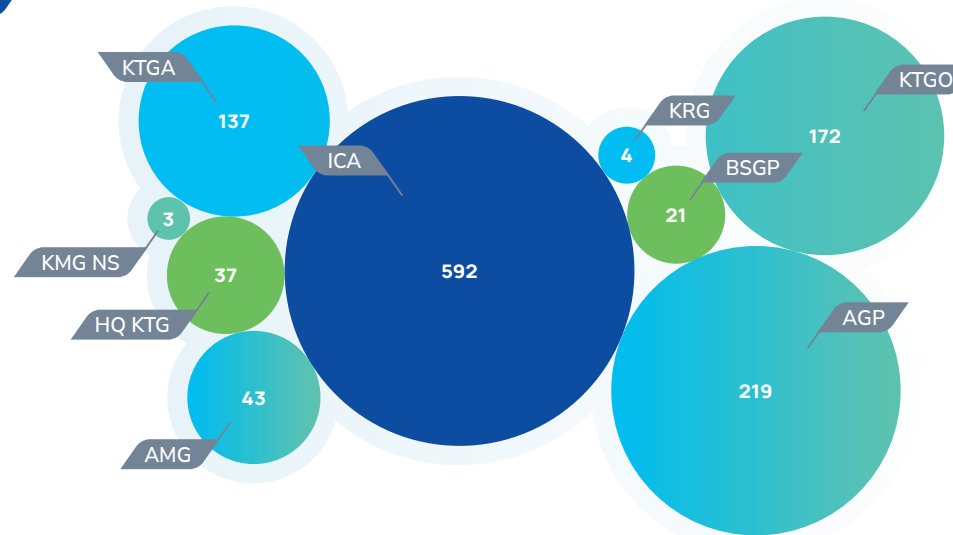
of employees in all associations and alliances, including initial medical examinations prior to entering into employment relations with employees. Also, all employees of the Company are insured against accidents.

All QazaqGaz employees are provided with emergency, ambulance and pre-hospital medical assistance in accordance with the legislation of the Republic of Kazakhstan and internal regulations of the Company.

In 2021, assistance was provided to 4 employees of the Company both at the site of incidents and in medical organisations. A total of 0 medical services from the Company were recorded in health care facilities in 2021.

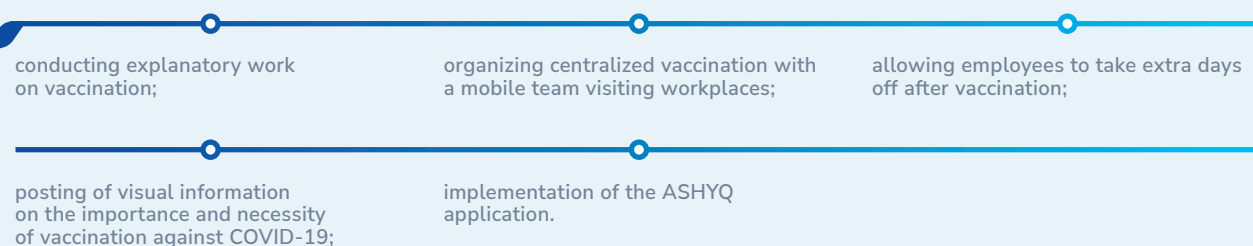
Against the background of the ongoing Covid-19 pandemic, vaccination against coronavirus infection continued at QazaqGaz. A total of 12,438 employees were vaccinated for 2021.

STATISTICS ON COVID-19 CASES IN THE COMPANY IN 2021, people





136 To prevent and prevent pandemic awareness, the following measures were carried out in the Company:



COVID-19 vaccines



QazaqGaz is one of the leaders among all the Fund's portfolio companies, with a total of

12,438 ^{95%}
of the employees vaccinated to date.

Especially distinguished MGPM Shymkent Intergas Central Asia JSC, here 97,6% of employees received timely vaccines from coronavirus. In second place MGPM Kostanay with the indicator of vaccinated workers 96%. Letters of thanks were sent to the employees of MGPM Shymkent and MGPM Kostanay, on behalf of the general director of Intergas Central Asia JSC.

Industrial Safety

QazaqGaz management, aware of the importance of their operational activities not only for the Company's employees, but also for the residents of Kazakhstan, is trying to provide their facilities with the most secure production environment to fulfil their obligations.

All phases of occupational safety are implemented in accordance with the Occupational Safety, Occupational Safety and Environmental Management Manual.

In 2021, on the basis of the results of periodic evaluation of workplaces by working conditions, occupations associated with harmful and dangerous effects were identified in the Company, hazardous and harmful production factors were identified at each workplace, developed measures to reduce them. All personnel of the Company are insured against accidents in the performance of their duties.

During the reporting period, the QazaqGaz group of companies carried out such activities as: diagnostics of pipelines, replacement of defective sections of pipelines, replacement of valves, replacement of insulation of pipelines, training and verification of knowledge of personnel, declaration of production facilities, production control.

Also, the Company concluded contracts to ensure counter-fountain security and protect objects from illegal actions.

In 2021, one of the activities carried out was the development of a program of industrial control for watch villages, and prepared reports for submission to the state authorities.

ONE OF THE IMPORTANT DIRECTIONS IN 2021 WAS THE CONDUCT OF CERTIFICATION ON WORKING CONDITIONS AT ALL PRODUCTION FACILITIES AND WAS FULFILLED IN 100% COVERAGE.

As a result of the ongoing work, QazaqGaz has maintained a steady trend of decreasing industrial injuries since 2014. The set objectives in this area are fulfilled and comply with the Company's Policy in the field of health and safety at work.

Mitigation

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The process of mitigation in QazaqGaz is carried out in accordance with legislative requirements and internal regulatory documents. One of the main ones is the Accident Response Plans and Fire Extinguishing Plans developed for each individual associations and alliances according to the specifics of the activity, as well as the general rules for the whole group of companies.

THE COMPANY HAS INTRODUCED A THREE-TIERED EMERGENCY RESPONSE STRUCTURE:



6,641
EMPLOYEES

were involved in the prevention of emergencies in the Company and in the events held

1,301
TRAINING SESSIONS

on emergency response and 338 fire and tactical exercises were held during the reporting period

In 2021, in accordance with the approved schedules, training exercises, comprehensive drills and exercises were conducted to practise emergency response. A total of 6,641 employees were involved in the prevention of emergencies in the Company and in the events held.

In 2021 at the objects of the group of companies QazaqGaz such fire-fighting events as:

- fire protection treatment of wooden structures of facilities;
- repair, certification and recharging of fire extinguishers;
- training and briefing of personnel on fire safety measures;
- installation of automatic fire extinguishing and alarm systems;
- maintenance of fire-fighting automatic systems;
- installation and repair of fire-fighting water supply systems;
- contracts concluded for the protection of facilities against fire.

In 2021, the Company worked out various scenarios of possible emergencies, which increased the efficiency and coherence of work in the elimination of accidents. During the reporting period 338 fire and tactical exercises and 1,301 training sessions on emergency response were held, took part in 2 Republican command — staff exercises Koktem-2021, Kys-2021 on the topic Preparation of management bodies and forces of the state civil protection system for actions on prevention and elimination of emergency situations, according to the results of which it was noted that personnel of civil defense units, QazaqGaz mechanisms and equipment are ready to perform tasks in emergencies of natural and technogenic nature.



Working with contractors

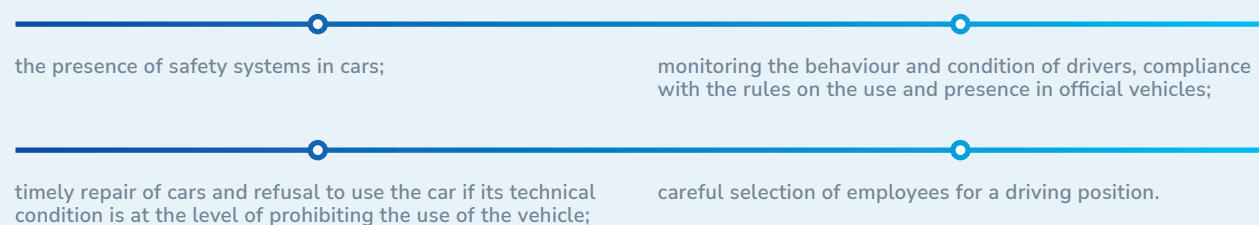
GRI 403-4, GRI 403-5, GRI 403-8

All HSE relationships with contractors are set out in the technical specifications to the contracts with contractors, which are necessary to engage QazaqGaz. In 2021 QazaqGaz has not resorted to entering into contracts with contractors or using their services.

In accordance with the technical specification the contractor is required to develop an HSE plan where applicable and depending on the risks and categories of work to be performed at QazaqGaz facilities.

Safe driving

To reduce the risks associated with vehicles and driving, which accounted for 2 road accident incidents in 2021. The Company adheres to the following rules with regard to preventing and minimising accidents on and off its own sites:



Incident Prevention

GRI 403-2, GRI 403-7, GRI 403-9, GRI 403-10

The Company maintains and analyses statistics on incidents that have occurred in all associations and alliances. A procedure for recording and investigating occupational accidents is in place as part of the USLPM and HSE Management System Guidelines. As of 31 December 2021, the (LTIFR)⁷ was 0.18, whereas the (FAR)⁸ was 4.5. The LTIFR does not reflect injuries among contractors.

⁷ The formula for calculating the indicator is: (number of accidents * 1,000,000) / total hours worked.
⁸ The formula for calculating the indicator is: (number of fatal accidents * 1,000,000) / total hours worked.

INCIDENTS IN 2021

Index	2019	2020	2021
1.1. Number of deaths related to the Company's production activities (units)	0	0	1
1.2. The rate of deaths related to the Company's production activities (%)	0	0	4.5
2.1. Number of severe injuries associated with the Company's production activities (units)	1	0	3
2.2. Severe injury rate associated with the Company's production activities (%)	0.09	0	0.18
3.1. Number of occupational injuries(units)	2	0	4
3.2. Occupational Injury Rate (LTIFR) (%)	0.09	0	0.18
4. Total working hours (man-hours)	21,203,754	21,987,815	22,154,349

CLASSIFICATION OF TYPES OF INCIDENTS THAT CAUSED INJURIES AT THE COMPANY'S ENTERPRISES FOR 2019-2021

Incident types	2019	2020	2021
Exposure to extreme temperatures	0	0	3
Car accident	2	0	0
The fall	0	0	1

The Company follows the strategy of zero injuries. The management aims to reduce all incidents, incl. with severe consequences in order to reduce fatalities to zero.

In accordance with the Company's regulations, following the incident, an Internal Investigation Commission is established by order, depending on the level of the incident. This commission implements the process of internal investigation of incidents,

analyzes the root causes of the incident and proposes corrective actions to be taken at facilities in the structural units where the incident occurred.

In 2021, on the basis of corrective measures, the following preventive actions were implemented:
→ conducted awareness-raising talks and briefings on the incidents;
→ conducted training to prevent incidents.

In 2021 the Company did not record any new cases of occupational diseases among employees, therefore, no activity on this issue was conducted, only statistics were taken into account.

To prevent incidents in the Company behavioural factors assessment. The Safety Behavioural Surveillance Rules have been developed and implemented to provide for monitoring and assessment of behavioural factors in employees.

OBJECTIVES OF THE PROGRAMME TO IDENTIFY AND ASSESS BEHAVIOURAL FACTORS IN THE COMPANY





Improve safety culture

GRI 403-4, GRI 403-5

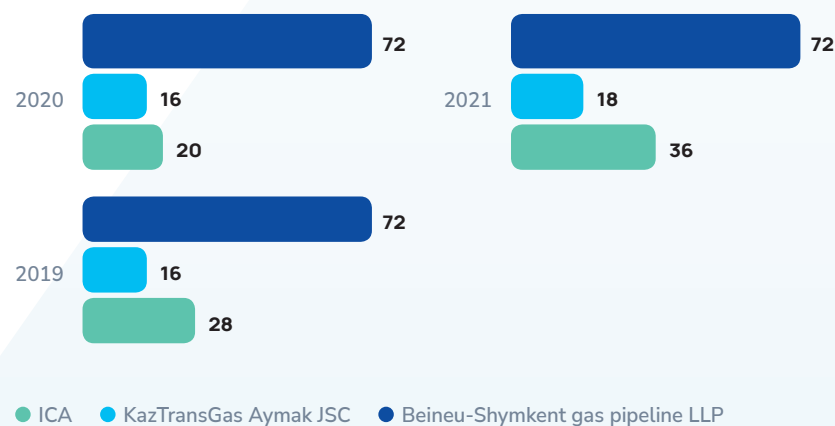
95,469,388

TENGE

was spent on OHS training in 2021

For QazaqGaz, training is the most important lever for increasing safety culture and ensuring occupational safety. HSE training covers all employees of the Company. It is necessary that each employee treats this issue understanding the degree of responsibility. For this purpose, the Company spent 95,469,388 tenge on OHS training in 2021. During the reporting period, engineers and technicians received at least 40 hours of training and industrial personnel — at least 10 hours.

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE IN ASSOCIATIONS AND ALLIANCES⁹



≥ 40

HOURS OF TRAINING

received engineers and technicians during the reporting period

≥ 10

HOURS OF TRAINING

received industrial personnel during the reporting period

36

MAN-HOURS

average number of hours of training in 2021

694

инженерно-технических работников и 16 человек рабочего персонала прошли обучение и проверку знаний

In 2020, the average number of hours of training was 20 person/hour, a decrease compared to 2019 occurred due to the suspension of offline training of employees as part of the activities on the non-proliferation of coronavirus infection. In 2021, the average number of man-hours was 36, an increase as a result of the growth in professional upskilling which was cancelled in 2020. During the reporting period, the new mobile training format was introduced, and the training of newly recruited workers at the new MGPM Karaganda.

In order to increase the competence, training and awareness, the Company has taken a set of measures for vocational training and professional development, established by the legislation, verification of the knowledge of employees in the field of industrial safety and occupational safety, instruction of personnel.

In 2021, 694 engineers and 16 workers were trained and tested, who in turn were fully provided with personal protective equipment, detergents, medicines and milk.

⁹ The average number of training hours per employee at AGP, KazRosGas, KTGO and QGEP is 20 hours annually.

As part of the project on improvement of ISM held a seminar on the topic Training of managers of the professional safety and health management system (ISO 45001:2018).

The Company introduced primary, repeated, unplanned and targeted briefings. The following briefings were carried out in 2021:

- occupational health and safety;
- industrial safety ;
- fire safety.

No emergency prevention briefing held due to coronavirus pandemic.



Plans for 2022 and medium term

In accordance with the developed Roadmap for obtaining the ESG rating, the Company's main HSE plans are:

- reduction of injuries and improvement of safety at work;
- review of existing processes and policies according to the latest requirements of ESG agencies;
- increasing the personal interest of workers in occupational safety and security;
- investment for modernization of the existing gas transport infrastructure of Kazakhstan up to 2030 for 1 trillion. tenge, including for ensuring security at facilities;

- provision of occupational health and safety materials;
- insurance of employees against accidents in the performance of their duties;
- training, coaching, testing of workers' knowledge on safety and health issues;
- organization and supervision of emergency drills in accordance with the Company's Accident Response Plans.



SCIENCE AND INNOVATION

GRI 103-1, GRI 103-2, GRI 103-3, GRI 203-2

QazaqGaz pays special attention to the introduction of new technologies and modern approaches to improve production efficiency and ensure sustainable development of the Company. Since 2021, the Company has been carrying out large-scale works to construct new production facilities, expand and modernise existing facilities, as well as planning new investment projects to provide gas to the population of Kazakhstan. The introduction of modern information and communication technologies and automation of production is an integral part of this process.

The Company's main objective in the field of science and innovation is to ensure the introduction of new solutions for operations, continuity and stability of production and management processes. In 2021, the Company continued to work hard to achieve this goal.

The QazaqGaz Group has a Scientific and Technical Council (hereinafter referred to as STC). The STC activities are aimed at the formation and implementation of a unified corporate and sectoral scientific, technical and innovation policy, as well as improvement of scientific and technical support activities.

The STC considers scientific and technical issues, QazaqGaz divisions' production development programmes, and reports on developments, which are of major economic importance for QazaqGaz group. Based on the results of the meetings, STC members make recommendations to the Company on application of the most efficient technologies in the current and planned projects.

IMPLEMENTATION OF AN ANALYTICAL GEO-INFORMATION SYSTEM ON GAS PIPELINES (AGIS)

Project implementation period

2017-2023 гг.

As part of the project, it is planned to create a digital map of gas transmission system facilities, digitize 47 thousand kilometres of gas distribution networks of cities and regions, introduce business intelligence tools in terms of gas transportation and consumption, and provide online access to technical and financial data. Thus, it is expected to reduce the cost of work, respond promptly to emergencies, and form a plan for repair and diagnostic measures.

Project perimeter

- Main pipelines and objects of the gas transmission network of the Republic of Kazakhstan.
- Distribution networks and subscribers of the Republic of Kazakhstan.

Implementation status as of December 31, 2021

- About **15,000** km of a distribution gas pipeline have been digitized
- Updated cartographic data for about **20,000** km of main gas pipelines

In 2021, two meetings of STCs were held, at which decisions were made on the following issues:

- expansion of throughput capacity of Beineu-Bozoi-Shymkent main gas pipeline to 18 billion m³ per year and construction of the 2nd line of MGP BSGP;
- construction of 110 kV high-voltage line from 110 kV substation Tassai to compressor station — 1 Bozoi of MGP BSGP;

- gas metering at automated gas distribution stations connected to the MGP GBSH;
- construction of power supply line and substation for uninterrupted and reliable power supply to Bozoi CS-1.

Since 2021 the Company has started to implement R&D works on the basis of LLP Equipment Services LTD (Autonomous Cluster Fund — Park of Innovative Technologies):

- Study of various koltübing operations to improve the technology of the well bore cleaning without jamming (for further use at the Amangeldy Group wells);
- Implementation of lift plunger systems in gas condensate wells in the fields of Amangeldy group.

Plans for 2022 and medium term

- implementation of innovative solutions in the Corporate Governance area (including anti-corruption, cybersecurity, ESG risk management areas);

- study of various coiled tubing operations to improve the technology for wellbore cleaning without killing (for further application at the wells of Amangeldy group of fields);

- introduction of ram-lift systems in gas condensate wells of Amangeldy group fields.





PROCUREMENT MANAGEMENT

GRI 102-9, GRI 102-10, GRI 103-3, GRI 204-1

Procurement is an important part of doing business, as quality operations depend on timely and transparent procurement procedures.

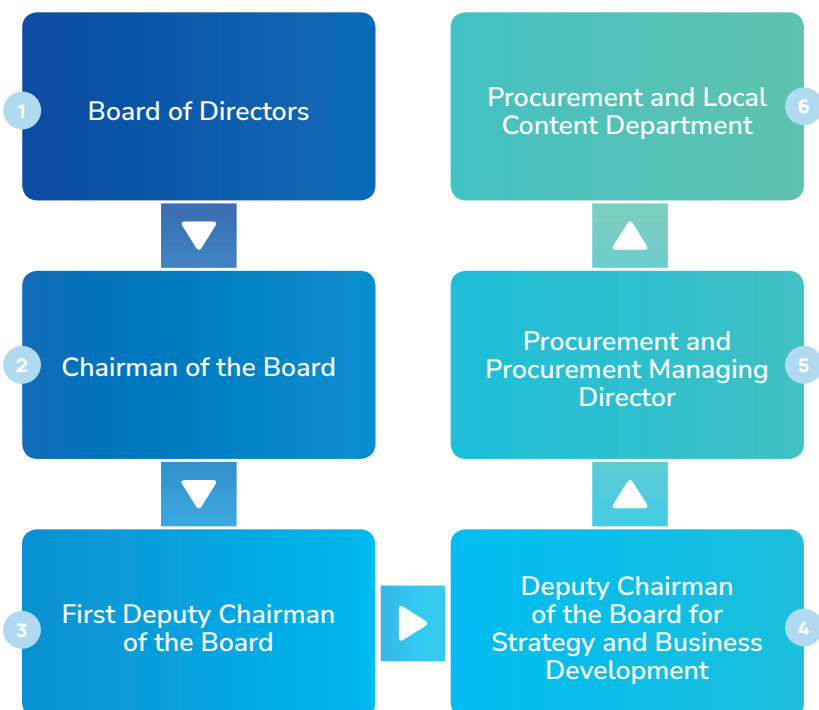


Regulatory documentation on the procurement process:

- Procurement procedures approved by Samruk-Kazyna JSC.
- Rules of procurement management;
- Rules for preparation, negotiation, conclusion, execution and monitoring of contracts;
- Instruction on the procedure for drawing up and submitting reports on procurement issues, use of the information system providing for electronic procurement.

When changes are made to the procurement processes, the responsible structural units of the Company notify all subsidiaries and affiliates for feedback on the issue.

PROCUREMENT MANAGEMENT STRUCTURE IN 2021



The main structural unit of QazaqGaz supporting the procurement process is the Procurement and Local Content Department. The functions of the Procurement and Local Content Department include:

- conducting procurement procedures;
- identification of a potential supplier;
- of minutes of procurement results;
- determination of the winner and initiation of the contract conclusion process.

The Company uses the Electronic Procurement Portal, which belongs to Samruk-Kazyna JSC, to implement the procurement process. The portal contains information on the monitoring of local suppliers and transparently displays the entire procurement process.

In 2021 the Company conducted transactions with

3,227

SUPPLIERS

In 2021 the Company implemented the procurement procedures for

37

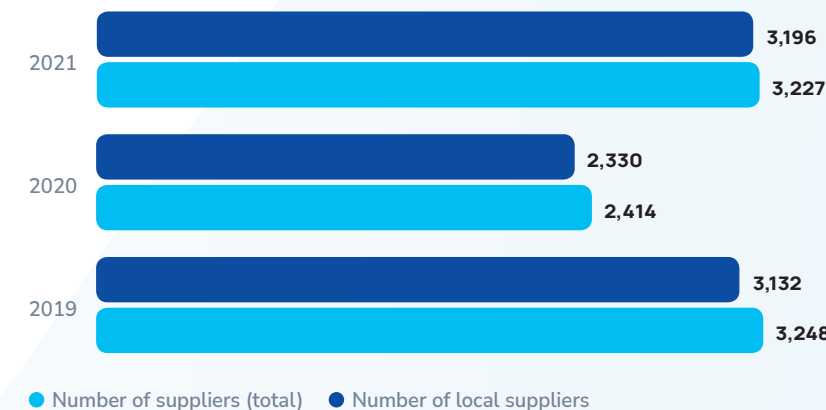
BILLION TENGE

In 2021, the Company continued to monitor compliance with the procurement process through the Samruk-Kazyna JSC portal.

When a contract is signed with a supplier, continuous monitoring of the timely and faithful fulfilment of contract requirements is initiated. The deadline for fulfilment of contractual obligations is provided in the recommendation letters that are sent to the suppliers before the contract is signed. If a supplier fails to fulfil its obligations to the Company, QazaqGaz representatives submit a claim to the judicial authorities.

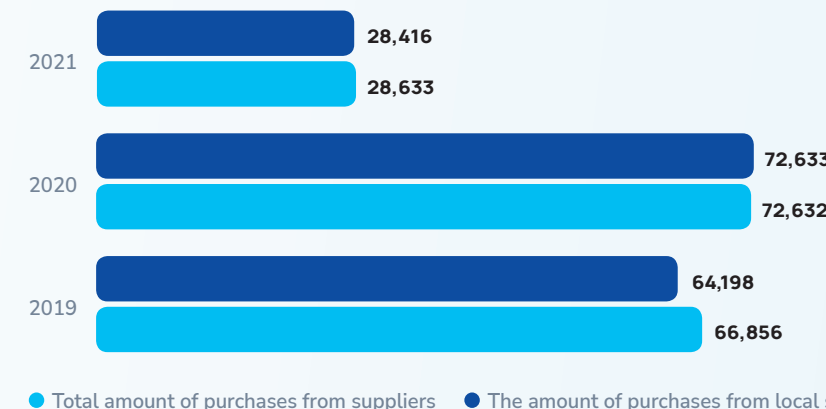
GRI 102-9, GRI 102-10, GRI 204-1

DYNAMICS OF THE NUMBER OF SUPPLIERS IN 2019-2021



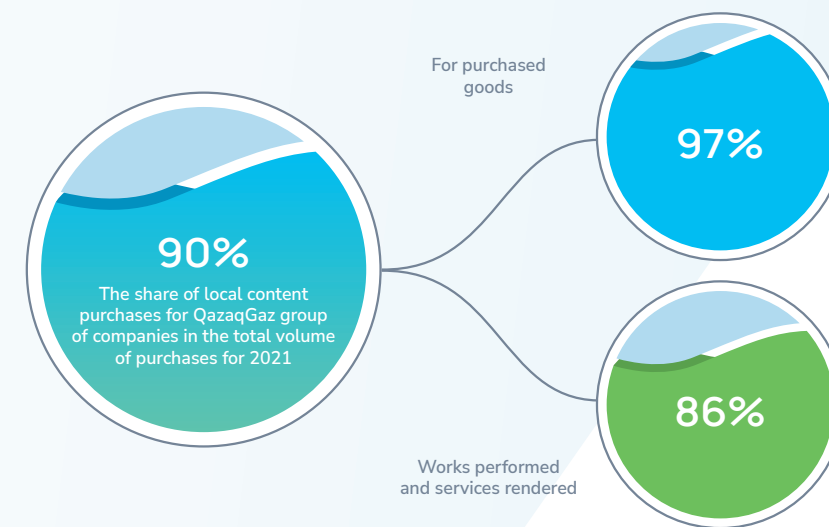
GRI 102-9, GRI 102-10, GRI 204-1

TOTAL PURCHASES IN MONETARY TERMS IN 2019-2022, billion tenge



Local content in procurement

In order to support local (domestic) suppliers¹⁰, the Company annually increases the number of purchases made directly from domestic producers. The share of local content purchases for QazaqGaz group of companies in the total volume of purchases for 2021 was 90%, of which for purchased goods — 97%, works performed and services rendered — 86%. Calculation of the local content share in the procurement of goods, works and services is based on the Unified Methodology for calculation by organisations of local content in the procurement of goods, works and services, approved by Order No. 260 of the Minister of Investment and Development of the Republic of Kazakhstan dated 20 April 2018.



¹⁰ Suppliers of the Republic of Kazakhstan.



An important aspect in selecting the Company's supplier is to conduct procurement procedures in strict compliance with the Procurement Rules of Samruk-Kazyna JSC. This indicator is included in the Key Performance Indicator Card of the executives of QazaqGaz and its associations and alliances.

Within the framework of the Program of Samruk-Kazyna JSC to promote modernization of existing and creation of new production facilities for 2014-2022, in the reporting period, QazaqGaz Group concluded off-take agreements¹¹ with private entrepreneurship entities. The main support tool under the Programme is a guaranteed direct purchase mechanism.

In addition, the Company implements the Economy of Simple Things programme to support small businesses. In order to meet the needs of the population, QazaqGaz purchases goods produced by suppliers participating in this programme. Most of the purchases are of light, furniture, food, chemical, pulp and paper products, and construction materials.

To support domestic businesses in development of production, QazaqGaz group established working groups which conduct regular working visits to factories and businesses to conduct preliminary visual assessment of production facilities, equipment availability and efficiency for production of products of potential interest to QazaqGaz. QazaqGaz representatives regularly participate in meetings, round tables held by the Fund, Atameken National Chamber of Entrepreneurs of Kazakhstan and ALE of the Union of Machine Builders of Kazakhstan on local content as well as import substitution issues.

In order to provide reliable information on local content share, clauses on local content share reporting are stipulated in contracts with suppliers.

The Company has the authority to approve the Procurement Plans of subsidiaries. Thus, the commodity market is monitored to prioritise procurement exclusively from domestic producers. The information databases of Samruk-Kazyna JSC, including the Register of commodity producers of the Fund, as well as relevant information databases of the authorized state body containing information on domestic commodity producers and goods produced by them are used for monitoring.

Plans for 2022 and medium term

- development of a competitive procurement market;
- continuing to work on establishing a transparent and efficient process for the evaluation of suppliers according to established qualification criteria;
- supporting local producers in procurement procedures.

¹¹ An agreement to sell/purchase goods that have not yet been produced.

REGIONAL ECONOMIC IMPACT

Approach to economic impact management in the regions

GRI 103-1, GRI 103-2, GRI 103-3, GRI 203-2, GRI 413-1, GRI 413-2

QazaqGaz activities are inextricably linked to the improvement of the accessible environment of the population of Kazakhstan. The company makes efforts to ensure the social and economic development of the regions of its presence. By providing gas, the Company is directly responsible to local communities.

Press service QazaqGaz interacts with the press, as well as with other mass media. Each association and alliance has a media manager. Interaction between the Press Service and stakeholders is an integral part of the Company's dialogue with local communities.

Engagement with local communities

The Company has a well-established mechanism for dealing with stakeholder and local community enquiries. The Company endeavours to engage and receive feedback from local communities by all available means. Feedback is one of the main levers for building a communication bridge and understanding the needs of the community. Communication is implemented in the following ways:



interaction through the media and online platforms;



community meetings;



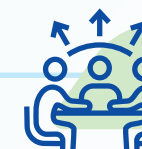
hotline;



service centre;



chancery;



commission to review issues of concern.



Associations and alliances of QazaqGaz participates in meetings, briefings, reporting meetings and other events organized by local communities on various issues related to the gasification of regions. The registration of requests and responses is carried out through the electronic document management system introduced in the associations and alliances.

in the Company's social networks are handled by the responsible structural divisions;
→ appeals from initiative groups, deputies, representatives of local communities during meetings and reports are responded to within three working days, unless additional time is required to study the situation.

There are several referral mechanisms:

- chatbot in the messengers Telegram and WhatsApp;
- operating service for public services;
- appeals received in the media

Sponsorship and charity

According to the Charity Policy of Samruk-Kazyna JSC, all charitable activities of Samruk-Kazyna Group of Companies are carried out by the Social Project Development Fund Samruk-Kazyna Trust, which implements socially important projects by selection on a competitive basis in the following areas:

- assistance to people, communities in the social and health sector;
- development of media, cultural community, human development;
- strengthening of labour relations, inter-ethnic relations, investment in sustainable development of society;
- supporting regional and business initiatives;
- promotion of the image of the Astana Sports Complex on the world stage.

Samruk-Kazyna Fund is responsible for charitable activities within the boundaries of companies owned by Samruk-Kazyna JSC.

There were no transfers to the Samruk-Kazyna Fund in 2021 from NC QazaqGas JSC.



SOCIAL STABILITY

GRI 203-1, GRI 203-2

To support the population and improve living conditions in Kazakhstan, QazaqGaz implements socially important projects in the regions where it operates. The implementation of the Company's activities is of high social and strategic importance for the regions where it operates:



ensuring energy security, reliable and uninterrupted gas supply;



conversion of industrial facilities and businesses to natural gas.

New AGDS Merke launched in Jambyl region

16
SETTLEMENTS (VILLAGES)
of Merke district were provided with a stable gas supply

In the reporting year, a new automated gas distribution station Merke was put into operation in Jambyl Region. The new AGDS Merke is of great social importance, providing stable gas supply to 16 settlements (villages) of Merke district: Merke, Oital, Sarymoldaeva, Jambyl, Aktogan, Ak Aral, International, Plogoyagodnaya, T.Ryskulov, Syptay, Ekpindi, Oital, Sanatory, Taldybulak,

Turlybai, Kazakh dikhan. Thus, 12,695 houses, 420 housing and communal facilities and 33 industrial enterprises are supplied with gas. The capacity of the new AGDS provides many economic opportunities, including the development of small and medium-sized businesses in the area, which will contribute to the emergence of new industrial enterprises and, consequently, new jobs.

Supplied with gas:

12,695
HOUSES

420
HOUSING AND COMMUNAL FACILITIES

33
INDUSTRIAL ENTERPRISES





Priority projects of QazaqGaz

In accordance with the order of the President and the Government of the Republic of Kazakhstan, QazaqGaz is implementing investment projects in Mangistau, Atyrau and Almaty regions included in the Comprehensive Regional Development Plans and the list of priority projects of the Fund.

In 2021, the following projects were approved by the management of the Company and the Fund:

GASIFICATION OF THE SARSHA AREA AND THE RESORT AREA WARM BEACH

Project implementation period

2021-2023

Total cost

29,679
million tenge

Objective of the project

Gasification of Sarsha area, provision of marketable gas to newly established business entities in tourism in Mangistau region.

Subprojects

Construction of the Zhetybay-Kuryk gas pipeline with the installation of an AGDS-80 in the village of Kuryk, implemented by ICA at a cost of 22.9 billion tenge, excluding VAT. According to the project, it is planned to build an 85 km gas supply pipeline and 1 unit of AGDS with a capacity of 80 thousand per hour. In April 2021, a positive conclusion of the State Expertise on the design and estimate documentation for the project was received. At the end of 2021, 92% of the work was completed.

Construction of a high-pressure gas pipeline from the AGDS near the village of Kuryk to the Sarsha area and the Rixos Aktau hotel in the Warm Beach resort area with the installation of 2 GVUs, implemented by KTGA at a cost of 7.4 billion tenge without VAT. The project provides for the construction of a 59 km high-pressure gas pipeline and 2 units of gas control block points. In August 2021, a positive conclusion of the State Expertise on the design and estimate documentation for the project was received. The project is planned for 2022-2023.



RECONSTRUCTION OF THE GAS TRANSMISSION SYSTEM OF THE MANGISTAU REGION

Project implementation period

2021-2024

Total cost

203,861.7
million tenge

Objective of the project

To increase energy security of the region, to ensure stable gas supply to settlements, large enterprises of Mangistau region, as well as the main enterprise of the region — MAEC Kazatomprom LLP.



CONSTRUCTION OF A LOOPING ON THE MAKAT-NORTHERN CAUCASUS GAS PIPELINE

Project implementation period

2021-2023

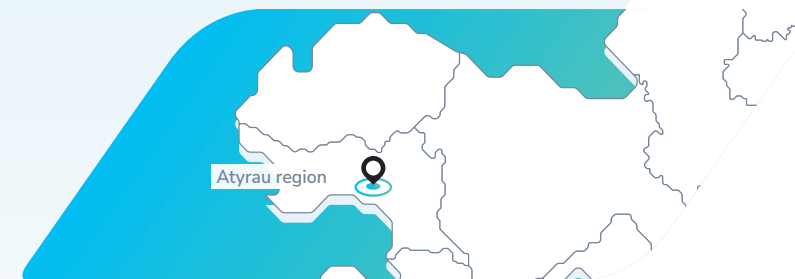
Total cost

87,695
million tenge

Objective of the project

Provision of reliable gas supply to the population and major industrial enterprises of Atyrau and Atyrau region, prevention of emergencies related to the shutdown of the single-line gas pipeline, given the unsatisfactory technical condition of the MGP Makat-

Northern Caucasus gas pipeline according to the results of the IPD, as well as uninterrupted gas supply for the special economic zone National Industrial Petrochemical Technopark in Atyrau region to generate electricity and provide production facilities of the facility.



Project for gasification of regions

> 300 KM
of gas pipelines have been built

> 22,000
RESIDENTS

~ 250
SOCIAL AND BUSINESS FACILITIES
have been connected to natural gas

- gasification of Almaty, modernization, reconstruction of gas distribution networks in Almaty;
- gasification of 3 settlements (Zhitikara city, Tobol village, Bolshaya Churakovka village) of Kostanay region;
- construction of a high-pressure gas supply pipeline and gas distribution networks in the village of Saimasai, Kainar, Enbekshikazakh district, Almaty region (1 and 2 PFs);
- construction of gas distribution networks 1 and 2 start-up complexes of the 2nd stage in Astana;
- construction of a supply and intra-settlement gas pipeline in the village of Verenka, Martuk district, Aktobe region;
- of a supply and intra-settlement gas pipeline in the village of Voznesenovka, Martuk district, Aktobe region.

In total, more than 300 kilometres of gas pipelines have been built in the above-mentioned areas. This enabled more than 5,000 families to have access to natural gas. More than 22,000 residents and about 250 social and business facilities have been connected to natural gas.



GASIFICATION OF ALMATY, MODERNIZATION, RECONSTRUCTION OF GAS DISTRIBUTION SYSTEMS IN ALMATY

Project implementation period

2018–2021

Total cost

11,178 million tenge

Objective of the project

Gasification of residential areas and private household plots in Almaty that have not been connected to the gas supply system so far, as well as reconstruction of the existing gas distribution networks of Almaty. Improvement of the environmental situation in the city, connection of 4,100 new subscribers with an average annual consumption of 15.8 million m³ of gas.

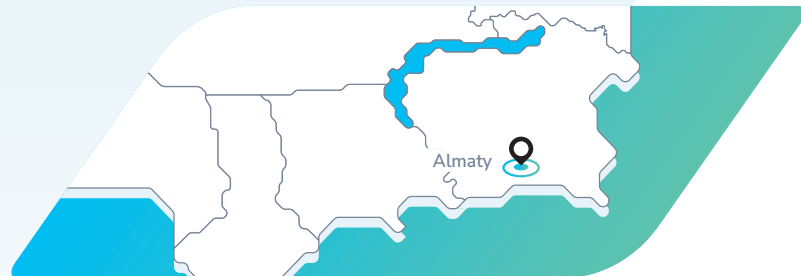
Project results

265 km of new gas pipelines built

33 gas regulating cabinets were installed

96 km of existing gas pipelines upgraded

3 gas regulating block stations were installed



CONSTRUCTION OF A HIGH-PRESSURE GAS SUPPLY PIPELINE AND GAS DISTRIBUTION NETWORKS IN THE VILLAGE OF SAIMASAI, KAINAR, ENBEKSHIKAZAKH DISTRICT OF ALMATY REGION (1 AND 2 PFS)

Project implementation period

2021-2022

Total cost

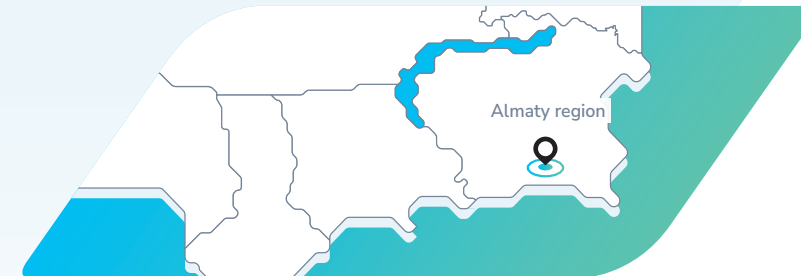
2,045.5 million tenge

Objective of the project

Construction of high pressure gas pipeline and gas distribution networks for the purpose of gasification of Saimasai and Kainar settlements of Enbekshikazakhskiy district of Almaty region with the prospect of further connection of nearby 25 settlements of Enbekshikazakhskiy district. Improvement of environmental situation in settlements, connection of 13,618 new subscribers.

Project results

full completion of the project is scheduled for completion in 2022



GASIFICATION OF 3 SETTLEMENTS (ZHITIKARA CITY, TOBOL VILLAGE, BOLSHAYA CHURAKOVKA VILLAGE) OF KOSTANAY REGION

Project implementation period

2021-2023

Total cost

2,872.3 million tenge

Objective of the project

Gasification of Vostochny microdistrict of Zhitikar town along the left and right banks of Shortandy river of Kostanay region, Tobol settlement, Beimbet Mailin district of Kostanay region, Bolshaya Churakovka of Altynsarin district of Kostanay region. Improvement of environmental situation in settlements, connection of 3,275 new subscribers with average annual consumption of 12.7 million m³ of gas.

Project results

1,478 million tenge have been utilised

works on gasification of Zhitikara are completed

full completion of the project is planned for 2022



CONSTRUCTION OF GAS DISTRIBUTION NETWORKS 1 AND 2 START-UP COMPLEXES OF THE 2ND STAGE IN ASTANA

Project implementation period

2020–2021

Total cost

6,541.2 million tenge

Objective of the project

Ensuring gas supply from AGDS-2 to the main gas distribution point (MGDP) Vostok and GGRP Southeast -Vostok as part of the 1st launch complex, as part of the 2nd launch complex, supply of gas from the MGDP Vostok to residential areas International, Michurino, Kuigenzhar and boiler rooms.

Project results

100% construction and installation works on 1 PF and 2

100,581 km construction of high, medium and low pressure gas pipelines

5 GVUs and 5 cabinet-type GCP have been installed



CONSTRUCTION OF THE BEINEU-BOZOI-SHYMKENT GAS PIPELINE

Project implementation period

2011-2023

Total cost

882,560
million tenge

Objective of the project

Stable provision of gas needs of the southern regions of the Republic of Kazakhstan, reduction of dependence on imported gas and ensuring energy security of the Republic of Kazakhstan.

Project results

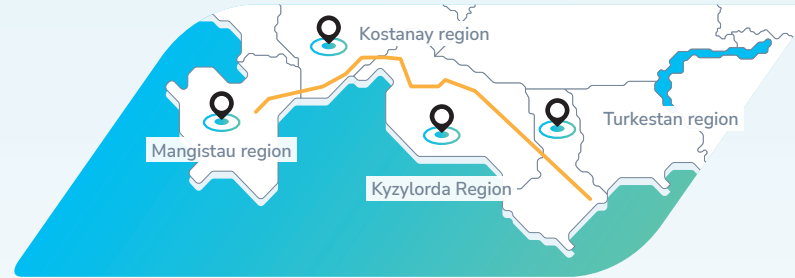
The linear part of the gas pipeline with a length of 1 450 km (in single-stranded version), watch village, gas measuring stations, aftersales passage, two compressor stations Bozoi, Karaozek and four additional compressor stations Turkestan, Aral, has been put into operation, Korkyt-Ata, 1 A, built by ICA.

In 2021, the following activities have been carried out:

- expansion of the Akbulak GIS was completed and the Beineu GIS and Stage 1 SCADA system were commissioned.

- the Board of Directors of NC KazMunayGas JSC agreed an adjustment of the Project, taking into account the purchase of four ICA compressor stations and the extension of the project until 2023.
- the purchase of Korkyt-Ata compressor station was made.

In 2022, it is planned to complete the construction of the road along the Beineu-Bozoi section, the telecommunications and SCADA system of the 2nd stage, and to begin work on expanding the Bozoi compressor station and the Beineu gas metering station, to buy out the Aral CS.



Socially equitable pricing reform

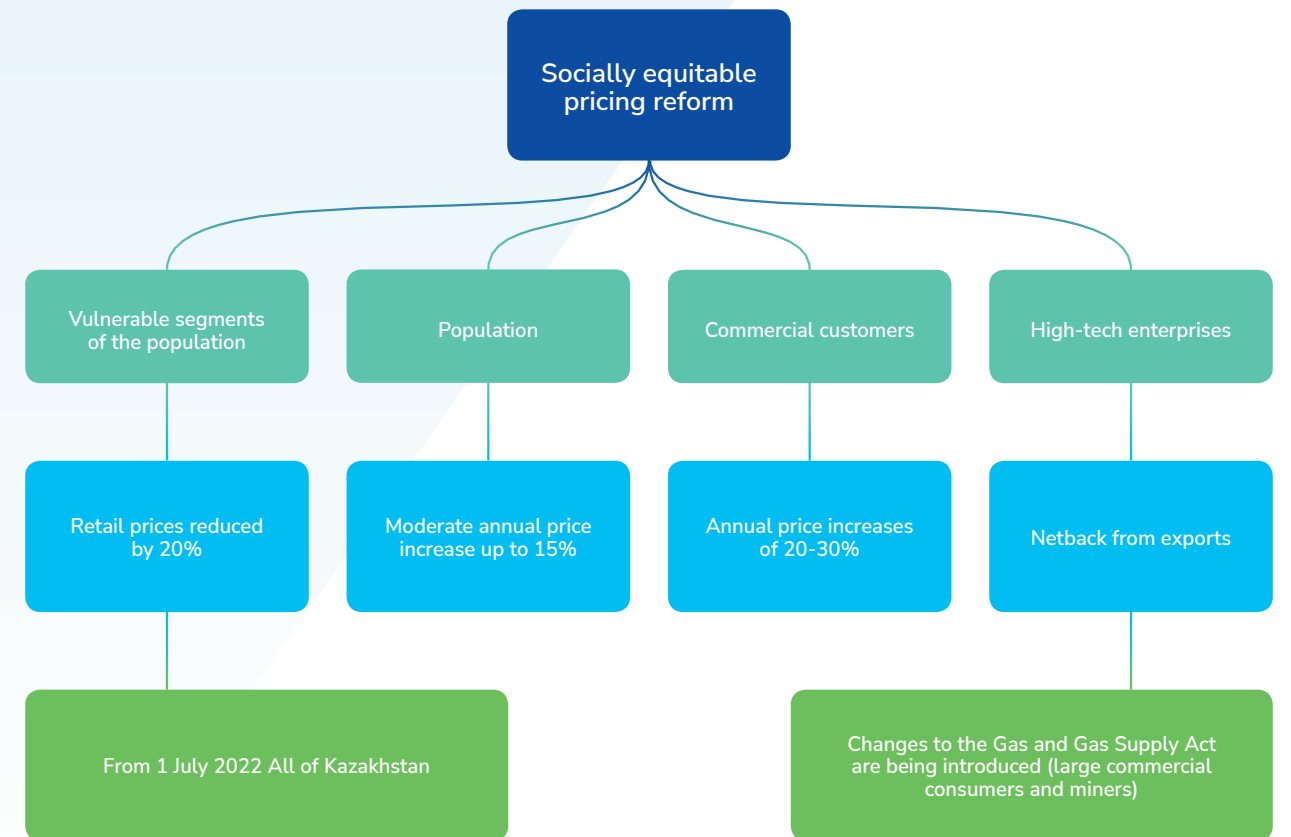
The Company has developed and introduced a set of measures for socially fair pricing reform with no effect on the socially vulnerable segments of the population. The initiative was supported by the President of the Republic of Kazakhstan.

The following initiatives are envisaged under the draft Law of the Republic of Kazakhstan On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan Regarding the Implementation of Certain Instructions of the Head of State:

1. approval of wholesale ceiling prices for marketable gas for a long-term period of 5 years, with the possibility of annual adjustment similar to electricity ceiling tariffs and tariffs of natural monopolies;

2. application of an incentive formula for gas purchase prices from subsoil users to form additional marketable gas resources.

SOCIALLY FAIR PRICING REFORM SCHEME



In 2021, the Company's set of measures for socially equitable pricing reform was partly implemented through the following activities.

In 2021, a tariff of Intergas Central Asia JSC was approved for 2022-2026 at 5,285.66 tenge/ thousand m³ excluding VAT (an increase of 16% from the previous 4,551 tenge/thousand m³), taking into account the implementation of gas transportation infrastructure reconstruction projects in Atyrau and Mangistau regions.

Plans for 2022 and medium term

- development of a mechanism for containing gas prices for the population, taking into account the maximum support for socially vulnerable citizens and the sensitivity of the issue of gas pricing for the population;
- further development of gasification, including the capital and other settlements along the Saryarka gas pipeline, including the development of gasification options for the northern regions of Kazakhstan;
- increased production of marketable gas to avoid shortages associated with the projected increase in gas consumption in the domestic market;
- construction of a high-pressure gas supply pipeline and distribution pipelines in Saimasai, Kainar, Enbekshikazakh District, Almaty Region in 2022;
- construction of high pressure gas pipeline from AGDS near Kuryk village to Sarsha locality and Rixos Aktau hotel in Warm beach resort area in 2023.



7. ENVIRONMENTAL ASPECT



MANGISTAU REGION

The company completed the construction of the Beineu GIS in the Mangistau region.



158 Material Topics

Energy
Emissions
Discharge and waste

→ Water
→ Biodiversity
→ Regulatory Compliance

GRI indicators

GRI 103-1, GRI 103-2, GRI 103-3, GRI 302-1, GRI 302-3, GRI 302-4, GRI 302-5, GRI 303-1, GRI 303-3, GRI 303-4, GRI 303-5, GRI 304-1, GRI 304-2, GRI 304-3, GRI 304-4, GRI 305-1,

Key indicators for 2021

3,017 GJ

energy consumption from renewable sources

326,824 GJ

reduction in energy consumption as a result of the implementation of energy saving initiatives

88.95 THOUS. TONS

gross discharges of pollutants into wastewater

138,868 TONS

gross emissions of pollutants

2,246 MILLION TENGE

environmental protection costs

Contribution to implement the UN SDGs



GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 305-6, GRI 305-7, GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5, GRI 307-1





ENVIRONMENTAL MANAGEMENT SYSTEM

Environmental Management Approach

GRI 103-1, GRI 103-2, GRI 103-3

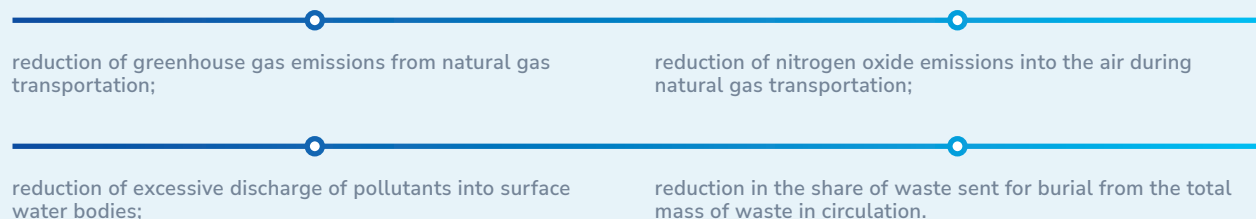
QazaqGaz has a socially responsible mission to transport environmentally friendly fuel in the form of natural gas to consumers in the Republic of Kazakhstan. To minimise the negative impact of its operations on the environment, the Company continuously improves its environmental management practices

and meets the requirements of environmental and energy management system standards — ISO 14001 and ISO 50001, respectively.

The Company has an Environmental Policy aimed at minimising its negative impact on the environment.

The Policy includes, among other things, provisions for compliance with legal requirements, improvement of the energy efficiency of production processes, continuous improvement of environmental management systems, and taking possible measures to conserve biodiversity and combat climate change.

Ensuring environmental safety is one of QazaqGaz's main objectives in carrying out its operations. The company sets the following corporate environmental goals:



2,246

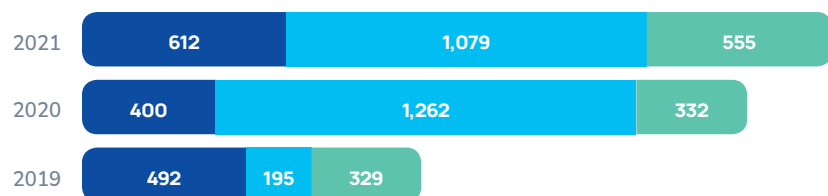
MILLION TENGE

the amount spent on environmental protection (EP) in 2021

Relevant environmental protection, energy saving, energy efficiency and efficient water use plans are developed and implemented for QazaqGaz enterprises on an annual basis.

INVESTMENTS AND COSTS FOR ENVIRONMENTAL PROTECTION, million tenge

GRI 307-1



- Expenditures for environmental protection
- Capital investment in environmental protection
- Fees for negative environmental impact



Approach to environmental management in associations and alliances

During the reporting year, the association and alliance conducted external certification audits and obtained certificates in accordance with the requirements of ISO 14001.

ICA JSC on an annual basis, according to the current procedure CD-11-19 Identification of environmental aspects, assessment of significance and definition of management measures, develops and forms a list of environmental aspects at the levels of linear production offices (LPO), MGPM (branches) and at the level of the Central Apparatus of ICA JSC is left a consolidated list of significant environmental aspects for identification of negative environmental impact.

The AGP-IMS-P-0007 LLP conducts an environmental assessment on an annual basis according to the Instruction on Environmental Aspects Determination, Control Measures and Environmental Impact Assessment AGP-IMS-P-0007 forms an EA list for the three Transport Gas Administrations (MGPM Taraz, MGPM Almaty, MGPM Shymkent).

In KazTransGas Aymak JSC according to the current procedure CD-19-2021 Identification and assessment of environmental aspects, develops and forms a list of environmental aspects at the level of the Central Apparatus and production branches.

BSGP LLP annually carries out activities on identification, assessment and management of environmental aspects, based on RU-BSGP-HSE-06-17, Rules of identification, assessment, ranking and management of environmental aspects The Register of Significant Environmental Aspects is formed as a result of the activity.

In Kaztransgaz Onymder LLP according to the current procedure QGE-10-17 Identification of environmental aspects, assessment of significance and definition of management measures (this CD is currently being updated) Compiles a list of environmental aspects at the level of the production branch of the Partnership.

All of the above documents are approved by the Guide and posted on the online portals of the association and alliance.

The supervisory authorities recorded two cases of non-compliance with environmental legislation during the reporting year. One has been rectified, the other is in the process of being rectified. The amount of monetary fines and excess payments imposed for non-compliance with established standards amounted to 1.7 million tenge.

Environment protection management structure

The Company has formed HSE Departments, HSE Departments and Production and Technical Departments at the level of subsidiaries, which, among other things, perform functions related to environmental protection. The structural features of the QazaqGaz group predetermine a multi-level process of environmental management (an organisational chart is presented

in Section 2.3). At the Company level, the person responsible for the management of environmental issues is the Head of the HSE Service, reporting to the Chairman of the Management Board. At the association and alliance level, the HSE Supervisor/Director of the HSE Unit is responsible for environmental issues.



EMISSIONS INTO THE ATMOSPHERE

GRI 305-6, GRI 305-7

QazaqGaz considers consistent reduction of pollutant emissions as its most important task. The Company monitors emissions on a regular basis and implements various projects aimed at their reduction, such as reconstruction of power equipment of compressor stations, modernisation of gas distribution station (GDS) and optimisation of operation modes of gas compressor units (GCU).

The main emission sources of the Company are gas piston power plant (GPP), GCU, boiler houses, various candles (separators, fuel gas discharge, filters and regulators, etc.), drainage tanks, receivers, diesel fuel reception and storage tanks. In addition, there are fugitive and volatile emissions from facilities such as welding machines, natural gas and technical utility bleeder candles, as well as from earthmoving, painting and general construction works.

NC QazaqGaz JSC Group has an Emissions Management Policy, which aims to minimise the impact on atmospheric air. According to this policy, the main objectives in terms of emissions management are:

- definition of principles governing the approach to emissions management, intended for mandatory use throughout the Company;
- improving the environmental safety of production, reducing emissions;
- rational use of natural resources and prevention of leaks.

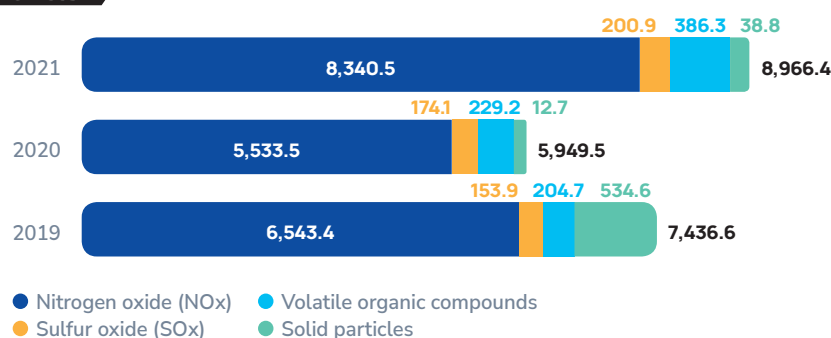
In particular, ICA JSC annually updates its goals in the field of environmental protection. One of the most important goals is to reduce emissions from the Company's activities by 20% compared to the permits issued.

In 2021, the Company's gross emissions of nitrogen oxides (NOx), sulphur (SOx) and other pollutants amounted to 8 966,4 tons, which is 34% higher than the previous year and does not exceed the emission standards approved

by the state bodies. The increase in emissions in 2021 compared to 2020 is due to the increased operational intensity in the post-pandemic period. In addition, the Company does not emit ozone-depleting substances.

EMISSIONS OF POLLUTANTS BY TYPE OF SUBSTANCES IN 2019-2021, tons¹²

GRI 305-7



EMISSIONS OF OTHER GASEOUS AND LIQUID POLLUTANTS IN 2019-2021, tons



¹² excluding other gaseous and liquid pollutants shown.

Reconstruction of UGS Bozoy

The reconstruction of the Bozoi underground gas storage facility (UGS), located in Shalkar district, Aktobe region, included the replacement of obsolete separators, isolation valves, loops and the construction of gathering

stations GS-4 and GS-6. Methanol supply and gas pressure, temperature and flow measurement were also automated, and the number of operating wells was increased to 330 units. The UGS reconstruction works ensured replacement

of obsolete process equipment at the existing gathering stations at Zhaksykoyankulak and Zhamankoyankulak sections, which contributes to protection against unplanned pollutant emissions during forced mode or emergency situations.

SoLoNOx system

The developed dry pollutant suppression system (SoLoNOx) reduces the maximum flame temperature and formation of pollutants in the turbine

exhaust gases, such as nitrogen oxides (NOx) and carbon monoxide (CO), by-products of the reaction of hydrocarbon fuel with air during combustion.

During operation, the system monitors fuel consumption to maintain stable combustion and minimise pollutants in the exhaust gases.

DLE system (Dry low emissions)

The compressor station (CS) incorporates combustion chambers with a DLE dry-emission suppression system to reduce nitrogen oxide (NOx) and carbon monoxide (CO) emissions, even when the turbine is under-loaded. The DLE system ensures optimum combustion and emission of NOx and CO in all

operating conditions. Also, 2 waste heat boilers with 2,800 kW capacity are installed at each CS as the main heat source, running on GPU exhaust gases. A freestanding heating station building is provided at the shift camps, where block-type heat exchangers and automatic gas heaters are installed. During the heating season, a heat

exchanger is used for hot water needs, which heats water from the heating system supplied by the utilisation boiler. The flue air outlet temperature for pipe heating is 480°C, the water supply enters the heating surface pipe through the inlet manifold and after heat exchange the hot water temperature reaches up to 95°C.

Compressor stations of Beineu-Shymkent Gas Pipeline LLP, IntergasCentral Asia JSC and Asian Gas Pipeline LLP

Aziat Gas Pipeline LLP Bayneu-Shymkent and JSC Intergas Central Asia and LLP Asiyat Gas Pipeline operated compressor station (CS) CS-1 A, Ustyurt,

Aral, Korkyt Ata, Karaozek, Turkestan, CS-1 Alatau, CS-2 Kereit, CS -1,2, CS-6 Otar, CS-7 Shelek, CS-8, CS-4 Kulan, CS-5 with gas pumping units, which

are equipped with the latest generation system, developed on the basis of high technology, reducing emissions of pollutants into the atmosphere.

Plans for the medium term

The company plans to implement the following actions to reduce air pollutant emissions:

- implementation of the investment programme for modernisation, reconstruction of gas pipelines and structures on them. One of the goals of the investment

programme is the creation of an automated system for the dispatcher control of gas distribution networks;

- expansion of Bozoi compressor station (CS), construction of new GPA in the amount of 3 units. Energy saving and reduction of emissions through the use of advanced

compressor units with the built-in installation of SoLoNOx by Solar, ensuring the reduction of NOx and CO₂ emissions at the site;

- conversion from coal to gas of Almaty CHP plants (TETs-1, TETs-2, TETs-3);
- development and adoption of an Emergency Response Plan for environmental emergencies.

CLIMATE CHANGE

GRI 305-1, GRI 305-2, GRI 305-5

Approach to climate change management

GRI 103-1, GRI 103-2, GRI 103-3

15%

Greenhouse gas emissions reduction targets in Kazakhstan by 2030, compared to the 1990

The Republic of Kazakhstan actively participates in the international climate agenda aimed at reducing greenhouse gas emissions. In 2016, by ratifying the Paris Agreement, Kazakhstan supported the global goal to keep global average temperature rise below 1.5°C and made voluntary commitments to reduce greenhouse gas emissions by 15% by 2030, compared

to 1990, including by resorting to innovative private sector solutions. The country aims to transition to a green economy and expects to achieve full carbon neutrality by 2060. To achieve its goals, Kazakhstan has updated its nationally determined contribution (NDC) and also adopted a new Environmental Code, which entered into force on 1 July 2021.

10-12%

Greenhouse gas emissions reduction targets in QazaqGaz by 2030

QazaqGaz supports Kazakhstan's participation in the global GHG reduction goals and recognizes the importance of developing decarbonization activities. By 2060, the Company set the following targets: to reduce greenhouse gas emissions by 10-12% by 2030 and to achieve full carbon neutrality by 2060. The baseline year will be 2023.

Management of methane emissions in ICA JSC

The material and technical base of ICA JSC allows to conduct a full complex of measures aimed at detection and localization of unorganized emissions (leaks) of methane into the atmosphere at objects of the gas transportation system. On a continuous basis, in associations and alliances the following measures are carried out to reduce methane emissions to the atmosphere: monitoring, diagnosis, monitoring, collection and processing of information at the Company's facilities. When operating compressor stations, gas distribution stations and the linear part of main gas pipelines, natural gas leakage can occur, which reduce the efficiency of work, increase energy consumption, and increase the risk of explosive situations. In order to minimize risks by employees, subsidiaries carry out leak detection surveys in various ways: aerial survey, automobile inspection and walking method.

Greenhouse gas emission quotas

The RoK Environmental Code provides for mandatory monitoring, reporting and verification of greenhouse gas emissions. The Republic has also introduced a national Emissions Trading System, which determines the value of greenhouse gas emission allowances in regulated sectors of the economy. The National Carbon

Allocation Plan sets limits on carbon dioxide emissions of quota subjects, with a threshold of 20,000 tonnes of CO₂-eq. per year.

Under Article 289 of the RoK Environmental Code, the QazaqGaz Group is a carbon quota subject and, therefore, the Company's emissions

data is recorded in the State Carbon Cadastre for further disclosure in the Republic's annual reporting, which is part of the country's obligations under international agreements. Emissions of the Company's associations and alliances are monitored on the basis of approved methodologies using the balance method.

Quantifying greenhouse gas emissions

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

On an annual basis, associations and alliances of QazaqGaz conduct an inventory of direct greenhouse gas emissions (Scope 1), quantifying emissions and submitting the data to supervisory authorities in accordance with the requirements of the Environmental Code of RK. The management of the Company's enterprises is personally responsible for the preparation of reports by associations and alliances on the inventory of greenhouse gas emissions, which in turn is verified by an accredited body. The Company's enterprises have internal documents defining the procedures for handling emissions, particularly greenhouse gases.

The main production process of the Company that emits greenhouse gases into the atmosphere is the transportation of natural gas through the pipelines. Sources of emissions are compressor stations that burn gas to power the gas pumping units. In addition, the pipelines wear out and become more prone to methane leaks. During the year, the mobile remote methane alarm complex inspected 19,798 km of distribution network route, and 4,055 gas leaks were detected and located.

In 2021, the total direct greenhouse gas emissions (Scope 1) amounted to 6,953 358 tonnes CO₂-eq and the indirect energy emissions (Scope 2) amounted to 74,541 tonnes CO₂-eq. The increase in values of direct and indirect GHG emissions compared to 2020 is due to the increase in the scale of operations.

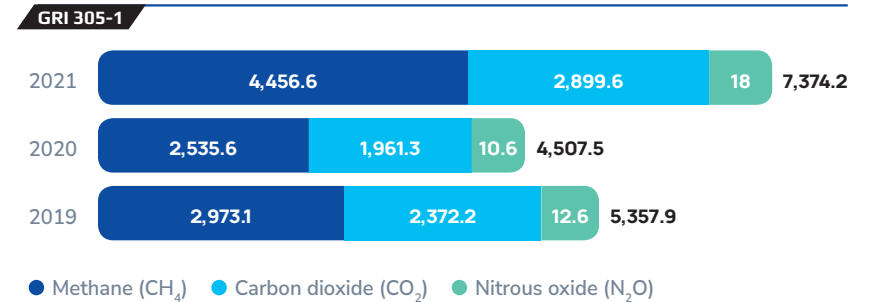
19,798

KM distribution networks surveyed by Mobile Remote Methane Alarm Complex and 4,055 gas leaks were detected and localised

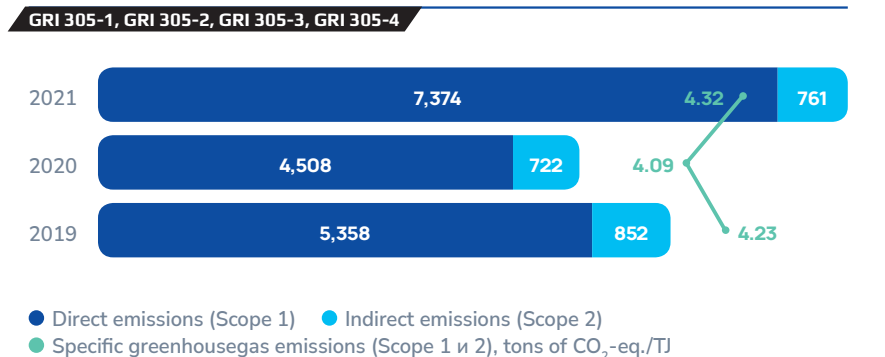
Greenhouse gas emissions monitoring plan for 2021 AGP LLP, ICA JSC, KTGA JSC, BSGP LLP

Associations and alliances have developed and validated plans for monitoring greenhouse gas emissions for 2021. This plan takes into account the planned changes in emission sources, provides a methodology for monitoring emissions based on current calculations and measurements, and also contains a description of the procedures for collecting and processing data.

TOTAL DIRECT EMISSIONS (SCOPE 1) OF GREENHOUSE GASES, BY TYPE OF GREENHOUSE GAS, thousand tonnes CO₂-eq



DYNAMICS OF GREENHOUSE GAS EMISSIONS IN THE TRANSPORT SEGMENT, thousand tons of CO₂-eq.





SPECIFIC GREENHOUSE GAS EMISSIONS (SCOPE 1) IN THE TRANSPORTATION SEGMENT, tons of CO₂-eq./TJ

GRI 305-4

Associations and alliances	2019	2020	2021
Intergas Central Asia JSC	1.03	1.07	0.84
Beineu-Shymkent Gas Pipeline JSC	1.24	1.24	1.67
Kaztransgas Aymak JSC	0.65	0.64	0.56
Asian Gas Pipeline LLP	1.28	1.09	1.24
Total for QazaqGaz	4.20	4.04	4.31

Activities to reduce greenhouse gas emissions

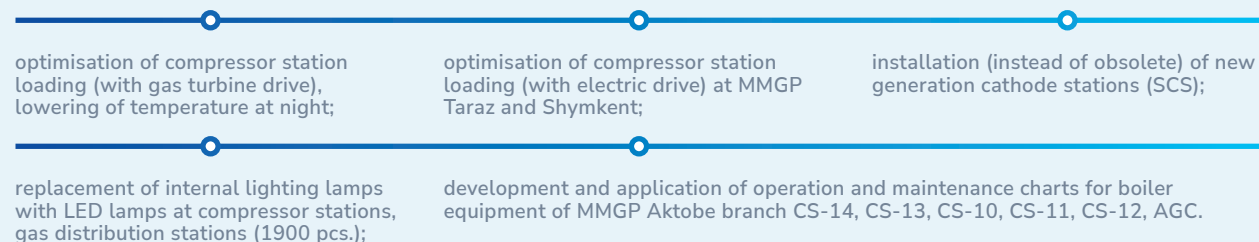
GRI 305-5

16,464

t CO₂-eq.

Greenhouse gas emission reductions for Scope 1 and Scope 2 in 2021

In order to minimize the risk of exceeding the established limit on greenhouse gas emissions, the Company developed Measures to reduce the carbon footprint of KazTransGas JSC group of companies for the period from 2021 to 2025. In 2021, reduction of greenhouse gas emissions by Scopes 1 and 2 as a result of the measures taken amounted to 16,464 t CO₂-eq. In the reporting year, the main activities were:



Plans for 2022 and medium term

In the field of reduction of greenhouse gas emissions the Company plans the following activities:

- diagnostics the system of disclosure of information about the Company's activities in the field of sustainable development;
- detailed inventory of greenhouse gas

- emissions for Scope 1, 2 and 3;
- set quantitative targets for Scope 1 and 2;
- scenario analysis of the risks and opportunities associated with climate change in 2022-2023.
- develop a programme to reduce the carbon footprint;
- development of the Company's climate strategy in the 1-2 quarter of 2023.

ENERGY MANAGEMENT

Approach to energy management

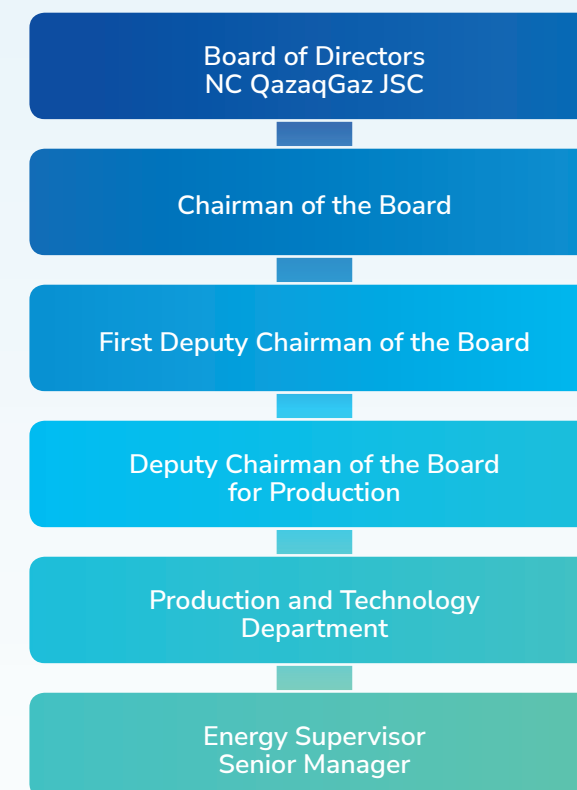
GRI 103-1, GRI 103-2, GRI 103-3

Currently, the Company operates a system of monitoring of energy resources, which includes monthly control of volumes of natural gas and electricity consumption by metering devices. Electricity consumption is controlled and monitored by the Power Supply Services (PSS) of compressor stations. Monthly reports on the consumption of fuel and energy resources (FER) are developed according to the meter readings and submitted for analysis to the Central Apparatus. The organization of electricity metering is carried out in accordance with the requirements of the current regulatory and technical documents of the Republic of Kazakhstan.

Organisational structure and governance tools

At the level of QazaqGaz subsidiaries, energy management is regulated by energy management policies. Such policies are in place at ICA JSC and KTGA JSC. In addition, ICA JSC has a Regulation on Energy Saving and Beineu-Shymkent Gas Pipeline LLP has an Energy Consumption Metering Procedure in place. These documents define the methods of energy resources consumption accounting, use of energy efficient technologies, as well as the system of personnel motivation for energy saving based on actual energy saving assessments. To further improve the efficiency of energy resources management at enterprises, the Company is developing the Energy Policy of NC QazaqGaz JSC.

ENERGY MANAGEMENT STRUCTURE





Energy resources consumed

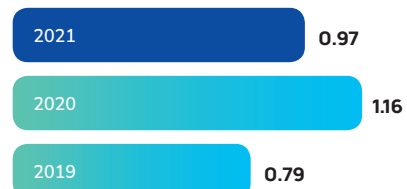
GRI 302-1, GRI 302-3

The main consumer of electric energy are electric-driven gas-pumping units, which are operated at CS Taraz, Samsonovka, as well as a high share of electricity consumption is due to cooling of natural gas at KBS by air-cooling devices (ACD). In addition, electricity is used for the operation of electric actuators of oil pumps, supply fans, exhaust fans, pumping stations of water supply systems, heat supply, outdoor and indoor lighting facilities, etc. In 2021, electricity consumption was 59,262,962 GJ.

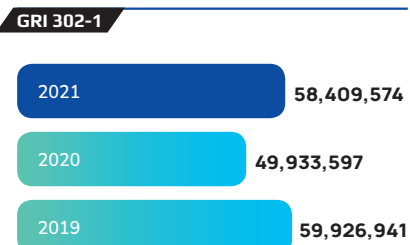
The compressor station operates standby auxiliary power plants and natural gas-fired boiler units to generate electricity and heat. Such autonomous power supply units are required for power supply of process equipment, electrochemical protection facilities, etc.

Underground pipelines are subject to complex protection by means of electrochemical protection. At the same time the main share of energy resources required for protection of underground pipelines against corrosion is represented by electric power. Every year energy saving measures are taken, which include replacement of obsolete cathodic protection stations with new ones of higher efficiency.

ELECTRICITY CONSUMPTION INTENSITY INDICATORS FOR 2019-2021, GJ/million tenge



CONSUMPTION OF ENERGY RESOURCES FROM NON-RENEWABLE SOURCES FOR 2019-2021 (NATURAL GAS), GJ

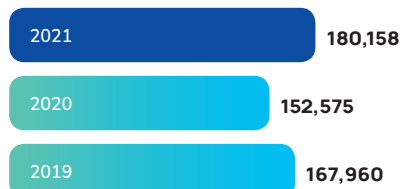


3,233.68 GJ

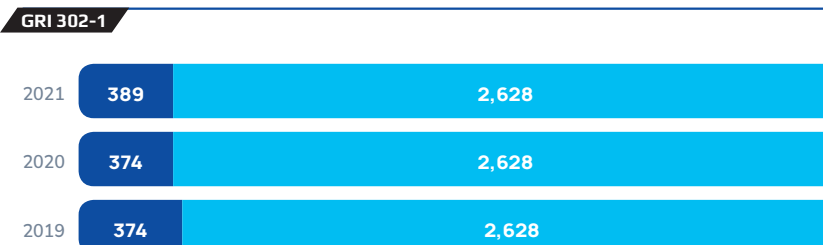
the total amount of renewable energy generated (produced) in 2021



CONSUMPTION OF ENERGY RESOURCES FROM NON-RENEWABLE SOURCES FOR 2019-2021 (DIESEL FUEL), GJ



CONSUMPTION OF ENERGY RESOURCES FROM RENEWABLE SOURCES FOR 2019-2021, GJ



● Solar energy ● Geothermal heat pump

2,841.04 GJ

Geothermal (heat) energy generation by heat pumps

3,92.64 GJ

Solar Power Generation

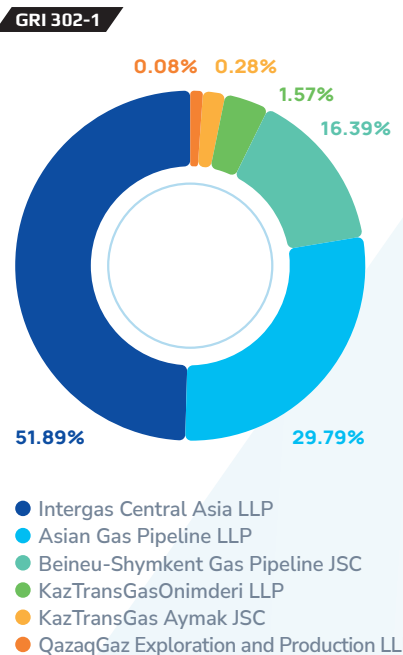
59,262,962 GJ

electricity consumption in 2021





BREAKDOWN OF ENERGY CONSUMPTION BY ASSOCIATIONS AND ALLIANCES FOR 2021, %



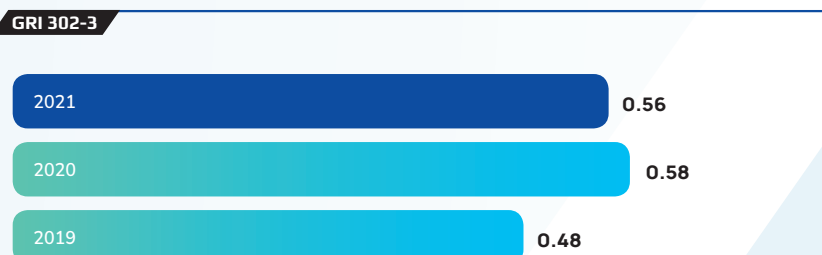
DYNAMICS OF ENERGY CONSUMPTION WITHIN THE COMPANY FOR 2019–2021, GJ

Index	2019	2020	2021
Total energy consumption	60,438,583	50,672,374	59,262,962
Total energy consumption from non-renewable sources	60,094,901	50,086,172	58,589,732
Total renewable energy consumption	3,002	3,002	3,017
Electricity, heating, cooling and steam purchased for consumption	340,680	297,152	322,000
The volume of own production of electricity, heating, cooling and steam	0	286,048	348,213
Volume of electricity, heating, cooling and steam sold	0	0	0

TOTAL ENERGY CONSUMPTION COSTS, million tenge

Type of energy	2019	2020	2021
Natural gas purchasing	152,561.0	84,913.0	97,144.0
Electricity purchasing	1,632.0	1,509.0	1,851.0
Motor gasoline purchasing	334.5	286.4	330.1
Diesel fuel purchasing	780.9	783.2	947.5

SPECIFIC ENERGY INTENSITY OF THE COMPANY FOR 2019–2021, GJ/thousand tenge



58,199

MILLION TENGE

QazaqGaz's expenses for the purchase of energy in the reporting year

0.56 ▼ **3.6%**

GJ/thousand tenge

the specific energy intensity for 2021

Natural gas and electricity are the main energy resources consumed in the gas transmission process. The main consumer of natural gas is GPU, so the main energy saving effect is related to GPU operation.

The increase of natural gas, electricity and fuel consumption in 2021 (58,916,167 GJ in 2021 versus 50,383,324 GJ in 2020¹³) is due to the following factors:

- electricity consumption due to the operating mode of electric gas compressor units with a unit capacity of up to 4.0 MW;
- gas consumption due to the operation of gas compressor units of the compressor station of the MGP Beineu-Bozoi-Shymkent.

The specific energy intensity for 2021 was 0.56 GJ/thousand tenge and decreased by 3.6% compared to the 2020 level. The decrease in the level of specific energy consumption in the reporting period is related to optimisation of operation modes of compressor stations of main gas pipelines BGR-TBA (optimisation of operation of electrically driven GPU at CS Samsonovka and CS Taraz of ICA JSC).

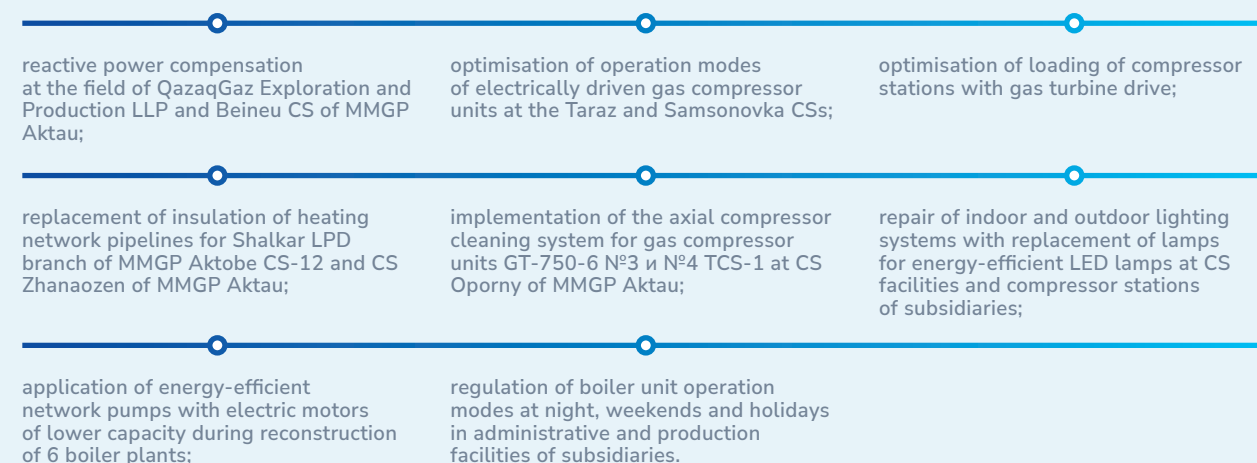
¹³ Data are provided on energy purchased. Including generated energy itself: 60,034,854 GJ in 2021 compared to 51,493,202 GJ in 2020.

Actions to ensure energy saving and energy efficiency

GRI 302-4, GRI 302-5

QazaqGaz pursues a policy of energy saving and energy efficiency improvement. The energy efficiency activities of the QazaqGaz group of companies for gas transportation, distribution, production and underground storage are defined in the energy saving and energy efficiency improvement actions.

The main energy saving actions in 2021 are:



REDUCTION OF ENERGY CONSUMPTION THROUGH THE IMPLEMENTATION OF ENERGY SAVING INITIATIVES AT QAZAQGAZ FOR 2019–2021, GJ

	2019		2020		2021	
	ee	gas	ee	gas	ee	gas
Operations process optimization	1,224	15,5338.6	273.6	196,270.6	705.6	10,028.1
Equipment replacement	7,462.8	117,996.5	1,206	0	2,613.6	0
Organizational events	3,780	58,647.1	4,320	264,282.5	7,560	303,965.8
Optimization of lighting and pipeline insulation	4,525.2	0	1,404	0	1,951.2	0

FUEL AND ENERGY RESOURCES SAVINGS FOR 2019–2021, GJ

Year	FER savings
2019	17,100 (10,538.27 t.f.e.)
2020	7,200 (14,055.28 t.f.e.)
2021	12,816 (9,923.42 t.f.e.)
Total	37,116 (34,516.97 t.f.e.)

The FER savings are due to the implementation of energy saving measures. In particular, in 2021 the initiative to implement the system of cleaning of axial compressor GPU at the CS Opporny (natural gas) LPM Opornenski MMGP Aktau ICA JSC was implemented.



RES at QazaqGaz facilities

Solar power stations with a capacity of

3.5 kW

were installed and commissioned at the treatment plant start-up units (TPSU) at AGDS Terenuzyak and AGDS Zhosaly (MGPM Kyzylorda).

ICA JSC facilities actively use RES through implemented heat pumps, which allow obtaining heat energy from geothermal sources. In addition, the Company has installed perimeter lighting with LED lights powered by solar energy. The source of solar energy generation is a photovoltaic converter. It is controlled by controllers.

The Company effectively uses the renewable energy sources (RES) introduced in the associations and alliances in previous years:



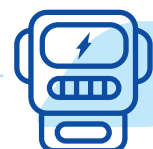
GPUs with low emission combustion system DLE (Dry low emission technology);



monocrystalline solar panels (batteries);



thermoelectric generators (Closed cycle vapor turbogenerator) operating in autonomous mode;



integrated automatic energy accounting system (IAEAS).

Plans for the medium term

The company is examining potential equipment upgrades that could have an energy saving and energy efficiency effect. A preliminary estimate of the energy saving potential through efficient use of FER is 14,000 t.f.e. for 2030.



BIODIVERSITY

GRI 304-1, GRI 304-2, GRI 304-3, GRI 304-4

As one of the leading companies in its industry, QazaqGaz recognizes its responsibility to preserve the biodiversity of local animal and plant species and their habitats and growth areas. It is a top priority for the Company to carry out its operations safely for local biosystems and QazaqGaz is therefore active in the field of biodiversity conservation.

Some of the Company's facilities are located in protected areas as well as areas adjacent to protected areas of the Republic of Kazakhstan. For example, the assets of ICA JSC are located on the territory of Syr Darya-Turkestan State Regional Nature Park, MGP Bukhara-Ural is adjacent to Mikhailovsky State Nature Reserve in Karabalyk District, and one of the assets of AGP JSC — MGP Kazakhstan-China — is adjacent to the South Kazakhstan Protected Zone.

LIST OF PROTECTED SPECIES OF FLORA AND FAUNA IN THE AREAS OF THE COMPANY'S OPERATIONS

Type of risk

Species on the verge of extinction

Species in a vulnerable position

Species close to vulnerable

Species with minimal risk of extinction

Type of individual

- steppe eagle *Aquila nipalensis* (Hodgson, 1833)
- White-headed duck *Oxyura leucocephala* (Scopoli, 1769)

- Goitered gazelle *Gazella subgutturosa* (Güldenstaedt, 1780)
- Steppe tortoise *Testudo horsfieldii* (Gray, 1844)
- Curly pelican *Pelecanus crispus* (Bruch, 1832)
- Mantis bolivaria short-winged *Bolivaria brachyptera* (Pallas, 1773)
- Bustard *Tetrax tetrax* little bustard (Linnaeus, 1758)

- Dragonfly Beauty-girl *Calopteryx virgo* (Linnaeus, 1758)
- European bog turtle *Emys orbicularis* (Linnaeus, 1758)

- Ladybug *Stethorus punctillum* (Weise, 1891)
- Bug arma alder *Arma custos* (Fabricius, 1794)
- Woody mantis *Hierodula tenuidentata* (Saussure, 1869)
- whooper swan *Cygnus cygnus* (Linnaeus, 1758)
- white-bellied sandgrouse *Pterocles alchata* (Linnaeus, 1766)
- Koranus short-winged *Coranus subapterus* (De Geer, 1773)



Implemented activities related to biodiversity conservation

The Company is working on assessment of biodiversity in accordance with the approved work plan for 2021-2022. Currently, assessment of fauna and flora in the territories of Atyrau, Mangistau, Aktobe, West Kazakhstan Oblasts and part of Turkestan region has been carried out. Assessment in Karaganda, Kostanay and Turkestan regions is also in progress.

Actions to prevent the death of birds and other wildlife



When carrying out overhaul work along high-voltage power lines, the Company provides for measures to exclude death of birds and other wildlife objects from collisions and electrocution by contact with wires, pole elements and other parts of electric installations. The identification and investigation of areas characterised by an increased risk of electrical installations to birds

is carried out in the course of special studies or as part of industrial environmental control. A total of

2,725

KM of bird protection devices have been installed on overhead lines above 1,000.

1,185

HECTARES

of disturbed land were reclaimed in 2021

The Company plans to plant 310,000 m² of green spaces at the Company's subsidiaries and affiliates in 2030. In addition, to reduce the negative impact of production activities, the Company is implementing a set of measures to reclaim disturbed land, which includes restoration of the terrain, soil and vegetation cover. In 2021, 1,185 hectares of disturbed land were reclaimed.

Also in the reporting year, a project to assess the condition of fauna in the areas where ICA JSC production facilities are located was completed. Based on the project results, the condition of the biocenosis is tentatively characterised as relatively stable, but an additional study is required for a full assessment, planned for 2022-2023.

Plans for 2022 and medium term

The Company plans to implement the following activities in the field of biodiversity conservation:

- obtain objective data on the current state of biodiversity in the adjacent areas and assess the anthropogenic

impact of production facilities on fauna and flora. By the end of 2022 the assessment will be made in the territories of Karaganda, Kostanay and Turkestan regions.

- identify the most characteristic factors of impact on the soil cover.

The work in this direction will be carried out in the territories of Aktobe, WKO, Atyrau, Mangistau, Karaganda, Kostanay and Turkestan regions. Final reports on this work will also be submitted by the end of 2022.

WATER RESOURCES

GRI 303-1

QazaqGaz considers rational use of water resources to be its most important task. In its activities, the Company seeks to reduce water consumption, increase the efficiency of water use and minimise the impact on natural water bodies.

QazaqGaz associations and alliances have internal standards for water resource management. The Company's water management document is based on adherence to the Environmental Code, Water Code and Tax Code of the Republic of Kazakhstan. This documented procedure establishes

uniform requirements for water resource management, defines corporate principles in this area and regulates water consumption activities. For example, based on this document, ICA JSC approved the Action Plan for 2020-2024 on possible reduction of fresh water use and wastewater

discharge, which includes projects to minimize water losses during transportation. In addition, a Statement of Commitment on Sustainable Water Management 8 Water Principles has been signed at ICA JSC. The company plans to set water consumption targets in Q1-2 2023.

THE COMPANY'S BASIC PRINCIPLES OF WATER MANAGEMENT

GRI 303-3





330,344

THOUSAND M³

the total water withdrawal of QazaqGaz

50

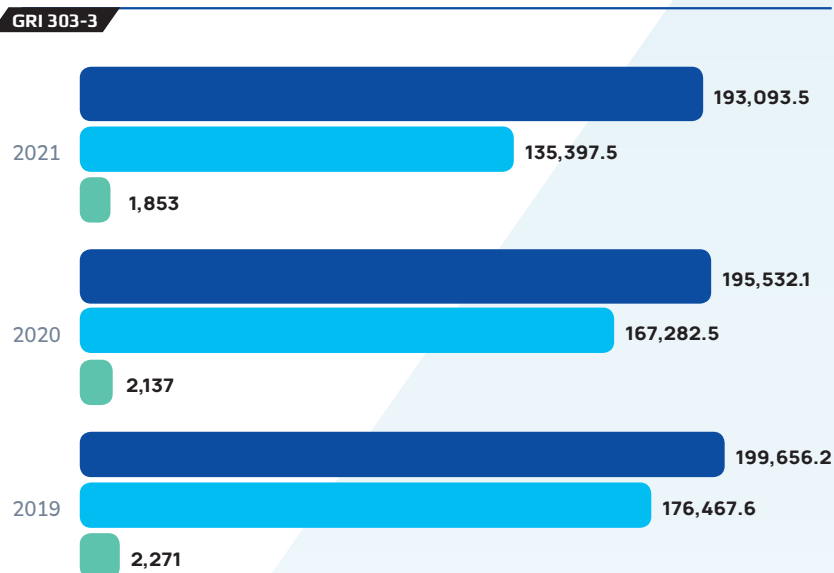
THOUSAND M³

the volume of water intake from the regions with observed water deficit in 2021

The total water withdrawal of QazaqGaz in 2021 was 330,344 thousand m³, which is 9.5% lower than in 2020. The main sources of water resources are surface water bodies (e.g., the Pyatimar reservoir) and underground sources (boreholes). The company does not withdraw water from marine sources. Some water is supplied to the enterprises by third parties, such as municipal and other water supply systems, on a contractual basis. Water is withdrawn for drinking, domestic, industrial and technical needs of the Company.

Part of the Company's enterprises withdraw water in regions where water resources are scarce; however, QazaqGaz does not go beyond the established water withdrawal limits and does not have a significant impact on water bodies. In the reporting year, the volume of water intake from the regions with observed water deficit was 50 thousand m³.

TOTAL WATER WITHDRAWALS BY SOURCE FOR 2019-2021, thousand m³



TOTAL WATER WITHDRAWAL BY TYPE OF INTAKE REGION FOR THE YEAR 2021, thousand m³

Associations and alliances	2021
Intergas Central Asia JSC	330,049
Beineu-Shymkent Gas Pipeline JSC	27
QazaqGaz Exploration and Production LLP	23
Asian Gas Pipeline LLP	245
Total	330,344

344.9

THOUSAND M³

the Company's wastewater discharge in 2021

GRI 303-5

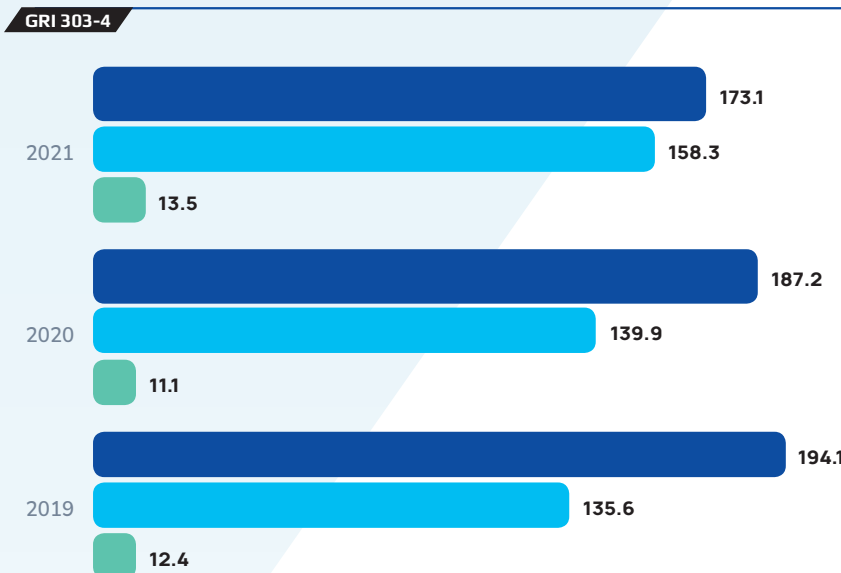
The Company's enterprises regularly assess the status of water resources to determine their impact on water resources. For example, groundwater limits are agreed every five years and a full stock reassessment is carried out every 25 years. There are also quarterly industrial environmental controls involving water sampling and pollutant analysis.

GRI 303-4

Domestic wastewater is discharged to a sewage treatment plant where the biological treatment process takes place. The treated and decontaminated wastewater is discharged to filtration fields and/or evaporation ponds. Wastewater discharges at the treatment plant are monitored on an ongoing basis to determine their performance, as well as at the filtration fields and evaporation ponds.

In 2021, the Company's wastewater discharge amounted to 344.9 thousand m³, which is 2% higher than in 2020. In the reporting year, the Company did not exceed the norms of permissible discharges approved by the state authorities in the field of environmental protection. The chemical composition of discharged wastewater does not contain heavy metals and complies with statutory standards.

TOTAL WASTEWATER DISCHARGES BY RECEIVING FACILITY FOR 2019 — 2021, thousand m³



DYNAMICS OF WATER CONSUMPTION FOR 2019-2021, thousand m³





WASTE MANAGEMENT

GRI 306-3, GRI 306-2

QazaqGaz is dedicated to the development of waste management practices to minimise the negative impact on the environment. The Company has a Production and Consumption Waste Management Programme, which includes measures aimed at improving waste management practices.

WASTE MANAGEMENT STEP BY STEP PROCESS

4,586

▲ 40%

TONS

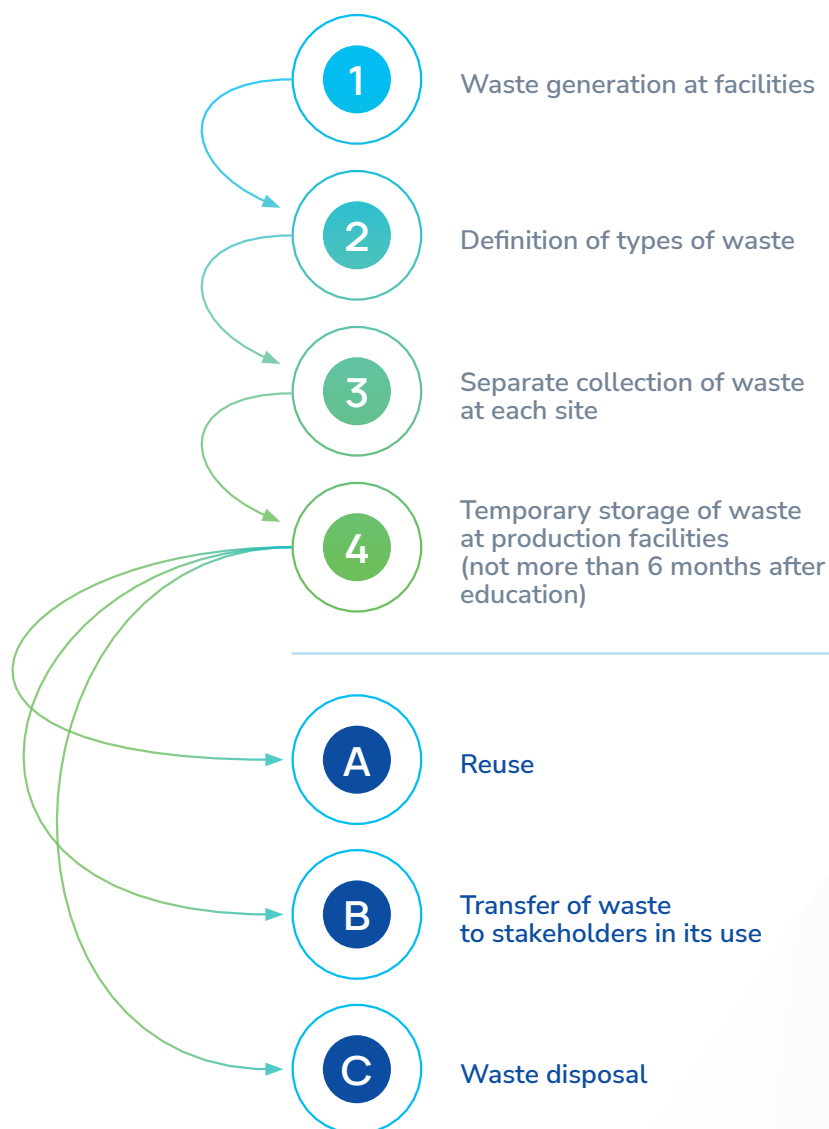
total waste generation for 2021

At the level of association and alliance, the Company has documented procedures that regulate waste management processes. Such processes include:

- provision of reliable information on the sources and volumes of waste generation by subsidiaries and affiliates;
- waste accounting and assessment of the degree of their impact on the environment;
- organisation of waste management, including waste disposal.

GRI 306-1, GRI 306-3

Total waste generation for 2021 amounted to 4,586 tons, which is 40% more than in the previous year.



498,1

TONS

of waste were transferred for disposal in 2021

All of the Company's waste is transferred on a contractual basis to specialised licensed organisations for disposal or burial. In 2021, 498.1 tons of waste were transferred for disposal.

Compliance with environmental requirements in waste management is ensured by:

- organising separate collection and disposal of recyclable waste fractions;
- organising regular transportation of waste to temporary storage and recycling sites and its disposal in landfills;
- encouraging separate collection of organic waste and its recycling;
- organising compulsory separation of construction waste from other types of waste directly at the construction site or at a special place and ensuring that construction waste is not mixed with other types of waste;
- prohibiting mixing of different types of waste with other types or special additives;
- preventing the unauthorised burning of waste;
- creating conditions for associations and alliances to transfer their waste management obligations to the owners of waste processing facilities by entering into contracts with specialised companies in a timely manner;
- organisation of the system of timely provision of reliable information on waste management to the authorised body in the field of environment protection.

TOTAL WASTE GENERATION BY HAZARDOUS AND NON-HAZARDOUS WASTE, tons¹⁴

GRI 306-3



TOTAL AMOUNT OF WASTE DISPOSED OF 2019-2021 BY HAZARDOUS AND NON-HAZARDOUS WASTE, tons

GRI 306-5



¹⁴ The increase in generating hazardous waste is associated with a change in the procedure for waste registration in accordance with the Environmental Code. Thus, drilling, construction and repair waste is now registered with the operator of the facility, and not with service companies.

APPENDICES

Appendix 1. About the report

GRI 102-44, GRI 102-45, GRI 102-46, GRI 102-47, GRI 102-48, GRI 102-49, GRI 102-50, GRI 102-52, GRI 102-54

NC QazaqGaz JSC discloses environmental, economic and social indicators in the Integrated Annual Report (hereinafter – the Report). With the Report, the Company reveals its strategy, goals and objectives, distribution efficiency, gas production, and ultimately the development of a sustainable business model, which increases the value of the Report to the public. The report was prepared in accordance with the sustainability reporting standards of the Global Reporting Initiative (hereinafter GRI) and the International Integrated Reporting Framework. The report was published in Kazakh, Russian and English.

Reporting period

The financial accounting and performance data presented in the Report covers information from January 1, 2021 to December 31, 2021, compared to the same period in 2020 and 2019. This is the first Integrated Annual Report QazaqGaz, published after obtaining the status of a national company.

Scope and reporting boundaries

The scope of reporting covers QazaqGaz’s performance on various environmental, economic, social management parameters in all regions of operation. The information presented in the Report discloses the sustainability performance of the following QazaqGaz assets, unless otherwise stated in the body of the Report.

ASSETS INCLUDED IN THE REPORT

Legal names	Region	Activity
Kaztransgaz Aymak JSC	Republic of Kazakhstan, city of Astana	Gas transmission and distribution pipeline services, marketing, purchase and sale of gas to consumers.
Intergas Central Asia JSC	Republic of Kazakhstan, city of Aktau	It operates three underground gas storage facilities and two main gas pipeline systems.
Kaztransgaz Onimder LLP	Republic of Kazakhstan, Kyzylorda and Almaty cities	Provision of transport services, construction and installation work, sales of compressed natural gas.
QazaqGaz Exploration and Production LLP	The Republic of Kazakhstan, Astana city	Production of natural gas and gas condensate, geological exploration and survey activities, exploratory drilling at the Partnership’s production facilities and wholesale of natural gas.
Asian Gas Pipeline LLP	Republic of Kazakhstan, Almaty city	Project aimed at ensuring the transit of Turkmen and Uzbek gas in the direction of the People’s Republic of China. Implementation of export of Kazakh gas to the People’s Republic of China, as well as uninterrupted supply of gas to the southern regions of Kazakhstan.
Beineu Shymkent Gas Pipeline LLP	Republic of Kazakhstan, Almaty city	The project provides natural gas to the southern regions of Kazakhstan, allows diversification of export supplies of Kazakh gas, ensures the energy security of the Republic of Kazakhstan, and creates a unified gas transportation system.
KazRosGas LLP	Republic of Kazakhstan, Almaty city	The company is engaged in the marketing, processing, transportation and sale of Kazakhstani natural gas and its refined products on the domestic and foreign markets.








Essential topics

In the process of formulating and identifying material topics to be disclosed in the report, we were guided by the strategic priorities and commitments in the area of sustainable development, the most topical issues in the Kazakh and international context, as well as requests and recommendations received from stakeholders. We analysed 17 significant UN topics in terms of relevance and included the 7 most important ones, which we invited the Company’s stakeholders to assess through a traditional survey. We asked each of the participants to rate the importance of a particular topic.

The process of identifying essential topics and their classification

- | | | |
|--|---|--|
| <p>1. Sources</p> <ul style="list-style-type: none"> → comments from QazaqGaz employees; → results of a sustainability roadmap prepared by an external consulting firm. | <p>2. Selection criteria</p> <ul style="list-style-type: none"> → compliance with the strategy and commitments of QazaqGaz in the field of sustainable development; → significance of the economic, environmental and social impact of QazaqGaz in the Republic of Kazakhstan; | <ul style="list-style-type: none"> → importance of the topic for stakeholders in assessing the activities of QazaqGaz in Kazakhstan and making decisions. |
|--|---|--|

FINAL RESULT: THE 7 PRINCIPLES OF THE UN SDGS, BROKEN DOWN INTO 20 SUBSTANTIVE THEMES

<p>Social aspect</p>  <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Good health and wellbeing</p> <ul style="list-style-type: none"> → Occupational and Industrial Safety → Consumer health and safety → Personnel training and development 	<p>Environmental aspect</p>  <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Affordable and clean energy</p> <ul style="list-style-type: none"> → Energy → Effluent and waste → Water 	<p>Corporate Governance</p>  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Decent work and economic growth</p> <ul style="list-style-type: none"> → Anti-corruption → Economic Performance → Taxation
 <p>5 GENDER EQUALITY</p> <p>Gender equality</p> <ul style="list-style-type: none"> → Employment → Employee and Labor Relations → Diversity and Equal Opportunity → Non-discrimination → Local communities 	 <p>13 CLIMATE ACTION</p> <p>Fight against climate change</p> <ul style="list-style-type: none"> → Bio diversity → Emissions and climate change 	
 <p>Other topics</p> <ul style="list-style-type: none"> → Response to the COVID-19 pandemic → Emergency Preparedness and Response → Science and innovation → Procurement practices 	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Sustainable cities and communities</p> <ul style="list-style-type: none"> → Regulatory Compliance 	



182 Appendix 2. Index of GRI Standards Disclosures in the report

GRI 102-55

Indicator	Description	Section in the report	Disclosure	Reporting boundaries	Comment
102-1	Organization name	Company overview, History of the company	Fully	NC QazaqGaz JSC	
102-2	Activities, brands, products and services	Company overview, Business model	Fully	NC QazaqGaz JSC	
102-3	Organization headquarters location	Appendix 5. Contact information	Fully	NC QazaqGaz JSC	
102-4	Geography of activity	Company overview, Geography and activities of the Company	Fully	NC QazaqGaz JSC	
102-5	Nature of ownership and legal form	Company overview, Asset structure	Fully	NC QazaqGaz JSC	
102-6	Markets in which the organization operates	Company overview, Geography and activities of the Company	Partially	NC QazaqGaz JSC	
102-7	Scale of organization	Company overview, Business model	Partially	NC QazaqGaz JSC	
102-8	Employee Information	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	GRI 102-8 is disclosed taking into account the specifics of the Company. For example, the Company does not have seasonal work, there has not been a significant decrease or increase in the number of employees. There were no significant changes during the transformation.
102-9	Supply chain	Social aspect, Human, Procurement management	Fully	NC QazaqGaz JSC	
102-10	Significant changes in the organization and supply chain	Social aspect, Human, Procurement management	Fully	NC QazaqGaz JSC	
102-11	Application of the Precautionary Principle	Risk management strategy, Risk management and internal control	Fully	NC QazaqGaz JSC	The company, before launching projects, conducts a risk analysis, impact assessment and potential consequences. When identifying which measures are developed to reduce them, up to the decision to abandon the project, thereby implementing the precautionary principle
102-12	External initiatives	Sustainable Development Governance, Sustainable development management approach	Fully	NC QazaqGaz JSC	
102-13	Membership in associations	Sustainable Development Governance, Participation in associations and adherence to international principles	Fully	NC QazaqGaz JSC	
102-14	Statement from the most senior decision maker in the organization	Leadership	Fully	NC QazaqGaz JSC	
102-15	Key impacts, risks and opportunities	Risk management strategy, Risk management and internal control	Fully	NC QazaqGaz JSC	
102-16	Values, principles, standards, norms of behavior	Corporate governance, Corporate ethics	Fully	NC QazaqGaz JSC	

Indicator	Description	Section in the report	Disclosure	Reporting boundaries	Comment
102-17	Ethics consultation and reporting mechanisms	Corporate governance, Corporate ethics	Fully	NC QazaqGaz JSC	
102-18	Structure of corporate governance bodies	Corporate Governance, Corporate governance structure	Fully	NC QazaqGaz JSC	
102-19	Delegation of authority	Corporate Governance, Corporate governance structure	Fully	NC QazaqGaz JSC	
102-20	Management responsibility for economic, environmental and social issues	Corporate Governance, Corporate governance structure	Fully	NC QazaqGaz JSC	
102-21	Stakeholder advice on economic, environmental and social issues	Sustainable Development governance, Stakeholder Engagement	Fully	NC QazaqGaz JSC	
102-22	Composition of the highest corporate governance body and its committees	Corporate Governance, Board of Directors	Partially	NC QazaqGaz JSC	
102-35	Reward Rules	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
102-36	The procedure for determining the amount of remuneration	Social aspect, Human Resources and Social Policy	Fully	NC QazaqGaz JSC	The Company does not involve external consultants in determining the remuneration, in this regard, paragraph C does not apply.
102-40	List of stakeholder groups	Social aspect, Human Resources and Social Policy	Fully	NC QazaqGaz JSC	
102-41	Collective agreements	Social aspect, Human Resources and Social Policy	Fully	NC QazaqGaz JSC	
102-42	Stakeholder Identification and Selection	Sustainable Development governance, Stakeholder Engagement	Fully	NC QazaqGaz JSC	
102-43	Organization approach to interaction with stakeholders	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
102-44	Key themes and concerns raised by stakeholders	Appendix 1. About the report	Fully	NC QazaqGaz JSC	
102-45	Legal entities included in the entity's consolidated financial statements.	Appendix 1. About the report	Fully	NC QazaqGaz JSC	
102-46	Defining report content and topic boundaries	Appendix 1. About the report	Partially	NC QazaqGaz JSC	
102-47	List of material topics	Appendix 1. About the report	Fully	NC QazaqGaz JSC	
102-48	Data revision (in case of M & A, Company transformation)	Appendix 1. About the report	Fully	NC QazaqGaz JSC	This is the first Integrated annual report of QazaqGaz
102-49	Reporting changes	Appendix 1. About the report	Fully	NC QazaqGaz JSC	This is the first Integrated annual report of QazaqGaz
102-50	Reporting period	Appendix 1. About the Report	Fully	NC QazaqGaz JSC	
102-51	Date of release of the previous report	Not applicable	Fully	NC QazaqGaz JSC	This is the first Integrated annual report of QazaqGaz
102-52	Reporting cycle	Appendix 1. About the Report	Fully	NC QazaqGaz JSC	
102-53	Contact details for questions regarding the report and its content	Appendix 5. Contact information	Fully	NC QazaqGaz JSC	



Indicator	Description	Section in the report	Disclosure	Reporting boundaries	Comment
102-54	Statement of compliance of the report with the Reporting Standards in the field of sustainable development (GRI Standards)	Appendix 1. About the Report	Fully	NC QazaqGaz JSC	
102-55	GRI content index	Appendix 2. Index of GRI Standards Disclosures in the Report	Partially	NC QazaqGaz JSC	
102-56	External assurance	Not applicable	Fully	NC QazaqGaz JSC	No external assurance
103-1	Explanation of material topics and their boundaries	In each material topic of the Integrated Annual Report	Partially	NC QazaqGaz JSC	
103-2	Management approach and its components	In each material topic of the Integrated Annual Report	Partially	NC QazaqGaz JSC	
103-3	Evaluation of the management approach	In each material topic of the Integrated Annual Report	Partially	NC QazaqGaz JSC	
201-1	Generated and distributed direct economic value	Risk Management strategy, Direct Economic Value Generated and Distributed	Fully	NC QazaqGaz JSC	
202-1	The ratio of standard entry-level wages for employees of different sexes to the established minimum wage in the regions of operation of the organization	Risk Management strategy, Direct Economic Value Generated and Distributed	Partially	NC QazaqGaz JSC	
202-2	Percentage of senior managers represented by the local population	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
203-1	Investments in infrastructure and gratuitous services	Social aspect, Social stability	Partially	NC QazaqGaz JSC	
204-1	Share of purchases from local suppliers	Social aspect, Human, Procurement management	Fully	NC QazaqGaz JSC	
205-1	Operations assessed for risks related to corruption	Corporate governance, Anti-corruption	Fully	NC QazaqGaz JSC	
205-2	Communication and training about anti-corruption policies and procedures	Corporate governance, Corporate ethics Anti-corruption	Fully	NC QazaqGaz JSC	
205-3	Confirmed incidents of corruption and measures taken	Corporate governance, Anti-corruption	Fully	NC QazaqGaz JSC	No cases of corruption among employees of QazaqGaz and subsidiaries were registered in 2021
207-1	Approach to taxation	Financial and operational results, Significant factors affecting the Group's performance	Partially	NC QazaqGaz JSC	
207-2	Tax management, risk management and control	Financial and operational results, Tax policy	Partially	NC QazaqGaz JSC	
207-3	Stakeholder Engagement and Tax Management	Company overview, Operating and financial results, Tax policy	Fully	NC QazaqGaz JSC	

Indicator	Description	Section in the report	Disclosure	Reporting boundaries	Comment
302-1	Energy consumption within an organization	Environmental aspect, Energy management	Fully	NC QazaqGaz JSC	
302-3	Energy intensity	Environmental aspect, Energy management	Partially	NC QazaqGaz JSC	
302-4	Reducing energy consumption	Environmental aspect, Energy management	Partially	NC QazaqGaz JSC	
302-5	Reducing the energy intensity of products and services	Environmental aspect, Energy management	Partially	NC QazaqGaz JSC	
303-1	Responsible management of water resources as a common resource	Environmental aspect, Water resources	Partially	NC QazaqGaz JSC	
303-2	Wastewater impact management	Environmental aspect, Water resources	Partially	NC QazaqGaz JSC	
303-3	water intake	Environmental aspect, Water resources	Partially	NC QazaqGaz JSC	
303-4	Resets	Environmental aspect, Water resources	Partially	NC QazaqGaz JSC	
303-5	Water consumption	Environmental aspect, Water resources	Partially	NC QazaqGaz JSC	
304-1	Production sites owned, leased or managed by the organization and located in protected natural areas and areas of high biodiversity value, located outside the boundaries of protected natural areas or adjacent to such areas	Environmental aspect, Biodiversity	Partially	NC QazaqGaz JSC	
304-3	Protected or restored habitats	Environmental aspect, Biodiversity	Partially	NC QazaqGaz JSC	
304-4	Species included in the Red List of the International Union for Conservation of Nature (IUCN) and the national list of protected species, the habitats of which are located in the territory affected by the activities of the organization	Environmental aspect, Biodiversity	Fully	NC QazaqGaz JSC	
305-1	Direct greenhouse gas emissions (Scope 1)	Environmental aspect, Climate change	Partially	NC QazaqGaz JSC	Calculation was made for the production segment of transportation, including BSGP, ICA, AGP and KazTransGasAymak JSC
305-2	Indirect Energy Emissions of Greenhouse Gases (Scope 2)	Environmental aspect, Climate change	Partially	NC QazaqGaz JSC	Calculation was made for the production segment of transportation, including BSGP, ICA, AGP and KazTransGasAymak JSC
305-4	Greenhouse gas emission intensity	Environmental aspect, Climate change	Partially	NC QazaqGaz JSC	Calculation was made for the production segment of transportation, including BSGP, ICA, AGP and KazTransGasAymak JSC
305-5	Reducing greenhouse gas emissions	Environmental aspect, Climate change	Partially	NC QazaqGaz JSC	



Indicator	Description	Section in the report	Disclosure	Reporting boundaries	Comment
305-6		Environmental aspect, Emissions into the atmosphere	Fully	NC QazaqGaz JSC	The Company does not emit ozone-depleting substances
305-7	Air emissions of nitrogen oxides (NOx) and sulfur (SOx) and other significant pollutants	Environmental aspect, Emissions into the atmosphere	Partially	NC QazaqGaz JSC	
306-2	Management of significant waste-related impacts	Environmental aspect, Waste management	Partially	NC QazaqGaz JSC	
306-3	Waste generation	Environmental aspect, Waste management	Partially	NC QazaqGaz JSC	
306-5	Waste sent for recycling	Environmental aspect, Waste management	Partially	NC QazaqGaz JSC	
307-1	Fines, non-financial sanctions imposed for non-compliance with environmental laws and regulations	Environmental aspect, Environmental management system	Fully	NC QazaqGaz JSC	
401-1	Total number of new employees and employee turnover	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
401-2	Benefits provided to full-time employees that are not available to temporary or part-time employees	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
401-3	Holiday to care for the child	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
403-1	Occupational Health and Safety Management System	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
403-2	Hazard identification, risk assessment and incident investigation	Company overview, Market Review Social aspect, Occupational health, industrial safety and emergencies preparedness	Partially	NC QazaqGaz JSC	
403-4	Employee engagement, surveys and communication on health and safety issues	Social aspect, Occupational health, industrial safety and emergencies preparedness	Fully	NC QazaqGaz JSC	
403-5	Training of employees in the field of labor protection	Social aspect, Occupational health, industrial safety and emergencies preparedness	Fully	NC QazaqGaz JSC	

Indicator	Description	Section in the report	Disclosure	Reporting boundaries	Comment
403-7	Prevention and mitigation of negative impacts in the field of health and safety, directly related to the business relations of the organization	Social aspect, Occupational health, industrial safety and emergencies preparedness	Fully	NC QazaqGaz JSC	
403-8	Employees covered by the H&S management system	Social aspect, Occupational health, industrial safety and emergencies preparedness	Partially	NC QazaqGaz JSC	
403-9	Industrial injuries	Social aspect, Occupational health, industrial safety and emergencies preparedness	Partially	NC QazaqGaz JSC	
403-10	Occupational diseases	Social aspect, Occupational health, industrial safety and emergencies preparedness	Fully	NC QazaqGaz JSC	No cases of occupational diseases were recorded
404-1	Average annual training hours per employee	Social aspect, Human Resources and Social Policy	Fully	NC QazaqGaz JSC	
404-2	Employee development and career change support programs	Social aspect, Human Resources and Social Policy	Fully	NC QazaqGaz JSC	
404-3	Percentage of employees receiving periodic performance and career development reviews	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
405-1	Sociocultural diversity of governing bodies and employees	Social aspect, Human Resources and Social Policy	Fully	NC QazaqGaz JSC	
405-2	The ratio of the minimum wage of women and men	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
406-1	Incidents of discrimination and measures taken	Social aspect, Human Resources and Social Policy	Fully	NC QazaqGaz JSC	There were no cases of discrimination
407-1	Business units and suppliers where the right to exercise freedom of association and collective bargaining may be at risk	Social aspect, Human Resources and Social Policy	Partially	NC QazaqGaz JSC	
413-1	Units that implement programs of interaction with local communities, assessment of the impact of activities on local communities and development of local communities	Social aspect, Regional economic impact	Partially	NC QazaqGaz JSC	



Appendix 3. Consolidated Financial Statements

For the year ended 31 December 2021 with independent auditor's report

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Independent auditor's report

To the Shareholder, Board of Directors and Management of NC KazTransGas JSC

Opinion

We have audited the consolidated financial statements of NC KazTransGas JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

A member firm of Ernst & Young Global Limited



Key audit matter

How our audit addressed the key audit matter

VAT recoverable

As at 31 December 2021, the Group has a significant balance of VAT recoverable of 82 billion tenge, which mainly originated from loss-making sales of gas on the domestic market. The assessment of recoverability of this asset requires significant judgment and assumptions regarding the future increase in the regulated domestic gas sales prices that will enable the Group to generate profits on domestic sales of gas resulting in VAT payable to be offset against VAT recoverable. Therefore, this matter was one of the matters of most significance in our audit.

Information associated with the VAT recoverable balance is disclosed in **Notes 2 and 9** to the consolidated financial statements.

We obtained understanding of the provisions of the Tax code regarding limitations of the period for offsetting VAT recoverable.

We analyzed management's plans with respect to measures to be undertaken to increase tariffs for domestic gas sales that will result in positive margin on the domestic gas sales.

We considered the Group's correspondence with the Ministry of National Economy regarding the revision to the domestic gas sales price determination methodology to enable positive margin on the domestic sales of gas.

We evaluated the consistency of management's plans with the Group Development Strategy of the Parent.

Gas pipeline abandonment and site restoration provision

We considered this matter to be one of the most significance in our audit because the calculation of gas pipeline abandonment and site restoration provision requires significant judgment due to the inherent complexity in estimating future costs and due to the significance of this liability to the consolidated financial statements. The Group's estimation of gas pipeline abandonment and site restoration provision incorporates the effects of expected approach to decommissioning and discount rates, effects of changes in local regulations along with the effects of changes in inflation.

Information associated with gas pipeline abandonment and site restoration is disclosed in **Notes 2 and 18** to the consolidated financial statements.

Our procedures involved obtaining understanding of legal and constructive obligations with respect to the decommissioning process based on the contractual arrangements, relevant local regulation and existing business practice. We considered the competence and objectivity of the experts involved by the Group for making future cost estimates. We analyzed the calculations and evaluated the discount rate and inflation rate used.



Compliance with loan covenants

In accordance with the terms of certain financing arrangements, the Group should maintain and comply with certain financial and non-financial covenants. Breaching covenants could result in significant fines and penalties along with loans becoming immediately due and payable. In addition, cross default provisions are in place under the Group's financing arrangements. Compliance with covenants was one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of the liabilities under financing arrangements in the consolidated statement of financial position.

Information about loan covenants is disclosed in **Note 16** to the consolidated financial statements.

We examined the terms of financing arrangements. We compared data used in the financial covenants compliance calculations with the consolidated financial statements. We assessed arithmetic accuracy of financial covenants calculations. We assessed the classification of interest-bearing loans as current or non-current liabilities. We assessed the information disclosed in **Note 16** to the consolidated financial statements. In addition, we analyzed non-financial covenants under the Group's financing arrangements.

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP


Paul Cohn
Audit Partner


Dana Alibekova
Auditor

Auditor qualification certificate
No. МФ-0000418 dated 13 January 2017

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

25 February 2022


Rustamzhan Samirov
General Director
Ernst and Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 As at 31 December 2021

In thousands of tenge	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	4	997.880.307	990.109.905
Exploration and evaluation assets	5	19.566.926	17.366.269
Right-of-use assets		4.307.761	6.664.395
Intangible assets		6.240.856	6.565.366
Investments in joint ventures	6	687.216.423	429.727.471
Advances paid for non-current assets	7	62.885.829	9.954.406
Loans to related party	8	174.198.768	169.752.081
VAT recoverable	9	51.259.217	82.189.267
Deferred tax assets	27	890.484	1.529.479
Other non-current financial assets		2.586.015	4.909.993
Other non-current assets		535.110	1.011.219
Bank deposits	10	3.216.905	4.424.954
		2.010.784.601	1.724.204.805
Current assets			
Inventories	12	36.224.066	34.331.863
Trade and other receivables	13	190.432.566	151.001.098
Advances paid	7	17.453.918	11.139.389
Loans to related party	8	2.461.648	2.399.147
Prepaid taxes other than income tax	9	35.843.465	63.873.646
Corporate income tax prepaid	27	4.582.882	34.288.692
Other current assets		324.435	273.883
Bank deposits	10	13.012.956	28.744
Cash and cash equivalents	11	382.704.384	246.299.557
		683.040.320	543.636.019
Assets held for sale	4	40.377.593	42.241.262
		723.417.913	585.877.281
Total assets		2.734.202.514	2.310.082.086

In thousands of tenge	Notes	31 December 2021	31 December 2020
Equity and liabilities			
Equity			
Share capital	14	417.780.839	417.780.839
Additional paid-in capital	14	25.946.130	25.946.130
Foreign currency translation reserve		2.410.861	2.028.278
Retained earnings		1.341.498.282	942.677.368
		1.787.636.112	1.388.432.615
Non-current liabilities			
Debt securities issued	15	308.957.063	301.085.510
Interest bearing loans	16	151.609.971	167.977.800
Loans from related party	17	14.693.646	-
Employee benefit obligations		454.433	474.235
Provisions	18	92.146.847	82.802.670
Other non-current financial liabilities		4.393.483	8.401.702
Non-current contract liabilities	19	11.564.233	8.865.059
Deferred tax liabilities	27	79.222.667	59.970.011
		663.042.343	629.576.987
Current liabilities			
Debt securities issued	15	3.527.569	3.440.968
Interest bearing loans	16	20.614.260	20.319.501
Loans from related party	17	7.164.345	318.236
Provisions	18	31.723.046	32.456.813
Trade and other payables	20	180.907.097	204.911.548
Corporate income tax payable	27	95.443	-
Taxes payable other than income tax		3.134.294	4.871.841
Contract liabilities	19	8.569.659	6.212.608
Other current financial liabilities		13.545.937	8.751.743
Other current liabilities	21	14.242.409	10.789.226
		283.524.059	292.072.484
Total equity and liabilities		2.734.202.514	2.310.082.086

Deputy of Chairman of the Management Board on economics and finance

Chief Accountant





CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of tenge	Notes	2021	2020
Revenue from contracts with customers	22	896.255.211	945.520.103
Cost of sales	23	(704.326.756)	(836.211.530)
Gross profit		191.928.455	109.308.573
General and administrative expenses	24	(32.451.455)	(30.450.733)
Impairment of allowance for expected credit losses		(130.323)	(419.169)
Other operating income	25	15.707.547	6.270.648
Other operating expenses		(8.771.575)	(4.669.141)
Operating profit		166.282.649	80.040.178
Finance income	26	26.546.764	21.765.863
Finance costs	26	(42.278.978)	(36.911.326)
Share in income of joint ventures	6	319.114.361	230.380.073
Foreign exchange loss, net		(2.088.727)	(7.745.552)
Profit before income tax		467.576.069	287.529.236
Income tax expenses	27	(67.383.513)	(21.026.785)
Net profit for the year		400.192.556	266.502.451
Attributable to:			
Equity holders of the parent		400.192.556	266.502.451
Other comprehensive income			
Comprehensive income to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations	6	382.583	1.482.129
Net comprehensive income to be reclassified to profit and loss in subsequent periods		382.583	1.482.129
Comprehensive income not to be reclassified to profit and loss in subsequent periods			
Revaluation of defined payment schemes — actuarial gain		7.275	39.116
Impact of income tax expense	27	(1.455)	(7.824)
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		5.820	31.292
Other comprehensive income for the year, net of income tax		388.403	1.513.421
Total comprehensive income for the year, net of income tax		400.580.959	268.015.872
Attributable to:			
Equity holders of the parent		400.580.959	268.015.872
Earnings per share			
Basic and diluted, earnings per share for the year attributable to the parent	14	1,07	0,75

Deputy of Chairman of the Management Board on economics and finance

Zhanizak T. Zh.

Meldekhanov B.N.

Chief Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of tenge	Notes	2021	2020
Cash flows from operating activities			
Receipts from customers		913.531.754	1.047.083.740
Interest received		18.599.500	14.178.185
Taxes refund from Tax authorities		75.258.327	35.065.694
Proceeds from suppliers under the arbitration award	23	134.750.060	-
Other receipts		4.229.685	4.941.034
Payments to suppliers		(796.179.828)	(855.932.642)
Income tax paid		(15.845.150)	(25.014.763)
Other taxes and payments		(36.821.166)	(38.679.490)
Interest paid	30	(31.074.886)	(27.668.138)
Payments to employees		(50.549.438)	(45.556.778)
Other payments		(13.200.334)	(6.008.466)
Net cash flows from operating activities		202.698.524	102.408.376
Cash flows from investing activities			
Withdrawal of bank deposits		37.050.017	1.275.120
Proceeds from sale of property, plant and equipment and intangible assets		41.342.911	41.964.636
Dividends received from joint ventures		58.251.774	53.820.848
Proceeds from reverse repurchase transactions		18.120.354	-
Loans repaid by related party		-	48.132.457
Proceeds from sale of a subsidiary		-	16.954
Investments in joint ventures		(210.219)	-
Purchase of long-term financial assets		(673.261)	(927.702)
Placement of bank deposits		(47.113.432)	(844.512)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		(134.278.949)	(71.954.983)
Acquisition of a subsidiary, net of cash acquired		-	(24.894)
Settlement of reverse repurchase transactions		(18.120.354)	-
Net cash flows (used in) / from investing activities		(45.631.159)	71.457.924
Cash flows from financing activities			
Proceeds from issue of common shares	14	-	1.000.151
Proceeds on interest bearing loans and debt securities issued	16, 17, 30	-	92.483.064
Proceeds on loans from related party	17, 30	24.104.026	318.236
Repayments of interest bearing loans and debt securities issued	16, 17, 30	(18.820.911)	(123.842.392)
Repayments of loans from related party	17, 30	-	(14.881.897)
Dividends paid	14	-	(3.111)
Payments on lease obligations	30	(30.323.221)	(2.440.580)
Loan arrangement fee		-	(1.312.869)
Other payments on operations with the Shareholder	14	-	(1.069.860)
Net cash flows used in financing activities		(25.040.106)	(49.749.258)
Net foreign exchange difference on cash and cash equivalents		4.377.568	8.017.156
Net change in cash and cash equivalents		136.404.827	132.134.198
Cash and cash equivalents, at the beginning of the year	11	246.299.557	114.165.359
Cash and cash equivalents, at the end of the year	11	382.704.384	246.299.557

Deputy of Chairman of the Management Board on economics and finance

Zhanizak T. Zh.

Meldekhanov B.N.

Chief Accountant

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021

In thousands of tenge	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
As at 31 December 2019	192.623.055	250.384.811	546.149	693.053.481	1.136.607.496
Net profit for the year	-	-	-	266.502.451	266.502.451
Other comprehensive income for the year	-	-	1.482.129	31.292	1.513.421
Total comprehensive income for the year	-	-	1.482.129	266.533.743	268.015.872
Common shares issued (Note 14)	225.157.784	(207.115.482)	-	(17.042.151)	1.000.151
Dividends paid (Note 14)	-	-	-	(3.111)	(3.111)
Other transactions with the Shareholder (Note 14)	-	(17.323.199)	-	135.406	(17.187.793)
As at 31 December 2020	417.780.839	25.946.130	2.028.278	942.677.368	1.388.432.615
Net profit for the year	-	-	-	400.192.556	400.192.556
Other comprehensive income for the year	-	-	382.583	5.820	388.403
Total comprehensive income for the year	-	-	382.583	400.198.376	400.580.959
Other transactions with the Shareholder	-	-	-	(1.377.462)	(1.377.462)
As at 31 December 2021	417.780.839	25.946.130	2.410.861	1.341.498.282	1.787.636.112

Deputy of Chairman of the Management Board on economics and finance



Zhanisbek T. Zh.

Meldekhanov B.N.

Chief Accountant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

The accompanying consolidated financial statements include the financial statements of NC KazTransGas JSC (the "Company", "KTG" or "parent") and its subsidiaries (hereinafter collectively referred to as the "Group") (Note 2).

KTG is a joint stock company established in accordance with the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 173 dated 5 February 2000 and was registered as a closed joint stock company on 13 March 2000. On 9 June 2004, the Company was re-registered as a joint stock company under the laws of the Republic of Kazakhstan. The Group's head office is registered in the Republic of Kazakhstan, Astana, Yesil district, Alikhan Bokeykhan avenue, 12.

As at 31 December 2020 NC KazMunayGas JSC ("KazMunayGas" or "KMG") was the sole shareholder of KTG. The Government as represented by "Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") owns 90% minus 1 (one) share of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna were considered as related parties of the Company and the Group. On November 8, 2021, in accordance with the Decree of the Government of the Republic of Kazakhstan «On the Alienation of a Strategic Object», KazMunayGas made a deal to alienate a 100% stake in KTG in favor of Samruk-Kazyna. As a result, as at 31 December 2021 Samruk-Kazyna is the sole shareholder of KTG, and all subsidiaries of Samruk-Kazyna are considered as related parties of the Company and the Group (Note 28).

In accordance with the Resolution of the Government of the RK No. 914 dated 5 July 2012, KTG was appointed as the national operator in the area of gas and gas supply. By the Decree of the Government of the Republic of Kazakhstan dated 30 November 2021 No. 852, KTG was given the status of a National Company. The Group's main activities are aimed to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Group also include the following:

- managing of investment activities for the overall development of the main gas pipeline system within Kazakhstan;
- managing of investment activities for gas fields development within Kazakhstan;
- providing consultancy services in research and development for gas industry;
- sale of gas to the external and local markets;
- participation in the development and implementation of state programs for the gas industry development.

The Group's operating activities are regulated by the Law of the Republic of Kazakhstan [On Natural Monopolies](#) (the "Law") as the Group is a natural monopolist in transportation and supply of gas on domestic market. According to the Law, the Group's tariffs related to gas transportation and sales on domestic market are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan

As at 31 December 2021, the Group has commitments in the amount of 43,712,759 thousand tenge under approved investment programs for 2021-2026 (31 December 2020: 17,909,503 thousand tenge).

Deputy of Chairman of the Management Board on economics and finance and Chief accountant authorized the accompanying consolidated financial statements for the issuance on 25 February 2022.

Exploration and production of hydrocarbons

In December 2000, the Group signed a Contract with the Investment agency of the Republic of Kazakhstan on exploration and production of hydrocarbons on North-Ucharal, Ucharal-Kempirtobe territories and blocks XXXIII-48, XXXIII-49, XXXIV-49, XXXIV-50, XXXIV-51, XXXV-50, including Amangeldy, Anabai, Airakty and Kumyrlty gas fields, in Jambyl region, South Kazakhstan (the "Hydrocarbon Agreement"). The duration of the Hydrocarbon Agreement is 31 years. The Group started the production and sale of gas at Amangeldy gas field in November 2003 and at Zharkum field in December 2014.

Under the terms of the Hydrocarbon Agreement, the Group has the right to relinquish any of the block areas unless commercially viable hydrocarbon reserves are discovered.



2. BASIS OF PREPARATION

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for assets and liabilities that were valued at fair value as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

The impact of COVID-19 and the current economic situation have been taken into account in preparing these consolidated financial statements. The consolidated financial statements have been prepared based on a going concern basis. To assess this assumption, the Group performed a liquidity forecast based on various stress tests to ensure that it continues to apply the going concern principle in preparing these consolidated financial statements.

Basis of consolidation

Subsidiaries are consolidated by the parent company from the date of acquisition, being the date on which the latter obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies for all companies of the Group. All intra-group balances, transactions, unrealized gains and losses and cash flows resulting from intra-group transactions and dividends were eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Subsidiaries

As at 31 December 2021 and 31 December 2020, the Company had interest ownership in the following companies, which were included into the consolidated financial statements:

Name	Place of incorporation	Principal activities	Ownership	
			2021	2020
Intergas Central Asia JSC (ICA)	Kazakhstan	Transportation and storage of gas and rendering technical services for gas pipelines in Kazakhstan	100%	100%
KazTransGas Aimak JSC (KTG Aimak)	Kazakhstan	Sale of gas to local power distributors, legal entities and individuals	100%	100%
KazTransGas Onimderi LLP	Kazakhstan	Transportation services	100%	100%
Amangeldy Gas LLP (Amangeldy Gas)	Kazakhstan	Production of natural gas and gas condensate	100%	100%
Qazaq Gas Qurylys LLP	Kazakhstan	Exploration of natural gas and gas condensate	100%	100%
KazTransGas Bishkek LLC	Kyrgyzstan	Repair and renewal operations and modernization of the main gas pipeline "Bukhara gas area – Tashkent – Bishkek – Almaty"	100%	100%
KTG Finance B.V.	Netherlands	Financial activities	100%	100%
KazMunayGas Service-NS JSC	Kazakhstan	Construction and/or maintenance of Golf Club	100%	100%

In 2021, KMG Kansu Operating LLP was renamed to Qazaq Gas Qurylys LLP.

Investments in joint ventures

As at 31 December 2021 and 2020, the Group had interests in the following joint ventures which are accounted for in the consolidated financial statements using the equity method:

Name	Place of incorporation	Principal activities	Share, %	
			31 December 2021	31 December 2020
Asia Gas Pipeline LLP (AGP)	Kazakhstan	Construction and operating Kazakhstan-China gas pipeline	50%	50%
Beineu-Shymkent Gas Pipeline LLP (BShP)	Kazakhstan	Construction and operating Beineu-Bozoi-Shymkent gas pipeline	50%	50%
AvtoGaz LLP (AG)	Kazakhstan	Organization, operation, construction and maintenance of gas filling compressor stations	50%	50%
Otan Gas LLP (OG)	Kazakhstan	Construction of gas processing plant	50%	50%

On 24 December 2020, according to the Memorandum between the Ministry of Energy of the Republic of Kazakhstan and China National Petroleum Corporation, OG joint venture was established with 50% participation of the Group and 50% participation of PetroChina Investment Holding B.V. In 2021, the Company made investments as cash contribution of 210,139 thousand tenge.

In 2021, the Company purchased 50% shares of PVH Development LLP for 80 thousand tenge. The ownership takes effect at the time of re-registration. As at 31 December 2021, the process of re-registration has not been completed.

The Group has interests in joint arrangements in the form of joint ventures, whereby the venturer have a contractual arrangement that establishes joint control over the economic activities of the entities. The agreement requires unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by the Group using the equity method.

Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill related to joint activities is included into the carrying amount of the investment and is neither amortized, not individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share in financial results of operations of a joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such change and discloses, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and joint venture are eliminated at consolidation to the extent of the interest in the joint venture.

The share of the Group in profit or loss of joint venture is shown on the face of the consolidated statement of comprehensive income. This is the profit or loss attributable to participants of the joint venture and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the investment in joint venture. The Group assesses at each reporting date whether there is objective evidence that an investment in joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount and recognises the loss in the "share in loss of joint venture" in the consolidated statement of comprehensive income.



2. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

Acquisition of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

If such acquisition is considered material then the consolidated financial statements, including comparative amounts, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Kazakhstani tenge ("tenge"), which is the functional currency of most entities of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at functional currency spot rates prevailing at the date when the transaction meets recognition criteria. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising from repayment or restatement of monetary items are stated in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Gains or losses arising on translation of non-monetary items are recorded in accordance with principles of income or expense recognition as a result of change in the item fair value (i.e. exchange differences on items, fair value gains or losses of which are recognised within other comprehensive income or profit or loss, are also recognised within other comprehensive income or profit or loss, respectively).

Group companies

The results and financial position of all of the Group's subsidiaries and joint ventures (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting dates;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Foreign exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

As at 31 December 2021, the currency exchange rate of KASE was 431.8 tenge to 1 US dollar and 5.76 tenge to 1 Russian ruble. These rates were used for translation of monetary assets and liabilities denominated in US dollar and Russian ruble at 31 December 2021 (2020: 420.91 tenge to 1 US dollar and 5.62 tenge to 1 Russian ruble).

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgement and are subject to change as a result of changes in tax laws and regulations, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities. Further details regarding tax risks are contained in [Note 29](#).

Allowance for VAT recoverable

The Group determines whether VAT recoverable is doubtful at least on an annual basis. Allowance for doubtful VAT recoverable is based on the management's expectations on future VATable turnovers and VAT refund in cash. Significant management judgement is required to determine whether the Group can further defend its right for VAT refund or offset. Further details are contained in [Note 9](#).

Deferred tax assets

Deferred tax assets are recognised for loans receivable, prior years' tax losses carried forward, allowances for doubtful debts, accrued vacations and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as successful application of tax planning strategies. In the statement of financial position, deferred tax assets and liabilities are presented separately, since they are related to various entities of the Group and may not be offset against each other in accordance with the tax legislation. Further details are contained in [Note 27](#).

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include liquidity risk, credit risk and volatility. Changes in valuations and judgements can affect the fair values of financial instruments.

Allowance for expected credit losses

Management maintains an allowance for expected credit losses resulting from expectations, which based on ability of customers to make required payments. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Useful life of property, plant and equipment

Additions or improvements to property, plant and equipment managed and operated under the Trust Management Agreement are capitalized and depreciated over an estimated remaining useful life regardless of the term of the Agreement. The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, changes are accounted for prospectively as changes in accounting estimates in accordance with IAS 8 [Accounting Policies, Changes in Accounting Estimates and Errors](#).

**Significant accounting judgements, estimates and assumptions (continued)****Impairment of property, plant and equipment and gas assets**

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and growth rates used for extrapolation purposes.

Assets retirement obligations

In accordance with the Law of the Republic of Kazakhstan *On Main Pipelines* dated 4 July 2012, the Group has legal obligations to dismantle and remove tangible assets and restore the land. Specifically, the Group's obligation relates to removal of gas pipelines and recultivation of the land plots.

The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation. The Group reviews abandonment and site restoration provisions at each reporting date and adjust them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. Estimating the future costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future gas pipelines abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the liability in the statement of financial position at 31 December 2021 were 5.50% and 6.97%, respectively (2020: 5.52% and 7.15%, respectively). As at 31 December 2021 the carrying amount of provision for abandonment of gas pipeline and site restoration was equal to 88,661,502 thousand tenge (2020: 79,869,001 thousand tenge). As at 31 December 2021 the carrying amount of provision for well abandonment and site restoration under the contract for exploration and production of hydrocarbons was equal to 3,476,025 thousand tenge (2020: 2,921,803 thousand tenge). Further details are contained in *Note 18*.

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

In thousands of tenge	Impact on gas pipeline abandonment and site restoration provision	
	2021	2020
Assumptions for gas pipeline abandonment and site restoration		
Liquidation cost of 1 km:		
- Increase by 10%	8.622.942	7.581.741
- Decrease by 10%	(8.622.942)	(7.581.741)
Inflation rate:		
- Increase by 1%	29.318.635	26.172.208
- Decrease by 1%	(22.058.587)	(19.913.645)
Discount rate:		
- Increase by 1%	(21.620.393)	(19.495.811)
- Decrease by 1%	29.167.757	26.529.324

In prior years the Group applied judgement in determining whether the pipelines transferred to the Group under the trust management agreements ("TMAs") with Local Executive Bodies ("LEBs") and Departments of the Committee of State Property and Privatization should be recognised as the assets controlled by the Group and concluded that TMAs are, in substance, a short-term mechanism to provide the Group with the control over the pipelines for a period of completion of the transfer of legal title over the pipelines to the Group. The Group expected that these gas pipelines would subsequently be transferred from the LEBs to the republican body. Afterwards, the republican body would transfer it to Samruk-Kazyna, and further to NC KazMunayGas JSC and KTG. This judgement was supported by certain facts and circumstances existed at the appropriate dates, including the Memorandum of Understanding between KTG Aimak and the LEBs that established strong expectations that the transfer of the legal title will be completed in the nearest future, legal and economic incentives for the parties to TMAs to complete the transfer (such as requirements that all risks and benefits usually associated with the ownership over the assets are assigned to the Group rather than LEB, including obligation to pay property tax for the pipelines and the right to include at the stage of formation and approval of tariffs costs associated with pipelines controlled by the Group and recorded in the consolidated statement of financial position). As a result, the Group accounted for transfer of the pipelines under TMAs as a free contribution of assets to its equity within additional paid-in capital at the fair value of the assets transferred. When the process of legal transfer is completed the amount initially recorded will be transferred to the share capital.

The Group continuously assessed whether the judgement initially applied is still appropriate at the subsequent dates.

In April 2020 the Group concluded that there are significant changes in facts and circumstances that supported initial judgement, which might result in the original judgement no longer being appropriate. The changes occurred included the fact that original Memorandum of the Understanding has expired and was not prolonged, the process of legal transfer of the pipelines to the Group was not completed in the reasonable time period and amendments to the legislation introduced in April 2020 gives the Group the right, when forming and approving the tariff, to take into account of the tariff cost the expenses for the maintenance and repair of fixed assets which had been received to provide regulated services on the basis of trust management agreement for a state property with the local executive bodies, the Group is not obliged to pay property tax, and to complete the legal process of transferring ownership of the pipelines, a longer period was required for LEB due to the need to eliminate the Group's comments of a fundamental nature. Based on this, the Group concluded that starting from April 2020 the original judgement is no longer appropriate and, in fact, after the renewal of the TMAs the Group no longer has control over the pipelines provided by the LEBs. Thus, the Group concluded that pipelines should be derecognized as distribution to its ultimate controlling shareholder, i.e. the Republic of Kazakhstan. The change in judgement does not represent an accounting error and, therefore, should be accounted prospectively.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group applied changes in judgement related to the pipelines received under trust management agreements prospectively. Accordingly, in 2020 the Group derecognized all pipelines received under such TMAs at their carrying amounts at that date and, correspondingly, reduced additional paid-in capital by 17,323,199 thousand tenge (*Note 14*).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The list of new and amended standards and interpretations presented below:

- amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* named *Interest Rate Benchmark Reform — Phase 2*;
- amendments to IFRS 16 *Leases* named *COVID-19 Related Rent Concessions*.

**Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 Business Combinations named Reference to the Conceptual Framework;
- Amendments to IAS 16 Property, Plant and Equipment named Proceeds before Intended Use;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets named Onerous Contracts — Costs of Fulfilling a Contract;
- IFRS 1 First-time Adoption of International Financial Reporting Standards named Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments named Fees in the "10 per cent" Test for Derecognition of Financial Liabilities;
- IAS 41 Agriculture named Taxation in Fair Value Measurements;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors named Definition of Accounting Estimates;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements named Disclosure of Accounting Policies.

The Group does not expect material impact of these standards on the consolidated financial statements.

Current versus non-current classification

The Group presents assets and liabilities based on their current and non-current classification in the consolidated statement of financial position. An asset is current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 (twelve) months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 (twelve) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – market quotations at active market for identical assets or liabilities (without any quotations);
- Level 2 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are observable, either directly or indirectly;
- Level 3 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.

For the purpose of disclosing the fair value, the Group classified assets and liabilities based on their nature, characteristics and risks attributable to them as well as applicable level in the fair value hierarchy as mentioned above.

Property, plant and equipment

Property, plant and equipment are recognised in the accounting records at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties, direct non-refundable taxes, costs of borrowings that relates directly to the construction of long-term assets if they meet the recognition criteria, the cost of replacement of equipment components and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The expenditures that have resulted in an increase in the future economic benefits expected to be obtained beyond its originally assessed standard performance (increase of useful life, capacity, etc.) are capitalized as an additional cost of fixed assets. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them appropriately. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of property, plant and equipment (non-gas assets) is computed on a straight-line basis over the estimated useful lives as follows:

	Years
Buildings and constructions	7-100
Gas transportation system	10-70
Machinery and equipment	3-40
Vehicles	5-30
Other	3-20

Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year when the asset is derecognised.

Provision for decommissioning is recognised in full, on a discounted basis, when the Group has an obligation to dismantle and decommission a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.



Property, plant and equipment (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Construction-in-progress represents fixed assets under construction and is stated at cost. This includes cost of construction and equipment and other direct costs. Construction-in-progress is not depreciated until such time as construction of such assets is completed and placed into operational use.

Costs incurred prior to acquisition of subsurface use right

Costs incurred prior to signing subsurface use contract are expensed in the period in which they are incurred.

Subsurface use right costs

Subsurface use rights acquisition costs are capitalized within intangible assets. Each property under exploration is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the subsurface use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsurface use right and related property acquisition costs held on a field by field basis is aggregated with exploration and evaluation expenditure and transferred to gas assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with an exploratory drilling are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig lease costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of gas are determined and development is sanctioned, the relevant expenditure is transferred to gas assets after impairment is assessed and any resulting impairment loss is recognised.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, gas pipelines and the drilling of producing wells, including unsuccessful development or delineation wells, are capitalized within gas assets.

Depreciation of gas assets

Gas assets are depreciated using the unit of production method on the basis of proved developed gas reserves, except for infrastructure facilities, which are depreciated using straight-line basis.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition;
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost

This category is the most relevant and significant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes loans to related party, bank deposits, trade and other receivables and other non-current financial assets.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the consolidated statement of financial position where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, debts, loans, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of debts, loans and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortised cost.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, debts and loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to debts, loans, financial guarantee obligation and other financial liabilities.

Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of: the best estimate of the expenditure required to settle the present obligation at the reporting date under IAS 37 (before 1 January 2018) or allowance for estimated credit losses calculated according to IFRS 9 (after 1 January 2018), and the amount initially recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised through the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

Inventory

Materials and supplies and raw materials are valued at the lower of cost and net realisable value.

Inventories are accounted for on a first in, first out basis separately for each warehouse.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of fair value of the asset (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the relevant valuation model is applied. These calculations are corroborated by valuation multiples, quoted prices for publicly traded shares of subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the cash generating units to which individual assets are allocated.

These budgets and forecast calculations are generally covering a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.



Cash and short-term deposits

Cash and cash equivalents in the consolidated statement of financial position comprise cash held in banks, in transit and on hand, and short-term highly liquid bank deposits with a maturity of 3 (three) months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised in the consolidated financial statements when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provision for decommissioning is recognised in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment, the amount of which is equivalent to the provision, is also created. Subsequently, this asset is depreciated as part of gas assets and gas transportation system assets.

Abandonment and site restoration provision

Changes in the measurement of an existing abandonment and site restoration provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- Changes in the provision are added to, or deducted from, the cost of the related asset in the current period;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately as expenses; and
- If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Share capital and dividends

Share capital is recognised at cost and is comprised of common shares. Dividends on common shares are recognised in shareholder's equity as a reduction of shareholder's equity in the period in which they are declared. Dividends on the common shares are payable at the discretion of the Shareholder. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 [Events after the Reporting Date](#) and disclosed accordingly.

Revenue from contracts with customers and expense recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recorded net of indirect taxes. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenues from sales of goods are recognised when the significant risks and rewards of ownership of goods have passed to the buyer and generally include one performance obligation. Revenues from sales of goods are recognised over time.

Rendering services

The Group fulfills performance obligation on a monthly basis and recognises revenues from rendering gas transportation services and technical maintenance of gas pipelines based on the actual volumes of services rendered. Revenue from gas transportation services is recognised over time given that the buyer simultaneously receives and consumes the benefits provided by the Group.

Management fee

The Group recognises management fee, which is related to management of KazMunayGas's joint venture, KazRosGas LLP, at point in time based on the approval of the declaration of dividends of KazRosGas LLP.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recorded using the EIR, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

The interest income is recorded as part of finance income in the consolidated statement of comprehensive income.

Dividends

Dividend income is recognised when the Group's right to distribution is established, which, as a rule, happens when the shareholders approve the dividends.

Expenses

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the consolidated financial statements in the period to which they relate.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the carrying amount of that asset. Other borrowing costs are recognised as an expense when incurred.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be used in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow such asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

Tax authorities allow repaying input VAT and output VAT on a net basis. Thus, VAT receivable represents VAT on purchases net of VAT on sales.

VAT payable

VAT is payable to tax authorities upon collection of receivables from customers. VAT on purchases, which have been settled at the reporting date, is deducted from the amount payable.

Where an allowance has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT liability is maintained until the debtor is written off for tax purposes.

VAT receivable

VAT receivable is recorded in the accounting records related to purchased goods, work and services, which were purchased with VAT and if they were used in order to derive income.

At each reporting date, the VAT receivable is subject to offset against the VAT payable amount.

Contingent assets and liabilities

Contingent assets are not recognised in the consolidated financial statements. When the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Subsequent events

The results of post-year-end events that provide additional information on the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

**4. PROPERTY, PLANT AND EQUIPMENT**

The movement of property, plant and equipment for the years ended 31 December 2021 and 2020 was as follows:

In thousands of tenge	Land	Gas assets	Buildings and constructions	Gas transportation system	Equipment	Vehicles	Other	Construction in progress	Total
Cost									
31 December 2019	694.946	43.578.683	98.239.122	687.602.537	371.595.426	22.301.321	8.430.455	35.667.318	1.268.109.808
Additions	-	321.950	973.423	1.729.755	1.179.652	1.044.299	62.611	117.960.677	123.272.367
Change in estimate (Note 18)	-	130.087	-	1.514.194	-	-	-	-	1.644.281
Transfer to intangible assets	-	-	-	-	-	-	-	(1.196.990)	(1.196.990)
Transfer to assets held for sale	-	-	(15.354.879)	-	(75.501.772)	-	(217.529)	-	(91.074.180)
Transfers	-	(12.065)	19.144.916	16.975.796	79.904.843	11.350	1.377.511	(117.402.351)	-
Disposals	(153.354)	(783.858)	(913.645)	(17.415.016)	(340.238)	(7)	(176.335)	(487.012)	(20.269.465)
31 December 2020	541.592	43.234.797	102.088.937	690.407.266	376.837.911	23.356.963	9.476.713	34.541.642	1.280.485.821
Additions	151	4.510.530	27.189	4.185.492	1.050.748	824.323	232.714	77.191.311	88.022.458
Change in estimate (Note 18)	-	149.445	-	3.091.844	-	-	-	-	3.241.289
Transfer to assets held for sale	-	-	(7.637.266)	-	(36.272.948)	-	(133.629)	-	(44.043.843)
Transfers	143	-	4.351.424	30.662.945	29.252.093	86.120	494.541	(64.847.266)	-
Disposals	(2.327)	(27.047)	(1.519.409)	(4.390.487)	(8.164.215)	(30.173)	(524.207)	(176.451)	(14.834.316)
31 December 2021	539.559	47.867.725	97.310.875	723.957.060	362.703.589	24.237.233	9.546.132	46.709.236	1.312.871.409
Accumulated depreciation and impairment									
31 December 2019	-	(12.616.853)	(18.211.500)	(115.951.125)	(83.570.928)	(17.051.668)	(5.393.042)	(4.699.691)	(257.494.807)
Charge for the year	-	(1.203.337)	(3.296.576)	(17.098.813)	(15.599.306)	(1.260.323)	(527.833)	-	(38.986.188)
Impairment provision	-	-	(678.145)	-	-	(268)	-	(144.778)	(823.191)
Transfer to assets held for sale	-	-	570.666	-	3.719.925	-	26.034	-	4.316.625
Transfers	-	2.010	(1.693)	-	12.393	(10.760)	(1.950)	-	-
Disposals	-	773.960	121.571	1.254.541	286.243	7	175.323	-	2.611.645
31 December 2020	-	(13.044.220)	(21.495.677)	(131.795.397)	(95.151.673)	(18.323.012)	(5.721.468)	(4.844.469)	(290.375.916)
Charge for the year	-	(1.450.262)	(2.968.977)	(17.033.586)	(14.722.045)	(1.325.545)	(486.074)	-	(37.986.489)
Impairment recovery	-	-	-	-	-	-	-	75.862	75.862
Transfer to assets held for sale	-	-	443.323	-	3.192.795	-	30.132	-	3.666.250
Transfers	-	-	(27.835)	(13)	42.396	(3.330)	(11.218)	-	-
Disposals	-	4.571	926.458	3.840.834	4.341.031	24.775	491.522	-	9.629.191
31 December 2021	-	(14.489.911)	(23.122.708)	(144.988.162)	(102.297.496)	(19.627.112)	(5.697.106)	(4.768.607)	(314.991.102)
Net book value									
31 December 2020	541.592	30.190.577	80.593.260	558.611.869	281.686.238	5.033.951	3.755.245	29.697.173	990.109.905
31 December 2021	539.559	33.377.814	74.188.167	578.968.898	260.406.093	4.610.121	3.849.026	41.940.629	997.880.307

Additions

During 2021, additions of 77,191,311 thousand tenge from construction in progress mainly represent construction and overhaul of the main gas pipelines, compressor stations, gas metering stations, shift camps, and other works related to replacements, diagnostics and emergency recovery works.

In 2021, the Group received property, plant and equipment free of charge in the amount of 3,522,094 thousand tenge.

Transfers

Significant portion of fixed assets placed in operation is related to completion of the above construction works and placement of respective property, plant and equipment in operation.

Transfer to assets held for sale

In 2021, the Group classified the "Aral" gas compressor station and related property, plant and equipment with a total net carrying amount of 40,377,593 thousand tenge as assets held for sale.

In 2021, the Group sold the "Korkyt-ata" gas compressor station with a net carrying value of 42,241,262 thousand tenge to BShP for 42,886,487 thousand tenge. The difference of 645,225 thousand tenge is reflected as a gain on disposal of assets held for sale in other operating income (Note 25).

Other

As at 31 December 2021 the cost and related accumulated depreciation of fully depreciated property, plant and equipment still in use was equal to 18,752,085 thousand tenge (2020: 18,749,619 thousand tenge).

In 2021, the Group capitalised borrowing costs of 338,805 thousand tenge in the carrying amount of property, plant and equipment, which are related to the construction of the assets (2020: 2,890,482 thousand tenge).

**5. EXPLORATION AND EVALUATION ASSETS**

The movement of exploration and evaluation assets for the years ended 31 December 2021 and 2020 was as follows:

In thousands of tenge	Tangible assets
At 31 December 2019	13,205,928
Additions	4,160,341
At 31 December 2020	17,366,269
Additions	2,200,657
At 31 December 2021	19,566,926

The exploration and evaluation assets are represented by the following projects:

In thousands of tenge	31 December 2021	31 December 2020
Anabay	8,177,339	8,016,853
Sultankuduk	4,951,261	4,959,231
Barkhan	3,317,459	1,275,444
Sherubainur	2,184,762	2,184,762
Koskuduk	427,527	427,183
Moldybay	234,826	232,577
Other	273,752	270,219
	19,566,926	17,366,269

6. INVESTMENTS IN JOINT VENTURES

Financial information on investment in joint ventures is summarized below:

In thousands of tenge	AGP	BShP	AG	OG	Total
31 December 2019	168,086,294	82,569,068	1,030,755	-	251,686,117
Share in profit of joint venture	175,338,726	55,005,136	36,211	-	230,380,073
Share in other comprehensive income of joint venture	1,482,129	-	-	-	1,482,129
Dividends received	(53,820,848)	-	-	-	(53,820,848)
31 December 2020	291,086,301	137,574,204	1,066,966	-	429,727,471
Share in profit of joint venture	253,553,978	65,533,325	27,058	-	319,114,361
Share in other comprehensive income of joint venture	382,583	-	-	-	382,583
Share of the Group in the recognition of financial guarantee	-	672,375	-	-	672,375
Cash contribution	-	-	-	210,139	210,139
Elimination of unrealized gain	-	(1,938,732)	-	-	(1,938,732)
Dividends received	(40,215,563)	(20,700,000)	(36,211)	-	(60,951,774)
31 December 2021	504,807,299	181,141,172	1,057,813	210,139	687,216,423

AGP

The following table provides summarized financial information about investments of the Group in AGP:

In thousands of tenge	31 December 2021	31 December 2020
Statement of financial position of joint venture		
Current assets, including:	551,179,423	616,478,991
- cash and cash equivalents	394,183,514	180,065,468
Non-current assets	1,266,160,761	1,333,610,660
Current liabilities, including:	(199,191,852)	(481,554,520)
- short-term borrowing	(173,173,006)	(464,698,926)
- trade and other payables	(15,682,660)	(11,528,000)
Non-current liabilities, including:	(608,533,734)	(886,362,530)
- long-term borrowing	(404,570,533)	(692,254,243)
Equity	1,009,614,598	582,172,601
Proportion of the Group's ownership	50%	50%
Carrying amount of investment	504,807,299	291,086,301

In thousands of tenge	2021	2020
Statement of comprehensive income of joint venture		
Revenue from contracts with customers	857,998,093	727,503,399
Cost of sales including:	(168,072,348)	(146,215,753)
- depreciation and amortization	(81,134,915)	(77,341,747)
General and administrative expenses including:	(11,581,973)	(8,298,049)
- depreciation and amortization	(992,213)	(869,858)
Finance income including:	1,081,717	7,352,338
- interest income	1,081,717	7,352,338
Finance costs including:	(35,231,739)	(54,942,761)
- interest expenses	(26,418,951)	(49,932,680)
Profit before income tax	635,469,294	441,000,233
Income tax expenses	(128,361,338)	(90,322,779)
Net profit for the year	507,107,956	350,677,454
Share in profit of a joint venture for the year	253,553,978	175,338,726
Other comprehensive income for the year	765,166	2,964,258
Share in other comprehensive income for the year	382,583	1,482,129

On 15 February 2008 according to the agreement between the Government of the Republic of Kazakhstan and the Government of People's Republic of China on cooperation in the construction and operation of the Kazakhstan-China gas pipeline, AGP joint venture was established with 50% participation of the Group and 50% participation of Trans-Asia Gas Pipeline Company Limited. As at 31 December 2021 and 2020, the charter capital of AGP was equal to 1,200,000 thousand tenge, of which an amount of 600,000 thousand tenge was paid by the Group.



6. INVESTMENTS IN JOINT VENTURES (CONTINUED)

BShP

The following table provides summarized financial information about investments of the Group in BShP:

In thousands of tenge	31 December 2021	31 December 2020
Statement of financial position of joint venture		
Current assets, including:	26.064.438	18.027.279
- cash and cash equivalents	588.673.430	552.454.970
Non-current assets	(81.514.648)	(76.154.598)
Current liabilities, including:	(64.738.218)	(63.100.572)
- short-term borrowing	(15.661.923)	(11.900.947)
- trade and other payables	(304.146.621)	(351.718.516)
Non-current liabilities, including:	(282.759.175)	(335.084.328)
- long-term borrowing	362.050.475	272.383.825
Equity	159.038.314	147.801.969
Proportion of the Group's ownership	50%	50%
Share in equity	181.025.238	136.191.913
Share of the Group in the fair value of issued financial guarantee	7.323.362	6.650.987
Consolidation adjustment	(7.207.428)	(5.268.696)
Carrying amount of investment	181.141.172	137.574.204

In thousands of tenge	2021	2020
Statement of comprehensive income of a joint venture		
Revenue from contracts with customers	200.361.623	201.523.704
Cost of sales including:	(44.264.853)	(39.119.596)
- depreciation and amortization	(23.996.366)	(18.156.289)
General and administrative expenses including:	(4.491.578)	(4.759.913)
- depreciation and amortization	(606.961)	(47.117)
Finance income including:	1.894.408	3.801.917
- interest income	1.894.408	3.801.917
Finance costs including:	(14.916.317)	(18.166.700)
- interest expenses	(13.752.882)	(16.562.869)
Profit before income tax	131.066.650	110.010.271
Income tax expenses	-	-
Net profit for the year	131.066.650	110.010.271
Share in profit of a joint venture for the year	65.533.325	55.005.136
Other comprehensive income for the year	-	-
Share in other comprehensive income for the year	-	-

On 18 January 2011 according to the agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on cooperation in construction and operation of the Kazakhstan-China gas pipeline, BShP joint venture was established with 50% participation of the Group and 50% participation of Trans Asia Gas Pipeline Company Limited. As at 31 December 2021 and 2020 the charter capital of BShP was equal to 145,430,000 thousand tenge, of which an amount of 72,715,000 thousand tenge was paid by the Group.

7. ADVANCES PAID

In thousands of tenge	31 December 2021	31 December 2020
Advances paid for non-current assets		
Advances paid to third parties	63.155.509	9.865.115
Advances paid to related parties (Note 28)	5.807	364.778
Less: impairment provision	(275.487)	(275.487)
	62.885.829	9.954.406
Advances paid for current assets and services		
Advances paid to third parties	17.449.265	6.708.717
Advances paid to related parties (Note 28)	4.703	4.440.525
Less: impairment provision	(50)	(9.853)
	17.453.918	11.139.389

At 31 December 2021, advances paid for non-current assets to third parties mainly include advances of 59,450,536 thousand tenge for construction and capital repair of pipelines, compressor stations with the installation of an automatic gas distribution station and works on laying main pipelines.

8. LOANS TO RELATED PARTY

As at 31 December 2021 and 2020, loans to related party comprised the following:

In thousands of tenge	31 December 2021	31 December 2020
Financial assets at amortized cost		
Interest bearing loans to related party	175.137.014	170.690.327
Plus: interest receivable	2.461.648	2.399.147
Less: allowance for expected credit losses	(938.246)	(938.246)
	176.660.416	172.151.228
Less: current portion (Note 28)	(2.461.648)	(2.399.147)
Non-current portion (Note 28)	174.198.768	169.752.081

Interest bearing loan

In September 2017, the Group provided a loan to BShP of 133,716,000 thousand tenge (equivalent to: 400,000 thousand US dollars) with the interest rate of 5.5% per annum for partial early repayment of the bank loan obtained by BShP under the loan agreement with China Development Bank, Bank of China Limited and Bank of China (Hong Kong) Limited. The maturity date of the loan is 31 August 2029. As at 31 December 2021, loans provided to related party are denominated in US dollars.

**9. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX**

In thousands of tenge	31 December 2021	31 December 2020
VAT recoverable	100,925,924	159,976,958
Property tax	598,225	258,804
Withholding tax	1,755	670,992
Other taxes prepaid	90,470	106,221
	101,616,374	161,012,975
Less: allowance for non-recoverable VAT	(14,513,692)	(14,950,062)
	87,102,682	146,062,913
Non-current portion	51,259,217	82,189,267
Current portion	35,843,465	63,873,646

Movements in the allowance for non-recoverable VAT were as follows:

In thousands of tenge	
At 31 December 2019	(15,024,959)
Charge for the year	(2,731)
Utilised	77,628
At 31 December 2020	(14,950,062)
Charge for the year	(1,409)
Utilised	437,779
At 31 December 2021	(14,513,692)

As at 31 December 2021, the Group has 100,925,924 thousand tenge of VAT recoverable, including VAT recoverable originating from domestic loss making sales of gas. With respect to such VAT on loss making domestic sales of gas, the Group is working with the Ministry of National Economy of Kazakhstan to secure an increase in the regulated tariffs for domestic sales of gas to ensure VAT output is sufficient to offset input VAT in the future. As the Tax Code of the Republic of Kazakhstan does not impose limits with respect to the time period to recover input VAT, the Group expects to recover input VAT on domestic sales of gas in full.

10. BANK DEPOSITS

In thousands of tenge	31 December 2021	31 December 2020
Bank deposits in tenge with maturity of over five years	3,230,502	4,398,585
Bank deposits in tenge with maturity of over one year and less than five years	-	44,182
Less: allowance for expected credit losses	(13,597)	(17,813)
Non-current portion	3,216,905	4,424,954
Bank deposits in US dollars with maturity of over three months and less than one year	12,951,419	-
Bank deposits in tenge with maturity of over three months and less than one year	61,537	28,744
Current portion	13,012,956	28,744

As at 31 December 2021 bank deposits of 3,230,502 thousand tenge are placed as guarantee on housing loans issued by Halyk Bank of Kazakhstan JSC to the Group's employees and restricted for use (31 December 2020: 4,398,585 thousand tenge) at the rate of 1% per annum (2020: 1% per annum).

As at 31 December 2021, deposits were placed in banks at interest rates 0.15-1% per annum in US dollars (2020: nil) with a maturity up to 3 months and 1 year.

11. CASH AND CASH EQUIVALENTS

In thousands of tenge	31 December 2021	31 December 2020
Current accounts in foreign currency	143,929,642	139,246,497
Short-term deposits in foreign currency	122,189,302	-
Current accounts in tenge	87,165,169	61,316,981
Short-term deposits in tenge	29,387,306	45,695,355
Cash in transit	4,571	36,187
Cash on hand	28,394	4,537
	382,704,384	246,299,557

Cash and cash equivalents are denominated in various currencies as follows:

In thousands of tenge	31 December 2021	31 December 2020
US dollar	265,708,704	139,081,399
Tenge	116,585,440	107,053,060
Russian rubles	356,172	2,577
Other currencies	54,068	162,521
	382,704,384	246,299,557

As at 31 December 2021, short-term deposits were placed in banks at interest rates of 7.25%-8.2% per annum in tenge (31 December 2020: 5-8%) and 0.13%-0.7% in foreign currency (31 December 2020: nil) with maturity up to 3 months and 1 year on flexible terms.

As at 31 December 2021, interest rates for cash on the current accounts in banks were 0.1% per annum in tenge (31 December 2020: 0.13%) and nil in a foreign currency.

12. INVENTORIES

In thousands of tenge	31 December 2021	31 December 2020
Gas reserves (at cost)	33,767,501	32,493,223
Materials and supplies (at lower of cost or net realizable value)	2,456,565	1,838,640
	36,224,066	34,331,863

Materials and supplies mainly include spare parts for maintenance of gas transportation system, methanol and lubricating materials to be used in the gas transportation equipment and the goods for internal use. Gas inventory includes fuel gas and gas for sale.

13. TRADE AND OTHER RECEIVABLES

In thousands of tenge	31 December 2021	31 December 2020
Trade receivables from third parties	175,100,019	142,484,214
Trade receivables from related parties (Note 28)	8,483,734	9,651,761
Other receivables from related parties (Note 28)	6,779,321	1,931,232
Other receivables from third parties	3,955,850	1,135,341
	194,318,924	155,202,548
Less: allowance for expected credit losses	(3,886,358)	(4,201,450)
	190,432,566	151,001,098

**13. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Movements in the allowance for expected credit losses (ECL) were as follows:

In thousands of tenge	Individually impaired
At 31 December 2019	(6.934.134)
Charge for the year	(3.283.997)
Foreign currency translation	(140.418)
Write-off	3.292.271
Reversal	2.864.828
At 31 December 2020	(4.201.450)
Charge for the year	(2.284.446)
Foreign currency translation	(9.498)
Write-off	459.129
Reversal	2.149.907
At 31 December 2021	(3.886.358)

Below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix:

In thousands of tenge	Total	Current	Days past due				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
31 December 2021							
ECL rate	2,00%	0,00%	0,33%	2,68%	2,75%	21,86%	73,70%
Estimated total gross carrying amount at default	194.318.924	183.735.969	4.138.032	852.745	273.336	163.935	5.154.907
ECL	3.886.358	7.515	13.730	22.854	7.507	35.835	3.798.917
31 December 2020							
ECL rate	2,71%	0,01%	0,88%	4,22%	4,29%	13,98%	65,70%
Estimated total gross carrying amount at default	155.202.548	143.890.980	3.812.509	809.988	337.179	135.052	6.216.840
ECL	4.201.450	16.022	33.643	34.164	14.471	18.882	4.084.268

As at 31 December trade and other receivables are denominated in the following currencies:

In thousands of tenge	31 December 2021	31 December 2020
US dollar	122.162.294	93.419.992
Tenge	68.270.272	57.581.106
	190.432.566	151.001.098

Trade and other receivables are non-interest bearing.

14. EQUITY**Share capital**

In thousands of tenge	Common shares outstanding (number of shares)					Total share capital
	Par value of 100 tenge	Par value of 138 tenge	Par value of 2,500 tenge	Par value of 10,000 tenge	Par value of 17,632 tenge	
As at 31 December 2021	312.167.670	1	30.976.655	29.137.200	1.006.717	417.780.839
As at 31 December 2020	312.167.670	1	30.976.655	29.137.200	1.006.717	417.780.839

Common shares give holders the right to vote on all matters within the competence of the General Shareholders Meeting. Dividends on common shares are paid at the Shareholder's discretion. In 2021, the Group did not distribute dividends (2020: the Group declared and paid in cash dividends of 3,111 thousand tenge).

ICA held the assets of the mainline gas transportation network under the Trust management agreement with KMG. In 2019 the change in the legislation regulating the tariffs setting stated that the assets under trust management agreement cannot be included into the calculation of tariffs for gas transportation services. ICA came up with the mechanism to accelerate the transfer of assets from KMG to ICA. Accordingly, ICA issued 41,481,470 preference shares with par value of 5,000 tenge each for the total amount of 207,407,350 thousand tenge to KMG in exchange for 207,115,482 thousand tenge for pipeline assets. As that transaction was a temporary mechanism used to transfer the title for pipeline assets from KMG to ICA, the Company did not recognize minority interest with respect to the temporary ownership in ICA by KMG.

In 2020, the Company issued 20,740,735 common shares with the par value of 10,000 tenge each for the amount of 207,407,350 thousand tenge to KMG in exchange for preference shares issued by ICA, and the preference shares were converted to common shares. The difference of 291,868 thousand tenge between the additional paid-in capital and issued common shares was recognized in retained earnings.

In 2020, the Group issued 1,006,717 common shares with the par value of 17,632 tenge each for the total amount of 17,750,434 thousand tenge in exchange for contribution of 100% shares of KMGS-NS with the total fair value of 16,750,283 thousand tenge at the date of contribution and cash of 1,000,151 thousand tenge.

Additional information disclosed in accordance with Kazakhstan Stock Exchange ("KASE") requirements

In thousands of tenge	31 December 2021	31 December 2020
Total assets	2.734.202.514	2.310.082.086
Less: intangible assets	(6.240.856)	(6.565.366)
Less: total liabilities	(946.585.396)	(921.649.471)
Net assets for calculation of cost of common share in accordance with listing requirements of KASE	1.781.376.262	1.381.867.249
Number of common shares	373.288.243	373.288.243
Cost of common share, calculated in accordance with listing requirements of KASE in thousands of tenge	4,772	3,702

In accordance with the decision of the Exchange Board of KASE dated 4 October 2010, the financial statements shall disclose cost per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the period attributable to common shareholders by the weighted average number of shares outstanding during the period.

The following table reflects the income and share data used in the basic earnings per share computations for the reporting periods:

In thousands of tenge	2021	2020
Net income attributable to shareholder for basic and diluted earnings per share	400.192.556	266.502.451
Weighted average number of common shares for basic and diluted earnings per share	373.288.243	353.856.437
Basic and diluted earnings per share for the period attributable to the parent (in thousands of tenge)	1,07	0,75

Additional paid-in capital

In 2020 the Group disposed gas pipeline assets under the trust management agreement from the Government with the book value of 16,117,933 thousand tenge (cost value 17,323,199 thousand tenge) (Note 2). The transaction was recorded at cost value as other transactions with the Shareholder through additional paid-in capital. The difference between cost value and book value for 1,205,266 thousand tenge was adjusted in retained earnings.

**14. EQUITY (CONTINUED)****Retained earnings****Construction of social facility**

As at 31 December 2020, the Group recognised provision of 1,069,860 thousand tenge related to future financing of the construction of social facility in the city of Turkestan under the social economic development of Turkestan region, in accordance with the order of the President of the Republic of Kazakhstan dated 29 September 2018 and based on the decision of the Government of the Republic of Kazakhstan dated 20 December 2018. The provision was recorded as other transactions with the Shareholder through retained earnings. This amount was paid in 2020.

15. DEBT SECURITIES ISSUED

As at 31 December 2021 and 2020, the debt securities issued comprised:

In thousands of tenge	Issue	Maturity	Interest rate	31 December 2021		31 December 2020	
				US dollar	In thousands of tenge	US dollar	In thousands
KTG bonds			4.375%	of tenge	304.988.976	706.320.000	297.297.151
KTG Aimak bonds	2015 год	2025 год	7,50%	-	5.000.000	-	5.000.000
				706.320.000	309.988.976	706.320.000	302.297.151
Plus: interest payable					3.527.569	-	3.440.968
Less: unamortised transaction costs					(219.280)	-	(257.483)
Less: discount					(812.633)		(954.158)
Less: amount due for settlement within 12 months from the reporting date					(3.527.569)		(3.440.968)
Amounts due for settlement after 12 months					308.957.063		301.085.510

In 2020, the Group early redeemed partially Eurobonds for the total amount of 17,816,800 thousand tenge. Respective discount on redemption of 927,194 thousand tenge was recognised as finance income (Note 26).

16. INTEREST BEARING LOANS

As at 31 December interest bearing loans comprised:

In thousands of tenge	31 December 2021	31 December 2020
Interest-bearing loans with floating rate	135.075.172	143.576.746
Interest-bearing loans with fixed rate	36.428.159	44.626.286
	171.503.331	188.203.032
Plus: interest payable	1.793.347	1.498.888
Less: unamortised transaction costs	(1.072.447)	(1.404.619)
	172.224.231	188.297.301
Less: amount due for settlement within 12 months from the reporting date	(20.614.260)	(20.319.501)
Amounts due for settlement after 12 months	151.609.971	167.977.800

Interest bearing loans are denominated in various currencies as follows:

In thousands of tenge	31 December 2021	31 December 2020
Russian rubles	87.272.640	85.151.430
Tenge	84.230.691	103.051.602
	171.503.331	188.203.032

Interest-bearing loans with floating rate**VTB Bank Kazakhstan JSC and VTB Bank (PJSC)**

In accordance with the loan agreements dated 16 November 2020, in 2020, KTG received a loan from VTB Bank Kazakhstan JSC and VTB Bank (PJSC) for the total amount of 84,621,155 thousand tenge (equivalent to 15,151,500 thousand Russian rubles) for refinancing the current loan from the Corporate and Investment Banking Division of Société Générale at the rate of Key Rate of Central Bank of Russia (KR CBR) + 2.15% per annum. This loan is repayable on 16 November 2023.

As at 31 December 2021, KTG has total principal payable to VTB Bank Kazakhstan JSC and VTB Bank (PJSC) under the above loan agreements of 87,272,640 thousand tenge (31 December 2020: 85,151,430).

European Bank for Reconstruction and Development

In accordance with the loan agreement dated 26 May 2016, during 2020, ICA received the third tranche of a loan from the EBRD of 4,314,938 thousand tenge for the modernization of the Bozoi UGS facility, which will be repaid in 26 (twenty six) equal quarterly instalments starting from March 2020. The interest rate of this loan equals to 6m Consumer Price Index (CPI) + 2.15% per annum + 100 basis points cost.

During 2021, ICA repaid principal under the loan agreement of 8,474,619 thousand tenge (2020: 11,079,997 thousand tenge).

As at 31 December 2021, ICA has principal payable to European Bank for Reconstruction and Development under the above loan agreement of 37,978,477 thousand tenge (31 December 2020: 46,610,405 thousand tenge).

In 2021, KTG Aimak repaid principal under the loan agreement of 2,148,165 thousand tenge (2020: 2,148,165 thousand tenge).

As at 31 December 2021, KTG Aimak has total principal payable to European Bank for Reconstruction and Development under the above loan agreement of 9,666,746 thousand tenge (2020: 11,814,911 thousand tenge).

The Corporate and Investment Banking Division of Société Générale

In accordance with the loan agreement dated 16 April 2018, on 17 May 2018, KTG received a loan from the Corporate and Investment Banking Division of Société Générale of 65,832,000 thousand tenge (equivalent to 200,000 thousand US dollars) for partial financing of the project "Construction of three compressor stations at MG "Beineu-Bozoi-Shymkent" at the rate of 3 months LIBOR + 1.35% per annum.

In 2020, KTG fully repaid principal under the loan agreement of 84,954,000 thousand tenge (equivalent to 200,000 thousand US dollars).

As at 31 December 2021 and 2020, interest-bearing loans with floating rates are not secured by any collateral.

Interest-bearing loans with fixed rate**Development Bank of Kazakhstan JSC**

KTG Aimak concluded several revolving credit line agreements with the Development Bank of Kazakhstan JSC for the projects "Modernization of gas pipeline system in South Kazakhstan, Taraz, Kyzylorda, Aktobe" and "Construction of stand-by line of gas pipeline Uzen-Zhetybai". During 2020, KTG Aimak received additional financing of 3,546,971 thousand tenge under the loan agreement. During 2021, KTG Aimak repaid principal of 8,198,127 thousand tenge (2020: 7,843,430 thousand tenge).

As at 31 December 2021, KTG Aimak has total principal payable to Development Bank of Kazakhstan JSC under the above loan agreements of 36,428,159 thousand tenge (2020: 44,626,286 thousand tenge).

As at 31 December 2021 and 2020, KTG acts as a guarantor under the loan agreements with Development Bank of Kazakhstan JSC and European Bank for Reconstruction and Development.

As at 31 December 2021 and 2020, interest-bearing loans with fixed rates are not secured by any collateral.

**16. INTEREST BEARING LOANS (CONTINUED)****Covenants**

Under the terms of bank loans, the Group is obliged to comply with certain covenants. The Group reviews compliance with loan covenants at each reporting date. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 31 December 2021 and 2020, the Group complies with all covenants.

17. LOANS FROM RELATED PARTY

As at 31 December loans from related parties comprised:

In thousands of tenge	31 December 2021	31 December 2020
Fixed interest rate borrowing	24.109.052	-
Interest-free borrowing	318.236	318.236
	24.427.288	318.236
Plus: interest payable	255	-
Less: unamortised discount	(2.569.552)	-
	21.857.991	318.236
Less: amount due for settlement within 12 months from the reporting date	(7.164.345)	(318.236)
Amounts due after 12 months	14.693.646	-

Fixed interest rate borrowings

On 23 November 2021, the Group received long-term loan from NC KazMunayGas JSC in the amount of 24,104,026 thousand tenge (equivalent to: 55,850,655 US dollars) at the rate of 0.01% per annum for general corporate purposes. The loan is indexed to US dollar. The difference between the nominal value and the fair value of the loan at the date of recognition of 2,703,208 thousand tenge was recognised as finance income (Note 26). The maturity date of the loan is 23 November 2024.

In September 2014 the Group received long-term loan from NC KazMunayGas JSC in the total amount of 14,881,897 thousand tenge at the rate of 4.10% with maturity in September 2024. During 2020, the Group fully repaid principal of 14,881,897 thousand tenge ahead of schedule and recognized unwinding of discount of 4,332,652 thousand tenge through finance cost in consolidated statement of comprehensive income (Note 26).

As at 31 December 2021 and 2020, loans from related parties are not secured by any collateral.

18. PROVISIONS

In thousands of tenge	Provision for gas transportation expenses	Abandonment and site restoration provision	Gas pipeline abandonment and site restoration provision	Tax provisions	Other provisions	Total
As at 31 December 2019	27.964.986	2.542.294	72.448.140	30.911	316.198	103.302.529
Arising during the year	-	67.648	-	72.616	2.822.732	2.962.996
Foreign exchange loss	2.800.957	-	-	-	-	2.800.957
Change in estimates (Note 4)	-	130.087	1.514.194	-	-	1.644.281
Unwinding of discount (Note 26)	-	181.774	5.906.667	-	-	6.088.441
Utilised	-	-	-	(30.644)	(1.509.077)	(1.539.721)
At 31 December 2020	30.765.943	2.921.803	79.869.001	72.883	1.629.853	115.259.483
Arising during the year	-	200.628	-	81.628	63.837	346.093
Foreign exchange loss	795.993	-	-	-	-	795.993
Change in estimates (Note 4)	-	149.445	3.091.844	-	-	3.241.289
Unwinding of discount (Note 26)	-	204.149	5.700.657	-	-	5.904.806
Utilised	-	-	-	(72.574)	(1.605.197)	(1.677.771)
At 31 December 2021	31.561.936	3.476.025	88.661.502	81.937	88.493	123.869.893
Current provisions as at 31 December 2021	31.561.936	-	-	81.937	79.173	31.723.046
Non-current provisions as at 31 December 2021	-	3.476.025	88.661.502	-	9.320	92.146.847
Current provisions as at 31 December 2020	30.765.943	-	-	72.883	1.617.987	32.456.813
Non-current provisions as at 31 December 2020	-	2.921.803	79.869.001	-	11.866	82.802.670

Provision for gas transportation expenses

As at 31 December 2021, provision for gas transportation expenses represents provision for reimbursement of expenses associated with transportation of borrowed gas to PetroChina International Co. Ltd. of USD 73,094 thousand (equivalent to 31,561,936 thousand tenge) (2020: USD 73,094 thousand (equivalent to 30,765,943 thousand tenge) under the gas borrowing agreement.

In 2021 foreign exchange difference on the provisions in the amount of 795,993 thousand tenge was recognised in foreign exchange loss (2020: foreign exchange loss of 2,800,957 thousand tenge).

Gas pipeline abandonment and site restoration provision

The Group's subsidiaries ICA and KTG Aimak recorded a provision for future costs of decommissioning of main gas pipelines on a discounted basis in accordance with the Law of the Republic of Kazakhstan On Main Pipelines (Note 2). As at 31 December 2021, provision for abandonment of gas pipelines and site rehabilitation of 88,661,502 thousand tenge (2020: 79,869,001 thousand tenge) represents the current costs of abandonment of gas pipelines and site rehabilitation expected to be incurred from 2021 till 2084.

**19. CONTRACT LIABILITIES**

In thousands of tenge	31 December 2021	31 December 2020
Contract liabilities to third parties	17,077,985	13,367,710
Contract liabilities to related parties (Note 28)	2,821,650	1,260,230
Other	324,257	449,727
	20,133,892	15,077,667
Less: current portion of contract liabilities	(8,569,659)	(6,212,608)
Non-current portion of contract liabilities	11,564,233	8,865,059

20. TRADE AND OTHER PAYABLES

In thousands of tenge	31 December 2021	31 December 2020
Due to related parties (Note 28)	149,058,493	152,443,628
Due to third parties	31,848,604	52,467,920
	180,907,097	204,911,548

Trade and other payables represent amounts due for the purchased gas, assets and services. Trade payables are non-interest bearing, usually settled within 30 days.

As at 31 December trade and other payables are denominated in the following currencies:

In thousands of tenge	31 December 2021	31 December 2020
Tenge	164,515,213	170,623,930
US dollar	13,069,371	21,197,018
Russian rubles	3,308,531	13,075,847
Other	13,982	14,753
	180,907,097	204,911,548

21. OTHER CURRENT LIABILITIES

In thousands of tenge	31 December 2021	31 December 2020
Accrued bonuses	11,764,144	8,785,658
Payables to pension and social insurance funds	1,227,464	942,070
Other payments to the budget	885,060	-
Other	365,741	1,061,498
	14,242,409	10,789,226

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of tenge	Timing of revenue recognition	2021	2020
Type of goods or services			
Revenue from sales of gas	Over time	706,715,103	792,348,447
Revenue from gas transportation services	Over time	151,770,251	121,976,756
Revenue from technical maintenance of gas pipelines	Over time	13,641,567	17,096,661
Management fee	Over time	19,143,871	13,531,548
Other	Over time	4,984,419	556,691
		896,255,211	945,520,103
Geographical markets			
China		432,774,610	531,652,102
Kazakhstan		358,543,578	320,055,922
Commonwealth of Independent States		104,937,023	93,812,079
		896,255,211	945,520,103

23. COST OF SALES

In thousands of tenge	2021	2020
Cost of gas sold	216,891,482	366,972,188
Transportation expenses	301,880,264	323,917,747
Payroll and related contributions	57,977,223	51,880,902
Depreciation and amortization	37,719,462	38,215,856
Depreciation of the right-of-use assets	31,862,307	-
Fuel gas and gas losses	19,012,773	16,197,421
Taxes other than income tax	10,634,670	10,442,161
Billing services	5,958,041	6,177,532
Repair and maintenance	4,666,562	4,165,536
Security	3,307,448	3,341,167
Expenses on other services rendered	2,394,984	-
Business trip expenses	1,646,293	1,099,593
Electricity	1,641,146	1,379,656
Materials and supplies	1,556,097	924,382
Communication expenses	1,240,175	1,148,908
Insurance	885,524	817,909
Expense relating to short-term leases	408,658	3,921,157
Short-term employee benefits under finance lease	-	2,337,534
Other	4,643,647	3,271,881
	704,326,756	836,211,530

In accordance with the arbitration award on a dispute on the accuracy of the approach to calculating the contract price under the gas sale and purchase agreement, the parties reached an agreement on recalculating the contract price in favour of KTG. In 2021, the cost of gas sold was adjusted in the amount of 102,327,773 thousand tenge (equivalent to 239,648 thousand US dollars), fines and penalties in the amount of 13,556,064 thousand tenge (equivalent to 31,762 thousand US dollars) and reimbursement of expenses for arbitration disputes in the amount of 732,612 thousand tenge (equivalent to 1,716 thousand US dollars) were recognized as other operating income (Note 25). As at 31 December 2021, the total amount received from the parties by the arbitration award was 134,750,060 thousand tenge, including VAT (equivalent to 315,432 thousand US dollars).

24. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2021	2020
Payroll and related contributions	13,948,271	13,515,417
Repair and maintenance	3,418,776	2,820,407
Taxes other than income tax	2,247,117	2,279,607
Consulting services	2,443,269	1,508,607
Depreciation of the right-of-use assets	2,184,732	2,688,155
Depreciation and amortization	1,957,090	1,853,620
Other payments to the budget	885,060	-
Expense relating to short-term leases and leases of low-value assets	525,286	458,254
Office maintenance expenses	338,386	471,198
Festive and cultural events expenses	229,192	237,553
Communication services	210,593	184,967
Business trip expenses	203,813	123,167
Bank charges	168,809	112,279
Security costs	111,872	110,112
Personnel development and qualification upgrade	89,302	92,971
Short-term employee benefits under finance lease	-	672,299
Other	3,489,887	3,322,120
	32,451,455	30,450,733

**25. OTHER OPERATING INCOME**

In thousands of tenge	2021	2020
Fines and penalties	13,723,870	739,923
Compensation for arbitration disputes (Note 23)	732,612	-
Gain on disposal of assets held for sale (Note 4)	645,225	-
Income from sale of inventories	248,517	156,216
Impairment recovery of property plant and equipment	75,862	198,735
Income from technical services	24,136	1,632,286
Gain on curtailment	-	1,013,709
Other	281,461	2,529,779
	15,707,547	6,270,648

26. FINANCE INCOME AND FINANCE COSTS

In thousands of tenge	2021	2020
Finance income		
Interest income on bank deposits	10,370,205	5,645,263
Interest income on loans to related party	9,656,710	9,566,961
Amortization of financial guarantee obligations	3,487,884	4,220,433
Discount on loan from related party (Note 17)	2,703,208	-
Other income from financial assets	-	1,351,338
Discount on redemption of debt securities issued (Note 15)	-	927,194
Other	328,757	54,674
	26,546,764	21,765,863
Finance costs		
Interest on bank loans and overdrafts	(16,415,865)	(10,181,719)
Interest on debt securities issued	(15,388,229)	(13,424,967)
Unwinding of discount on abandonment and site restoration provision (Note 18)	(5,904,806)	(6,088,441)
Interest on lease obligations	(2,211,309)	(48,013)
Financial guarantee obligations to the joint venture	(672,375)	-
Amortization of capitalized costs related to loan arrangement	(336,715)	(456,307)
Amortization of discount on debt securities issued	(152,383)	(139,546)
Unwinding of discount on financial liabilities (Note 17)	(134,337)	(4,332,652)
Interest on loans from related party	(255)	(399,992)
Other	(1,062,704)	(1,839,689)
	(42,278,978)	(36,911,326)

27. INCOME TAX EXPENSES

The Group is subject to corporate income tax at the prevailing statutory rate of 20%.

In thousands of tenge	2021	2020
Current income tax expense	47,336,037	11,781,531
Deferred income tax expense	19,890,196	8,211,075
Adjustment of prior year income tax	157,280	1,034,179
	67,383,513	21,026,785

A reconciliation of corporate income tax expenses applicable to profit before taxation at the official income tax rate, with the current income tax expense reported in the IFRS financial statements for the years ended 31 December is as follows:

In thousands of tenge	2021	2020
Profit before income tax	467,576,069	287,529,236
Statutory tax rate	20%	20%
Theoretical income tax expense	93,515,214	57,505,847
Tax effect of permanent differences		
Investments in joint venture	18,015,076	-
Non-deductible expenses related to additional costs of gas purchased	5,900,000	-
Dividend income from joint venture	3,600,000	-
Taxes other than income tax	3,208,221	212,638
Loss on disposal of property, plant and equipment	1,539,420	-
Non-deductible interest expense	1,382,516	448,398
Unwinding of discount – historical costs and abandonment and site restoration provision	1,180,961	1,217,688
Change in provision for deferred tax assets	673,891	756,930
Non-deductible foreign exchange differences, net	447,710	1,975,284
Excess gas losses and related taxes	416,210	354,027
Write-off of expected credit losses	84,626	653,900
Unwinding of discount on financial liabilities	57,344	866,530
Short-term employee benefits under finance lease	-	633,371
Adjustments with respect to deferred income tax of prior year	-	76,930
Accrual of tax provision	-	15,069
Reversal of impairment of property, plant and equipment and exploration and evaluation assets	-	(39,747)
Adjustments with respect to current income tax of prior year	157,280	1,034,179
Share in income of joint ventures	(63,822,872)	(46,076,015)
Other non-deductible expenses	1,027,916	1,391,756
	67,383,513	21,026,785
Tax expense recognised in other comprehensive income	1,455	7,824
Income tax expenses reported in the consolidated statement of comprehensive income	67,384,968	21,034,609

**27. INCOME TAX EXPENSES (CONTINUED)**

As at 31 December 2021 and 2020, components of deferred income tax assets and liabilities are as follows:

In thousands of tenge	2021	Charged to profit and loss	Charged to other comprehensive income	2020	Charged to profit and loss	Charged to other comprehensive income	2019
Deferred tax assets							
Accumulated loss	-	(482.865)	-	482.865	482.865	-	-
Allowance for expected credit loss	887.497	(70.118)	-	957.615	(552.899)	-	1.510.514
Provision for gas transportation expenses	6.884.957	159.198	-	6.725.759	560.192	-	6.165.567
Other provisions	3.570.821	653.932	-	2.916.889	577.270	-	2.339.619
Loss under trust management agreement	1.263.353	514.694	-	748.659	196.740	-	551.919
Deferred income	2.380.535	598.174	-	1.782.361	131.047	-	1.651.314
Other	457.753	(151.764)	(1.455)	610.972	229.009	(7.824)	389.787
	15.444.916	1.221.251	(1.455)	14.225.120	1.624.224	(7.824)	12.608.720
Less: provision for deferred tax assets of the Group	(8.148.309)	(673.891)	-	(7.474.418)	(756.930)	-	(6.717.488)
	7.296.607	547.360	(1.455)	6.750.702	867.294	(7.824)	5.891.232
Deferred tax liabilities							
Property, plant and equipment and intangible assets	(66.720.891)	(2.620.552)	-	(64.100.339)	(8.833.607)	-	(55.266.732)
Investments in joint venture	(18.015.076)	(18.015.076)	-	-	-	-	-
Discounting on financial liabilities	(40.198)	39.813	-	(80.011)	48.462	-	(128.473)
Other non-current liabilities	(852.625)	158.259	-	(1.010.884)	(293.224)	-	(717.660)
	(85.628.790)	(20.437.556)	-	(65.191.234)	(9.078.369)	-	(56.112.865)
Net deferred tax liabilities	(78.332.183)	(19.890.196)	(1.455)	(58.440.532)	(8.211.075)	(7.824)	(50.221.633)

Deferred income tax assets and liabilities are related to various entities of the Group and may not be offset against each other in accordance with the tax legislation. Net deferred tax position of the Group entities is as follows:

In thousands of tenge	31 December 2021	31 December 2020
Deferred tax assets	890.484	1.529.479
Deferred tax liabilities	(79.222.667)	(59.970.011)
Net deferred tax liabilities	(78.332.183)	(58.440.532)

As at 31 December 2021 the Group had corporate income tax prepaid of 4,582,882 thousand tenge (2020: 34,288,692 thousand tenge) and corporate income tax payable of 95,443 thousand tenge (2020: nil).

28. RELATED PARTY TRANSACTIONS

Related parties include key management personnel of the Group, entities in which a substantial interest is owned, directly or indirectly, by the Group's key management personnel, Samruk-Kazyna Group companies (entities under common control), the Government (other state-controlled entities) and joint ventures, in which Samruk-Kazyna and the Government are the venturers.

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for services on gas transportation, which are provided based on the tariffs available to the third parties. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs incash, except as indicated below. For the years ended 31 December 2021 and 2020, the Group did not recognise any impairment of receivables relating to amounts owed by related parties.

The major transactions with related parties for the years ended 31 December 2021 and 2020 were as follows:

In thousands of tenge	2021	2020*
Sales of goods and services		
Joint ventures in which the Group is a venturer	54.781.080	59.032.855
Entities under common control of Samruk-Kazyna and the Government	50.672.804	45.859.694
Joint ventures in which Samruk-Kazyna and the Government is a venturers	15.487.552	32.268.374
	120.941.436	137.160.923

Sales of goods and services to the joint ventures in which the Group is a venturer for the year ended 31 December 2021, 31 December 2020 and 31 December 2019, are mostly represented by the sales of compressor stations for the following amounts.

In thousands of tenge	2021	2020*	2019*
Sales of goods and services			
Joint ventures in which the Group is a venturer	54.781.080	59.032.855	50.224.987
	54.781.080	59.032.855	50.224.987

* The disclosure of sale of goods and services to the joint ventures in which the Group is a venturer for 2019 is shown at gross basis and differs from its presentation in the consolidated financial statements of as of 31 December 2020 and 31 December 2019, where it was presented on net basis.

Below the Group summarizes the sales of compressor stations:

In thousands of tenge	2021	2020*	2019
Sales price excluding VAT			
Book value of compressor stations	42.886.487	43.666.925	32.695.630
Gain/(loss) on disposal	42.241.262	44.516.291	28.585.929
	645.225	(849.366)	4.109.701



28. RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions of transactions with related parties (continued)

In thousands of tenge	2021	2020*
Management fee		
Entities under common control of Samruk-Kazyna and the Government	19,143,871	13,531,548
	19,143,871	13,531,548
Purchases of goods and services		
Joint ventures in which the Group is a venturer	289,767,016	307,687,564
Entities under common control of Samruk-Kazyna and the Government	8,337,387	6,769,397
Joint ventures in which Samruk-Kazyna and the Government are venturers	135,081,504	125,711,543
	433,185,907	440,168,504
Fines and penalties		
Joint ventures in which Samruk-Kazyna and the Government are venturers	2,338,053	-
	2,338,053	-
Finance income		
Joint ventures in which the Group is a venturer	13,144,594	15,138,732
Joint ventures in which Samruk-Kazyna and the Government are venturers	2,703,208	-
	15,847,802	15,138,732
Finance costs		
Joint ventures in which the Group is a venturer	323,740	208,884
Entities under common control of Samruk-Kazyna and the Government	4,116,060	8,959,640
Joint ventures in which Samruk-Kazyna and the Government are venturers	2,141,780	242,309
	6,581,580	9,410,833
Other expenses		
Entities under common control of Samruk-Kazyna and the Government	2,491,784	-
	2,491,784	-
Other non-current financial assets		
Joint ventures in which the Group is a venturer	-	2,445,348
	-	2,445,348
Trade receivables and other receivables		
Joint ventures in which the Group is a venturer	9,756,762	5,251,022
Entities under common control of Samruk-Kazyna and the Government	5,466,720	6,321,892
Joint ventures in which Samruk-Kazyna and the Government are venturers	39,573	10,079
	15,263,055	11,582,993
Loans to related party		
Joint ventures in which the Group is a venturer	176,660,416	172,151,228
	176,660,416	172,151,228
Advances paid		
Entities under common control of Samruk-Kazyna and the Government	10,510	373,054
Joint ventures in which Samruk-Kazyna and the Government are venturers	-	4,432,249
	10,510	4,805,303

In thousands of tenge	2021	2020*
Trade and other payables		
Joint ventures in which the Group is a venturer	73,978,941	84,446,323
Entities under common control of Samruk-Kazyna and the Government	4,651,531	2,723,131
Joint ventures in which Samruk-Kazyna and the Government are venturers	70,428,021	65,274,174
	149,058,493	152,443,628
Loans		
Entities under common control of Samruk-Kazyna and the Government	58,592,812	45,329,645
	58,592,812	45,329,645
Lease liabilities		
Joint ventures in which Samruk-Kazyna and the Government are venturers	4,056,603	-
	4,056,603	-
Guarantees liabilities		
Joint ventures in which the Group is a venturer	4,980,194	6,639,364
	4,980,194	6,639,364
Other financial liabilities		
Entities under common control of Samruk-Kazyna and the Government	34,938	33,001
Joint ventures in which Samruk-Kazyna and the Government are venturers	1,834,470	2,356,024
	1,869,408	2,389,025
Contract liabilities		
Joint ventures in which the Group is a venturer	359,972	-
Entities under common control of Samruk-Kazyna and the Government	5,383	149,011
Joint ventures in which Samruk-Kazyna and the Government are venturers	2,456,295	1,111,219
	2,821,650	1,260,230

* The disclosure of transactions with related parties under common control of Samruk-Kazyna and the Government in the table above for 2020 differ from its presentation in the consolidated financial statements as of 31 December 2020, as the Group omitted disclosure of this amount in the 2020 consolidated financial statements.

In 2021, NC KazMunayGas JSC provided to the Group long-term financing of 24,104,026 thousand tenge (equivalent to: 55,850,655 US dollars) (2020: nil).

During 2021, BShP repaid interest of 9,627,922 thousand tenge (2020: interest of 9,336,492 thousand tenge). In 2020, BShP fully repaid principal under the loan agreement of 48,132,457 thousand tenge.

During 2020, the Group fully repaid principal and interest under the loan agreements of 14,881,897 thousand tenge and 495,583 thousand tenge, respectively, to NC KazMunayGas JSC.

During 2020, KTG Aimak received additional financing of 3,546,971 thousand tenge from Development Bank of Kazakhstan JSC under the loan agreement. During 2021, KTG Aimak repaid principal and interest of 8,198,127 thousand tenge and 4,059,930 thousand tenge, respectively (2020: 7,843,430 thousand tenge and 4,282,347 thousand tenge, respectively).

ICA signed lease agreement with AstanaGas KMG JSC. AstanaGas KMG JSC is an enterprise under joint control of Samruk-Kazyna. As of the date of conclusion of the agreement, the present value of the lease liability and right-of-use assets was 32,498,293 thousand tenge with an estimated incremental borrowing rate of 11% per annum. As at 31 December 2021, the carrying amount of the lease liability was 4,056,603 thousand tenge.

**28. RELATED PARTY TRANSACTIONS (CONTINUED)****Compensation to key management personnel**

Key management personnel comprise members of the Management Board and independent directors of the Company.

In 2021 and 2020 total amount of compensation to key management was equal to 377,262 thousand tenge and 528,735 thousand tenge, respectively, consisting mainly of salaries and other payments and was included in general and administrative expenses in the statement of comprehensive income.

29. COMMITMENTS AND CONTINGENCIES**Operating environment**

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Unconditional gas purchase obligations to the joint ventures

As at 31 December 2021, the Group has unconditional purchase obligation of 126,291,924 thousand tenge without VAT to AGP (2020: 214,678,296 thousand tenge) comprising gas transportation services.

As at 31 December 2020, the Group has unconditional purchase obligation of 201,629,177 thousand tenge without VAT to BShP comprising gas transportation services.

Commitments for capital expenditures

As at 31 December 2021, the Group has capital commitments of approximately 148,819,202 thousand tenge, excluding VAT (2020: 83,738,131 thousand tenge, excluding VAT), related to acquisition and construction of property, plant and equipment. These capital commitments are in part related to investment program described in Note 1 "Corporate information".

Commitments of AGP and BShP

The Company's share in the commitments for capital expenditures of AGP and BShP related to purchase and construction of property, plant and equipment is as follow as at 31 December:

In thousands of tenge	2021	2020
AGP	4,042,566	2,317,140
BShP	52,678,558	53,576,512

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Fiscal periods remain open to review by the authorities in respect of taxes for 5 (five) calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Tax contingencies of BShP

According to the terms of the intergovernmental agreement between the Republic of Kazakhstan and the People's republic of China on cooperation in the construction and operation of the Kazakhstan-China gas pipeline dated 18 August 2007 (the "Agreement"), as well as the clarifications of the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan dated 30 December 2014, BShP, which was established on the territory of the Republic of Kazakhstan for the purposes of the Project, is exempt from paying value added tax on goods imported into the territory of the Republic of Kazakhstan until the completion of construction. In addition, BShP is exempt from corporate income tax and property tax until the date of repayment of loans obtained for the construction of the "Beineu-Bozoi-Shymkent" gas pipeline.

Management believes that as at 31 December 2021, it correctly interpreted the relevant provisions of legislation, and the probability of retaining the tax preferences mentioned above over the established period is high.

In addition, BShP is carrying out a project to amend the above Agreement, the implementation of which will confirm the current exemption from the above taxes in connection with the refinancing of the initial loan raised for the construction of the Second section of the Kazakhstan-China gas pipeline.

If BShP did not have tax preferences mentioned above related to modification of loan terms, following tax liabilities would have reduced share in income of joint ventures and investments in joint ventures: corporate income tax of 27,535,514 thousand tenge, including fines and penalties of 13,767,757 thousand tenge, property tax of 4,443,596 thousand tenge, including fines and penalties of 1,974,932 thousand tenge and deferred tax liability of 8,848,813 thousand tenge.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market prices determined as per the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing law to various types of transactions is not clearly defined.

Due to uncertainties associated with the Kazakhstani law on transfer pricing there is a risk that the tax authorities may take a position on this issue different from that of the Group, which may result in assessment of additional taxes, fines and penalties as of 31 December 2021. The management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Environmental matters

The Group is subject to various environmental laws and regulations. Management believes that the Group complies with requirements of the legislation related to environmental matters.

Legal issues and claim

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes, that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the consolidated financial position or the financial results of future operations of the Group.

Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet available in the Republic of Kazakhstan. The Group does not have coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group property or relating to the Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the consolidated financial performance of the Group and its consolidated financial position.

Commitments under subsoil use contract

In accordance with the terms of subsoil use contract, Amangeldy Gas has conditional commitment to the Government in the amount of 10,527,586 US dollars related to the cost of acquisition of geological and geophysical data and drilling costs incurred by the Government. This long-term commitment enters in force after confirmation of commercial discovery of gas at the Kumyrlı-Koskudyk, Anabay-Maldybai, Barkhannaya-Sultankudyk, Ucharal-Ucharal North and Kempirtobe fields.

According to the subsurface use contract, Amangeldy Gas is required to comply with minimal working program. As of 31 December 2021 and 2020, Amangeldy Gas complied with the minimal working program.

**30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****Financial risk management objectives and policies**

The Group's principal financial liabilities comprise interest-bearing loans, debt securities issued, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans to related party, trade and other receivables, restricted cash, cash and cash equivalents and bank deposits, which arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's management oversees the management of these risks. The Group's management is supported by department of internal controls and risk management that advises on financial risks and the appropriate financial risk governance framework for the Group. The department of internal controls and risk management provides assurance to the Group's management that the Group's financial risk-taking activities are governed by appropriate policies and procedures.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Market prices include two types of risks: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and deposits.

The Group has no formal agreements for the analysis and mitigation of risks related to changes in interest rates, since management assesses the risk as low.

The sensitivity analysis in the section below relates to positions as at 31 December 2021 and 2020.

The sensitivity analyses have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (KR CBR and CPI), with all other variables held constant, of the Group's (loss)/profit before income tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

In thousands of tenge	Increase/ decrease in basis points	Effect on profit before income tax
2021		
KR CBR	3,00%	(2.618.179)
CPI	1,00%	(442.103)
2020		
KR CBR	-3,00%	2.618.179
CPI	-1,00%	442.103
2021		
KR CBR	1,25%	(1,064.393)
CPI	0,25%	(549.526)
2020		
KR CBR	-0,75%	638.636
CPI	-0,25%	549.526

Assumptions of changes in basis points within analysis of sensitivity to interest rate changes are based on a currently observable market situation.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of foreign exchange rates changes. As a result of significant borrowings and accounts payable denominated in the US dollar, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The financial and economic activities also have transactional currency exposures. Such exposure arises from revenue in US dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant, of the Group's profit before income tax. There is no impact on the Group's equity.

In thousands of tenge	Increase/decrease in the rate	Effect on profit before income tax
2021		
US dollar	13%	2.411.662
	-10%	(1.855.125)
2020		
US dollar	14%	(17.686.811)
	-11%	13.896.780
2021		
Ruble	13%	(11.842.693)
	-13%	11.842.693
2020		
Ruble	15%	(14.801.038)
	-15%	14.801.038

Credit risk

Credit risk is the risk that one party with financial instrument will not be able to fulfil an obligation and cause the other party to incur a financial loss. The Group is exposed to a credit risk from its operating activities and certain types of investing activities. With regard to investing activities, the Group places deposits with Kazakhstani banks. The Group's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Group's management believes that recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk. Accordingly, no impairment allowance against bank deposits is required.

The table below shows the balances of cash and deposits in banks at the reporting date using Standard & Poor's, Fitch Ratings, Moody's and Thomas Murray credit rating symbols.



30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

In thousands of tenge	Location	2021		2020		2021	2020
		Standard & Poor's	B/negative	Standard & Poor's	BB/stable		
First Heartland Jysan Bank JSC	Kazakhstan	Standard & Poor's	B/negative			95.654.691	-
Halyk Bank of Kazakhstan JSC	Kazakhstan	Standard & Poor's	BB+/stable	Standard & Poor's	BB/stable	93.659.034	113.826.614
CitiBank Kazakhstan JSC	Kazakhstan	Standard & Poor's	A+/stable	Standard & Poor's	A+/stable	87.301.800	86.770.473
Sberbank JSC	Kazakhstan	Moody's	Ba1/positive	-	-	62.560.061	-
SB Bank of China	Kazakhstan	Standard & Poor's	A/stable	Standard & Poor's	A/stable	44.037.217	44.609.820
ForteBank JSC	Kazakhstan	Standard & Poor's	B+/positive	Standard & Poor's	B+/stable	6.125.620	4.504.716
VTB Bank Kazakhstan	Kazakhstan	Standard & Poor's	B+/stable	Standard & Poor's	B+/stable	4.735.338	37.526
Altyn Bank JSC	Kazakhstan	Moody's	Baa3/Stable	Fitch Ratings	BBB-/stable	4.350.386	857.602
Central Depository of Securities JSC	Kazakhstan	Thomas Murray	A+/positive/A	Thomas Murray	A+/positive/A	420.275	428
Credit Bank of Moscow PJSC	Russia	Moody's	Baa3/Stable			55.101	-
Societe Generale Private Banking	Netherlands	Standard & Poor's	BB+/stable	Standard & Poor's	BB+/stable	1.554	105.109
GazPromBank JSC	Russia	Standard & Poor's	BB+/stable	Standard & Poor's	BB+/stable	110	108
Citibank N.A. London	England	Standard & Poor's	A+/stable	Standard & Poor's	A+/stable	87	59
ATF Bank JSC	Kazakhstan	Standard & Poor's	B-/stable	Standard & Poor's	B-/stable	-	56
Development Bank of Kazakhstan JSC	Kazakhstan	Standard & Poor's	BB+/stable	Standard & Poor's	BB+/stable	6	20
						398.901.280	250.712.531

At the level of operations, management believes that the Group established appropriate credit verification procedures and monitoring of trade customers, which enabled the Group to trade only with recognised, creditworthy third parties.

The Group monitors the outstanding receivables on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Credit risks are taken through individual impairments. Concentration of credit risks mainly relates to the key accounts, in particular, to international customers.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, other non-current financial assets, loans to related party, other receivables and financial guarantee obligations, the Group's exposure to credit risk arises from default of the counterparty.

The maximum credit risk exposure for the financial assets is limited to the carrying amount as disclosed in Notes 8, 10, 11 and 13. For the financial guarantee issued and put option obligation, the maximum credit risk exposure equals the nominal value of the guaranteed loan agreement and nominal value of obligation if the option is exercised, respectively, as disclosed in liquidity risk section of this note.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2021 and 2020, based on contractual undiscounted payments.

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	Total
At 31 December 2021						
Debt securities issued	-	6.859.134	6.859.134	59.498.072	318.332.244	391.548.584
Interest bearing loans	122.923	8.673.442	27.381.857	172.735.694	5.214.386	214.128.302
Loans from related party	-	-	8.041.183	16.079.954	-	24.121.137
Trade and other payables	11.093.930	169.813.167	-	-	-	180.907.097
Lease liabilities	4.056.603	-	2.272.221	315.594	-	6.644.418
Put-option obligation	-	-	-	-	40.510.279	40.510.279
Financial guarantee obligations	-	16.302.298	48.528.911	110.746.368	-	175.577.577
Other financial liabilities	59.692	3.587.657	25.635	1.483.244	17.090	5.173.318
	15.333.148	205.235.698	93.108.941	360.858.926	364.073.999	1.038.610.712

The financial guarantee obligations present the amounts of original contracts the Group.

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	Total
At 31 December 2020						
Debt securities issued	-	6.690.875	6.690.875	58.527.000	323.310.651	395.219.401
Interest bearing loans	132.469	8.000.602	24.999.673	185.903.410	15.670.673	234.706.827
Loans from related party	-	-	318.236	-	-	318.236
Trade and other payables	9.350.946	195.560.602	-	-	-	204.911.548
Lease liabilities	-	107	2.538.819	2.669.259	77.107	5.285.292
Put-option obligation	-	-	-	-	40.510.279	40.510.279
Financial guarantee obligations	-	8.641.306	25.550.009	88.066.871	-	122.258.186
Other financial liabilities	49.192	3.399.538	25.635	2.156.505	51.271	5.682.141
	9.532.607	222.293.030	60.123.247	337.323.045	379.619.981	1.008.891.910

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Group's approach to capital management as compared to 2020.

The capital structure of the Group consists of debt, which includes debt securities issued, interest-bearing loans and loans from related party disclosed in Notes 15, 16 and 17 and equity, comprising primarily share capital, additional paid-in capital and retained earnings as disclosed in Note 14.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target debt-to-equity ratio of no more than 1.5. The debt-to-equity ratio at the year end was as follows:

In thousands of tenge	2021	2020
Debt securities issued (Note 15)	312.484.632	304.526.478
Interest bearing loans (Note 16)	172.224.231	188.297.301
Loans from related party (Note 17)	21.857.991	318.236
Less: cash and cash equivalents, bank deposits	(398.934.245)	(250.753.255)
Total debt	107.632.609	242.388.760
Equity	1.787.636.112	1.388.432.615
Debt-to-equity ratio	0,06	0,17



30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value of financial instruments

The carrying value of the Group's financial instruments as of 31 December 2021 and 2020 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

In thousands of tenge	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
2021					
Financial assets					
Interest bearing loans to related party	176.660.416	190.534.947	-	-	190.534.947
Financial liabilities					
Debt securities issued	(312.484.632)	(339.857.062)	(339.857.062)	-	-
Interest bearing loans	(172.224.231)	(169.749.920)	-	(169.749.920)	-
Loans from related party	(21.539.755)	(21.650.082)	-	(21.650.082)	-
2020					
Financial assets					
Interest bearing loans to related party	172.151.228	159.808.893	-	-	159.808.893
Financial liabilities					
Debt securities issued	(304.526.478)	(282.195.749)	(282.195.749)	-	-
Interest bearing loans	(188.297.301)	(184.793.576)	-	(184.793.576)	-

Estimates and assumptions

The management of the Group has determined that the fair value of cash and bank deposits, trade receivables, interest free loans provided to related parties, trade and other payables, short-term loans received and all other financial instruments approximates their carrying amount mainly due to short-term nature of these instruments.

Fair value of quoted bonds is based on price quotations at the reporting date.

The fair values of long-term loans are determined by the DCF method using rates currently available for debt on similar terms, credit risk and remaining maturities.

There have been no transfers between Level 1, Level 2 and Level 3 during 2021 and 2020.

Changes in liabilities arising from financial activities

In thousands of tenge	1 January 2021	Proceeds	Repayments	Repayment of interest	Foreign exchange gains or losses	Others	31 December 2021
Financial liabilities							
Interest bearing loans	188.297.301	-	(18.820.911)	(15.824.300)	2.097.492	16.474.649	172.224.231
Loans from related party	318.236	24.104.026	-	-	4.345	(2.568.616)	21.857.991
Debt securities issued	304.526.478	-	-	(15.250.586)	7.629.925	15.578.815	312.484.632
Other financial liabilities (Lease liabilities)	4.580.533	-	(30.323.221)	-	-	32.122.536	6.379.848
Total liabilities arising from financial activities	497.722.548	24.104.026	(49.144.132)	(31.074.886)	9.731.762	61.607.384	512.946.702
2020							
Financial liabilities							
Interest bearing loans	193.337.693	92.483.064	(106.025.592)	(12.995.815)	8.948.474	12.549.477	188.297.301
Loans from related party	10.732.292	318.236	(14.881.897)	(495.583)	-	4.645.188	318.236
Debt securities issued	294.006.172	-	(17.816.800)	(14.176.740)	29.838.219	12.675.627	304.526.478
Other financial liabilities (Lease liabilities)	-	-	(2,440.580)	-	-	7,021.113	4,580.533
Total liabilities arising from financial activities	498.076.157	92.801.300	(141.164.869)	(27.668.138)	38.786.693	36.891.405	497.722.548

The "Others" column mainly represents interest accrued, amortization of discount, modification of lease and costs associated with the organization of loans. The Group classifies interest paid as cash flows from operating activities.

31. SEGMENT REPORTING

The Group determines its operating segments based on the nature of their operations. The performance of the operating segments is assessed by management on a regular basis.

The following reportable segments within the Group were determined:

- Gas trading — sales of gas within the Republic of Kazakhstan and abroad;
- Transportation and storage of gas — transportation of gas and storage of purchased gas in underground gas storages.

The remaining operating segments (exploration and production of gas and rendering transportation services) have been aggregated and presented as other operating segment due to their insignificance.



246 31. SEGMENT REPORTING (CONTINUED)

Segment performance is evaluated based on both revenues and net profit, which are measured on the same basis as in the consolidated financial statements. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Substantially all of the Group's operations and assets are located in the Republic of Kazakhstan.

The following table represents information about revenues and net profit, assets and liabilities of operating segments of the Group for 2021:

In thousands of tenge	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from external customers	771.306.613	118.415.432	6.533.166	-	896.255.211
Revenue from other segments	13.354.640	126.214.265	22.672.385	(162.241.290)	-
Total revenue from contracts with customers	784.661.253	244.629.697	29.205.551	(162.241.290)	896.255.211
Finance income	26.903.674	2.453.829	1.542.979	(4.353.718)	26.546.764
Finance costs	(29.471.176)	(12.518.988)	(766.166)	477.352	(42.278.978)
Depreciation and amortization	(11.144.391)	(24.877.798)	(3.589.516)	-	(39.611.705)
Share in profit of joint ventures	-	319.087.303	27.058	-	319.114.361
Income tax expenses	(45.478.101)	(19.933.249)	(1.972.163)	-	(67.383.513)
Net profit for the year	175.660.575	372.450.445	5.740.762	(153.659.226)	400.192.556
Other segment information					
Investments in joint ventures	-	685.891.336	1.325.087	-	687.216.423
Capital expenditures	19.807.574	76.036.888	7.823.094	(15.260.703)	88.406.853
Allowance for expected credit losses	(4.396.366)	(385.298)	(42.940)	-	(4.824.604)
Allowances for obsolete inventories and advances paid	(175.181)	(1.471.908)	-	-	(1.647.089)
Assets of the segment	1.573.930.114	1.610.430.682	91.432.815	(541.591.097)	2.734.202.514
Liabilities of the segment	747.897.285	265.104.919	17.147.524	(83.583.326)	946.566.402

The following represents information about revenue and net profit, and assets and liabilities of operating segments of the Group for 2020:

In thousands of tenge	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from external customers	848.075.562	96.021.287	1.423.254	-	945.520.103
Revenue from other segments	11.579.626	97.141.538	22.457.844	(131.179.008)	-
Total revenue from contracts with customers	859.655.188	193.162.825	23.881.098	(131.179.008)	945.520.103
Finance income	22.091.409	2.009.011	707.130	(3.041.687)	21.765.863
Finance costs	(28.658.429)	(8.358.069)	(587.933)	693.105	(36.911.326)
Depreciation and amortization	(11.132.376)	(26.108.613)	(2.828.487)	-	(40.069.476)
Impairment provision of property, plant and equipment	-	198.735	(1.021.926)	-	(823.191)
Share in profit of joint ventures	-	230.343.862	36.211	-	230.380.073
Income tax expenses	(3.970.311)	(16.030.994)	(1.025.480)	-	(21.026.785)
Net profit for the year	100.142.135	287.049.348	289.332	(120.978.364)	266.502.451
Other segment information					
Investments in joint ventures	-	428.660.505	1.066.966	-	429.727.471
Capital expenditures	15.955.079	106.861.709	6.390.477	(2.296.559)	126.910.706
Allowance for expected credit losses	(4.683.266)	(375.800)	(80.630)	-	(5.139.696)
Allowances for obsolete inventories and advances paid	(195.094)	(1.471.908)	(285.340)	-	(1.952.342)
Assets of the segment	1.399.083.415	1.317.799.737	81.865.077	(488.666.143)	2.310.082.086
Liabilities of the segment	747.751.741	215.440.812	16.849.832	(58.392.914)	921.649.471

Eliminations represent the exclusion of intra-group turnovers.

In 2021, the Group generated 48% of its revenues from PetroChina Group (2020: 56%) and 11% from Gazprom Group (2020: 9%).

32. SUBSEQUENT EVENTS

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquefied natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

On 19 January 2022, the state of emergency was lifted. The Group is currently unable to quantify what the impact, if any, may be on the Group financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.



Appendix 4. Glossary

Reduction	Decryption
AGDS	Automatic gas distribution station
GMS	gas measuring stations
JSC	Joint-stock company
LLP	Limited Liability Partnership
UN SDGs	United Nations Sustainable Development Goals
NC QazaqGaz JSC	Joint Stock Company National Company QazaqGaz
ESG	Environmental, Social, and Corporate Governance
IPO	Initial Public Offering
EBITDA	Earnings before interest, taxes, depreciation and amortization
ROACE	Return on Average Capital Employed
LTIFR	Lost Time Injury Frequency Rate
FAR	Fatal accident Rate
RK	The Republic of Kazakhstan
RF	the Russian Federation
GCC Kazakhgaz	Gas chemical complex Kazakhgaz
MGP	Main gas pipeline
MGPM	Main gas pipelines management
AGDS	Automatic gas distribution station
CS	Compressor station
IDR	Issuer default rating
R&D	Research and development work
PSS	Power Supply Services
CRNM	Committee for the Regulation of Natural Monopolies
PB	Production branch
AGFC station	Automotive gas filling compressor stations
IGTP	Integrated gas treatment plant
GPP	Gas Processing Plant
COGTU	Complex oil and gas treatment unit
KazGPP	Kazakh gas processing plant
GTP	Gas treatment plants
GPTP	Gas pretreatment plant
CPC	Caspian Pipeline Consortium
GPT	Gas processing and treatment
CRMS	Corporate risk management system
GTU	Gas Treatment Unit
SVA	Internal Audit Service
RMS	Risk management system
ICS	Internal control system
IPD	In-pipe diagnostics
EP	environmental protection

Reduction	Decryption
ICA JSC	Intergas Central Asia JSC
LPD	linear production departments
EL	Emission limit
LPM	Linear production management
COx	carbon monoxide
SOx	Sulfur oxide
NOx	nitrogen oxides
CO ₂	Carbon dioxide
CH ₄	Methane
N ₂ O	Nitric oxide
GPPP	gas piston power plant
GPU	Gas pumping unit
GDS	gas distribution station
AC	Air coolers
GVU	Gas valve unit
OGPP	Oil and gas processing plant
CDLU	Cleaning device launch units
RES	Renewable energy sources
NDC	Nationally Determined Contribution
BSGP	Beineu-Shymkent Gas Pipeline
EBRD	European Bank for Reconstruction and Development
WKO	West-Kazakhstan region
BD	Board of Directors
HSE	Health, safety and environment
ULPMS	Unified labor protection management system.
NTS	Scientific and Technical Council
SMR	Construction and installation works
GIS	Gas measuring station
AGP	Asia Gas Pipeline
ETP	Engineering and technical personnel
STS	State technical service
MAEC	Mangistau Atom Electric Complex
PP	Production personnel
QGE P	QazaqGaz Exploration and Production LLP
KTGO	KazTransGas Onimderi LLP
AGC	Automatic gain control
SR	Safety Regulations
FER	Fuel and energy resources
PED	Production and engineering department
STC	Scientific and Technical Council



250 Appendix 5. Contact information



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