



LETTER FROM GENERAL DIRECTOR GRI 2-22

I AM PLEASANTLY IMPRESSED WITH THE SCOPE AND MAGNITUDE OF KPO'S OPERATION AND THE LEVEL OF ITS SOPHISTICATION AS AN ORGANIZATION THAT IS CONSTANTLY DEVELOPING AND ADAPTING TO CHANGES.

Marco Marsili
KPO General Director

Dear Readers,

As a new General Director, I am pleased to present to you the ESG-Report or Sustainability Report of Karachaganak Petroleum Operating B.V. Kazakhstan Branch for the year 2023. This will be the sixteenth report since the Company began publishing its non-financial reports.

I am pleasantly impressed with the scope and magnitude of KPO's operation and the level of its sophistication as an organization that is constantly developing and adapting to changes. Today, in the face of rapid technological development and innovations, sustainable future depends on our ability to cooperate and to share experience. Perhaps that was one of the reasons why Communication was chosen as the key topic of this Report, for the way we communicate affects the performance efficiency and the end results of any team's effort.

When asked about the highlights of 2023, the first thing that comes to my mind is generation and implementation of the KPO-365 Business-Strategy which is aimed at transforming the Company's operational ethos and organization model. This multi-level strategy is intended for KPO long-term development and evolution, based on the values and the principles of sustainable development. In 2023, six focus areas of KPO-365 have been further progressed, including the maturation of Gas, Power and Water Management Strategies.

The Lost Time Injury (LTI) rate in KPO and its contractor companies was only 0.05 in 2023 compared to 0.22 in 2022; there was a reduction in the number of LTI from seven in 2022 down to two in 2023. The Total Recordable Injury Frequency was 0.37 in 2023. The Road Traffic Incident Frequency of KPO and its contractor companies was 0.02 in 2023. There was only one major Road Traffic accident that resulted in an injury of a contractor's driver.

We continue to work restlessly to improve the safety culture at production units, offices and infrastructure facilities. Throughout the past year we have been actively working to implement The Safety Leadership and Culture Programme, which is a key tool for safety enhancement at the workplace. Furthermore, 125 near misses have been identified through the implementation of the HSE cards, which is indicative that the system effectively helps preventing incidents at production facilities.

Over the reported period, KPO has produced more than 143 mln barrels of oil equivalent of stable and unstable liquid hydrocarbons, export raw gas and sweet fuel gas for own consumption. Four production wells and three injection wells were drilled in 2023. Well Operations Department performs both wells repair and production optimization, providing production of 2.5 mln barrels annually without incidents. We have also made significant improvements in safe drilling operations through a number of programmes, including the Coaching Programme for Drilling Supervisors.

In 2023, the Company exported 10.8 mln tonnes or 85.3 bln barrels of crude oil via various routes. New records in gas reinjection were achieved owing to the start-up of the 4th Gas Reinjection Compressor. A new export route via the Druzhba pipeline was explored with a final destination in Germany (p.Adamova Zastava), through which about 1 mln tons of oil was delivered.

In the past year, we have made a significant progress in the implementation of Karachaganak Expansion Project Phase 1 (KEP-1), including the construction of the 5th Gas Reinjection Compressor and the auxiliary facilities. In parallel, other opportunities have been progressed, including the Karachaganak Gas Plant.

The 2023 turnaround and shutdown were carried out without incidents which has allowed enhancing the integrity and operational efficiency of the main production facilities, as well as safety of process equipment.

Information technology plays a primary role in the way we do business today. Significant changes in KPO production philosophy took place owing to the active work of newly created Digitalization Department. Comprehensive Digitalization strategy and Road map have been developed that will bring the Venture's digital capability to a new level. The new projects portfolio includes Wells Telemetry Project, Timesheets and Transport Request Digitalization Project and Cyber Security Maturity Program, including training of employees and creation of Security Management Centre.

With respect to environmental protection, in 2023 KPO has achieved a world-class gas utilization rate of 99.95%. Currently KPO pursues a wide range

of initiatives focused on decarbonisation such as energy efficiency, methane emissions reduction and assessing lower and zero carbon opportunities. Furthermore, at the beginning of 2024 KPO joined the UN Environment Program on Oil and Gas Methane Partnership (OGMP 2.0) – by doing so we emphasise our commitment to methane emissions reduction.

KPO has also made significant progress in developing a new water management strategy aimed at reducing technical water consumption and looking for opportunities to utilize available volumes of treated wastewater from municipal facilities.

The Company actively works on projects that promote the introduction of "green" technologies, GHG emissions reduction and introduction of efficient waste management techniques. In 2023, as part of the Green Office project we gave up using disposable plasticware in all KPO offices outside the Field and did several other initiatives dealing with waste segregation, environmental awareness raising and promotion of "green" thinking formation. To this end, the Uralsk Green Forum has again proved to be an effective communication tool and platform for discussing the most urgent environmental issues.

Our environmental and energy management systems are regularly audited and confirmed as effective and compliant with the international standards ISO 14001:2015, ISO 50001:2018, and ISO 14001:2015.

During the past year, we have successfully implemented the annual personnel training and professional development programs. In 2023, local content reached 98% in professional and technical and 86% in managerial positions. At the same time, KPO local content in procurement, goods, works and



services has reached 63.24% or US\$ 756.1 mln in monetary terms. As part of the long-term initiatives, KPO proactively interacts with International Oil & Gas Machine Building Centre (IMBC). Owing to a team work accomplished with IMBC during 2022–2023, we have concluded a number of contracts with local producers for a total amount over US\$ 94 mln. Moreover, 30 contracts worth US\$107 mln were awarded to Kazakhstani companies for the supply of locally produced goods in the period of 2022-2023.

Engagements with contractors or business-partners are also on the rise, which is very reassuring. Each business partner (contractor) organization contributes to ensuring stable production activities at Karachaganak field. To maintain a positive social atmosphere, it is crucial to have a regular constructive dialogue between KPO and business partners on all pressing issues, including HSE, creation of favourable working conditions, protection of employees' labour rights, requirements of the RoK Environmental Code, etc.

In terms of social performance KPO has been pursuing a large-scale program of social infrastructure development. Last year, work continued on 24 social projects, 18 of which were commissioned. This included 13 new schools, two sports and health centres, a visitor centre and road repairs in the West Kazakhstan region. Also, the Central District Hospital in Aksai received new medical equipment. Since 1998, construction of more than 250 social and infrastructure facilities were funded by the Company.

By the end of 2023, the Karachaganak Partners have invested US\$ 31.3 bln into the development of the Karachaganak oil and gas condensate field.

All these achievements testify to the diligence, coordinated work and commitment by the entire KPO team highs. We strongly encourage other companies to join us on a journey to innovations and sustainability.

Only through concerted efforts we will be able to create an innovative, effective and environmentally sustainable energy future. By sharing thoughts and building a constructive dialogue with all stakeholders we will improve the business environment and create new opportunities.

I hope that this report will expand your understanding of how KPO has fared in the field of sustainable development. Your comments and suggestions regarding both the format and details of disclosure will be most appreciated and used to make our future reports better.

Yours sincerely,

Marco Marsili
KPO General Director

