



2023
Sustainable
Development
Report

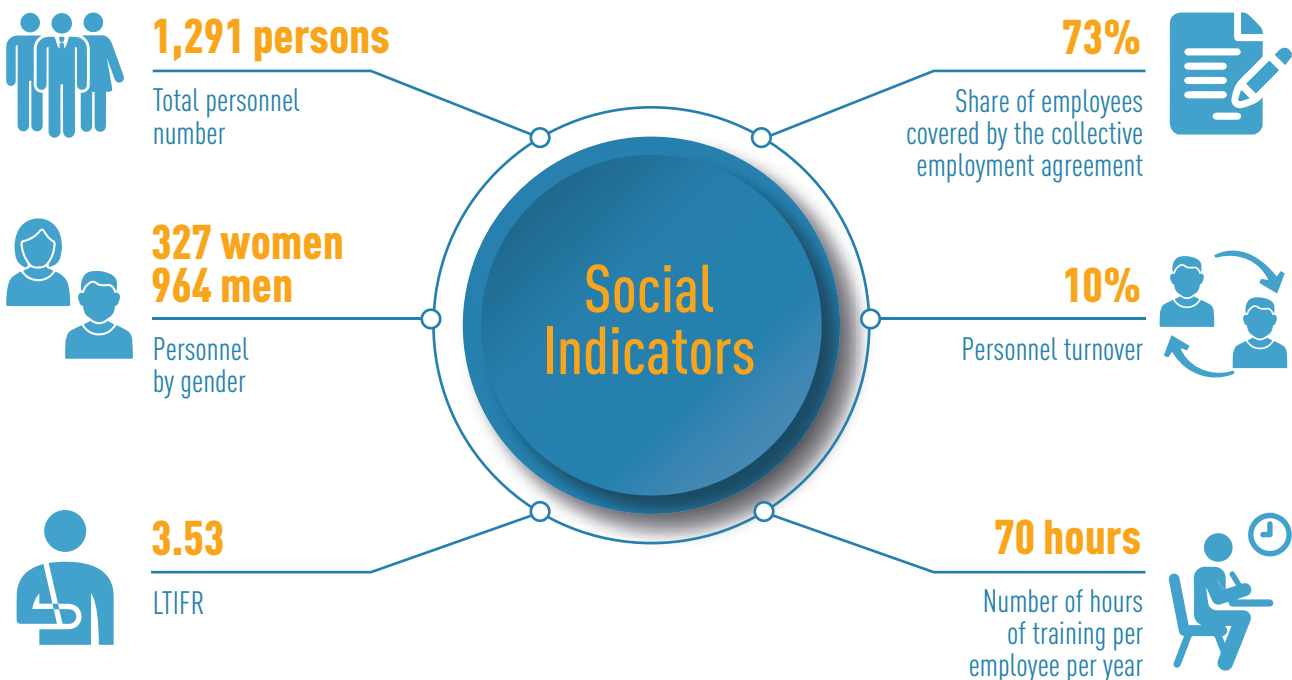
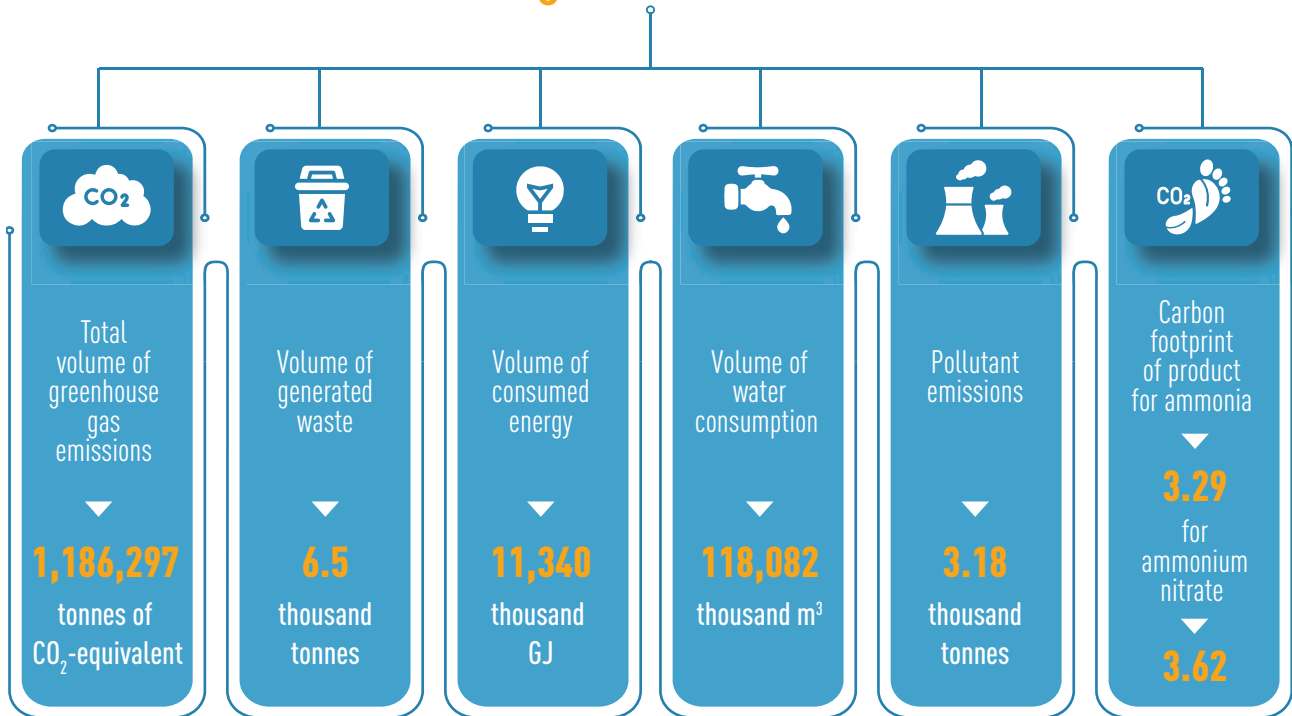
**RESPONSIBILITY FOR THE FUTURE:
Our Way to Sustainability!**

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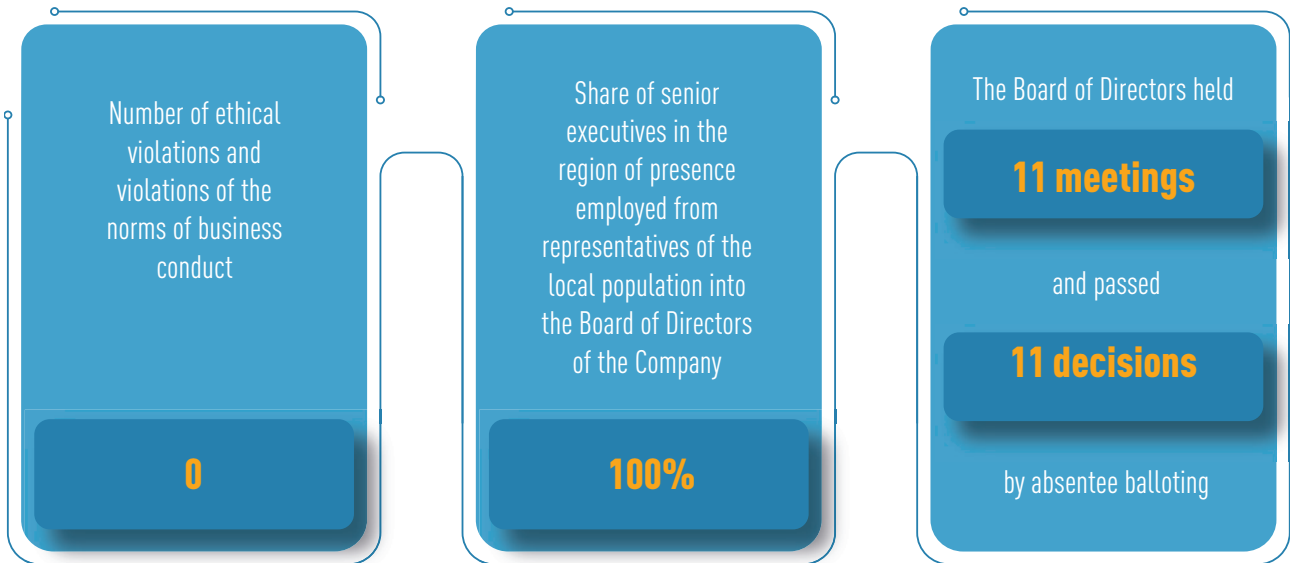
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Overview of Key Sustainable Development Indicators for 2023

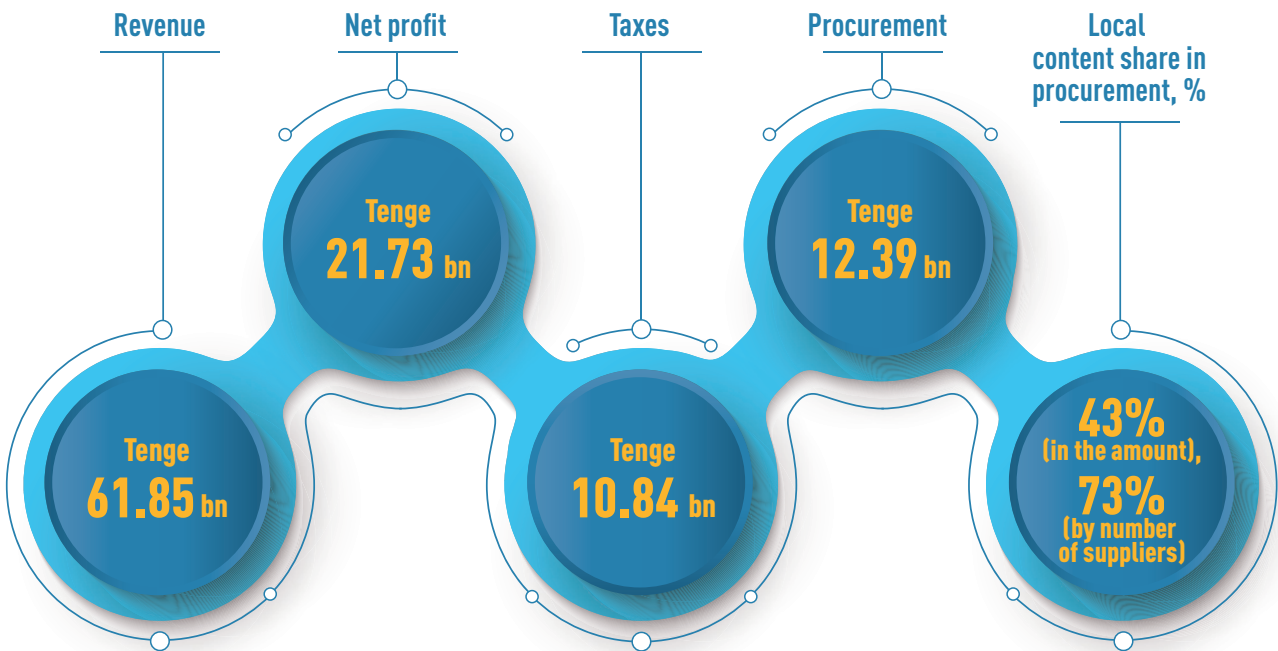
Ecological Indicators



Corporate Governance



Financial Indicators



Key Events in Sustainable Development for 2023



**May
2023**

Establishing
the Department
of Sustainable
Development

01



**August
2023**

Joining
the UN Global
Compact

02



**September
2023**

Issue of the first
Sustainable
Development
Report



Training
on ESG issues

03



**October
2023**

Holding
a strategic
session,
development of
the sustainable
development
strategy
until 2030

04



**November
2023**

Preparation
of internal
documents
of the Customer,
according to
recommended
practices and
standards
for disclosure
of non-financial
reporting

05

GRI 2-22

Message from the General Director

**Dear readers,**

Our world is changing rapidly, and it is important that each of us contributes to sustainable development. We are glad to present our second Sustainable Development Report for 2023, in which we will tell about our approaches to sustainable development and progress made in the ecological, economic and social spheres.

As producers of chemical fertilizers, we are aware of our responsibility for the environment and society. Our goal is to produce quality products for yield enhancement, contributing to the food security of the country, following the principles of sustainability and social accountability.

KazAzot JSC is the only producer of ammonia and ammonium nitrate in Kazakhstan. We are proud of our contribution to the economy of the region and the country. Within the strategy for improving food safety and industrial capacity of Kazakhstan, we are planning to build a modern ammonia-carbamide unit in Aktau city. We maintain high quality standards and minimize ecological impact at the current and planned production sites.

The safety and wellbeing of our employees is our priority. We are striving to retain the current personnel and attract new qualified specialists, improving the work environment and staff motivation.

We are sure that interaction with stakeholders and following sustainable development principles are a key to successful conduct of business. I would like to thank all the employees for their well-coordinated work. We will continue developing and adhere to a sustainable development strategy to achieve the best results.

On 22 August 2023, KazAzot JSC joined the UN Global Compact, confirming our adherence to ten principles in human rights, labor relations, ecology and fighting corruption. This step underlines our commitment to long-term success and prosperity based on sustainable development principles.

We are proud of the achievements and inspired by challenges. Let this report be the beginning of our way to a more sustainable future.

Thank you for your support and cooperation!

Sincerely yours,
General Director
A.A. Mauleshev



About the Company

About the Company

GRI 2-1, GRI 2-2, GRI 2-6, GRI 2-28

General Information

Joint Stock Company «KazAzot» (hereinafter referred to as the Company, KazAzot) is a Kazakhstani national producer and exporter of ammonia, ammonium nitrate, nitric acid and natural gas, located in Aktau city, Mangistau region and operating in the Republic of Kazakhstan. As of 31 December 2023, the Company did not have any subsidiaries and associates and had one branch - «Shagyryly-Shomyshty» of KazAzot JSC.

The Company performs a cyclical turnaround from production of natural gas to production of anhydrous liquefied ammonia and ammonium nitrate. Ammonium nitrate is used both for soil fertilization and in the production of explosives and production of uranium. On 14 March 2016, the Company signed a new Contract with the RK Ministry of Energy for the exploration and production of hydrocarbons at the Kosbulak site in Mangistau region which already had occurred for 6 years of an exploration period and 25 years of production period.

On 26 September 2014, the Company signed a subsoil use contract for 25 years with the RK Ministry of Energy to produce gas at the Shagyryly-Shomyshty field located in the Beineu district of Mangistau region. KazAzot owns a gas field and two exploration sites, which are key raw materials in the production of ammonia and ammonium nitrate. The gas is also used in the production of electric power at the private gas engine power plant. In September 2022, the exploration period to assess hydrocarbon raw materials was extended until 2025.

We deliver our products to customers in the Republic of Kazakhstan, and we are an export-oriented enterprise. Thanks to the performed modernization, KazAzot is competitive in the global market of mineral fertilizers. Over the years of operation, the logistical network of the Company's exports covered almost all the CIS, Baltic and Eastern European countries. KazAzot's goods are exported to Poland, Lithuania, Ukraine, Estonia, Nigeria, Peru, Kyrgyzstan, Uzbekistan, Azerbaijan, Georgia, Turkmenistan, India, Africa, Serbia and to other countries.

Our partners are such companies as the Development Bank of Kazakhstan JSC, ForteBank JSC, Bank CenterCredit JSC, NAC KazAtomProm JSC Group, MAKSAM Kazakhstan LLP, Bogatyr Komir LLP, National Company Kazakh Invest JSC, Export Insurance Company Kazakh Export JSC, Kazfosfat LLC and ERG Group of Companies. KazAzot is a member of the Kazakhstani Union of Chemical Industry.

In 2023, the Company produced 306,935 tons of ammonium nitrate, 167,621 tons of hydrogen nitrate, 257,552 tons of ammonia and produced 734,260 thousand m³ of gas. The Company's major share of revenue is generated from the sale of commercial gas and ammonium nitrate.

Detailed information on the Company, its products, sales markets, suppliers and customers are contained in the Annual report of KazAzot for 2023 (the «Annual report») placed on the corporate website.

Mission and Vision

Mission:

Creation of a competitive product for the development and stability of the agrarian and mining sectors as well as for the purpose of food and industrial safety of the country.

Vision:

- KazAzot JSC is a strategic partner of the state in the matters of yield enhancement.
- KazAzot JSC is a reliable supplier for industrial companies.
- KazAzot JSC creates sustainable ecosystems, which enhance soil productivity, reduce the use of resources and minimize an adverse effect on the environment.

We have accepted six key ambitions as a target for the achievement of our strategic goals and introduction of sustainable development practices. In this respect, we would like to:

- 1) Modernize the existing and implement new and high-performance production to reduce the impact of the industry on the environment.
- 2) Comply with high occupational health and safety standards, which are the key principles of our activity.
- 3) Develop a culture of steady improvements, which would allow improving the involvement and motivation of our staff.
- 4) Further improve the corporate governance and risk management system, which would increase the efficiency of our Company.
- 5) Implement successfully ESG practices, which are closely related to the economic sustainability and development of KazAzot.
- 6) Achieve a 100% sustainable value chain.



Management Approach to Sustainable Development

Understanding the key role of sustainable development principles and values in the growth and success of any business, KazAzot is constantly working on its integration into its business processes. Our goal is not only to create innovative products to enhance the yield and quality of agricultural products but also to do it in line with sustainability principles, concern for the environment and social responsibility.

The approach to managing the sustainable development in the Company is regulated by the Sustainable Development Strategy for 2023 - 2030 developed in the 4th quarter of 2023 and the Regulation on ESG working groups. The Company's commitment to the implementation of ESG practices is an important signal for the market to preserve the focus on sustainable development in complex macroeconomic conditions.

General management of the Company's activities in strategic development areas, including sustainable development, is provided by the General Director of KazAzot. The ESG working groups are an advisory and consultative body under the General Director and are created on a case-by-case basis per his decision. The general activity of ESG working groups is coordinated by the Department of Sustainable Development.

The main responsibilities of the Director of the Department of Sustainable Development are:

- Development and implementation of the sustainable development strategy: development and integration of the Company's sustainable development strategy, including environment, social responsibility and corporate governance.
- Monitoring and reporting: setting metrics and criteria for evaluation of the efficiency of the sustainable development strategy, monitoring of performance and preparation of regular reports for the Company's management and stakeholders.
- Risk management: identification and analysis of potential risks related to sustainability and social responsibility, and development of measures to manage them.
- Compliance with standards and regulatory requirements: ensuring the Company's compliance with all applicable standards of sustainable development and regulatory requirements.
- Stakeholder engagement: establishment and support of partner relations with investors, customers, public organizations and other stakeholders in the area of sustainable development.
- Training and development: development and training of the members of the sustainable development team and ensuring awareness and support of sustainable development issues within the Company.

ESG working groups are formed from managers of relevant functions, approved by orders of the General Director and have the following goals:

- Integration of the aspects of sustainable development into the strategic management and operating processes and reporting.
- Discussion and recommendations on risk management and opportunities related to the impact on the environment, and to the social aspects and corporate governance.
- Improvement of the corporate reputation in the eyes of investors, customers and the public through active work on sustainable development issues.
- Creation of long-term value for all stakeholders by integrating sustainable practices into the business model.

Within the Sustainable Development Strategy for 2023 - 2030, the Company determined for itself the following key activity areas to ensure sustainable development of the business presented in Fig.1, and their description in Table 1 below:

Fig. 1: Strategic activity areas of the Company until 2030

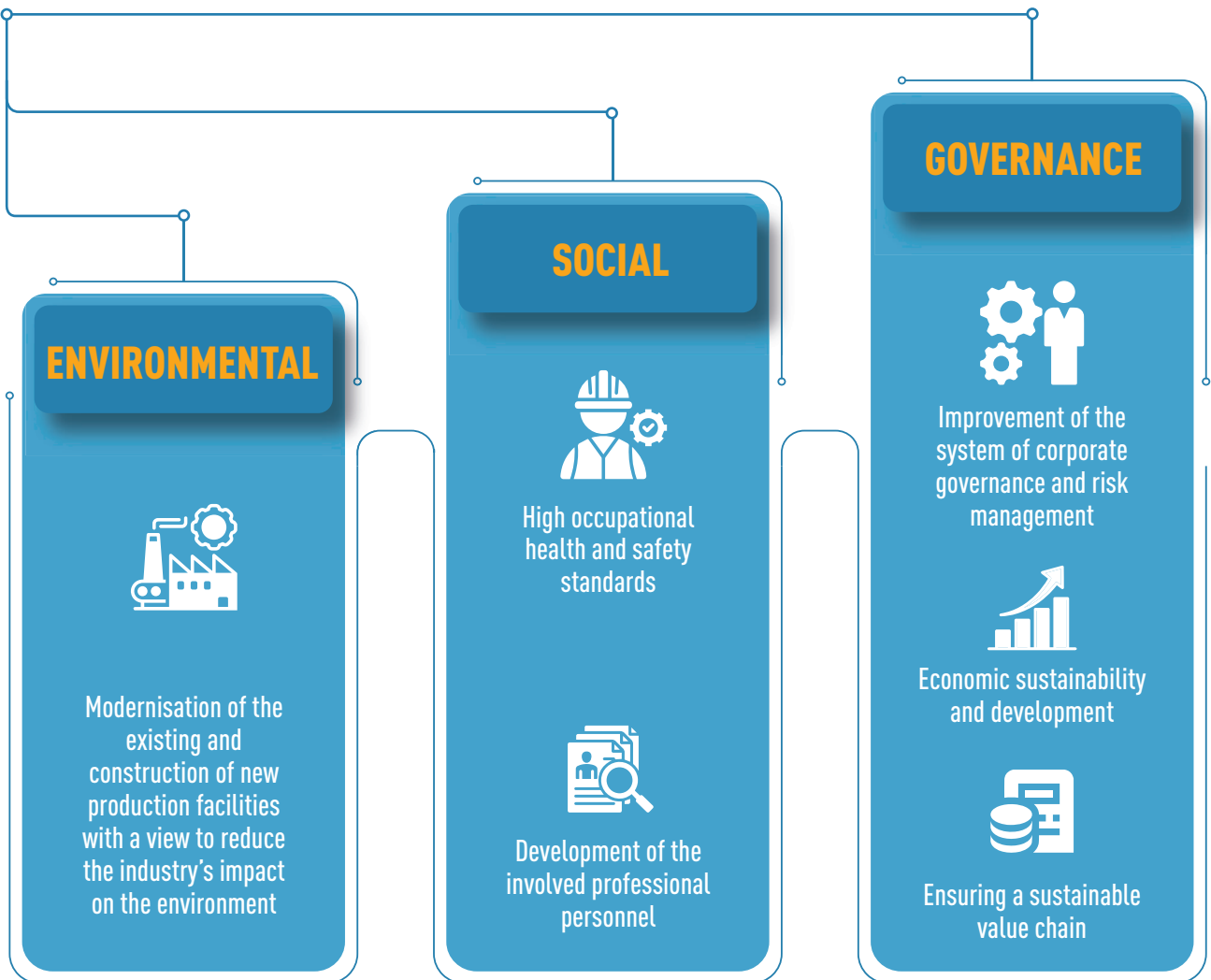


Table 1: Brief description of the strategic directions of activities of the Company until 2030

| Strategic direction | Brief description | |
|---|---|---|
|  | <p>Modernization of the existing and construction of new production</p> | <p>To reduce the impact on the environment, reduce the carbon footprint, increase the efficiency of consumption of energy and water, and reduce waste, the Company is planning to carry out work and activities to modernize the existing production facilities and launch new and high-performance production facilities. These steps are considering the plans for achieving carbon neutrality in the economy of Kazakhstan.</p> |
|  | <p>High occupational health and safety standards</p> | <p>KazAzot aims to minimize injuries and production accidents among the employees and contractors by improving processes for occupational health and safety systems.</p> |
|  | <p>Development of the involved professional personnel</p> | <p>To strengthen competencies, motivation and engagement of the personnel, KazAzot is planning to develop a culture of continuous improvements via increasing the number of trainings, professional development programs, and on-the-job-trainings, implementation of the system of financial and non-financial incentives for the staff. The Company considers cooperation with educational institutions for the training and for attracting young talent.</p> |
|  | <p>Corporate governance and risk management systems improvement</p> | <p>To increase the investment appeal and sustainability of the long-term activities of the Company, KazAzot is planning to implement a risk management system, continue working on improvement of the structure and system of corporate governance and strengthen efficient stakeholder engagement.</p> |
|  | <p>Economic sustainability and development</p> | <p>To increase operating efficiency and ensure technical upgrade, KazAzot is planning to implement automated systems of management and management accounting and to actively cooperate with partners, as well as scientific and innovation centers for continuous sustainable development.</p> |
|  | <p>Ensuring a sustainable value chain</p> | <p>To increase its competitive advantages, the Company is planning to create a sustainable value chain including procurement of raw materials and supplies from suppliers observing sustainable development principles, outgoing logistics related to storage, and movement of the products to the end consumer, marketing and service activity.</p> |



GRI 2-23, GRI 2-28

Contribution to the Achievement of UN Sustainable Development Goals in 2023





Our Company is committed to all the sustainable development goals accepted by the UN within the «Transforming our World: The 2030 Agenda for Sustainable Development» program and intends to support the efforts of the country and the global community via integration of SDGs into its activities. These efforts are an important part of the sustainable development strategy of KazAzot.

On 22 August 2023, the Company joined the United Nations Global Compact, the international initiative in corporate social responsibility and sustainable development.

KazAzot became the first chemical company in Kazakhstan to join this international initiative.

In 2023, the Company carried out several activities in ecological, social and corporate responsibility, which shows KazAzot’s contribution to Kazakhstan’s achievement of the following 11 Sustainable Development Goals and respective 12 targets:

| UN SDGs | Targets | KazAzot's contribution |
|---|--|---|
|  <p>3 GOOD HEALTH AND WELL-BEING</p> | <ul style="list-style-type: none"> 3.4. Reduce mortality from non-contagious diseases via prophylaxis and treatment, and support of mental health and wellbeing 3.9. Significantly reduce the number of deaths and illness as result of the impact of hazardous chemicals and pollution and poisoning of air, water and soil | <ul style="list-style-type: none"> The Company holds activities aimed at reducing atmospheric emissions. In October 2023, the Company's employees had training within the program «Introduction of ecological management. Structure of standard ISO 14001:2015. Terms and definitions.» In a solemn ceremony, Alfa Training Centre LLP presented the key personnel of the Company with certificates on successful completion of the course. In the 4th quarter of 2023, the work on justification of the size of the sanitary protection zone of the enterprise was completed. This work included the analysis of the environment, identifying hazardous production factors, evaluation of the impact of the enterprise on the environment and health of people, and the development of activities to minimize an adverse impact and justification of the sanitary protection zone according to the requirements of the legislation. |
|  <p>4 QUALITY EDUCATION</p> | <ul style="list-style-type: none"> 4.4. Significantly increase the number of young and mature people with in-demand skills, including professional technical skills for employment, obtaining decent employment and engaging in entrepreneurial business | <ul style="list-style-type: none"> The Company has memoranda and agreements with educational institutions for the internship, programmes of professional development and improvement of educational activities of educational institutions for staff training. In 2023, the staff of the Department of ecology and occupational sanitation (DEOS) and the Department of sustainable development (DSD) of KazAzot took an active part in the SDG Ambition program aimed at integration of UN SDGs into the business strategy and operating activities of the Company. This initiative meets several goals of the UN sustainable development and enables the achievement of the sustainable growth of the Company. |
|  <p>5 GENDER EQUALITY</p> | <ul style="list-style-type: none"> 5.5. Ensure a comprehensive and real participation of women and equal opportunities for women's leadership at all the levels of decision-making | <ul style="list-style-type: none"> In 2023, the share of women in the total headcount was 25%. 15% of executive officers are women, and the share of women among top managers was 40%. The ratio of the average salary of women and men in 2023 was 0.83 to 1. |
|  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> | <ul style="list-style-type: none"> 8.8. Protect labor rights and facilitate ensuring reliable and safe working conditions for all employees | <ul style="list-style-type: none"> In 2023, there were no fatal accidents at production site, including independent contractors working at the Company's facilities. The Company carries out regular activities to prepare the staff for actions in case of accidents and in case of fires. 950 persons passed basic fire safety training in the reporting period. |

| UN SDGs | Targets | KazAzot's contribution |
|---|---|--|
|  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> | <ul style="list-style-type: none"> 11.6. Reduce an adverse ecological impact of cities in relation to population, including via paying special attention to the quality of air and removal of city and other wastes 11.7 Provision of universal access to green and public spaces | <p>The chemical industry is inherently associated with a risk of an impact on the environment and incidents relating to such matters as quality of discharged water, waste processing, atmospheric emissions, and satisfaction of the local population. The Company implemented basic elements of the environmental management system (industrial environmental control, environmental action plans, waste management plan). Within environmental management:</p> <ul style="list-style-type: none"> Schematic maps for landscaping of the sanitary protection zone of the compound fertilizer plant were developed and agreed with the competent authority. The territory to be landscaped was examined, and adjustments were made to the landscaping project. The agreement for surveying and landscaping was signed with the supervisory bodies, the date of completion is planned to be until 30 June 2024. Preference was given to tree and shrubbery plantings to increase the biological and gas resistance in the conditions of fertilizer manufacturing. The drip system and planting of vegetation are planned in 2-3 and 3-4 quarters of 2024, respectively. |
|  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> | <ul style="list-style-type: none"> 12.2 By 2030, achieve sustainable management and efficient use of natural resources 12.5 Significantly reduce the volume of waste by taking measures to prevent their accumulation, their reduction, processing and recycling 12.6 Stimulate companies, especially large and international ones, to implement sustainable practices and include information on sustainable development in their reports | <ul style="list-style-type: none"> In 4th quarter of 2023, the sustainable development strategy of KazAzot until 2030 was developed. In November 2023, KazAzot has voluntarily undergone the procedure of certification for compliance with the requirements of the national standard CT PK ISO 14001:2016 «Environmental management systems». The Company follows the «Green office» principles. In 2023, KazAzot top management developed and approved the environmental management policy aimed at improvement of ecological efficiency of the Company and compliance with international standards. In May 2023, the Department of sustainable development was established, whose task is to coordinate activities in the field of KazAzot's policy and strategy of sustainable development. |

| UN SDGs | Targets | KazAzot's contribution |
|---|--|---|
|  | <ul style="list-style-type: none"> 13.1. Increase resistance and adaptability to hazardous climatic events and natural calamities in all the countries | <ul style="list-style-type: none"> The analysis and evaluation of climate-related risks and their impact on the Company's operations were conducted. In 2023, KazAzot developed and approved the Policy of low-carbon development aimed at reduction of greenhouse gas emissions and transition to a low-carbon economy. Currently, efforts are underway to develop and implement pilot projects on hydrobiological research on growing chlorella in the condensate of juice steam, utilization of carbon dioxide, while producing proteinic biomass for animal feed. The works to develop a detailed design, procurement, assembly and commissioning of metering devices conducting continuous measurement of quantity and quality indicators based on multi-gas analyzers MIR FT ENVEA on four exhaust ports of the gas engine power plant were completed. Continuous monitoring is applied to 20-minute averaged concentrations of nitrogen oxide (NO), nitrogen dioxide (NO₂), carbonous oxide (CO), sulfur oxide (SO₂), formaldehyde (CH₂O), exit gas temperature, excessive pressure, humidity, flow rate of exit gasses and current time value. Additional CO₂, CH₄, N₂O sensors on the four pipes of the gas engine power plant have been installed, which would allow measuring concentrations of greenhouse gasses in the exhaust pipes in real-time mode. The report in Russian and English languages on the carbon footprint of the products was developed and approved based on the results for 2022 for Scope 1, 2 and 3. |
|  | <ul style="list-style-type: none"> 14.1. Ensure prevention and significant reduction of any marine pollution, including due to the activities onshore, including pollution by marine litter and nutrients | <ul style="list-style-type: none"> To increase the efficiency of the use of water resources, KazAzot introduces technologies allowing reuse of reject water and reducing the volumes of water consumption. Additionally, a pre-project inspection of the industrial wastewater system was conducted. All the sources of water intake are included into the evaluation of the Company's impact on water resources. Also, each month, monitoring of the condition of water resources is conducted. KazAzot interacts actively with the stakeholders in water utilization. |

Determination of Material Topics

GRI 3-1, GRI 3-2

KazAzot conducted the evaluation of material topics in line with the approach specified by GRI standards, to make a focus in the Report on the most material topics in terms of sustainable development. The procedure for selecting material topics is an analytical process, including the following stages: internal analysis of the importance of the topics and preparation of the list of material topics.

During this evaluation, two main requirements were considered: the significance of the economic, ecological or social impact and influence on the judgements and decisions of the stakeholders. Within an internal analysis, the benchmark analysis of the peer group disclosures in chemical industry was conducted, also interviews with responsible departments of the Company were held.

Formation of Material Topics

| 1. Internal analysis of the importance of topics | 2. Preparation of the list of material topics |
|--|--|
| <ul style="list-style-type: none"> Analysis of Company’s information based on publicly available data (Company’s website, internet). Comparative analysis of material topics disclosed by the peers in the chemical industry and the analysis of best practices. | <ul style="list-style-type: none"> Holding interviews with respective departments of the Company according to the list of topics in GRI standards. Holding an interview with the Department of sustainable development regarding the significance of the economic, ecological or social impact on the environment, the economy and the society. Update of the material topics based on the results of the interviews and determining respective GRI indicators. |
| Preliminary list of material topics | Clarified and agreed list of material topics |



The Sustainable Development Report of KazAzot JSC for 2023 discloses 19 material GRI topics.

Changes in Material Topics Compared to the Previous Year

| Material topics | 2023 | 2022 |
|---|------|------|
| 201. Financial indicators | + | |
| 202. Market presence | + | |
| 204. Procurement practices | + | + |
| 205. Anti-corruption | + | + |
| 207. Taxation | + | |
| 302. Energy preservation and efficiency | + | + |
| 303. Water resources | + | + |
| 304. Land conservation and biological diversity | + | + |
| 305. Emissions | + | + |
| 306. Waste | + | + |
| 401. Working practice | + | |
| 402. Staff/management relations | + | |
| 403. Occupational Health and Safety | + | + |
| 404. Training and staff development | + | + |
| 405. Diversity and equal opportunities | + | + |
| 406. Non-discrimination | + | |
| 410. Information security | + | + |
| 413. Local communities | + | + |
| Climate change | + | + |

Compared to the 2022 Sustainable Development Report, the following topics were also disclosed: 207. Taxation, 402. Staff/management relations and 406. Non-discrimination.

Stakeholder Engagement

GRI 2-29

Due to its complex structure and types of activities, KazAzot interacts with a wide range of stakeholders in search of an optimal balance of mutual interests and expectations. Understanding the importance of efficient interaction with the stakeholders towards sustainable development and long-term successful activities, the Company, on an ongoing basis, takes steps to establish a dialogue and manage relations with the stakeholders.

Main groups of stakeholders for the Company are:

- Personnel and trade union
- Shareholder
- Government and local state authorities
- Investors and creditors
- Suppliers
- Competitors
- Customers
- Local community
- Mass media

The main objectives of KazAzot's interaction with the stakeholders are:

- Building mutually beneficial and long-term relations to ensure sustainable development and achieving results serving the interests of the Company and the stakeholders.
- Assistance in the sustainable development of the Company, and the region of presence.
- Ensuring the best risk and reputation management of the Company.
- Building trust between the Company and its stakeholders.
- Creating a positive image of the Company.
- Integral assessment of the business environment.
- Receipt of timely information from the stakeholders, which could lead to improvement of the products and improvement of corporate business processes.
- Increasing awareness of the stakeholders about the Company's activities.
- Prevention of any adverse effects and risks, when external and internal threats materialize.

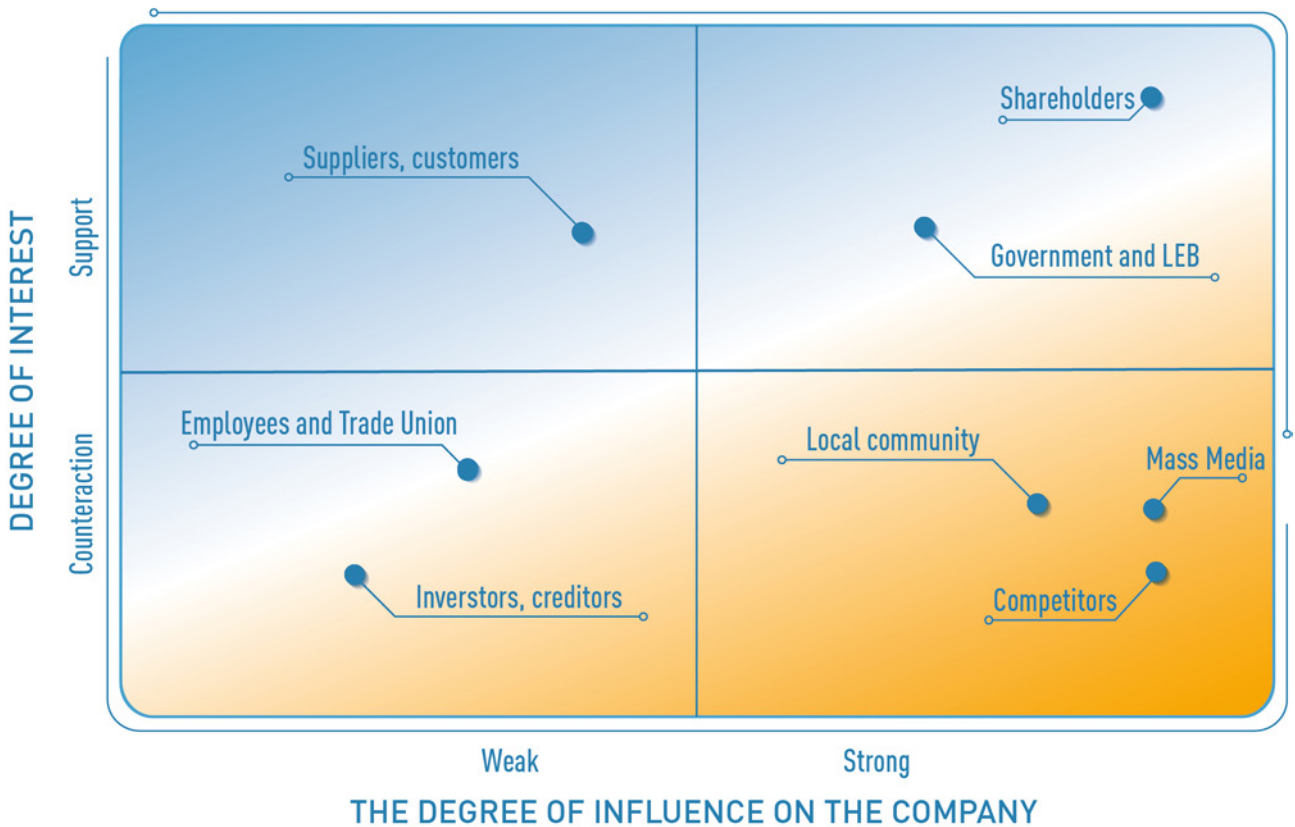
KazAzot aims to ensure a high level of openness and transparency of its activities, implementing a principle of an active dialogue with the stakeholders, realizing the importance of the contribution of each of them in the improvement of the Company’s activities. The main channels of regular communication to the stakeholders about the activities of KazAzot are the corporate website, the Annual report and the Sustainable Development Report.

Selection and identification of the stakeholders for further cooperation are based on the evaluation of their impact on the current operating activities and strategic development plans of the Company.

According to the Stakeholders Map (Fig. 2), KazAzot tries to interact with various groups of stakeholders efficiently.

The Company understands that **suppliers and customers** are direct repeaters of the values and interaction with them requires constant attention from the Company to support their efficient work. KazAzot intends to stimulate further successful interaction with them for the benefit of achieving strategic goals of sustainable development of the region and the country.

Fig. 2: Map of Stakeholders of KazAzot JSC



The Company recognizes that the **investors and creditors**, as well as the personnel and the trade union carefully watch the progress of work. KazAzot promotes active engagement with this group of stakeholders to support the investment appeal and the reputation of a socially responsible enterprise.

The Company recognizes the presence of historically developed systemic questions from the public regarding industrial activities in the region. KazAzot intends, further on a regular basis, to hold consultations and meetings with thought leaders, mass media and generally around public relations to achieve an effective dialogue in favor of sustainable development.

Table 2 «Groups of stakeholders and engagement with them» presents the key groups of stakeholders of the Company, expectations of these groups and methods of engagement with them.

Table 2: Groups of Stakeholders and Engagement with Them

| Group of stakeholders | Expectations of stakeholders | Way of stakeholder engagement |
|---|---|--|
| Personnel and trade union | <ul style="list-style-type: none"> - safe working environment - equitable remuneration - growth and development | <ul style="list-style-type: none"> - meetings with trade unions - collective agreement - regular gathering of feedback on labor conditions - corporate training programs - social support - conducting sports events |
| Shareholder | <ul style="list-style-type: none"> - efficient management and development | <ul style="list-style-type: none"> - disclosure and timely communication of information on the results of production and financial activities of the Company - aligning the main strategic business areas of the Company, - raising pertinent issues for approval and for consideration of the Shareholder |
| Government and local state authorities | <ul style="list-style-type: none"> - regulatory matter - resolving regional issues - participation in development of the region | <ul style="list-style-type: none"> - timely payment of taxes and duties - implementation of charitable and social programs in the region - reporting - participation in meetings and negotiations - participation in forums and conferences - participation in joint working groups to consider issues relating to the Company's activities and the industry in general - compliance with law |
| Investors, creditors | <ul style="list-style-type: none"> - transparency and disclosure of information - risk management | <ul style="list-style-type: none"> - publication of sustainable development reporting - disclosure and timely communication of information on financial and production results of the Company's activities - replying to requests - participation in meetings and negotiations |
| Suppliers | <ul style="list-style-type: none"> - long-term relations - clear requirements - transparency of information - quality of products - timeliness of deliveries | <ul style="list-style-type: none"> - signing of agreements - execution of contractual obligations on the terms of mutually beneficial cooperation - placement of current information at the Company's website for the suppliers - feedback - consultations - regular meetings and negotiations |

| Group of stakeholders | Expectations of stakeholders | Way of stakeholder engagement |
|------------------------|---|---|
| Competitors | <ul style="list-style-type: none"> - fair competition | <ul style="list-style-type: none"> - monitoring, analysis of the market - marketing research - meetings and negotiations |
| Customers | <ul style="list-style-type: none"> - ensuring compliance of the quality of goods and services with customers' expectations | <ul style="list-style-type: none"> - publishing the sustainable development reporting - performance of contractual obligations on the terms of mutually beneficial cooperation - placement of information on provided services at the Company's website - feedback - consultations |
| Local community | <ul style="list-style-type: none"> - ecological safety - providing social and charitable assistance | <ul style="list-style-type: none"> - publishing the sustainable development reporting - providing jobs to the population in the presence regions of the Company - participation in the social life of the region - demonstrating the Company's commitment to principles of social, ecological responsibility and transparency of activities - provision, at a request, of reliable and current information on the results of the Company's activities - holding public hearings when implementing projects of reconstruction, upgrade of production - implementation of charitable and social programs in the region |
| Mass media | <ul style="list-style-type: none"> - coverage of events on the Company's activities - reliability of information | <ul style="list-style-type: none"> - publishing the sustainable development reporting - placement of current information on the website, press releases, social media posting - fast provision of comments and answers to mass media's requests - regular media tours to industrial facilities - provision of consultations and an expert commentary (upon request) - Q&A sessions |

The analysis of the Stakeholders map and external competitive environment demonstrates the presence of **high competition** in the industry, which calls for special attention to this topic, including in the issues of making marketing decisions.

The main parameters of competitiveness of the products of KazAzot should be high quality of goods, expert strategy of management and sales, availability of skilled staff, sophisticated production and communication support.

The Company values the strategic support of the shareholders and state authorities in sustainable development and intends to continue an active dialogue on all the aspects of sustainable development.



Corporate Governance (G)

Corporate Governance (G)



Dear readers,

My name is Elena. I am a Deputy General Director of KazAzot in charge of Economics and Finance. In recent times, issues such as sustainable development, ecological and social responsibility are becoming global. We are also not immune to this since we believe that reliable and transparent management is a key element of our sustainable development strategy. In 2023, we made efforts to improve corporate governance, implement best practices and ensure accountability at all levels.

Our key achievements include:

- Improvement of the internal control and risk management system.
- Updating the corporate ethics code and conducting trainings for the staff.
- Increasing transparency of our operations via regular disclosures and interaction with the stakeholders.

We will continue working on strengthening our corporate practices to ensure long-term sustainability and success, which ultimately will ensure a bright future for all of us.

Corporate Governance Overview

GRI 3-3, GRI 2-13

Corporate governance is a key element to ensure the efficient and stable functioning of our Company. The principles of corporate governance at KazAzot are aimed at supporting a high level of responsibility, transparency and compliance with ethical norms in the decision-making process. This section of the Sustainable Development Report details our structure, processes and practices of corporate governance, which enable the achievement of the Company's strategic goals and ensure long-term sustainability.

KazAzot's objectives in the field of corporate governance:

Within the Sustainable Development Strategy of KazAzot until 2030, we set ambitious goals in corporate governance:

- 1. Achieve an international ESG rating until 2026:** We intend to achieve international recognition of our efforts in sustainable development. Obtaining an international ESG rating would allow us to show our commitment to sustainable development goals and draw the attention of international investors and partners.
- 2. Implement an integrated system of management and investment management until 2030:** We are planning to create an integrated management system, which would unite all the processes of management and investing activities in KazAzot.
- 3. Evaluate at least 50% of suppliers on ESG requirements by 2030:** We aim for at least half of our suppliers to meet the high standards in the field of sustainable development. For this purpose, we are developing a system of evaluation and monitoring of suppliers which allows us to select partners sharing our values and principles in sustainable development.

Governing documents in corporate governance:

- Law of the Republic of Kazakhstan «On joint stock companies» dated 13 May 2003.
- Charter approved by the constituent meeting of shareholders of KazAzot JSC dated 10 November 2016.
- Corporate Governance Code approved by the constituent meeting of shareholders of KazAzot JSC dated 13 April 2017.
- Code of Business Conduct approved by the General Director of KazAzot JSC dated 11 January 2020.
- Regulation on the Board of Directors approved by the decision of the general meeting of shareholders of KazAzot JSC dated 30 January 2018.

Corporate governance in KazAzot is based on the following key principles:

- Principles of protection and respect of the rights and legitimate interests of the Company's Shareholders.
- Principle of efficient management of the Company by the Board of Directors and the executive board.
- Principle of transparency, timeliness and fairness of disclosure of information on the Company's operations.
- Principles of legality and ethics.
- Principle of personnel policy.
- Principle of environmental protection.
- Principle of development of partnership relations with the stakeholders.
- Principle of responsibility.
- Principle of resolution of corporate conflicts.

Governance and accountability:

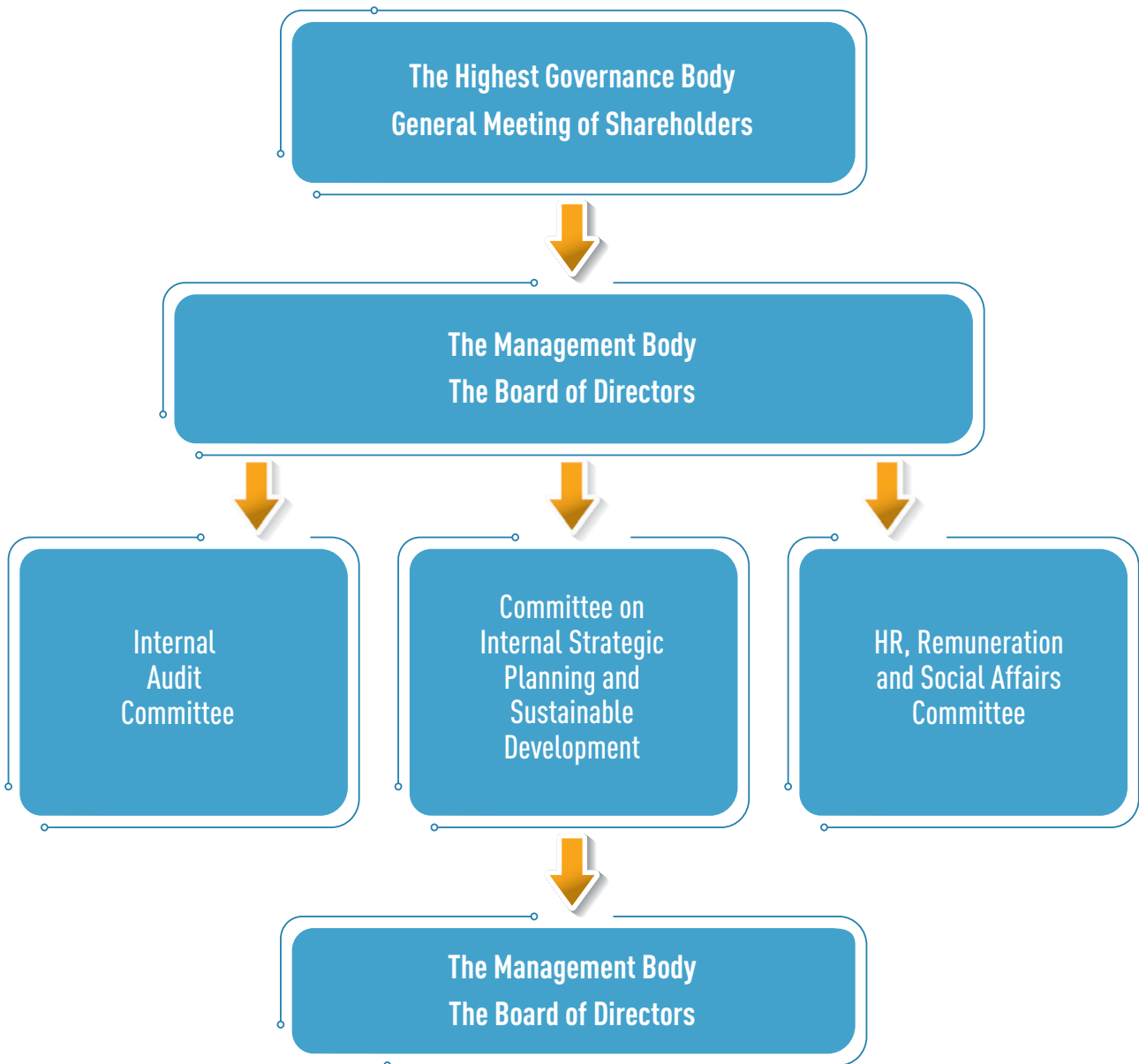
Corporate governance in the Company includes several key participants, each performing certain functions:

- 1. Board of Directors (BoD):** exercises control over the activities of the Company in corporate governance. The Board of Directors reports to the shareholders of the Company and is obliged to act in their interests.
- 2. General Director:** ensures a link between strategic decisions of the Board of Directors and their practical implementation, manages operating activities of the Company and interacts with the key stakeholders. The executive body (General Director) reports to the Board of Directors.
- 3. Corporate Secretary:** performs administrative and consulting functions, ensures efficient interaction of BoD and the General Director with the Shareholders, holds meetings of the Board of Directors and meetings of Shareholders, maintains documentation and minutes, supervises proper practice of corporate governance. The Corporate Secretary is reporting to the Board of Directors but also interacts closely with the General Director.



GRI 2-9, GRI 2-10, GRI 2-11, GRI 2-13, GRI 2-14, GRI 2-17, GRI 2-19, GRI 202-2, GRI 405-1

Structure of Corporate Governance of KazAzot at the time of Sustainable Development Report publication:



The supreme governing body in KazAzot is the Board of Directors (BoD). As of 31 December 2023, KazAzot’s Board of Directors is composed of five directors, including two independent directors, which comprises 40% of the total members of BoD. As of 31 December 2023, there were no women in the Board of Directors.

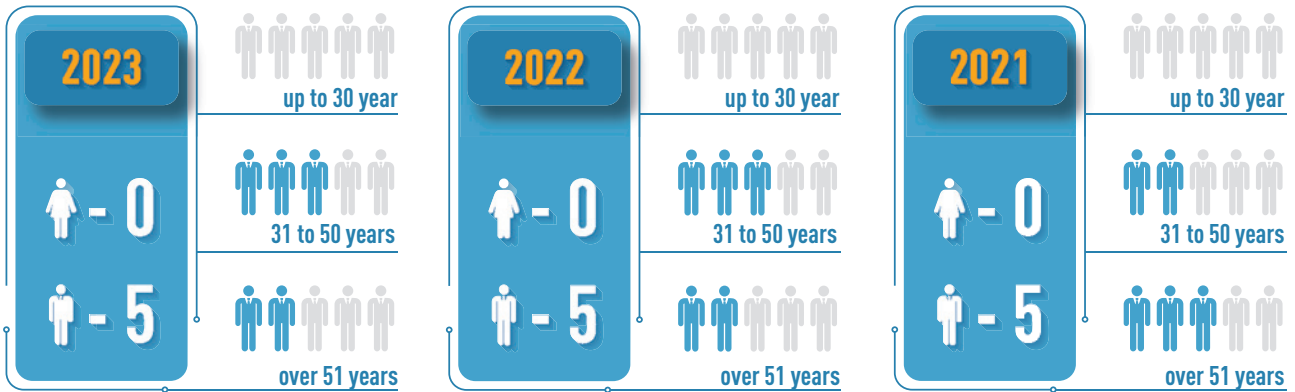
By the end of the reporting period, the Board of Directors was chaired by Baharidin Nurmanovich Ablazimov. The Chairman of the Board of Directors is not a chief executive officer of the Company, this role in KazAzot is performed by the General Director - Arman Ahmetzhanovich Mauleshev.

Composition of the Board of Directors of KazAzot JSC on 31 December 2023:

| | |
|---|--|
| <p>Baharidin Nurmanovich Ablazimov</p> <p>Chairman of the Board of Directors</p> | <p>Year of appointment: 2021</p> <p>Education: Lenin Polytechnic University</p> <p>Work experience:</p> <ul style="list-style-type: none"> December 2021 - to present: Chairman of the Board of Directors, KazAzot JSC January 2022 - to present: Director's advisor on general issues, KazAzot JSC <p>Citizenship: Republic of Kazakhstan</p> |
| <p>Rustem Rahmatullayevich Ayazbayev</p> <p>Member of the Board of Directors</p> | <p>Year of appointment: 2017</p> <p>Education:</p> <ul style="list-style-type: none"> Kazakhstan Institute of Management, Economics and Strategic Research K. Satbayev Kazakh National Technical University. <p>Work experience:</p> <ul style="list-style-type: none"> March 2017 - to present: Member of the Board of Directors, KazAzot JSC January 2022 - to present: Investment advisor, KazAzot JSC <p>Citizenship: Republic of Kazakhstan</p> |
| <p>Arman Ahmetzhanovich Mauleshev</p> <p>Member of the Board of Directors</p> <p>General Director</p> | <p>Year of appointment: 2021</p> <p>Education:</p> <ul style="list-style-type: none"> T. Ryskulov Kazakh Economic University K. Satpayev Kazakh National Technical University Gubkin Russian State Oil and Gas University (MBA) <p>Work experience:</p> <ul style="list-style-type: none"> May 2015 - General Director, Oil Preparation Terminals July 2018 - to present: General Director, KazAzot JSC <p>Citizenship: Republic of Kazakhstan.</p> |
| <p>Arman Ahtureyevich Mangitov</p> <p>Member of the Board of Directors</p> <p>Independent Director</p> | <p>Year of appointment: 2022</p> <p>Education:</p> <ul style="list-style-type: none"> Al-Farabi Kazakh State University Kazakhstan Institute of Management, Economics and Strategic Research <p>Work experience:</p> <ul style="list-style-type: none"> March 2020 – April 2022: Deputy Chairman of the Board, Branch of Bank VTB Kazakhstan JSC May 2022 г. – to present: Member of Board of Directors – Independent Director, KazAzot JSC <p>Citizenship: Republic of Kazakhstan</p> |

2021 – 2023 composition of the Board of Directors of KazAzot JSC by gender and age:

GRI 405-1



| | 2023 | 2022 | 2021 |
|---|------|------|------|
| Share of males | 100% | 100% | 100% |
| Share of females | 0% | 0% | 0% |
| Share of the members of the Board of Directors of up to 30 years | 0% | 0% | 0% |
| Share of the members of the Board of Directors of 31 to 50 years | 60% | 60% | 40% |
| Share of the members of the Board of Directors of over 51 years | 40% | 40% | 60% |



The share of the members of top management hired from the local community is



The composition of the Company’s Board of Directors is characterized by high qualification, experience and knowledge. The members of the Board of Directors of KazAzot have expert knowledge in the chemical industry, finance, investments, corporate governance and other key areas required for the efficient management of the Company. Through its activities, the Board of Directors follows the legislation of the Republic of Kazakhstan, Charter, Regulation on the Board of Directors of KazAzot and internal regulations of the Company.

The Board of Directors, as a collegial body, performs general management of the Company, ensures realization of the interests and protection of the rights of the shareholders of KazAzot and establishes the principles and norms of the Company’s operations.

BoD’s main functions are to determine priority areas of the Company’s development and set key points of the Company’s activity in the long term, objective evaluation of pursuing the approved priority areas considering the market environment, financial position of the Company and other factors affecting the financing and operating activities of the Company. The BoD is also responsible for the approval of internal procedures governing internal activity of KazAzot and in risk management and internal control, ensuring compliance, analysis of the efficiency and improvement of such procedures and resolving corporate conflicts.

In 2023, the Board of Directors held **11** meetings via absentee voting, based on the results of which **11** decisions were made, at which the key issues on improvement of corporate governance practice, approval of documents governing internal activity of KazAzot, approval of the annual financial statements, decisions on holding the annual/extraordinary general meeting of shareholders and approval of the budget for 2024 were considered.

At the time of publication of the Sustainable Development Report, KazAzot set up 3 Committees of the Board of Directors:

- Committee on Internal Audit Issues
- Committee on Strategic Planning and Sustainable Development Issues
- Committee on Human Resources, Compensation and Social Issues

The Committees of the Board of Directors consist of the members of the Board of Directors and experts with the necessary professional knowledge to work in a specific committee. The Committees operate within the powers granted to them by the Board of Directors and the internal regulation of the Company.

Recommendation and selection of the members of a supreme governing body

The members and the Chairman of the Board of Directors are selected according to the requirements of the RK law «On joint stock companies» and the Company's Charter. According to the Charter of KazAzot, the number of the members of the BoD should be not less than three persons and not less than 30% of the composition of the BoD should be independent.

The members of the Board of Directors are elected by the General meeting of shareholders of the Company. Only physical persons can be members of the Board of Directors. They are elected from among the following groups:

1. Shareholders of the Company
2. Persons recommended to be elected to the Board of Directors of the Company as representatives of the shareholders
3. Physical persons who are not Shareholders of the Company and not recommended to be elected to the Board of Directors of the Company as a representative of a Shareholder

Potential members of the Board of Directors are evaluated for their specific knowledge and skills critical for our business and its impact, such as financial awareness, knowledge of the chemical industry, technological competence and expertise in sustainable development.

The following criteria are considered in selection of potential members of the Board of Directors:

- Supervisory experience and experience in a Board of Directors
- Length of service
- Education and availability of international certificates
- Competencies in the field of Company's operations
- Business reputation
- Lack of a conflict of interests

Selection of the BoD members is conducted by cumulative voting using ballots, except when only one candidate is balloting for one place in the Board of Directors. The shareholder has the right to give votes on its shares fully to one candidate or distribute them among several candidates to the Board of Directors. The candidates who received the highest number of votes are considered elected to the Board of Directors. If two or more candidates to the Board of Directors receive an equal number of votes, an additional cumulative voting is conducted for these candidates.

The Chairman of the Board of Directors is elected from among the BoD members by open voting. The term of the Board of Directors is established by the General meeting of shareholders of KazAzot. The term of the BoD expires at the time of the decision made by the General meeting of shareholders of KazAzot which elects a new Board of Directors.

Compensation system

We believe it is important to motivate and encourage members of the Board of Directors for their contribution to the sustainable development of the Company. The effective compensation system plays a key role in attracting and retaining competent and experienced executives and in stimulating them to achieve long-term goals of sustainable development.

When determining remuneration, we follow our internal policy regarding the compensation of the Board of Directors of KazAzot. In accordance with our policy, the amount of remuneration is decided by the General Meeting of Shareholders and is based on the participation of Board members in both in-person and remote meetings, as well as the fulfillment of their duties in the best interests of the company. Compensation consists of a fixed component and a variable (additional) component, which is also determined by the General Meeting of Shareholders. However, if a Board member participates in less than half of the votes held during in-person and remote meetings, excluding instances of vacation, illness, or business trips, the fixed portion of the remuneration will not be paid.

It is the competence of the Board of Directors to determine the position salaries, conditions of remuneration and bonus payment of the executive body (General Director).

KazAzot has various forms of financial incentives, including a long-service award, lump sum bonus for meeting annual planned financial performance, medical care for the staff, paid social vacations, and material incentives dedicated to the state and professional holidays.

The BoD compensation policy allows attracting, for cooperation and correctly motivating to work in the Board of Directors, top specialists with experience and skills required to improve the efficiency of the Board of Directors, bringing together the interests of the members of the Board of Directors and interests of the shareholders of the Company and enabling long-term and sustainable development of our company.

General Director

The General Director and management of KazAzot, consisting of deputies of the General Director for various areas, organize implementation of the decisions of the General meeting of shareholders and of the Company's Board Directors. For the 2023 reporting period, management included 6 people, of which 2 were females, which comprises 33% of the total management.

Management composition of KazAzot on 31 December 2023:



**Mansur Mamashovich
Bakirov**

Deputy General
Director on general
issues

Executive experience: 32 years

Education:

V.I. Lenin Kazakh Polytechnic University

Work experience:

- 1991 – Mine foreman, Shalkinsky mining department.
- 1993-2000 – Chief mechanic, Avtokombinat JSC No3.
- 2002-2003 – Director, JV Flamingo LLP.
- 2004- Director, Uzhny kvartal LLP.
- 2004-2007 – Deputy head of central logistics base, Manufacturing Company «Uzenmunaigas».
- 2007-2011 – Director, «KICOM-Service» LLP.
- 2011-2013 – Director, Branch of OrdabasyMunaiGas JSC.
- From 2013 – Deputy General Director, KazAzot JSC.



**Daurzhan Sattarovich
Zhumabekov**

Deputy General
Director on production

Executive experience: 1 year

Education:

M. Auezov South Kazakhstan University
Regional social/innovative university

Work experience:

- 2003 - 2004 - Sulfur compounds and carbon dioxide gas treatment unit operator, Uzenmunaigaz OJSC.
- 2003 – 2007 - Manufacturing Company «Uzenmunaigas»:
 - Head of outlet of MMC and PIU of the compressor shop.
 - Head of K-890 outlet (radial-flow compressor).
- 2007 - 2009 – Deputy head of the compressor shop, Kaz GPZ LLP.
- 2009 – 2011 - Beibars Gas LLP:
 - Deputy technical director.
 - Technical director.
- 2011 – Head of gas-filling station, Alau Gas LLP.
- 2013 – 2023 – KazAzot JSC:
 - Deputy head of technical dept.
 - Head of technical dept.
 - Deputy chief engineer for production.
- Since 2023 - Deputy General Director for production, chief engineer, KazAzot JSC.



Nurtas Duisengaliyevich Ermaganbetov

Director of Shagyrly-Shomyshty JSC branch

Executive experience: 23 years

Education:

Sh. Esenov Aktau University
Central Asian University

Work experience:

- 2000 - III category mechanic of compressor shop, gas processing dept., KazGPZ LLP.
- 2002 - Head of unit, MMC outlet of compressor shop.
- 2004 – 2013 - KazGPZ LLP:
 - Deputy head of compressor shop.
 - Head of goods and raw material shop.
 - Head of sales dept.
 - Deputy head of production dept.
 - Head of production dept.
 - Chief specialist for gas processing - head of production/technical dept.
- 2013 - Chief process engineer - Head of production/technical dept., Shagyrly-Shomyshty branch of KazAzot LLP.
- December 2013 - Technical director, Shagyrly-Shomyshty branch of KazAzot LLP.
- December 2019 – Director, Shagyrly-Shomyshty branch.



Tahmina Utagaliyevna Nagumanova

Deputy General Director on corporate and sustainable development

Executive experience: 26 years

Education:

Kazakh State Management Academy
Adilet Higher Law School
Swiss business school (Executive MBA)

Work experience:

- September 1996 to March 1997 – Manager, Azimut LLP, Almaty city.
- November 1997 – April 1998 – Deputy head for economics, Aktau military-technical school of RK Ministry of Defense.
- April 1998 – January 2000 – Service in tax police, Aktau city.
- February 2000 – April 2004. – Accountant of tax group, Uzenmunaigas OJSC.
- April 2004 – January 2007 – Deputy director of finance dept., MF Ozenmunaigas of EP KazMunaiGas JSC.
- February 2007 – December 2010 – Deputy General Director for economics and finance, OPTIMUM Design Institute LLP, Aktau city.
- December 2010 – August 2012 – Deputy General Director on economics and finance, KazAzot LLP.
- August 2012 to present – Deputy General Director for corporate development, KazAzot LLP.
- July 2023 - Deputy General Director on corporate and sustainable development, KazAzot LLP.



**Elena Tanatarovna
Bialiyeva**

Deputy General Director
on economics and finance

Executive experience: 1 year

Education:

Kazakh State Management Academy
Astrakhan radio-engineering college

Work experience:

- 1991-1997 – computer operator of IT dept of Mangistau regional division, Promstroybank.
- 1997-2008 – Bank TuranAlem:
 - Senior specialist of IT dept.
 - Specialist of the clients' operations department.
 - Senior specialist of the retail and corporate relations dept.
 - Chief specialist the debit and credit operations accounting dept.
 - Deputy chief accountant - head of the operational dept.
- 2008-2010 – Bank TuranAlem:
 - Head of the customer relationship dept.
 - Head of the central teller hall.
- 2010-2011 – Head of the operational dept., Subsidiary Sberbank of Russia JSC.
- 2011-2023 - Director of the finance and budgeting dept, KazAzot JSC.
- Since 2023 - Deputy General Director for economics and finance, KazAzot JSC.



The General Director has the power to make decisions on any issues regarding the Company's activities, which do not fall within the competence of other bodies and officials of the Company according to legislative acts of the Republic of Kazakhstan and the Charter. The General Director's duties and responsibilities are determined by the Charter of the Company.

According to the Charter of the Company, the General Director performs the following duties:

- Makes decisions on the development and presentation of the projects of priority areas of the Company's activities, strategies and the Company's development plan to BoD for making relevant decisions.
- Approves the documents governing the internal activities of the Company (except for the documents accepted by the General meeting of shareholders, the Board of Directors with a view to organize the Company's activity).
- Organizes implementation of the decisions of the General meeting of shareholders and the Board of Directors.
- Acts, without a power of attorney, on behalf of the Company in relations with third parties.
- Hires, moves and fires employees of the Company. Applies incentives and imposes disciplinary actions on them, determines the amounts of the salary and bonuses of the Company's staff.

The General Director is a member of the Board of Directors but cannot be elected as the Chairman of the BoD.

Sustainable development has become an increasingly important aspect of the corporate strategy of KazAzot. The Board of Directors ensures integration of sustainable practices in all the business processes of the Company. The Company has a Committee on Strategic Planning and Sustainable Development Issues in charge of ensuring communication with the stakeholders, including shareholders, investors, clients and the public on issues of strategic planning and sustainable development. The Department of Sustainable Development of KazAzot is engaged in development of strategic documents in sustainable development, including initiatives, activities and resources needed for their implementation.

In recent years, our Company developed and implemented several key internal regulations concerning the sustainable development aspects. KazAzot's commitment to the goals of sustainable development is reflected in the roadmap and the policy of low-carbon development of our Company. The list of material topics to be disclosed in the Sustainable Development Report is annually reviewed by the Company and approved by the Board of Directors at the regular and extraordinary meetings.

In KazAzot, we also highlight the development of collective knowledge, skills and experience of our supreme governing body in sustainable development. This process plays an important role in ensuring efficient management of our sustainable initiatives and development of the strategies to achieve our sustainable development goals.

In 2023, the Company's management received a sustainable development training with a duration of 21 hours on the topic of «Preparation of non-financial statements according to the GRI standard.» We will continue developing collective knowledge of the highest governing body and all the staff of the Company in sustainable development.

Business Ethics and Compliance

GRI 3-3, GRI 2-15, GRI 2-27, GRI 205-1,
GRI 205-2, GRI 205-3, GRI 406-1

Business ethics and compliance are the key elements of our corporate culture and sustainable development principles. In KazAzot, we are striving to align all our activities and decisions with high standards of ethical norms, transparency and responsibility. This section covers our principles and measures to ensure business ethics and compliance and the results and future plans.

Governing documents in business ethics:

- Code of Business Conduct of KazAzot JSC.
- Supplier Code of Conduct of KazAzot JSC.
- Anti-corruption policy of KazAzot JSC.
- Regulation on internal conflict management of KazAzot JSC.

KazAzot follows the following principles of business ethics:

- honesty
- respect for others
- trust
- fairness
- reliability
- integrity
- transparency
- responsibility

Governance and Accountability:

General supervision of business ethics and compliance is done by the Deputy General Director for corporate development and the General Director of the Company. Control over compliance with laws and regulations is exercised by the Legal Department. Control, examination and evaluation of implemented anti-corruption procedures is exercised by the Compliance function.

Conflicts of interest are managed in KazAzot strictly according to the approved regulation on internal conflict management. The existing regulation governs the procedures to prevent, identify and manage conflicts of interest in the Company.

The key principles of the regulation on the internal conflict management of KazAzot are as follows:

- **Transparency:** ensuring openness and clarity in the process of resolving labor disputes
- **Fairness:** guarantee of fair treatment of all participants of the dispute resolution process
- **Consistency:** clearly established and structured procedure of labor dispute resolution, organized in steps with a clearly defined time limit for performance



Each employee and a member of management of KazAzot shall strictly observe the principles and rules described in the regulation on the internal conflict management of the company. In case of a risk of a conflict of interests, KazAzot's employees should immediately inform the Compliance Department thereof or their immediate supervisor. Such an obligation is an integral part of our corporate standards and ethics.

The employees are obliged to use the established communication channels to inform of any situations which could lead to a conflict of interests. These channels include approaching the compliance function and consulting the immediate supervisors.

In 2023, no conflicts of interests at the level of the Board of Directors of KazAzot were identified.

We adhere to high standards of business ethics and legal order, which is manifested in our special attention to adhering to laws and regulations of the Republic of Kazakhstan.

In the reporting period, there were 11 cases of a violation of laws and regulations. All the cases caused the imposition of penalties. In 2023, the paid penalties amounted to 12 million tenge.

Compliance with laws and regulations

| | | |
|--|-----------------|-----------|
| Total number of cases of violation of laws and regulations, including: | number | 36 |
| cases of imposition of penalties | number | 36 |
| cases of application of non-monetary sanctions | number | 0 |
| Total number of cases of violation of laws and regulations, penalties for which were paid | number | 36 |
| imposed in the reporting year | number | 11 |
| imposed in the prior reporting periods | number | 25 |
| Total amount of penalties paid for violation of laws and regulations | mln. KZT | 39 |
| imposed in the reporting year | mln. KZT | 12 |
| imposed in the prior reporting periods | mln. KZT | 27 |

In our principles of statutory compliance, we pay special attention to countering corruption. We take and strengthen anti-corruption measures, observe international human rights and labor rights of our staff, perform transparent activities and support a culture of respect, honesty and fairness. Responsible conduct of business is essential for the trust of our stakeholders.

KazAzot establishes principles and approaches in countering corruption and informs all stakeholders of the Company of intolerance to any illegal actions, including corruption and fraud.

In 2023, a working draft of an Anti-corruption policy was developed, which discloses goals and tasks, and determines key principles of countering corruption in our Company. Our policy meets the requirements of the legislation of the Republic of Kazakhstan, international anti-corruption legislation and the Charter of the Company.

Anti-corruption activities in the Company are performed according to the following key principles:

- **Legitimacy.** We operate strictly in compliance with the effective anti-corruption legislation and applicable legislation of the countries to which we export our goods.
- **Aversion to corruption in any forms and manifestations.** We declare openly of the aversion to corruption in any forms and manifestations and prohibit the staff, members of the executive body of the Company and other persons acting on behalf of KazAzot or in its interests, directly or indirectly, personally or via representatives, to participate in corrupt practices.
- **Transparency.** We are striving for maximum transparency in all aspects of our activities. Provision of accurate and timely information to the stakeholders, as well as disclosure of financial statements and other data related to chemical operations, according to applicable laws and standards is a key aspect of our corporate responsibility and transparency. We recognise the importance of open and fair communication to support trust and ensure long-term partner relations.
- **Due diligence.** With a view to minimize the risks of involvement in corrupt practices, we carry out complex analyses of all counterparties. This analysis includes an evaluation of their integrity, the presence of their anti-corruption procedures and the lack of a conflict of interests.

To establish an anti-corruption culture, KazAzot conducts training events for the staff to explain the requirements of the anti-corruption legislation on an annual basis.

Communication to the staff of the issues of anti-corruption policy and procedures, 2023

| Region | Personnel category | Number, persons | Percent of total staff, % |
|------------------|-------------------------------------|-----------------|---------------------------|
| Mangistau region | Top management | 6 | 100 |
| Mangistau region | Operational staff | 1,106 | 100 |
| Mangistau region | Administrative and managerial staff | 185 | 100 |

100% of KazAzot's staff, including managerial staff, were introduced to the requirements of the Anti-corruption policy.

Communication to business partners on issues of the anti-corruption policy and procedures is not disclosed.

Based on the results of 2023, in KazAzot there were no confirmed facts of corruption.

In 2023, there were no public legal proceedings on corruption issues brought against our Company or its staff. Moreover, there were no cases of cancellation or non-renewal of contracts with business partners due to violations related to corruption.

Prevention of Discrimination

We take an obligation to respect the human rights of our staff, as provided by the International Bill of Human Rights, UN Guiding Principles on Business and Human Rights and the International Labor Organization's declaration on key principles and rights in the area of labor, including prevention of discrimination, prohibition of the use of child labor and forced labor, observance of the principle of freedom of association in trade unions and employees' rights to negotiate on the signing of a collective agreement and creation of safe and favorable working conditions for its staff and the staff of contractors.



We value and support diversity among the staff and do not tolerate discrimination and behavior infringing upon the personal privacy of the staff in any of its manifestations. Our goal is to support a working environment devoid of limitations based on nationality, gender, age, religion, etc., applicable by the legislation of the Republic of Kazakhstan.

As of 31 December 2023, there were no cases of discrimination registered in KazAzot.

Any restriction of rights and freedoms of an employee at the workplace and in any environment related to his duties is considered inadmissible by KazAzot.

KazAzot has a standing Commission of Conciliation on Labor Disputes, which accepts applications with complaints and claims from the former and current employees of the Company and which is authorized to resolve individual labor disputes. The competencies and functional duties of the Commission of Conciliation and the filing procedure and procedure of consideration of individual labor disputes are governed by the collective agreement of the Company. The Commission of Conciliation includes an equal number of representatives of the employees (trade union) and the employer. The work of the Commission, when an application (complaint) is received, is strictly governed by the labor legislation, which determines time limits for filing the application by an employee, requirements for the set of documents, procedure of holding meetings and making decisions by the Commission and the procedure and timing of appealing the decision of the Commission.

Risk Management

GRI 3-3

Within the Sustainable development strategy of KazAzot for 2023-2030, management of ESG risks is a critical aspect to ensure long-term sustainable development of the Company. ESG risks can have a significant impact on the stability, efficiency and reputation of our Company.

Governing documents in risk management:

- Risk management policy of KazAzot JSC.
- Risk register of KazAzot JSC.
- Risk map of KazAzot JSC.

Governance and Accountability:

The Company's risk management system includes several key participants, each of which performs certain functions.

Board of Directors: oversees the efficient functioning and development of the risk management system of KazAzot, including approval of the risk management policies, regulation on the risk management, internal regulations governing the risk management system, risk appetite, and analyses the efficiency of the risk management system of the Company.

Risk Committee: provides support to the Board of Directors of the Company. The documents submitted for approval of the Board of Directors are pre-reviewed by the Risk Committee of the Company.

Internal audit service: oversees regular evaluation of the efficiency of the risk management system and provides an independent opinion to the Board of Directors of KazAzot.

Department of Financial Analysis and Process-Based Management: performs a monitoring function – ensuring and tracking the implementation of the efficient risk management practice, internal control, statutory compliance and fraud investigation. The Department of Financial Analysis and Process-Based Management reports to the Deputy General Director for Economics and Finance.

Detailed information on significant operating and financial risks of the Company is contained in the 2023 Annual report of KazAzot JSC (the «Annual report») placed on the corporate website.

In this section of the sustainable development report, we will consider the key principles and approaches to the management of **sustainable development risks** in our Company.

KazAzot takes measures to minimize ESG risks and their potential impact on the Company's activities. We pay special attention to management of environmental, social and management risks and strive to adhere to the high standards of responsible conduct of business.

Overview of ESG risks of KazAzot:

| ESG risk | Description of ESG risks | Measures to reduce risk |
|---------------------------------------|--|--|
| E Environmental responsibility | | |
| E1 Regulatory risk | Detailed information on climate and environmental risks of KazAzot is provided in section «Climate agenda», «Energy consumption», «Water resources conservation», «Protection of atmospheric air» and «Waste management» | We regularly monitor changes in the RK national environmental legislation. KazAzot implemented key elements of the environment management system, such as industrial environmental control, environmental action plans, and waste management plans. KazAzot implements projects aimed at increasing energy efficiency and, consequently, reduction of greenhouse gas emissions. Also, we actively design and commission automated emission monitoring systems at stationary pollution sources, discharge channels of seawater. |
| E2 Physical risk | | |
| S Social responsibility | | |
| S1 Human resource risks | Risks related to the lack of skilled personnel in the chemical industry and high employee turnover are a serious threat to the Company. | The Company approved the policy of training staff aimed at development of professional skills, competence development and the creation of opportunities for career development. We conduct regular training for the operational and administrative/managerial staff of the Company. Moreover, KazAzot takes efforts to provide respectable salary, extended employee benefits for all its employees. |
| S2 Risk of social strain | Industrial disputes and unofficial strikes carry a significant risk for the company, since they can result in a full or partial suspension of production, which subsequently would lead to a reduction in production volumes and delays in performing contractual obligations. | In 2022, a new collective agreement between the employer and employees for 2022-2025 was developed, which included main provisions in terms of workplace safety, social benefits and social responsibility. Also, KazAzot has a standing commission of conciliation for labor disputes. The commission of conciliation ensures prompt and fair consideration of labor disputes, which allows resolving conflicts in early stages and preventing their escalation. |
| G Corporate governance | | |
| G1 Information security risk | Risk related to unauthorized access to internal information of the company, exploitation of IT systems and changing technical characteristics of the IT system of KazAzot. | The Company implemented a modern information security system, Palo Alto, uniting all the existing network security technologies and having the industry's best performance indexes. Backup and recovery are performed on a continuous basis, as well as regular backup of the IT systems. Prior to making changes, the system is tested for its operability and safety. It allows making sure that the changes would not affect the system's operability and would not lead to emergence of new risks. |

Information security and personal data security

The formation and management of the information security of the Company is a key condition for preserving the integrity of information, ensuring continuity of business processes and personal data security.

In 2022, the Company signed a contract with an external audit company «Transtelecom» JSC to evaluate information security controls. Based on the audit, in 2023, the Company developed the following documents in information security (IS):

1. Information security policy.
2. Instruction on the course of actions of users in response to IS incidents and contingencies.
3. Administrator manual.
4. IS internal audit rules.
5. Rules of identification, classification and marking of assets related to information-processing means.
6. Rules of inventory and certification of computing devices, telecommunications equipment and software.
7. Rules of using the internet and e-mail.
8. Rules of organizing antivirus control.
9. Rules of organizing physical protection of information-processing means and safe environment for the functioning of information resources.



Governance and Accountability:

The Information Technology Department oversees the issues of information technology and information security. This department oversees development, implementation and support of information systems and technologies in the Company, provision of cybersecurity, technical support of users, management of network infrastructure and software and the development and implementation of digital transformation strategies. The General Director manages the entire activities of the Company, makes strategic decisions, approves internal regulations in information technologies and controls their implementation via the Information Technology Department. As such, the Information Technology Department reports directly to the General Director who exercises general control and approves strategic decisions in information technologies.

Since 2023, the Company has been working on creating an information security system in compliance with the legislation of the Republic of Kazakhstan and international standard ISO/IEC 27001, which would consist of the information security management system (ISMS), information security hardware package and separate information security subsystems for each type of protected facilities, improvement of the information security management system. The guidance for this system is the information security policy, which determines the main approaches to ensuring the information security of KazAzot.

The policy is aimed at setting principles and methods of ensuring information security, sustainable functioning of information systems and information protection and protection of the interests of the Company and its stakeholders. KazAzot's information security policy has been developed according to the legislation of the Republic of Kazakhstan and the Charter of KazAzot. At the time of issue of this Report, it has been at the stage of approval by the General Director.

Identification of information security risks of the Company is an important component of the information security management system. KazAzot takes steps to evaluate information security risks and developed the methodology of evaluation of information security risks and the plan of risk handling. The methodology of risk evaluation is based on standard CT PK ISO/IEC 27002-2015 «Information technology. Methods and means of ensuring security. Set of rules for means of information security management» and CobIT methodologies (Control Objectives for Information and Related Technologies). Risks occurring in the process of using IT systems identified for 2023:

- Accidental failure of equipment due to depreciation (radio relay link, multiplexors)
- Fault and malfunction of hardware
- Power failure
- Malfunction of networks
- Viruses

Information security plans for 2024:

- Creation of an integrated information security system according to the rules of the Company, national and international standards, best world practices.
- Creation and continuous development of the information security management system (ISMS).
- Approval of IS internal regulations.
- Forecasting, identification and countering threats and incidents of information security.
- Evaluation and management of IS risks.
- Continuous raising awareness of the Company's staff about the IS issues and personal data security.

Thereby, we are striving to create a high-quality information security system, enabling sustainable development of the Company and protection of the interests of all our stakeholders.



Economic Performance

Economic Performance

GRI 3-3, GRI 2-13

Being the only producer of ammonia and ammonium nitrate in Kazakhstan, KazAzot makes an important contribution to the region's economy and the country. The Company's activities are aimed at creating a competitive product for the development and stability of the agrarian and mining sectors for the purpose of food and industrial security of the country and job creation.

KazAzot contributes to the state budget via significant tax payments and provides jobs for more than 1,200 people. The Company also enables significant job creation via purchases from local suppliers in the regions of its presence.

KazAzot's economic efficiency is a key aspect of its sustainable development. This section covers financial performance, achievements in economic efficiency and their contribution to the long-term sustainable development of the Company.

Governing documents in economic performance:

- International Financial Reporting Standards (IFRS)
- International Standards on Auditing (ISA)
- Procedure of formation and control of performance of the budget of cash flows of KazAzot JSC
- Tax accounting policy of KazAzot JSC
- Regulation on procurement of goods, works, and services of KazAzot JSC

Governance and Accountability:

KazAzot has the Department of Budgeting and Finance, the Department of Accounting and Reporting and the Department of Financial Analysis and Process-Based Management. Control over the work of relevant departments is exercised by the Deputy General Director for Economics and Finance. General management of economic activities of the Company is performed by the General Director of KazAzot.

Direct Economic Value Generated and Distributed

GRI 201-1

KazAzot openly publishes information on creation of economic value for its shareholders, employees and other stakeholders, demonstrating its contribution to the economic development of the country. In 2023, the total direct economic value generated by the Company (total income for the year) amounted to tenge 71.23 billion, total retained economic value (net profit for the year) amounted to tenge 21.73 billion. A decrease in profit for the reporting year is related to fluctuations in prices for fertilizers caused by external geopolitical factors.

Direct economic value generated and distributed, tenge billion

| | | 2023 | 2022 | 2021 |
|--------------------------------------|----------------|--------------|--------------|--------------|
| 1. Economic value generated | | | | |
| Total income | KZT bln | 71.23 | 77.76 | 57.71 |
| 2. Economic value distributed | | | | |
| Operating costs | KZT bln | 23.73 | 26.60 | 22.81 |
| Payroll and employee benefits | KZT bln | 8.95 | 8.88 | 7.21 |
| Taxes, except income tax | KZT bln | 1.93 | 2.29 | 1.82 |
| Corporate income tax | KZT bln | 6.63 | 5.08 | 4.54 |
| Other expenses | KZT bln | 8.26 | 11.11 | 3.77 |
| Total expenses | KZT bln | 49.50 | 53.96 | 40.15 |
| 3. Retained economic value | KZT bln | 21.73 | 23.80 | 17.56 |

Tax Accounting Policy

GRI 207-1

To implement the Code of the Republic of Kazakhstan «On taxes and other obligatory payments to the budget,» on 29 December 2022, the General Director of KazAzot approved an updated Tax accounting policy (last updated on 9 December 2019), according to the International Financial Reporting Standards and legislation of the Republic of Kazakhstan on accounting and financial reporting.

Our tax policy is an integral part of our business strategy and goals of sustainable development and represents a set of principles, rules of the Company and technologies of implementation of the ways of maintaining of tax records taking into consideration organizational and industry features with a view to ensure:

- Generation of full and reliable information on the procedure of accounting for the purposes of taxation of operations conducted by the Company during the tax period.
- Breakdown of each line of the tax forms.
- Reliable preparation of tax returns.
- Provision of information to tax authorities for tax control.

The staff of the Accounting and Tax Accounting Department of KazAzot oversees implementation of the provisions of the tax accounting and preparation of source documents, specifically:

- Chief accountant.
- Deputies of the chief accountant.
- Accounting staff in charge of maintaining tax records and preparation of tax returns.

The tax policy of KazAzot is considered and approved by the General Director of the Company. The Chief accountant of KazAzot is in charge of the general management of the implementation of the provisions of the effective tax accounting policy, proper implementation by accounting staff of their duties to ensure implementation of tax policy and for organization and control of implementation of the goals.

It should be noted that the Company is exposed to the impact of uncertainties related to determining tax liabilities for each reporting period. Since the existing tax system and tax legislation of the Republic of Kazakhstan are in force during a relatively short period of time, these uncertainties are more significant than those usually inherent in countries with more developed tax systems.

The taxes applicable to KazAzot include value added tax, corporate income tax, social tax, property taxes, other taxes and payments.

In 2023, our Company paid taxes in the amount of tenge 10 842,042 thousand to the state budget of the Republic of Kazakhstan.



Table 1: Taxes paid by KazAzot, thousand tenge

| Taxes paid | 2023 | 2022 |
|---|-------------------|-------------------|
| Corporate income tax | 4,316,667 | 6,202,326 |
| Personal Income Tax | 622,792 | 701,900 |
| Social tax | 501,886 | 450,195 |
| Property tax of legal entities and individual entrepreneurs | 589,224 | 726,563 |
| Other taxes and payments | 4,811,473 | 6,831,739 |
| TOTAL | 10,842,042 | 14,912,723 |

We are in full compliance with the legislative requirements concerning taxation and make a significant contribution to the social/economic development of our country and its regions, including through the fulfillment of our tax obligations to the state. In KazAzot, we attach great importance to ensuring proper control over tax accounting and preparation of tax returns, and we are always open to the discussion of tax issues with stakeholders.

Procurement Practices

GRI 204-1

KazAzot realises the importance of a responsible approach to procurement and strives to integrate sustainable development principles into all the aspects of its activities. The responsible approach to procurement enables the development of mutually beneficial partner relations, an increase in efficiency of interaction with suppliers and contractors and continuous improvement of control and transparency of procurement activities within the supply chain.

Governing documents of KazAzot in procurement:

- Policy on procurement of goods, works, and services of KazAzot JSC.
- Supplier code of conduct of KazAzot JSC.
- Law of the Republic of Kazakhstan dated 4 December 2015 No. 434-V «On state procurement» (as amended as of 01 July 2024).
- Order of the Minister of Investments and Development of the Republic of Kazakhstan dated 20 April 2018 No. 260 «On approval of the single methodology of calculation of the domestic value by entities when procuring goods, work and services» as amended on 29 April 2022

Governance and Accountability:

Procurement of goods works and services for KazAzot is carried out by the Procurement Department (PD) according to KazAzot's internal regulation on procurement of goods, work and services (GWS). The regulation on procurement of GWS governs the procurement activities of KazAzot and contains the requirements for procurement, including the procedure of preparation and conducting procedures procurement and conditions of their application, the procedure of signing contracts and establishes obligations for persons involved in the procurement process.

In KazAzot, procurement is performed through open competition. This method is used to ensure competitiveness and transparency in the procurement process in the Company. The procurement procedure is conducted with notification of GWS suppliers on an expected competition for GWS procurement and request for quote. A proposal for request for quote is sent to suppliers within the same period, the same format and contains the following:

- Detailed disclosure of technical characteristics of required GWS.
- Requirements for packaging, tare.
- Delivery terms (Incoterms-2010).
- Payment terms.
- Form of response to the request.
- Time period to respond to the request

The performers of these procedures are PD and responsible persons of the Financial Responsibility Centre (FRC).

The key stages of the procurement process:

- Notification of the GWS suppliers from the Register.
- Receipt of quotes (at least 5 quotes).
- Competitive selection.
- Decision of the tender board.

To reduce probability of a disruption of supplies, falsification, protection from a defective product, minimisation of possible losses in procurement, determining the most beneficial bids, and for monitoring of prices of goods, works and services of the participants of the procurement market, PD generates a Register of suppliers and participants of the market of a particular segment using the KYC method.

The procedure of identification using the KYC method includes the following actions:

- Official name of a legal entity, ownership structure of a legal entity.
- Registered office, actual location.
- Information on the supplier or its representative. history of business and services provided.
- Financial information, assets of the company, verification of financial viability.
- Feedback from business units in charge of these types of work and services about the quality of previously performed work (timing and quality) in case of re-use/attraction of a potential GWS supplier.
- Existing assets and description of a Company's activities.
- Additional materials (presentation, data, verification letters, correspondence).
- Key customers of a supplier and their recommendations. General Director, management.
- Main contact for correspondence and his contact details, corporate website, e-mail and contacts which are registered for an attorney holder and used for receipt of information from a potential supplier.

We recognize the importance of supporting the local economy via procurement from local suppliers. «Local suppliers» mean companies registered and operating within the Republic of Kazakhstan. In 2023, we continued active support of domestic suppliers. In the reporting period, the total amount of procurements of KazAzot amounted to tenge 12 bln of which the procurements from local suppliers amounted to tenge 5.29 bln. In 2023, the share of local suppliers in procurement amounted to 73%.

| Indicator | Measurement unit | 2023 |
|--|------------------|------|
| Number of suppliers, total | unit | 310 |
| Total amount of procurement | bln tenge | 12 |
| Number of local suppliers, total | unit | 225 |
| Amount of procurement from local suppliers | bln tenge | 5 |
| %, of quantity | unit | 73% |
| %, of the amount | bln tenge | 43% |



According to the sustainable development strategy for 2023-2030, the Company's risks in sustainable supplies from local suppliers:

- Dependence on external utility suppliers.
- Unreliable and low-quality utility supply.
- Geographical location of the entity (outskirts).

To minimize these risks the Company takes the following steps:

- Establishing strategic relations with several suppliers to ensure the reliability of supplies.
- Optimization of supply chains to minimize the impact of location on the procurement.
- Generation of action plans and scenarios of crisis management for fast recovery of production processes.

Optimization and improvement of the procurement process play a key role in the effective monitoring of operations, cost saving and ensuring overall efficiency of our company. By implementing strategies of transparency and analysis, observing legislative and regulatory requirements and continuous improvement of procurement processes, KazAzot conducts a consistent optimization of operating processes. It allows us to reduce costs, improve relations with suppliers and enable overall success of the company. We are striving to further increase a share of procurement from local suppliers, fostering development of the economy of Kazakhstan and strengthening our business processes.



Environmental Responsibility (E)

Environmental Responsibility (E)



Dear readers,

My name is Irina, and I am the Director of the Department of Ecology and Occupational Sanitation of KazAzot JSC. Globally, ecosystems on which humanity depends are threatened. From forests and drylands to farmlands and lakes, natural spaces on which humanity's existence depends are reaching a tipping point.

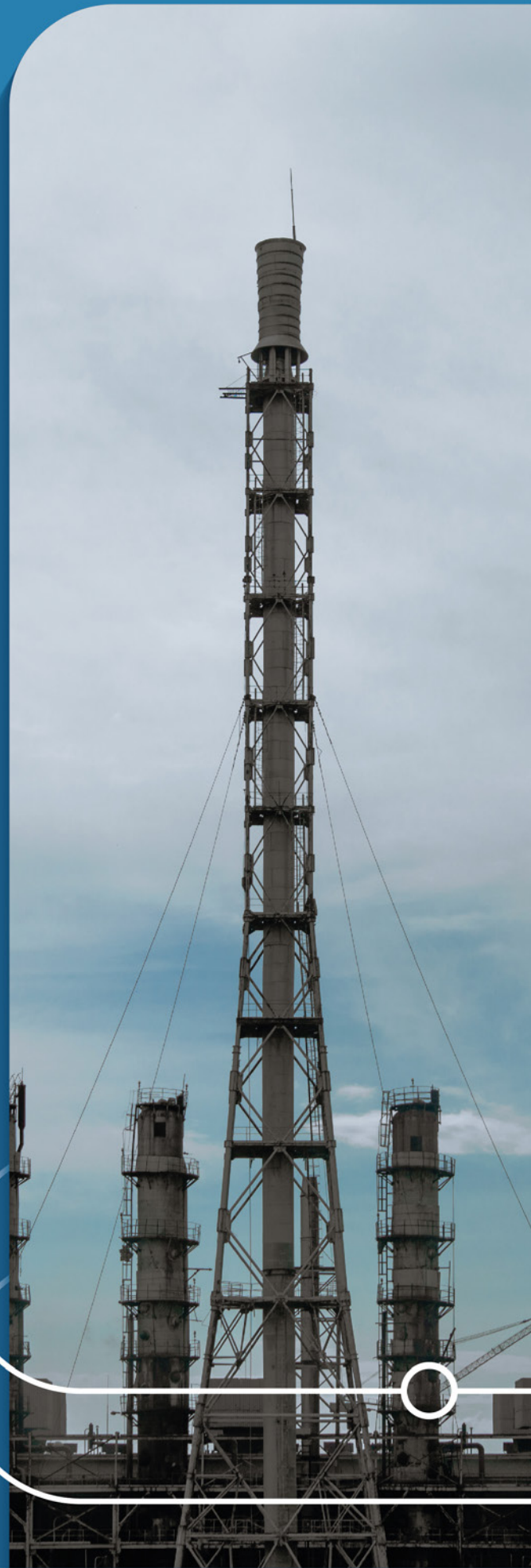
Our land. Our future. We are a generation of restoration. We cannot turn back time, but we can grow forests, revive water sources, and bring back soils. We are the generation that can make peace with land.

KazAzot JSC, being the only producer of anhydrous liquefied ammonia and ammonium nitrate in the Republic of Kazakhstan, is proud of its contribution to strengthening food safety, increasing the industrial and export potential of the Republic of Kazakhstan, and realising its huge responsibility for the environment, society as a whole and strives to minimize its man-made impact on the ecosystems.

In 2023, integrating sustainable development principles in its activities, KazAzot has voluntarily undergone the procedure of certification for compliance with the requirements of the national standard CT PK ISO 14001:2016 «Ecological management systems».

Our key achievements in 2023 include:

- Joining the UN Global Compact, the international initiative in social responsibility and sustainable development.
- Publishing the first Sustainable Development Report for 2022.
- Successful completion of the SDG Ambition Accelerator.
- Development and approval of the Report on inspection of the carbon footprint of the products with full coverage of the vital cycle of Scope 1, Scope 2, Scope 3.
- Research and development in the «pilot project» of utilization of carbon dioxide while using *Chlorella vulgaris*.
- Designing, procurement, installation and switching to the database of the environmental authorized body of the continuous monitoring system based on multi-gas analysers MIR FT ENVEA on four exhaust pipes of the gas engine power plant.
- Designing, procurement, installation and commissioning of autonomous network mini stations of air monitoring, Cairnet Envea, on the border of the sanitary protection zone at two fixed stations.
- Confirmation and approval of the sanitary protection zone by the public health authorized body using computational and instrumental methods.
- Development and approval of the landscaping plan by the public health authorized body.



Environmental Management System

GRI 3-3, GRI 2-13

Within the environmental management system, for the reporting period, the following internal regulatory documents were developed and approved by top management of KazAzot:

1. Environmental management policy.
2. Low-carbon development policy.
3. Water resources management policy.
4. Biodiversity conservation policy.

The approach to environmental management in the Company is regulated by the requirements of the standard ST RK ISO 14001:2016 «Ecological management systems», and the environmental management policy.

Due to the significant scope of production activities, ensuring safety when working with ammonia and ammonium nitrate is critical for us, considering their high toxicity and potential hazard to human health and the environment.

Ammonia is widely used in industry, agriculture and other sectors. We implement the following safety measures:

- **Storage:** Ammonia is stored in special containers or reservoirs, ensuring hermeticity and environmental protection.
- **Transportation:** In transportation, stringent security measures are observed, including the use of specialist vehicles and control of temperature conditions.
- **Usage:** The staff is trained in the rules of safe handling of ammonia, including the use of respiratory and skin protection devices.
- **Emergencies:** Development and regular training on emergency plans in case of leakages or emergencies with ammonia.

Ammonium nitrate is used in agriculture as a fertilizer but can also pose a hazard due to its explosion hazard. We implement the following safety measures:

- **Storage:** Storage of ammonium nitrate in the Company meets strict requirements, including separate storage from other chemicals and flammable materials.
- **Processing:** The staff is trained in safe methods of handling and use of ammonium nitrate, including prevention of the possibility of ignition and explosions.
- **Emergencies:** Development of emergency plans and drills to minimize consequences in case of emergencies, such as fire or unforeseen chemical reactions.

Our approach to safety includes not only compliance with regulatory requirements and standards but also constant training of the staff, regular inspection of equipment and infrastructure and strict control of observance of all safety measures in day-to-day operations.

Our plans for 2024 in environmental management:

- Certification for compliance with the national standard ST RK ISO 14001:2016 «Environmental management systems» of Shagyrly-Shomyshy Branch.
- Certification for compliance with international standard ISO 14001:2015.
- Compliance audit of the environmental management system of KazAzot JSC, ST RK ISO 14001:2016.

Governing documents in ecological management:

We have developed the environmental management policy to implement a strategic goal of the Company - the creation of innovative products to increase the yield and quality of agricultural products, hold leading positions in the production of fertilizers in the Republic of Kazakhstan, support long-term and mutually beneficial cooperation with partners, based on principles of environmentally sensitive sustainable development.

The implementation and certification per ST RK ISO 14001:2016 represent a strategic step for us, which is aimed at improving internal management of ecological activity and improving market competitiveness.

Governance and Accountability:

The department of the Company responsible for monitoring and analysis of the status of the environment (greenhouse gas emissions, water resources, air quality, waste and biodiversity), development and implementation of environmental programmes and activities is the Department of Ecology and Industrial Sanitation (DEIS). The Chief Engineer is responsible for engineering support and implementation of environmental programmes, develops and controls technical processes ensuring minimisation of the adverse effect on the environment. The General Director manages all the activities of the Company, makes strategic decisions, including in ecology and sustainable development, approves environmental programmes, internal regulatory documents in the area of EP and controls their implementation via the chief engineer. As such, the Department of Ecology and Industrial Sanitation reports to the chief engineer who, in turn, reports to the General Director.

KazAzot JSC is part of the Association of Legal Entities «Union of Chemists of the Republic of Kazakhstan» and annually pays membership fees based on the agreement on joining ALE «Union of chemists of the Republic of Kazakhstan» No. 2126/01-OUL dated 20 July 2017.

The chemical industry plays a key role in meeting the global food demand. However, the production and the use of mineral fertilizers can contribute to the pollution of air, water and soil, the formation of hazardous waste and the reduction of biological diversity. This chapter covers pollutants related to the industrial activities of the Company - production of mineral nitrogenous fertilizers.

The safety of chemical products includes a set of actions aimed at prevention of an adverse impact of chemical substances on the human health and the environment. We are struggling hard against an adverse effect on the environment, taking the following actions:

- Implementing new technologies and equipment to reduce emissions of hazardous substances into the air and water resources.
- Optimizing the production processes to minimize waste and their safe disposal.
- Regular monitoring of the level of pollution, emissions and discharges using modern measuring and analysis instruments.
- Constant control over compliance with environmental norms and standards.
- Development and implementation of systems for waste processing and disposal, including safe disposal of hazardous substances.
- Training the staff in principles of environmental safety and sustainable development.
- Development of the Company's environmental policy, including the goals and tasks on reducing an adverse effect on the environment.

Our environmental management represents a systematic approach to management of the ecological aspects of the entity's operations to minimize an adverse impact on the environment and improve ecological indices. Implementation of environmental management helps us control ecological risks and comply with legal requirements and enables sustainable development and profile raising.

In 2023, we developed and implemented a system of environmental management per the requirements of the national standard ST RK ISO 14001:2016 «Environmental management systems».

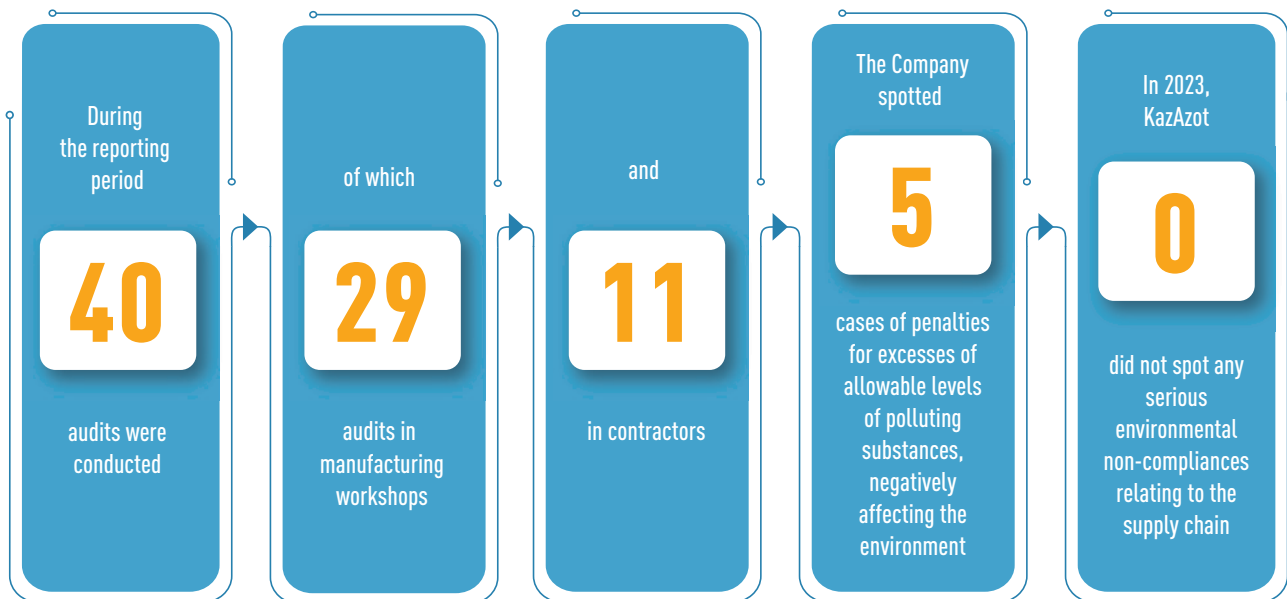
In October 2023, key employees of the Company completed a training on the programme «Introduction into environmental management. Structure of standard ISO 14001:2015. Terms and definitions» and received certificates on successful completion of the course.

In November 2023, we voluntarily completed a successful procedure of certification for compliance with the requirements of the national standard CT RK ISO 14001:2016 «Environmental management systems» and on 13 December 2023 National Certification Centre LLP handed us a certificate of compliance registered in the state technical regulation system.

Compliance with Environmental Requirements

We are in full compliance with both national and international environmental requirements to minimize an adverse impact on the environment and society. As part of monitoring of compliance with these regulatory requirements, evaluations of compliance of KazAzot’s activities with the legislation of the Republic of Kazakhstan and other environmental regulatory requirements are carried out on a regular basis. We communicate, investigate and take corrective measures in case of any contingencies and incidents related to noncompliance with permits and legal requirements.

According to the approved schedule of internal audits of workshops and specialist contractors operating within KazAzot in 2023, the Department of Ecology and Industrial Sanitation conducted internal audits for compliance with the effective environmental legislation and public health legislation of the Republic of Kazakhstan.



Based on the non-compliances identified during the audit, we take and implement measures to improve and adjust the EP processes.

We place emphasis on monitoring of emissions and use of natural resources of our production facilities. We constantly monitor ecological components, such as outside air, water resources, biodiversity, etc. and work on efficient reduction of an adverse effect on the environment during our production activities. Our ecological monitoring represents an integrated system supported by the state, which includes monitoring, measuring, gathering, accumulation, storage, accounting, classification, generalisation, processing and analysis of data on the quality of the environment. This system also ensures production based on collected environmental data.

Climate Change

GRI 3-3, GRI 201-2

Climate Agenda

The carbon border adjustment mechanism (CBAM), introduced by the European Union, was launched in the chemical industry on 1 October 2023. In terms of the global context, the introduction of this mechanism has a significant impact on our activities. In this regard, our degree of readiness for new climatic measures and reduction of carbon footprint both for achieving the country's net zero and for the economic activity of the Company abroad is a high priority.

With a view to comply with the requirements of CBAM, we developed the Sustainable development strategy for 2023-2030 of KazAzot JSC.



The Company's goal per the Sustainable development strategy for 2023-2030 of KazAzot JSC is as follows

To reduce the carbon footprint of the products by 20% compared to the level of 2023 by the year 2030.

Reduction of emissions of greenhouse gases («GHG») is a key element of the Company's Strategy within its commitment to UN sustainable development goals. We are striving to make a significant contribution to achieving a priority SDG 13 - «Climate action.» The efficient implementation of this Strategy is based on reduction of the environmental impact and a decrease in carbon footprint of ammonia and ammonium nitrate.

To achieve this goal, we take active measures. On the Shagyrly-Beineu pipeline, we three solar power plants with a capacity of 2 kW and three wind power plants with a capacity of 1 kW installed.

In 2023, in the upper part of microdistrict 20 of the city we planted 1,000 green plantings using the instrumental method. At the time of Report publication, the planting diagram was developed, and in 2024 it is planned to implement drop irrigation. We are planning to develop offset projects aimed at the creation of landscaped areas. These projects will include planting new trees and plants, which would allow compensating carbon dioxide emissions and improving the environmental situation.

Our staff undergo training to upgrade qualifications to achieve the set goal. In 2023, they have successfully completed the «Decarbonisation of the industrial sector» programme.

Governing documents in climate change field:

In 2023, as part of the environmental management system, the policy of the low-carbon development of KazAzot JSC was developed and approved. Within this Policy, we are committed to reduce greenhouse gas emissions via increasing energy efficiency, implementation of renewable energy sources and advanced technologies and creation of landscaped areas. Our primary obligations in this area are as follows:

- Determining the principles regulating the approach to emission management, intended for the use throughout the Company
- Compliance with legislative and regulatory requirements of the Republic of Kazakhstan, accepted obligations to reduce greenhouse gas emissions
- Reduction of greenhouse gas emissions while preserving the operating structure of the assets via measures of energy efficiency, use of renewable energy, implementation of an automated monitoring system and landscaping the sanitary protection zone
- Testing of pilot projects to reduce greenhouse gas emissions for further scaling
- Identification, evaluation, monitoring and reduction of potential risks relating to climate change, which can have an adverse effect on the strategic and operational goals of the Company
- Awareness of the shareholders, key management staff about the Company's exposure to climate risks and their integration into the risk management system
- Changing requirements for designing and construction, while introducing calculations of the resistance of the buildings and structures to future climate conditions and extreme weather events
- Upgrade of the waste management system and introduction of green economy standards.

Governance and Accountability:

The Department of Ecology and Industrial Sanitation (DEIS) is responsible for development and implementation of the strategies and programmes aimed at reduction of the carbon footprint of the Company, climate change adaptation, research and analysis in climatic changes, and for implementation of environmental initiatives and projects. The Chief Engineer manages engineering services of the Company, controls and coordinates implementation of innovations and technologies aimed at reduction of the impact on the climate, coordinates the work of the Department of Ecology and Industrial Sanitation, monitors the implementation of climatic programmes and their integration into production processes.

The General Director manages the entire activities of the Company, makes strategic decisions, approves the climate policy and programmes, controls their implementation via the Chief engineer and the DEIS. As such, DEIS reports to the Chief Engineer who, in turn, reports to the General Director.

Other measures undertaken to achieve our strategic goal - reduction of the carbon footprint of the products:

- Annual evaluation of the carbon footprint of the products.
- Embracing technologies of CO₂ absorption by microalgae.
- Microbiological processing of natural gas.
- Production of ammonium carbon salts (ACS).
- Production of hydrogen peroxide and noble gases (Ar, Xe, Kr).

You can see detailed information on these pilot projects in the section «Technologies and innovations».

In addition, KazAzot is committed to identify, evaluate, monitor and reduce potential risks relating to climate.

Climate Risks

Considering the international and national experience, KazAzot identifies risks relating to climate change and is committed to contributing to sustainable development with maximum reduction of greenhouse gas emissions at all the stages of the production cycle.

Relevant awareness of the shareholders and key management staff about the entity's exposure to climate risks enables their more efficient integration into the risk management system. The awareness of the reasons for climate change, evaluation of the current situation and forecast events and their impact on the Company's activities in the short-term and mid-term perspective are a starting point for the work.

Key principles of integration of climate risks into the risk management system of KazAzot:

- **Interrelation:** integration of climate risks requires cooperation throughout the Company, the principle of interrelation means that all the structural units should participate in the integration of climate risks into operating processes and risk management, provide support and carry out development of a respective function.
- **Expedition:** physical and transitional climate risks should be analysed in the short-term, mid-term and long-term perspectives for the operating and strategic development, which could require moving beyond traditional planning horizons.
- **Adequacy:** integration of climate risks into risk management processes should be proportionate to management of other risks of the Company, materiality of its exposure to climate risks and consequences for implementation of its business strategy.
- **Conformity:** the methodology used for integration of climate risks should consider risk management processes effective in the Company in order to ensure the analysis of the impact of climate risks and their changes over time.

Physical climate risks are caused by current and expected (in the long term) changes in physical parameters of the climate in the presence region of KazAzot, which can lead to additional capital and operating costs.

All the elements of the production-supply chain from production of raw material to shipment of goods are in Mangistau region, whose climate is characteristic in a desert zone – distinctly continental, extremely arid. Mean air temperature: in January -7°C (could drop to -38°C), in July $+27^{\circ}\text{C}$ (on some days it can be $+47^{\circ}\text{C}$). Precipitations are very few. According to the light climate map, Mangistau region is in the most extreme climatic zone, coinciding with the hyperthermic one. With an increasing average annual temperature, heat waves occur more often and become longer.

Due to the climate patterns, in 2023, we determined the key physical risks characteristic for the Mangistau region and conducted a comprehensive analysis of consequences of climate changes for the activities of our company.

Key climate risks and measures to manage these risks

| Description of a physical risk | Description of an impact related to the physical risk | Measures to manage a risk |
|--|---|---|
| Heat waves and increase in the average annual air temperature | <ul style="list-style-type: none"> ○ growth of deficit of natural cold will increase the load on cooling systems of technological equipment and premises. ○ increase in cooling costs. In turn, this will increase the load on electrical power and water supply systems of production. ○ Extreme increase in temperature can lead to accidents with ecological consequences: <ul style="list-style-type: none"> - High temperatures can enable overheating of production plants and causing explosions or a leakage of hazardous chemicals. - High temperatures can increase the probability of fires, especially in ammonia and ammonium nitrate storage zones, which are explosive materials. | <ul style="list-style-type: none"> ○ investing in energy-efficient cooling technologies, which consume less energy and reduce the carbon footprint. ○ considering a high potential of usage of solar and wind energy in Mangistau region, to prevent the increase in the carbon footprint of the products, it is necessary to expand the use of RES in the energy balance of the Company. ○ development and timely update of the emergency response plans including measures to ensure safety of the staff, protection of equipment and minimization of damage to the environment. ○ arranging regular exercises and drills for emergency management for the staff. |
| Storm surges The increase in the level of water along the Caspian coast due to high winds and storms | <ul style="list-style-type: none"> ○ equipment located near the coast, including production and distribution facilities, can be damaged or destroyed due to floods. It would require significant costs of recovery and repairs. ○ strong storms can lead to damage of the energy infrastructure, which will cause irregularities in electricity supply and as a result a business interruption. ○ storm surges can lead to contamination of pipelines with sand, slurry and other sediments, which would increase the load on filter elements. It can cause a decrease in efficiency of filtration, an increased wear-out of the equipment. | <ul style="list-style-type: none"> ○ regular accounting and monitoring of the water level, installing sensors for constant control of the water level in coastal zones and at the company's site. ○ construction of dikes, water breakers and other protective structures along the coast to prevent flooding of production facilities. ○ timely walkthrough and defect detection of technological pipes and filter systems. |
| Lowering of sea level Gradual shallowing of the Caspian Sea due to a decrease in water intake | <ul style="list-style-type: none"> ○ recession of the sea level can lead to a decrease in accessibility of sea water for technological needs of the company. ○ a decrease in volumes of the output of products due to lack of water needed for the cooling process in production of ammonia and ammonium nitrate. The main part of the sea water and technical water is provided by MAEK LLP located 1 km from KazAzot. The sea water is used for cooling of reactors and other components of equipment, since the process of ammonia synthesis is exothermic and produces a significant quantity of heat. The shallowing of the Caspian Sea can lead to a decrease in the volume of accessible water, which would limit the amount of water accessible for production processes of the Company, including cooling, refining and other needs. | <ul style="list-style-type: none"> ○ installing sensors and water level monitoring systems for constant tracking of changes. ○ channel dredging works by MAEK. ○ construction of own desalination plants. ○ development of wells. |

Transitional climate risks are related to changes in the policy, legislation, technologies, and market conditions which occur as a result of transition to a low-carbon economy.

The following is relevant for KazAzot:

- current and expected changes in the regulatory policy in the light of the country’s strategy to achieve carbon neutrality of RK until 2060.
- methodology of calculation of an import carbon tax within CBAM in the European Union.

In the global context, the operations of KazAzot can be affected by the introduction of the Carbon Border Adjustment Mechanism (CBAM), a cross-border carbon regulation, introduced by the European Union as part of climate measures. This instrument is viewed as an integral step for the European Union in a fight against climate change, whereas for exporting companies the introduction of CBAM can involve an increase in costs on imported goods due to the carbon adjustment. Therefore, KazAzot may face additional economic challenges, the need to introduce cleaner technologies and improvement of the emissions management system.

| Description of a transitional risk | Description of an impact related to a transient risk | Risk management measures |
|--|---|--|
| <p>Regulatory risk related to the state policy to reduce an adverse effect of climate change.</p> <p>Implementation of the strategy of achieving carbon neutrality of RK until 2060 would require tightening of carbon regulation until 2030, specifically:</p> <ul style="list-style-type: none"> ○ Emission Trading Scheme (ETS) will regulate not only CO2 emissions but also CH4 and N2O. ○ free GHG emission quotas will be consistently reduced, and paid quota allocation will be introduced. ○ carbon units will increase in price. ○ sources of GHG emissions, which are not subject to regulation via ETS, will be subject to carbon tax. | <ul style="list-style-type: none"> ○ increase in financial costs of modernisation of production. ○ financial losses due to imposition of penalties and sanctions. ○ non-compliance with contractual commitments. ○ increase in the cost of carbon-intensive production. | <ul style="list-style-type: none"> ○ development and implementation of a system of accounting for and monitoring greenhouse gas emissions, including regular measurements of emissions and a data analysis. ○ development and implementation of innovative projects for collection of carbon emissions. ○ investments in research and development (R&D) to create innovative solutions to reduce greenhouse gas emissions. |
| <p>Regulatory risk related to tightening of European carbon regulation.</p> <p>KazAzot is planning to build a new plant and enter the European market with its products. In this regard, it is necessary to understand how the Carbon Border Adjustment Mechanism (CBAM**) works, whereby external deliveries of fertilizers will be charged by a carbon import duty.</p> <p>Since 2026, all importers /representatives of suppliers of fertilizers in the EU will have to pay a carbon duty.</p> <p>Until 2026, the suppliers should organize reporting and submit, on a quarterly basis, a declaration on GHG emissions which occurred in the country of origin (scope 1 and 2).</p> | <ul style="list-style-type: none"> ○ increase in the production cost. ○ additional financial expenses on CBAM certificates. ○ violation of supply chains. ○ limitation of export of products. | <ul style="list-style-type: none"> ○ implementation of quarterly corporate reporting on the carbon footprint of each type of product, along with optimization of energy management of the Company until 2026. ○ development and implementation of a system of accounting and monitoring of greenhouse gas emissions. ○ development of a mid-term plan of implementation of the Net Zero Strategy. ○ investments in R&D to develop energy-efficient technologies and innovative products with a low carbon footprint. |

In this regard, the degree of readiness of KazAzot for adaptation to new climate measures and decrease in carbon footprint, both to achieve carbon neutrality of the country and for the economic activity of the Company beyond it, is a high priority.

Technologies and Innovations

We pay great attention to the development of technologies and the implementation of innovations, understanding their key role in achieving sustainable development. We believe that investments in advanced technologies and innovative solutions not only contribute to increasing our competitiveness, but also have a vital role in minimizing the negative impact on the environment and improving socio-economic conditions.

In 2022, KazAzot was accredited as a subject of Research and Development (R&D), which provided us with an opportunity to use our own 1% of natural gas production costs under the contractual obligations of the subsoil user to finance new «sustainable» projects, and enables us to participate in national grant competitions for targeted financing of R&D.

Investments in technologies enable us not only to optimise operational processes, increase the efficiency of resource use, but also to create new products and reduce our carbon footprint. In this area, we have been implementing the following research initiatives:

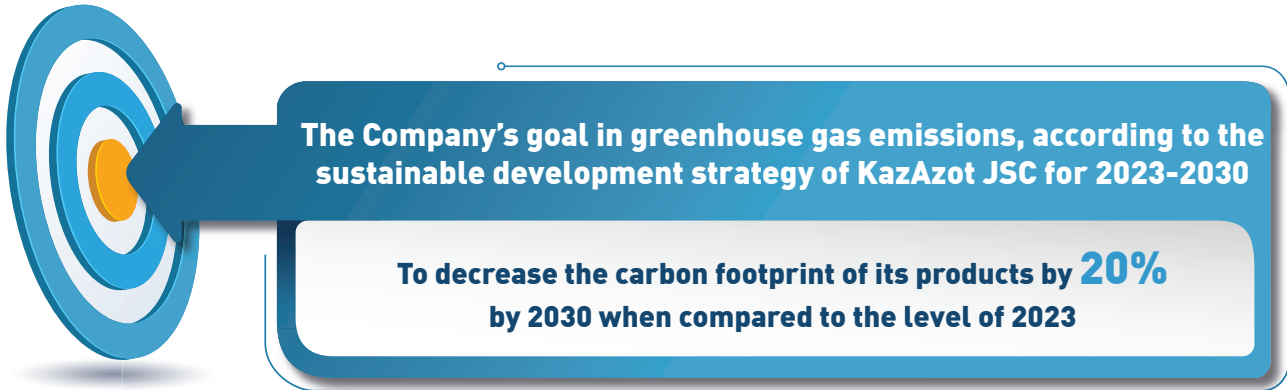
- 1. Pilot project for the processing of greenhouse gas (carbon dioxide - CO₂) using «Chlorella» microalgae.** Algae are drawing greater attention as an effective means of CO₂ disposal due to their rapid growth, high CO₂ absorption rate and adaptability. Recent studies have shown that algae-based systems have significant potential for capturing and processing anthropogenic CO₂ and can also provide livestock and fisheries with valuable feed additives. The use of photosynthetic microorganisms is considered a promising method of CO₂ disposal, which can help reduce the carbon footprint in the production of fertilizers and other agricultural products. The launch of the pilot project is scheduled in 2024.
- 2. Production of ammonium carbonate salts («ACS»).** KazAzot is also exploring other methods of CO₂ disposal, for example, through the synthesis of ammonium carbonate salts, which are obtained by the reaction of ammonia with carbon dioxide. ACS are widely used as fertilizers due to their high nitrogen content, a key nutrient for plants. Nitrogen in ACS improves plant growth, increases crop yields, and increases the quality of agricultural products. Thus, by having a negative carbon footprint, ACS production helps reduce the amount of greenhouse gas emissions from the enterprise. The ACS production project has already been approved, pending success of securing the necessary funding.
- 3. Production of hydrogen peroxide and noble gas (Ar, Xe, Kr).** One of the topics of scientific research at KazAzot is the valorisation of purge gas, gaseous waste containing methane and creating a greenhouse effect when burned. Traditionally considered as production waste that can only be burned, purge gas from the ammonia synthesis cycle contains significant amounts of hydrogen and noble gas. Separating the mixed gas flow into individual components will enable obtaining the full economic value from them, while neutralizing this source of waste. The extracted hydrogen can be used to produce hydrogen peroxide, methane can be used as fuel or process raw material, and noble gas can be pumped into flasks. Thus, this technology will enable KazAzot to use resources rationally, reduce greenhouse gas emissions, and increase the economic efficiency of production in the future.
- 4. Microbiological processing of natural gas.** This initiative for deep processing of natural gas will enable obtaining valuable protein raw materials for livestock farming, (bioprotein) with a capacity of 10 thousand tonnes per year. Research of KazAzot in this area is continuing.

We have invested heavily in R&D, as such we develop and implement advanced technologies and innovative solutions that meet ambitious standards of sustainable development.

Greenhouse Gas Emissions

GRI 3-3

According to the Environmental Code of the Republic of Kazakhstan, for all entities subject to carbon quota allocation a legislative requirement is in effect - approval of the Inventory report and Plan of monitoring greenhouse gas emissions (Scope 1) by an independent accredited body for validation and/or approval. KazAzot is a subject of carbon quota allocation and as such data on emissions of the Company are recorded in the state carbon cadastre.



Our work performed in 2023 in regulation of greenhouse gas emissions:

1. Development and approval of the Company's low-carbon development policy by top management.
2. Adjustment and validation of the Plan of monitoring of greenhouse gas emissions for 2023 - 2025.
3. Development and approval of the Report on the carbon footprint of products for 2023.
4. Signing of the contract with Shubarkol Komir JSC to buy 48,000 units of carbon quota.
5. Installation of additional sensors of carbon dioxide (CO₂), methane (CH₄) and nitrogen oxide (N₂O), which would allow in real-time mode measure concentrations of greenhouse gas in exhaust pipes.

Carbon footprint of products

It is the third year in a row that we have calculated the carbon footprint of our products and have it approved by the accredited authority for validation and verification.

In 2021, we disclosed the carbon footprint of ammonia and ammonium nitrate only for Scopes 1 and 2. In 2022, along with Scopes 1 and 2, the scope of the PCF survey included GHG emissions of Scope 3 according to the standard of the corporate value chain (area of Scope 3) for four categories.

In the 2023 reporting year, in the carbon footprint report, we disclosed greenhouse gas emissions of Scope 1, Scope 2 and Scope 3 for eleven categories. It should be noted that every year we dramatically increase the scope of the calculation of the product's carbon footprint.

Categories of Scope 3 disclosed in 2023

| Categories | Processes of the value chain |
|---|---|
| Category 1: Acquisition and use of products | Acquisition and use of products (including means of production). |
| Category 2: Acquired capital goods and services | Acquisition and use of technical equipment |
| Category 3: Emissions during production of raw materials used by the supplier for electric-power generation for the reporting Company | <ul style="list-style-type: none"> ○ Drilling, testing and servicing wells. ○ Production, processing and transportation of natural gas. ○ Fuel combustion for electricity generation. ○ Production, transmission and distribution of external electricity and heat. ○ Consumption of acquired electricity and heat. ○ Consumption of own electricity. |
| Category 4: Acquisition of raw material and pretreatment | Transportation and storage of products acquired in the reporting year |
| Category 5: Generating wastes | End of the life cycle (waste treatment) |
| Category 6: Business and work trips of the staff | Operation of leased assets |
| Category 7: Commuting of the staff | Operation of leased assets |
| Category 9: Transportation and delivery of ready goods | Sales of ready and intermediate goods |
| Category 10: Emissions from production of intermediate goods | Industrial emissions (production of anhydrous liquefied ammonia, hydrogen nitrate, processes of decarbonisation of distillate and gas condensate). |
| Category 13: Operation of leased assets | Leased assets for ready goods |
| Category 15: Investments | Shareholders and their participants |

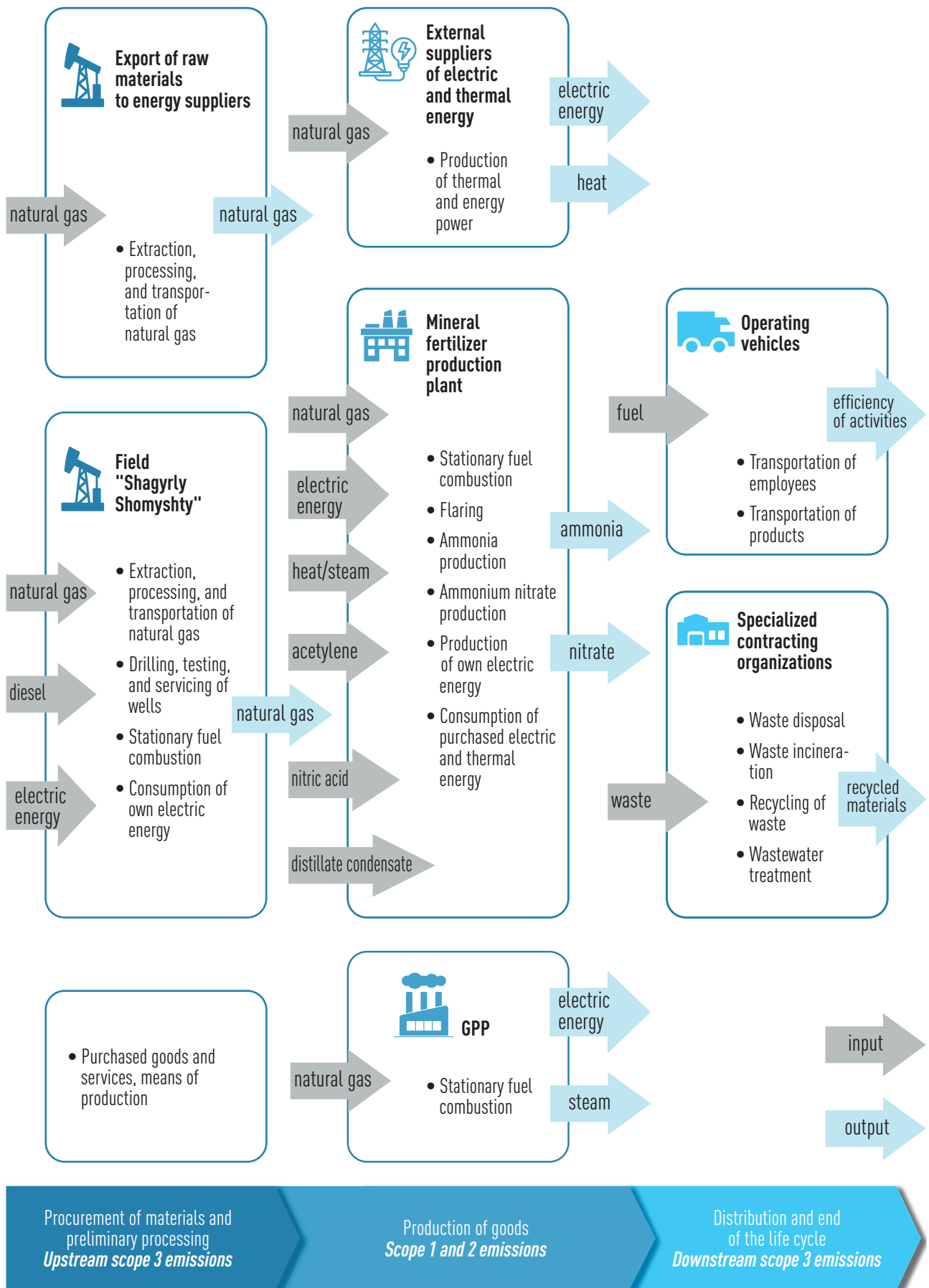


Figure 1. Scope of the PCF system

We created a flow chart of processes distributed by stages of the life cycle of the products and production units of the Company. For each block of processes, a respective input and output flow was determined.

PCF by stages of the life cycle of products

| Scope of emissions | Anhydrous liquefied ammonia | % | Ammonium nitrate | % |
|---|-----------------------------|-------------|------------------|-------------|
| Acquisition of raw material and pretreatment <i>Upstream Scope 3 emissions</i> | 0.252 | 7.66% | 0.366 | 10.11% |
| Products manufacturing <i>Scope 1 and 2 emissions</i> | 2.690 | 81.81% | 2.709 | 74.76% |
| Distribution and end of life cycle <i>Downstream scope 3 emissions</i> | 0.346 | 10.52% | 0.549 | 15.14% |
| Total PCF: | 3.288 | 100% | 3.624 | 100% |

The analysis of the results of the evaluation of PCF of KazAzot for 2023 shows that the biggest share of GHG emissions in the process of the life cycle is attributed to the stage of manufacture of products, including stages of production, processing, transportation of raw material and fuel combustion (81,81%) for ammonia and (74,76%) ammonium nitrate.

PCF by regions of the scope of emissions

| Scope of emissions | Liquefied technical ammonia | % | Ammonium nitrate | % |
|--------------------|-----------------------------|-------------|------------------|-------------|
| Scope 1 | 2.900 | 88.14% | 3.010 | 83.05% |
| Scope 2 | 0.156 | 4.74% | 0.233 | 6.43% |
| Scope 3 | 0.234 | 7.12% | 0.381 | 10.52% |
| Total PCF: | 3.290 | 100% | 3.624 | 100% |

Based on the results of 2023, the product's carbon footprint decreased 2 times compared to the previous reporting period. It is associated with a change in the emission factor in the national methodical guidelines for the calculation of greenhouse gas emissions of Scope 1 to bring to greater conformity with the international practise, a change in the methodology of calculation of emissions of Scope 2 with the introduction of a new system of procurement of electricity in the Republic of Kazakhstan and with a decrease in the value of the coefficient of the global warming potential for nitrogen oxide.

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5

Direct greenhouse gas emissions (Scope 1)

KazAzot's direct emissions are generated during production and transportation of natural gas, fuel combustion for generation of electricity and chemical industrial processes (production of ammonia, hydrogen nitrate and ammonium nitrate). According to the verified report on inventory of greenhouse gas emissions, the scope of direct GHG emissions based on the results for 2023 amounted to 827,606 tonnes of CO₂-equiv.

The main sources of greenhouse gas emissions are PPR-600 burner, emergency discharge flare, carbon dioxide discharge flare, absorption columns, and decarboniser pipe.

Volume of direct greenhouse gas emissions for 2021-2023 of KazAzot JSC, including «Shagyrlы-Shomyshty» branch

| Types of greenhouse gas of Scope 1* | Measurement unit | 2023* | 2022 | 2021 | Change, % |
|-------------------------------------|--------------------------------------|----------------|------------------|------------------|-------------|
| CO ₂ | tons of CO ₂ | 489,011 | 551,045 | 480,727 | -11% |
| CH ₄ | tons of CO ₂ -equiv. | 179,673 | 169,989 | 618,887 | +5.5% |
| N ₂ O | tons of CO ₂ -equiv. | 158,922 | 422,669 | 220,309 | -62% |
| Total | tons of CO₂-equiv. | 827,606 | 1,143,703 | 1,319,922 | -28% |

* Information on the scope of reporting is presented in the chapter «About the Report»

1. The methodology for quantitative determination of emissions complies with the Methodology for calculating greenhouse gas emissions from boilers of heat power plants, electric power stations and boiler houses and the Methodology for calculating greenhouse gas emissions from the production of the chemical industry, approved by the Ministry of Ecology and Natural Resources of the Republic of Kazakhstan.
2. Quantitative estimation of emissions was conducted for carbon dioxide (CO₂), methane (CH₄) and nitrogen oxide (N₂O).
3. The values of the Global Warming Potential (methane – 28, nitrous oxide – 265) adopted in accordance with the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

A decrease in direct greenhouse gas emissions in 2023 compared to the indicator for 2022 by 28% is related to a change in the emission factor in the national methodological guidelines for the calculation of greenhouse gas emissions and a decrease in the value of the coefficient of the global warming potential for nitrogen oxide.

The Company has no emissions from combustion or decay of biomass.

Indirect greenhouse gas emissions (Scope 2)

In preparation of the Report on research of the product carbon footprint, KazAzot calculates indirect greenhouse gas emissions. In 2023, the emissions of Scope 2 amounted to 73,859 tonnes of CO₂, which include consumption of electricity and heat from indirect sources acquired from external suppliers. The main part of energy resources, including electricity and thermal energy, are supplied by LLP «MAEK» for the Mineral Fertilizer Plant.

Volume of indirect energy greenhouse gas emissions for 2021-2023

| Types of greenhouse gases of Scope 2 | Measurement unit | 2023* | 2022 | 2021 | Change, % |
|--------------------------------------|-------------------------|--------|--------|--------|-----------|
| CO ₂ | tons of CO ₂ | 73,859 | 84,397 | 97,157 | -12.5% |

* The perimeter of the indicator included data on purchased external energy of MAEK LLP

- 1) The Company has chosen a territorial method of evaluation of indirect energy GHG emissions.
- 2) Data on Scope 2 were calculated using the methodology indicated in the GHG Protocol Scope 2 Guidance
- 3) Specific coefficients of GHG emissions were accepted according to the «List of benchmark coefficients in regulated sectors of economy» approved by order of the acting Minister of Ecology, Geology and Natural Resources of the Republic of Kazakhstan dated 19 July 2021 No. 260.

A decrease in indirect energy greenhouse gas emissions in 2023 compared to the indicator in 2022 by 12.5% is related to a decrease in the quantity of purchased electricity and introduction of a new system of electricity procurement. The quantitative estimation of indirect energy emissions conducted for carbon dioxide.

Other indirect greenhouse gas emissions (Scope 3)

In preparation for the report on the research of the product’s carbon footprint, KazAzot calculates other indirect greenhouse gas emissions.

In 2023, as part of Scope 3, GHG emissions were disclosed by 11 categories, the volume of other indirect emissions amounted to 284,832 tonnes of CO₂-equiv.

Volume of other indirect greenhouse gas emissions for 2022-2023

| Types of Scope 3 greenhouse gasses | Measurement unit | 2023 | 2022 |
|------------------------------------|--------------------------------------|----------------|---------------|
| CO ₂ | tons of CO ₂ | 116,579 | 22,628 |
| CH ₄ | tons of CO ₂ -equiv. | 2,389 | 41,450 |
| N ₂ O | tons of CO ₂ -equiv. | 165,864 | 5,1 |
| Total | tons of CO₂-equiv. | 284,832 | 64,484 |

**Information on the scope of reporting is presented in the chapter «About the Report»*

- (1) The calculation is made according to the Methodology specified in the Guide to the Corporate Value Chain Standard (Scope 3)
- (2) GHG emission factors are adopted according to the IPCC Guidelines for National Greenhouse Gas Inventories, 2006.



Greenhouse gas emissions for 2023 across the entire product value chain (Scope 1, Scope 2, Scope 3)

| Stream title | Process | GHG emissions tonnes CO ₂ -equiv. | Materiality, % |
|---|---|---|----------------|
| Natural gas | Stationary combustion of fuel | 109,550 | 4% |
| Natural gas (for the production of anhydrous liquefied ammonia) | Production of anhydrous liquefied ammonia | 76,759 | 3% |
| Acetylene | Stationary combustion of fuel | 2 | 0.00007% |
| Diesel fuel | Stationary combustion of fuel | 176 | 0.0071% |
| Natural gas (gas production and processing) | Gas production and processing | 502,314 | 20% |
| Natural gas (gas transportation) | Gas transportation | 309,477 | 12% |
| Distillate | Production of anhydrous liquefied ammonia Production of ammonium nitrate | 1,091,168 | 44% |
| Condensate | Production of anhydrous liquefied ammonia | 66,098 | 3% |
| Nitric acid | Production of ammonium nitrate | 257,552 | 10% |
| Electricity (MWh) | Consumption of purchased electrical energy | 73,859 | 3% |
| Thermal energy | Consumption of purchased heat energy | - | 0% |
| Natural gas (from indirect energy emissions) | Gas production and processing | 120 | 0% |
| Natural gas (from indirect energy emissions) | Gas transportation | 0.9 | 0% |
| Vehicles | Business trips | 1,719 | 0% |
| Vehicles | Employees commuting | 1,466 | 0% |
| SMW (solid municipal waste) | Waste disposal | 949 | 0% |
| Waste from incineration | Waste incineration | 45 | 0% |
| Wastewater | Wastewater discharges | 1,287 | 0% |
| Recycling waste | Waste recycling | -10,137 | 0% |
| Sales of products | Transportation of sold products | 15,306 | 1% |
| Total | | | 100% |

In 2022, along with Scopes 1 and 2, the bounds of the PCF study included GHG emissions of Scope 3 according to the corporate value chain standard (Scope 3) in the following four categories:

- Category 3: Emissions during the production of raw material used by the supplier for the generation of electricity for the reporting Company.
- Category 5: Generating waste.
- Category 7: Staff's work travel.
- Category 9: Transportation and delivery of ready goods.

In 2023, the PCF evaluation included the following seven categories:

- Category 1: Purchase and use of goods.
- Category 2: Acquired capital goods and services.
- Category 4: Acquisition of raw material and pre-treatment.
- Category 6: Staff's business trips.
- Category 10: Emissions from production of intermediate product.
- Category 13: Operation of leased assets.
- Category 15: Investments.



Greenhouse gas emissions intensity

The greenhouse gas emissions intensity in 2023 amounted to 2.5 tonnes per each ton of produced ammonia and ammonium nitrate. The Company's chosen metric (denominator) was the volume of produced products (ammonia and ammonium nitrate) of KazAzot (474,556 tonnes) in 2023.

The greenhouse gas emissions intensity is calculated by dividing the equivalent of CO₂ emissions of Scope 1,2,3/gross production of ammonia (NH₃) and dividing the equivalent of CO₂ emissions of Scope 1,2,3/gross production of ammonium nitrate (NH₄NO₃).

Intensity of greenhouse gas emissions for 2021-2023

| Indicator | Measurement unit | 2023 | 2022 | 2021 |
|---|---|------------|------------|------------|
| Direct GHG emissions (scope 1) | tons of CO ₂ -equiv. | 827,606 | 1,143,703 | 1,319,922 |
| Indirect energy GHG emissions (scope 2) | tons of CO ₂ -equiv. | 73,859 | 84,397 | 97,157 |
| Other indirect GHG emissions (scope 3) | tons of CO ₂ -equiv. | 284,832 | 64,484 | n/a |
| Volume of produced ammonia and ammonium nitrate | tons | 474,556 | 497,352 | 597,782 |
| Intensity of direct GHG emissions | tons of CO ₂ -equiv/ton | 1.7 | 2.3 | 2.2 |
| Intensity of indirect energy GHG emissions | tons of CO ₂ -equiv/ton | 0.2 | 0.2 | 0.2 |
| Intensity of other indirect GHG emissions | tons of CO ₂ -equiv/ton | 0.6 | 0.1 | n/a |
| Intensity of GHG emissions | tons of CO₂-equiv/ton | 2.5 | 2.6 | 2.4 |

(1) The weighted greenhouse gas emissions included direct emissions (scope 1), indirect energy greenhouse gas emissions (scope 2) and other indirect greenhouse gas emissions (scope 3).

(2) Gasses included in the calculation: carbon dioxide, methane, nitrous oxide.

Reduction of greenhouse gas emissions

The total reduction of GHG emissions for 2023 amounted to 7.734 tonnes of CO₂-equiv.

Volume of a decrease in greenhouse gas emissions in the reporting year

| | |
|---|--------------|
| Volume of a decrease in direct greenhouse gas emissions (Scope 1) reduced as a result of reduction initiatives, tonnes of CO ₂ -equiv. | 32 |
| Volume of a decrease in other indirect greenhouse gas emissions (Scope 3) reduced as a result of reduction initiatives, tonnes of CO ₂ -equiv. | 7,703 |
| Total decrease in greenhouse gas emissions, tonnes of CO₂-equiv. | 7,735 |

*Information on the scope of reporting is presented in the chapter «About the Report»

(1) Gasses included in the calculation: carbon dioxide, methane and nitrous oxide.

We achieved the reduction of greenhouse gas emissions of Scope 1 by generation of energy from solar cells and wind power plants located within the «Shagyrlly-Shomyshy» field. With a view to reduce greenhouse gas emissions of Scope 3, we signed an agreement with contractors for waste recycling.

Energy Consumption

GRI 3-3, GRI 302-1, GRI 302-3



The Company's goal, according to KazAzot JSC's Sustainable development strategy for 2023-2030

Decrease in energy intensity of production by 3% by 2030

The Company's planned initiatives in the area of energy efficiency for 2024 to achieve this goal:

- Performing an energy audit.
- Developing energy-efficiency measures.
- Implementing energy-efficiency measures.
- Modular implementation of new technologies and upgrade of equipment.

KazAzot's governing documents in the field of energy efficiency:

According to the requirements of the Law of the Republic of Kazakhstan «On energy saving and increase in energy efficiency,» the Company conducts an obligatory energy audit at least once every 5 years. Based on the results of these audits, measures on energy saving and increase in energy efficiency have been developed, which are aimed at reduction of annual costs of fuel and energy resources. Based on the results of the audit in 2020, the action plan on energy saving and increase in energy efficiency for 2022–2026 was developed. These measures include:

- Using the pressure-reducing cooling station.
- Replacement/repairs of steam-and-condensate equipment.
- Prevention of hydraulic impacts and steam line break.
- Pipe covering of the steam supply system.

Our principles in the area of energy efficiency and energy saving:

- Principles of ensuring energy and water security: Ensuring energy security and water supply for production is a key technological condition of uninterrupted operation of production facilities. We observe this priority without detriment to local ecosystems, population and financial performance of the operations.
- Principle of mitigation of climate change: We care about reducing the product carbon footprint by measures of increasing energy efficiency, energy saving, use of RES and rational economic water utilization.
- Principle of climate change adaptation: We are concerned about an adverse change in physical parameters of the climate in the Mangistau region. It causes technological problems related to cooling of equipment and threatens human health. Therefore, KazAzot starts planning adaptation measures to minimize and prevent expected damage from physical climate risks.
- Principle of transparency: We disclose the aspects of sustainable development of the activities to stakeholders according to the chosen international disclosure standards.

Governance and Accountability:

The approach to management of issues of energy consumption in the Company is regulated according to the requirements of the Law of the Republic of Kazakhstan «On energy saving and increase in energy efficiency.» KazAzot is implementing measures to introduce international standard ISO 50001:2018 «Energy management systems — Requirements with guidance for use.» In 2025, it is planned to conduct an energy audit to evaluate energy management to introduce this standard.

The Department of Automation and Energy oversees management of energy resources of the Company, develops and implements the energy policy, conducts an analysis and optimization of energy costs and implementation of energy-efficient technologies. The chief engineer manages technical services of the Company, ensures implementation of innovations and technologies, controls the work of the Department of Automation and Energy, monitors the technical condition of equipment and infrastructure and implementation of the energy policy of the Company. The General Director manages the entire activities of the Company, including in the area of energy and energy-efficiency, approves the energy policy and controls its implementation via the chief engineer. As such, the Department of Automation and Energy reports to the chief engineer who, in turn, reports to the General Director.

We implement measures to decrease and optimise energy consumption. In 2023, the draft of the policy in energy efficiency and energy saving was developed. The policy was developed taking into account effective regulatory requirements of the Republic of Kazakhstan in the area of increasing energy efficiency and energy saving and according to KazAzot's charter.

Strategy and Risks

According to the Sustainable development strategy for 2023–2030, risks in energy efficiency of the Company:

1. Inflated cost of energy efficient equipment can limit an opportunity to implement modern technologies, which is accompanied by uneconomical use of energy resources and increased operating costs.

The use of outdated or less efficient equipment requires more energy to perform the same tasks. The increase in consumption of energy resources leads to an increase in costs of energy and a decrease of the profit margin of the Company. Constant costs to maintain old equipment can significantly reduce the financial stability of KazAzot. The inefficient use of energy increases greenhouse gas emissions and other negative impacts on the environment, and the negative impact on the environment can lead to worsening of the Company's reputation and to penalties for violating ecological standards.

2. Lack of own energy resources and dependence on suppliers increase the cost of products and increase a risk of supply disruptions.

The dependence on external energy suppliers ((MAEP LLP (for the first half of the year) and RFC LLP for RES (for the second half of the year)) may lead to an increase in energy costs due to market fluctuations, tariffs, and other factors. Disruptions in energy supplies may lead to the suspension of production processes, delays in production and financial losses.

To eliminate and prevent the above risks associated with the high cost of energy-efficient equipment and dependence on energy suppliers, we intend to use a comprehensive approach that includes financial, technological and strategic measures, namely:

- Attracting state and international grants, subsidies and preferential loans aimed at improving energy efficiency.
- Conducting a total cost of ownership (TCO) analysis, including initial costs, operating costs and energy savings, to justify investments in energy-efficient equipment.
- Priority replacement of the most energy-intensive and outdated equipment, which will provide the maximum effect in the shortest possible time.

Evaluation methodologies and analysis of results

The Company has installed at its site the automated commercial electricity measurement system (ACEMS), which enables a significant increase in energy efficiency. The key advantages include:

- Accurate measurement of electricity consumption.
- Reduction of energy losses.
- Cost optimization.
- Enhancement of reliability and safety.
- Support of sustainable development.

Energy consumption for 2021-2023, thousand GJ

| Indicator | 2023 | 2022 | 2021 |
|--------------------------------|--------------|--------------|--------------|
| Purchased electricity | 446 | 469 | 528 |
| Purchased electricity from RES | 16 | 19 | 22 |
| Own electricity generation | 743 | 809 | 925 |
| Own production of RES | 0.18 | 0.14 | 0.13 |
| Purchased heat energy | 18 | 47 | 20 |
| Own production of heat energy | 14 | 11 | 11 |
| Steam | 1,044 | 1,236 | 1,403 |
| Total | 2,281 | 2,591 | 2,909 |

*Information on the scope of reporting is presented in the chapter «About the Report»

- 1) The international standard ISO 50001:2018 was used to calculate the indicators.
- 2) Conversion factors were used in accordance with the methodological recommendations for compiling the fuel and energy balance of the Republic of Kazakhstan.

The reduction of consumption of heat energy in 2023 compared to 2022 is related to reduction of consumption of heat energy for the company's own needs.

Consumption of non-renewable energy resources for 2021-2023, thousand GJ

| Indicator | 2023 | 2022 | 2021 |
|-------------|-------|--------|--------|
| Natural gas | 9,043 | 10,095 | 11,858 |

*Information on the scope of reporting is presented in the chapter «About the Report»

The total consumption of fuel and energy resources amounted to 11,340 thousand GJ. The production staff collects data from metering devices and data is entered into local accounting systems and transferred to the central system via the automated monitoring system.

Energy intensity, thousand GJ/tonnes

| Indicator | 2023 | 2022 | 2021 |
|---|-------------|-------------|-------------|
| Consumption of fuel and energy resources, thousand GJ | 11,340 | 12,705 | 14,789 |
| Production of ammonia and ammonium nitrate, tons | 474,556 | 497,352 | 597,782 |
| Energy intensity, thousand GJ/tons | 0.02 | 0.03 | 0.02 |

**Information on the scope of reporting is presented in the chapter «About the Report»*

(1) The intensity coefficient includes energy consumption from all fuel and energy resources.

The energy intensity indicator for 2023 was 0.02 thousand GJ/tonnes. The indicator (denominator) specific to the entity selected for calculation of the coefficient is the production of ammonia and ammonium nitrate for the reporting period. The intensity indicator includes energy consumption from all fuel and energy resources.

Energy consumption is driven by the production of ammonia, a key component of our fertilizers. We pay special attention to enhancing the energy efficiency of our machinery to produce ammonia. set specific goals to reduce energy consumption and greenhouse gas emissions, compare our performance, perform diagnosis and an audit of energy efficiency and implement respective consistent improvement measures.



Caring for the Environment

GRI 3-3, GRI 2-13, GRI 303-1,
GRI 303-3, GRI 303-4, GRI 303-5

Water Resources Conservation

Water resources play a significant role in processes of production of chemical products and are mainly used for cooling in production units. To solve global problems of water shortage, it is necessary to strengthen measures to ensure water and energy preparedness via sustainable management of water resources. Since the main production of complex mineral fertilizers is conducted in the Mangistau region, where water is a valuable and deficit resource, we realize our responsibility for society and environment and strive for sound water use, monitor collection, discharge and consumption of water.



KazAzot's targets for 2024 to achieve this goal:

- Verification of measuring instruments for all types of water.
- Replacement of heat exchangers with a plate one.
- Reconstruction of sewerage pump stations.
- Installing an air cooler unit.

As part of the action plan for 2023 for environment protection for the period of 2023-2031, the following measures in water environment protection were taken:

- Partial replacement of the existing steel service water piping.
- Replacement of 2 filter cassettes of nitrifiers of the treatment plant at Shagyrlı-Shomyshly field (BiOKS-50).
- Organization and monitoring of waste waters.

Governing documents:

In 2023, as part of the environment management system, the policy of water management of KazAzot JSC was developed and approved. We determined the following obligations and principles in the area of water management:

- Implementation of water-recycling and water-efficient technology.
- Ensuring hundred-percent instrument metering of water intake and removal of all types of water.
- Prevention of use of potable quality water for production purposes.
- Considering issues of freshwater conservation when making management decisions.

The work performed as part of water management for 2023:

1. Adjustment of the «Draft of allowable discharge rates (ADR) of polluting substances abstracted with waste effluents into the evaporation pond for «Shagyryly-Shomyshy» branch for 2023-2025.
2. As part of modernisation of production, the EP Section to the working draft for ASM 2 stage was adjusted, a permit for the action was received.
3. Conducted selection and examination of samples of drinking water at the inlet header and the water pipe of the canteen (chemical and bacteriological tests).

The Company's risks related to water resources:

- High wear of equipment can significantly increase consumption of water resources, which can lead to inefficient water use.

Since its establishment, the Company has not changed equipment and only upgraded it. Outdated technologies can consume more water and energy to perform the same tasks, which increases operating costs and decreases the total efficiency of use of resources. Leakages increase inappropriate water consumption, which reduces the total efficiency of water use.

- Lack of local treatment facilities poses a risk of contamination of water sources, worsening their quality and increasing demand for additional water to meet production requirements.

Lack of treatment facilities leads to the direct discharge of untreated wastewater to the environment, which leads to the contamination of bodies of water and worsens the quality of water resources and causes damage to ecosystems.

- Construction of a new plant will lead to an increase in water collection from the sea and a even greater thermal pollution

Construction of a new plant can lead to a lack of water in the region, a rise in water tariffs and an increase in the cost of products.

KazAzot commits to the identification, evaluation, annual monitoring and development of a set of measures to reduce potential risks related to water use and to integrate them into the risk management system. The Company's water resource management is conducted according to the requirements of the RK Water Code and Approval Documentation in the area of protection of water resources.

The majority of seawater, technical and drinking water, as well as deep-purified distillates and general flow, are supplied by LLP «MAEK,» located 1 km from KazAzot. Water is extracted strictly according to the effective legislation (based on agreement and permits for water use) and it does not have a significant effect on the environment. Our priority is to reduce the consumption of fresh water and increase the share of the multiple-use and reused water.

Volume of withdrawn water (from regions with water deficit) for 2021-2023, thousand m3

| Total water extraction by source | 2023 | 2022 | 2021 |
|---|----------------|----------------|----------------|
| Water of third parties | | | |
| Freshwater | 1,342 | 1,459 | 1,628 |
| Other water | 311,082 | 406,934 | 391,080 |
| Water of third parties by source | | | |
| Surface water | 6.69 | 6.98 | 7.31 |
| Sea water | 312,417 | 408,386 | 392,700 |
| Stratal water | 0.47 | 0.46 | 0.45 |
| Total water extraction | 312,424 | 408,393 | 392,708 |

*Information on the scope of reporting is presented in the chapter «About the Report»



In 2023, water extraction of KazAzot amounted to 312,424 thousand m³, including: surface sources of third parties – 6.69 thousand m³, seawater of third parties – 312,417 thousand m³, stratal water from wells – 0.468 thousand m³. The reason for the reduction of the volume of water extraction is reduced production for the reporting period.

Since the Company is located in the Mangistau region, and the main consumed water pertains to the Caspian Sea, all the water collected, consumed and collected by the Company pertains to the category of deficit water.

Water removal (from regions with water deficit) for 2021-2023, thousand m³

| Total water removal by purpose | 2023 | 2022 | 2021 |
|--|----------------|----------------|----------------|
| Water of third parties | 81 | 121 | 95 |
| Artificial water objects (evaporation ponds, containment pond and filtration fields) | 194,261 | 195,812 | 209,534 |
| Total water removal | 194,342 | 195,933 | 209,629 |
| Total water removal by type | 2023 | 2022 | 2021 |
| Other water | 194,342 | 195,933 | 209,629 |

**Information on the scope of reporting is presented in the chapter «About the Report»*

In 2023, the Company collected 194,342 thousand m³ of wastewater. There was no excess of the limit of discharged wastewater for the reporting period.

Domestic waste waters forming within KazAzot are collected by a pipeline with a diameter of 200 mm to the sewerage pump station with a capacity of 90 m³/hour and then by a pressure line with a diameter of 159 mm they are pumped to the city treating facility. KazAzot signed an agreement with Municipal Utility Service «Heating, water supply networks and water discharge» for the discharge of household wastewater to the city treating facility.

Industrial and rain weather flow from plant tunnels are pumped by drain pumps and are fed for reuse to the workshop producing compound fertilizers. Sea water is used for cooling recycling water and further discharged to the sea, used as a refrigerant agent. The discharge of sea water after cooling of the heat-exchange equipment is conducted into a special discharge channel of MAEK LLP.

At «Shagyrly-Shomyshy» field, water is discharged onto evaporation fields. The total volume of used water is directed to the treating facility «BIOKS-50». After treatment, part of the water is reused and the remaining volume of water is discharged onto evaporation fields. Industrial wastewater, specifically produced water, is carried away from the field according to an agreement with Municipal Utility Service «Beineususervis».

Water consumption (from regions with water deficit) for 2021-2023, thousand m³

| Water consumption | 2023 | 2022 | 2021 |
|--------------------------------|----------------|----------------|----------------|
| Total water collection | 312,424 | 408,393 | 392,708 |
| Total water discharge | 194,342 | 195,933 | 209,629 |
| Total water consumption | 118,082 | 212,460 | 183,079 |

(1) Developed in accordance with the order of the Minister of Healthcare of the Republic of Kazakhstan dated 20 February 2023 No. 26 on approval of sanitary rules «Sanitary and epidemiological requirements for water sources, water withdrawal points for drinking and household purposes, drinking and household water supply and places of cultural and general water use and security of water objects,» CN RK 4.01-03-2011 «Water discharge. External networks and structures».

A decrease in the quantity of water consumption caused by a decrease in production of chemical products.

Protection of Atmospheric Air

GRI 3-3, GRI 305-7



KazAzot's targets for 2024 to achieve this goal:

- Replacement of platinum gauzes and filters of the division of conversion of fine purification of ammonia, replacement of catalysts in the workshop of weak hydrogen nitrate.
- Verification of gas measuring instruments.

The Company's risks related to air quality:

- Tightening of national environmental legislation in relation to large users of natural resources. The transition to BAT and obtaining integrated environmental permits for environmental pollution (IEP) requires large investments to fully comply with BAT requirements by the control deadline (without delay). This may lead to an increase in the costs of compliance with IEP, as well as to an increase in the risk of fines and shutdown of production for non-compliance.

Risk management measures:

- Compiling and maintaining a register of significant changes in standards and regulations of environmental governance in RK.
- Forming new environmental practices and processes complying with new and expected more stringent requirements.
- Strengthening discipline regarding compliance with regulations and procedures designed to ensure compliance with environmental regulatory requirements.

KazAzot is a law-abiding Company that complies with the requirements of the Law of the Republic of Kazakhstan on emissions, collection, and transfer of information to the state fund of environmental monitoring data.

We are aware of the importance of preserving quality of air as an industrial Company and assume relevant responsibility. KazAzot is one of the first companies in the Republic of Kazakhstan, to install AMS in 2023 in accordance with the rules of keeping the automated system of monitoring of emissions into the environment in conducting ecological production control. As such the Company is constantly monitoring atmospheric air.

In 2023, the working draft for acquisition, installation and commissioning of measuring instruments constantly measuring quantitative and qualitative indicators of air quality at four exhaust pipes of the gas engine power plant was developed. The concentration of such polluting substances as nitrogen oxides (NO), nitrogen dioxide (NO₂), carbon monoxide (CO), sulfur oxide (SO₂), formaldehyde (CH₂O), and the temperature of outgoing gasses, excess pressure, humidity, speed of the flow of effluent gasses and current time, are subject to continuous monitoring.



In the reporting year, the development, procurement, installation, and commissioning of the autonomous network air monitoring mini-station, Cairnet Envea, on the border of the sanitary protection zone of the Company were completed. This compact, easily erectable and autonomous solar-powered station would allow conducting continuous measurement of temperature, humidity, pressure and concentration of gaseous and solid pollutants in real-time mode.

In 2023, four stages of monitoring of quality of atmospheric air at the stationary sources of pollution and on the border of the sanitary protection zone were conducted. Monitoring of air quality at the stationary sources of pollution was conducted at 93 sources for 24 ingredients. The research results showed that concentrations of pollutants did not exceed maximum allowable concentrations (MAC) and there was a general tendency toward a decrease in emissions. The level of pollution of atmospheric air on the border of the sanitary protection zone was monitored at four posts where six components were analysed: nitrogen dioxide, ammonia, carbonic oxide, methane, suspended substances and inorganic dust (in a range of 20-70%). There was no excess of a level of pollution for any component.

As part of the action plan for 2023 for environment protection for the period of 2023-2031, the following measures in the area of protection of atmospheric air were taken:

- Maintenance of the dust collector ZIL-900.
- Replacement of platinum gauzes and filters of the division of conversion of fine purification of ammonia.
- Replacement of absorption and conversion catalysts.
- Development of the working draft was completed - procurement, installation and commissioning of measuring instruments performing continuous measurement of quantitative and qualitative indicators of air.
- Completion of designing, procurement, installation and commissioning of the autonomous network air monitoring mini-station, Cairnet Envea, on the border of the sanitary protection zone of the entity.
- Working drafts «Construction of 2 gas production wells at the «Shagyryly-Shomyshty» field and «Scraper-pig receivers and injectors at flow lines of the «Shagyryly-Shomyshty» field were prepared.
- Adjustment of a draft of SAE for 2023-2025 of the «Shagyryly-Shomyshty» field.
- The Environmental Action Plan for 2024-2033 was developed and approved, which includes financial means for implementation of environmental actions.

KazAzot considers all pollutant emissions in the production chain - from well drilling and the production of natural gas to the production of ammonia and ammonium nitrate.

The main sources of pollutant emissions into the atmosphere are the following: turbo compressor units, waste-gas flues, flare stacks, gas engine power plants, diesel generator sets, technological heating units, gas vents of pipelines and heating boilers. In total for the Company in 2023, 505 sources of emissions were identified, including: 261 – organized ones, 244 – unorganized ones.

Pollutant emissions into the atmosphere for 2021-2023, thousand tonnes

| Pollutant emissions | 2023 | 2022 | 2021 |
|-------------------------------------|-------------|-------------|-------------|
| NOx emissions | 1.12 | 1.16 | 1.07 |
| SOx emissions | 0.03 | 0.02 | 0.01 |
| Particulate pollutants | 0.04 | 0.21 | 0.28 |
| Persistent organic pollutants (POP) | 1.03 | 1.29 | 1.21 |
| Volatile organic compounds (VOC) | 0.00005 | 0.000006 | 0.000001 |
| Other pollutants | 0.96 | 1.42 | 1.49 |
| Total | 3.18 | 4.09 | 4.06 |

**Information on the scope of reporting is presented in the chapter «About the Report»*

- (1) The calculation of pollutants is made according to a collection of methodologies for the calculation of pollutant emissions into the atmosphere by various production facilities. Almaty, KazECOECSP, 1996

In 2023, atmospheric emissions from stationary pollution sources amounted to 3.18 thousand tonnes. A decrease in the volumes of pollutant emissions into the atmosphere from stationary pollution sources compared to 2022 is related to a reduction of the volumes of products issued and decommissioning of equipment in the workshop producing compound fertilizer after roof caving of the flooring.

Standards of acceptable exposure are set according to draft norms of maximum permissible discharges, which, in turn, are established in respective permits for emissions issued by competent bodies.

Waste Management

GRI 3-3, GRI 306-1, GRI 306-2,
GRI 306-3, GRI 306-4, GRI 306-5



The Company's goal, according to KazAzot JSC's sustainable development strategy for 2023-2030

By 2030, reduce waste volumes by **45%**
from the level of 2023

KazAzot's targets for 2024 to achieve this goal:

- Re-use of hazardous and non-hazardous wastes.
- Install special sites for accumulation of hazardous and non-hazardous wastes.

Governance and Accountability:

According to the Environmental Code of the Republic of Kazakhstan, waste storage should ensure prevention of their negative effect on the environment and human health. Our main approach to management of industrial wastes includes prevention of their accumulation at KazAzot's facilities.

The Company's waste management system includes organized measures of tracking types and volumes of formed wastes, operative control of their accumulation, re-use, and removal. All the forming wastes of production and consumption of the Company and the field are to be removed under agreements with specialized organizations using an established system of measuring and control of the quantity of formed wastes and timely removal.

Compliance with environmental requirements when handling wastes of KazAzot is ensured as follows:

- Organization of separate collection and utilization of wastes.
- Organization of regular transportation of wastes.
- Setting a ban to mix one type of waste with other types.
- Prevention of unauthorized waste incineration.
- Creating conditions for transferring wastes by means of signing agreements with specialized organizations.
- Organization of a system of timely provision of reliable information on handling wastes to the EP authorized body.

The main wastes in the production process of KazAzot are the following: hazardous chemicals, bulky waste, lubricant products, lead accumulators and waste catalysts.

Our own industrial and household waste is not permanently stored at the facilities (temporary storage of not less than 6 months). Wastes are collected in containers and when they accumulate, they are taken off according to agreements with specialized organizations. The transfer of wastes is confirmed by a transfer form with attachment of a copy of a waste certificate. Data on formation of wastes and their movement are entered by the head of the facility into the log «Accounting for waste formation and disposal».

Measures taken by the Company to prevent formation of wastes:

- Ensuring correct waste sorting, storage and utilization according to regulatory requirements.
- Optimization of chemical reactions and processes to reduce energy consumption and formation of by-products.
- Acquisition of raw materials from suppliers who observe environmental standards and practise sustainable production.
- Informing the staff of the importance of prevention of waste formation and ways to achieve this goal.

All wastes forming during the process of production and consumption are to be accumulated in designated locations with further removal for processing or utilization according to agreements signed with specialized organizations.

Work performed during 2023:

1. Due to an upgrade of production, the adjustment of the waste management programme for 2024-2033 of KazAzot JSC was carried out.
2. The adjustment of the waste management programme of the «Shagyrlы-Shomyshty» field was carried out.
3. 64 passports of hazardous types of wastes were developed and registered with the environment protection authorized body.
4. The system of recording the origin, formation, accumulation, utilization and burial of wastes in logs of initial recording and electronically was created, and the data for the last five years were entered.

The processes used for collection and monitoring data related to waste:

- Determining types of waste (hazardous, non-hazardous, solid, liquid, etc.) for correct sorting and management.
- Regular reviews and recording data on the quantity and types of waste by the Company's staff.
- Regular reporting on the condition of wastes, their volume and utilization method.
- Integration of data on waste into the system of recording the origin, formation, accumulation, utilization and burial of wastes.
- Ensuring regular feedback between departments in charge of production and management of waste for prompt problem solving.
- Development and implementation of a measure to reduce volumes of formed waste based on a data analysis.

Main types of waste generated in 2023:

- Chemical reagents.
- Paronite gaskets.
- Oily rags.
- Oil filters.
- Used batteries.
- Used oils.
- Medical waste Classes «B», «G».
- Scrap metal, metal shavings.
- Municipal waste.
- Food waste.

Food waste is transferred to a specialized organization, where it is subsequently used as bird feed, which allows for the most efficient use of resources that would otherwise be lost. In this way, KazAzot reduces the amount of waste and reduces methane emissions.

Total volume of formed waste for 2021-2023, tonnes

| Indicator | 2023 | 2022 | 2021 |
|--------------------------------------|--------------|--------------|--------------|
| Total formed waste, of which: | 6,498 | 2,249 | 1,645 |
| hazardous waste | 1,080 | 906 | 82 |
| non-hazardous waste | 5,418 | 1,343 | 1,563 |

**Information on the scope of reporting is presented in the chapter «About the Report»*

In 2023, 6.5 thousand tonnes of waste were generated, of which 1.08 thousand tonnes was hazardous and 5.418 thousand tonnes was non-hazardous waste. Annually, the volume of hazardous and non-hazardous waste increases, the reason for significant movement compared to 2022 is major repairs of existing buildings and construction of new facilities.

Total volume of waste directed for recovery for 2021-2023, tonnes

| Indicator | 2023 | 2022 | 2021 |
|--|--------------|------------|--------------|
| Total volume of hazardous waste recovered, including | 51 | 356 | 48 |
| processed | 51 | 36 | 48 |
| Total volume of non-hazardous waste recovered, including | 4,777 | 863 | 989 |
| re-used | 6.1 | 4.1 | 3 |
| processed | 4,771 | 859 | 987 |
| Total volume of recovered waste | 4,828 | 899 | 1,035 |

**Volume of recovered waste is provided for KazAzot JSC*

All waste is directed for recovery outside of the Company by signing agreements with organizations engaged in recycling, utilization or reuse of these wastes. The reasons for the increase in the volume of recovered waste is the increase in generated waste.

Total volume of waste directed for utilization for 2021-2023, tonnes

| Indicator | 2023 | 2022 | 2021 |
|---|---------------|---------------|----------------|
| Hazardous waste | 0.06 | 0.01 | 0.00 |
| Non-hazardous waste | 559 | 356 | 458 |
| Total volume of waste directed for utilization | 559.06 | 356.01 | 45 8.00 |

**Volume of utilized waste is provided for KazAzot JSC*

All waste is directed for utilization outside of the Company by signing agreements with contractors. The reasons for the increase in the volume of utilized waste is the increase in generated waste.

The Company's risk related to generation of waste is outdated technologies and equipment which can lead to serious environmental consequences, social conflicts and financial losses. Outdated production processes can generate large volumes of hazardous wastes which require special treatment and utilization. Incorrect treatment of hazardous wastes can lead to serious environmental disasters, such as leakages of toxic substances and long-term pollution of soil and bodies of water.

Biodiversity Conservation

GRI 3-3, GRI 304-1, GRI 304-2

In the process of developing approaches to conservation of diversity of natural biosystems, at each stage of project implementation we are striving to balance the impact of our production activities. We make every effort to avoid work in the habitat of valuable and protected types of flora and fauna, or minimize the impact, if it cannot be avoided. All the projects of the Company for construction and operation of new facilities have to undergo evaluation of the impact on the environment.

KazAzot's targets for 2024 in biodiversity conservation:

- Year-around continuous biological monitoring of mammal and migratory birds.
- Development of design specifications and estimates and performance of CIW «Landscaping».
- Caring for lawns and landscaped areas of the plant site.

Governing documents in biodiversity conservation:

In 2023, as part of the environment management system, the biodiversity conservation policy of KazAzot JSC was developed and approved. Within this policy, the Company is planning to:

- Change requirements for designing and construction taking into account baseline studies and projection data on climate change and ways of migration of migratory birds.
- Within the production ecological monitoring, annually monitor the impact on biodiversity.
- Develop and implement a set of measures aimed at conservation and recovery of biodiversity.
- Participate in the initiatives on planting green areas.

Governance and Accountability:

The Company, in accordance with the legislation of the Republic of Kazakhstan, conducts environmental monitoring, which is a comprehensive system of observations and measurements, including biodiversity.

The frequency of monitoring is once a year. Monitoring allows identifying and analysing how the Company's anthropogenic factors affect biodiversity.

KazAzot is committed to identifying, performing an evaluation, annual monitoring and developing a set of measures to reduce potential risks related to biodiversity conservation and integrate them into the risk management system in 2024.

KazAzot is not adjacent to any specially protected natural areas (reserves or sanctuaries), but the Company discharges wastewater into Lake Karakol, located on the eastern shore of the Caspian Sea in the Mangystau region. The lake hosts up to 175 bird species at different times of the year, 21 of which are listed in the Red Book of Kazakhstan. To develop measures aimed at minimizing the negative impact on the lake, the Company plans to conduct annual year-round monitoring of migratory birds inhabiting the area.

Geographically, the territory of the Mangistau region belongs to the Ustyurtsky section and is one of the most typical desert areas in Kazakhstan. The fauna of mammals of the Ustyurtsky section has a desert appearance. Here one can find wide-spread desert types, steppe fauna in small quantities, and forest fauna is absent. The ornithological fauna is represented by a great number of types, of the mass types the following prevail: common cormorant, egret, mallard duck, herring gull, short-toed lark and rose-coloured starling. One can find rare types of birds: eagle owl, steppe eagle, houbara bustard, golden eagle.

Reptilians, desert lizards, have heterogeneous origins and are presented by three faunistic groupings. These are Central Asian types, endemic species and sub endemic species of Central Asia and Eastern Iran. The benthos of the Northern Caspian includes 90 types of crustaceans and mollusks.

In the Mangistau region, one can find vegetation of two phytogeographical types of deserts - Northern-Turan subzones of the Northern and middle deserts of the cold-temperate climate. The flora of the Mangistau region is a typical desert one.

In the 4th quarter of 2023, as part of the production ecological control, flora and fauna were monitored.

The vegetation cover was monitored using the method of periodic description of plant formations, indicating the types, abundance, general and specific projective cover of the soil by plants, distribution of types, their phenological development and general condition. The following is emphasized:

- Rare, endemic and extinct species of plants.
- Presence of the types whose development is stimulated by economic operations.
- Signs of transformation and degradation of the vegetation cover.

Also, ecological features of the habitat are described, where the focus is on various anthropogenic impacts, including contamination. In monitoring, the focus is on the ratio of native and stress-tolerant species of plants. The dynamics of vegetation are studied using the commonly accepted geobotanical methodology (Field geobotany, 1964). Based on the results of observations, the level of impact of the field facilities on the condition of the vegetation cover is determined.

In the 4th quarter, monitoring of vegetation was performed using the method of description of phytocoenosis by a walking route on the field on the location of points of monitoring of the soil. KazAzot's facility has the vegetation of a slightly billowy plain built of horizontal strata, which is characteristic for desert conditions. Due to the aridity of the climate, mainly plants typical of a sandy territory prevail.

Landscape desert plants that participate in the formation of the most widespread communities on the territory of KazAzot are saxaul, various annual saltworts and wormwoods, as well as feather grass and harmala. In terms of the composition of life forms, shrubs, subshrubs, perennial and annual herbs predominate. In addition, a grove of natural saxaul growth is located on the territory. Saxaul in Kazakhstan is red-listed.

Changes in the condition of the habitat of the fauna occurring due to natural and technogenic factors depend to a great degree on the nature of technogenic impacts on the habitat of animals at various stages of development of infrastructure of the facilities of the field.

Observations of the condition of the fauna include the following elements:

- Standard methodologies of field studies of the ecology of vertebrate animals.
- Monitoring sites.
- Frequency of regular and operating supervision.

The main methodology for collecting material is standard route walking recording of amphibians, reptiles, birds and mammals. Based on the results of monitoring, it was found that the animals residing in the territory include sanderlings, jerboas, ground squirrels, and burrowing birds, reptiles included Caspian gecko, steppe agama, reticulate racerunner, black racer. Only one type, the Halys viper, is harmful to a man. One of the types residing in the monitored territory is red-listed – the blotched snake.



Social Responsibility (S)

Social Responsibility (S)



Dear readers,

My name is Elena. I am the head of the Department of Production Control of KazAzot JSC. Our staff and local communities are the basis of our success.

The top priority of the Company's activity is the protection of human life and health and ensuring safe working conditions. The Company is focused on ensuring a high level of occupational safety.

Our key achievements in 2023:

- The «Occupational health and safety policy» was developed, approved and placed on the Company's website.
- To bring to the attention of the staff active participation in the improvement of working conditions, for the first time in the history of the Company, activities dedicated to the World Day for Safety and Health at Work were organized and implemented.
- We have changed the attitude of the staff to personal protective equipment in the workplace, for which we performed a series of target-oriented extraordinary briefings for the staff explaining the impact of harmful production factors on the health of an employee and possible consequences for their health. The goal of this activity was to focus the staff's attention on safety and care for their health, that the use of PPE is a need that is not imposed but real.
- Professional development and training programmes for 657 workers were implemented.

- We signed an agreement with a healthcare organization for subscription services for the Company's staff providing a wide range of medical services to ensure health, for the same purpose the entity's staff attending sports organizations have their financial costs compensated.

Systematic work continues to prevent the incidence of illness and to minimize the communication of seasonal virus infections at workplaces. At the expense of the Company, all the organizational activities are carried out to prevent communication of ARDs, ARVIs and relevant extensive measures are taken.

Unfortunately, it should be noted that based on the results of the reporting year, in the Company there were 6 accidents of varying severity related to work. There were no fatal accidents. Based on the results of investigations, we took appropriate measures to prevent such accidents, developed a plan of corrective actions on the measures strengthening the worker safety.

We are striving to create favourable conditions for our staff and enable the development of communities, in which we work.

Kind regards,

Elena Prigoda,

Head of the Department of
Production Control

KazAzot JSC



Human Capital Management

GRI 3-3, GRI 2-13

Human capital management in the Company is a part of the strategic approach and includes practices to provide opportunities for maximum disclosure of the professional and personal potential of human resources, creating an image of an attractive employer, motivating each worker to achieve the Company's goals, creating an efficient staff appraisal system, equitable remuneration and staff motivation, and preventing discrimination.

We recognise that our staff are a valuable asset, since they directly affect productivity, efficiency and general success of the Company and focus on maximizing their potential and contribution to the Company.

Developing a committed professional staff is one of the strategic areas of the Company's activity until 2030 according to the sustainable development strategy of KazAzot for the period until 2030. With a view to strengthen competencies, motivation and engagement of the staff the Company is planning to develop a culture of continuous improvements via increasing the number of programmes of training, skills upgrade and internship work and implementation of a system of financial and non-financial incentives for the staff. The Company considers cooperating with education establishments in terms of training and engagement of new talent.

Governing documents in human capital management:

- Labour Code of the Republic of Kazakhstan.
- Personnel policy of KazAzot JSC.
- Code of Ethics.
- Regulation on staff training.
- Collective agreement of KazAzot JSC.

In human capital management, the Company follows the following principles:

- Priority of ensuring safe working conditions.
- Application of a fair and transparent wage and bonus system.
- Creation of opportunities for implementation of the staff's potential.
- Investments in education to train future generations of workers having necessary qualifications.
- Following the guiding principles of the declaration of the International Labour Organization (discrimination on the grounds of gender, skin color, faith or disability is not permitted). The Company guarantees that all the staff of KazAzot are employed therein voluntarily. The use of forced and children's work is prohibited in the Company.
- Development of a single system of corporate values and support of the culture of partnership when dealing with colleagues.
- Observe the balance of interest of stakeholders.
- Continuous improvement of the methods of human capital management, adaptability to change in the internal social/political and external economic factors.

Governance and Accountability:

Our Company has a multi-level human capital management system. General management is provided by the Deputy General Director for corporate and sustainable development and General Director of the Company. Control over activities in human capital management is exercised by the Board of Directors via the Committee of the Board of Directors for issues of strategic planning, staff, remuneration and social issues.

Personnel structure

GRI 2-7, GRI 401-1, GRI 401-3

The Company's average annual headcount in 2023 was 1,291 employees (2022: 1,250 persons) of which 327 are women (25%) and 964 are men (75%). Due to the nature of the work of the organization, males prevail in the staff of the Company, while most women work in the executive office. The Company employs highly skilled professionals with knowledge and experience required for efficient work and achievement of strategic goals of the Company.

To attract employees, KazAzot actively uses various communication channels, including recruitment sites, job fairs, social networks, publications in the city and regional mass media and cooperates with employment centers. Many years of cooperation with local executive authorities, employment agencies and social programmes, participation in a state programme «Roadmap of employment» helps monitor the situation in employment and attract the local population to work in the Company.

Under agreements with educational establishments, an on-the-job internship is organized for students during which the future workers are selected for the Company.

Headcount of KazAzot JSC by branches and gender in the period of 2021 to 2023, persons:

| Organization | 2023 | | 2022 | | 2021 | |
|------------------------------|-------------|------------|-------------|------------|-------------|------------|
| | Total staff | | Total staff | | Total staff | |
| | Male | Female | Male | Female | Male | Female |
| Plant KazAzot JSC | 735 | 298 | 693 | 295 | 679 | 289 |
| «Shagyrlly-Shomyshty» branch | 229 | 29 | 235 | 27 | 247 | 15 |
| Total | 964 | 327 | 928 | 322 | 926 | 304 |

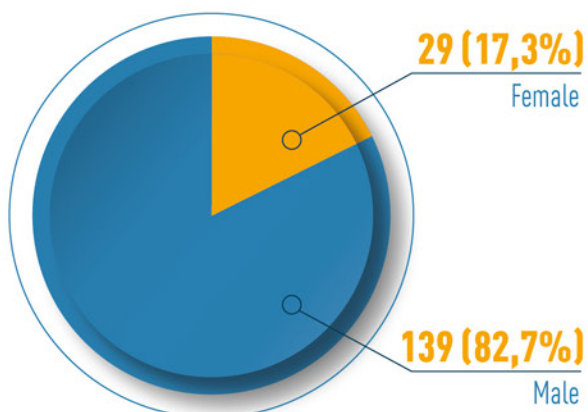
All the staff of KazAzot JSC are permanent employees of the Company and work full-time. As of 31 December 2023, the Company had no temporary staff.

The number of hired staff as of 31 December 2023 was 168 persons, which is 6% lower than a similar indicator of the previous period. For the reporting period, the number of staff with whom employment was terminated amounted to 127 persons, which is 17% less than the level of 2022.

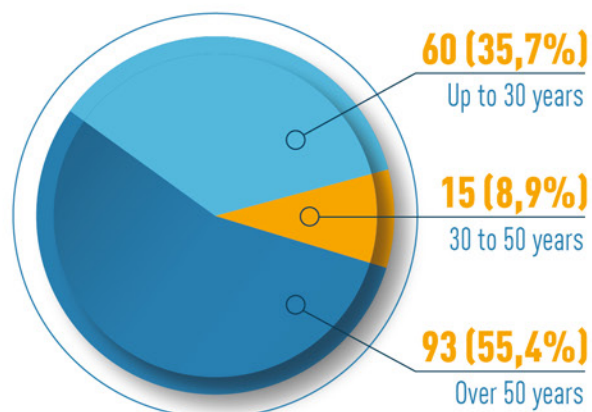
Number of employees of KazAzot JSC hired by the Company in 2023, by gender and age, persons:

| Organization | Up to 30 years | | 30 to 50 years | | Over 50 years | |
|------------------------------|----------------|----------|----------------|-----------|---------------|----------|
| | Total staff | | Total staff | | Total staff | |
| | Male | Female | Male | Female | Male | Female |
| Plant KazAzot JSC | 46 | 6 | 65 | 21 | 14 | 1 |
| «Shagyrlly-Shomyshty» branch | 8 | - | 6 | 1 | - | - |
| Total | 54 | 6 | 71 | 22 | 14 | 1 |

Employees hired by the Company, by gender for the reporting period



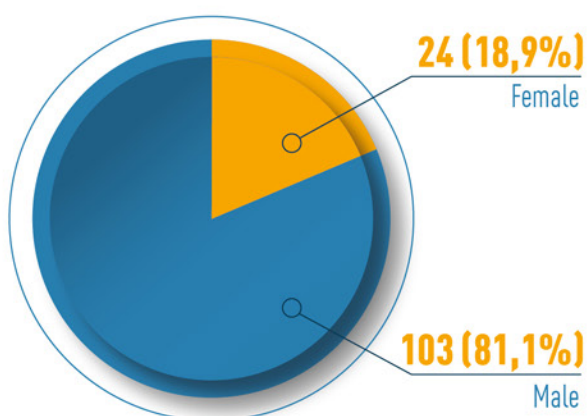
Employees hired by the Company, by age for the reporting period



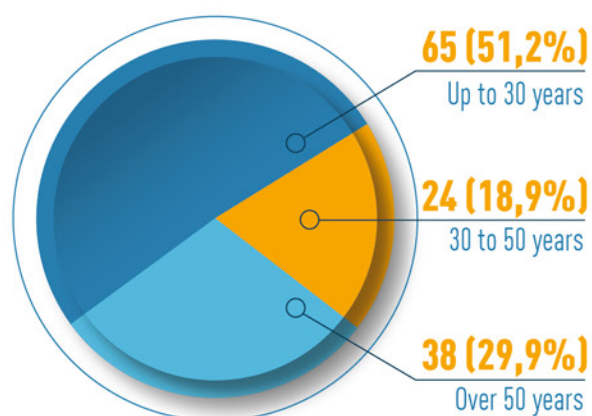
Number of employees of KazAzot JSC who left the Company in 2023, by category, persons:

| Organization | Up to 30 years | | 30 to 50 years | | Over 50 years | |
|-----------------------------|----------------|----------|----------------|-----------|---------------|----------|
| | Total staff | | Total staff | | Total staff | |
| | Male | Female | Male | Female | Male | Female |
| Plant KazAzot JSC | 30 | 4 | 40 | 14 | 11 | 6 |
| «Shagyrlы-Shomyshty» branch | 4 | - | 11 | - | 7 | - |
| Total | 34 | 4 | 51 | 14 | 18 | 6 |

Employees who left the Company, by gender for the reporting period



Employees who left the Company, by age for the reporting period



| Indicator | 2023 | 2022 | 2021 |
|-------------------------------|--------------|--------------|--------------|
| Total staff | 1,291 | 1,250 | 1,230 |
| Number of hired employees | 168 | 178 | 159 |
| Number of dismissed employees | 127 | 153 | 165 |

Employee turnover in the period from 2021 to 2023, %

| | 2023 | 2022 | 2021 |
|--------------------------|------------|------------|------------|
| Employee turnover | 10% | 12% | 13% |

The Company grants a maternity/paternity leave to all employees regardless of their gender according to the labor legislation of the Republic of Kazakhstan. The total number of employees who took a maternity/paternity leave in the reporting period was 23 persons, of which 2 were male. This indicator is 28% lower than a similar indicator of the past reporting period due to a general decline in the birth rate in the country in 2023. In 2022, 32 persons used maternity/paternity leave, of which 1 was male. The retention rate for the period of 2021 to 2023 remains unchanged at the level of 82%.

| Indicator | 2023 | 2022 | 2021 |
|--|-------------|-------------|-------------|
| Total number of employees who used a maternity/paternity leave | 23 | 32 | 18 |
| Males | 2 | 1 | - |
| Females | 21 | 31 | 18 |
| Total number of employees who returned to work after a maternity/paternity leave | 19 | 11 | 9 |
| Males | 1 | - | - |
| Females | 18 | 11 | 9 |
| Number of employees who returned to work after a maternity/paternity leave in the previous reporting period | 11 | 9 | 11 |
| Males | - | - | - |
| Females | 11 | 9 | 11 |
| Total number of employees who returned to work after a maternity/paternity leave in the previous reporting period and continue working during 12 months after returning to work | 9 | 6 | 11 |
| Males | - | - | - |
| Females | 9 | 6 | 11 |
| Coefficient of return to work | 1.06 | 0.61 | 0.50 |
| Males | - | - | - |
| Females | 1.00 | 0.61 | 0.50 |
| Retention coefficient | 0.82 | 0.55 | 1.00 |
| Males | - | - | - |
| Females | 0.82 | 0.55 | 1.00 |

Diversity and Equal Opportunities

GRI 3-3, GRI 405-1, 405-2

KazAzot values and supports diversity among its employees, supports adherence to the policy of equal opportunities and is against discrimination and behavior violating personal privacy of employees in any aspects. The Company's goal is to maintain a work environment without limitations based on nationality, gender, age, religion, and other bases protected by the applicable legislation. The basis for career promotion, hiring, setting wages, benefits and compensations is qualification, productivity, skills and experience.

For the period from 2021 to 2023, the Company did not register any cases of discrimination.

The Company's management monitors the observance of human rights for all its employees, as provided by the International Bill of Human Rights, UN Guiding Principles on Business and Human Rights, and the Declaration of Fundamental Principles and Rights at Work of the International Labour Organization, including prevention of discrimination, an injunction on the use child labor and forced labor, observance of the principle of freedom of association in trade unions and employees' right to negotiate signing a collective agreement and create safe and favorable working conditions for its employees and the personnel of contractors.



Headcount of KazAzot JSC in the period from 2021 to 2023 by gender and age, persons

| Type of personnel | 2023 | | 2022 | | 2021 | |
|--|--------------|-----------------------------|-------------|-----------------------------|-------------|-----------------------------|
| | KazAzot JSC | «Shagyrly-Shomyshty» branch | KazAzot JSC | «Shagyrly-Shomyshty» branch | KazAzot JSC | «Shagyrly-Shomyshty» branch |
| Administrative and managerial staff | 223 | 50 | 195 | 47 | 180 | 43 |
| females | 127 | 11 | 125 | 9 | 118 | 8 |
| up to 30 years | 16 | - | 21 | - | 22 | - |
| 31 to 50 years | 94 | 11 | 89 | 9 | 83 | 7 |
| over 51 years | 17 | - | 15 | - | 13 | 1 |
| males | 96 | 39 | 70 | 38 | 62 | 35 |
| up to 30 years | 18 | 1 | 14 | 2 | 13 | 2 |
| 31 to 50 years | 65 | 33 | 46 | 32 | 38 | 29 |
| over 51 years | 13 | 5 | 10 | 4 | 11 | 4 |
| Operational staff | 810 | 208 | 793 | 215 | 788 | 219 |
| females | 171 | 18 | 170 | 18 | 171 | 7 |
| up to 30 years | 28 | - | 30 | - | 28 | - |
| 31 to 50 years | 94 | 12 | 96 | 12 | 99 | 4 |
| over 51 years | 49 | 6 | 44 | 6 | 44 | 3 |
| males | 639 | 190 | 623 | 197 | 617 | 212 |
| up to 30 years | 131 | 41 | 148 | 45 | 149 | 62 |
| 31 to 50 years | 373 | 110 | 354 | 110 | 351 | 112 |
| over 51 years | 135 | 39 | 121 | 42 | 117 | 38 |
| Total | 1,033 | 258 | 988 | 262 | 968 | 262 |

| | 2023 | 2022 | 2021 |
|---|------------|------------|------------|
| Share of males | 75% | 74% | 75% |
| Share of females | 25% | 26% | 25% |
| Share of staff up to 30 years | 18% | 21% | 22% |
| Share of staff from 31 to 50 years | 61% | 60% | 59% |
| Share of staff over 51 years | 20% | 19% | 19% |

The main age group of the Company are workers in the category of 31 to 50 years. The share of young employees up to 30 years is a minority - 18% of the total personnel.

The Company strives to create an inclusive environment and ensure a work environment in which each employee would feel him or herself equal, respected, and important, which facilitates the increase in productivity, creativity and motivation. In 2023, the Company employed 24 persons with disabilities (2% of the total staff of the Company), which is 13% less than the similar indicator of the previous reporting period (2022: 27 persons). Of them, 3 persons are in the category of Administrative personnel and 21 persons are in the category of Production personnel.

The Company has a system of motivation, compensation, and social guarantees. The goal of this system is to ensure the efficient functioning of KazAzot due to the support of high motivation of the staff and retaining highly skilled professionals including:

- Support of a decent compensation rate.
- Providing an employee with compensation, additional payments, benefits and other payments set by internal regulations of the Company.
- Application of the system of compensations and benefits for certain staff categories.

Ratio of average monthly salary of females and males*

| Operational staff | 2023 | 2022 | 2021 |
|-------------------|------------|------------|------------|
| Females | 328,263 | 291,812 | 236,293 |
| Males | 396,501 | 339,311 | 262,326 |
| Ratio | 83% | 86% | 90% |

* The average monthly salary includes a base salary and compensation of the staff. This information is disclosed only for operational staff.

Due to the specifics of the Company's activities, there is a predominance of men among the employees. However, the salaries of women and men do not differ significantly. The main difference in the ratio of salaries between men and women is explained by the fact that men more often perform overtime work. According to the Labour Code of the Republic of Kazakhstan, overtime work is paid at one and a half times the rate, and work on weekends - at double rate. These features of salary calculation create the appearance of a difference in income between gender but do not reflect an actual gender inequality in the Company.

The Company regularly indexes salaries, which allows it to consider changes in the economic situation and inflation in the country. This ensures that remuneration is fair and relevant, maintaining a balance between diverse groups of employees and helping to retain qualified personnel.

We are striving to ensure a competitive level benefits package of the staff and implement programmes aimed at supporting the staff and their families, formation of healthy lifestyles related to a rise in labor productivity, collective and individual results of labor activity.

The Company has established various forms of material incentive, including a long-service award, One-time bonus for achieving annual financial targets, medical services for the staff, paid social vacations, and a material incentive associated with the state and professional holidays.

Staff Training and Development

GRI 3-3, GRI 404-1

KazAzot has a policy of supporting continuous training of the staff since continuous education allows the staff to extend their knowledge, skills and competencies, which enables the increase in productivity, innovation and quality of work. In addition, it creates motivation and satisfaction among the employees since they see that the Company invests in their professional growth and career development. Supporting continuous education, the Company creates a competitive edge, strengthens team spirit and enables retention of highly qualified staff.

The Company's staff undergoes advanced training in specialized training centers. The average number of hours of training per year per employee in 2023 was 70 hours, which is 75% higher than the similar indicator of the previous reporting period. In total, in 2023, the Company spent 118,724 thousand tenge on external training and 7,220 thousand tenge on internal training.

Also, in 2023, 37 employees (17 females and 20 males) of KazAzot from Administrative and managerial personnel received training on the basics of sustainable development and preparation of non-financial reports under GRI standards.

Average number of training hours per year per one employee by gender and category for the reporting period

| Indicator | 2023 | 2022 | 2021 |
|--------------------------|------------|-----------|-----------|
| Gender category | | | |
| Females | 70 | 40 | 40 |
| Males | 70 | 40 | 40 |
| Total | 140 | 80 | 80 |
| Type of personnel | | | |
| Administrative staff | 70 | 40 | 40 |
| Operational staff | 70 | 40 | 40 |
| Total | 140 | 80 | 80 |

KazAzot signed memorandums and agreements with educational institutions for offering internship, professional development programs, and improvement activities of educational establishments for staff training. There are effective memorandums on mutual cooperation with Kazakh-British Technical University JSC and with RSE on PVC «M.O. Auezov South Kazakhstan State University of the Ministry of Education and Science of the Republic of Kazakhstan», Sh. Esenov Caspian State University of Technology and Engineering NJSC and memorandum on patronage with SMMO Mangistau Energy College, SMMO H. Uzbekgaliyev Mangistau Polytechnic College, Esenov College LLP.

Occupational Health and Safety

GRI 3-3, GRI 2-13

OHS management system

GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-8, GRI 403-9, GRI 403-10



The Company's goal in OHS, according to KazAzot JSC's Sustainable development strategy for 2023-2030

- Achieve reduction of the Lost Time Injury Frequency Rate (LTIFR) among employees to the level of not more than 1.5 by 2025 and not more than 0.9 by 2030.
- Achieve reduction of the Lost Time Injury Frequency Rate (LTIFR) among contractors to the level of not more than 1.0 by 2030.

Governing documents in occupational health and safety area of the Company:

- Occupational health and safety policy.
- Regulation on the Department of Occupational Health and Safety.
- Complex plan of technical and organizational measures on ensuring safety and improvement of working conditions in the plant for 2023.
- Position descriptions of management staff in OHS and staff of the Company.
- Regulation on operational surveillance.
- Programme of operational ecological surveillance.
- Collective agreement (section 7 "Occupational health and safety").

In 2023, the occupational health and safety policy of KazAzot JSC was developed and approved. According to the policy, the main planned initiatives in occupational health and safety are as follows:

- Creation of safe working conditions, preserving life and health of the staff.
- Reduction of risks of accidents and incidents at a hazardous production facility.
- Increase in efficiency of labor at workplaces.
- Modernisation of production, transition to safe production processes.

Main occupational health and safety measures are determined by the occupational health management system (OHM system) of KazAzot developed according to the legislation of the Republic of Kazakhstan, considering best practices and international standards, which covers all employees of the Company. The occupational health management system has an important meaning for KazAzot, since it ensures:

- Protection of employees' lives and health: OHS system of the Company ensures working conditions which minimize risks for health and life of the employees. This helps prevent occupational injuries and illnesses, as well as fatalities in the workplace.
- Reduction of risks and losses: An effective OHS system helps to reduce the probability of accidents, incidents and production delays, which enables the economic sustainability of the Company and reduces financial losses.
- Improvement of productivity: Healthy and safe working conditions enable an increase in the level of motivation and satisfaction of the employees, which, in turn, leads to an increase in productivity and quality of work.
- Compliance with the legislation: Compliance with the norms and requirements in OHS ensures the Company's compliance with the legislation and regulations, which prevents possible legal problems and penalties.

Governance and Accountability:

The Operational Surveillance Department of the Company oversees development and implementation of safety programmes, ensuring compliance with the safety norms and standards in the Company, performing instruction and training of the staff and monitoring and analysis of working conditions. The General Director manages all the activities of the Company, makes strategic decisions, approves programmes and internal regulatory documents in the safety area and controls their implementation via the Operational Surveillance Department. As such, the Operational Surveillance Department reports directly to the General Director who exercises general control and approves strategic decisions regarding occupational health and safety.

OHS issues of the Company regulated by the Department of Operational Surveillance. The Company's General Director oversees implementing and achieving the goals set in the Regulation on the Department of Occupational Health and Safety.

The OHM system aimed at ensuring the safety of all the staff of the Company and contractors and subcontractors in performing work and services at the site of KazAzot. The OHM system was based on the three-stage operational surveillance:

1

The first level of control is carried out by direct supervisors of the work—foremen and section heads. Their function is to perform timely instruction and organize assessment of employees' knowledge of occupational safety. As part of the first level of control, the site supervisor checks workplaces daily for compliance with the requirements of occupational safety. He controls the use of technical equipment according to the set requirements, organization of hazardous work, preparation of workplaces and a permit of the teams. In case of non-compliance, the section head documents the violation in the Violation Log, assigns a responsible person, and sets deadlines for compliance.

2

The second level is controlled by the heads of business units of the Company. For each business unit, a commission of heads is created. Led by the workshop head, on a weekly basis, a walk-round check of one site of the workshop is performed in order to control as to how correctly and in full the work of the first stage is performed. If inconsistencies are identified, a protocol is documented, responsible persons and due dates are set.

3

The third level of control is exercised by the Deputy General Director for Production, who serves as the Chief Engineer of KazAzot. A Labor Protection and Industrial Safety Control Commission is established, consisting of the Director of the Production and Technical Department, the Director of the Production Control Department, and the Director of the Transportation and Repair Department. The purpose of the Commission is to conduct quarterly audits of all structural divisions related to their respective areas of activity. The outcome of the Commission's work is a report detailing identified violations, which includes the assignment of responsible individuals and deadlines for rectifying the violations.

According to the regulation on the Department of Occupational Health and Safety PP KazAzot 001-5016-17, the regulatory documents determining principles and rules in occupational health and safety of the Company are as follows:

- Standard of organization of OHM system (occupational health management system) CT KazAzot 011-07.
- Labour Code of the Republic of Kazakhstan.
- Code of the Republic of Kazakhstan «About health of people and healthcare system».
- Law of the Republic of Kazakhstan «On Compulsory Insurance of Employee from Accidents upon Performance of Labour (Official) Duties by them».
- Technical regulation of the Republic of Kazakhstan «General requirements for fire safety».
- Law of the Republic of Kazakhstan «On civil protection».
- Regulation on operational surveillance over observance of industrial safety at hazardous production facilities of KazAzot JSC.
- Rules of industrial safety for hazardous production facilities of the chemical industry of RK.

All KazAzot's employees take an active part in the management of occupational health and safety. To ensure efficient interaction with the staff in OHS, an employee can consult regarding the issues related to occupational health and safety directly with management or leave a letter in an anonymous box. According to section 7 «Occupational health and safety» of the collective agreement of KazAzot, each employee of the Company has the right to inform of hazardous incidents in occupational safety related to operating activities and suggest measures to prevent them.

In 2023, the occupational health management system of KazAzot covered 100% of the Company's employees.

The employees covered by the occupational health management system at the workplace

| Indicator | | 2023 | 2022 | 2021 |
|---|--|--------------|--------------|--------------|
| Full-time employees of the Company | Total staff | 1,291 | 1,250 | 1,230 |
| | Number of employees covered by the occupational health management system at the workplace | 1,291 | 1,250 | 1,230 |
| | Percent covered by the occupational health management system at the workplace | 100% | 100% | 100% |
| | Number of employees covered by the occupational health management system at the workplace, which underwent the internal audit | 639 | 628 | 644 |
| | Percent covered by the occupational health management system at the workplace, which underwent the internal audit | 49.50% | 50.24% | 52.40% |
| | Number of employees covered by the occupational health management system at the workplace, which underwent the internal audit or was certified by a third party | 18 | 19 | 18 |
| | Percent covered by the occupational health management system at the workplace, which underwent the internal audit or was certified by a third party | 1.40% | 1.50% | 1.50% |
| Employees who are not payroll employee but whose work and/or workplace is controlled by the organization | Total number | 274 | 332 | 350 |
| | i. Number of employees covered by the occupational health management system at the workplace | 274 | 332 | 350 |
| | Percent covered by the occupational health management system at the workplace | 100% | 100% | 100% |
| | ii. Number of employees covered by the occupational health management system at the workplace, which underwent the internal audit | 274 | 332 | 350 |
| | Percent covered by the occupational health management system at the workplace, which underwent the internal audit | 100% | 100% | 100% |
| | iii. Number of employees covered by the occupational health management system at the workplace, which underwent the internal audit or was certified by a third party | 18 | 21 | 27 |
| | Percent covered by the occupational health management system at the workplace, which underwent the internal audit or was certified by a third party | 6.60% | 6.33% | 7.70% |

OHS risks management

KazAzot developed a draft work guideline «Management of occupational safety risks» which describes the procedure for evaluation of occupational safety risks. The main goals of the guideline include prevention of accidents and minimizing negative effects connected to them for people and the environment and for the distribution of responsibility and involvement of the staff of all levels. From 2024, the guideline will be applicable to all sites and facilities of the Company, including contractors and will fully cover processes of identification of hazards and evaluation of industrial safety risks.

Occupational safety risks are controlled using a three-level management system - from production personnel to the General Director. The list of risks related to observance/non-observance of occupational safety and health regulations for 2023:

- Risk of occupational diseases among production personnel working in challenging conditions (dust, noise, vibrations).
- Significant number of hazardous production facilities.
- Storage of explosive products.
- Hazardous work.
- Presence of construction projects performed with engagement of contractors.
- Non-observance of safety procedures.
- Lack of an air ventilation system.
- Lack of communication at some sites.
- Low level of certification for vocational training.

Operation of the old plant and construction of a new plant are accompanied by local physical impacts, such as noise, vibration and dust. These factors can have an adverse effect on the health of the staff and local population and result in ecological and social problems. Risk management measures:

- Technological improvements: Use of modern technologies and equipment with a low level of noise, vibration and dust to reduce the impact on the environment and health of the staff.
- Engineering solutions: Introduction of engineering solutions, such as sound-absorbing walls, vibration insulation and air cleaning system to minimize negative effects.
- Regular audits: Performing regular audits to control compliance of the levels of noise, vibration, and levels of dust with the norms and standards.

The presence of a large number of hazardous facilities increases the probability of accidents and incidents, with consequences that include- technogenic disasters, losses of property, harm to health of the staff and population, damage to the environment. Violation of safety procedures in the workplace leads to an increase of a number of injuries and accidents, penalties, and sanctions from regulatory authorities.

The presence of a significant number of hazardous production facilities, storage of explosive products, hazardous operations, deficiencies in the safety system and certification of the staff pose serious risks for the Company. Efforts are made that can significantly reduce these risks and ensure safety at the workplace: increasing control over observance of safety regulations, training and certification of the staff, implementation of automated control systems, ensuring effective ventilation and communication, and control of the work of contractors.

In case of accidents within KazAzot, an investigation is conducted, the results are communicated to management and the staff of business units. All incidents related to the Company's operations are investigated according to the work guideline «Investigation of incidents, injuries and accidents.» This guideline describes the process of management of incidents related to industrial safety.

Management of incidents includes the following measures:

- Registration and documentation of incidents.
- Analysis of the reasons and circumstances of an incident.
- Evaluation of consequences and harm to health.
- Development and implementation of preventive measures.
- Control and monitoring of efficiency of measures.
- Preparation of a report on incidents, performed investigations and taken measures.
- Involvement of the staff in the process of management of incidents via feedback and discussion of problems.

According to the collective agreement, the employees are entitled to refuse working situations which can lead to injuries or health impairment.

Readiness for emergencies. The Company's readiness for emergencies includes development, implementation and support of a complex system of measures aimed at prevention, rapid response and minimizing consequences of accidents and disasters. The key elements of KazAzot's system include:

- Identification of potential emergencies: identification and analysis of potential sources of emergencies, such as natural disasters, technological emergencies, fires, chemical spills, and etc.
- Development of an emergency operating plan.
- Personnel education and training: regular education of the personnel in methods and procedures of responding to emergencies, including the use of personal protective equipment, first-aid treatment, evacuation and remediation of consequences.
- Availability of resources and equipment for emergency response: providing the entity with mobile emergency kits, including necessary tools and equipment for mitigating the consequences of emergencies.
- Cooperation with emergency services: establishing close cooperation with local emergency response services (fire guards, ambulance service, police).
- Analysis of incidents: an analysis of incidents that occurred and emergencies to identify lessons and improve the emergency response plan.

The Company has an emergency response plan in place. The plan provides for a sequence of initial actions of the technological personnel to prevent the development of an emergency, and its alerting procedure involves: ERS-1, managers, specialists, and staff of the enterprise. Combined actions of the workshops are adjusted via the entity's dispatcher. In case of an emergency, a communication chart was developed to communicate to officials of the enterprise and authorized state bodies.

The Company holds regular activities to prepare the staff for actions in case of emergencies, including the case of fires. Emergency response drills are an effective training method for personnel at workstations on accident mitigation techniques. These drills are conducted once a quarter in all structural divisions.

In 2023, KazAzot changed the attitude of the staff to personal protective equipment at the workplace, for this purpose, it conducted a series of specific extra trainings for the staff explaining the impact of harmful production factors on the health of a worker and consequences for their health. The purpose of this activity was to focus the employees' attention on safety and health consciousness.

In the reporting period, within the Company's plant and the Branch, there had been no fire outbreaks or fires.

Occupational hygiene and health protection

Governance and Accountability:

KazAzot's occupational hygiene is managed by the Production Control Department (PCD). The regulation on occupational hygiene of the Company includes goals and objectives, an organization chart, risk evaluation and management, physical examinations, sanitation and hygiene standards and requirements.

The PCD performs a number of crucial functions aimed at ensuring safe and healthy working conditions for the staff. Key functions include:

- Evaluation and analysis of working conditions.
- Development and implementation of measures to prevent and reduce harmful factors.
- Medical and preventive control.
- Training and consulting of employees.

Considering the list of occupational health and safety hazards, preventive medical examinations of the industrial staff are performed annually. In 2023, 898 employees of KazAzot had a regular medical examination. There were no cases of occupational diseases among the Company's staff for the reporting period.

According to the collective agreement of KazAzot, the Company provides an employee with a job-protected leave to have screenings while retaining average wages in the procedure and amount specified by RK healthcare legislation. In 2023, the Company entered into an agreement with a medical organization for subscription-based services for its employees, providing a wide range of medical services to ensure their health. For the same purpose, employees who attend sports organizations are reimbursed for their financial expenses.

As of the end of 2023, no fatalities due to deterioration of health at work were recorded.

KazAzot does not maintain records of employees with occupational diseases, if they are not directly hired by the Company but their work and/or workplace is controlled by KazAzot, which is in compliance with the legislation of the Republic of Kazakhstan.

To ensure the confidentiality of employees' health data, the Company commits to strictly adhering to all norms and regulations governing the collection, storage, and processing of medical information. Collection of information on the health condition of the staff is conducted exclusively with their consent and only in the scope required for performing work duties or ensuring safety at the workplace. Medical information of the staff is stored in safe electronic systems or in sealed paper-based media, which can be accessed only by an authorized medical professional of the Company.

Training the staff in occupational health and industrial safety matters

The Company ensures that the staff have all applicable and mandatory training in occupational health and safety. All staff, contractors and visitors are briefed, which enables general awareness of occupational safety and development or support of relevant skills and knowledge of the staff. Besides mandatory briefing, all staff have training in safety systems and procedures of safe operation and maintenance specific to their jobs.

All industrial personnel of the Company have mandatory training in the programme «Occupational health and safety» (OHS). The training is conducted either in certified training centers or in the training center of the enterprise itself, followed by the issue of certificates. The Company's staff have external training in industrial safety on an annual basis.

Training employees on occupational safety and industrial security issues

| Indicator | 2023 | 2022 | 2021 |
|---|------|------|------|
| Number of employees who had external training in occupational health and safety | 249 | 282 | 274 |
| Number of employees who had internal training in occupational health and safety | 658 | 628 | 644 |



In 2023, 907 employees of the Company had training in occupational health and industrial safety.

907
employees

Occupational injuries

The Company performs a thorough investigation of each incident related to production, following the established procedures. As part of these investigations, the circumstances of an accident are analysed in detail to identify root causes and to develop efficient preventative measures for the future.

Industrial injuries of the Company's staff for 2021-2023

| Indicator | 2023 | 2022 | 2021 |
|--|-----------|-----------|-----------|
| Fatalities due to occupational injuries | 0 | 0 | 0 |
| Coefficient of fatalities due to occupational injuries | 0 | 0 | 0 |
| Number of severe occupational injuries (excluding fatalities) | 1 | 1 | 0 |
| Coefficient of severe occupational injuries (excluding fatalities) | 0.58 | 0.60 | 0 |
| Number and coefficient of registered occupational injuries | 6 | 4 | 0 |
| Coefficient of registered occupational injuries | 3.53 | 2.43 | 0 |
| Number of work hours | 1,701,500 | 1,647,800 | 1,655,700 |

(1) LTIFR) was calculated based on 1,000,000 hours worked.

(2) All employees of the Company were included in this disclosure.

In 2023, there were 6 cases of occupational injuries. There were: 0 fatalities, severe injuries – 1, medium to light severity – 5.

The severity of industrial injuries is determined by the methodological guidelines «Scheme for determining the severity of industrial injuries,» approved by the Deputy Minister of Healthcare of the Republic of Kazakhstan (Almaty, 1994).

The average lost time incident frequency rate (LTIFR) in 2023 was 3.53, higher than in 2022, due to poor work organization and the negligence of victims.

In 2023, the total number of work hours was 1,701,500 man-hours.

Types of occupational injuries in 2023:

- First-degree chemical burn of the wrist (minor).
- Open fracture of a ring finger (minor).
- Fracture of nail bone (minor).
- Thermal injury of the face (minor).
- Impact injury of a wrist (minor).
- Closed bone fracture (severe).

The number of occupational injuries of the Company's staff, who are not salaried employees but whose work and/or workplace is controlled in the organization for 2023



To prevent workplace injuries, a meeting is held for all Company employees following the identification of non-compliances. The agenda includes discussions on the violations outlined in the Protocol and measures for their rectification.

The results of investigations are considered at the meetings of the department, included into the Annual report to the Company's management and into the agenda of the meetings of the Board of Directors. The results of investigations are used for planning of actions to prevent similar incidents and to minimize risks.

Labour/Management Relations

GRI 3-3, GRI 2-30, GRI 402-1

Governance and Accountability:

The Company ensures an open and transparent system of interaction between the staff and management, which enables prompt resolution of problems and improving work processes. At the end of each reporting year, the General Director arranges a meeting with each department of the Company, to which all the staff of a relevant department are invited. These meetings create a unique opportunity for a direct dialogue between management and the staff, enabling them to strengthen the corporate culture and improve mutual understanding. At these meetings, the staff can discuss the results of their work, share ideas and suggestions, and ask questions regarding various aspects of the Company's operations.

In case an employee has a question or a problem during the year, firstly, he or she approaches the immediate supervisor. If the problem is not resolved at this level, the employee has the right to approach a higher-level manager. If this also proves to be ineffective, the employee has the right to approach the General Director directly. This approach allows each employee to feel heard and engaged in the life of the company, strengthens trust in management, and enhances overall work efficiency.

Governing documents:

KazAzot's collective agreement provides protection of the labor rights, economic stability, and social guarantees of the employees. The collective agreement between the employer and the employees of KazAzot for 2022-2025 was developed according to the Labour Code of the Republic of Kazakhstan and law of the Republic of Kazakhstan «On trade unions.» Under the collective agreement, each employee of the Company has the right to work taking into consideration all the rights and guarantees specified by RK legislation.



In 2023, the number of employees covered by the collective agreement was **941**, representing **73%** of the total number of employees. Compared to 2022, the indicator increased by 2%.

The collective agreement provides for a wide range of social payments and benefits aimed at supporting and improving the welfare of our employees and their families. The following can be emphasised among these benefits:

- Assistance in significant life events: We provide financial support at the birth of a child, the consummation of marriage, and in the cases of death of an employee or close relatives.
- Assistance to pensioners: after an employee achieves a retirement age the Company makes a lump-sum payment depending on the length of employment of the employee.
- Cultural and sports events: The Company covers expenses on holding festivities, mass cultural and sports events, creating conditions for an active and eventful leisure time of our staff.
- Good accommodation facilities for the employees who work on rotation: The employees who work on rotation are provided with free set meals and accommodation.
- Voluntary health insurance: We provide our employees with voluntary health insurance, which ensures them access to quality medical services.
- Support of the employees' children: The Company allocates funds for the organization of the New Year matinee for children of the Company's employees and for New Year gifts. The Company compensates the cost of recreation in health children's camps for one child of the Company's employees aged 7 to 14.
- Support in case of severe injury: The Company takes measures to employ one of the members of the family of an employee who perished in the workplace or resigned from the job due to an occupational injury or an occupational disease, which resulted in a disability of the employee.
- Financing costs of sporting activities of the Company's employees: We strongly support sports and pay the fees for participation of our selected teams in sporting events and their sport outfit and finance buying sport equipment.
- We provide financial assistance to the families of the Company's employees for the purchase of school supplies for the first of September for each school-age child.
- As part of our contractual obligations, we pay part of the cost of full-time education for the children of employees to obtain their first secondary special and/or first higher education. Support is provided in accordance with the list of the most in-demand specialties in the energy industry if the employee has continuous work experience in our Company.

These measures of social support not only strengthen trust of employees for the company but also enable to create a favorable work environment, increasing general satisfaction and motivation of the staff.

Labor relations of the staff, to which collective agreements are not applicable and who are not part of trade unions of the Company, are regulated by internal regulations on salary and social benefits according to the labor legislation of the Republic of Kazakhstan. An employee who is not a member of a trade union and who did not sign the collective agreement has the right by a written application to authorize a trade union to represent his interests in relations with the employer, in all cases provided for by RK legislation during the effective period of his employment agreement.

The minimum period of notification of operating changes according to the collective agreement is one month.

The Company recognised the employees' right to enter associations to protect their interests and respects the employees' right to choose their representatives and ensures the necessary conditions for this according to the legislation and practices of the Republic of Kazakhstan. KazAzot recognises the trade union as the only body in the Company to represent the employees' interests to ensure agreement of mutual interests on issues of regulation of social/labor relations, the trade union organization PA «KazAzot» functions. The trade union exercises public control over compliance with RK legislation regulating labor and social/economic rights and participates in resolving individual labor disputes.



Interaction with Local Communities and Charity

GRI 3-3, GRI 413-1

We implement various projects and programmes aimed at social/economic development of local communities. We provide extensive charity to orphanages, people with disabilities, low-income persons and families, by supporting the population in the redevelopment of districts, and sponsoring development of sports and culture in the region.

Governing documents:

In 2023, the Company developed the charity policy which represents a regulatory document regarding the principles and directions of the social responsibility programmes via charity and sponsorship of KazAzot.

The main tasks of the charity policy are as follows:

- Establish the main principles of charity work.
- Establish the main directions of charity work to improve the transparency of processes.
- Determine the procedure of generation and use of funds allocated for charity.
- Determine the procedure for the disclosure of information on implementing charity.
- Establish the procedure of control of implementation of the policy.

This policy is developed to determine the principles and methods of charity work in the Company and for prompt provision to the stakeholders of all the necessary information about the Company and its activities, which enables improvement of publicity.

Governance and Accountability:

The Company's business support service oversees interaction with local population and public organizations, implementation of corporate responsibility programmes, implementation of events and programmes aimed at improvement of the social climate and strengthening the reputation of the enterprise in the local community and for charity work. The General Director manages the entire operations of the Company, makes strategic decisions, approves programmes of interaction with local communities and controls their implementation, allocates funds for charity. As such, the business support service reports directly to the General Director who exercises general control and approves strategic decisions in interaction with local communities.

The Company performs charity work in support of the local population in the following key areas:

- Assistance to children and youth: assistance to orphanages, schools, kindergartens, sports and creative groups, educational programmes and projects.
- Assistance to people with disabilities: support of rehabilitation facilities, assisted-care facilities, organizations adapting people with disabilities to life in society.
- Assistance to people who fell on hard times: support of low-income families and people who have suffered from natural disasters or social unrest.
- Environmental protection: support of ecological projects aimed at preserving natural resources and pollution control.
- Development of the local community: support of projects aimed at improving living standards in the region of the company's presence, such as building children's playgrounds, maintenance of roads and holding cultural events.
- Sponsoring sports events: financial support of sports events, championships and tournaments.
- Sponsoring cultural events: support of preparation and holding exhibitions, cultural and educational events related to the promotion of the Company's products.
- Development of science: support of science, in the spheres relating to the principal activity of the Company.
- Other areas not prohibited by the effective legislation.



In 2023, the Company provided sponsorship and charity in the amount of **69 million tenge**.

Our Company strongly supports local communities, allocating funds annually for charity. We provide support to various organizations and groups, including:

- **Disabled Children Support Fund** – funding events and programmes aimed at supporting children with disabilities.
- **Social Service Centre** – support of establishments providing social services to people in need.
- **«Kushimiz birlikte» Social Association** – support in implementation of projects aimed at strengthening social unity.
- **Children’s New Year gifts** – organization and purchase of gifts for children of the Company’s staff in the holiday season.
- **Blind Association** – provision of food gift baskets to people in difficult circumstances.
- **Spiritual Administration of the Muslims of Kazakhstan** – financing initiatives and events supporting spiritual development and community projects.
- **SMMC Nurlykhan Bekbosynov Energy College** – support of educational establishments in the field of energy.
- **SUE on REM Kaspi FC** – support of sports clubs and organizations.
- **Pensioners JSC** – assistance and support of the elderly, food vouchers.
- **Aktau Charity Institution** – support of projects and initiatives in Aktau aimed at improvement of life of local communities.
- **Education Department of Mangistau region** – funding of educational projects and programmes in the region.

Sponsor and charity support by KazAzot for 2019-2023 years.

| 2023 year, KZT mln | 2022 year, KZT mln | 2021 year, KZT mln | 2020 year, KZT mln | 2019 year, KZT mln |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 69 | 571 | 25 | 118 | 43 |



According to UN SDG №1 «End poverty in all its forms everywhere,» the Company is strongly focused on supporting vulnerable populations. In 2023, the Company provided orthopedic accessories, certificates for stationery materials to BKF «Fund of support of disabled children». In the reporting year, it provided food baskets to BPA «Kazakh Blind Association» of Mangistau region. Also, it provided 80 children’s New Year’s presents to PA «Mangistau regional society of the disabled», BKF «Fund of support of disabled children» and PA «Education Authority for Mangistau region».



According to UN SDG №3 «Good health and well-being», one of the priorities of the charity policy of the Company implemented long-term is the development of physical culture and support of sports in the regions of its presence. KazAzot JSC is an official sponsor of the Football Club «Kaspy» since 2022. In 2023, the Company invested tenge 50 million in development of this sport.

In addition, for the purpose of charity, tenge 3 million were transferred to the Spiritual Administration of the Muslims of Kazakhstan.

The image shows the top of a modern building with a facade of blue and beige panels. On the roof, there is a large blue logo consisting of a stylized 'V' inside a circle, followed by the word 'KAZAZOT' in large, bold, blue Cyrillic letters. The building has several windows with white frames and air conditioning units mounted on the exterior walls. The sky is clear and blue. There are decorative blue and white geometric shapes overlaid on the right side of the image.

КАЗАЗОТ

About the Report

About the Report

GRI 2-3, GRI 2-4, GRI 2-5

This Sustainable Development Report of KazAzot is the second Report reflecting the results of activities and achievements of the Company in sustainable development for the period from 1 January to 31 December 2023.

The representatives of all the departments of the Company participated in the preparation of the Report. The Report was reviewed and approved by the ESG working group, approved by the decision of the Board of Directors, and published in October 2024. The Sustainable Development Report of the Company for 2022 was published in September 2023 (for the reporting period from 1 January to 31 December 2022). All the Reports of the Company are available on the corporate website of KazAzot.

The document is intended for a wide range of stakeholders. This Report has been prepared according to the Global Reporting Initiative (GRI) 2021. The application of the standards and the index of standard elements of GRI were published in Appendix 1 of the Report. In addition, the Report reflects the Company's contribution to the implementation of priority UN Sustainable Development Goals. The Report has been published in the Russian and English languages.

The financial and production results of the Company are presented based on consolidated data. In preparation of this Report, the IFRS audited financial statements were used, which are issued by the Company annually.

This Sustainable Development Report of the Company has been prepared according to the legislative requirements of the Republic of Kazakhstan, internal regulations of the Company, and international corporate governance practices. The Report has been prepared based on the requirements of the following documents:

- International sustainability standard of the Global Reporting Initiative 2021.
- Law of the Republic of Kazakhstan «On joint stock companies» dated 13 May 2003 No. 415-II.
- «Transforming our World: The 2030 Agenda for Sustainable Development».
- International social responsibility standard ISO 26000:2010.
- Corporate governance code of KazAzot JSC.
- 10 Principles of the UN Global Compact.
- Environmental Code of the Republic of Kazakhstan dated 2 January 2021 No. 400-VI.

Compared to the Sustainable Development Report of the Company for 2022, the current Report contains changes in certain indicators, also additional indicators were added. In particular, the Report includes information on economic indicators, prevention of discrimination, the labor/management relations, and taxation.

The disclosure of economic indicators plays an important role in forming a positive reputation for the Company and supporting its sustainable development, which enables an increase in trust from investors, creditors and other stakeholders.

Demonstration of the commitment to the principles of equality and fairness shows compliance with international standards and best practices in sustainable development and corporate governance. The disclosure of information on taxation shows compliance with tax laws and regulations, which reduces risks of penalties and other sanctions. Detailed explanations are provided throughout the Sustainable Development Report for 2023.

The external assurance of non-financial information in the area of sustainable development based on the results for 2023 was not performed.

Reporting Boundaries

GRI 2-2

The reporting boundaries include both the key performance results of KazAzot and its «Shagyrlly-Shomyshty» branch on ecological, economic, and social aspects of sustainable development in all regions of presence. The disclosure boundaries for sustainability indicators within the Report include information on the following Company assets.

Assets included in the Report

| Legal name | Region | Activity |
|-------------------------------|-----------------------------------|---------------------------------|
| «KazAzot» Joint Stock Company | Mangistau region, Aktau city | Production of chemical products |
| «Shagyrlly-Shomyshty» branch | Mangistau region, Beineu district | Production of natural gas |

Contact Details

GRI 2-3

KazAzot is interested in receiving feedback for further improvement of the Sustainable Development Report and quality disclosure of information for the stakeholders.

You can share your opinion about the Report for 2023 and ask relevant questions concerning the Sustainable Development Report by contacting us using the details stated below.

Daulet Kali, Director of the Department of Sustainable Development

Telephone: +7 (7292) 579-961

E-mail: d.kali@kazazot.kz

Appendices

Appendix 1.

Table of GRI Indicators

| GRI Standard | Disclosure | Page in Report | Sections of Report | Reasons of non-disclosure |
|---|--|----------------|---|--|
| GRI 1: Foundation 2021 | | | | |
| GRI 2: General Disclosures 2021 | | | | |
| The organization and its reporting practices | | | | |
| 2-1 | Organizational details | 7 | About the Company | |
| 2-2 | Entities included in the organization's sustainability reporting | 7, 119 | <ul style="list-style-type: none"> About the Company Reporting boundaries | |
| 2-3 | Reporting period, frequency and contact point | 118, 119 | <ul style="list-style-type: none"> About the Report, Contact details | |
| 2-4 | Restatements of information | 118 | About the Company | |
| 2-5 | External assurance | 118 | About the Company | |
| Activities and workers | | | | |
| 2-6 | Activities, value chain and other business relationships | 7 | About the Company | |
| 2-7 | Employees | 95 | Human Capital Management | |
| 2-8 | Workers who are not employees | | - | The Company lacks this category of employees |
| Governance | | | | |
| 2-9 | Governance structure and composition | 27 | Overview of corporate governance | |
| 2-10 | Nomination and selection of the highest governance body | 27 | Overview of corporate governance | |
| 2-11 | Chair of the highest governance body | 27 | Overview of corporate governance | |

| GRI Standard | Disclosure | Page in Report | Sections of Report | Reasons of non-disclosure |
|--------------|---|-----------------------------|---|---|
| 2-12 | Role of the highest governance body in overseeing the management of impacts | 9 | Approach to sustainability management | |
| 2-13 | Delegation of responsibility for managing impacts | 25, 27, 46, 56, 79, 94, 102 | <ul style="list-style-type: none"> • Overview of corporate governance • Economic Performance • Environmental Management System • Human Capital Management • Occupational Health and Safety | |
| 2-14 | Role of the highest governance body in sustainability reporting | 27 | Overview of corporate governance | |
| 2-15 | Conflicts of interest | 36 | Business ethics and Compliance | |
| 2-16 | Communication of critical concerns | | - | Not applicable since the Company does not record requests. |
| 2-17 | Collective knowledge of the highest governance body | 27 | Overview of corporate governance | |
| 2-18 | Evaluation of the performance of the highest governance body | | - | In the Company, the process of performance appraisal of the staff, including senior management, is at the initial stage of development. At the time of publication of the report, the Company did not conduct performance appraisal of senior management. |
| 2-19 | Remuneration policies | 27 | Overview of corporate governance | |
| 2-20 | Process to determine remuneration | | - | Confidential information |

| GRI Standard | Disclosure | Page in Report | Sections of Report | Reasons of non-disclosure |
|--------------|--|----------------|--|---|
| 2-21 | Annual total compensation ratio | | - | Confidential information |
| 2-22 | Statement on sustainable development strategy | 5 | Message from the General Director | |
| 2-23 | Policy commitments | 13 | Contribution to achievement of UN Sustainable Development Goals in 2023 | |
| 2-24 | Embedding policy commitments | | - | Not applicable since there is not sufficient information for a disclosure |
| 2-25 | Processes to remediate negative impacts | | - | Not applicable since there is not sufficient information for a disclosure |
| 2-26 | Mechanisms for seeking advice and raising concerns | | - | Not applicable since there is not sufficient information for a disclosure |
| 2-27 | Compliance with laws and regulations | 36 | Business ethics and compliance | |
| 2-28 | Membership associations | 7, 13 | <ul style="list-style-type: none"> About the Company Contribution to the achievement of UN Sustainable Development Goals in 2023 | |

Stakeholder engagement

| | | | | |
|------|------------------------------------|-----|-------------------------------|--|
| 2-29 | Approach to stakeholder engagement | 19 | Interaction with stakeholders | |
| 2-30 | Collective bargaining agreements | 111 | Labour/Management Relations | |

GRI 3: Material Topics 2021

| | | | | |
|-----|--------------------------------------|----|-----------------------------|--|
| 3-1 | Process of determine material topics | 17 | Determining material topics | |
| 3-2 | List of material topics | 17 | Determining material topics | |

Disclosures of Material Topics

| GRI Standard | Disclosure | Page in Report | Sections of the Report |
|--------------|------------|----------------|------------------------|
|--------------|------------|----------------|------------------------|

Economic Performance

GRI 201 (2016): ECONOMIC PERFORMANCE

| | | | |
|-------|--|----|--|
| 3-3 | Management of material topics | 46 | Economic performance |
| 201-1 | Direct economic value generated and distributed | 47 | Generated and distributed economic value |
| 201-2 | Financial implications and other risks and opportunities due to climate change | 60 | Climate agenda |

GRI 202 (2016): MARKET PRESENCE

| | | | |
|-------|--|----|----------------------------------|
| 3-3 | Management of material topics | 25 | Overview of corporate governance |
| 202-2 | Proportion of senior management hired from the local community | 27 | Overview of corporate governance |

GRI 204 (2016): PROCUREMENT PRACTISES

| | | | |
|-------|---|----|-----------------------|
| 3-3 | Management of material topics | 46 | Economic performance |
| 204-1 | Proportion of spending on local suppliers | 50 | Procurement practices |

GRI 205 (2016): ANTI-CORRUPTION

| | | | |
|-------|--|----|--------------------------------|
| 3-3 | Management of material topics | 36 | Business ethics and compliance |
| 205-1 | Operations assessed for risks related to corruption | 36 | Business ethics and compliance |
| 205-2 | Communication and training about anti-corruption policies and procedures | 36 | Business ethics and compliance |
| 205-3 | Confirmed incidents of corruption and actions taken | 36 | Business ethics and compliance |

GRI 207 (2019): TAX

| | | | |
|-------|-------------------------------|----|-----------------------|
| 3-3 | Management of material topics | 46 | Economic performance |
| 207-1 | Approach to tax | 48 | Tax Accounting Policy |

| GRI Standard | Disclosure | Page in Report | Sections of the Report |
|--------------|------------|----------------|------------------------|
|--------------|------------|----------------|------------------------|

ENVIRONMENTAL TOPICS

GRI 302 (2016): ENERGY

| | | | |
|-------|--|----|--------------------|
| 3-3 | Management of material topics | 75 | Energy Consumption |
| 302-1 | Energy consumption within the organization | 75 | Energy Consumption |
| 302-3 | Energy intensity | 75 | Energy Consumption |

GRI 303 (2018): WATER AND EFFLUENTS

| | | | |
|-------|--|----|------------------------------|
| 3-3 | Management of material topics | 79 | Water Resources Conservation |
| 303-1 | Interactions with water as a shared resource | 79 | Water Resources Conservation |
| 303-3 | Water withdrawal | 79 | Water Resources Conservation |
| 303-4 | Water discharge | 79 | Water Resources Conservation |
| 303-5 | Water consumption | 79 | Water Resources Conservation |

GRI 304 (2016): BIODIVERSITY

| | | | |
|-------|---|----|---------------------------|
| 3-3 | Management of material topics | 89 | Biodiversity Conservation |
| 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 89 | Biodiversity Conservation |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | 89 | Biodiversity Conservation |

GRI 305 (2016): EMISSIONS

| | | | |
|-------|---|----|--------------------------|
| 3-3 | Management of material topics | 66 | Greenhouse Gas Emissions |
| 305-1 | Direct (Scope 1) GHG emissions | 70 | Greenhouse Gas Emissions |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 70 | Greenhouse Gas Emissions |

| GRI Standard | Disclosure | Page in Report | Sections of the Report |
|--------------|---|----------------|-------------------------------|
| 305-3 | Other indirect (Scope 3) GHG emissions | 70 | Greenhouse Gas Emissions |
| 305-4 | GHG emissions intensity | 70 | Greenhouse Gas Emissions |
| 305-5 | Reduction of GHG emissions | 70 | Greenhouse Gas Emissions |
| 305-7 | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | 83 | Protection of atmospheric air |

GRI 306 (2016): EFFLUENTS AND WASTE

| | | | |
|-------|--|----|------------------|
| 3-3 | Management of material topics | 86 | Waste Management |
| 306-1 | Waste generation and significant waste-related impacts | 86 | Waste Management |
| 306-2 | Management of significant waste related impacts | 86 | Waste Management |
| 306-3 | Waste generated | 86 | Waste Management |
| 306-4 | Waste diverted from disposal | 86 | Waste Management |
| 306-5 | Waste directed to disposal | 86 | Waste Management |

SOCIAL TOPICS

GRI 401 (2016): EMPLOYMENT

| | | | |
|-------|--|----|--------------------------|
| 3-3 | Management of material topics | 94 | Human Capital Management |
| 401-1 | New employee hires and employee turnover | 95 | Human Capital Management |
| 401-3 | Parental leave | 95 | Human Capital Management |

GRI 402 (2016): LABOUR/MANAGEMENT RELATIONS

| | | | |
|-------|--|-----|-----------------------------|
| 3-3 | Management of material topics | 111 | Labour/Management Relations |
| 402-1 | Minimum notice periods regarding operational changes | 111 | Labour/Management Relations |

GRI 403 (2018): OCCUPATIONAL HEALTH AND SAFETY

| | | | |
|-----|-------------------------------|-----|--------------------------------|
| 3-3 | Management of material topics | 102 | Occupational Health and Safety |
|-----|-------------------------------|-----|--------------------------------|

| GRI Standard | Disclosure | Page in Report | Sections of the Report |
|--------------|---|----------------|--------------------------------|
| 403-1 | Occupational health and safety management system | 102 | Occupational Health and Safety |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 102 | Occupational Health and Safety |
| 403-3 | Occupational health services | 102 | Occupational Health and Safety |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 102 | Occupational Health and Safety |
| 403-5 | Worker training on occupational health and safety | 102 | Occupational Health and Safety |
| 403-6 | Promotion of worker health | 102 | Occupational Health and Safety |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 102 | Occupational Health and Safety |
| 403-8 | Work-related injuries | 102 | Occupational Health and Safety |
| 403-9 | Occupational accidents | 102 | Occupational Health and Safety |
| 403-10 | Work-related ill health | 102 | Occupational Health and Safety |

GRI 404 (2016): TRAINING AND EDUCATION

| | | | |
|-------|---|-----|--------------------------------|
| 3-3 | Management of material topics | 101 | Staff Training and Development |
| 404-1 | Average hours of training per year per employee | 101 | Staff Training and Development |

GRI 405 (2016): DIVERSITY AND EQUAL OPPORTUNITY

| | | | |
|-------|--|--------|-----------------------------------|
| 3-3 | Management of material topics | 98 | Diversity and Equal Opportunities |
| 405-1 | Diversity of governance bodies and employees | 27, 98 | Diversity and Equal Opportunities |
| 405-2 | Ratio of basic salary and remuneration of women to men | 98 | Diversity and Equal Opportunities |

| GRI Standard | Disclosure | Page in Report | Sections of the Report |
|---|--|----------------|--|
| GRI 406 (2016): NON-DISCRIMINATION | | | |
| 3-3 | Management of material topics | 36 | Business ethics and compliance |
| 406-1 | Incidents of discrimination and corrective actions taken | 36 | Business ethics and compliance |
| GRI 413 (2016): LOCAL COMMUNITIES | | | |
| 3-3 | Management of material topics | 114 | Interaction with Local Communities and Charity |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | 114 | Interaction with Local Communities and Charity |

Appendix 2.

Abbreviations and Contractions

| Term | Definition |
|--------------------------|--|
| Ar | Argon - inert gas |
| «Atameken» NEC RK | «Atameken» National Chamber of Entrepreneurs |
| ACEMS | Automated commercial electricity metering system |
| ACS | Ammonium carbon salts |
| AMS | Automated monitoring system |
| AMS | Administrative and managerial staff |
| ARD | Acute respiratory disease |
| ARVI | Acute respiratory virus infection |
| BAT | Best Available Technology |
| BoD | Board of Directors |
| CBAM | Carbon Border Adjustment Mechanism |
| CER | Comprehensive Environmental Permit |
| CFP | Carbon footprint of products |
| CFR | Centre of Financial Responsibility |
| CH ₂ O | Formaldehyde |
| CH ₄ | Methane |
| Chlorella vulgaris | Chlorella is a one-celled protozoa alga, which inhabits bodies of fresh water. The main feature of this plant is its ability to intensely generate oxygen. |
| CIS | Commonwealth of Independent States |
| CIW | Construction and installation works |
| CO | Carbon monoxide |
| CobIT | Control Objectives for Information and Related Technologies |
| Corporate Value Chain | The value chain is an instrument of a strategic analysis aimed at a detailed study of the entity's activity for the purpose of strategic planning |
| DAE | Department of Automation and Energy |
| DEOS | Department ecology and occupational sanitation |
| DMT | Department of Material and Technical Supply |
| DPC | Department of Production Control |
| DSD | Department of sustainable development |
| ELV | Emission Limit Values |

| Term | Definition |
|---------------|---|
| EP | Environmental protection |
| ES | Emergency situation |
| ESG | Environmental, Social, Governance |
| ETS | Emissions Trading System |
| EU | European Union |
| GHG | Greenhouse gases |
| GHG Protocol | Greenhouse gas protocol is a world standard to account for carbon dioxide emissions |
| GRI | Global Reporting Initiative – Global initiative on reporting in the area of sustainable development |
| GWS | Goods, work and services |
| IFRS | International Financial Reporting Standards |
| IPCC | Intergovernmental Panel on Climate Change |
| IRD | Internal Regulatory Document |
| IS | Information security |
| ISA | International Standards on Auditing |
| ISMS | Information security management system |
| ISO | International Organization for Standardisation |
| ISO 14001 | International standard - Environmental management systems – Requirements with guidance for use |
| ISO 50001 | International standard - Energy management systems — Requirements with guidance for use |
| ISO/IEC 27001 | It is an international standard to manage information security developed jointly by the International Organization for Standardisation and the International Electrotechnical Commission. |
| ISO/IEC 27002 | International standard - Information security, cybersecurity and privacy protection — Information security controls |
| JSC | Joint-stock company |
| Kr | Krypton - inert gas |
| KYC | Knowing your customer is a requirement, obligatory examination of personal data of a customer, as a rule, by a financial organization or another company working with financial funds of customers. |
| LLP | Limited Liability Partnership |
| LTIFR | Lost Time Injury Frequency Rate |
| MAEK | Mangystau Nuclear Power Engineering Plant |
| MM | Mass media |
| MMC | Mining and Metallurgical Complex |

| Term | Definition |
|-------------------------------|--|
| MoE | Ministry of Education |
| N ₂ O | Nitrogen oxide |
| NO | Nitrogen monoxide |
| NO ₂ | Nitrogen dioxide |
| NPO | NPO: Non-Profit Joint Stock Company |
| OHM system | Occupational health management system |
| OHS | Occupational Health and Safety |
| OHS | Occupational health and safety |
| OS | Occupational safety |
| POP | Persistent organic pollutants |
| PPE | Personal protective equipment |
| R&D | Research and development |
| RES | Renewable Energy Resources |
| RK | Republic of Kazakhstan |
| RRL | Radio-relay link |
| RSE on REM | Republican State Enterprise on the Right of Economic Management |
| SCE | State Communal Enterprise |
| SCGE | State Communal Government Enterprise |
| Scope 1 | Scope 1- direct emissions of the enterprise itself |
| Scope 2 | Scope 2 - emissions related to consumed acquired energy (considering sources it receipts) |
| Scope 3 | Scope 3 - emissions throughout the life cycle of the product (procurement of raw materials and component parts, delivery, sale, use, utilization of goods) and at the stage of transportation of employees |
| SDG | Sustainable Development Goal |
| SO ₂ | Sulphur oxide |
| SS | Safety System |
| TCO | Technical Security Equipment |
| UN | United Nations |
| United Nations Global Compact | UN Global Compact |
| VOC | Volatile organic compounds |
| WG | Working group |
| Xe | Xenon- inert gas |



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