

STRATEGY AND PORTFOLIO MANAGEMENT COMMITTEE



STATEMENT BY THE CHAIRMAN OF THE STRATEGY AND PORTFOLIO MANAGEMENT COMMITTEE

In 2019, the Strategy and Portfolio Management Committee focused on KMG's long-term strategy, with a particular emphasis on its gas strategy. The Committee's overall responsibility is ensuring organic and M&A growth of reserves and production. Particular attention during the year was paid to exploration projects, including M&A opportunities. At every meeting, the Committee heard progress reports on major fields such as Kashagan, Karachaganak, and Tengiz, as well as status reports on transformation, privatisation, and divestment programmes. The Committee continued cross-segment reviews of the Company's value chain, designing an adjustment plan, and making deep-dives into oil and gas transportation and marketing.

The Committee also initiated a review of the concept of managing KMG's subsidiaries and associates via Boards of Directors/supervisory boards to effectively cascade KMG's decisions down to its subsidiaries and associates. The Committee continued its extensive involvement in building a new procurement system that prioritises quality over cost. The Committee strongly focused on building a competitive environment for oil-field services, as well as on increasing accountability for delayed procurement.

In particular, the Committee concentrated on the efforts of LLP KMG Engineering in building competence centres, including projects for promoting technical competency standards. The Committee reviewed detailed benchmarking to measure losses at Company's refineries.

Alongside other strategic issues relating to the Board of Directors, the Committee considered opportunities for enhancing KMG's equity story. The Committee focused on building KMG's investment portfolio, reflecting project prioritisation, and establishing criteria for making investment decisions, including minimum return requirements, and funding sources and arrangements.

In 2019, the Strategy and Portfolio Management Committee held five meetings and reviewed 125 issues.

Members:

1. Stephen James Whyte –Chair since May 2018;
2. Christopher John Walton - Member since August 2017;
3. Uzakbay Karabalin - Member since August 2017;
4. Baljeet Kaur Grewal - Member since August 2017;
5. Philip John Dayer - Member since May 2018;
6. Luís Maria Viana Palha Da Silva - Member since June 2019;
7. Anthony Espina - Member since June 2019.

The Committee identified and supported a material M&A opportunity as well as reviewing smaller acquisition and divestment transaction in the course of the year.

The Committee amended the procedures to better incorporate the need for Ultimate Beneficial owners to be identified in all transactions as well as requiring Compliance and other reviews in all transactions.

Stephen Whyte
Chairman of the Strategy and Portfolio Management Committee
Independent Director

KEY ISSUES REVIEWED BY THE STRATEGY AND PORTFOLIO MANAGEMENT COMMITTEE IN 2019:

- KMG's gas strategy. Strategy for building a competitive environment for oil-field services
- Approval of amendments and additions to KMG's Development Strategy
- Mature field strategy
- Approval of the Road Map for KMG's Digital Transformation Programme for 2019–2024
- Transformation Programme of KMG under KMG Group's Privatisation and Divestment Programme
- Concept of managing KMG's subsidiaries and associates via Boards of Directors/supervisory boards. Identifying KMG's business unit to allocate ownership for aligning KMG's innovative and budgeting efforts to support R&D or innovation projects
- Signing off investment projects
- Reviewing the Consolidated Development Plan of KMG for 2020–2024
- Information on fuel lost or burnt at refineries
- Full cross-segment review of the value chain
- Crude oil distribution in the domestic market
- Production of coal bed methane from the Karaganda Coal Basin
- Updates on KMG's investment portfolio for 2020–2024
- Exploration projects
- The adoption of a Development project Stage Gate Management process to improve project management performance and capital expenditures planning.

Attendance by members at Committee meetings in 2019

Committee members	Meeting No. and date					Attendance %
	1/2019 05.03.19	2/2019 07.05.19	3/2019 03.07.19	4/2019 03.09.19	5/2019 05.11.19	
S. J. Whyte	+	+	+	+	+	100
C. J. Walton	+	+	+	+	+	100
P. J. Dayer	+	+	+	+	+	100
U. S. Karabalin	+	+	+	+	+	100
B. K. Grewal	+	+	+	+	+	100
L. M. Palha ¹			+	+	+	100
A. Espina ²			+	+	+	100

¹. Elected to the Board of Directors of KMG as a member /an independent director of KMG on April 29, 2019.

². Elected to the Board of Directors of KMG as a member/representative of Samruk-Kazyna JSC on May 20, 2020.