

HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABLE DEVELOPMENT COMMITTEE



STATEMENT BY THE CHAIRMAN OF THE HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABLE DEVELOPMENT COMMITTEE

I am pleased to inform you that the new Health, Safety, Environment and Sustainable Development Committee was launched under the Board of Directors at KMG in 2019 as part of KMG's commitment to the health, safety environment and Sustainable Development Goals (SDGs).

The Committee had three meetings during the year, reviewing 36 issues related to HSE, strategic management of ESG aspects, and sustainability reporting.

Given the particular focus on industrial safety issues, the Committee conducted in-depth reviews of safety management metrics and methods at each of our facilities and at our contractors. The official statistics and work-related incident investigations suggest that the majority of incidents have recently been linked to contractor activities, emphasising the pressing need for KMG to develop company-wide capabilities in contractor management. As part of our efforts to improve stakeholder engagement and enhance supplier responsibility, we plan to develop and approve a framework document outlining the Company's core principles and expectations from stakeholders – the Supplier HSE Responsibility Code. In this way, we were able to conduct an end-to-end review to gain a better understanding of how management takes action to improve safety performance and how we can improve the security culture at all levels of the organisation.

Transparency in our sustainability reporting was an important focus during the year, with the Company making certain progress. In 2019, we were the first oil and gas company in Kazakhstan to publish a report on greenhouse gas (GHG) emissions (Scope 1, 2 and 3) under the Carbon Disclosure Project (CDP). We were assigned a "C" rating, outperforming our international peers on this measure. We also continue publishing our Sustainability Reports, and in 2019 KMG

Members:

1. Philip John Dayer – Chair since December 2018;
2. Christopher John Walton – Member since December 2018;
3. Stephen James Whyte – Member since December 2018;
4. Karabalin Uzakbay Suleimenovich – Member since May 2019;
5. Luís Maria Viana Palha Da Silva – Member since June 2019.

was the first oil and gas company in Kazakhstan to have its Sustainability Report verified to GRI Standards, obtaining the GRI stamp. According to the KMG Corporate Governance Code and Development Strategy, long-term sustainability is one of KMG's key strategic goals and objectives, which is aligned with the Fund's vision, the Development Strategy of Kazakhstan, and the global investor community agenda.

The Board of Directors reaffirms its strong focus on ecology, environmental protection, health and safety of KMG employees across the Group's operations, as well as on building a talent pipeline and committing to universally recognised Sustainable Development Goals by delegating these issues to the newly established Committee.

Our agenda for 2020, same as last year, will focus on the key themes of safety, health, environmental protection, and ethical behaviour. We will also continue efforts to align the Company's sustainability agenda with global best practices.

Philip John Dayer
Chairman of the Health, Safety, Environment and Sustainable Development Committee
Independent Director

KEY ISSUES REVIEWED BY THE COMMITTEE IN 2019:

- Improving the transparency and quality of reporting by business units, and more effective management of issues relating to the Committee
- Obtaining ESG ratings from reputable international rating agencies
- Independent audit and verification of KMG’s 2018 Sustainability Report
- Identification of potential safety threats, prevention of high-risk employee health and safety incidents
- Accounting for climate risks, such as water risk, GHG risks, flaring risk, and risks associated with changes in Kazakhstan’s environmental laws
- Contractor engagement on HSE, and increasing supplier responsibility
- Conducting specialised internal HSE audits and review of audit results
- Detailed analysis of environmental fines and penalties imposed on KMG Group, and review of corrective actions
- Taking a holistic view of waste management: waste accounting, identification and disposal of different types of waste across KMG Group
- Embedding the UN Sustainable Development Goals (SDGs);
- Establishing a balanced framework of sustainability KPIs for the Company and individual managers
- Investigations and prevention of fatalities, traffic accidents and safety incidents, applying sanctions to managers based on incident investigation results
- Defining leadership in environmental protection and management, participation in drafting Kazakhstan’s environmental laws
- Culture, training and accountability of managers and employees of KMG and its subsidiaries

DOCUMENTS AND REGULATIONS REVIEWED AND APPROVED BY THE COMMITTEE IN 2019:

- KMG 2018 Sustainability Report
- KMG Group’s Sustainability Management Guidelines
- KMG’ Occupational Health and Safety Policy
- KMG’ Environmental Policy
- KMG’ Policy on Alcohol, Narcotic Drugs, Psychotropic Substances and their Analogues
- KMG’ Policy on Safe Operation of Land Vehicles
- KMG Group’s corporate standard for engaging contractors on HSE
- KMG Group’s corporate standard for building HSE capabilities

Attendance by members at Committee meetings in 2019

| Committee members | Meeting No. and date | | | Attendance % |
|--------------------------|----------------------|--------------------|--------------------|--------------|
| | 1/2019 05.03.19 | 2/2019 02.09.19 | 3/2019 05.11.19 | |
| P. J. Dayer | + | + | + | 100 |
| C. J. Walton | + | + | + | 100 |
| S. J. Whyte | + | + | + | 100 |
| U .S. Karabalin | | + | + | 100 |
| L. M. Palha ¹ | | + | + | 100 |

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