

STRATEGY AND PORTFOLIO MANAGEMENT COMMITTEE

STATEMENT BY THE CHAIRMAN OF THE STRATEGY AND PORTFOLIO MANAGEMENT COMMITTEE



In 2020, the Committee focused on the impact of the pandemic on the Company's operations as well as on developing a crisis response strategy to mitigate the negative impact of the pandemic on the business. In the first half of 2020, the Committee discussed gas shortages, commercial options for addressing oil and gas force majeure situations, proposals to the Company's Development Plan in view of the falling oil prices, the pandemic's impact and global competition for a share in the oil market. In December 2020, the Committee requested and received information on Kazakhstan's oil and oil products market, including on the decrease in oil consumption, stabilisation measures and changes in global prices for oil products.

Since 2019, the Committee has actively focused on the Company's gas strategy, including the strategic financial model of JSC KazTransGas group and analysis of gas transportation, marketing and value chain.

Among other things, the Committee reviewed information on promising new exploration and production projects, their feasibility, involvement of strategic partners and subsequent negotiations.

The Committee also maintained its focus on the priority of quality over price in procurement, comparing the pros and cons of procurement and leasing,

discussing the new procurement model, issues with procurement at fields and ways of addressing them.

In 2019, the Committee prepared a number of recommendations on adopting project management across the Company and portfolio investment management at JSC NC KazMunayGas as well as on implementation of a stage gate system. The Company's progress in these areas was reported to the Committee in 2020 as well as information about the approved guidelines on the investment activities at JSC NC KazMunayGas and its subsidiaries and associates. The Committee provided recommendations on the components to run project assessment and factor in the Company's social projects.

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.

Philip Holland

Chairman of the Strategy and Portfolio Management Committee,
Independent Director

KEY ISSUES REVIEWED BY THE STRATEGY AND PORTFOLIO MANAGEMENT COMMITTEE IN 2020

- ◆ KMG's gas strategy
- ◆ Strategic financial model of JSC KazTransGas for 2020–2030
- ◆ Adoption of portfolio investment management at KMG
- ◆ Adoption of project management at KMG
- ◆ Information on the estimated increase in the cost of the Future Growth Project at Tengizchevroil LLP
- ◆ Results of a benchmarking survey by HSB Solomon Associates LLC comprising a competitive analysis of KPIs of KMG's refineries for 2018
- ◆ Procurement, including the new procurement model, issues with procurement for the Karaton-Sarkamys (subsalt) project, etc.
- ◆ Programme of activities undertaken upon an analysis of the oil and gas value chain (improvements to low-margin areas and oil/gas prioritization)
- ◆ Progress on improvements to the operation of brownfields
- ◆ Report on the implementation of KMG's Strategy until 2028
- ◆ Construction of a gas processing plant at the Kashagan field and its impact on KMG Group
- ◆ Draft proposals to KMG's Development Plan factoring in the falling oil prices, pandemic's impact and global competition for a share in the oil market
- ◆ Gas shortages (Chinese and Russian) and gas withdrawal
- ◆ Commercial options to address force majeure circumstances in the oil and gas industry
- ◆ Transfer of JSC KazTransGas to JSC Samruk-Kazyna
- ◆ Information on the oil and oil products market of the Republic of Kazakhstan
- ◆ Signing of contracts for the sale of oil products by KMG
- ◆ Approval of KMG's oil procurement contracts
- ◆ Return of contracted territories to the government

Members as at 31 December 2020:

1. Philip Holland – Chairman of the Committee since September 2020
2. Christopher Walton – member of the Committee since August 2017
3. Uzakbay Karabalin – member of the Committee since August 2017
4. Timothy Miller – member of the Committee since September 2020
5. Anthony Espina – member of the Committee since June 2019

In 2020, the Strategy and Portfolio Management Committee held

5 MEETINGS

and reviewed

84 ISSUES

Attendance of the Committee's meetings by its members in 2020

Committee member	Meeting No. and date					Interest, %
	1/2020 11–12 February 2020	2/2020 31 March 2020	3/2018 3 June 2020	4/2018 7 October 2020	5/2018 7 December 2020	
S.J. Whyte	+	+	+	Resigned from the Committee		100
C.J. Walton	+	+	+	+	+	100
P.J. Dayer	+	+	+	Resigned from the Committee		100
U.S. Karabalin	+	+	+	+	+	100
B.K. Grewal	+	+	+	Resigned from the Committee		100
L.M. Palha	+	+	+	Resigned from the Committee		100
A. Espina	+	+	+	+	+	100
P.M. Holland				+	+	100
T.G. Miller				+	+	100