



**REPORT ON PERFORMANCE
OF THE NOMINATION AND REMUNERATION COMMITTEE OF
THE BOARD OF DIRECTORS OF JSC NC “KAZMUNAYGAS” FOR
THE YEAR 2018**

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GENERAL INFORMATION

We present our annual report on the work of the Nomination and Remuneration Committee of the Board of Directors of JSC NC “KazMunayGas” (hereinafter – the Committee and KMG, respectively).

The Committee is an advisory body of the KMG Board of Directors and all of its resolutions are recommendations on items submitted to the KMG Board of Directors for consideration.

Composition of the Committee (as at 31 December 2018)

The Committee must be formed out of members of the Board of Directors and experts that have required professional knowledge to be able to sit on the Committee. The Committee must comprise at least 3 members, most of those members being Independent Directors of the KMG Board of Directors. Members of the Committee must be elected by the KMG Board of Directors, while the Chairman of the Committee must be elected from among Independent Directors.

The composition of the Committee was changed by resolution of the KMG Board of Directors dated 31 May 2018, following the appointment of Philip Dayer to KMG and the Committee.

The Committee consists of 5 members of the KMG Board of Directors:

Yerlan Urazgeldiyevich Baimuratov – Chairman of the Committee, member of the Board of Directors of KMG – Independent Director.

Christopher John Walton – member of the Committee, Chairman of the KMG Board of Directors - Independent Director.

Stephen James Whyte – member of the Committee, member of the KMG Board of Directors – Independent Director.

Philip John Dayer – member of the Committee, member of the KMG Board of Directors – Independent Director.

Uzakbay Suleimenovich Karabalin – member of the Committee, member of the KMG Board of Directors – representative of Samruk Kazyna JSC.

Chairman of the Committee Yerlan U. Baimuratov and members of the Committee Christopher John Walton, Stephen James Whyte and Philip John Dayer are Independent Directors of the KMG Board of Directors and meet the criteria set for an Independent Director.

The Corporate Secretary of KMG performs the functions of the Secretary of the Committee.

Role of the Committee

The objectives, functions and powers of the Committee are set out in internal regulations.

The Committee makes recommendations on following matters:

- succession planning of the Board of Directors and the Management Board of KMG;
- remuneration of the Management Board;
- motivational key performance indicators of the members of the Management Board;

a regular and unbiased assessment of the performance of the Board of Directors, the Management Board, the Corporate Secretary and certain employees of KMG; and

- an effective HR Policy, the systems of compensation and bonus, social support, professional growth and training of officers and employees of KMG.

KEY ACTIVITIES OF THE COMMITTEE IN THE YEAR 2018

Meetings

The Committee holds at least 4 in-person meetings a year.

During 2018 the Committee held 10 meetings in which it reviewed 71 items and made relevant recommendations to the KMG Board of Directors on those items.

Amongst other matters, the Committee reviewed at its meetings and made relevant recommendations to the KMG Board of Directors on the following items:

- ✓ the composition of the Management Board of KMG;
- ✓ the composition of the Board of Directors of KMG;
- ✓ the composition of Committees of the Board of Directors of KMG;
- ✓ the composition of supervisory boards of subsidiaries and affiliates (KazMunayTeniz JSC Offshore Oil Company, KMG Karachaganak LLP);
- ✓ the early termination of powers of CEOs of subsidiaries and affiliates (AstanaGaz KMG JSC, KazMorTransFlot National Maritime Shipping Company JSC);
- ✓ the Compliance Service of KMG:
 - approval of Terms of Reference for the Compliance Service of KMG;
 - grade for the position of Compliance Officer of KMG;

- appointment of Compliance Officer of KMG;
- approval of job description for the Compliance Officer of KMG.
- ✓ the Ombudsman of KMG:
 - approval of job description for the Ombudsman of KMG;
 - candidates for the position of Ombudsman of KMG.
- ✓ the Scorecards of Motivational KPIs of executives of KMG and their targets for the year 2018;
- ✓ the Scorecards of Motivational KPIs of the Corporate Secretary of KMG and his targets for the year 2018;
- ✓ the structure of the head office of KMG;
- ✓ Information about the possibility of paying fees to members of the Board of Directors for attending conferences, forums, etc;
- ✓ setting the amount of bonus for executives of KMG for their performance over the year 2017;
- ✓ approaches toward setting salaries for employees hired by KMG from KazMunaiGas Exploration & Production;
- ✓ the reports of the Corporate Secretary Service of KMG;
- ✓ the skills and expertise required in the Board of Directors;
- ✓ the grades for job titles, and salary schemes for those executives of KMG that have moved to a grading-based pay structure;
- ✓ the HR Policy of KMG for 2018-2028;
- ✓ follow-up report on the HR Policy of KMG for 2017-2021; and,
- ✓ the Code of Ethics of KMG.

KMG's officers and employees were regularly invited to attend the Committee's meeting but those attendees were not entitled to vote at a meeting. The KMG Board of Directors adopted each of recommendations made by the Committee.

Meetings attended by members of the Committee in 2018											
Number and date of the meeting of the Committee	1/2018 24.01	2/2018 15.02	3/2018 28.03	4/2018 10.05	5/2018 30.05	6/2018 25.07	7/2018 13.09	8/2018 02.10	9/2018 23.10	10/2018 28.11	attendance, percentage-wise
Duration	10.00-11.20	13.30-14.30	10.00-10.30	12.00-14.00	14.00-15.00	10.00-11.50	15.00-15.30	15.50-18.40	10.00- 11.00	14.00- 16.55	
Name of Committee member											
Ye.U. Baimuratov*	+	+	+	+	+	+	+	+	+	+	100%
C.J. Walton	+	+	+	+	+	+	+	+	+	+	100%
S.J. Whyte	+	+	+	+	+	+	+	+	+	+	100%
U.S. Karabalin	+	+	+	+	+	+	+	+	+	+	100%
P.J. Dayer	<i>Not a member of the Committee</i>					+	+	+	+	+	100%

On 4 January 2019 Yerlan Baimuratov resigned from the Board of Directors of KMG and the Committee and Philip Dayer was appointed acting chairman of the Committee.

CONCLUSION

During 2018, the Committee:

- adhered to the provisions of the Charter of KMG, the Corporate Governance Code of KMG and the internal regulations while performing its work;
- rendered assistance to the Board of Directors of KMG; and
- fully implemented its goals and objectives.

Chairman of the Committee

Philip Dayer