

Message from the Chairman of the Management Board

GRI 102-10, 102-14, 102-44

Dear readers,

I am glad to present to your attention the KMG Sustainability Report for 2018.

Consistently implementing new changes in business processes, we strive to ensure compliance of our activities with the principles of sustainable development, consistency of our economic, environmental and social goals.

In 2018, we approved a new Strategy for the Company's development for a ten-year period. And one of the important strategic goals of the Company was to revise our management policy taking into account the components of sustainable development and to set performance targets for the new level of development. This initiative is fully consistent with the strategic goals and our shareholder – the Fund "Samruk-Kazyna". Sustainable development for us is a significant component of corporate governance.

Over the past 4 years, we have done tremendous work in the field of occupational health, industrial safety and the environment, at that 2018 was the best year in terms of safety and health. We achieved our goal to join the top 20 global industry companies in terms of safety by 2020 in terms of the fatality rate, and by 2020 the Company expects to join the top in terms of injury rate.

Now, we focus on transparency of environmental reporting. This is also one of the new initiatives that



will have a positive impact on our goodwill and reputation of our company. The more transparent we are, the more attractive we are to investors and other stakeholders. For the second year in a row, KMG holds the highest place in the Rating of openness of oil and gas companies of Kazakhstan in the field of environmental responsibility.

Last year, the Company was focused on improving financial stability and we managed to cover losses and significantly improve our financial performance. In 2018, the KMG external debt was also reduced, limits on investments were set and the regulations were adopted for project deadlines. We were also able to bring non-core activities into the market environment, which allowed us to reduce duplicate functions, such as KMG-Retail LLP (gasoline stations network), Kazakh-British Technical University JSC, and KMG-Service Georgia. A significant event of the year was the completion of the modernization of oil refineries. The plants fully provided the domestic market with their own oil products of environmental class K4, K5 (Euro-4, Euro-5 standards), a contract was signed for increasing the export of Kazakh gas to China from 5 billion to 10 billion cubic meters per year, work on gasification of the regions of the Republic was continued.

During the year, we continued to actively implement the Transformation Program. According to the new management model, one of the major sub-holdings, KMG Exploration and Production, merged with us in 2018. Now production assets are managed directly by KMG. The holding structure continues to improve business processes, simplify the management system and improve the quality of works performed.

As one of the largest employers in the country, we strive for high social orientation, which is based on the principles of partnership with employees and trade unions. We are focused on promoting productive employment, ensuring decent work and working conditions, training and education of employees, promoting the development in the regions where we operate.

Next year we are aimed at ensuring our investment attractiveness by increasing the transparency of activities, the level of environmental and social responsibilities of business, as well as improving the indicators of long-term sustainability.

Sincerely, Alik Aidarbayev