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**ACTIVITY REPORT OF THE STRATEGY AND PORTFOLIO  
MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS OF  
JSC NC “KAZMUNAYGAS” FOR 2022**

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## ADDRESS OF THE CHAIRMAN OF THE COMMITTEE

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Dear Readers,

We bring to your attention the annual report on the activities of the Strategy and Portfolio Management Committee of the Board of Directors of JSC NC “KazMunayGas” for 2022.

The main role of the Committee is to assist the BoD on the issues of Development Strategy, priority areas of activity and investment policy of the Company, increasing its investment attractiveness, ensuring proper planning of financial and economic activities.

In addition to the main statistical information about the Committee's activities, this report also contains information on the key areas of the Committee's activities.

In 2022, the Committee continued to monitor the implementation of the KMG Development Strategy along with a critical assessment of its relevance to the current realities and relevance of the set strategic objectives.

For example, during the year, the Committee considered KMG's operations in the context of major exogenous events: COVID, the Ukraine conflict and social unrest.

Another important issue the Committee paid attention to was KMG's business plan and related issue of determining the balance between the number of dividends, the volume of investments and ensuring KMG's financial stability taking into account the Company's IPO.

The Committee paid particular attention to a new area of activity for KMG - the petrochemical projects.

Traditionally, the Committee considered topical issues of KMG's non-operational production assets - the Kashagan, Tengiz and Karachaganak projects.

The abovementioned and other issues were considered by the Committee through the prism of the complexity of the Company's business, its historical status as a national company and, accordingly, the need to comply with the strategy of the RoK and the majority shareholder - JSC “Samruk-Kazyna”, complicated by KMG's IPO and the appearance of minority shareholders and a wider range of stakeholders.

With this in mind, the Committee in its activities adhered to the principle of making consistent and balanced decisions aimed at implementing KMG's Development Strategy.

Yours sincerely,  
**Christopher Walton**  
Chairman of the Committee

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## GENERAL INFORMATION

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### 1. Introduction

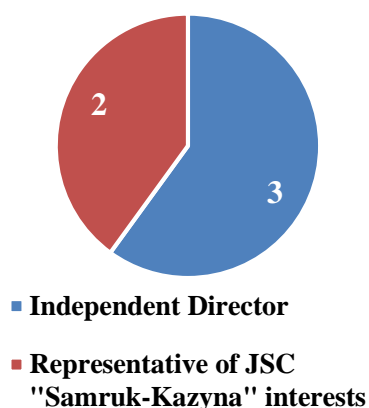
The Committee is an advisory and consultative body of the BoD and is established to consider the most important issues and prepare recommendations to the BoD and the executive body of KMG within its competence as defined by the Regulation on the Committee. In accordance with clause 3.2.5. of the Regulation on the Committee, an Activity report of the Committee shall be submitted to the BoD once at the end of a calendar year.

Regulation on the Committee was approved by the decision of the KMG BoD of December 12, 2018 (Minutes No. 19/2018, item 27), the Committee has been operating since 2012.

The functions of the Secretary of the Committee are performed by the Corporate Secretary of KMG.

### 2. Composition of the Committee

The Committee is composed of the BoD members and experts who have the necessary professional knowledge to serve the Committee. The Committee consists of at least three members, most of whom must be Independent Directors.



The composition of the Committee is elected by the BoD, and the Chairman of the Committee is elected from among the Independent Directors.

The composition of the Committee was re-elected by the resolution of the BoD of 15 June 2022 (Minutes No. 11/2022, item 8) due to changes in the membership of the BoD.

Thus, by the above-mentioned resolution, C.J. Walton was elected as the Chairman of the Committee.

### Members of the Committee (as to date December 31, 2022):

Member of the Committee	Position	Date of election	Country
Christopher John Walton	Chairman	September 24, 2014	Great Britain
Timothy Glen Miller	member	September 3, 2020	USA
Philip Malcolm Holland	member	September 3, 2020	Great Britain
Uzakbay Suleimenovich Karabalin	member	February 24, 2016	Republic of Kazakhstan
Yernar Beisenuly Zhanadil	member	April 6, 2022	Republic of Kazakhstan



**Christopher John Walton** – Chairman of the Committee, Chairman of the BoD – Independent Director.

In addition to being chairman of the BoD, C.J. Walton also serves as a non-executive member of the Royal Navy's National Shipbuilding Strategy Client Board. He is Master of the Guild of Freemen of the City of London and is a Trustee of the Guild's charity.

In the past, Chris Walton held the positions of the Chairman of ship operator Goldenport Holdings; coalminer Asia Resource Minerals Plc; and Lothian Buses Plc. He held the post of Senior Independent Director and Audit Chair of oil exploration company Rockhopper Exploration Plc; Audit Chair of JSC "Kazakhstan Temir Zholy"; and has been a non-executive on several UK Government Boards. From 2002 until 2005 he was a Member of the Regional Economic Advisory Council of the Bank of England (SE England & Anglia).

C.J. Walton also served as CFO of "EasyJet Plc", where he successfully led the company's IPO. In various years C.J. Walton worked for major companies "BP Australia", "Qantas Airways", "Air New Zealand", "Australia Post" and "Australian Airlines".



**Timothy Glen Miller** – member of the Committee, member of the BoD – Independent Director. T.G. Miller has had a long career in various divisions of "Chevron" Corporation around the world, where he held positions of country manager, senior vice president, managing director and advisor to the President. T.G. Miller is an experienced manager in the field of management and operations in the oil and gas industry in Kazakhstan. Between 2010 and 2015, he served as a General director of LLP "Tengizchevroil" in Atyrau. Then, during the

period from 2015 to 2018, he was appointed as a Managing Director of the Eurasia business unit of "Chevron" Corporation in Almaty. He led the coordination of "Chevron" and "ExxonMobil" to approve the next development of the Tengiz field. He also managed the completion of the Caspian Pipeline Consortium (CPC) expansion project under the Chevron project. Worked with partners and the Government of the RoK to develop an agreement (Memorandum of Understanding) necessary to approve the Future Growth Project for the Tengiz field.

Since 2019 he has been executive and senior advisor for Integrated Global Services (IGS).



**Philip Malcolm Holland** – member of the Committee, member of the BoD – Independent Director. Ph.M. Holland has managed major oil and gas projects for “Bechtel” Corporation around the world, joined “Shell” Corporation in 2004, and served as executive vice president of projects at “Shell Global Solutions”. Ph.M. Holland is an expert in cross-functional work processes related to conceptual and detailed design and engineering, procurement, construction, commissioning, planning, cost control and financial management for large-scale projects.

In 2009, Ph.M. Holland became executive Vice President of Downstream Projects for “Shell” newly formed projects and technology business. Ph.M. Holland has extensive experience and knowledge in the oil and gas industry in Kazakhstan. In 2010 he was appointed as Director of Kashagan Phase 2 Project in the RoK. He also has experience in "Karachaganak" project design, procurement and construction in Aksai, in connection with safety system upgrades in Unit 3 of Gas/Condensate Separation Unit. Moreover, Ph.M. Holland assisted in the development of the Full Field Development Plan for this project.



**Uzakbay Suleimenovich Karabalin** – member of the Committee, non-executive member of the BoD – representative of JSC “Samruk-Kazyna” interests. At various times, U.S. Karabalin has held senior positions in the executive authorities of the RoK, regulating activities in the oil and gas industry. He worked in various national companies in the RoK for a long time, where he held the positions of General director and vice president. In different years, he held the positions of vice president of corporate development, director of perspective development, vice president of perspective development, and first Vice President of the “National oil and gas company “Kazakhoil””. In 2013, he was appointed as Minister of Oil and Gas of the RoK, with subsequent reappointment.

U.S. Karabalin has received numerous state and international awards, orders and honorary titles.





**Yernar Beisenuly Zhanadil** – member of the Committee, member of the BoD – representative of JSC “Samruk-Kazyna” interests. At various times, he worked at “Phillip Morris Kazakhstan”, LLP “ElitStroy”, and an international audit firm “PricewaterhouseCoopers”. In JSC “Samruk-Kazyna” he headed the Internal audit service, held the position of financial controller and managing Director of Economics and Finance, Investment, Privatization and International Cooperation, Development and Privatization.

Thus, the members of the Committee have a sufficient combination of academic and practical knowledge, production and management experience and skills to make a balanced contribution to the effective operation of the Committee, taking into account the interests of different parties.

### Committee members' attendance at meetings in 2022

Number and date of the Committee meeting	1/2022 01.02	2/2022 05.04	3/2022 14.06	4/2022 6.09	5/2022 1.11	Participation rate, %
<b>Duration</b>	12.52-15.39 (167 minutes)	15.52- 18.17 (145 minutes)	13.30-15.20 (110 minutes)	12.00-16.40 (280 minutes)	12.30-15.20 (170 minutes)	
<b>Number of items</b>	<b>21</b>	<b>10</b>	<b>12</b>	<b>19</b>	<b>15</b>	
C.J. Walton	•	•	+	+	+	100%
Ph.M. Holland	•	•	+	+	+	100%
T.G. Miller	•	•	+	+	+	100%
U.S. Karabalin	•	•	+	+	+	100%
Ye.B. Zhanadil	Was not the Committee member		•	-	-	33,3%

+ *in-person participation by personal presence*

• *in-person participation via audiovisual communication*

- *non-participation*

### 3. Objectives of the Committee

The Committee develops and provides recommendations to the BoD on:

- KMG's development strategy and investment policy, including KMG's priority areas of activity;
- improving the investment attractiveness of KMG;
- ensuring proper planning of KMG's financial and economic activities;

- ensuring the implementation of innovations in KMG;
- monitoring of KMG transformation.

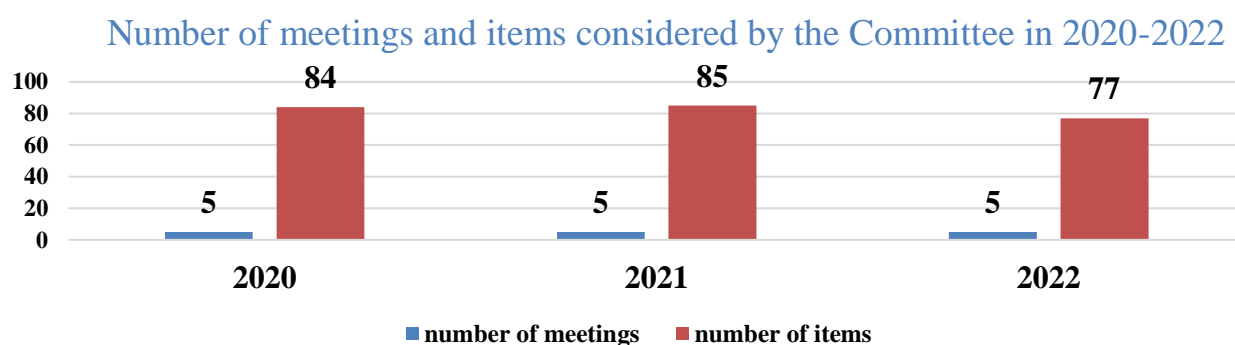
The objectives, functions and powers of the Committee are disclosed in more detail in the Regulation on the Committee available on the KMG website.

## MAIN ACTIVITIES OF THE COMMITTEE IN 2022

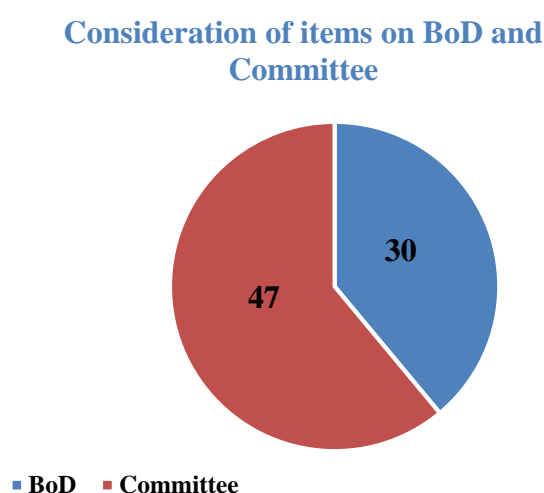
### 1. Committee's activities in figures

In 2022, the planned number of the Committee meetings (5) was held, which corresponds to the number of meetings in the year.

In 2022, the number of the Committee meetings was unchanged compared to 2020 and 2021, and the number of items considered decreased from 84 and 85 to 77 compared to 2020 and 2021, respectively.



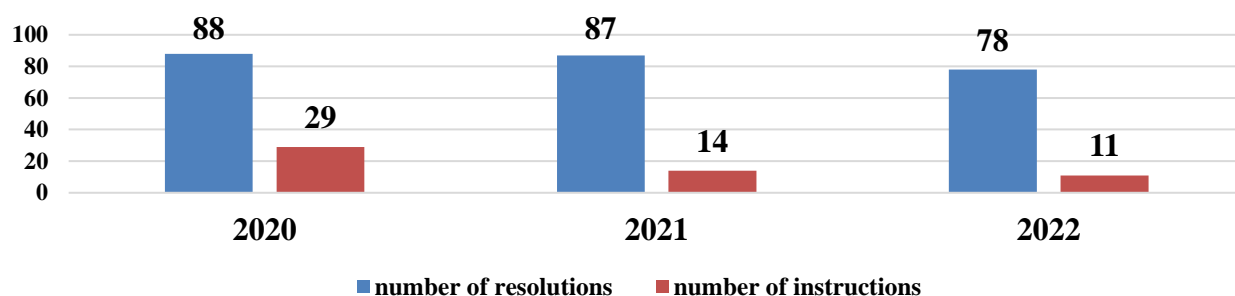
Number of items submitted after the Committee to the BoD, and number of items considered only within the Committee



Out of 77 items, 30 were further tabled at BoD meetings, and 47 were considered only within the Committee.

Number of resolutions and instructions of the Committee in 2020-2022





Based on the results of the Committee meetings in 2022, **78** resolutions were made and **11** instructions were formed.

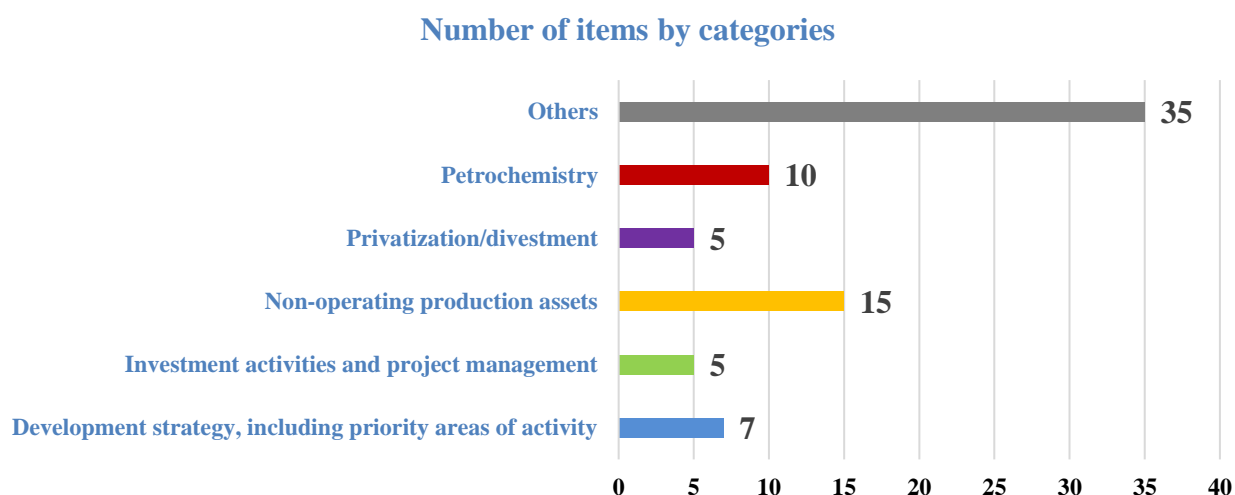
In 2022, the Committee gave **11** instructions, **9** of which have been executed and **2** instructions of the Committee are being executed on an ongoing basis.

Secretary of the Committee regularly monitors execution of the Committee's instructions and the relevant reports are submitted to each meeting of the Committee.

Officials and employees of KMG were regularly invited to participate in the Committee's meetings without the right to vote.

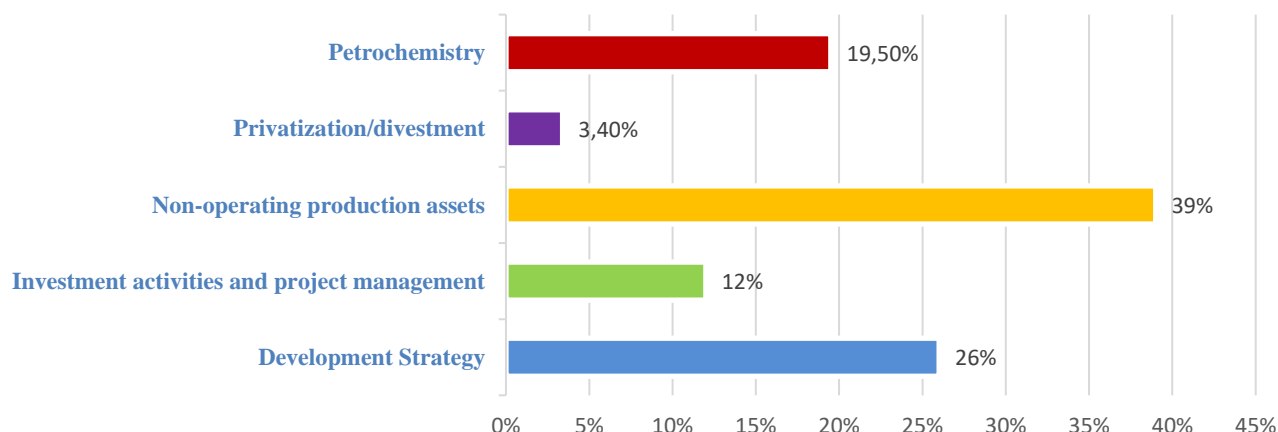
## 2. Items addressed by the Committee

Items considered by the Committee in 2022 can be roughly divided into the following categories:



Time devoted by the Committee to the above categories of items (excluding others) is shown in the chart below

### Time devoted by the Committee to the above categories of items



The Committee, among other things, carried out the following work as part of its consideration of these categories of items

### Development strategy, including priority areas of activity

In order to assist the BoD and implement the main objectives on the issues of KMG's development strategy and investment policy, including KMG's priority areas of activity, the Committee in 2022 considered, among other things, the following issues.

**Report on implementation of KMG's Development Strategy for 2022-2031.** The management provided information on the planned and actual values of implementation of KMG's strategic KPIs, strategic initiatives of KMG Development Strategy. The results were subjected to critical evaluation by the Committee.

**On changes in the process of KMG Strategy management** (KMG Strategy Management Rules, Regulations on the Executive Committee for Strategy and Key Performance Indicators), members of the Committee listened to information on the basis for the Rules: the new corporate standard for strategic and business planning of JSC “Samruk-Kazyna”; recommendations of KMG IAS on the audit of KMG strategic planning processes; lessons learned from the previous KMG Development Strategy implementation in terms of the need to strengthen the control of KMG's development.

**Report on implementation of obligations under R&D work and training under subsoil use contracts.** A report on the status of execution of orders of JSC “Samruk-Kazyna” was submitted. Updating of internal regulatory documents of KMG according to the Corporate standard on R&D work, innovations and knowledge management of JSC “Samruk-Kazyna”, planned and mastered funds, on exclusion of R&D work and training operators within KMG structure, including information on concluded contracts (counterparties, subject, terms, amounts, etc.) for R&D work and training of KMG (including the purchases made within the framework of intra-holding cooperation).

**On the causes of diesel fuel shortage.** The reasons for the temporary shortage of diesel fuel in the RoK in August and September 2022, as well as proposals for systemic measures to eliminate them, were listed for the attention of the Committee.

**Digital transformation.** The Committee considered the report on the implementation of the KMG Digital Transformation Program based on the results of 2021, as well as the interim report in 2022.

**Meeting of the BoD on Strategy (Strategic Session)**

On June 15, 2022 the annual meeting of the BoD on Strategy (Strategic Session) was held, within the framework of which the issues on the status of KMG's Development Strategy for 2022-2031, the analysis of changes in external factors and their impact on the Strategy were discussed.

Among other things, the information heard was about the retrospective analysis of the decisions made by the BoD regarding the Development Strategy and the new geopolitical reality associated with the conflict in Ukraine, in connection with which KMG continues to be under indirect pressure from sanctions restrictions. In general, the implementation, relevance and achievability of the strategic objectives were subjected to a critical assessment, taking into account the changing environment and external environment. Also, the work conducted by the Company on introducing amendments to the Tax Code of the RoK and other regulatory and legal acts aimed at improving KMG's position. The issue of the risks of the existing routes for the export of Kazakh oil origin and the development of alternative routes was considered separately.

Special attention was paid to the issue of stability of energy supply of production facilities.

In addition, a large stratum of issues discussed concerned the “green agenda”, KMG's initiatives to achieve carbon neutrality and related investment plans, strategic partnerships, interaction with the state, the majority shareholder and investors.

Special attention was paid to the Company's IPO and the associated need to maintain a balance between the number of dividends to shareholders, investment activities and ensuring the financial stability of KMG.

**Business Plan.** A special focus of the Committee was directed at reviewing the consolidated KMG Business Plan for 2023-2027.

## **Investment activities and project management**

In order to fulfill the objectives of the Committee in the field of improvement of KMG's investment attractiveness and implementation of Strategic Objective 1 “Sufficient resource base to ensure the Company's growth” of KMG's Development Strategy, the following issues were considered at the Committee meetings during the reporting period, among others.

**Report on implementation of Project Management System (PMS) and portfolio investment management in KMG.** The Committee was briefed by the management on the approved methodological documentation, as well as the current challenges. In addition, the Committee discussed plans to establish a KMG project management office.

**Information on the status of implementation of investment projects of KMG group of companies for the reporting period.** The Committee reviewed detailed information on all ongoing projects included in KMG's investment portfolio.

**Investment projects on subsoil use.** The Committee separately considered investment projects on subsoil use.

**Issues of portfolio assets management.** The Committee considered issues of the Caspian Pipeline Consortium, oil products supply, financing of subsoil use projects.

### **Non-operating production assets**

In order to implement the Strategic initiative on KMG non-operational assets under Strategic goal 2 “Increasing the Efficiency of the Company’s Value Chain” of KMG Development Strategy, the Committee instructed the management team to provide relevant information at each Committee meeting on KMG's non-operational production assets: Kashagan, Tengiz and Karachaganak projects.

As part of the consideration of the above-mentioned issues, the Committee regularly heard relevant information about the status of implementation and key indicators of each project separately in the following areas: health and safety, production, annual budget, marketing, local content and nationalization of personnel. Accordingly, the Committee continued the practice of reviewing in detail at each meeting the issues of major projects at the Kashagan, Karachaganak, and Tengiz fields.

### **Privatization/divestment issues**

In order to implement Strategic initiative 19 “Asset Structure Optimization” of Strategic Goal 2 “Improving the Efficiency of the Company Value Chain” of KMG Development Strategy, in the reporting period the Committee was provided, inter alia, with information on the following issues.

**Status of execution of the privatization and divestment Program for KMG group of companies.** The Committee was provided with information on the status of execution of the assets of privatization in 2022, on the status of withdrawal of assets from the KMG group of companies for 2022, as well as the List of NSA of KMG for 2023-2025.

**On approval of the Rules of restructuring of KMG's assets and (or) its subsidiaries and affiliates.** The Committee heard the information on bringing the internal documents of KMG in accordance with the Corporate Standard for the withdrawal of NSA (divestment) by organizations belonging to the group of JSC “Samruk-Kazyna” (hereinafter - the Corporate Standard). It was reported that a unified approach to the formation of the List of NSA and terms for the formation of roadmaps, as well as optimized scheme of interaction on approval was determined.

As part of the item on **approval of the List of NSA of KMG**, the Committee considered the issue of determining the NSA of KMG to be included in the List of NSA.

The issue of **approval of the roadmaps for the withdrawal of NSA of KMG** was considered by the Committee due to the fact that it became necessary to approve the roadmaps for the withdrawal of NSA of KMG in accordance with the Corporate Standard.

**Report on KMG group of companies' Privatization and Divestment Program.** The Committee was provided with information on the status of execution on the privatization assets for 2022 and 2023, as well as the List of NSA of KMG for 2021-2028.

## **Petrochemistry**

According to Strategic Initiative 21 “Development of petrochemical business” of Strategic Goal 3 “Business Diversification and Product Portfolio Expansion” of KMG Development Strategy: *“KMG will take an active part in development of the domestic petrochemical sector, considering the Government support of the petrochemical industry development, which should become another powerful stimulus for the national economy growth, since petrochemistry has a multiplier effect for the entire country”*. In this regard, the Committee heard information on the issues of investment projects being implemented by KMG in the field of petrochemistry at each meeting in 2022.

### **3. Achievements and key initiatives of the Company in 2022 in the areas of activity overseen by the Committee**

In the reporting period, under Strategic Goal 3 “Business Diversification and Product Portfolio Expansion”, the Company made significant progress in the implementation of a new strategically important area of activity - petrochemical projects.

Also, in order to ensure safe, reliable and stable power supply, KMG implements projects on development of its own power generating capacities for production assets, including alternative energy sources based on hybrid projects (wind-solar-storage).

Taking into account the current geopolitical situation, in the field of oil transportation, the Company, in cooperation with the Ministry of Energy of the RoK, together with major oil producing companies of the RoK has made progress in developing existing and new routes for supply of Kazakh oil origin for export.

The Company in cooperation with the Ministry of Energy of the RoK is working on and making progress in the issue of balancing the supply of oil products to the domestic market of the RoK, considering the disparity of prices with neighboring countries and the risk of “washing out” of cheaper domestic oil products abroad, also taking into account the seasonal demand.

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## **CONCLUSION**

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During 2022 the Committee:

- in its work was guided by the provisions of the KMG Charter, KMG Corporate Governance Code and internal documents of KMG;
- assisted in the work of the KMG BoD; and

- fully met the goals and objectives set for it.

The goals and objectives of the Committee are combined with the strategic and business initiatives stipulated by the KMG Development Strategy for 2022-2031.

It should be noted that the members of the Committee have significant experience, high professional reputation and knowledge, which positively affects the adoption of consistent and balanced decisions.

### **Priorities for 2023**

Within the framework of the Committee meeting held on November 1, 2022 (Minutes No. 5/2022), the Committee approved the Activity Plan for 2023, taking into account the following priority issues:

- issues of KMG's large non-operating production assets;
- petrochemical projects;
- improvement of KMG's investment activities;
- implementation of the KMG Development Strategy for 2022-2031;
- introduction of innovative technologies at existing fields;
- carbon neutrality issues, the “green agenda” and related investment initiatives.

**Chairman of the Committee**

**C. Walton**



### Abbreviations:

**BoD** – Board of Directors of JSC NC “KazMynayGas”;

**Committee** - Strategy and Portfolio Management Committee of the Board of Directors of JSC NC “KazMunayGas”;

**IAS** – Internal Audit Service;

**IPO** – Initial Public Offer

**KMG / Company** – JSC NC “KazMynayGas”;

**KPI** – key performance indicator;

**R&D** – research and development;

**NSA** – non-strategic assets;

**PMS** – Project Management System;

**Regulation on the Committee** – Regulation on Strategy and Portfolio Management Committee of the Board of Directors of JSC NC “KazMunayGas”, approved by the BoD resolution dated December 12, 2018 (Minutes №19/2018, item 27);

**RoK/Kazakhstan** – Republic of Kazakhstan;

**USA** – United States of America.