



Approved
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of Directors
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KAZMUNAYGAS JSC NC HR POLICY 2018-2028

Astana, 2018

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I. GLOSSARY

- HR is human resources.
- HR Function is focused on KMG human resources management (or personnel management) activities of HR departments of both the Corporate Centre and the KMG Group subsidiaries.
- HR Business Partner is responsible for constructive dialogue between the business and HR team, more precisely, its scope covers personnel-related expert and advisory support provided where strategic decisions are made, and efficient HR services delivery to the business.
- HR Unit / Personnel Unit is a subdivision responsible for staff relations, irrespective of its official status (department, unit, division, etc.).
- HR Metrics are indicators used to evaluate or measure efficiency of the entity's HR management processes.
- SMART stands for: **S**pecific, **M**easurable, **A**chievable, **R**elevant, **T**ime bound. Each letter in the abbreviation means a goal efficiency criterion.
- Outstaffing is engagement of third-party employees for production activities.
- Internal Candidates are candidates to fill in vacancies within the entity from among its internal employees.
- External Candidates are non-employee candidates to fill in vacancies within the entity.
- Internal Regulation is a document that establishes the operation procedure and method, powers of employees, subdivisions, bodies, working groups, committees and other advisory bodies, and governs the procedure of interaction between KMG and its SDE.
- Internal Trainer is a KMG employee who performs, apart from other functions, the KMG staff training.
- Grading is a structured process used to determine the relative value of each job in the entity (job evaluation) and to arrange them hierarchically.
- KMG Group is KMG and legal entities with fifty or more percent of the voting stock (equity interest) being directly or indirectly owned by or in trust management of KMG, as well as legal entities whose activities KMG is entitled to control.
- Subsidiary is a legal entity with authorised capital mostly formed by KMG or where KMG is in the position to influence the decision-making process by virtue of a contract entered into with such legal entity (or otherwise). A subsidiary shall fully participate in the KMG consolidation procedures.
- SDE – subsidiary dependent entities, including jointly-controlled entities and joint ventures of KazMunayGas JSC NC.
- Dual Learning is a form of staff training that combines learning at an educational institution with mandatory dates of attendance and on-the-job practical training, with

work places and compensations for trainees provided, subject to equal responsibility of the enterprise, the educational institution, and the trainee.

- Individual Development Plan (IDP) is an employee development tool, which describes the development goals and particular measures to increase professional skills and competencies of employees.
- Calibration Session is a meeting of corporate managers held to discuss employee performance assessment findings and talent mapping.
- HR Process Chart is a graphical description of all personnel management activities of the entity depicting successive steps and those in charge of them .
- Talent Map (9-box matrix) is a corporate talent management tool used to make grounded management decisions regarding employees based on their performance (goals and competencies/KPI) monitoring.
- Qualifying Requirements are minimum job requirements for professional education, length of service, professional knowledge and skills, and competencies to perform job duties.
- Key Performance Indicators (KPIs) are indicators of the entity's operating efficiency that enable assessment of performance both at the entity and employee levels.
- KMG is National Company KazMunayGas Joint-Stock Company.
- Corporate Culture is a combination of standards, values and beliefs of the entity, which guide and encourage the daily behaviour of its employees.
- Corporate Centre (CC) is a structural combination of KMG functions duly authorised to guide the strategy, manage the portfolio of Divisions and Business Units, the portfolio of Company assets ensuring their management, formation and enhancement of economic efficiency, value management and management of the sources of financing, shaping relations with external environment, and formation of and monitoring of compliance with the corporate policies and internal documents. Within the organisational structure – all KMG business units that report directly to the Chairman of the Board, Deputy Chairman – Chief Financial Officer, Managing Directors for Strategy, HR, Legal Support, HSE, and Transformation.
- Coaching is a manager's actions to guide and encourage an employee self-learning process to solve problems or perform work better than before.
- Personal and Business Competency is an employee's qualities and skills (personal, business, professional) that contribute to his/her effective performance.
- Personal and Business Competency Model is a skills mix that meets particular job requirements and is a must for successful performance at KMG and for achievement of the strategic goals.
- 70-20-10 Learning Model is a model where on-the-job self-learning of employees is recommended as a priority form of employee learning (70% of the whole learning process), 20% will be provided via mentoring and coaching, and 10% – via conventional seminars, trainings and other learning programmes.

- Mentoring / Mentoring Institute is a system of personnel training where a more experienced employee shares his/her knowledge with a new employee directly at the work place.
- Business Area is a complex of technologically and organisationally linked core and support production activities conducted by one or more SDE, whose development is planned and corporate governance is carried out by the relevant business area director of KMG: Upstream and Oil Service, Oil Transportation, Processing, and Marketing, Gas Transportation, Processing, and Marketing.
- Shared Services Centre (SSC) is a legal entity within the KMG Group, which controls and manages dedicated supporting processes and renders service support to in-house customers: business units and the Corporate Centre of the KMG Group.
- Job Evaluation is valuation of a job versus other jobs against a certain list of criteria.
- Personnel (HR) is all KMG employees united by business goals and business processes.
- Personnel Planning is the process of determining current and future forecast demand for human resources both quantitatively and qualitatively to supply the KMG Group with the required human resources in due time and place to ensure achievement of its goals with the highest efficiency and quality.
- Normal Distribution Curve (Gaussian curve) is a tool used to verify the adequacy of personnel performance appraisal results (generally used for a group of 20+ employees).
- Samruk-Kazyna Group Transformation Programme is a comprehensive programme to ensure continuous corporate development that covers three main areas: 1) value appreciation of portfolio companies, 2) changes in the portfolio structure and the investment approach, 3) changes in distribution of powers and responsibility in the management system of Samruk-Kazyna and its portfolio companies.
- Job Offer is a formal offer of employment, a document containing the key aspects of the job offered, such as the place of work, list of official duties, remuneration, benefits, etc.
- Employees are individuals being in the employ of KMG and acting under employment agreement.
- Line-of-Business (LOB) Manager is Deputy Chairman of the Board – Chief Financial Officer / Managing Directors / Business Unit Manager running a line of business: Economics and Finance, Strategy, HR Management, Corporate Security, HSE, Legal Support, Risk Management, Transformation (CEO-1).
- LOB / Division Manager is Deputy Chairman of the Board running a Division: Raw Hydrocarbon Exploration and Production, Service Infrastructure of Upstream Operations, Gas Transportation and Marketing, Oil Transportation, Processing and Marketing (CEO-1).
- Business Unit Managers is Corporate Security Director, Secretary of the Board, directors of directorates, departments, branches, representative offices (CEO-3).

- KMG Management (executives) is Chairman and members of the Board.
- Board of Directors (BoD) is the management body of KMG that has overall charge of the KMG activities, other than those within the exclusive competence of the General Meeting of Shareholders and the KMG Board as prescribed by the Kazakhstan laws and/or the KMG Articles of Association.
- Comprehensive Income includes annual salaries, bonuses and remuneration based on the performance for the reporting period, as well as financial assistance for the paid annual leave.
- Joint Ventures (JV) are entities with foreign ownership where the property (shares, stakes) is held by KMG and a foreign investor.
- Business Unit is an independent subdivision within the KMG organisational structure in charge of a line of business.
- Centre of Expertise (Methodology and Expertise Office under the HR Department) is a separate role within the HR function under the Ulrich Model, focused on the centralised development and improvement of processes, policies, methodologies, tools and templates in all areas of HR management within the entity.

II. INTRODUCTION

The KazMunayGas HR Policy 2018-2028 (hereinafter, the “KMG HR Policy”) is a document underlying key approaches, principles, requirements, and areas for development of the HR function in the KMG Group until 2028. For the KMG HR Policy purposes, other internal documents (e.g., policies or regulations) are to be developed and approved to detail each area of HR management with due regard to the specifics and particular aspects of different business areas of the KMG Group. Furthermore, the KMG HR Policy serves as the basis for the KMG personnel management system, and, therefore, all internal personnel management documents of KMG should be developed in line with, and shall not be in conflict with, the HR Policy. Premises of the KMG HR Policy are:

- ***Approval of a new KMG Development Strategy***

According to the KMG Development Strategy until 2028 (hereinafter, the “Strategy”):

The KMG Group mission is to ensure the maximum benefit for the shareholders for their input to the development of the national oil and gas industry.

The KMG Group vision is to become a highly efficient vertically integrated operational company that meets the highest safety and corporate governance standards.

Corporate values:

1. SAQTYQ (Safety)
2. BIRLIK (Unity)
3. SABYR (Reasonableness)
4. SAPA (Quality)

Strategic goals:

1. Create value and strengthen business solvency;
2. Increase span of control of S&A;
3. Corporate governance and sustainable development.

Effective personnel management serves as the basis for the Strategy implementation; in particular, it is one of the key factors increasing the value of the KMG Group.

Implementation of the Strategy implies implementation of the following strategic HR initiatives²:

² Conformity of the HR initiatives to the Strategy-based goals is shown in Appendix 1

- 1) Development of the corporate culture and improvement of leadership skill
- 2) Implementation of the comprehensive talent management system: from talent acquisition to succession and management of remuneration
- 3) Improvement of the qualitative staff structure with due regard to business demands
- 4) Achievement of a positive engagement rate and social stability
- 5) Unification and enhancement of HR function efficiency
- 6) Effective management of the staff size to increase performance

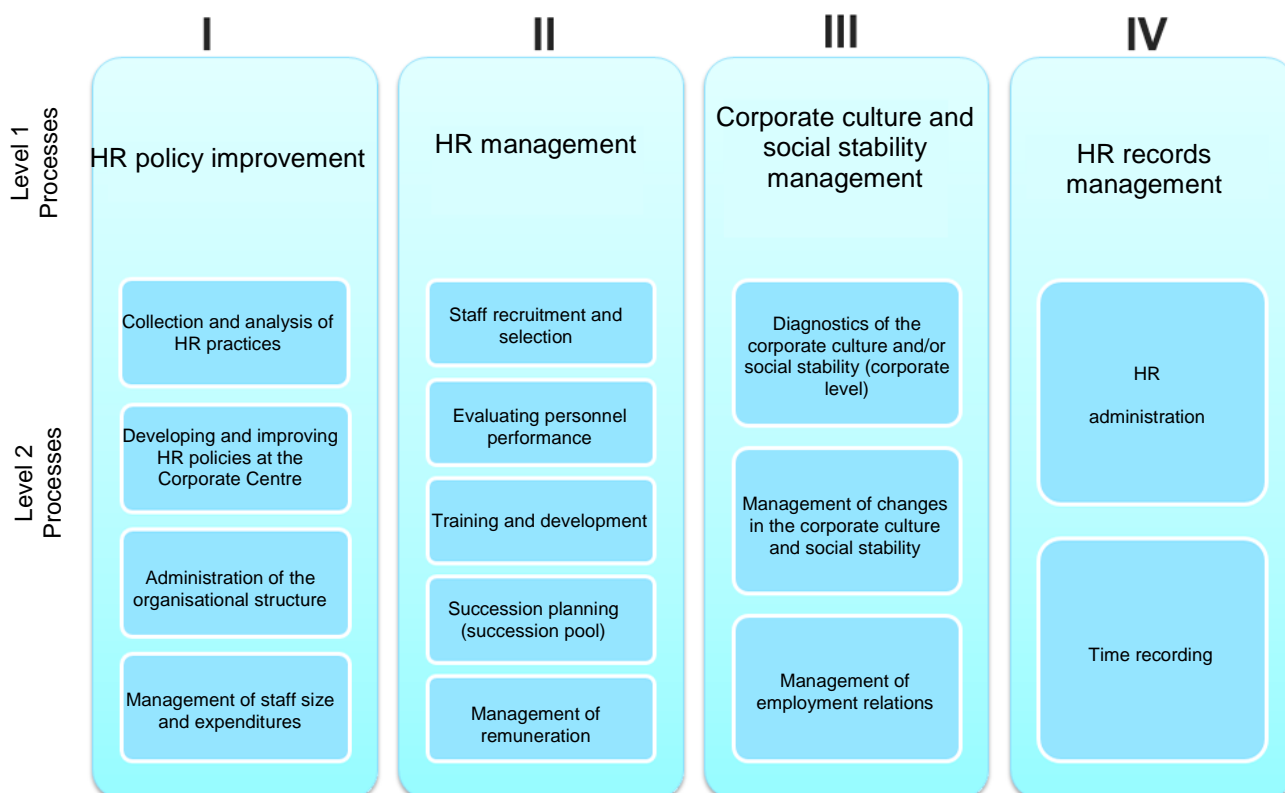
The HR initiatives suggested above were prepared on the basis of:

- 1) the updated KMG Development Strategy 2018-2028;
- 2) the shareholder's expectations for 2018-2028;
- 3) the objectives to support the achievement of business targets.

• ***Development of a target HR process model at KMG***

As part of the KMG Transformation Programme, a target KMG HR process model was developed and detailed to Process Level 3 in 2016. For the purpose of illustration, below is the description of the target model at Process Levels 1 and 2 :

Target HR process model of KazMunayGas



The key goal of transformation of the HR management function is to shift from the administrative supporting role to the one of strategic partner of the lines of business. Therefore, the target HR process model developed at KMG is focused on creating a uniform HR function within the KMG Group united by the aspiration to become more service-oriented and focused on the satisfaction of business demands and creation of added value for in-house customers (KMG employees), on the one hand, and to become more strategic and ensure comprehensive support for the KMG Strategy at the HR management level, on the other hand.

The KMG Group identified the following key success factors for transformation of the personnel management function:

- regular dialogue with the business;
- searching for solutions together with the business;
- sharing experience and best practices between the KMG Group entities;
- accumulation and preservation of knowledge within the KMG Group;
- increasing the professional level of managers.

III. ANALYSIS OF THE CURRENT SITUATION

The approach chosen to develop the KMG HR Policy implied an extended comprehensive analysis of the current situation, including: SWOT analysis, interview, and online poll of managers of different level in the KMG Group, facilitation session with HR managers and employees of HR units of S&A, review of documents, and benchmarking for the best practices within and outside the KMG Group with peer leading oil and gas companies.

- ***SWOT Analysis***

SWOT analysis was carried out during a session involving over 80 HR managers and employees of S&A.

Strengths

- The employer's strong brand;
- Focus on employees and social responsibility;
- Adequate funding for HR management activities;
- Technical review of employees;
- Strong compliance with the Kazakhstan labour laws.

Weaknesses

- Lack of powerful and efficient corporate culture;
- Poor automation of HR processes;
- Poor unification of remuneration and performance appraisal;
- Poor internal communications;
- Administrative role of the HR function;
- Lack of personal and business competencies of the KMG Group employees;
- Low level of succession;
- Overstaffing.

Opportunities

- People Transformation Programme;
- Automation of HR processes;
- Creation of the Shared Services Centre for HR;
- Availability of highly educated young professionals in the market.

Threats

- Social instability;
- Resistance to change;
- Growth of unreasoned personnel costs;
- Breach of the labour laws.

- ***Interview, online poll and facilitation session***

Analysis of the current situation by holding an interview, online poll, and facilitation session included:

- interview with 17 CEO-1, CEO-2 managers of KMG;
- online poll of 13 managers of the CC business units;
- online poll of 9 heads of S&A;
- facilitation session involving 26 HR managers and employees of the KMG Group.

- ***Review of documents***

About 30 documents were reviewed in the KMG HR Policy making process, including the following:

- KMG Development Strategy 2025;
- KMG Annual Report;
- KMG HR Policy 2017-2022 and a progress report;
- KMG viability evaluation results under the Transformation Programme;
- Reference HR management model for Samruk-Kazyna portfolio companies;
- KMG process flow chart;
- Materials of the HR forum of the KMG Group and functional committees, and others.

- ***Benchmarking***

A benchmarking against the best practices was performed as part of the KMG HR Policy development process both within the KMG Group and those of the external top oil and gas companies, such as Schlumberger, Shell, Chevron, General Electric, Lukoil³.

A comprehensive analysis of the current situation revealed the most pressing challenges of the HR function within the KMG Group, the solution whereof will contribute to the achievement of KMG strategic goals:

- 1) different levels of HR development within the KMG Group and the absence of uniform personnel management standards, approaches, and methods used throughout the KMG Group;
- 2) different levels of HR automation within the KMG Group in various IT systems;
- 3) focus on routine processes, rather than on strategic work with people;
- 4) absence of unity within the HR function of the KMG Group;

³ The findings of the benchmarking against external top companies are shown in Appendix 2

- 5) absence of a single centre for monitoring the HR efficiency (based on HR metrics) and chaotic development of HR within the KMG Group based on the initiatives of individual S&A;
- 6) absence of the required level of communications and feedback from the HR function to the business and within the function;
- 7) absence of a uniform corporate culture and “live values” within the KMG Group;
- 8) different perception of the HR units value by managers.

Solutions for challenges revealed during the analysis are worded in the HR initiatives of the KMG HR Policy.

IV. KMG HR POLICY CONCEPT

The concept of the KMG HR Policy rests on the KMG mission, which is **to ensure the maximum benefits for the shareholders for their input to the development of the national oil and gas industry.**

To achieve this mission, the HR function shall be focused on **creating the necessary conditions for appreciation of human capital in the KMG Group** through:

- the development of corporate culture and improvement of managers' skills – development of corporate culture based on the meritocracy and 'commercial' thinking principles with a focus on succession, commitment to results, and readiness to assume responsibility. Development of leadership competencies;
- unification and enhancement of HR function efficiency – building a customer-oriented HR function that would render a comprehensive support for the KMG strategy implementation. Unification of the HR processes and standards that incorporate the best international and internal practices of the KMG S&A. Creation of the single information space via the unified automation solutions. Transfer of routine operations that do not bring the added value to the Shared Services Centre;
- improvement of the qualitative staff structure with due regard to business demands – identification of the relevant qualifying job requirements, ensuring that the employees meet these requirements through the system processes (selection, development, evaluation, etc.) and individual projects (such as assessment of adequacy for the job). Enhancement of the key personnel competencies required to achieve the strategic goals (e.g., Development of Human Capital in Upstream programme, programmes for the development of project and investment management competencies, competencies for the successful IPO of the company, etc.);
- achievement of a positive engagement rate and social stability – more emphasis on the systematic approach to the management of engagement and social stability via regular measurements, development and implementation of plans. Achievement and maintenance of positive values for engagement (60% or more) and social stability (61% or more);
- implementation of the comprehensive talent management system, from talent acquisition to succession and management of remuneration – implementation of the talent management system ensuring transparency, conditions for and motivation of personnel for the purpose of retention, promotion and appointment to key positions of the impactful and potential employees of the KMG Group. The key elements of the comprehensive talent management system will include:
 - employment transparency and neutrality;
 - dependence of the remuneration levels on the performance and market appraisal results;

- succession in the key positions;
- identification of talents and development of the succession pool;
- development plans of the employees based on the evaluation of business performance and demands;
- priority for internal candidates when recruiting for the key positions in the KMG Group.
- effective management of the staff size to increase performance – effective planning and forecasting of human resources with due regard to the current and target needs of KMG. Development of the uniform norms and standards of the staff size, implementation of staff size optimisation programmes (e.g., withdrawal of non-specialised functions) via economically feasible tools (e.g., a 5/50 programme), and redeployment of staff between manpower-surplus and manpower-deficit entities.

The strategic HR initiatives cover four key areas:

- organisational structure;
- processes;
- governance system;
- human resources.

- *Approaches to application of the KMG HR Policy in SDE*

Application of the KMG HR Policy in SDE depends on:

- the ownership structure;
- the economic position of SDE.

An approach to SDE depending on the ownership structure:

- subsidiaries
 - are the key focus of the KMG HR Policy;
 - are within the Transformation Programme perimeter;
- SDE (other than subsidiaries)
 - may join this KMG HR Policy;
 - must be subject to the development programmes for the managers representing the interests of KMG.
- assets to be disposed⁴
 - are not the focus of the KMG HR Policy;
 - are outside the Transformation Programme perimeter.

⁴ The list of assets is governed by resolution of the government, and shall include other assets to be agreed upon with Samruk-Kazyna JSC

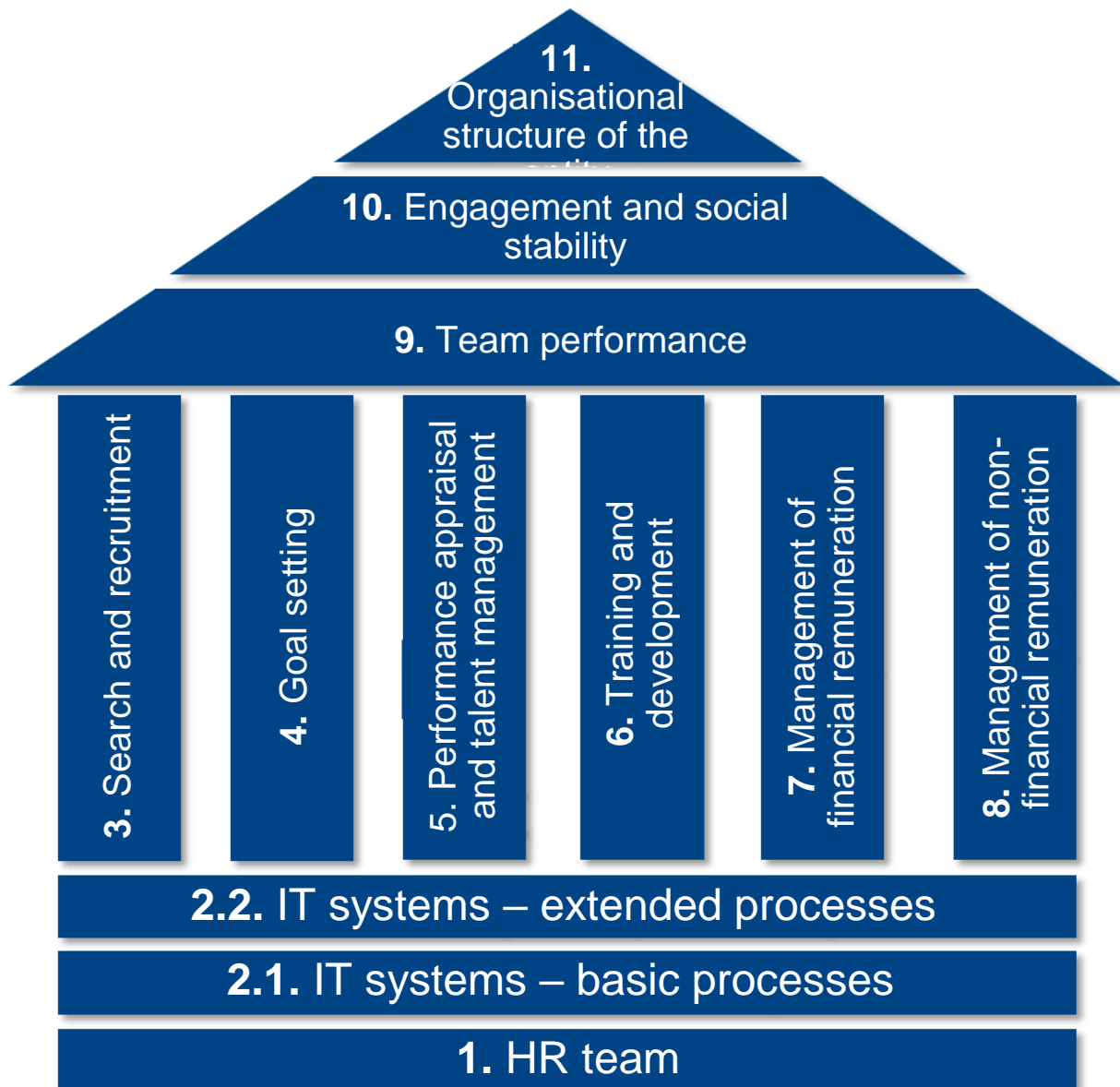
An approach to SDE depending on the economic position⁵:

- profitable SDE
 - implementation of all programmes, initiatives, and measures included in the KMG HR Policy.
- loss-making SDE
 - limited automation measures;
 - the key focus on:
 - implementation of the appraisal system for CEO and CEO-1 managers of SDE (including the KPI system);
 - the project of assessment of adequacy for the job for CEO and CEO-1;
 - development of CEO and CEO-1 managers;
 - effective staff size management.

⁵ To be determined on the basis of the financial statements for the last three years

- ***Algorithm of restructuring the HR management system:***

The HR management system will be restructured in 11 stages. Implementation of each stage will create the basis for respective reports and HR analytical data.



The following three steps shall be taken to implement each of 11 stages:

- 1) Development
- 2) Implementation
- 3) Analysis

Development shall include process diagnostics and development of the methodology. Implementation shall be carried out in the clear-cut order. Transition to each next stage as part of the HR management system restructuring should occur only upon completion of the previous stage.

Implementation shall be followed by the analysis of process maturity based on the key indicators using HR analytical data. Adjustments shall be made to the process if and when required (return to the development stage).

Analysis shall be carried out on an annual basis using HR analytical data and the HR MS maturity measurement tool (this tool shall serve as the basis for HR audits). Based on the analysis, the process improvement action plan shall be developed.

- ***Principles of the HR function***

When establishing the concept of KMG HR Policy, it is vital to identify the key principles that underlie further development of the HR function at KMG and, therefore, the vision, goals and objectives of the KMG HR Policy. Below is the list of such key principles:

- 1) **Balance between the interests of employees and KMG** – formation of the KMG HR Policy and other documents regulating personnel management should consider interests of the employees and KMG in equal measure.
- 2) **Uniform HR policy for the whole KMG Group** – the areas of activities and development associated with personnel management shall be uniform for all companies of the KMG Group.
- 3) **Shifting the administrative supporting role of HR to a strategic one for business** – the HR function should become a strategic partner for the business, rather than merely perform an administrative supporting function.
- 4) **Creating an added value for business** – in their daily activities, the employees of the HR function should take into account how the results of their activities create an added value for an in-house customer, and prioritise their activities accordingly.
- 5) **Optimal organisational structure and staff size** – the HR function should build the most optimal organisational structure in the Company based on the best industry practices, and promote continuous improvement of KMG to increase labour productivity.
- 6) **Manpower planning based on business demands and labour market conditions** – manpower and staff cost planning should be based on the plans and demands of the lines of business, taking into account the labour market conditions.
- 7) **Continuous improvement of learning and advanced training programmes** – the HR function should create all necessary conditions for the continuous improvement of knowledge, skills and competencies of employees and managers by studying modern learning programmes and incorporating them in the learning and development process.
- 8) **Building a self-learning entity based on a 70-20-10 model** – the employees should bear personal liability for their continuous development by way of: (1) on-the-job learning by solving challenges, participating in projects, and via distance learning (70% of the whole learning process), (2) interaction with

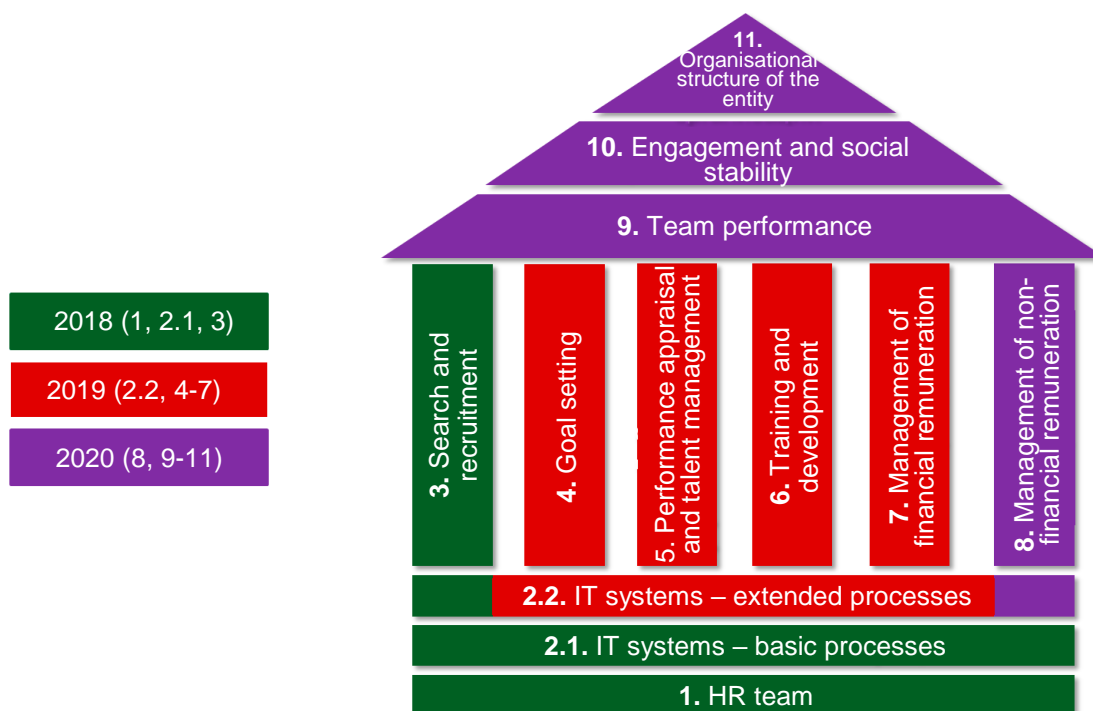
colleagues and managers by way of feedbacks, coaching, and mentoring (20% of the whole learning process), (3) participation in seminars, trainings, conferences, lectures and other employee development activities (10% of the whole learning process).

- 9) **Liability of managers for personnel management** – managers of all levels shall bear liability for personnel management, and the HR function shall render necessary support and provide the required tools.
- 10) **Creating the culture of staff engagement in the joint achievement of strategic goals** – the HR function promotes formation of the culture of understanding, interest, and support of strategic, operational, and production goals by employees at all KMG levels.
- 11) **Creating conditions for the employee incentives** – the HR function should form processes, systems, and provide the required tools to ensure the effective employee incentives using different forms and methods.
- 12) **Prevention of violations of laws** – the HR function should ensure compliance with the laws during the documentation, alternation, and termination of employment, development and use of internal documents, rules and procedures used by KMG.

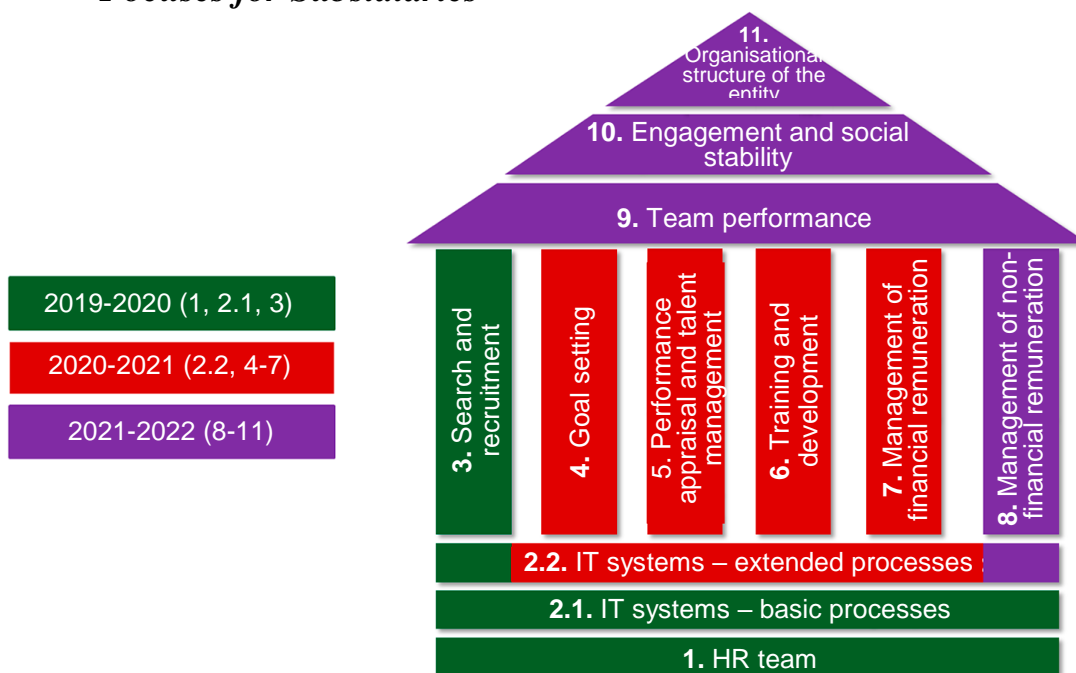
V. KEY AREAS OF THE KMG HR POLICY

This section describes the stages of HR management system restructuring according to the above concept.

- *Focuses for the CC*



- *Focuses for Subsidiaries*



Start changes with yourself!!!

Stages 3, 5-8 underlie the corporate competency model, which will be updated to reflect a revised list of KMG values and will include:

- leadership competencies;
- corporate competencies.

STAGE I. HR TEAM

- *Plans for the HR organisational structure in Subsidiaries*

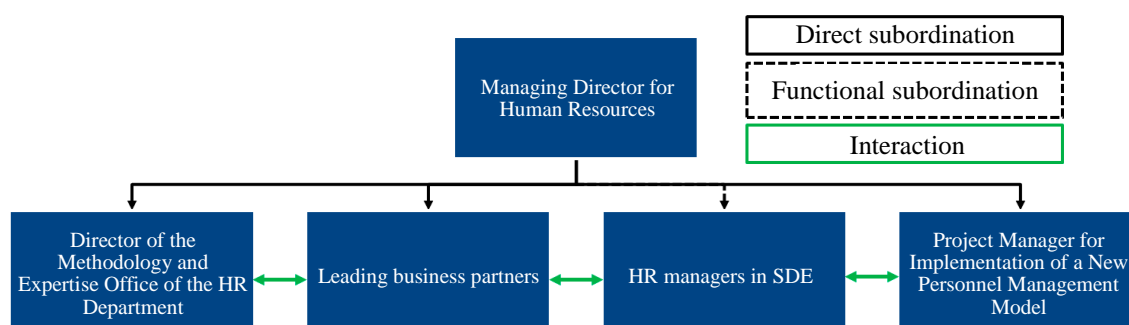
Transition to the target HR organisational structure in terms of the business partnership model will include three stages:

- 1) building of teams by processes;
- 2) implementation of target processes;
- 3) transition to the business partnership model (detachment of a centre of expertise and business partners).

Besides, transition to the target organisational structure requires the Board of a subsidiary to include a manager in charge of HR in the subsidiary (in case of a collective executive body of the subsidiary).

- *HR functional subordination in Subsidiaries*

Functional subordination is established in a subsidiary for the purpose of implementing a matrix structure as part of the operational management model for the HR team.



The powers of the Managing Director for HR at KMG with respect to HR managers of the subsidiaries, regarding:

- Coordination of the annual action plan for the KMG HR Policy
- Coordination of appointment and dismissal of managers
- Regular annual and semi-annual progress reports.

Leading business partners interact directly with HR managers of the subsidiaries for the matters of:

- HR policy implementation
- Coordination of KPIs or goals for the reporting period (goal setting and target efficiency)
- Coordination of the job descriptions for HR managers of the subsidiaries.

Activity-specific experts of the Methodology and Expertise Office of the HR Department should render functional support to activity-specific experts of the subsidiaries in:

- Training
- Advisory
- Conducting HR audits and giving recommendations for improvements.

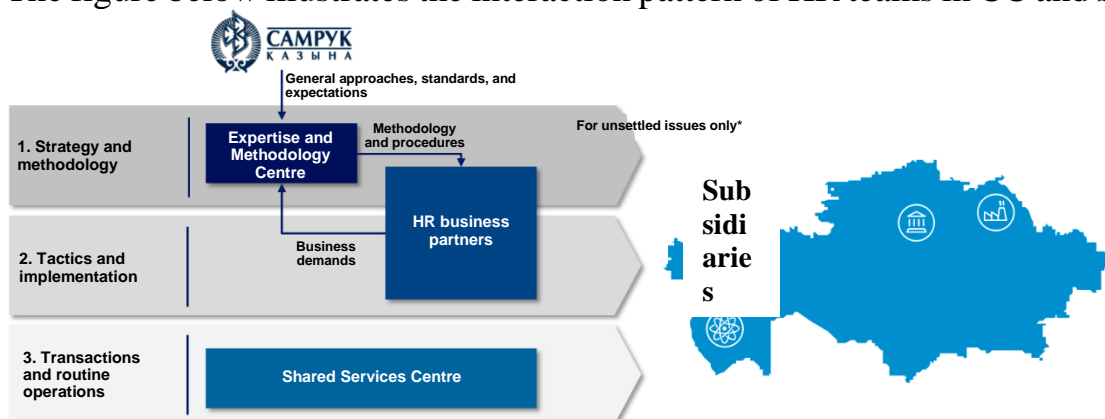
- ***CC role/function in respect of Subsidiaries***

The CC role/function is determined by the following objectives:

- Development and implementation of the KMG HR Policy
- Implementation of the Transformation Programme, including:
 - implementation of the corporate culture development project;
 - implementation of the executives development programme (CEO, CEO-1);
 - introduction of automated HR systems;
 - implementation of the project of assessment of adequacy for the job according to the Transformation Programme perimeter
- Development of in-house methodology documents for HR processes
- Development and approval of the competency model, and identification of the required level of competencies for jobs at KMG and in Subsidiaries
- Identification of the target market level to compare wages based on the following factors: geographic location, line of business, entity specifics
- Creation and management of the succession plan and the single succession pool within the KMG Group
- Generation of the long-term training plans with due regard to future demands of the KMG Group
- Coordination of training plans when establishing budgets
- Implementation of rotation programmes for the KMG Group
- Organising and holding centralised social events focused on strengthening the corporate spirit and team building (e.g., sports and athletic meeting, the Best in Profession contest)
- Arranging for monitoring of the levels of:
 - social stability of the production personnel;

- engagement of the administrative and management staff;
- satisfaction with HR activities
- Conducting HR audits
- Coordination of budgets for HR advisory services
- Development and implementation of centralised training programmes for HR specialists of the KMG Group
- Development and implementation of corporate training programmes by lines of business
- Negotiations and approvals prescribed by internal regulations (e.g., those regarding organisational structure, budgets, staff size, and appointments)
- Delivery of advisory support to the Subsidiaries
- Negotiation of collective agreements in the Subsidiaries
- Centralisation of the government relations for the matters of clarification and initiation of legislative amendments regarding HR management, interaction with the sectoral commission for social partnership and regulation of social and employment relations in the oil and gas sector, as well as subsurface use issues.
- **Interaction pattern**

The figure below illustrates the interaction pattern of HR teams in CC and Subsidiaries:



Leading business partners are the main contact in the Corporate Centre for Subsidiaries.

Unsettled issues negotiated between the Centre of Expertise and the Subsidiaries (as shown in the figure above) are the issues not covered by approved clarifications or guidance papers (rules, guidelines, regulations and other internal documents).

STAGE 2. IT SYSTEMS

- **Key changes:**

A single information space will be created within the KMG Group with a single centre for data storage and processing via single installation.

The KMG Group will automate its processes: HR records management, time recording, payroll calculation and planning, personnel training and development, performance evaluation, social climate monitoring, staff size management and HR planning.

An HR portal for self-service of the KMG Group employees will be introduced.

The basic 1C or SAP HCM based functionality will enable automation of the following processes:

- Organisational structure
- HR administration
- Time recording
- Payroll calculations
- HR report generation

The extended Success Factors based functionality will enable automation of the following processes:

- Recruitment and on-boarding
- Personnel training and development
- Performance management
- Personnel appraisal
- Remuneration management
- Succession pool

Pilot implementation is planned in the CC in 2018-2019.

HR employees and personnel will be trained to use the automated HR systems.

- ***Organisational perimeter***

The perimeter for the automated HCM based personnel management systems for 2018-2020:

- 2018 (up to 800 users)
 - KMG
- 2019 (up to 10,000 users)
 - Atyrau Refinery
 - Pavlodar Refinery
 - Embamunaygas
- 2020 (up to 27,000 users)
 - OzenMunayGas
 - KazTransOil

- Intergas Central Asia

In 2018-2019, the key focus of the Transformation Programme will be the development of automated system, and in 2020, the automation system will be replicated.

The perimeter for the automated 1C based personnel management systems for 2018-2020:

- 2018 (up to 7,000 users)
 - Oil Service Company
 - Oil Construction Company
 - MangistauEnergoMunay LLP
 - Munaytelecom
 - Kazakhturkmunay
- 2019 (up to 4,500 users)
 - Oil Transport Corporation
 - Water Production and Transportation Department
 - Process Transport and Well Servicing Department
 - OzenMunayService
- 2020 (up to 1,500 users)
 - KMG Karachaganak
 - KMG Kashagan B.V.
 - KazMunayGas R&D Institute of Production and Drilling Technologies
 - KazGPZ

In 2018, the key focus of the Transformation Programme will be the development of automated system, and in 2019-2020, the automation system will be replicated.

The implementation perimeter for Subsidiaries may change depending on the business demands. The final implementation perimeter for Subsidiaries shall be set forth in the charter of the project “Implementation of a New Personnel Management Model”.

STAGE 3. SEARCH AND RECRUITMENT

- ***Key changes:***

The KMG Group will implement a single process of staff recruitment involving development of a unified policy, methodology, and the list of tools and templates.

To ensure open and transparent recruitment, the KMG Group will select candidates on a competitive basis, which provides for accessibility for all candidates, application of the meritocracy principle, creation of an interview panel (HR committee for

recruitment of top managers), transparent criteria of search and competitive selection, use of different search sources.

The business unit managers are the main customers in recruitment of candidates, and the HR function shall be the process owner.

A unified automated database of in-house candidates will be created within the KMG Group.

The KMG Group will implement a unified model of personal and business competencies, which will be used as criteria for the candidate recruitment. At the same time, candidate evaluation methods relevant for each job will be used as well.

When recruiting, the KMG Group will create a profile for each job with a detailed list of requirements for experience, knowledge, skills, professional, personal, and business qualities, i.e. clear and transparent job-specific recruitment criteria. Besides, letters of reference from previous employers will also be taken into account when searching for candidates.

The KMG Group will enhance its recruitment function by developing recruitment skills of its HR employees engaged in recruitment. The HR employees engaged in recruitment will be obliged to have a deep understanding of business specifics of both the entire KMG Group and its individual business units.

The KMG Group will introduce an institution of HR Business Partners who will be involved in the recruitment process. HR Business Partners will be involved in a continuous dialogue with the lines of business and will understand their peculiarities and specific issues.

When searching for candidates to fill in a vacancy, the KMG Group will give preference to the candidates from the succession pool and in-house candidates of the KMG Group who filed a job application, and then will search for external candidates from different sources, if necessary. The best candidate will be the one who meets the vacancy requirements to the maximum extent.

Recruitment process of the KMG Group will require preparation and submission of a job offer specifying principal labour conditions to the successful candidates.

A strong KMG employer brand will be strengthened and built to attract the most experienced and promising candidates from the external market.

The KMG Group will improve its candidate evaluation tools and methods continuously by reference to the best practices used at KMG and the best external practices.

The KMG Group will develop on-boarding courses/programmes to ensure successful on-boarding of new employees, which will give a first insight into the goals, business specifics, main rules, values, organisational structure and Strategy of KMG, as well

as functional responsibilities and expectations for employees. Visits will be organised, where possible, to demonstrate production facilities to new employees.

Clear goals will be set for new employees in the KMG Group during the on-boarding period.

Each new employee in the KMG Group will join the on-boarding programme in the course whereof he/she will be assisted by an employee of the same business unit who will introduce the organisational, production, and social life of the team. Following the on-boarding (or probation period), the employee's performance will be appraised by his/her line manager without bias, and a decision will be taken whether to continue cooperation with the employee.

The KMG Group will arrange mentoring for young specialists of the main trade jobs, which will include on-boarding of a new employee, his/her vocational training, and performance of duties under the supervision of his/her mentor. Mentoring is intended to share professional experience with the trainees.

The on-boarding process in the KMG Group will include a mandatory induction safety briefing for employees.

STAGE 4. GOAL SETTING

- ***Key changes:***

The KMG Group will implement a uniform goal setting process for the executive, management and administrative staff and engineering employees.

When setting goals, the principle of cascading KPIs/goals of a superior manager shall be ensured.

Goal setting will include quality control of goal setting by HR Business Partners.

Goals shall be set on a SMART basis.

The KMG Group will provide for gradual transition from quarterly/monthly to semi-annual/annual goals.

Each goal will be rated to show the priority, considering the effect of the job on achievement of goals.

Each goal will be reviewed for efficiency throughout the KMG Group during the performance appraisal process.

STAGE 5. PERFORMANCE APPRAISAL

- ***Key changes:***

The KMG Group will implement a single performance appraisal process for the executives, administrative and management staff, and engineering employees,

involving development of a unified policy, methodology, and the list of tools and templates.

Task setting and performance appraisal for employees will be ensured through production plans and job orders.

The KMG Group will develop a model of personal and business competencies and a competency profile specifying a required competency level for each job.

The KMG Group will build a feedback culture to facilitate feedback from line managers to employees for any form of appraisal.

There will be two types of regular performance appraisal with common terms and frequency for the executives, administrative and management staff, and engineering employees in the KMG Group: regular annual comprehensive appraisal, including KPIs/goals based and competency based appraisal, and regular monitoring of the progress toward KPI/goals.

During the regular comprehensive appraisal in the KMG Group, the levels of competency development and goal achievement will be discussed by the employees and their line managers.

Appraisal by personal and business competencies will involve self-assessment and appraisal by the line manager based on the behavioural indicators.

During the regular comprehensive appraisal in the KMG Group, calibration sessions will be held to make a decision on annual bonus payments, career promotion, wage development, inclusion into the succession pool, and recommendations will be worked out for the development of the required competencies for further preparation of the IDP.

During the regular comprehensive appraisal, the KMG Group will develop a talent map where all employees will be grouped according to the normal distribution rule based on their appraisal rating⁶.

Corrective action plans will be developed for underperforming employees.

When monitoring progress toward KPI/goals, the KMG Group will make bonus payment decisions.

During the competency-based appraisal, the KMG Group will work out recommendations for the development of the required competencies for further IDP purposes.

The KMG Group will use the most effective up-to-date staff performance appraisal tools and methods.

Apart from regular appraisal, the KMG Group may also hold non-regular competency-based evaluation and assessment of personnel, if and when necessary.

⁶ The talent map is presented in Appendix 3.

The succession pool will be based on the talent map (cells 6, 8 and 9).

The KMG Group will implement a single process of succession planning and succession pool management, involving development of a unified policy, methodology, and the list of tools and templates.

The KMG Group will form a single succession pool for the KMG Group and operating succession pools for Subsidiaries; selection will be based on the regular comprehensive staff performance appraisal.

Development plans will be prepared for the employees included in the succession pool of the KMG Group.

The institution of coaches will be introduced. It will require assignment of coaches to the succession pool members, who will be responsible for the development of succession candidates based on the IDP. Coaches will have to meet certain requirements: they will be chosen from among the executives two tiers superior to a succession candidate; coaches shall have 5+ years of work experience in executive positions, strong communication skills, and shall complete a coaching training. The coaching skills will be maintained and developed by way of corporate training.

The KMG succession candidate development tools will also include secondments (for 12-24 months, objective: to represent KMG in the projects, mostly with foreign shareholding, and to study the best practices), rotation (for 3-6 months, objective: to study related experience of the same line of business within the same entity, or to study experience of another entity), probation (short-term study trips to the partner companies), and corporate and long-term trainings programmes (e.g., MBA).

STAGE 6. TRAINING AND DEVELOPMENT

- ***Key changes:***

The KMG Group will implement a single process of staff training and development, which would include development of a unified policy, methodology, and the list of tools and templates.

The Group's demand for trainings the executives, administrative and management staff, and engineering employees will be based on the IDPs prepared following the regular comprehensive staff performance appraisal, and demands reported by the line managers of employees, by reference to the targets of the business unit. Operating personnel training will be based on assessment of professional knowledge, skills, and business demands. Therefore, planning of employee training will be strictly regulated, and will depend on the specific business demands.

Corporate and functional demands for training are based on the shareholder's expectations, KMG strategy and priorities⁷. Prescribed training programmes will be

⁷ The training planning cycle is presented in Appendix 4.

established for such training. Besides, long-term training plans will be prepared with due regard to future demands of the KMG Group, and rotation, probation, and secondment programmes will be implemented.

Within the KMG Group, the employees themselves will be able for their development as well as their line managers who will be involved in the training planning, monitor the development of employees, and provide regular feedbacks.

The KMG Group will monitor training efficiency, including evaluation by the line manager (changes in behaviour of employees and improved performance) and feedback forms to be filled out by the employees (employee satisfaction with training). This information will be used to improve training materials, forms and process.

HR units within the KMG Group will provide qualitative support to the managers in employee training and development: search for solutions, selection of effective tools, providers, arrangement of training and development process.

The forms of training in the KMG Group will be chosen on the 70-20-10 basis.

The KMG Group will introduce an institution of in-house trainers from among the KMG Group employees, who will provide training within the KMG Group.

The KMG Group will actively use distance learning courses.

The CC will provide training for the executives of Subsidiaries, implementation of corporate training programs, while training of other staff members will be ensured by the Subsidiaries.

The KMG Group will re-train operating personnel for the demanded jobs as part of staff size optimisation process.

The KMG Group will implement a single process to identify promising students and arrange related measures including development of a unified policy, methodology, and the list of tools and templates.

A unified youth policy will be developed for the whole KMG Group, which would provide for creation of youth councils within the KMG Group and would focus on capacity building and development of young professionals.

The KMG Group will use a dual learning programme for students (including introduction of temporary full-time positions), with further permanent employment option for those who have successfully completed the programme, and an unpaid probation/practical training programme.

The KMG Group will prepare the lists of priority educational institutions and the lists of promising students. Besides, schedules (including cost plans, if necessary), training and practical training plans, and necessary training materials will be drafted and contracts with educational institutions will be signed with the designated HR

employees and HR Business Partners, as well as business unit managers being involved.

Before the probation/practical training, the KMG Group will hold orientation sessions for the programme participants, including introduction of: information about the KMG Group, its activities, and the business unit where probation/practical training is being organised; plan and programme overview, description of works to be performed and expected results, as well as briefing on labour discipline, fire safety and occupational safety rules, and other regulations and by-laws required for safe and high-quality probation/practical training.

During the probation/practical training or dual learning programme, the KMG Group will monitor their implementation.

Upon completion of the probation/practical training, the KMG Group will evaluate the professional level of programme participants, and provide feedback and results of probation/practical training as per the applicable internal regulations.

STAGE 7. MANAGEMENT OF FINANCIAL REMUNERATION

- ***Key changes:***

The KMG Group will implement a focus on comprehensive income, and social payments will be considered as part of the remuneration.

The KMG Group will implement a single remuneration process for the KMG Group entities that implemented uniform remuneration standards, and a single remuneration process for the KMG Group entities that have not implemented this system.

The KMG Group will unify job descriptions and evaluation, and will provide for job grading (for executives and administrative and management staff) and ranking (for engineering employees and workers).

Compliance with internal justice and external competitiveness by using the grading remuneration structure for the executives, management and administrative employees, and the uniform remuneration standards for the operating personnel.

The KMG Group will revise the total remuneration on an annual basis (including wages, bonuses, and social benefits) by benchmarking against the group of comparable entities (a so called reference market).

A decision on quarterly and/or monthly bonus payments will be made in the KMG Group on the basis of regular monitoring of the progress toward KPI/goals.

The KMG Group will implement an incentive scheme for the benefits brought in the course of project implementation.

The KMG Group will provide for communications with employees, including notification on potential changes in the remuneration and a mandatory performance feedback.

STAGE 8. MANAGEMENT OF NON-FINANCIAL REMUNERATION

- **Key changes:**

HR – process owners of a non-financial remuneration, managers – active process participants who can nominate employees for a non-financial remuneration.

Different tools (e.g., training, individual meetings with managers, recognition letters, rewards) are used.

A non-financial remuneration supports corporate values and the competency model.

Provision of a non-financial remuneration is accompanied by active communications.

A non-financial remuneration is based on a 9-cell matrix and corporate contests.

STAGE 9. TEAM PERFORMANCE

KMG makes efforts to increase team performance within business units. Team performance is increased using a special team diagnostics and development tool.

Team performance is increased in the following areas:

- leadership,
- roles,
- systems,
- communications,
- relationship,
- lines of business.

Team performance activities are conducted by HR Business Partners.

STAGE 10. ENGAGEMENT AND SOCIAL STABILITY

- **Key changes:**

Engagement and social stability related activities are carried out on a consistent basis.

The KMG Group measures engagement and social stability on a regular basis.

The KMG Group develops and implements plans for engagement and social stability measures.

The KMG Group works to achieve and retain positive values for engagement (60%) and social stability (61%).

STAGE 11. ORGANISATIONAL STRUCTURE OF THE ENTITY

- **Key changes:**

The KMG Group will implement a single process of management of the organisational structure and staff size, including development of a unified policy, methodology, and the list of tools and templates. The outstaffing issue has been solved.

The KMG Group will implement the uniform approaches to building organisational structures free of duplicate functions, which would implement a matrix management, meet the span of control standards and enhance the hierarchy through vertical integration, as well as ensure a clear-cut interrelation between the development strategy, business model, operational model, and organisational structure.

According to the process approach, all job descriptions/trade job descriptions within the KMG Group will be prepared by reference to the process roles linked to jobs/professions.

The KMG Group will cut the management levels, dispose of non-core functions, and transfer routine processes to the SSC.

The KMG Group will implement a uniform framework for HR planning by categories of personnel and a framework for the development of norms, which would enable the following:

- Analysis of the current situation with human resources
- Planning HR transfers and a predicted demand/disposal in terms of quality and quantity (broken down by categories, professions/jobs, areas of expertise, level of qualification requirements to candidates, value focuses of a future employee, his/her education level, additional skills and knowledge, etc.) both at the entity and the Group levels, with due regard to the demands of all the lines of business
- Selection and recruitment based on the vacated jobs/professions
- Developing measures aimed at timely personnel training/retraining and employee transfers at the entity and the Group levels (rotation, succession pool), based on the projected demand for human resources
- Developing activities for training and employment of young professionals (with zero work experience)
- Monitoring and timely responding to the changes in demand, inter alia, for staff reduction or optimisation purposes.

The organisational efficiency metrics will be used throughout the KMG Group (for the staff size, staff structure, span of control, etc.).

Professional competencies by lines of business will be developed and implemented for the KMG Group.

VI. PEOPLE TRANSFORMATION

The People Transformation Programme focuses on increasing the efficiency of HR management within the KMG Group, and covers three areas and five initiatives:

- Change of the corporate culture
 - Corporate culture development initiative – identification of the current and target types of corporate culture, major gaps, formation of updated corporate values, implementation of the action plan to incorporate values.
- Leadership development
 - Adequacy for the job initiative – ensuring that the employees meet requirements for their jobs according to the target structure
 - Leadership programme initiative – the programme for development of personal and business competencies (executives level)
- The HR management system restructuring (see Section V for more details)
 - Target HR process initiative – introduction of an integrated approach to HR management by reference to the good market practices;
 - HR process automation initiative – introduction of an automated personnel management system (basic and extended processes).
- *Change of the corporate culture*

Currently, KMG has the corporate culture in place that is based on well-developed rules and procedures, with a strong bureaucracy level and little willingness to assume liability for the result. There is no commercial focus. Therefore, there is some inconsistency between the KMG strategy (with a focus on the commercial growth and high performance indicators) and its corporate culture.

The current development level of personal and business skills of KMG employees in terms of transformation leadership, management of changes, and strategic vision is not adequate to achieve the key targets of KMG.

The target condition requires effective corporate culture focused on achieving the key targets and priorities of KMG, a culture with a commercial focus, commitment to results, and readiness to assume liability, as well as the legal culture of employees supported by lawfulness, honesty, integrity and transparency, zero tolerance to corrupt practices and fraud when performing their official obligations, through the consistent and regular efforts that cover identification of gaps between the current and target corporate cultures, update of the set of corporate values, development and implementation of the action plan to incorporate corporate values.

Besides, the behaviour of managers should be reshaped by way of regular leadership development programmes with a focus on skills aimed at strengthening personal and business competencies.

Below are the formal outcomes of the corporate culture activities:

- Current corporate culture profile has been identified.
- Target corporate culture level has been identified.
- Major gaps between the current and target corporate culture profiles have been identified.
- Corporate values of the KMG Group have been updated.
- Action plan to incorporate the updated corporate values has been developed.
- Action plan to incorporate the updated corporate values has been implemented.

The expected outcomes of corporate culture development and incorporation of values:

- Number of employees who know the KMG corporate values should increase up to 60% by the end of 2019.
- Number of employees who understand the KMG corporate values should increase up to 60% by the end of 2020.
- Number of employees who share the KMG corporate values should increase up to 60% by the end of 2021.
- ***Leadership development – Assessment of adequacy for the job***

As part of the Transformation Programme, the KMG Board of Directors approved a two-tier target operational model of KMG management.

The above target operational model served as the basis for the development and endorsement of the KMG target organisational structure.

For the purpose of introducing the target organisational structure, the adequacy for the target jobs project (employee eligibility for target jobs) was implemented for the CC at the CEO-1, CEO-2, CEO-3 levels.

Introduction of a target two-tier operational management model and organisational structure in the Subsidiaries must be supported by launching the adequacy for the target jobs project in the Subsidiaries.

The implementation perimeter of the Subsidiaries for the adequacy for the target jobs project is set forth in the charter of project “Introduction of a New Personnel Management Model”.

The key tasks of the adequacy for the target jobs project in the KMG Group:

- Determine job requirements based on the target operational management model and target business processes.
- Provide for the job evaluation based on requirements to target jobs in order to adopt the grading payroll structure.
- Provide for the qualified staff that meet requirements for target jobs.
- ***Leadership development – Leadership programme***

Currently, there is the development programme for KMG executives (the Uniform Development Programme for Top Managers of KMG Subsidiaries for CEO and CEO-1 of Subsidiaries, and Effective Manager – for directors of the CC departments).

Further steps:

- Holding a strategic vision module for the managers of Subsidiaries and the CC management covering:
 - Strategic vision
 - Management of changes
 - Digital leader
- Holding a digitalisation training for the CC managers
- Evaluation of programme efficiency and programme follow-up Adjustment of the programme, if necessary
- Incorporation of coaching and rotation elements into the programme
- Repeated launch of the programme for the managers of Subsidiaries
- Further implementation of the development programme for the CC managers in terms of learning
- Management of changes and digital leadership

VII. LIST OF INTERNAL REGULATIONS DEVELOPED AS PART OF THE KMG HR POLICY IMPLEMENTATION

Implementation of the KMG HR Policy provides for the development of internal documents, including policies, rules, regulations, methods, tools and templates, etc., to standardise HR processes in all the key areas of HR activities. Below is a non-exhaustive list of such internal documents, which may be supplemented or amended in the course of standardisation of HR processes and implementation of the KMG HR Policy:

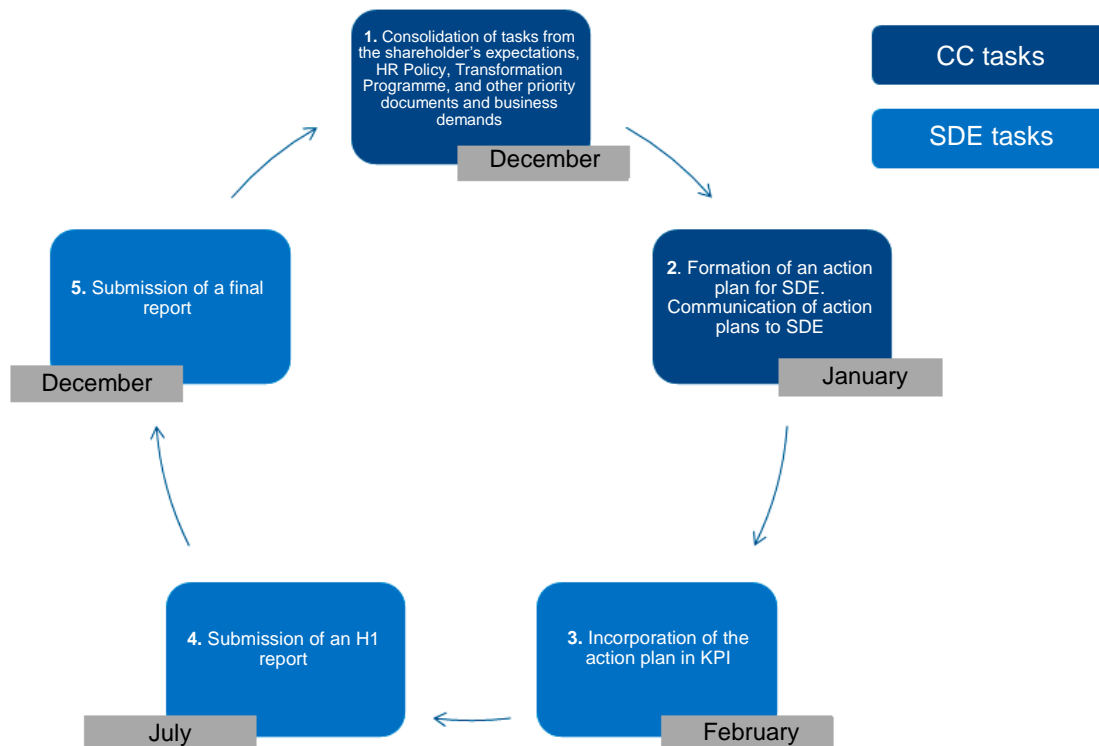
- 1) Internal documents governing the selection and hiring process (selection and hiring of top managers; selection and hiring for administrative positions; selection and hiring for operating positions; preparation of a job offer, and others)
- 2) Internal documents governing personnel training and development (planning and organisation of learning; mandatory learning; advanced training; on-boarding; mentoring; rotation; work with promising students; creation of the institution of internal trainers, and others)
- 3) Internal documents governing personnel performance appraisal (personnel efficiency evaluation; competency-based evaluation; comprehensive personnel performance appraisal; personnel assessment, and others)
- 4) Internal documents governing the process of succession planning and succession pool management (management of personnel succession; management of the unified succession pool; management of the operating succession pool, and others)
- 5) Internal documents governing the personnel remuneration and incentives (management of: basic remuneration; variable remuneration; additional benefits; non-financial remuneration; social benefits package; payroll cost planning, and others)
- 6) Internal documents governing the process of social assistance to employees (diagnostics and management of changes in the corporate culture and social stability; management of the collective agreement, youth coordination; organisation of corporate events; internal communications, and others)
- 7) Internal documents governing management of the organisational structure (administration of the organisational structure; development of the staff list; management of business unit regulations; management of job descriptions and trade job descriptions, and others)
- 8) Internal documents governing the HR planning (regulation or rules for transfers of human resources; development of staff size standards; analysis and planning of the number and structure of human resources, and others)
- 9) Internal documents governing the HR administration (hiring and transfers; amending, supplementing, and terminating an employment agreement; disciplinary sanctions; requests of employees; concurrent service; personal data;

military registration; HR reports; suspensions from work; business trip arrangement and documentation; provision of employee leaves, and others) and time recording

- 10) Internal documents governing the process of compilation, analysis, development, and improvement of HR policies (formation of HR reports; monitoring of external HR practices; study of the satisfaction with the HR function activities; analysis of HR metrics; update of HR policies, and others).

VIII. IMPLEMENTATION OF THE KMG HR POLICY – MANAGEMENT SYSTEM

Priority tasks for Subsidiaries will be cascaded and monitored according to the cycle shown in the figure below.



Demand is identified by the business partners from heads of divisions and HR managers of Subsidiaries.

Semi-annual and annual reports are discussed at the regular meetings of the HR function members of the KMG Group.

• *Key changes in the HR management system*

CURRENT STATUS 2018	CHANGE DRIVERS	TARGET STATUS 2021-2028
KEY FEATURES	<ul style="list-style-type: none"> • updated development strategy; • transition to the operational management model; • corporate culture development project. 	KEY FEATURES
Engagement level – 48%		Engagement level – min. 60% annually
Social stability level – 60%		Social stability level – min. 61% annually
HR role – Administrative	KEY INITIATIVES 2018	HR role – Strategic
Remuneration system – diversified	<ul style="list-style-type: none"> • revision of corporate values as part of the corporate culture development project; • automation of HR processes in the Corporate Centre; • executives development programme; • adequacy for the job project; • update of the succession pool for the TPM division; • integration of E&P and KTG. 	Remuneration system – Unified
Employee development system – initial		Employee development system – mature
Staff size – there are manpower-surplus and manpower-deficit subsidiaries.		Staff size – optimal staff size
HR function automation level – low	PREREQUISITES FOR IMPLEMENTATION	HR function automation level – high
Application of HR analytical data – low	<ul style="list-style-type: none"> • support of the KMG senior management; • availability of the adequate budget; • stable management team. 	Application of HR analytical data – high

• *Key KPIs for HR function*

KPIs for 2018:

- Transformation Programme (Progress Status of the People Transformation Programme: 90%)
- Satisfaction with HR (Satisfaction with the leading HR Business Partners: 90%)
- Engagement of employees (Engagement of the CC employees: 90%).

KPIs for 2019-2021:

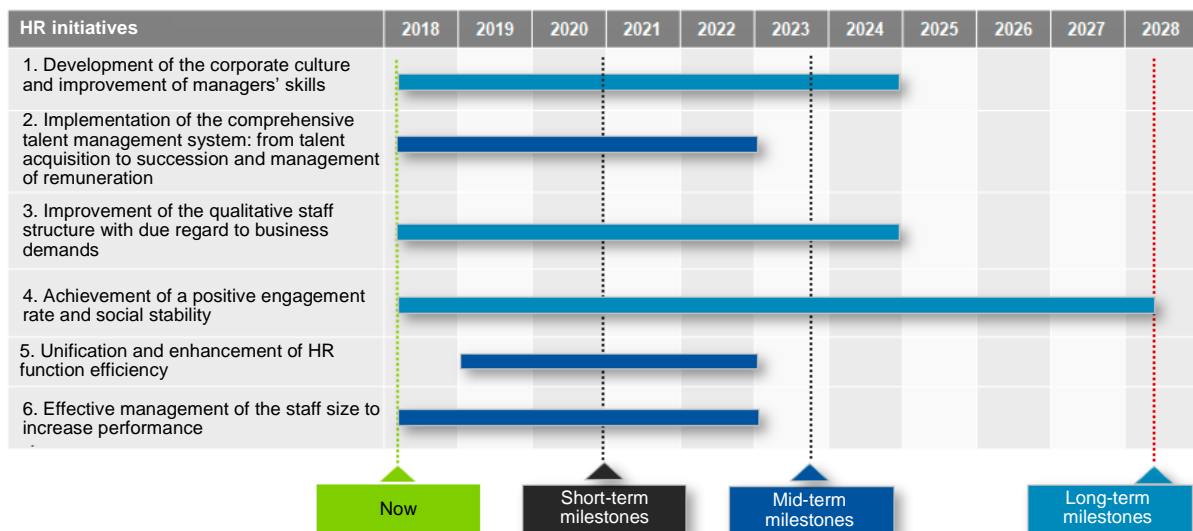
- Transformation Programme
- Implementation of the KMG HR Policy

- Satisfaction with HR
- Engagement of employees
- Retention of key talents.

KPIs for 2022-2028:

- Implementation of the KMG HR Policy
- Engagement of employees
- Retention of key talents.

- ***High-level road map***



- ***Unified reporting system for the KMG Group***

Formation of the unified reporting system for the KMG Group requires to:

- 1) Determine the content of regular reports
- 2) Develop unified reporting forms
- 3) Determine reporting frequency

Reporting content	Year
Staff size – actual	2018
Staff size – actual + planned	2019
Staff structure – actual + planned	2020
Analytical data on HR processes:	2021
- Search and recruitment	
- Training and development	
- Performance appraisal	
- Remuneration management	

- Organisational efficiency	
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• **Key risks**

No.	Risk description	Risk management activities
1	Risk of unauthorised strikes:	<ul style="list-style-type: none"> - continuous monitoring and analysis of the social situation in the regions, primarily, Mangistau region, where protest moods of employees of mining and oil service companies are the most prominent; - timely elaboration of measures to solve problems; - mandatory performance assessment meetings of chief executive officers with employees, quarterly meetings of line managers with employees, meetings of the management of production companies and trade unions, and other meetings as prescribed by the internal documents adopted by KMG to regulate the employer - employees communications; - awareness raising activities for employees and guidance regarding the Kazakhstan laws - building the system of the single youth policy that provides for the formation of a pro-active attitude of young employees, involvement of the youth, and their direct participation in the social and production life.
2	Resistance to change	<ul style="list-style-type: none"> - Increasing the expertise of the HR employees within the KMG Group based on the best HR management practices - Training on the management of changes for executives - Active communications for the KMG Group employees - Application of the change management methods in the implementation of HR management projects

		<ul style="list-style-type: none"> - Enabling all employees and other stakeholders to express their concerns about potential violations of labour laws and corporate values
3	Non-compliance with labour laws	<ul style="list-style-type: none"> - Strengthening the expert review of labour laws as part of the HR function - Regular monitoring of changes in labour laws - HR audits in Subsidiaries to check their compliance with labour laws
4	Growth of unreasoned personnel costs	<ul style="list-style-type: none"> - Effective management of the staff size to increase performance - Development of the common staff size standards - Unification of the remuneration systems.

IX. KMG HR POLICY IMPLEMENTATION TASKS

- Short-term tasks (2018-2019)**

#	Event	Duration
1	Revision of corporate values	2018
2	Incorporation of corporate values	2019
3	Automation of HR processes within 2018-2019	2018-2019
4	Implementation of the executives development programme (including digitalisation and change management training)	2018-2019
5	Adequacy for the job project	2018-2019
6	Update of the succession pool for TPM	2018
7	Integration of KazMunayGas E&P JSC	2018
8	Integration of KazTransGas JSC	2019
9	Implementation of five target processes in the CC and Subsidiaries in 2019	2018-2019
10	Transition to a two-tier management model and a target HR model	2018-2019
11	Harmonisation of qualification ranks and titles of trade jobs in the Subsidiaries	2018
12	Development of an action plan to optimise the staff size of the KMG Group	2018
13	Implementation of an action plan to optimise the staff size of the KMG Group	2019
14	Development and implementation of the “Development of Human Capital in Upstream” programme	2018-2019
15	Engagement and social stability related activities	2018-2019
16	Unified reporting	2018
17	Implementation of actions under the Transformation Programme Implementation Plan	2018-2019
18	Implementation of tasks as part of the HR management system restructuring for the CC and subsidiaries in 2018-2019	2018-2019

- **Mid-term tasks (2020-2023)**

#	Event	Duration
1	Implementation of the comprehensive talent management system: from talent acquisition to succession and management of remuneration	By the end of 2022
2	Unification and enhancement of HR function efficiency	By the end of 2022
3	Effective management of the staff size to increase performance	By the end of 2022
4	Implementation of actions under the Transformation Programme Implementation Plan	2021
5	Implementation of tasks as part of the HR management system restructuring for the CC and subsidiaries in 2020-2022	2020-2022
6	Engagement and social stability related activities	2020-2023

- **Long-term tasks (2023-2028)**

#	Event	Duration
1	Development of the corporate culture and improvement of managers' skills	2024
2	Improvement of the qualitative staff structure with due regard to business demands	2024
3	Achievement of a positive engagement rate and social stability	2028

X. APPENDICES

Appendix 1. Conformity of the HR Initiatives to the KMG Strategic Goals

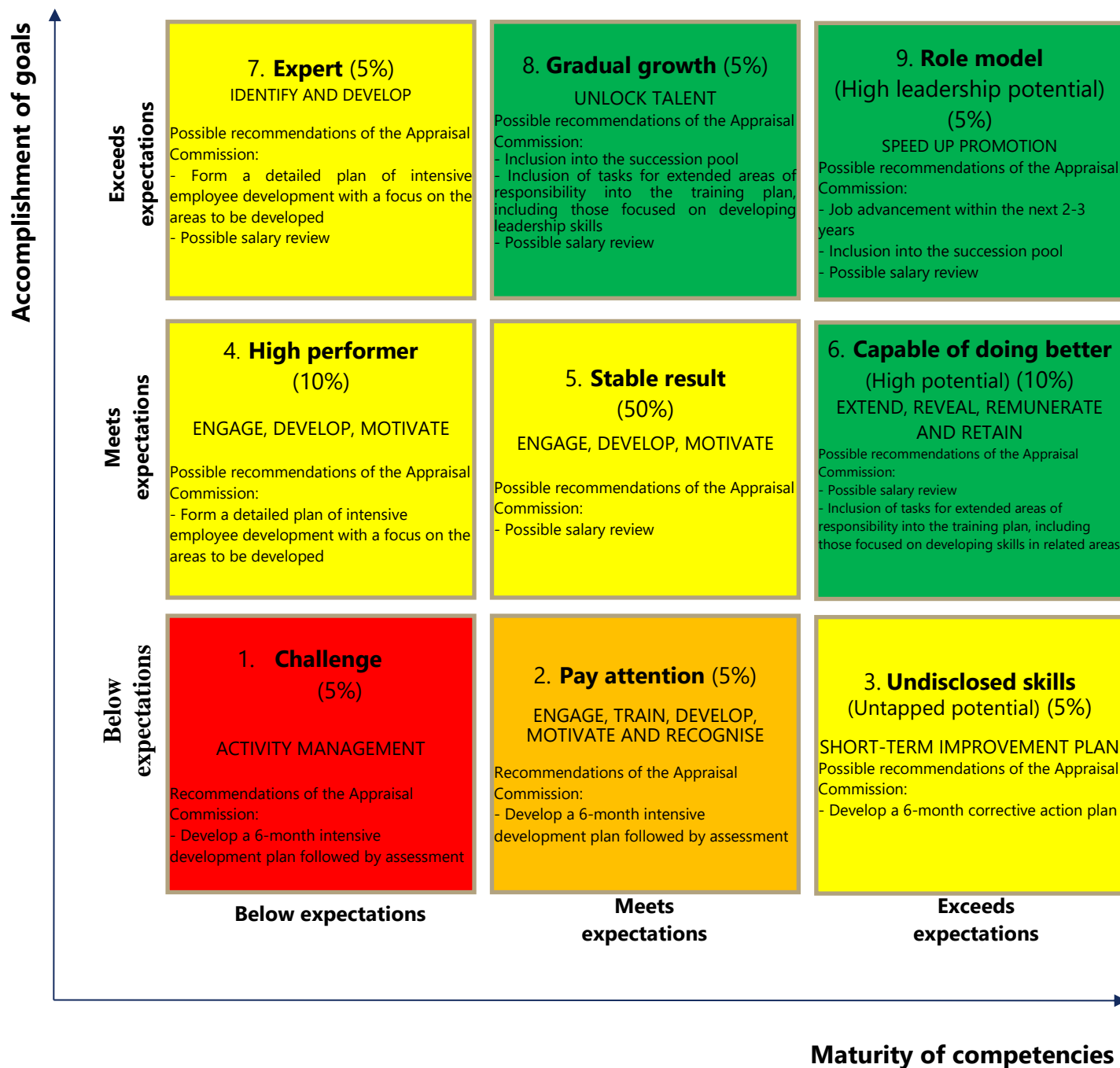
Strategic goal	HR initiative
Create value and strengthen business solvency	<ul style="list-style-type: none"> • Development of the corporate culture and improvement of managers' skills • Unification and enhancement of HR function efficiency • Improvement of the qualitative staff structure with due regard to business demands • Achievement of a positive engagement rate and social stability • Implementation of the comprehensive talent management system: from talent acquisition to succession and management of remuneration
Increasing the span of control of Subsidiaries	<ul style="list-style-type: none"> • Effective management of the staff size to increase performance • Implementation of the comprehensive talent management system: from talent acquisition to succession and management of remuneration
Corporate governance and sustainable development	<ul style="list-style-type: none"> • Achievement of a positive engagement rate and social stability • Effective management of the staff size to increase performance

Appendix 2. Findings of the Benchmarking against External Top Companies

HR-related characteristics of companies						
Companies	HR automation	Integrated personnel management	Strategic function	Effective development programmes	Business partnership model	Employer's strong brand
KMG	●	●	●	●	●	●
Shell	●	●	●	●	●	●
Chevron	●	●	●	●	●	●
GE	●	●	●	●	●	●
Schlumberger	●	●	●	●	●	●
Lukoil	●	●	●	●	●	●

● Mature status
 ● Development stage
 ● Not available, or initial stage

Appendix 3. Talent Map



Start changes with yourself!!!

Appendix 4. Training Planning Cycle

