


Appendix No. 1 to the resolution on item No. \_\_  
of the agenda of the meeting of the Board of  
Directors of JSC NC “KazMunayGas” dated  
“ \_\_ ” \_\_\_\_\_ 2021, Minutes No. \_\_ / 2020

**Policy for ensuring succession of  
the members of the Board of Directors of JSC NC  
“KazMunayGas”**

Nur-Sultan, 2021

 <b>ҚазМұнайГаз</b> <small>NATIONAL COMPANY "KAZMUNAYGAS"</small>	<b>JSC National Company “KazMunayGas”</b>	
Title of the document	<b>Policy for ensuring succession of the members of the Board of Directors of JSC NC “KazMunayGas”</b>	
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## 1. General Provisions

1.1. Since the BoD is responsible for managing the organization, it is critical that BoD members have the necessary skills, knowledge and behaviors for both current activities and future changes. The BoD recognizes that the skills, knowledge and experience needed to manage the organization will change with market changes, demands, opportunities and challenges.

1.2. The aim of the Policy is to determine the main principles and procedures that guarantee the formation, preservation and development of a professional and effective composition of the BoD that through the proper mix of knowledge, skills, experience, and behavior can make objective and independent judgments and make balanced decisions that are in the interests of KMG and its stakeholders in the long run.

1.3. The Policy is designed solely to ensure the succession of members of the BoD and does not regulate the succession of other KMG bodies.

1.4. All issues related to ensuring the succession of members of the BoD must first be considered by the Committee, one of the main tasks of which in accordance with the Regulation on the Committee is to plan the succession of the BoD and to ensure continuous and objective evaluation of the BoD’s performance.

1.5. The Policy regulates the following processes:

- 1) determination of staffing needs and succession planning of the BoD;
- 2) development and implementation of a transparent system of nomination of candidates for election to the BoD;
- 3) evaluations of candidates for members of the BoD;
- 4) KMG’s interaction with shareholders on the nomination of candidates to the BoD in order to ensure continuity;
- 5) promoting the effectiveness of the BoD by organizing Induction Programs for newly elected members of the BoD and professional development.

1.6. This Policy is developed in accordance with the laws of the Republic of Kazakhstan, the Charter, the Corporate Governance Code and internal documents of KMG.

## **2. Definitions and abbreviations**

All capitalized terms and definitions in the text of the Policy have the meanings provided for in this section. For the purposes of this Policy, the following definitions and abbreviations are used:

<b>Shareholder</b>	– Samruk-Kazyna JSC - a shareholder owning all voting shares of KMG, in accordance with the relevant agreement on transfer of shares of KMG to trust;
<b>KMG</b>	– Joint-stock company "National company "KazMunayGas";
<b>Corporate Governance Code</b>	– Corporate Governance Code of JSC NC “KazMunayGas” approved by the decision of the Sole Shareholder of JSC NC “KazMunayGas” dated May 27, 2015 No. 22/15;
<b>Committee</b>	– Committee of the Board of Directors on nominations and remuneration;
<b>CS</b>	– Corporate Secretary - an employee of KMG who is not a member of the Board of Directors or the Management Board of KMG, who is appointed by the Board of Directors and reports to the Board of Directors. The competence and activities of the Corporate Secretary are determined by the Regulation on the Corporate Secretary;
<b>BoD</b>	– Board of Directors of JSC NC “KazMunayGas”
<b>Independent Director</b>	– a person with sufficient professionalism, experience and independence to form his/her own position and be able to make objective and honest judgments independent of the influence of the executive bodies, the Shareholder (shareholders) or other interested parties and not related to KMG, the Shareholder (shareholders) or KMG’s

	competitors, and who meets the criteria established by the laws of the Republic of Kazakhstan
<b>Policy</b>	– the present Policy for ensuring succession of the members of the Board of Directors of JSC NC “KazMunayGas”
	–
<b>Charter</b>	– Charter of JSC NC “KazMunayGas”

### **3. Principles for ensuring continuity**

3.1. The succession of the members of the BoD is understood as the process of forming and developing its composition, which guarantees the preservation and improvement of the best practices of the BoD, ensuring the compliance of its activities with the Corporate Governance Code, the KMG Development Strategy, as well as the formation, preservation and improvement of the skills, experience, behavior and qualifications necessary for members of the BoD to effectively implement their authority.

3.2. In order to ensure succession of the BoD, maintain a balanced composition of the BoD, an appropriate level of competence and ensure a general level of continuity, KMG considers it appropriate practice to rotate the members of the BoD in a timely manner, but not more than 1/3 of the composition of the BoD at the same time.

3.3. The main principles of succession of members of the BoD are:

#### ***3.3.1. The principle of balance:***

The BoD should consist of persons possessing knowledge, skills and experience in the aggregate sufficient to implement the tasks assigned to the BoD, including on:

- 1) strategic management of KMG;
- 2) determination of the basic principles and approaches to organizing risk management, internal control, and corporate governance systems at KMG;
- 3) control of the activities of the executive body in accordance with the competence of the BoD in accordance with the Charter;
- 4) the implementation of other functions for the overall management of the activities of KMG.

For a comprehensive assessment on key issues of KMG’s activities, members of the BoD need to have a high degree of competence in various professional fields, as well as have sufficient knowledge in issues of the oil and gas industry.

#### ***3.3.2. The principle of transparency:***

The succession planning process for members of the BoD should be carried out through transparent procedures. The BoD should use a clear and well-established methodology for identifying, evaluating and selecting candidates whose approaches and principles are subject to regular review.

KMG maintains effective interaction with shareholders, informing them of the required competencies of candidates for members of the BoD and providing the possibility of exercising the rights of shareholders in accordance with the legislation of the Republic of Kazakhstan to nominate candidates to the BoD, as well as information on nominated candidates, sufficient to receive representation about their business reputation and professionalism.

### ***3.3.3. The principle of continuous improvement***

To improve the efficiency of its activities, the BoD conducts (on its own or with the assistance of external experts) an annual assessment of the work of the BoD and its committees. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

In order to assist members of the BoD in preserving and developing experience and professional skills, as well as in properly fulfilling their duties, KMG ensures the implementation of the Induction Program and professional development with internal and / or external resources.

### ***3.3.4. The principle of diversity***

Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

## **4. Requirements for candidates for members of the BoD**

4.1. Candidates for membership in the BoD must meet the requirements necessary for making informed decisions related to the competence of the BoD, including:

- 1) possess knowledge, skills and experience in areas corresponding to the main activities of KMG;
- 2) have an impeccable business and personal reputation, high moral and ethical qualities;
- 3) have sufficient time to fully perform their duties as a member of the Board of Directors

4.2. The BoD should include Independent Directors.

4.3. The number of independent directors on the BoD, their diverse professional competencies and experience should be sufficient and balanced to enable the formation and discussion of an independent, objective, conscientious position on issues considered by the BoD.

4.4. Candidates for membership in the BoD applying for the status of Independent Directors, in addition to the requirements specified in clause 4.1 of the Policy, must also correspond to independence criteria.

4.5. For the effective implementation of the strategic tasks facing KMG, candidates nominated as Independent Directors should be prepared to join the BoD for at least a period of 3 years.

4.6. Details of the requirements for candidates for members of the BoD are contained in the Charter, the Corporate Governance Code, the Regulation on the BoD and are used by the Committee when evaluating candidates for the BoD nominated by the Shareholder (shareholders) and compiling a list of potential candidates in accordance with Section 5.2. of the Policy.

## **5. Succession procedures**

### ***5.1. Identification of staffing needs of the BoD***

5.1.1. The staffing needs of the BoD are identified during the annual assessment of its activities. As part of this procedure, the activities of the BoD as a whole, its committees individually.

The assessment is organized by the Committee. The self-assessment of the BoD is carried out in accordance with the Regulations on the assessment of the activities of the BoD, Committees of the BoD, the Chairman, members of the BoD and the CS.

Periodically, but at least once every 3 years, KMG engages an external consultant to conduct an independent evaluation of the activities of the BoD. Independent assessment can be carried out both separately and as part of the independent diagnosis of KMG corporate governance. The generalized results of the assessment are disclosed in the annual report of KMG.

5.1.2. On behalf of the Committee, the CS also annually conducts a survey of members of the BoD in order to identify existing and required knowledge, skills, experience and competencies.

5.1.3. Based on the results of the assessment and the survey, the Committee determines a list of additional knowledge, skills, experience and competencies of the members of the BoD necessary for the successful implementation of KMG's development strategy, which includes:

- 1) general requirements for the composition of the BoD and committees;

2) list of key areas in which specialists need to strengthen the BoD in the short and long term (required competencies).

## **5.2. *Formation of a personnel reserve of candidates for election to the BoD***

5.2.1. The Committee organizes the formation of a list of potential candidates for the BoD (List of personnel reserve) meeting the requirements for candidates for the BoD. For the purposes of this List, an independent consultant may be involved. The List of personnel reserve is accompanied by an assessment of their professional qualifications and independence status, conducted on the basis of information received from the candidate and from public sources.

5.2.2. Candidates from the formed List of personnel reserve at the initiative of the BoD may be proposed to the Shareholder (shareholders) for nomination to the BoD in compliance with all necessary procedures provided for by the Charter and the legislation of the Republic of Kazakhstan, or they may be nominated by the BoD themselves in the manner prescribed by the Charter and legislation of the Republic Kazakhstan.

## **5.3. *Nomination of candidates for election to the BoD***

5.3.1. In accordance with the legislation of the Republic of Kazakhstan, the Charter and internal documents of KMG, the Shareholder is entitled to nominate candidates to the BoD.

5.3.2. The Committee, with the assistance of the CS, assesses candidates for their compliance:

- 1) the requirements of the Charter, and the legislation of the Republic of Kazakhstan;
- 2) independence criteria;
- 3) the needs of the BoD in the additional competencies of candidates (taking into account the available knowledge, skills and practical experience of candidates).

5.3.3. Provided that it does not contradict the provisions of the Charter, the Corporate Governance Code, the Regulation on the BoD, the BoD is entitled to independently include in the list of candidates for election to the BoD candidates who meet the personnel needs of KMG.

5.3.4. Candidates for election to the BoD must confirm in writing their consent to be nominated to the BoD, provide their curriculum vitae, as well as sign a statement of non-disclosure of information regarding which there is a requirement to ensure its confidentiality, while they are fulfilling their duties as a member of the BoD persons who do not have access to such information, as well as non-use of this information in their own interests or the interests of third parties. The consent of

such candidates must contain a statement of their compliance with the independence criteria used by KMG and the Shareholder (shareholders).

5.3.5. Candidates for election to the BoD as Independent Directors, making a balanced decision on their consent to nomination, should familiarize themselves with the main information on KMG's activities and the public documents of KMG that are in the public domain (including the Charter, Corporate Governance Code, Regulation on the BoD and others documents), have a detailed understanding of the current situation in the oil and gas industry, as well as evaluate their potential contribution to the activities of the BoD.

#### ***5.4. Preparation of recommendations for the KMG Shareholder (shareholders) regarding voting at the KMG General Meeting of Shareholders***

5.4.1. The materials provided for review to persons entitled to participate in the KMG General Meeting of Shareholders for each candidate nominated for election to the BoD include information sufficient to form an idea of his personal and professional qualities.

5.4.2. Such information is compiled by the CS in agreement with the candidate.

5.4.3. In order to increase the validity and effectiveness of decision-making on the issue of electing members of the BoD, the BoD, based on the conclusion of the Committee, makes recommendations regarding voting on this issue of the agenda at the General Meeting of Shareholders and ensures that this information is communicated to the Shareholder (shareholders).

#### ***5.5. Election of members of the BoD***

5.5.1. Members of the BoD are elected in the manner prescribed by the KMG Charter and the legislation of the Republic of Kazakhstan.

5.5.2. If after inclusion by the BoD of a candidate in the list of candidates for election to the BoD and / or ensuring access of the Shareholder (shareholders) to the materials on the agenda of the General Meeting of Shareholders, KMG received information on the non-compliance of the nominated candidate with the requirements established by the legislation of the Republic of Kazakhstan and internal KMG regulatory documents, and / or creating obstacles for his election to the BoD, such information should be brought to the attention of the participants of the General Meeting of Shareholders before voting.

5.5.3. After the election of a new composition of the BoD, in accordance with the legislation of the Republic of Kazakhstan, the Charter, the Corporat Governance Code, the Regulation on the BoD, a Chairman is elected from among the members of the BoD, as well as committees of the BoD are formed and chairmen of committees of the BoD are elected.



## **6. Induction to the position and development program**

KMG provides comprehensive assistance in the speedy adaptation of newly elected members of the BoD, as well as in the preservation and development of professional skills of members of the BoD. For this:

6.1. KMG is developing an Induction Program for newly elected members of the BoD, the contents of which are previously discussed with members of the BoD and is updated on a regular basis based on the results of the Committee's review. The purpose of this program is to quickly and efficiently familiarize newly elected members of the BoD with the activities of KMG, as well as to form an understanding of the role of KMG by members of the BoD.

6.2. When passing the Induction Program, members of the BoD are to be informed about the activities of KMG, as well as about the rights and obligations of members of the BoD established by the legislation of the Republic of Kazakhstan, the Charter and internal documents of KMG.

6.3. Since members of the BoD may not be experts in all areas of KMG's activities, one of the key tasks of KMG is to expand and update knowledge, as well as develop the competencies of members of the BoD. For these purposes, KMG organizes actions for professional development of the BoD members, the exchange of experience and the acquisition of additional knowledge both in specific areas of KMG's activities and in corporate governance, strategy and risk management.

6.4. The participation of members of the Board of Directors in the induction and professional development programs is taken into account when assessing the personal contribution of each member of the Board to the overall effectiveness of its activities.

## **7. Succession Plan**

7.1. In fulfillment of the purposes, principles and provisions of this Policy, the BoD shall approve the BoD Succession Plan.

7.2. The BoD Succession Plan shall contain specific activities, timelines, and responsible persons.

7.3. The BoD Succession Plan shall be evaluated annually during the BoD evaluation and updated as necessary.

## **8. Final provisions**

8.1. The Committee annually evaluates this Policy for its effectiveness and compliance with the goals and objectives and, if necessary, makes appropriate adjustments.

8.2. Any changes made to the Policy are subject to approval by the BoD.

8.3. The policy is published on the official Internet resource (website) of KMG and is subject to regular updating as necessary.