

APPROVED

**by the resolution of the Board of
Directors of JSC NC “KazMunayGas”
dated 12 December 2018
Minutes No. 19/2018, annex No.1 to
the item No.27 of the agenda**

REGULATION

**ON STRATEGY AND PORTFOLIO MANAGEMENT COMMITTEE
OF THE BOARD OF DIRECTORS OF JSC NC “KAZMUNAYGAS”**

General provisions

This Regulation on Strategy and Portfolio Management Committee (**Regulation**) of the Board of Directors of JSC NC “KazMunayGas” (**KMG**) has been developed in line with the current laws of the Republic of Kazakhstan, KMG Charter, the Code of Corporate Governance of KMG approved by the resolution of the Sole shareholder of KMG, minutes of the Management Board of “Samruk-Kazyna” JSC dated May 27, 2015 No. 22/15 (**Code**), and the best international practice of corporate governance; it shall define the main tasks, functions, and authorities of the Strategy and Portfolio Management Committee of the Board of Directors of KMG (**Committee**), and also the structure of the Committee, the procedure of its forming, functioning, and interaction with KMG bodies.

The Committee shall be a consultative-deliberative body under the Board of Directors of KMG. All resolutions of the Committee shall represent recommendations to be submitted for consideration of KMG Board of Directors (hereinafter – the Board of Directors).

The Committee shall be accountable to the Board of Directors and shall act within the framework of competence provided by the Board of Directors and the present Regulation.

1. Objectives of the Committee

The Committee shall be formed to render assistance to the Board of Directors by means of preliminary consideration and preparation of recommendations for the Board of Directors on the following issues:

- 1.1. the development strategy and investment policy of KMG, inclusive of business priorities of KMG;
- 1.2. increasing investment appeal of KMG, through improvement of KMG corporate governance as well;
- 1.3. securing adequate planning of the financial and economic activities of KMG;
- 1.4. monitoring of KMG transformation.

2. The Committee’s Functions

2.1. Preparation of recommendations to the Board of Directors on the following issues:

- 2.1.1. approval of the Strategy (mission, visions, goals, and objectives) and Development Plan of KMG;
- 2.1.2. monitoring of strategy roadmap;
- 2.1.3. elaboration of business (development) priorities of KMG and assessment of compliance with the approved business (development) priorities of KMG;
- 2.1.4. specifying requirements and criteria to investment projects of KMG to define them as innovative and feasible;

- 2.1.5. monitoring of KMG investment projects taking into account portfolio management of investments;
 - 2.1.6. elaboration of expectations with regard to KMG's subsidiaries and affiliates given the strategic objectives of the Company;
 - 2.1.7. opening and closing of KMG branches and representation offices outside the Republic of Kazakhstan;
 - 2.1.8. acquisition and alienation by KMG of five and over per cent shares (participation shares in equity capital) in other legal entities;
 - 2.1.9. receipt, transfer (assignment) by KMG of the right for subsoil use, amending contracts for subsoil use, concluding contracts between KMG and its strategic partners;
 - 2.1.10. approval of Corporate KPIs.
-
- 2.2. In line with the Committee's objectives, carrying out control over efficient implementation of KMG Strategy and implementation of resolutions of KMG's Board of Directors;
 - 2.3. Monitoring of changes in the economic and competitive environment aimed at assessment of their influence upon the current development strategy of and ensuring revision/ reevaluation of the strategy and development plan of KMG with account of changes;
 - 2.4. Coordination of activities of KMG officials and structural subdivisions to ensure implementation of the Committee's objectives;
 - 2.5. Providing of KMG Board of Directors with the information on innovative trends in the oil and gas sector and the key market trends, inclusive of securities markets;
 - 2.6. Analysis of large oil and gas investment projects of KMG and its subsidiaries to determine the compliance of these projects with the development strategy of KMG;
 - 2.7. Monitoring of large oil and gas investment projects of KMG and its subsidiaries aimed at assessment of their influence upon the current development strategy of and ensuring revision/ reevaluation of the strategy and development plan of KMG with account of changes.

3. Rights and obligations of the Committee:

- 3.1. the Committee shall be entitled:
 - 3.1.1. to demand provision of information, official documents, and explanations, required to the Committee for implementation of its objectives and fulfillment of functions, from the Management Board, officials, the head of the Internal Audit Service, the Corporate Secretary, and other officials and employees of KMG;

- 3.1.2. to consider inquiries of the shareholders, the Board of Directors, officials, and employees of KMG, as well as the third parties, on issues referred to the competence of the Committee;
- 3.1.3. to involve KMG officials and employees, as well as the third parties, at its own discretion, in the work of the Committee, without granting a voting right to them;
- 3.1.4. to enjoy other rights required for implementation of its functions and objectives.
- 3.2. the Committee shall be obliged:
 - 3.2.1. to be governed in its activities by provisions of the current laws of the Republic of Kazakhstan, the Charter, the Code of Corporate Governance of KMG and other internal documents of KMG;
 - 3.2.2. to act for the benefit of KMG and its shareholders;
 - 3.2.3. to eliminate influence of a conflict of interests of the Committee's members on its activities;
 - 3.2.4. to report on the Committee's activities at request of the Board of Directors;
 - 3.2.5. to submit a year-end performance report of the Committee to the Board of Directors.

4. Forming of the Committee:

- 4.1. The Committee shall be formed out of members of the Board of Directors and duly qualified and competent experts (if necessary); the Committee shall consist of at least three members; Independent Directors shall comprise the majority of members of the Committee. The Chairman of KMG Management Board cannot be elected as a member of the Committee.
- 4.2. The Chairman and members of the Committee shall be elected by the Board of Directors in the procedure established by the Charter of KMG. Moreover, the Chairman of the Committee shall be elected from among Independent Directors.
- 4.3. Terms of powers of the Committee's members shall coincide with the terms of their powers as members of the Board of Directors; however, the Board of Directors shall review terms of powers of the Committee's members on an annual basis.
- 4.4. Experts of the Committee shall attend meetings of the Committees without voting right. The Committee's experts shall be entitled to initiate meetings of the Committee, and to terminate own powers unilaterally ahead of schedule by means of a written notification of the Committee via the Committee's Secretary.

5. The Chairman of the Committee shall:

- 5.1. arrange the activity of the Committee;
- 5.2. convene meetings of the Committee and take the chair at meetings;

- 5.3. approve of the agenda of a meeting of the Committee. The Chairman of the Committee shall determine the need of issue inclusion to the agenda of the Committee's meeting independently;
- 5.4. arrange efficient resolution of issues at meetings of the Committee;
- 5.5. ensure development of the plan of meetings of the Committee;
- 5.6. ensure development of performance reports of the Committee.

6. Rules of the Committee's procedures:

- 6.1. The Committee shall work via in-person meetings.
- 6.2. The Corporate Secretary of KMG shall perform functions of the Secretary of the Committee.
- 6.3. The Secretary of the Committee shall ensure arrangement and holding of the Committee's meetings, collection and systematization of materials for meetings, timely delivery of notifications, agenda of a meeting, and materials on issues of the agenda to members of the Committee and invitees, keeping minutes of meetings, monitoring of implementation of resolutions and instructions of the Committee and relevant reports, development of draft resolutions of the Committee, and further storage of all the materials.
- 6.4. The Secretary shall ensure timely provision of members of the Committee with all the required materials and documents.
- 6.5. Meetings of the Committee may be held both in line with the plan approved by the Chairman of the Committee, and as and when necessary, but not less than four meetings a year.
- 6.6. A resolution on convening a regular meeting of the Committee, date, time, and place of a meeting, as well as its agenda, and the list of invitees for a meeting of the Committee, shall be made by the Chairman of the Committee
- 6.7. An extraordinary meeting of the Committee shall be held by resolution of the Chairman of the Committee, and may be initiated by any member of the Committee, the Board of Directors, the Management Board, or the entity holding all voting shares of KMG.
- 6.8. An advance notice on holding of a meeting of the Committee including its agenda shall be sent to persons participating in a meeting not later than three working days before the date of the Committee's meeting.
- 6.9. The third parties may attend meetings of the Committee at the invitation of the Committee's Chairman; however such invitees shall not be entitled to vote on issues of the agenda of a meeting.
- 6.10. The Committee shall take decisions by simple majority of votes of the total number of the Committee's members. The quorum for making a decision by the Committee shall make at least a half of the total number of the Committee's members. In case of an equality of votes, the vote of the Committee's Chairman shall be the decisive.
- 6.11. Each member of the Committee shall have the right to give a dissenting opinion, which shall be enclosed to the Minutes of the Committee's meeting. In cases when decisions on certain issues cannot be made due to interests of

the Committee's members in them, such fact shall be recorded in the Minutes of the Committee's meeting.

- 6.12. The minutes of the Committee's meeting shall be drawn up in one original, and signed by the Chairman and the Secretary of the Committee.
- 6.13. The minutes of the Committee's meeting shall contain titles of the issues and decisions taken, as well as opinions made by the Committee members and proposed to be included into the minutes by them.

7. Procedure of amending of the Regulation

All supplements and amendments to the present Regulation shall be approved by a resolution of the Board of Directors.