
Corporate governance

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Board of Directors



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1 Daniyar Berlibayev

Chairman of the Board of Directors of KMG EP*

Deputy Chairman of the Management Board of JSC NC KazMunayGas in charge of corporate headquarters.

Daniyar Berlibayev was appointed to the Company's Board of Directors on 9 July 2013, and was elected Chairman of the KMG EP Board of Directors on 10 July 2013. He graduated from Al-Farabi Kazakh State University. He is the holder of "Kurmet" and "Parasat" medals.

Daniyar has held various management positions in the Kazakhstan oil and gas industry, including at JSC Intergas Central Asia, JSC KazTransGaz, National Maritime Shipping Company KazMorTransFlot JSC, and KazMunayGas – refining and marketing JSC. He is also the Chairman of the Board of Directors of Rompetrol Company (Romania), and Supervisory Board Member at JSC KazRosGas. He is a member of the Nominations Committee.

2 Abat Nurseitov

Chief Executive Officer, Chairman of the Management Board of KMG EP

Abat Nurseitov was appointed Deputy General Director for Operations in January 2012. He joined the Company in October 2006.

Abat graduated from the Lenin Kazakh Polytechnic Institute. He has been working in the oil and gas industry since 1986, having progressed from being a field operator for oil and gas production to head of Zhetybaineft. He has held various management positions at KazNIPneft, CJSC Turgai-Petroleum and the Kazakhstan affiliate of Lukoil Overseas Service. He has been awarded medals as part of the commemoration of 100 and 110 years of Kazakhstan oil production. He is a member of the Strategic Planning Committee.

3 Timur Bimagambetov

Managing Director (Production Assets) of NC KazMunayGas JSC

Timur Bimagambetov graduated from the Kazakh Polytechnic Institute in 1978. In recent years, he has held such management positions as Vice Chairman of the Management Board for Production and Technical Development, Managing Director of the Production Assets Department of NC KazMunayGas JSC, and General Director of Kurmangazy Petroleum LLP and N Operating Company LLP.

Timur was elected to the Board of Directors of KMG EP on 29 May 2012. He is a member of the Strategic Planning Committee.

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4 Yerzhan Zhangaulov

Managing Director (Legal)
of NC KazMunayGas JSC

Yerzhan Zhangaulov previously worked as the Head of Legal Services, Executive Director for Legal Matters, and adviser to the Vice President of JSC NC KazMunayGas. He led the Legal Department of JSC NC Oil and Gas Transportation, headed the legal section within the General Services Department of Kazakhstan's Presidential Administration, served as a consultant with the Legislation, Defence and Law Enforcement Department at the Front Office of Prime Minister of the Republic of Kazakhstan, and as assistant to Kazakhstan's Justice Minister. He graduated from the Karaganda State Institute's Faculty of Law in 1992.

5 Asiya Syrgabekova

Managing Director (Investment and Risk
Management) of NC KazMunayGas JSC

Since November, 2013, Asiya Syrgabekova has been working as the Managing Director for Investment and Risk Management of NC KazMunayGas JSC. She was elected to the Board of Directors at KMG EP on 26 March 2010. Since 2003, she has been First Deputy Chairman of Halyk Bank, and between 2004 and 2006 she was Chairman of the Management Board of Halyk Bank. Between 1998 and 2003, Asiya worked in national oil and gas companies, where she held various executive positions in KazakhOil, KaztransGas, and KazMunayGas. She graduated from the Kazakhstan State University's Faculty of Economics in 1982. In 1987, she graduated with a PhD in Economics from the Moscow Financial Institute.

6 Philip Dayer

Independent Non-Executive Director
of KMG EP

Philip Dayer LLB FCA, qualified as a chartered accountant with KPMG and then pursued a 25-year career in investment banking, specialising in consulting for LSE listed companies. He gained extensive experience working for companies such as Barclays de Zoete Wedd and Citicorp. He retired from ABN AMRO Hoare Govett in 2005. Since then he has advised Rosneft on its successful flotation in 2006. Philip was Chairman of Dana Petroleum's Audit Committee until it was purchased by KNOC.

Currently, he holds independent directorships with a number of companies, and is Senior Independent Director of AVEVA Group. He is also an independent director of VTB Capital and Severstal public company. Philip joined the KMG EP Board of Directors in May 2010. He is chairman of the Audit Committee and a member of the Remuneration, Nominations and Strategy Committees.

7 Edward Walshe

Independent Non-Executive
Director of KMG EP

Edward Walshe has over 35 years of experience in the oil and gas sector. He has worked in various roles with British Petroleum and British Gas, where he ran overseas exploration and production operations in Nigeria, Abu Dhabi, Central Asia, and South-East Asia. He has a PhD in Solid State Chemistry from the University of Dublin. Edward was elected to the Board of Directors on 28 August 2006. He chairs the Strategic Planning and Nominations Committees and is a member of the Audit and Remuneration Committees.

8 Alastair Ferguson

Independent Non-Executive
Director of KMG EP

Alastair Ferguson has 34 years of experience in the oil and gas sector, predominantly in BP. Since 2003 he has been living in Moscow. Between 2003 and 2011 he was employed at TNK-BP as the Executive Vice-President for Gas Business Development. Later he developed his own consultancy to advise clients on the Russian and Ukrainian energy sectors. He is an independent director of JKX Oil & Gas and is a Senior Advisor to XENON Capital Partners. On 1 January 2015, he was appointed Chairman of the Board of Directors at Zoltav Resources. He has been a member of the KMG EP Board of Directors since October 2013. He chairs the Remuneration Committee and is a member of the Audit and Strategic Planning Committees.

* Christopher Hopkinson

* As of January 2015 Christopher Hopkinson – First Deputy Chairman of the Management Board of JSC NC "KazMunayGas" – has been appointed as the new Chair of the Board of Directors

Christopher Hopkinson is a graduate of St Andrews University, Scotland. Before he joined NC KMG, he had been CEO at International Petroleum; General Director at Imperial Energy, and Senior Vice President North Africa at BG Group. He held various posts at Shell and TNK BP.

Corporate governance

KMG EP was a pioneer among Kazakh companies in applying corporate governance practices in line with international standards. Investor confidence in the Company and its management hinges on the Company's corporate governance.

KMG EP has developed and put in place an effective system to manage relations between the Board of Directors, the Management Board and the shareholders. This system ensures that the Company continuously looks for the best investment opportunities while at the same time considering the interests of all shareholders.

Regulation of its relationship with the principal shareholder is a vital component of the Company's corporate governance. An agreement is in place between KMG EP and its parent company NC KazMunayGas (NC KMG) that provides for business independence while at the same time requiring KMG EP to act in the best interests of all its shareholders. The Company's Board includes three independent directors. They play a major role in ensuring that the Company complies with its corporate governance commitments. The independent directors at KMG EP use their experience to balance the influence of the principal shareholders and to closely supervise management decisions. Thus, the influence of the independent directors is bolstered by a legislated provision requiring the presence of a significant number of independent directors at the meetings of the Board of Directors in order to form a quorum; their membership and chairmanship on Board committees, and the exclusive vote of the independent directors on the issues related to the authorisation of interested-party transactions. This allocation of functions provides a more balanced and effective decision-making process in line with best practices.

Board of directors of KMG EP

The governing body of the company is the Board of Directors and the executive body is the Management Board. The Chief Executive Officer chairs the Management Board and also sits on the Board of Directors and is the sole representative of the executive body on the Board of Directors. Four more directors, including Board Chairman Daniyar Berlibayev, are representatives of JSC NC KazMunayGas. The Board of Directors also includes three independent directors, making eight directors in total.

Corporate Governance Code compliance

This section of the Annual Report has been prepared in compliance with the requirements of the FSA's (Financial Services Authority) Disclosure and Transparency Rules (DTR 7.2) (Corporate Governance Statements).

As an overseas company with GDRs admitted to the Official List of the United Kingdom Listing Authority, the Company is not obliged to comply with the UK Corporate Governance Code. However, in accordance with DTR 7.2 the Company is required to disclose in its Annual Report whether or not it complies with the Corporate Governance Code of the Republic of Kazakhstan, disclose actual principles of corporate governance, which are applied in addition to the practices to be observed in accordance with applicable laws of the Republic of Kazakhstan.

Following the adoption of the UK Corporate Governance Code in May 2010 by the Financial Reporting Council, the UK independent corporate governance improvement organisation, in 2012 the Company updated its Corporate Governance Code to comply with the UK Corporate Governance Code, except for separate provisions. Specific information on where the Company's current governance practices differ from those set out in the UK Code is given below.

The directors recognise the importance of corporate governance and support the development of corporate governance standards in the Company. The Company intends to develop and implement corporate governance practices which impose additional obligations on the Company beyond those required under the legislation of Kazakhstan.

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Kazakhstan Corporate Governance Code and the Company's Corporate Governance Code

Corporate governance best practice in Kazakhstan is set out in the Kazakhstan Corporate Governance Code. This Code is based on the best international practice in the area of corporate governance and Recommendations on the Application of Corporate Governance by Kazakhstan Joint Stock Companies, approved by the Securities Market Expert Council of the National Bank of the Republic of Kazakhstan in September 2002. The Code was approved by the Financial Institutions' Association of Kazakhstan in March 2005, and by the Board of Issuers in February 2005.

The Company has adopted the Kazakhstan Corporate Governance Code as its own Code. In 2012 the Corporate Governance Code was amended in order to comply with the UK Corporate Governance Code adopted in 2010 (except for some provisions as set out below). The amendments adopted by the Company impose additional obligations on KMG EP in respect of corporate governance in addition to those provided by the Kazakhstan Corporate Governance Code. The Company believes that these additional amendments will significantly improve the corporate governance practices applied by the Company. KMG EP also takes into consideration other provisions of the UK Corporate Governance Code and will seek to improve its corporate governance standards in the future.

Additional provisions of the Company's Corporate Governance Code in addition to the requirements of the legislation of the Republic of Kazakhstan (the Kazakhstan Corporate Governance Code) are as follows:

- Additional principles of the corporate governance were introduced:
- The principle of independent activities of the Company
- The principle of responsibility.
- Some of the corporate governance principles were supplemented by various provisions, such as:
 - Social policy principles;
 - Provisions regarding relationships with the shareholders of the Company;
 - Division of responsibilities between the Chairman of the Board of Directors and the General Director;
 - Provisions describing the role of the Chairman of the Board of Directors;
 - Requirement of a minimum number of independent directors;
 - Additional provisions governing the criteria for establishing the independence of independent directors;
 - Provisions on access to information and professional development for directors of the Company;

- Provisions governing the principles of directors' remuneration;
- Provisions concerning the treatment of inside information;
- Provisions for the responsibilities of the Board of Directors to ensure effective risk management system;
- Provisions for the evaluation of the performance of the Chairman and members of the Board of Directors;
- Provisions for the appointment/re-appointment of members of the Board of Directors.

A current version of the Company's Corporate Governance Code is available on KMG EP website.

During 2014 the Company complied with the provisions of Kazakhstan Corporate Governance Code in all significant aspects.

During 2014 the Company complied with the provisions of its Corporate Governance Code in all significant aspects, save for the following:

- According to the Corporate Governance Code of the Company, directors should meet without the participation of the Chairman of the Board of the Directors at least once a year to evaluate the performance of the Chairman of the Board of the Directors, and in other cases, if required.

The Board has decided not to conduct an assessment of activity of the Board in 2014 with the assistance of an external consultant, as assessment was performed for 2013 activities. The Board has decided to postpone the internal evaluation of its activities in 2014 in connection with the recent election of Chairman of the Board.

- The Corporate Governance Code of the Company provides an obligation for the Board of Directors (together with the Audit Committee) to carry out an evaluation of the effectiveness of the risk management system at least once a year.

The Board of Directors does not have a separate risk committee, and the role described above has been allocated to the Audit Committee of the Board of Directors according to the provisions of the committee. More detailed information about the Audit Committee is provided on page 84 of this report. In 2014 the evaluation of the effectiveness of the risk management system was carried out by Ernst & Young. Following this evaluation, the Company has come up with and approved an action plan for 2014-2015 to further develop the risk management system.

Corporate governance continued

Differences between the Company's Code on corporate governance and the provisions of the UK Corporate Governance Code

Below are the main differences between the Corporate Governance Code of the Company and provisions of the UK Code:

- According to the provisions of the UK Corporate Governance Code the chairman should on appointment meet the independence criteria set out therein.

The Corporate Governance Code of the Company does not contain provisions on the independence of the Chairman of the Board of Directors, and according to the opinion of the directors, the Chairman of the Board of Directors would not meet the criteria of independence stated in the respective provisions of the UK Corporate Governance Code or the respective provisions of the Company's Corporate Governance Code. The Chairman of the Board of Directors represents the major shareholder.

- According to the UK Corporate Governance Code at least half of the members of the Board of Directors, excluding the Chairman, should be independent non-executive directors.

By contrast, the Corporate Governance Code and the Charter of the Company provide that at least one third of the Board of Directors' members shall be independent non-executive directors. According to the Charter of the Company a number of key issues including related-party transactions, major transactions, approval of social expenses, and subsoil use contracts, require the approval of majority of the independent non-executive directors. The Charter of the Company can be found on the Company's website.

- The UK Corporate Governance Code also states that the Board of Directors shall appoint one of the independent non-executive directors to be a senior independent non-executive director.

The Company's Corporate Governance Code does not provide for the appointment of a senior independent director by the Board of Directors, taking the current shareholder structure into account. The requirement for a senior independent director will be re-evaluated periodically.

- The UK Corporate Governance Code states that non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves with the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

The Company's Corporate Governance Code imposes such requirements on all members of the Board of Directors

- The UK Corporate Governance Code provides that the non-executive directors are responsible for determining appropriate levels of remuneration of the executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

The Company's Corporate Governance Code places the responsibility for determining appropriate levels of remuneration of the executive directors on the Remuneration Committee of the Board of Directors, and provides for the involvement of the Nomination Committee of the Board of Directors in the appointment and removal of executive directors. In practice, the determination of the level of remuneration of the Board of Directors' members and their appointment is influenced by the majority shareholder.

Directors' responsibility statement

In accordance with the Company's Corporate Governance Code, the Board of Directors and the Management Board shall be responsible for the accurate presentation of the Company's Annual Report and Financial Statements.

According to the UKLA Disclosure and Transparency Rules each member of the Board of Directors (see page 76-77), on the basis of the available information, confirms that:

- The financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) give a true and fair account of the assets, liabilities, financial position, and the results of the financial and economic activities of the Company, and the consolidated balance sheets of the Company and its subsidiaries;
- The Management Board Report includes a fair review of the results of the Company's financial and economic activities, the financial position of the Company, its joint obligations with its subsidiaries, and a description of the most important risks and uncertainties which the Company faces.

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Structure of the Board of Directors

As of 31 December 2014 the Board of Directors consisted of eight members, including:

Name	Position
Daniyar Berlibayev	Chairman of the Board of Directors
Abat Nurseitov	Member of the Board of Directors (General Director)
Yerzhan Zhangaurov	Member of the Board of Directors
Asiya Syrgabekova	Member of the Board of Directors
Timur Bimagambetov	Member of the Board of Directors
Philip Dayer	Independent Director
Edward Walshe	Independent Director
Alastair Ferguson	Independent Director

On 14 April 2014, by the decision of the general meeting of shareholders, the members of the current Board of Directors were elected for the term of office from 14 April 2014 to 13 April 2015.

On the basis of the results of the Extraordinary General Meeting of Shareholders held on 13 January 2015, the following resolutions were made:

- The appointment of the member of the Board of Directors, Daniyar Berlibayev, was terminated;
- Christopher Simon Hopkinson was appointed as a member of the Board of Directors for the standard term of office.

On 20 January 2015, Christopher Simon Hopkinson was elected as the Chairman of the Board of Directors of the Company, and as a member of the Nominations Committee on the basis of a resolution of the Board of Directors.

In accordance with the Company's Corporate Governance Code, the Company's Board of Directors has evaluated the independence of the directors and believes that Philip Dayer, Edward Walshe, and Alastair Ferguson are independent in character and in decision-making. The Board of Directors has found no relations or circumstances which had or could have a significant impact on the independent decision-making of these directors.

Structure of the Management Board

In 2014, the Management Board of the Company consisted of senior executives, including the General Director and his deputies.

The members of the Management Board as of 31 December 2014 are listed below:

Name	Position
Abat Nurseitov	General Director and Chairman of the Management Board
Kairbek Yeleusinov	Deputy General Director for Production
Malik Saulebay	Head of Staff
Dastan Abdulgafarov	Managing Director for Business Development
Botagoz Ashirbekova	Managing HR Director
Shane Drader	Financial Director – Financial Controller

Corporate governance **continued**

During the course of 2014, the Board of Directors adopted the following decisions on the composition of the Management Board:

1. On 18 March 2014, Dastan Abdulgafarov, Managing Director for Business Development, was appointed as a member of the Management Board of the Company.
2. On 16 September 2014, the appointment of Paul Benjamin Fraser, member of the Management Board was terminated, and Shane Andrew Drader was appointed as a member of the Management Board.

From 12 January 2015, on the basis of a resolution of the Board of Directors, the composition of the Management Board was altered as follows:

1. The number of members of the Company's Management Board was changed to 7 people.
2. Aziz Ilyeuv, Managing Director for Business Development, was appointed as a member of the Management Board for the standard term of office.

Dastan Abdulgafarov, who had previously held the position of managing Director for Business Development, was appointed Deputy General Director for Economics and Finance.

Responsibility of the Board of Directors and the Management Board

The division of responsibilities between the Board of Directors, the Management Board and General Director of the Company is allocated in accordance with the Sections 12 and 13 of the Charter of the Company. The authorities and responsibilities of the Board of Directors and the Management Board are regulated by the Board of Directors' Regulation and the Management Board Regulation respectively.

The Board of Directors is responsible to shareholders for the effective management and proper control of the activities of the Company, and acts in accordance with the approved decision-making system. The most important functions of the Board of Directors are to identify areas of strategic development and Company policy, and to make decisions on the potential acquisitions of oil and gas assets, and other significant issues.

The Management Board is responsible for developing an action plan to implement these functions and for the daily operational activities of the Company. The Management Board reports to the Board of Directors on its progress towards achieving the objectives of the Company. The Board of Directors meets on a regular basis and as necessary.

During 2014, the Board of Directors held 50 meetings, including seven meetings in person and 43 meetings by correspondence.

During the year, the Board of Directors reviewed, inter alia, the following issues:

- Approval of the Company's budgets and business plans
- Issues related to exploration
- Health, safety and environment issues
- Issues related to amendments to subsoil use contracts
- Issues related to the reorganisation of foreign subsidiaries
- Relationship with affiliates, including subsidiaries of NC KMG
- Approval of the Company's related-party transactions (transactions of JSC Ozenmunaigas and JSC Embamunaigas – more detailed information is given in the consolidated financial statements on page 98 and in the Operating and Financial Review on page 34)
- Issues related to the operations of the legal entities holding 10% or more of the Company's shares;
- Procedure for returning contract areas;
- Introduction of the Unified System of Wages for the Company's employees;
- Election of members of the Management Board;
- Determining the salaries and conditions of remuneration and bonuses of the members of the Management Board;
- Preliminary approval of the Company's consolidated financial statements for 2013;
- Introducing proposals on the amount of dividends to be paid for 2013;
- Producing the Report of the Board of Directors and Management Board for 2013;
- Assessing and reporting on the Board of Directors' performance in 2013;
- Review of plans and reports of the internal audit department, and the status of implementation of the internal audit department's recommendations;
- Consideration of the EVA KPI calculation method suggested by the Sovereign Wealth Fund Samruk-Kazyna.

In 2014, the Board of Directors approved the following documents:

- Insurance Policy of the Company and its subsidiaries and related entities;
- Revised Information Disclosure Policy;
- Provision on the role of the Corporate Secretary and the job description of the Compliance Officer.

In 2014, the Board of Directors established the Independent Committee for issues related to the acquisition, redemption, and delisting of shares and other securities listed in Kazakhstan and on foreign stock exchanges, the underlying asset of which are Company's shares. The independent directors of the Company, Philip Dayer, Edward Walshe and Alastair Ferguson, became members of the Independent Committee. The Independent Committee's terms of reference were approved by the Board of Directors.

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Presence of members of the Board of Directors and members of the committees at meetings of the Board of Directors and committees in 2014

	BoD	Audit Committee	Nominations Committee	Remuneration Committee	Strategic Planning Committee
Number of meetings held in 2014	50	13	5	5	1
Daniyar Berlibayev	50	–	–	–	–
Abat Nurseitov	50	–	–	–	1
Yerzhan Zhangaulov	50	–	–	–	–
Asiya Syrgabekova	50	–	–	–	–
Timur Bimagambetov	48	–	–	–	1
Alastair Ferguson	50	13	5	5	1
Philip Dayer	50	13	5	5	1
Edward Walshe	50	13	5	5	1

The Management Board is an executive authority and regulates the Company's current activities. In 2014, 40 meetings of the Management Board were held on a regular basis and as necessary.

In 2014, the Management Board approved a number of projects to acquire new oil and gas assets. Moreover, several related-party transactions were concluded in order to engage subsidiaries and affiliates for exploration or combined exploration and production under KMG EP's contracts as operators.

The Management Board makes decisions on other issues of the Company's operations that are not required to be solely addressed by a General Meeting of Shareholders, the Board of Directors or other officials of the Company.

Audit Committee

Members of the Audit Committee

In 2014 this committee was composed of only independent directors, namely; Philip Dayer (Chairman of the committee), Edward Walshe, and Alastair Ferguson. Appointments to the Audit Committee are made for a period of up to three years, and can be extended by the Board of Directors for not more than two additional three-year periods, provided that the members of the Audit Committee remain independent.

Responsibilities and duties of the Audit Committee

The Audit Committee is responsible, among other things, for any Company reports containing financial information, monitoring risk management and internal control systems, and for the involvement of the auditors of the Company in this process. It also receives information from the Company's internal audit department, which monitors compliance with the Company's internal control procedures. In particular, the Committee deals with issues of compliance with legal requirements, accounting standards, the applicable rules

of the UK Listing Authority (UKLA) and the Kazakhstan Stock Exchange (KASE), and ensures an effective system of internal control. The Board of Directors is also responsible for preliminary approval of the annual financial reports.

The Audit Committee periodically reviews major transactions on acquisitions and disposals, and considers any issues that the Board of Directors may refer to the Audit Committee for review.

Every year at the General Meeting of Shareholders, the Chairman of the Board of Directors shall report the results of and answer questions related to the activities of the Audit Committee on behalf of the Chairman of the Audit Committee.

Activities of the Audit Committee in 2014

During 2014, the Audit Committee held 13 meetings. The Chairman of the Audit Committee makes decisions about the frequency and timing of the meetings. The number of meetings is determined in accordance with the duties of the Committee. At least four meetings per year must be held to coincide with key dates in the cycle for the preparation of financial reporting and audit of the Company (including the preparation of the internal and external auditor's plans, and the preparation of the interim financial statements, preliminary announcements and the annual report).

In 2014, the Audit Committee reviewed the following issues:

- Financial statements
 - Review of issues on preparation of financial statements in compliance with IFRS;
 - Approval of quarterly and annual financial statements to be disclosed to the Kazakhstan Stock Exchange and London Stock Exchange;
 - Approval of press releases in relation to financial statements and operating and financial reviews;

Corporate governance **continued**

- Internal audit;
 - Review and approval of internal audit department operational plan;
 - Internal audit team's staff issues;
 - Assessment of the effectiveness of internal audit;
 - Recommendations on external auditor appointment;
 - Monitoring of risk management and internal audit systems;
 - Forecasts of Company cash flows;
 - Treasury Policy compliance;
 - Compliance.

Remuneration Committee

Members of the Remuneration Committee

In 2014 this committee was composed of only independent directors: Alastair Ferguson (Chairman of the committee), Philip Dayer, and Edward Walshe. Terms of office of the members of the Committee coincide with their terms of office as members of the Board of Directors.

Responsibilities and duties of the Remuneration Committee

The Remuneration Committee is responsible for monitoring the Company's current system of remuneration for the members of the Board of Directors, General Director, members of the Management Board and other Company employees, including analysis of the remuneration policy in comparison with other companies.

The Remuneration Committee is also responsible for developing and providing recommendations to the Board of Directors on the principles and criteria for determining the amount and terms of remuneration and compensation to the members of the Board of Directors, General Director and members of the Management Board of the Company, and for approving the terms of the Company's share option plans and other long-term incentive programmes for Company managers and employees.

The Remuneration Committee oversees the coordination of the Company's remuneration policy with the Company's strategy, its financial position and the state of the labour market.

In addition, the Remuneration Committee monitors the implementation of decisions of the General Meeting of Shareholders with respect to determining the amounts and the procedure by which remuneration is paid to the Company's Board of Directors.

The Remuneration Committee reports regularly to the Board of Directors on its work, and also annually reviews its compliance with its terms of reference and its obligations to provide information to the Board of Directors.

Activities of the Remuneration Committee in 2014

In 2014 the Remuneration Committee held five meetings. The Committee holds meetings as required, but not less than once every six months. Meetings may be convened by the Committee Chairman, any other member of the Committee or by a decision of the Board of Directors.

In 2014 the Remuneration Committee reviewed the following issues:

- Determining the amount of salaries and conditions of remuneration and bonuses of the members of the Management Board, employees of the internal audit department, and the Corporate Secretary
- Issues related to the Option plan.

The total remuneration for the independent directors for the year to 31 December 2014 is listed in the table below:

Name	Annual remuneration US\$ 000	Physical attendance US\$ 000	Phone-video conference participation US\$ 000	Meetings of independent directors US\$ 000	Committee chairmanship US\$ 000	Total for 2014 (excluding taxes) US\$ 000	Total for 2014 (including taxes) KZT 000
Alastair Ferguson	150	70	0	20	15	255	51,700
Edward Walshe	150	70	0	20	15	255	51,700
Philip Dayer	150	70	0	20	25	265	53,728
Total	450	210	0	60	55	775	157,128

Other members of the Board of Directors do not receive remuneration as members of the Board of Directors, but are entitled to reimbursement for costs associated with their appointment.

The total amount of remuneration for the members of the Management Board for 2014 is 337,348 thousand tenge.

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Nominations Committee

In 2014 the members of the Nominations Committee were Daniyar Berlibayev, Edward Walshe (acting Chairman of the Committee), Philip Dayer and Alastair Ferguson.

The main purpose of the Committee is to increase the efficiency and quality of work of the Board of Directors in the selection of candidates to fill positions in the Company, to undertake succession planning, and to define criteria for the selection of candidates for the Board of Directors, General Director, Management Board, and Company Secretary positions.

The Nominations Committee considers matters related to changing the membership of the Board of Directors and Management Board, and the termination of office and appointment of the Company Secretary, and retirement and appointment of additional and alternate directors.

Activities of the Nominations Committee in 2014

During 2014 the Nominations Committee held five meetings where the following issues were discussed:

- Recommendation to the Board of Directors on the membership of the Board Committees;
- Recommendation on the election of a member of the Management Board;
- Recommendation on the appointment of the Company Secretary.

Strategic Planning Committee

In 2014 the members of the Strategic Planning Committee were: Edward Walshe (Chairman of the committee), Timur Bimagambetov, Abat Nurseitov, Philip Dayer, and Alastair Ferguson. The main purpose of the Committee is to develop and provide recommendations to the Board of Directors on determining the Company's priorities and its development strategy.

Activities of the Strategic Planning Committee in 2014

In 2014 the Strategic Planning Committee held one meeting where the following issues were discussed:

- Strategy of KazMunaiGas Exploration Production JSC in respect of maintenance of a positive balance of income and expenditure over the next ten years;
- Transformation programme, a key driver to raise the value of the Sovereign Wealth Fund Samruk-Kazyna.

Major Shareholders and/or GDR holders

In accordance with the laws of the Republic of Kazakhstan, listed below are the holders of Company securities, who own shares as at 31 December, 2014, the number of which must be reported. This requirement does not apply to GDR holders, however, the Company considers it necessary to specify that, on 30 September 2009, the State Investment Fund of the People's Republic of China Investment Corporation (CIC) announced the acquisition of GDRs covering approximately 11% of the shares of the Company.

Contracts of Directors, Letters of appointment of Directors and employment contracts of Members of the Management Board

Employment contracts of Members of the Management Board

All members of the Management Board have signed employment contracts with the Company under which they are entitled to insurance covering accidents during travel and to reimbursement for costs incurred during business travel in accordance with the Company's internal regulations.

It is not expected that any other employment agreements will be entered into with members of the Company's Board of Directors or Management Board members.

Internal control and risk management

The Company operates an internal control and risk management system. The system is designed to identify, evaluate and manage significant risks to ensure the Company can achieve its business goals while maintaining and increasing its shareholder value.

The system is based on firmly established international practices as well as on the requirements of the Listing Rules of the London Stock Exchange and the UK Combined Code of Corporate Governance.

Shareholder	Ordinary shares	Preferred shares	Total number of shares placed
Amount of shares issued	70,220,935	4,136,107	74,357,042
In possession of JSC NC KazMunaiGas	43,087,006	–	43,087,006
Percentage of issued share capital	61.36%	0.00%	57.95%

Corporate governance **continued**

The existing chain of authority and interaction between the elements of the internal control system provides a level of independence necessary for the internal control function to operate effectively, and is in line with international best practice in this area.

In 2014 the Company's risk management system was assessed by the external auditor, EY. On the basis of this assessment, the Company developed and approved plans to further develop the risk management system in 2014-2015.

Key elements of the Company's internal control system include the following:

- The Company's internal documents, including financial, operational, and administrative policies, treasury policy, and others;
- Continuous monitoring of the operating and financial performance and activities to ensure compliance with the Company's safety requirements.

The Company's internal audit team provides the Board of Directors with unbiased information about how effectively the internal controls of the Company operate. In their work, the internal audit team takes a risk-oriented approach which allows it to identify and focus on critical areas for the Company, thereby helping to improve the Company's overall performance and the quality of its corporate governance. The internal audit team monitors the implementation of recommendations given by management, and reports on its progress to the Audit Committee and the Board of Directors.

As regards risk management, the Management Board established a Risk Management Committee. For more details on its activities, please see below.

Risk Management Committee

The Risk Management Committee is an advisory and consultative body organised under the Company's Management Board.

The main purposes of the Committee are the prompt consideration of risk management issues within the Company, preparation of recommendations to the Management Board on risk management, and monitoring the effectiveness of the risk management system.

General information about the Company's risk profile can be found in the Risk Factors section on page 60-63. Information about financial risks can be found in the Notes to the Consolidated Financial Statements, starting on page 104-106.

Information on taxation in the UK

The overview given below is based on UK law and HM Revenue & Customs practices in force as at the date of this document, both of which are subject to change, possibly

with retrospective effect. Except where otherwise stated, the overview discusses only certain UK tax consequences for absolute beneficial owners of shares or GDRs who are (1) considered to be UK residents for tax purposes; (2) considered to be residents for tax purposes in no other jurisdiction; and (3) are not in possession of a permanent establishment in the Republic of Kazakhstan to which the holding of shares or GDRs is related ("the UK Holders").

In addition, this overview (1) addresses only the tax consequences for the UK Holders who own shares and GDRs as capital assets and it does not address the tax consequences that may apply to certain other categories of the UK Holders, e.g. dealers; (2) assumes that the UK Holders do not, directly or indirectly, control 10% or more of the voting shares of the Company; (3) assumes that a holder of the GDRs is beneficially entitled to the underlying shares and to the dividends on those shares; and (4) does not address the tax consequences for the UK Holders that are insurance companies, investment companies or pension funds.

The following is intended only as a general guide and is not intended to be, nor should be considered to be, legal or tax advice to any particular UK Holder. Accordingly, investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and HM Revenue & Customs practice, of the acquisition, ownership and disposal of shares or GDRs in their own particular circumstances.

Withholding tax

On the assumption that income received from GDRs is from a non-UK source for tax purposes, it should not be subject to withholding tax in the UK. Dividend payments on shares will not be subject to UK withholding tax.

Taxation of dividends

A UK Holder receiving a dividend on shares or GDRs may be subject to UK income tax or corporation tax, as the case may be, on the gross amount of any dividend paid before the deduction of any Kazakhstan withholding taxes, subject to the availability of any credit for Kazakhstan tax withheld. A UK Holder who is an individual resident and domiciled in the UK will be subject to UK income tax on the dividend paid on shares or GDRs and is entitled to a non-refundable tax credit equal to one ninth of the amount of the dividend received. A UK Holder who is an individual resident but not domiciled in the UK and who is entitled and prefers to be taxed in the UK on the remittance basis will be subject to UK income tax on the dividend paid on shares or GDRs to the extent that the dividend is remitted or treated as remitted to the UK, and will also be entitled to a non-refundable tax credit equal to one ninth of the amount of dividend received.

A UK Holder which is a company residing in the UK for tax purposes is not subject to UK corporate tax on the dividend paid on shares or GDRs, unless certain anti-avoidance rules in the tax law apply.

Taxation of disposals or deemed disposals

The disposal by a UK Holder of interests in the shares or GDRs may result in a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the UK Holder's circumstances and subject to any available exemption or relief. A UK Holder who is an individual resident and domiciled in the UK will generally be liable to UK capital gains tax on chargeable gains made on the disposal of an interest in the shares or GDRs. A UK Holder who is an individual resident but not domiciled in the UK and who is entitled and prefers to be taxed in the UK on the remittance basis will generally be liable to UK capital gains tax to the extent that the chargeable gains made on the disposal of an interest in the shares or GDRs are remitted or treated as remitted in the UK. In particular, dealings in the GDRs on the London Stock Exchange may give rise to remitted profits that would, therefore, give rise to UK capital gains tax liability.

An individual holder of shares or GDRs who ceases to be a resident or ordinarily resident in the UK for tax purposes for a period of less than five full tax years and who disposes of such shares or GDRs during that period may also be liable on returning to the UK to UK tax on capital gains, even though the individual may not be a resident or ordinarily resident in the UK at the time of the disposal.

A corporate UK Holder will generally be subject to UK corporation tax on any chargeable gains arising from a disposal of shares or GDRs.

Effect of Kazakhstan withholding taxes

Dividend payments in respect of shares and GDRs are subject to Kazakhstan withholding tax. A UK Holder, who is an individual resident, should generally be entitled to a credit for Kazakhstan tax properly withheld from such payments against

the UK income tax liability on such amounts, subject to UK tax rules for calculation of such a credit. A UK Holder which is a company is not generally subject to UK corporation tax on the dividend payment and so is usually not able to claim credit for any such Kazakhstan withholding taxes.

Stamp duty and stamp duty reserve tax ("SDRT")

Assuming that any document effecting the transfer of, or containing an agreement to transfer, one or more shares or GDRs is neither (i) executed in the UK nor (ii) relates to any property located in the UK, or to any matter or thing done or to be done in the UK (which may include involvement of UK bank accounts in the payment mechanism), then no UK ad valorem stamp duty should be payable on such a document.

Even if the document effecting the transfer of, or containing an agreement to transfer, one or more shares or GDRs is (i) executed in the UK and/or (ii) relates to any property located in the UK, or to any matter or thing done or to be done in the UK, in practice it should not be necessary to pay any UK ad valorem stamp duty on this document unless the document is required for any purposes in the UK. If it is necessary to pay the UK ad valorem stamp duty, it may also be necessary to pay interest and penalties associated therewith.

As the GDRs relate to the securities expressed in a currency other than sterling, no "bearer instrument" stamp duty should be payable on either the issue of the GDRs or any transfer of the securities transferable by means of the GDRs.

Assuming that the shares are neither (i) registered in the UK register nor (ii) paired with shares issued by a company incorporated in the UK, no SDRT should be paid in respect of any agreement to transfer shares or GDRs.

