

**Confirmed by the  
Resolution of  
the Board of Directors of  
“KazTransOil” JSC  
(Minutes No. \_\_dated \_\_)**

## **Regulations on Management Board of “KazTransOil” JSC**

### **1. General Provisions**

1. The present Regulations on Management Board of “KazTransOil” JSC are developed in accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies”, the Charter of “KazTransOil” JSC (hereinafter - the Company, KTO), and the Corporate Governance Code.

2. The present Regulations determine the status, procedure of formation, functioning and competence of the Management Board of the Company (hereinafter – the Management Board, MB), powers and duties of members of the Management Board, procedure of calling and holding of meetings of the Management Board, decision-making and formalization.

3. In its activity the Management Board shall be guided by the legislation of the Republic of Kazakhstan, the KTO Charter, the Corporate Governance Code, the present Regulations and other internal documents of the Company.

### **2. Status of the Management Board**

4. The Management Board is a collegial executive body of the Company running the Company’s current activity.

5. The Management Board shall execute the decisions of the General Meeting of Shareholders and the Board of Directors of the Company.

6. Not a single person (or a group of persons) shall influence the MB decision-making.

7. The main principles that the Management Board shall follow are honesty, good faith, reasonableness, diligence, regularity, as well as maximal observance of rights and interests of the KTO shareholders and accountability to decisions of the General Meeting of Shareholders and the Board of Directors of the Company.

### **3. Composition of the Management Board, procedure of election and termination of powers of its members**

8. The Management Board is headed by the General Director (Chair of the Management Board), who organizes and coordinates its work.

9. Determination of a quantitative composition, term of powers of the Management Board, election of the General Director (Chair of the Management Board) and members of the Management Board, early termination of their powers are done by a decision of the Board of Directors of the Company in accordance with the legislation of the Republic of Kazakhstan and the KTO Charter.

10. The Management Board shall consist of not less than 5 (five) persons.

11. Members of the Management Board of the Company can be shareholders and employees of the Company, who are not shareholders.

In case of early termination of powers of a member of the Management Board, except for the General Director (Chair of the Management Board), and election by the

Board of Directors of a new member of the Management Board, powers of the latter expire simultaneously with expiration of the term of powers of the Management Board as a whole.

12. Member of the Management Board shall possess appropriate work experience, knowledge, qualifications, and business reputation.

13. The recommendations on the candidates to the member of the Management Board for consideration by the Board of Directors are made by the General Director (Chair of the Management Board). The General Director (Chair of the Management Board) is entitled to propose recommendations on candidacies for consideration of the Board of Directors of the Company, recommended for election to the same position in the Management Board, not more than two times.

In case of rejection by the Board of Directors of the candidacy proposed by the General Director (Chair of the Management Board) for the same position in the Management Board for the second time, the right of proposal of recommendations on candidacy to the given position is passed to the Chair of the Board of Directors.

14. Selection and election of members of the Management Board is carried out by the Board of Directors on the basis of the following procedures ensuring transparency of election process:

The information about candidates to the Management Board shall be presented to the Board of Directors before meeting of the Board of Directors and shall include the following:

Name, last name, patronymic name of the candidate (in case of necessity);

Age;

Education;

Positions held by the candidate in the last five years;

Position of the candidate occupied at the moment of recommendation (in case if the candidate is a member of executive body of the joint stock company, consent of Board of Directors of the given company).

Upon selection the following requirements are set for candidates to the position in the Management Board:

1) higher education, experience and qualifications allowing to fulfill assigned duties in appropriate manner in future;

2) positive reputation;

3) acceptability for the majority of members of the Board of Directors of the Company;

4) absence of outstanding convictions.

The Board of Directors is entitled to invite persons whose candidacies had been proposed for election to the Management Board to the meeting at which the issue of election of members of the Management Board is considered. Members of the Board of Directors are entitled to ask questions for the purposes of clarifying compliance of the candidate to the established requirement, as well as other issues allowing clarification of professional and personal qualities of the candidate.

15. Candidate shall be considered elected to the Management Board, if majority of members of the Board of Directors present at the meeting voted positively. Election is effective from the moment of correspondent decision of the Board of Directors of the Company, if otherwise is not determined by the given decision.

16. Members of the Management Board can be re-elected unlimited number of times.

Information on election or change of composition of the Management Board shall be published on Company's corporate web-site with indication of biographical data of members of the Management Board within 10 (ten) days from the date of taking of corresponding decision.

#### **4. Competence of the Management Board**

17. The Management Board is entitled to take decisions on any issues of activity of the Company which are not attributed to the competence of other bodies and officials of the Company by legislation of the Republic of Kazakhstan and the Charter of the Company.

18. For the purposes of prompt decision-making on risk management issues, KTO may establish a Risk Committee under the Management Board.

The order of establishment and work of the Risk Committee, as well as its quantitative composition are set by the KTO internal documents subject to confirmation by the Management Board.

The MB is entitled to establish other committees (commissions) under the Management Board.

19. The GD functions are defined by the RoK legislation, KTO Charter, General Meeting of Shareholders and Board of Directors.

#### **5. Procedure of Management Board performance**

20. Meetings of the Management Board are held in accordance with an annual MB Action Plan subject to confirmation by the Management Board. The given plan is formed by the Secretary of the Management Board on the basis of proposals of structural divisions of the Company, management of the Company and members of the Management Board.

The plan shall include:

- 1) name of proposed issue, in case of impossibility of providing exact formulation, its approximate name is indicated;
- 2) presumed date of consideration;
- 3) indication of initiator of the proposed issue, responsible for preparation of material (name and last name, structural division);
- 4) justification for proposing the issue.

21. The Management Board, as a rule, shall meet not less than once a month. In necessary cases or upon request of a member of the Management Board, the General Director (Chair of the Management Board) immediately shall call a meeting of the Management Board. The Management Board is qualified to take decisions if not less than half of elected members of the Management Board, including the absent members of the Management Board have voted on agenda items of the meeting in writing.

22. Determination of terms, agenda and calling of the meeting, and chairing during the meeting is a competence of the General Director (Chair of the Management Board). In case of absence of the General Director (Chair of the Management Board), the indicated functions can be carried out by a member of the Management Board, to whom the functions of General Director (Chair of the Management Board) of the Company were delegated in the established procedure.

23. Upon request of members of the Management Board of the Company, it is entitled to consider additional issues not put on the agenda of a meeting, provided that the simple majority of votes of the MB members present at this meeting is available.

24. Necessary materials on issues proposed for consideration of the Management Board shall be prepared by correspondent structural division of the Company.

25. Materials prepared for consideration of the Management Board shall be initialed on a per-page basis by an executor and head of a corresponding structural division, agreed with relevant structural divisions, supervising heads, and afterwards they shall be handed over to the MB Secretary.

26. Materials prepared for consideration of the Management Board shall include explanatory note with justification on the necessity of consideration of indicated item

and taking decision on it, draft resolution, coordinated in the established procedure, list of persons invited on the meeting on a particular item (in case of necessity) and other necessary documents.

27. The explanatory note shall not exceed 3 (three) pages, and shall be signed by the head who initiates an issue, and agreed with the supervising head of KTO.

The draft resolution shall be signed by the head who initiates an issue, and agreed with heads of structural divisions whose competence cover this issue, heads of structural divisions responsible for internal control and risk management, KTO GD Advisor, MB members, supervising head of KTO who is not a MB member.

28. In case an issue submitted for MB consideration is associated with risks, the Expl note shall obligatorily contain the detailed description of risks, consequences, assessment to be performed in acc.with KTO by-laws.

In case an issue submitted for MB consideration deals with financial and economic aspects, the Expl note shall have an attachment with the detailed info on financial and economic indicators and calculations, info revealing a financial and economic effect if the MB takes a positive resolution on the issue.

In case an issue submitted for MB consideration shall further go for BoD or AGM, this fact shall be also mentioned in the Expl note.

29. The docs mentioned in para.16 herein shall be provided in hard copy and/or in an electronic format to the MB Secretary not less than 5 days prior to the MB meeting. The MB Secretary compiles the docs that shall be brought to GD and all MB members not later than 3 working days prior to the MB meeting.

30. Responsibility for timely and quality preparation of materials for the meeting of the Management Board of the Company shall be imposed on the head of the structural division who proposed the given item for consideration of the Management Board.

31. Coordination of documents, proposed for consideration of the Management Board shall be carried out on the last page of the document. Original copies of the documents together with original copy of the resolutions (minutes of the meeting) on their confirmation, shall be stored by the MB Secretary in a safely locked closet (drawer) or safe.

32. Members of the Management Board can take part in the meeting of the Management Board by means of video-conference (interactive audiovisual connection), conference call, (simultaneous conversation of member of the Management Board in the mode of "Telephone meeting"), as well as with application of other means of communication.

Member of the Management Board shall notify the General Director (Chair of the Management Board) or the Secretary of the Management Board in advance about impossibility of his/her participation at the meeting of the Management Board. The member absent at the meeting of the Management Board has the right to vote on agenda items by means of written communication.

In such case the written communication shall contain the following:

- 1) date of composition;
- 2) agenda on which the opinion of the member of the Management Board is expressed by means of written communication;
- 3) clearly expressed position on each item of agenda (Pro, Contra, Abstained);
- 4) signature;
- 5) other information related to agenda upon judgment of the member of the Management Board.

33. The written communication on agenda, presented by the member of the Management Board, shall be counted during count of quorum and voting results and attached to the minutes of the meeting in which the act of voting by means of written communication on agenda by the particular member of the Management Board is recorded.

The written communication shall be submitted by the member of the Management Board to the General Director (Chair of the Management Board) or to the Secretary of the Management Board before the meeting.

If the copy of written communication of member of the Management Board was not included in information (materials), provided to the members of the Management Board to the meeting, than Chair of the Management Board of member of the Management Board, chairing the meeting shall announce written communication of member of the management Board, absent on the meeting of the Management Board, prior to voting on agenda item, the opinion was provided on.

If the member of the Management Board, who had submitted written communication on agenda, arrived for participation and voting at the meeting of the Management Board, where mixed voting is used, his/her written opinion does not count.

34. Consideration of the issue included in the agenda of the meeting of the Management Board, can be suspended in case of absence of the Management Board member to the competence of whom the issue is attributed. Such decision is brought to the attention of the absent member of the Management Board at the earliest term.

The issue suspended in view of absence of member of the Management Board to the competence of whom the issue is attributed, shall be considered at the next meeting of the Management Board with mandatory participation of the previously absent member of the Management Board.

35. The Management Board holds its meetings by means of formal meetings (meetings in presentia).

Meetings at which the Management Board considers issues, which will further be proposed for consideration of the Board of Directors and (or) the General Meeting of Shareholders and of strategic nature or has significance for development of the Company, shall be conducted by means of formal meeting in obligatory procedure. Absentee voting on such issue is not admissible.

36. The way of voting (open, secret) is determined by the General Director (Chair of the Management Board) or acting person.

37. Each member of the Management Board has one vote. Transfer of the vote by member of the Management Board to another person, including to another member of the Management Board is unacceptable.

Decisions of the Management Board are taken by simple majority of votes of members of the Management Board present at the meeting as well as absent members of the Management Board who provided written communication on agenda. Decisions on conclusion of interested-party transactions by the Company with organizations included into the group of "Samruk-Kazyna" JSC are taken in the procedure established by the Board of Directors of "Samruk-Kazyna" JSC.

On each item proposed for voting, the General Director (Chair of the Management Board) expresses his/her vote after all members of the Management Board. In case of equal vote, the decision voted for by the General Director (Chair of the Management Board) of the Company becomes valid.

38. Member of the Management Board, who disagrees with the opinion of the majority, within 24 hours from completion of the meeting has the right to submit his/her special opinion in writing to be attached to the minutes.

39. Decisions of the Management Board of the Company which were made on formal meeting are registered by minutes. The minutes of meeting of the Management Board shall be prepared by the Secretary of the Management Board within 3 (three) working days after meeting, the minutes shall be signed by the Secretary of the Management Board and after signing by Company's employees, invited on the meeting of the Management Board shall be signed by members of the Management Board and by General Director (Chair of the Management Board). Signatures are collected on the last page of the minutes.

40. The minutes shall contain the following:

- 1) venue, date and time of the meeting;
- 2) members of the Management Board present at meeting and invitees;
- 3) agenda of meeting;
- 4) way of voting;
- 5) items proposed for voting and results of voting with reflection of voting of each member of the Management Board on each item;
- 6) decision taken;
- 7) record of the vote of member of the Management Board who had voted by means of forwarding written communication on agenda items (in case of presence of such written communication).

41. Upon an initiative of the General Director (Chair of the Management Board) and in view of special reasons requiring quick decision making, the Management Board of the Company can take decisions by means of absentee voting.

Holding of absentee meetings is acceptable only in exceptional cases and only upon decision of the General Director (Chair of the Management Board) of the Company or acting person on the issues of non-discussion nature.

In case of objection of at least one member of the management Board of the Company against consideration of the issue on the absentee meeting, the issue is included in agenda of ordinary formal meeting.

Resolution of the absentee voting of the Management Board shall be registered in writing and include:

- 1) date, place of written registration of the resolution of absentee voting;
- 2) information on composition of the Management Board;
- 3) agenda;
- 4) decisions taken;
- 5) other information.

Absentee voting of members of the Management Board by means of collection of signatures at the draft resolution of absentee voting of the Management Board in correspondent table containing options for opinions ("pro", "contra", and "abstain") next to the last name of the voting member of the Management Board. Resolution of the Management Board is taken upon presence of quorum, established in point 22 hereof, by means of simple majority of votes of members of the Management Board, who participated in voting.

42. The Secretary of the Management Board is responsible for registration of MB minutes their compilation into corresponding files and safety of hard copy originals together with originals attached to MB minutes. The originals, the copies of which are attached to draft MB resolutions and minutes, constituting an official and commercial secret shall be stored in acc.with the special Guidelines on safety of official and commercial secret of KTO. The MB Secretary is also responsible for providing extracts from minutes with copies of confirmed docs.

The structural divisions of the Company are not allowed to make additional copies of minutes of meetings (resolutions) of the Management Board.

## **6. Management Board remuneration**

43. Members of the Management Board of the Company are covered by conditions of payment for labor and bonuses provided in internal documents of the Company.

44. The members of the Management Board for the purposes of enhancement of interest in improvement of performance and quality of work, provided consolidated net income for reporting year and decision on payment of dividends to shareholders shall be paid remuneration upon annual results, size and procedure of payment of which shall be defined in the internal document of the Company.

## **7. Rights and duties of MB member of the Management Board**

45. Functions, rights, and duties of member of the Management Board are determined by legislation of the Republic of Kazakhstan, the Charter of the Company, the present Regulation, as well as labor contract concluded between indicated person and the Company. The labor contract on behalf of the Company with the General Director (Chair of the Management Board) shall be signed by the Chair of the Board of Directors or a person authorized for signing by the general Meeting of Shareholders or the Board of Directors. The labor contract with other members of the Management Board is signed by the General Director (Chair of the Management Board) of the Company.

Termination of labor relations with the General Director (Chair of the Management Board), employee of the Company, who is a member of the Management Board is performed on the basis of a corresponding decision of the Board of Directors of the Company.

A MB member is entitled:

- 1) to submit issues for MB consideration;
- 2) to make proposals on changing the MB agenda;
- 3) to ask for any information related to the KTO activities and necessary for qualitative fulfillment of functions and duties assigned;
- 4) to make proposals on formation of a MB Action Plan;
- 5) to ask for calling a MB meeting;
- 6) to perform other actions as provided by the RoK laws, the Charter, these Regulations and other internal docs of KTO;

46. Members of the Management Board:

- 1) shall fulfill their duties in good faith and use ways, which to the maximum extent reflect interests of the Company and the shareholders;
- 2) shall make decisions aimed at the growth of a long-term value and ensuring sustainable development of KTO;
- 3) shall notify KTO about its affiliated persons;
- 4) shall not use or allow usage of property of the Company in contradiction with the Charter of the Company, decisions of the General Meeting of Shareholders and the Board of Directors, as well as for personal purposes and taking advantage of their position during conclusion of deals with their affiliated entities;
- 5) shall ensure integrity of the system of accounting and financial reporting, including conducting of independent audit;
- 6) shall control disclosure and provision of information about activity of the Company in accordance with requirements of legislation of the Republic of Kazakhstan;
- 7) shall observe confidentiality of information on activity of the Company, including within three years from the moment of termination of service at the Company if otherwise is stipulated in internal documents of the Company.
- 8) shall fulfill other duties as provided by the RoK laws, the Charter, these Regulations, employment contract and other internal docs of KTO.

Members of the Management Board shall take necessary measures on preventing damage, optimization of Company activity by means of initiation of meetings of the Management Board, informing the General Director (Chair of the Management Board) or other possible means.

Members of the Management Board shall inform the General Director (Chair of the Management Board) on the state of affairs in assigned spheres.

47. Management Board shall create environment of interest among employees of the Company in the efficient work of the Company; strive for every employee to value

his/her work in the Company, while realizing that his/her material condition depends on the results of the Company activity.

48. Member of the Management Board has the right to work in other organizations only upon consent of the Board of Directors of the Company. Meantime, members of the Management Board shall not enter in composition of the Board of Directors (supervisory board) or executive bodies of Company's rivals and have significant financial interest in them.

The General Director (Chair of the Management Board) shall not occupy position of the head of an executive body or an entity, which single handedly fulfills function of executive body of another legal entity.

## **8. Responsibility of members of the Management Board**

49. The Management Board is responsible for disclosure of information and information coverage on activities of the Company in accordance with legislation of the Republic of Kazakhstan and shall ensure protection and safety of internal (office) information.

50. The Management Board is responsible for allocation of financial and human resources for implementation of goals set by the General Meeting of Shareholders and the Board of Directors.

51. Members of the Management Board are responsible to the Company and the shareholders for harm caused by their action and (or) inaction and losses, sustained by the Company, in accordance with laws of the Republic of Kazakhstan, including, but not limited for losses sustained as a result if:

- 1) provision of misleading or deliberately false information;
- 2) violation of information provision procedure established by the Law of the Republic of Kazakhstan "On Joint Stock Companies";
- 3) proposal of conclusion and (or) taking decision on conclusion of large transactions and (or) interested-party transactions, which led to occurrence of losses of the Company, including with purpose to receive by them or by their affiliated entities of benefit (revenue) in the result of conclusion of such transactions with the Company.

52. Members of the Management Board, except for member of the Management Board, interested in conclusion of transaction or who proposed conclusion of transaction, in the result of which the Company sustained losses shall be exempted from liability in case if they voted against the decision taken by the Management Board of the Company that led to losses of the Company or the shareholder, or if they did not participate in voting for good reasons.

Member of the Management Board shall be exempted from reimbursement of losses, occurred in the result of commercial (entrepreneurial) decision, if it will be proved that it acted properly with observance of principles of activity of members of the Management Board set by legislation of the Republic of Kazakhstan "On Joint Stock Companies" on the basis of updated (proper) information for the moment of decision making and reasonably assumed that such decision is for Company's benefit.

## **9. Secretary of the Management Board**

53. For the purposes of ensuring of interaction of the Management Board with structural divisions of the Company, workflow maintenance, Secretary of the Management Board shall be appointed in the Company.

The Secretary of the Management Board is a full time employee, performs his/her duties on a constant basis. Secretary of the Management Board shall not combine his/her activity with fulfillment of other functions in the Company, except for recording

meetings, held by the General Director (Chair of the Management Board) of the Company.

The MB Secretary is not a MB member, does not have the MB member powers and participate in consideration of and decision-making on MB issues.

The MB Secretary is subordinate and accountable to the GD.

54. Secretary of the Management Board shall:

1) ensure compliance with the order of preparation and holding of MB meetings, including drafting of an action plan of the Management Board;

2) inform the MB members and invitees about the upcoming meetings, and provide the MB members with materials on items put on an MB agenda;

3) take minutes of meetings of the Management Board and registers decisions of absentee voting by the Management Board;

4) ensure signing of the Management Board meetings minutes and decisions of absentee voting of the Management Board in the order established by the Regulations;

5) take necessary measures on preparation and conducting of meeting of the Management Board in accordance with requirements of the Charter and internal documents of the Company;

6) in case of a change of date, time and place of holding the meeting of the Management Board and (or) agenda, immediately notify all members of the Management Board about that;

7) collect written communications of members of the Management Board, who were absent during formal meeting, and pass the communications over to the General Director (Chair of the Management Board) of the Company;

8) bring to the attention of the newly elected members of the Management Board the present Regulation, Work plan of the Management Board for a year, and other internal information necessary for appropriate fulfillment of duties by members of the Management Board;

9) request necessary documents from heads of structural divisions of the Company, and their assigned heads for ensuring the work of the Management Board;

10) register the MB minutes (resolutions), compile them into corresponding folders, and ensure safety of paper originals together with enclosed originals;

11) after registration and signing of the MB minutes (resolutions) duly stamped, provide extracts from minutes with copies of confirmed docs;

12) request from members of the Management Board, management employees, who are not members of the Management Board, and heads of structural divisions for information on implementation of decision of the Management Board, on current state of implementation for the purposes of compilation of correspondent reports;

13) monitor and control over execution of the MB resolutions and MB Action Plan for a year;

14) provide the info on progress in execution of the MB resolutions for a reporting period to the MB members every quarter;

15) ensure compliance with the procedure of info disclosure, as set by the RoK legislation, KTO Charter and other KTO by-laws, also through the mechanism of public disclosure;

16) inform the MB about all facts of non-compliance with the KTO Charter requirements, these Regulations and other KTO by-laws;

17) perform other duties provided by the present Regulations.

55. In case of absence of the Secretary of the Management Board, his/her duties can be assigned to another employee upon decision of the General Director (Chair of the Management Board)

## **11. Final provisions**

55. The present Regulations enter into force from the date of their confirmation by the KTO Board of Directors.

56. In case of any changes in the legislation of the Republic of Kazakhstan or the KTO Charter, particular provisions of the present Regulations come into conflict with them, the norms of the Regulations shall lose effect, and before the relevant changes are made in the Regulations, the KTO employees shall be guided by the legislation of the Republic of Kazakhstan and the KTO Charter.