

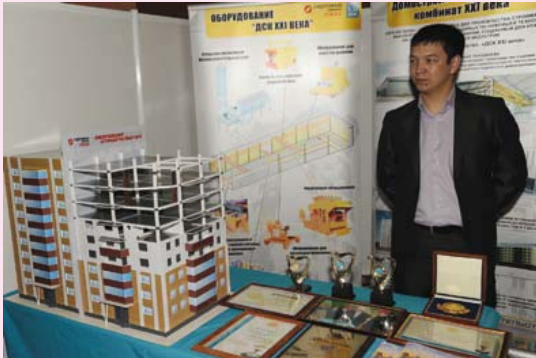
KPO holds Local Content Forum

On 3 April "Karachaganak Petroleum Operating B.V." (KPO) hosted a Local Content Forum, 'Partnering in Prosperity', in Uralsk, the regional centre of the Western Kazakhstan Oblast (WKO).

The Forum, which was officially opened by WKO Akim, Bakhtykozha Izmukhambetov and Maksat Idenov, First Vice President of KazMunaiGas, brought together over 200 suppliers and contractors from the entire Oblast. Over the course of the day, local business representatives received

information about a range of initiatives which KPO is undertaking to support the further development of local businesses. Participants also received updates on KPO's current operations and project development plans.

During the Forum, a Memorandum of Understanding (MoU) was signed establishing a formal Working Group consisting of representatives from the WKO Akimat, KazMunaiGas, local businesses and KPO. This group will work together to understand



the capacity of local firms and look at ways to enhance and develop opportunities for local suppliers and contractors.

Roger Fox, KPO General Director, addressing the attendees

said: "We recognise that we have an opportunity to build on the already strong relationships we have developed with local suppliers and contractors here in Kazakhstan. While KPO has an important role to

play in local content development, our suppliers need to work with us and our contractors to ensure they can deliver to specified standards, do it safely, on time, to the right quality and at the right price."

Operations Celebrate one year LTI free

On 27 January, the KPO Operations department surpassed one year without a Lost Time Incident (LTI) for all KPO and contractor employees. This is a notable achievement considering that Operations represents the bulk of the KPO workforce and also successfully undertook a major facility shutdown at the end of 2008.

The Operations department also manages some five rigs on the site and through the General Projects department is responsible for the construction of the Karachaganak - Uralsk Gas Pipeline, which surpassed 500,000 man-hours without LTI in late 2008.

"The Operations department has been a major contributor to KPO's overall safety performance and I would like to extend my congratulations and sincere thanks to our Operations team. This is an excellent achievement and reinforces the work which we've been doing with respect to safety awareness across the business", said KPO General Director Roger Fox.



New intranet site at KPO

KPO has launched the new intranet site for the Reservoir & Petroleum Engineering department.

The new site presents an overview of the activities covered by the Reservoir & Petroleum Engineering team and interesting facts about geological aspects of the Karachaganak field. The site is rich with graphics both in English and Russian languages.

The visitors of the site will find some useful information on RPE such as reservoir management and development, field petroleum engineering, reservoir geology, geo-control liaison, geo-ecological activities, economic & accounting, training and nationalisation as well as IT&T support within RPE.

KPO COOPERATES WITH IFC AND CAO

KPO has successfully cooperated with both the International Finance Corporation (IFC) and the Office of the Compliance Advisory Ombudsman (CAO) in agreeing an action plan which will serve to close previous audit findings.

During a recent site visit, a CAO Audit Team assured itself of Karachaganak's compliance with applicable IFC environmental requirements on a majority of the issues identified during the previous audit. It is expected that all outstanding actions will be completed by April 2009. This will mean that Karachaganak is fully compliant with applicable IFC requirements.

It is important to note that the 2008 Audit Report delivered by the CAO was not a review of KPO's environmental performance, nor was it a review of how KPO has complied with relevant legislative requirements. The previous Audit reviewed the way in which the IFC has assured itself that the relevant guidance, as specified in the loan terms, had been complied with by the borrower

at the time the loan was made, which in this case was LUKOIL, a partner in the Karachaganak Venture.

Speaking about this development, KPO General Director, Roger Fox stated: "We are very pleased to have been able to support the IFC and CAO in agreeing to close out the previous CAO audit in less than a year. The outstanding actions are primarily points of clarification and comparison and once complete, will definitely illustrate our compliance with relevant IFC environmental standards enabling the CAO to be assured of KPO performance."

"KPO is committed to the highest standards of environmental performance and over the last three years we have seen significant reductions in emissions and increases in gas utilisation rates. Of the producing oil and gas fields in Kazakhstan, we have the highest gas utilisation rate at some 99.78 per cent. This means that almost all of the gas which we produce is utilised in some way – it is injected, sold or utilised as fuel gas."

KPO's commitment to meeting international standards in environmental management is clearly demonstrated by the Company's voluntary use of innovative technologies to reduce emissions. The recent implementation of the international ISO 14001 standard and the development of a five year strategic Health, Safety & Environment (HSE) plan, will further deliver noticeable improvements in KPO's HSE performance.



KPO EMPLOYEES COMPLETE CERTIFIED MANAGEMENT PROGRAMME

On 5 March, nineteen Kazakh employees representing KPO from various departments successfully completed a certified programme in management, delivered by the UK Institute of Leadership & Management (ILM).

On this occasion, ILM Graduation & Awards Ceremony was held at the Bestau Hotel in Aksai. Graduates were presented with certificates by KPO General Director Roger Fox and HR Controller James Clark.

Addressing the graduates KPO General Director, Roger Fox noted: "At Karachaganak we aim to share our knowledge and expertise with our Kazakh colleagues, partners and contractors. Capacity building through sustainable development and skills transfer are central to the way we work."

"We have put in place long term development programmes and we are pushing forward with our nationalisation agenda. Since signing the FPSA, KPO has invested over US\$96 million in training and development initiatives. Currently, 44 per cent of managerial positions at KPO are held by nationals and 85 per cent of professional and supervisory positions", added Roger Fox.

Mary Brooks ILM Programme Director also added: "The ILM course complements the on-the-job technical training that KPO provides



to its local personnel, as part of the Nationalisation Programme. I am confident that the development of management skills will increase the professional competence of the participants of the programme and, as a result, will accelerate the development of their careers within KPO".

KPO has also commenced the Production Operators and Maintenance Technicians Professional Development Programme which is based on UK Oil & Gas Academy's Modern Apprenticeship Scheme (OPITO) and KPO is the first company in the CIS to run this kind of OPITO certified training. To date, 74 students have graduated from the theoretical component of the programme and are now

receiving 'on the job' training at Karachaganak, while another 27 are currently completing their theoretical studies.

In addition, nineteen local employees representing KPO from well Operations and HSE recently completed the internationally recognised National Examining Board for Occupational Safety and Health NEBOSH Certificate Programme. To date some 80 national KPO staff holds this prestigious qualification. In addition to formal education, KPO also utilises 'on the job' training and parent company placements. On the whole, in 2008, KPO delivered 212,924 hours of training to 9,561 Kazakhstani staff.

Learning language is learning culture

In February this year a group of employees of the KPO Project Development Directorate (PDD) at Cardinal Place in London initiated Russian language courses particularly for those within PDD who have shown an interest in learning the language.

Russian is one of the most prolific languages in the world and is one of the fastest-growing foreign languages studied in many countries. Within KPO's office in London, there are quite a lot of Russian speaking employees and this training will enable their English colleagues to converse with them or at least greet them in their native language. The interest in learning was also generated from wanting to read messages without asking Russian speakers to translate, a need to understand colleagues around them and participate in basic conversations. In fact learning the language is a stepping stone to understanding and respecting the culture.

The Russian lessons are held after working hours at the Cardinal Place offices so it is easy for employees to attend.



Fortunately for the new starters a renowned author, lecturer and teacher, Vlada Koroleva-McAree, operates a language school in central London and was willing to take on the PDD class herself. The initial course consisted of 15 hours over 10 weeks with the hope of achieving the alphabet, basic conversation and grammar. Those who are ambitious enough to go into more advanced conversation will be able to take the next stage on completing the foundation course.

Speaking about the reason of learning Russian, one of the students stated:

"I first chose to study Russian through Karachaganak as I felt that it



would be a great way to learn a hard language! It has also turned out to be a great way to get to know my colleagues in PDD. The venue and timings make it as convenient as possible and means that even though the day is longer, it's never a chore. Vlada manages the class brilliantly, encouraging everyone to speak as much as possible!"

Learning at Lunch in London

"Sharing knowledge is not about giving people something, or getting something from them. That is only valid for information sharing. Sharing knowledge occurs when people are genuinely interested in helping one another develop new capacities for action; it is about creating learning processes."

Peter Senge

"The Lunch and Learns have given us a real insight into the breadth of operations that are involved in developing the Karachaganak field and are where we better understand how to involve our colleagues when making decisions that affect others external to our group."

Hugh Keir.

Lunch and Learn – PDD encourages shared learning.

November saw the launch of

the PDD Lunch and Learn sessions in the London and Woking offices. Lunch and Learn provides a space and time for industry and project related topics to be discussed. In this way disciplines and departments can not only learn but also develop ideas, strategies and plans that incorporate the expertise and requirements of a cross section of the business.

The inspiration for an internally based and facilitated learning session came when Steve Pearson from Sustainable Development requested a forum to impart information on Aksai and the West Kazakhstan Oblast to the PDD team, many of whom have not and will not experience life in Aksai.

Commenting on this initiative Steve Pearson said, "It is often assumed in meetings that we have



an awareness of Aksai and its population but this is not always the case. I wanted to instigate an informal discussion forum where knowledge could be shared, stories and anecdotes voiced and to photographs used to illustrate the points. Other topics would then fit this model to share and learn."

Sessions were initially to be held monthly, and topics to date have included Waste Management, Office Services, the Project Delivery System and an introduction to the Knowledge and Information Management Team. The response from staff has been enthusiastic and sessions have been increased to twice monthly to keep up with demand.



Operations Directorate completes OMS project

The KPO Operations Directorate has successfully completed the Operations Management System (OMS) Project. Development of the OMS Project was actively supported by Eni consultants who have visited KPO on a regular basis over the last two years. The scope of work was implemented in accordance with the target day (May 2007 - January 2009).

The KPO OMS is built on a process approach and clear ownership principles. The primary purpose of the OMS is to ensure that people involved in operations processes have a clear understanding of what they are required to do, how they should do it and when. The OMS is developed on the basis of international best practices and includes a mechanism for continuous improvement.

The 2009 OMS Embedment Plan was approved by BG Group and Eni representatives at the Parent Company Steering Committee meeting which was held on 5 February in Milan.

On completion of the Project, senior KPO management expressed their appreciation to those who contributed to the success of this project.