



KPO completes two social projects

programme, KPO has renovated the boiler house at the 10th micro-district of the town of Aksai, and has completed a project to ensure additional water supply for Aksai using the Akbulaksky ground water reservoir.

KPO General Director, Giuseppe Pasi, said, "We are delighted to be able to provide these modern public facilities on the eve of the 20th anniversary of the country's Independence. Thanks to KPO's social investments, local communities (KPO) has announced the successful completion of two of new schools, hospitals, sports large-scale social projects with facilities as well as better water total investments of around and gas supplies for Aksai and \$6.5 million that have been many rural settlements.

implemented in the Burlin District "In accordance with the Final of the West Kazakhstan Oblast. Production Sharing Agreement,

In particular, as part of its KPO will provide more than \$0.5 local infrastructure development billion in investments as part

of its social programme. This will contribute to the ongoing development of the region for the benefit of Kazakhstan and its people," added Giuseppe PASI.

Burlin District Akim, Bulat Shakimov, said, "The improvement of local social infrastructure is a true example of KPO's social corporate responsibility. The cooperation between the local authorities and KPO ensures the effective use of Karachaganak's potential and results in positive economic and social changes in the region. This is an excellent gift for all the residents of the district on the eve of the 20th anniversary of Kazakhstan's Independence".

The renovated boiler house will ensure a stable heat and hot water supply for existing and

new social facilities in the 10th micro-district of Aksai, including a new 900 pupil school that KPO built as part of its social programme in 2010. Within less than a year, the local supplier -- AksaiSpetsMontazh LLC, has completed a large scope of work including the construction of the new building, installation of two boilers, pipes, a water preparation unit, and control and automation systems. The new state-of-the art boilers make possible a two-fold decrease in gas consumption and significant drop in heating losses.

The completion of another project will ensure a stable water supply for the town of Aksai and neighbouring villages. A Kazakh company called SpetsStroyService LLP was selected as the contractor

for this project. Earlier, Aksai had received its potable water from the Bestay water reservoir, which has a capacity of 7,300 cubic metres per day.

However, the development of new micro-districts in Aksai and the growth of the Bestay Village have required an additional supply of potable water. The construction was completed in two stages. In the beginning, a water supply plant including initial pump stations, two water wells, registration and distribution units and pipes were built. The second stage of the project entailed the construction of a second pump station with a piping system. The new plant's capacity is 1,980 cubic metres of water per day, which will significantly enhance the water supply, especially during the summer period.

Establishing good neighbourly relations



maintain effective communications and relationships with interested and affected stakeholders, and create opportunities to enhance benefits to society.

Special attention is given to the area of direct impact, defined by the proximity to KPO operations. KPO aims to contribute to the socio-economic aspects of the broader sustainable development agenda of the neighbouring communities.

Consultations are a fundamental pillar of KPO activities in the social performance sphere. Different tools are adopted, ranging from formalized consultative bodies (Village Councils) to public hearings and meetings with the local authorities, NGOs and other key informants.

In 2010, the Village Councils met a total of 21 times. During the meeting the Village Council representatives and KPO Community Relations staff discussed issues of concern and the social, educational and infrastructural programmes to be implemented with support of KPO. KPO staff often visit

KPO is committed to being a good neighbour of the communities around its operations and to support the efforts of the local authorities to pursue their development goals. KPO works to avoid or minimise impacts from its activities,



the nearby villages to discuss the environmental impact connected with the development of Karachaganak field.

KPO has a formal policy in place for handling complaints. Every resident of the neighbouring villages has the right

to raise a complaint, either verbally to a KPO Community Liaison Officer or in writing using dedicated forms and boxes installed in all the villages. The company will then investigate the complaint and make a proposal for settlement. In 2010, no significant complaints were raised through this mechanism.

Young artists of Aksai visited Italy

This summer a group of young artists from Aksai representing the "School of Arts" travelled to Italy. The visit of the talented children was mainly realised thanks to the financial support of KPO and other companies involved with the development of Karachaganak field.

During their stay in Italy, young artists visited not only Italian capital Rome but also Naples, Venice, Florence, Siena, San Marino, and Pompeii. In addition, they visited a lot of memorable historic sites and have been able to see firsthand the great Renaissance masters creations.

Upon the arrival back to Aksai, on behalf of their parents and the "School of Arts" the children wrote a letter to KPO General Director Giuseppe Pasi and thanked him and all KPO employees who were heavily involved to successfully organise their trip to Italy.



Trade Union “Kazneftegazprofsoyuz” visits KPO



On 25 October this year a large delegation consisting of representatives of the Trade Union “Kazneftegazprofsoyuz” visited KPO. The delegation was led by the President of “Kazneftegazprofsoyuz” Tlekabayl Kabdulov.

The main purpose of their visit to Karachaganak was to hold an annual meeting of the executive committee “Kazneftegazprofsoyuz” with members of Independent Trade Union of employees

of Oil&Gas Company Karachaganak Petroleum Operating B.V. (KPO). During the meeting Mr Kabdulov told about the purpose of their visit to KPO and noted that KPO’s experience in the field of social partnership was important and could certainly serve as a model for many companies operating in the oil and gas sector.

KPO HR Controller Ken Lynch and the Chairman of KPO Independent Trade Union Tuleugali Kenesov

welcomed the guests and briefed them on KPO activities in the field of safety which remains KPO’s primary concern with a new Safety Plan. Both men also briefed the guests on the development and operation of the Karachaganak field.

In conclusion, the delegation of “Kazneftegazprofsoyuz” also had the opportunity to visit the Karachaganak Field and familiarize themselves with the main KPO production facilities.



Code of Conduct

Friends and Colleagues,

I would like to bring, once more, to your attention the importance of KPO’s Code of Conduct and related policies, particularly the Conflict of Interest Policy and the Compliance Assurance Policy. These policies can be found on the Intranet Portal site. These policies establish the core principles, values and behaviours that govern how we conduct our business. Disciplinary action will be taken where the nature of a breach of these policies warrants action (in accordance with the KPO Discipline Handling Procedure and if appropriate for a seconded in accordance with his/her Parent Company procedures). In particular, KPO has a zero tolerance approach to fraud and corruption.

Annual Declaration of Compliance

To re-emphasise the importance of these policies, each of you will be asked this year to confirm that you have read and complied with the Code of Conduct and the Conflicts of Interest Policy. Further details on this process will be circulated in October and hope that you will all actively

complete the certification.

Conflicts of Interest and Policy-Gifts Hospitality

I would like to draw your attention to two particular areas of the Conflicts of Interest Policy relating to Gifts and Hospitality (sections 8 and 9).

Approval and Registration.

We need to rigorously ensure that gifts and hospitality given and received is authorised and registered as set out in the policy. The Gifts and Hospitality Register for each Department is reviewed on a quarterly basis by the Compliance Committee.

Government Officials.

Particular care must be taken in giving or receiving gifts or hospitality to/from Government Officials. If you propose to provide or receive gifts or hospitality to/from a Government Official that require registration and/or approval in accordance with sections 8 and 9 of the Conflicts of Interest Policy, you must:

- first consult with your Department’s Compliance Co-ordinator, and
- ensure that in the Register of Gifts and Hospitality it is made clear in the description

of the gift/hospitality given or received that this was to/from a Government Official.

Compliance Assurance Policy – Duty to Report Ethical Conduct Concerns

The Compliance Assurance Policy sets out KPO’s guidelines for reporting, amongst other things, unlawful conduct and malpractice. I want to make it absolutely clear that all KPO staff have a positive duty to

immediately report any:

- Requests / approaches for, or payment of bribes, or facilitation payments, in relation to KPO’s business;
- Corrupt behaviour by KPO employees, contractors or staff in relation to their KPO duties; or
- Fraud or financial malpractice relating to KPO’s business.

In relation to these

categories of behaviour you have a duty to report them to your Department’s Compliance Co-ordinator, the Compliance Co-ordination Manager or the Legal Director.

Furthermore, in relation to these categories of behaviour, KPO will be introducing an independently managed telephone hotline where such behaviour can be disclosed on an anonymous basis. Your Compliance Co-ordinator will be in touch with you shortly to explain how this will work.

Kind regards,
Giuseppe Pasi
General Director

