



2017

CORPORATE RESPONSIBILITY REPORT

Our values define us and guide our actions in delivering results. We conduct our business in a socially and environmentally responsible manner, respecting the law and benefitting the communities where we work.



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**Cover photo: In 2017, TCO removed approximately 2.8 tons of unused nets from the Caspian Sea and sent for recycling*

The TCO Way

The TCO Way explains who we are, what we believe, how we achieve our mission and where we aspire to go. It establishes a common understanding of our values and behaviors not only for us, but for all who interact with us.



MISSION

Our mission is to create superior value for the Republic of Kazakhstan, our shareholders and employees.

VISION

To be the safest, most efficient and profitable oil and gas enterprise in the world, most admired for its people, partnership and performance.

MESSAGE FROM TCO MANAGEMENT



Ted A. Etchison
General Director

A handwritten signature in blue ink that reads "Ted A. Etchison". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dear Readers,

On behalf of TCO management and all our employees, it is an especially great honor and privilege for us to share with you Tengizchevroil's (TCO) 2017 Corporate Responsibility Report.

Since the company's founding in 1993, we have achieved tremendous milestones in the safe and reliable production of oil and natural gas thanks to the dedicated efforts of many thousands of TCO employees, and the steady support for our business by the Government of Kazakhstan and our Partners. TCO has made significant contributions to Kazakhstan's economy and improved the socioeconomic well-being of the residents of Atyrau Oblast. Indeed, we have grown and prospered together with the Republic of Kazakhstan and its people.

As we look to the future, TCO is preparing to take performance to the next level. We are embarking on an effort to digitalize our operations. Digital technologies are rapidly changing how companies operate, and TCO's digital transformation will help improve business performance by enabling new workflows, applying emerging technologies and introducing a fresh way of thinking and working across the enterprise.

TCO's state-of-the-art expansion project, Future Growth Project - Wellhead Pressure Management Project (FGP-WPMP), will also create a legacy of trained skilled workers, help facilitate technology transfer, and lead to upgraded infrastructure in the region.

At the same time, at TCO, achieving outstanding business performance is not good enough. How we

achieve those results is just as important. And so, in 2017, the company updated its guiding document – the TCO Way – with input from key employee groups. The refreshed mission, vision and core values of the company define who we are, how we run our business, and how we interact with each other and our stakeholders.

The TCO Way is fundamental to how we run our business. It directs our daily efforts to create and sustain collaborative and productive partnerships with our stakeholders based on trust. The TCO Way supports our efforts to maintain a diverse and inclusive work environment, encouraging our employees to strive for high performance and achieve the highest standards of integrity and trust. The TCO Way also guides our approach to corporate responsibility.

The 2017 Corporate Responsibility Report describes how we demonstrate our business values in a socially and environmentally-responsible manner, respecting the law and benefitting the communities where we work.

We are a dedicated and leading corporate social investor in the Atyrau region, where we are headquartered and where many of our employees and their families live and work. We value our long-term partnership with the Atyrau Oblast Akimat. Through our commitment to corporate responsibility, we continue to focus on giving back to the communities where we operate.

We hope you enjoy reading this report as much as we have.



Murat Mukashev
Deputy General Director

A handwritten signature in blue ink, appearing to be 'M. Mukashev', written in a cursive style.

HIGH PERFORMANCE

We are committed to excellence and passionate about delivering results. We strive for efficiency and continual improvement. We demonstrate TCO's high-performance behaviors and hold ourselves accountable for our actions and results.



Thanks to the efforts of our workforce in 2017, TCO once again delivered a record level of oil and natural gas production, strengthening our reputation as a stable and reliable performer and trusted company that contributes to Kazakhstan's economic growth.

PRODUCTION AND PRODUCT SALES

- Produced 28.7 million metric tonnes of oil in 2017, setting a new annual record
- Achieved 3 billion barrels of oil (about 375 million tonnes) produced since TCO's formation in 1993
- Sold 1.38 million metric tonnes of LPG, 7.45 billion cubic meters of dry gas and 2.49 million tonnes of sulfur

RELIABILITY

- SGI/SGP and KTL facilities demonstrated world-class reliability of 98 percent
- Safely and efficiently completed the KTL Train 5 turnaround ahead of schedule, within budget and with zero Days Away From Work

ENERGY FOR THE FUTURE

The Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP), one of the largest major capital projects across the global energy industry, has commenced and is expected to increase total daily production at Tengiz by about 260,000 barrels per day to approximately 1 million barrels of oil equivalent at peak. This next phase of Tengiz expansion will provide significant benefits to the country and to generations of Kazakhstani people for years to come.

FGP-WPMP has project execution centers at 19 locations in 11 different countries.

In 2017, the FGP-WPMP workforce achieved over 25 million man hours with zero Days Away From Work. At year end, there were more than 28,000 Kazakhstanis working in Project Engineering, Procurement, Fabrication and Construction.

DIGITALIZATION

Investments in next-generation Information Technology (IT) initiatives at TCO, including in analytics, data science, artificial intelligence (AI) and other emerging technologies, are improving the safety, reliability and efficiency of our operations. For example, the Integrated Operations Center (IOC) at TCO's KTL (Russian for Complex Technology Lines) plant uses a set of orchestrated, repeatable workflows that have been implemented in phases since 2015. The new workflows facilitate collaboration between operations, maintenance, process engineering and automation teams to make quality decisions and maximize daily production.

TCO IT has developed and deployed several additional technology solutions to improve safety and business performance.

In 2017, a safety audit of TCO operations identified fatigue among drivers as a root cause of motor vehicle accidents. In response, TCO IT deployed a technology solution in a pilot program involving 50 vehicles, including buses and dump trucks operating in the field, which decreased fatigue-related accidents by 96 percent. The new driver fatigue management system uses cameras, face-monitoring and AI to detect and alert drivers with a beep or a buzz when it appears they are getting drowsy or distracted. The pilot program was so successful that the system is being deployed to 450 vehicles in the operations fleet and is expected to significantly increase safety among our drivers, particularly as activity levels rise with progression of FGP-WPMP.

Well integrity technology is designed to mitigate the risk of an uncontrolled release of fluids through the lifecycle of a well. It is one of the most important solutions for ensuring process safety at TCO. Timely identification of problems in a well, such as an increase in the casing pressure, is crucial for ensuring well integrity. It's also important for compliance with government regulations on health, environment and safety rules.

TCO business and IT leaders are in the process of implementing further solutions for well flowback analytics and motor vehicle safety, and working on a three-year plan to implement prioritized opportunities that may leverage additional digital technologies such as augmented reality, robotic process automation, robotics and blockchain to optimize the business.

TCO Management is also actively developing data science skillsets among Kazakhstani employees through mentorship and on-the-job training assignments lasting nine months or more.



* *The Cargo Transportation Route (CaTRo): Construction of the marine channel and control fill of the turning basin completed in August 2017*

PROTECT PEOPLE AND THE ENVIRONMENT

We have an unwavering commitment to personal and process safety, and protecting the environment. We strive for incident free operations with a focus on preventing high consequence events.



Since 2000, TCO has invested more than

\$3 billion

on projects to minimize environmental impact at Tengiz

PROTECTING PEOPLE

Working safely is a core value at TCO and we continue to achieve industry-leading safety results in Days Away from Work and Total Recordable Incidents industrial safety metrics. In 2017, TCO employees and contractors worked over 94.5 million man-hours with four Days Away from Work incidents. While this is truly world-class performance, TCO strives for zero workplace injuries and is continuously working to improve in this area. Living this commitment will ensure success in fatality prevention and process safety, the two cornerstones to incident-free construction and operations.

PROTECTING THE ENVIRONMENT

Protecting people and the environment is one of TCO's core values and a focus area of the Operational Excellence Management System (OEMS). The company enhances its ability to accomplish several of the five key objectives of OE through meeting Environmental Stewardship expectations.

Operational Excellence Objectives:

- Achieve an incident and injury-free workplace
- Promote a healthy workforce and mitigate significant workplace health risks
- Identify and mitigate environmental and process safety risks
- Operate with industry-leading asset integrity and reliability
- Use natural resources and assets efficiently

TCO has implemented an Environmental Stewardship Process which provides a consistent, methodical approach to improving environmental performance and reducing potential impacts over an asset's life-cycle. The Environmental Stewardship Process drives effective management of potential impacts and identifies beneficial environmental improvement opportunities for consideration during the business planning process.

The consistent and systematic implementation of the Environmental Stewardship Process, including the Environmental, Social and Health Impact Assessment Process, the Natural Resources Standard and the Third-Party Waste Stewardship Standard facilitates TCO to continue progressing the goal of leading environmental performance.

Since 2000, TCO has invested more than \$3 billion on projects to minimize environmental impact at Tengiz. This investment has enabled TCO to achieve reductions in flaring and air emissions, improve wastewater treatment and support an increase in water reuse.

AIR PROTECTION

Air Emissions

Air protection includes recordkeeping to understand trends in pollutant concentrations and taking actions to systematically decrease pollutant emissions when feasible. TCO rigorously complies with legislative requirements of Republic of Kazakhstan and conducts air protection activities through the implementation of state-of-art technologies.



Total air emissions generated per ton of oil produced have been reduced by 70 percent since 2000. In that same period, TCO increased annual crude oil production volume by over 2.7 times, this production increase is a result of TCO's investments in capital programs and equipment reliability.

Flaring

TCO has implemented number of major projects on flaring reduction, including gas processing capacity expansion project, gas export pipeline capacity growth project and gas utilization project.

Since 2000, investments in environmental protection and plant reliability improvement projects have helped TCO reduce total gas flaring volumes by 79 percent. However, there has been some increase in TCO's gas flaring from 2014 through 2016. This increase is related to TCO efforts to improve equipment reliability. TCO has successfully conducted significant Turnarounds each year to replace aging equipment and improve existing reliability; replacing equipment often requires flaring to conduct the work safely.

As of 2009, TCO has eliminated continuous routine flaring of associated gas. But for the purpose of sustaining adequate production level, TCO has to flare gas from time to time to enable safe repair of failed equipment or pro-active replacement of equipment which may fail. This approach is how TCO can attain world class reliability while maintaining the production the Republic of Kazakhstan requests.

Greenhouse Gases

Kazakhstan has enforced an internal system of greenhouse gas (GHG) emission control since 2013. Beginning in 2010, TCO implemented the Republic of Kazakhstan national statistical system data reporting requirements into the annual inventory. This inventory covers all categories of sources associated with crude oil production. Processing data collected in TCO operations indicate that electric power and heat generation account for the largest category of GHG emissions. After the significant reduction in flaring, tail gas combustion represents the next largest source of CO₂ emissions, after flaring. Other GHG sources include hydrocarbon production, processing and transportation and associated operations.

The inventory program includes the following emissions with a potential climate change impact: carbon dioxide (CO₂), methane (CH₄) and nitrogen oxide (N₂O). TCO's intention is to support the initiatives of the Republic of Kazakhstan and continue GHG estimation, control and monitoring.

WASTE MANAGEMENT

TCO is exploring opportunities to maintain the waste recycling rate of 55 percent achieved in 2017 and makes considerable efforts in the market development of local waste management services. TCO sends more than 25 types of solid wastes for recycling. Beyond that, we are implementing recycling projects such as paper and plastic

TCO sends more than
25 types
of solid wastes for recycling





bottles collection and sending them to third parties for recycling and reusing, thus helping establish a sustainable waste recycling industry in Kazakhstan. We remain committed to developing local Kazakh content with our waste recycling partners and continue to identify additional waste treatment opportunities involving third party service providers.

List of waste streams recycled or re-used in 2017

- Plastic wastes, including plastic bottles
- Paper and cardboard waste
- E-wastes
- Metal scrap
- Concrete waste
- Construction and demolition waste
- Wood waste
- Used tires
- Spent car batteries
- Oil sludge

RATIONAL WATER USE

TCO uses water every day for technical and potable needs while conduction operations. TCO recognizes the value of fresh water as a fundamental social, environmental and economic resource and places great importance on water conservation and emphasizes re-use whenever possible. TCO facilities, like most other water users in Atyrau Oblast, are supplied with fresh water through the Astrakhan-Mangyshlak water pipeline from the Kigach River, one of the Volga River's channels, because

the Tengiz region does not have fresh ground or surface water.

TCO's Wastewater Treatment Facility (WTF) and Water Recycling Facility (WRF) were Major Capital projects which focused on fresh water conservation and wastewater management. TCO's WTF, designed to treat 6000 m³/day of sanitary wastewater, began operations in January 2014. The treated wastewater from the WTF provides the WRF influent to produce high-quality water for operational purposes. Operation of the WRF supports TCO initiatives related to fresh water conservation and wastewater management. This facility, commissioned in 2016, is a major component of TCO's long-term, comprehensive water management program. TCO's WRF treats wastewater to technical water quality via reverse osmosis. WRF is designed to produce up to 3,600 m³/day of recycled technical quality water to support TCO operations. The recycled water from operation of the WRF has increased TCO's annual recycled water rate to over 30 percent of overall consumption.

TCO has established a Water Master Plan to document the strategy for short-, mid-, and long-term water management.

TCO is actively evaluating and executing various projects which can be grouped into the following types to manage water use:

- Water conservation through installation of water-saving equipment in Shanyrak Village, TCO Village, and Rotational Village accommodation facilities
- Water re-use / re-purposing
 - *Ultra-filtration at New Boiler House to use in KTL SCOT water for steam generation*

- *Use of alternative water sources such as groundwater and backflush water for a substantial portion of FGP technical water*
- Reliability Projects
 - *Financially support installation of new technical water line from Kulsary to TCO*
 - *Install storage / buffer tanks in Kulsary with new Technical water line*
 - *WRF reliability upgrades*
 - *Installation of new Potable Water distribution & measurement*

LAND CONSERVATION

Some soil disturbance and the formation of man-made landscapes and other land quality changes occur during production of natural resources and construction works.

TCO annually monitors technologically disturbed lands (TDL) in the TCO partnership area to identify disturbed or contaminated areas and to reclaim them at a later stage. Conditions of contaminated lands are assessed, reclamation projects are developed, and findings on revealed and reclaimed areas are reflected in ArcGIS data base and cartographical materials.

The area of reclaimed/remediated lands as of 2017 comes to 1,327 ha, which is 94 percent of TDLs which were intended for reclamation/remediation works, most of which were lands with landscape disturbances and not contamination.

Reclamation of disturbed lands includes collection and removal of garbage, and restoration of natural landscape

by repairing the natural slopes and roughness of the terrain and creating conditions to encourage the growth of natural vegetation. TDL sites naturally revegetate themselves after reclamation and are covered with drought-resistant and salt-sensitive vegetation in several years. TCO’s environmental reclamation of disturbed lands is part of TCO’s environmental protection strategy that demonstrates commitment to principles of corporate social responsibility.

ENVIRONMENTAL MONITORING

TCO conducts ongoing environmental monitoring including air, water and soil to verify that TCO operations comply with RoK regulations and align with OE expectations for Environmental Stewardship. Our integrated environmental monitoring program is carried out by licensed contractors and data are analyzed by relevant TCO departments. All measurement data is done according to the TCO Industrial Control Program developed in accordance with RoK environmental requirements.

Air Monitoring

There are 12 automated stationary environmental air monitoring stations within and on the boundary of TCO Sanitary Protection Zone in Tengiz. TCO also has fixed monitoring stations in TCO Village as well as in the closest settlement, New Karaton, 95 kilometers distance from Tengiz. A mobile laboratory is used weekly to monitor the area near the plant’s emissions stacks. Readings are taken 16 kilometers upwind from the plants to identify background values for the substances being monitored. Samples are also taken 0.5 to 15 kilometers downwind from the plants and at the border of the Sanitary Protection Zone.

* Land reclamation process





* Groundwater monitoring process

Monitoring of Soil

There are 55 soil sampling sites identified and sampled yearly for documenting the overall and local soil quality within the TCO partnership area. Sampling sites for soil monitoring are identified considering wind directions to understand if potential contamination may have been spread via wind from outside of the area. Location of sampling sites may slightly change depending on the composition of the soil cover, soil status and other conditions.

Groundwater Monitoring

TCO performs regular and routine industrial monitoring of groundwater to obtain information about the condition of environment and assess if there have been any impacts from production activity. The first two water-bearing horizons below ground surface are subject to routine monitoring through a network of groundwater observation wells. Unserviceable wells are decommissioned, and old or failed wells are routinely repaired or replaced with new wells to ensure a competent and comprehensive groundwater monitoring network resulting in reliable groundwater quality results.

Waste Water Monitoring

Monitoring of waste water, both industrial and sanitary, allows TCO to control the quality of the effluents placed in evaporation ponds and subsurface horizons (industrial water is disposed in injection wells) as well as to measure compliance with established environmental standards of the Republic of Kazakhstan. Waste water is monitored at discharge points into evaporation ponds and injection wells. Frequency of sampling and analysis of samples complies with the TCO Industrial Control Program.

ENVIRONMENTAL PROJECTS AT FGP-WPMP

The Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP), one of the largest major capital projects across the global energy industry, has commenced and is expected to increase total daily production at Tengiz by about 260,000 barrels per day to approximately 1 million barrels of oil equivalent at peak.

Within the framework of FGP-WPMP implementation, TCO supports several additional conservation actions in the region.

- Actions to improve the Ural-Atyrau Sturgeon hatchery conditions via provision of technical workshops on hatchery process best practices, provision of quality feed for brook stock and fingerlings, provision of aerators to increase dissolved oxygen concentration in growing ponds, and purchase of excavators to improve outdoor maintenance capabilities.
- Support conservation of critically endangered species Sociable Lapwing (*Vanellus Gregarious*) via financial support to the Association for the Conservation of Biodiversity in Kazakhstan in 2018-2019.
- Ghost Fishing Nets Removal project in collaboration with the Ghostfishing World Organization of Specialists in the Ghost Fishing nets to protect and contribute to the growth of endangered marine species, as the Caspian Sea Sturgeon via removal of ghost fishing nets in the project area, from the marine channel and artificial islands and expansion beyond the Marine Access Channel. In 2017, approximately 2.8 tons of nets were removed and sent for recycling. Fifty-three sturgeon species released into the sea. In 2018, TCO intends to continue Caspian coastal area debris removal activities.



* Removing unused nets from the Caspian Sea

DIVERSITY AND INCLUSION

We have an inclusive work environment that respects the uniqueness and diversity of cultures, and values individual talents, experiences and ideas.



HUMAN RESOURCES MANAGEMENT

One of Tengizchevroil's strategies is to "Invest in people to develop and empower a highly competent workforce that delivers results the right way".

The Company provides social protection of its employees by managing labor and industrial relations, delivering a competitive remuneration package, providing employee development opportunities through training, development, and challenging work assignments to uncover their full potential, and leveraging succession planning, social programs, incentives and initiatives that aim to sustain corporate culture and employee commitment to the Company's values and strategies.

A critical element in the management of human resources is our commitment to ensuring that every employee not only understands the Company's goals, but also understands the unique contribution they can make to help the Company achieve those goals. The communication of the Company goals and objectives is carried out through regular interactions between TCO management and employees during performance management process, the monitoring of labor and industrial relations in TCO's departments and contractor companies, and the use of an employee "Hotline" reporting and feedback process.

TCO's social responsibility is formalized in a collective agreement that has been effective since 1996. The collective agreement is reviewed every three years and the latest updates were made on January 1, 2017. The collective agreement reflects the rights and responsibilities of employees and the Company. At the same time, the collective agreement provides the possibility of discussing a wide range of issues, thus ensuring that the opinions of employees are taken into account.

STRATEGIC STAFFING PLANNING AND RECRUITMENT

Our human resources management is based upon our strategic staffing planning for the near and medium term. Our primary focus during this process is Kazakhstani content in the workforce.

TCO's recruitment process is open, transparent and leverages advanced technologies. We utilize an external website to post our vacancies to ensure that all potential candidates have equal access to apply. We not only hire experienced specialists, but also talented graduates of higher educational institutions, based on the needs of the company.

TRAINING AND DEVELOPMENT

The safety of our personnel and the performance of our work without injuries and accidents is of the utmost importance to TCO. All TCO employees and contractors are required to receive safety training before they are allowed to perform their job responsibilities. Training includes not only legislatively approved programs, but also a system of specially developed corporate trainings and events aimed at anticipating and reducing potential risks.

In 2017, the share of full-time Kazakh employees of TCO was 83 percent, while the share of national supervisors and managers was 67 percent of the total number of management personnel. At the end of 2017, 156 Kazakhstani specialists were appointed to positions of managers, middle managers and key engineering positions, replacing expat employees.

The Company implements the talent management process to support the ongoing development of organizational capabilities of employees. The main objective of the process is to identify and develop high potential employees and future leaders to meet the company needs regarding the level of skills of employees needed today and in the future. Much attention is paid to ensuring the transfer of knowledge from a more experienced generation to a less experienced one; this, in turn, supports such processes as succession planning and nationalization.

In support of the talent management process, there are multilevel Personnel Development Committees that ensure the implementation of employee development programs and processes.

TCO actively implements a structured leadership development program that ensures the consistent development of leadership competencies among employees at all levels of the organizational structure. We also offer a mentoring program, internal technical and professional skills training programs, and cross-functional assignments.

Accelerated development of graduates of technical universities, recruited for work in TCO, is carried out through the program "Horizons". The effectiveness of this program is ensured by the fact that in addition to compulsory classroom instruction in the necessary technical disciplines, it also includes mentoring and cross-functional assignments.

The Company implements four specialized training programs focused on technical and professional disciplines for the worker category staff in accordance with the requirements of safety and reliability standards when performing job with the use of high complex equipment in plants.

Over the past five years, the company's expenses on training programs for employees amounted to more than 37 million US dollars. Since 2010, as part of our Educational Assistance Program, Tengizchevroil has funded 134 employees for higher or postgraduate education. TCO continues to make efforts to provide

national employees with the opportunity to gain international experience. At the end of 2017, 45 TCO employees worked in various Business Units of the Chevron Corporation as part of the International and Domestic Assignments Program.

Also, the company conducts master classes and successfully implements "XYZ Network" and "Women's Network", which creates an additional opportunity for learning and transfer of knowledge and experience.

Chevron XYZ Network was founded in 2000 and currently has approximately 14,000 members around the world. The Atyrau chapter of XYZ was founded in 2013 and includes TCO and Chevron Pipeline Plant employees. The Atyrau chapter of XYZ currently has over 700 members.

The mission of XYZ Network is to connect generations, provide a platform for experience and ideas exchange with peers, learn business processes and generate innovative ideas. XYZ in Atyrau hosts more than 30 events every year.

The Women's Network was established in TCO in 2013 leveraging the Chevron's experience and has grown to over 300 members today.

The TCO Women's Network provides an environment for self-fulfillment, experience exchange, professional development, mentoring, and broadening knowledge and understanding own role and existing opportunities.

The Women's Network is also advancing women's rights and opportunities and increasing awareness among the male population of challenges and opportunities facing women in the workplace. In 2017, in support of "Diversity & Inclusion" value, the Women's Network recently introduced a new initiative – the Men Advocating for Real Change (MARC) program.



83%

employees are
Kazakhstani citizens

67%

supervisor and managerial
positions held by Kazakhstani
citizens

PERSONNEL MOTIVATION

TCO's remuneration philosophy is based on the principles of unity, objectivity, competitiveness of payment that contributes to increasing individual labor productivity (pay for performance).

The TCO annual salary program is revised taking into account the results of the analysis of the labor market in the Republic of Kazakhstan and the oil and gas industry, the financial and economic situation of the company and the level of inflation. TCO provides competitive compensation to its employees, which allows attracting, retaining and motivating qualified personnel.

The employee bonus system is aimed at achieving shared goals, is interlinked with key performance indicators of the employee and the company, creates an additional interest of employees in improving the overall performance of work and consists of short-term and long-term incentive payments. In addition, the company provides employees a number of additional benefits and payments, such as the provision of paid social leave per recommendation of the medical department, the payment of health benefits when granting an annual leave of absence, and others.

TCO has an extensive social package for its employees. Below is a brief description of the company's most popular social programs.

HEALTH INSURANCE / HEALTHY LIFESTYLE AND SPORTS PROGRAMS

The company offers programs to help employees take care of their own health and the health of their families.

TCO provides mandatory insurance to employees in accordance with the legislation of the Republic of Kazakhstan. Voluntary medical insurance for TCO national employees and their families is offered by insurance companies of the Republic of Kazakhstan. In 2017, 9,140 employees were insured by TCO. TCO offers a standard package of medical insurance services for employees and their families. The employee has the right to voluntarily enroll in other categories of insurance, in which TCO covers between 50 and 70 percent of the total cost of the package.

To promote healthy lifestyles, all TCO employees can use fitness centers, the associated costs are reimbursed by TCO in the amount of up to 137 monthly calculated indicators.

Within the framework of this program, in 2017, employees were reimbursed more than \$500,000. Employees working on a rotational basis at the Tengiz field have access to fully equipped gyms, swimming pool and sports grounds. Also, various sports events and competitions are held for employees.

MEDICAL SERVICE

Employees working on a rotational basis have the opportunity to use the services of a clinic located on the territory of Tengiz. The clinic is equipped with modern

medical equipment. TCO successfully implements a program for providing psychological assistance to employees of the company and their family members on a free basis, with the principle of confidentiality.

HOUSING LOAN ASSISTANCE PROGRAM

For many years, TCO has been implementing a housing loan assistance program by issuing interest-free loans to purchase housing and improve housing conditions. Since 2010, more than 1,500 housing loans have been issued for a total amount of over \$111 million.

LONG SERVICE AWARD PROGRAM

Annually, as part of the "Long Service Award" Program, an employee who has reached their anniversary work experience in the company (5 years and more) receives a gift and an icon with the TCO logo. In 2017, 560 TCO employees participated in this program.

KINDERGARTEN "MIRAS-ATYRAU" FOR CHILDREN OF TCO EMPLOYEES

TCO funded the construction of the Miras Atyrau Kindergarten in 2014, which provides daycare for children of TCO employees living in Atyrau. The curriculum of the kindergarten was developed by the Nursultan Nazarbayev Education Foundation. The total amount of covering the costs of employees for kindergarten in 2017 was \$1.6 million.

REIMBURSEMENT OF EXPENSES ON CHILDREN'S REST PROGRAM

TCO reimburses the employees' expenses on children's rest in the amount of up to 60 minimal calculated indicators per child per year. Payments under the program in 2017 amounted to more than \$280,000.

ZHAS URPAK PROGRAM

TCO provides more than 100 scholarships per year to assist our employees' children in obtaining higher education. The program aims to provide financial assistance to the children of the company employees to study in national and foreign universities and colleges.

Since 1998, TCO has allocated \$6.1 million US dollars as financial assistance in obtaining higher education. In the 2016-2017 academic year, 126 students took part in the program; while the total amount of financial assistance amounted to \$370,000.

TCO RETIREES

At the end of 2017, 197 former TCO employees hold the status of "TCO Retiree" assigned to employees who reached retirement age during the period of work in the company. The annual individual financial assistance to TCO retired employees is 300 monthly calculated indicators.

INTEGRITY AND TRUST

We are honest with ourselves and others. We earn trust by respecting and supporting each other and by operating with the highest ethical standards in all we do.



TCO works to build productive, collaborative and beneficial relationships with local communities, government, businesses, customers and employees.

In 2017, TCO held FGP-WPMP Consultation Meetings with over 550 community members in Atyrau and Mangystau Oblasts. TCO representatives and Subject Matter Experts met with residents from Atyrau and Zhylyoi District communities, including Kulsary, Zhana Karaton, Koschagyl, Shokpartogay, Turgyzba, Akkiiztogay, Maikumgen, Rotational Village in Tengiz, Aktau and the villages of Borankul, Kuryk and Bautino in Mangystau Oblast.

The objective of FGP-WPMP Consultation Meetings is to provide communities with status updates and information on the progress of the project. Consultation Meetings offer a platform for community members to raise any questions or provide feedback they might have regarding FGP-WPMP and other major capital projects, as well as existing TCO operations. TCO welcomes the opportunity to receive valuable feedback from our stakeholders regarding our base business and FGP-WPMP operations.

Through our Consultation Meetings, TCO has learned that the communities' greatest concerns involve safety and environment protection, jobs and training for Kazakhstani workers, working conditions, infrastructure, social projects, Tengiz field performance, FGP-WPMP activities, and conservation efforts to protect Caspian Sea flora and fauna.

TCO also conducts annual Community Advisory

Council (CAC) Meetings with stakeholders in Atyrau and Zhylyoi districts. Members of the CAC are representatives of Atyrau Oblast and Zhylyoi District akimats, media, NGO, and business associations.

TCO Management participates in annual meetings with Government Representatives and Members of Parliament in Astana to share information and field questions on TCO's performance. TCO leaders also hold annual media engagements with national media outlets.

Since 2017, TCO has dedicated Community Liaison Officers (CLOs) in the Zhylyoi District and Mangystau Oblast. CLOs facilitate and attend regular meetings with local stakeholder groups, including NGOs, community elders, and workers in 13 locations to communicate FGP-WPMP progress and receive feedback from community members regarding TCO's activities.

FEEDBACK PROCESS

More of our community stakeholders are utilizing TCO's formal Feedback Process. In 2017, we received over 370 inquiries from the communities where we operate. Most community inquiries are regarding employment and business opportunities. Others seek information about the company's operations, projects, internships, and marketing opportunities. TCO has several mechanisms to provide feedback, including email, a toll-free telephone line, post address and feedback boxes located in Atyrau Oblast including Tengiz and Mangystau Oblast.

PARTNERSHIP

We build trusting, productive and collaborative relationships with government, our shareholders, communities, business partners, customers and each other. We are most successful when we succeed together.



FINANCIAL BENEFIT TO KAZAKHSTAN

Since its founding in 1993, TCO has contributed over \$125 billion to the Republic of Kazakhstan, including in purchases of Kazakhstani goods and services, profit distributions to TCO partner Kaz-MunaiGas, taxes and royalties paid to the national government, tariffs and fees paid to state-owned companies, and employee salaries.

In 2017, direct payments to the Republic of Kazakhstan totaled \$8.5 billion.

TCO has invested more than \$24 billion in Kazakhstani goods and services since 1993.

KAZAKHSTANI CONTENT

In 2017, TCO spent \$2.5 billion on goods and services supplied by domestic Kazakhstani producers. TCO's investments in Kazakhstani content have primarily focused on purchasing services. This will continue to be an area of focus given its significant impact on local economic growth.

A key component of TCO's Kazakhstani content

development strategy is to work with current and prospective suppliers to help them understand the quality, safety and cost standards they must meet in order to do business with oil and gas companies. In 2016-2017, TCO identified new Kazakhstani manufacturers and visited several regions in Kazakhstan to gain a better understanding of the manufacturing capabilities of local companies.

Kazakhstani content is an integral part of TCO's base business and FGP-WPMP activities. More than 500 contracts have been awarded to Kazakhstani-registered companies. FGP-WPMP's Kazakhstani content target is 32 percent of total project spend. To date, more than 2,000 Kazakhstani companies have been pre-screened, and more than 1,000 Kazakhstani companies have been pre-qualified to provide services to FGP-WPMP.

In 2017, FGP-WPMP organized three major forums dedicated to Kazakhstani content, including:

- Construction Companies Forum in January that involved 254 companies with the objective of updating current and prospective contractors on

project progress, project pre-qualification process, as well as to provide opportunities for the companies to network with other construction and service companies.

- Suppliers Forum in April for 128 Kazakhstani companies. The Forum provided information on the contracts execution process for projects with small and medium construction scopes. The objective of the Forum was to share information on FGP-WPMP and upcoming small and medium construction projects for FGP-WPMP, as well as to provide opportunities for local companies to participate in FGP-WPMP construction works.
- TCO's Craft Skills Assessment and Training Forum in June which nearly 60 Kazakhstani and international training companies attended. FGP-WPMP shared information on required craft training and assessment quality standards.

Members of the Government of the Republic of Kazakhstan, as well as Akimat representatives of Atyrau, Mangystau, West Kazakhstan and Aktobe Oblasts also attended the abovementioned forums.

In August 2017, FGP-WPMP held a job fair in Kulsary to advertise job opportunities for residents of Zhylyoi district and Borankul village. Forty TCO contractor companies, the Zhylyoi Region Akimat, the Akimat of the Borankul Rural District, and the Zhylyoi Region Employment Center and Social Programs Department participated in the fair, which resulted in over 100 local residents receiving job offers.

Through these activities and others, FGP-WPMP is creating a legacy of new job opportunities and local workforce capabilities in the engineering, high-tech equipment servicing, project management, construction and fabrication fields. TCO is encouraging the establishment of joint ventures between Kazakhstani and international companies for engineering, module fabrication and drilling services.

As part of base business operations, TCO has continued its longstanding commitment to support the development of local content and workforce capabilities. In April, with the support of the Atyrau Oblast National Chamber of Entrepreneurs, TCO organized the Production Maintenance Suppliers Forum for local and international companies. At the forum, participants were provided with general information about TCO's Production Maintenance Services, and the requirements for pre-qualification and terms of tenders to work with TCO.

In May, the European Bank for Reconstruction and Development (EBRD) held a joint press conference on the implementation of its program to support small and medium businesses in Kazakhstan. The Government of Kazakhstan is continuously working to increase local content in state procurement and in

the oil and gas sector. In 2015, the EBRD and TCO established a joint program to support small and medium-sized enterprises (SMEs) in Kazakhstan. TCO has contributed a total amount of \$500,000 to the program. By the end of 2017, 23 potential suppliers from various regions of Kazakhstan have entered into projects with local consultants and two suppliers have formed partnerships with international experts. These advisory projects help companies to access global best practices, such as technical knowledge on introducing a quality management system that meets ISO standards, or improving accounting and financial management. SMEs work with local consultants and international experts on a cost-sharing basis, covering up to 75 percent of the total project cost.

In June, the Aktau Declaration Working Group, which includes TCO, North Caspian Operating Company NV (NCOC) and Karachaganak Petroleum Operating BV (KPO), along with JSC NC KazMunayGas (KMG), facilitated a business seminar in Atyrau focused on valves manufacturing. The seminar helped participants understand how to comply with the manufacturing requirements and specifications of valves used in the oil & gas industry. More than 60 representatives of Kazakhstani and international companies attended the seminar and expressed interest in valves manufacturing in Kazakhstan.

In November, four major operators of oil and gas fields in Kazakhstan, TCO, NCOC, KPO and KMG, with the support of the Chamber of Entrepreneurs of Atyrau region, held a joint Forum on Waste Management in Atyrau. The objective of the forum was to exchange information between local businesses and oil and gas companies to identify opportunities in waste processing, taking into account the latest changes in the environmental standards of the Republic of Kazakhstan.



To provide services to FGP-WPMP
more than **2,000** Kazakhstani companies
have been pre-screened, and more than
1,000 have been pre-qualified

PARTNERING WITH COMMUNITIES

Since 1993, TCO has invested more than \$1.4 billion in social investment projects and programs in Atyrau Oblast for the benefit of our employees and the community. TCO's Egilik ("benefit" in Kazakh) Voluntary Social Infrastructure Program has implemented 84 social investment projects in Atyrau oblast.

In 2017, the Egilik program allocated \$25 million for the construction of social projects, including schools, kindergartens, community houses, sports complexes and others. Nine social infrastructure projects in Atyrau Oblast, including the Specialized Technical Gymnasium and Retro Park, were completed.

Also in 2017, TCO's Community Investment Program (CIP), in partnership with local and international organizations, spent over \$1 million on projects aimed at improving education, healthcare and entrepreneurship opportunities in Atyrau Oblast. Project partners included Independent Generation of Kazakhstan Association, Kazakhstan Association of Family Physicians (KAFP), PYXERA Global – Yntymak Atyrau, Eurasia Foundation of Central Asia (EFCA), British Council, New Information Impulse and Muggedek Alemy.

TCO's international NGO partners have helped develop local NGOs through the CIP program partnerships by transferring knowledge and skills on local social investment projects, which enables them to participate competitively in future grants with TCO.

Between 2010 and 2017, TCO's CIP funded 57 social investment projects, totaling over \$6 MM, focused on education, health, local entrepreneurship support and environmental awareness. Below are examples of CIP programs.

BRITISH COUNCIL'S "ENGLISH FOR SUCCESS" PROGRAM IN ATYRAU

British Council's two major partners, the Kh. Dosmukhamedov Atyrau State University in Atyrau and the Zhylyoi Education Department, have supported the delivery of this project at every stage and made in-kind contributions to the project by providing free venues for training sessions. The Atyrau Education Department, Atyrau Nazarbayev Intellectual School, APEC College, Atyrau Engineering and Humanitarian Institute, Kazakh Tili Kogamy, and other educational institutions have also supported the implementation of this project.

- Through "English for Success," a total of 160 teachers of English and STEM have been trained through a variety of classes in Atyrau and Kulsary.
- 25 university students completed and received the Cambridge ESOL TKT certificates.
- British Council coordinators visited 10 schools.
- 65 students were involved in speaking clubs and drama club.
- A resource center and 'English Only Space' was established at Atyrau State University and is now fully functional.

** Retro Park in Atyrau built as part of TCO's Egilik Program*



- The State Secretary of Kazakhstan, Mrs. Gulshara Abdikalikova, and the Minister of Education and Science, Mr. Yerlan Sagadiyev, visited the 'English Only Space' and new resource center to observe the successes of the program.

EFCA'S SOCIAL ENTREPRENEURSHIP DEVELOPMENT PROGRAM "ZHARKYRA" (Atyrau city and Zhylyoi District)

- EFCA has supported seven social entrepreneurship projects
- 20 training sessions and three internships conducted
- 56 direct beneficiaries and 420 residents of the region received services

Azilhan Baibatyr, with the project "Collecting and Processing of Plastic Wastes," attracted additional investments in his project during the period of its implementation.

"Thanks to the interest-free loan from EFCA and TCO, I purchased a 'Gazelle' car, with which I can collect plastic waste. The trainings that took place within the Zharkyra Program helped me create business strategies, develop marketing plans for our projects, work out financial issues, and expand awareness of our work in media and social networks to familiarize locals with the project. Among the first successes of the project was the installation of 400 containers for collecting plastic containers around microdistricts in the city, and more than 30 tons of garbage have already been collected. The company started with one person, now there are already seven like-minded employees."

INDEPENDENT GENERATION OF KAZAKHSTAN'S "MY PROFESSIONAL CHOICE" PROJECT

The aim of this program is to train teenagers aged 15-18 from schools, orphanages and boarding schools, to work with educational specialists and parents in Atyrau city and Zhylyoi District.

- 249 students tested on profession choice
- 283 students passed training sessions
- 208 parents had meetings and training sessions
- 211 teachers involved in the project
- 118 students attended after school activities
- 195 students attended workshops during school recess time

Comments on the Summer Camp from Yernaz Kiikbayev:

"On the very first day we were taught to prepare wooden surfaces. We had several training classes. When I first started preparing the wood I was scared, but now I'm more confident after learning how to do it. We also learned how to cut wood and paint. I couldn't paint well, but our instructor taught me how too. I learned a lot here, thank you!"

KAZAKHSTAN ASSOCIATION OF FAMILY PHYSICIANS' "PREVENTION AND MANAGEMENT OF CARDIOVASCULAR DISEASES"

KAFP conducted 73 public blood pressure monitoring checkups and screened 5,220 residents of Atyrau Oblast.

** Students learn how to create woodwork and metal crafts*





* Saving baby fish

MUGEDEK ALEMI PUBLIC ASSOCIATION'S "KOLTANBA WORKSHOP"

This program is aimed at supporting disabled people in Atyrau by providing training in arts and crafts for further employment opportunities.

- 102 disabled residents of Atyrau Oblast passed various training sessions, including men, women, children and students
- 115 days of handicraft and wood work training were arranged
- Over 200 handicraft works created
- Over 100 woodwork items created

"I really enjoyed making jars and they taught us a lot of things in these classes. I'd like to go to a workshop every day and never miss a class. This project is very much needed for people with disabilities. I hope that there are a lot more of these projects in the future." **Asemgul Gabdullina**

YNTYMAK COMMUNITY DEVELOPMENT PROGRAM

The Community Development Program, implemented by Pyxera Global, is aimed at enhancing social capital in local communities to enable them to prosper economically and sustainably through volunteer activities and fundraising initiatives. TCO employees, family members and local volunteers are engaged in supporting this program.

Several volunteer initiatives were conducted in 2017. English Clubs were organized at the local Humanitarian College, Atyrau Oil and Gas University and Atyrau State University for students from low-income families and youth houses. Soft skills development and computer classes were also arranged. Another project was a hearing assistance program developed in cooperation with the Friends of Atyrau organization to supply hearing aids to children with hearing disabilities. Other activities include collecting clothing, school supplies and food baskets for low-income and single parent families. Young orphan residents of Youth House, aged 17-23 have also received computer literacy, personal development and professional orientation training through Yntymak.



Volunteers continue to facilitate in-kind donations from TCO employees. The Yntymak Program has raised over \$300,000 to support low-income families, orphanages and people with disabilities, totaling over 1,500 direct beneficiaries. The following items have been donated through the Yntymak Program:

- 586 kilos of clothes donated to 60 low-income families and children from the Youth House and Adaption Centers for Children
- 20 hearing aids for 14 children with hearing and speech difficulties
- Celebrated International Day of Older Persons with 102 retirement home residents
- Food, hygiene supplies and domestic equipment purchase for Youth House residents
- 181 food baskets for low-income families
- 335 pieces of school supplies for low-income families
- A picnic for Youth House residents
- TCO tour for Youth House residents
- Computer classes for Adaption Center and Youth House residents
- Personal Growth and Professional Training for Youth House residents
- Movie Night for Youth House residents
- Saving 28,000 fishes with the “Saving Baby Fish” project

TECH AGE SOCIETY

This project provided technology training and technical support services to education institutions and community service groups in Atyrau city and Zhylyoi District. Initiated in 2012, the project



arose out of huge demand for IT trainings and has benefited students looking for more sophisticated technical skills from basic to advanced levels. Beneficiaries included teachers from Atyrau city and Zhylyoi District schools, kindergartens, mothers from Mother’s House, orphans, children from boarding schools, teenagers from Youth House, and others.

Key Statistics:

- 732 people have benefited from the project
- School students received hardware and software training
- 255 sessions or 468 hrs spent providing technology training

Rustam Dzhabarov, orphan from Shanyrak orphanage

“I used to participate in trainings and make videos on my computer. But after my computer broke down, we had no way to fix it and it just sat there unused. When we were told that there would be a course on computer repair, I happily signed up. During the course, we took apart computers piece by piece and learned what each part is responsible for in the computer. After that, it was no longer difficult for me to find what was broken on my computer. Now we have a computer with all the programs that we installed ourselves.”



