



*Approved by Resolution No. 2019/04/05 of the
Ethics Committee dated 5 April 2019*

*Approved by Minutes No. 17 of the
Supervisory Board dated 17 April 2019*

Ethics Committee annual report

According to the Regulation on the Ethics Committee, approved by the Supervisory Board of PJSC "MAHISTRALNI GAZOPROVODY UKRAINY" (*the Company or MGU*), the main purpose of the Ethics Committee's establishment is to ensure the effective operation of the Supervisory Board in resolving issues that fall within the Committee's competence regarding the ensuring that the proceedings of the Company are conducted in consideration of ethical values, in compliance with applicable laws and regulations, with due respect for employees, customers, suppliers and the whole society and natural environment. In particular, the Committee shall investigate and counteract any cases of corruption, unfair behavior and any attitudes that could undermine public trust in the Company.

The Ethics Committee of the Company was established on 25 April 2018 by the decision of the Supervisory Board of the Company.

The following Supervisory Board members were appointed as members of the Ethics Committee: Jan Chadam (Chairperson), Walter Boltz, Karina Luchinkina, Kostiantyn Mariievych.

During the year 2018, the Ethics Committee held one official meeting. A number of Ethics Committee meetings were held by means of conference calls and/or as a part of the discussions during the Supervisory Board meetings.

At the meeting of the Ethics Committee dated 16 August 2018, the members discussed the potential conflict of interests of Mr. Walter Boltz - the Chairman of the Supervisory Board of MGU. All members of the Ethics Committee participated in that meeting.

During the meeting, the Ethics Committee reviewed the case of a potential conflict of interests of Mr. Boltz with respect to his involvement in the EU-Russia Gas Advisory Council with the European Commission regarding the support to the European Commission for the EU-Russia Gas Advisory Council, including but not limited to the consultancy provided under the service contract (one-year) with the EC. Details of the contractual agreement between Mr. Walter Boltz and the European Commission were submitted to the Ethics Committee.

The Ethics Committee reviewed the relevant documents and discovered that the works of the Gas Advisory Council pertain primarily to the following issues: 3rd Energy Package; Network Codes; Open season procedures, interoperability between EU and Russian networks; EU - Russia Energy Cooperation; EU Gas Target Model; Long Term Supply Contracts issues; Energy Union; REMIT; Security of Supply; Pressure on the UKR/RUS border.

Based on a thorough analysis of the documentation and explanations provided by Mr. Boltz, the Ethics Committee have concluded that there are no grounds for considering Mr. Walter Boltz's involvement in the EU-Russia Gas Advisory Council's Work Stream on Internal Market issues (WS2 GAC) as being in conflict of interests with his function as the Chairman of the MGU Supervisory Board. The Ethics Committee noted that Mr. Walter Boltz's experience derived from this involvement may contribute to building an effective strategy of the MGU as an independent operator, in particular in the context of gas transit from the Russian Federation to the European Union across the territory of Ukraine. Furthermore, his role in this context is to represent the EU interests and these are not deemed to be in conflict with the interests of MGU.

In many discussions within the Ethics Committee many issues of ethical nature and regulations in compliance with applicable laws and regulations were discussed before their implementation by the Supervisory Board. Other activities and initiatives undertaken by the Ethics Committee in 2018 included the development of conceptual framework for the Corporate Ethics Policy and general rules of conduct for the MGU and in company's relations with stakeholders and external bodies.