



*Approved by Resolution No. 2019/04/04 of the
Remuneration and Nomination Committee dated 04 April 2019*

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

Remuneration and Nomination Committee annual report

The Nomination and Remuneration committee (*Committee*) of PJSC “MGU” (*MGU or the Company*) was established on 25 April 2018 by the decision of the Supervisory Board of the Company. The following Supervisory Board members were selected to be members of the Committee:

- Karina Luchinkina (Chair);
- Walter Boltz;
- Kostiantyn Marievych; and
- Fabrice Noilhan.

Among the first task of the Committee was to initiate recruitment, selection and appointment process of Corporate Secretary to support the activity of the Supervisory Board and to follow the Ukrainian law requirements. The Committee closely supervised the selection process.

The Committee ensured that there is an open and transparent selection process. The role description and selection criteria were advertised on Company’s web-site and prominent job forums. The Company has received significant number of applications. The shortlisted candidates were interviewed by the Committee members. Marta Lozenko was appointed as a Corporate Secretary of MGU’s Supervisory Board.

The Committee members also discussed the issues connected with the Company’s budget. In July 2018 the Supervisory Board was informed by the Company’s management that starting from the August 2018 the Company will not be able to pay any remuneration to the members of the Supervisory Board and the salaries to the Company’s staff members. Due to the lack of budget funds, it was decided to defer the payment of the remuneration for all members of the Supervisory Board for the period starting from July 2018 until a different decision is made.

In August, the Committee was informed by the acting CEO at the time of his wish to sever his relationships with MGU. The Committee initiated the recruitment process of the new acting CEO. The role including qualification requirements was advertised on the company web-site and with recruitment agents and the Supervisory Board interviewed the shortlisted candidates. Oleksandr Lisnichenko was appointed as an acting CEO of MGU.

As the time of the acting CEO appointment the Supervisory Board learned that even though according to the Company Charter it is the Supervisory Board competence to determine the remuneration of the Management Board members, given the fact that MGU is financed from the state budget, there is Order of the Ministry of Energy and Coal Industry No. 13 dated 12 January 2017 which determines the remuneration level for the CEOs of the public joint stock companies which are under the control of the Ministry. The Committee of the Supervisory Board has been engaging with the Ministry of Energy and Coal Industry, MGU’s Shareholder, to enable the Supervisory Board to fulfil their role in line with the Company’s Charter.

The Committee is keenly aware that in preparation for Unbundling the Company needs to invest in developing the talent pool of future managers. In order to do this, MGU is commencing an MGU International Leadership Programme in partnership with a number of European Transmission System Operators. The objective of the Internship Programme is to develop future leaders of the Ukrainian gas sector by providing international work and training placement opportunities at European TSOs for young Ukrainians. MGU has started the process to select 10 Leadership Interns for the first placement round.

Looking forward the Committee will be focusing on the selection process of the Management Board of MGU.



It is also of paramount importance for the Committee to develop and approve Management Board Compensation Policy to ensure that the Company has access to the pool of talented managers and that there are KPIs in place to incentivise management to achieve MGU strategic and operational goals.

During the year 2018 the Committee had three official meetings. A number of Committee's discussions were held by means of conference calls and/or as a part of the discussions during the Supervisory Board meetings.