

11 січня 2019 № 88.6-2КУ

На № _____

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Конфіденційно
Примірник № 1
п. 2.3. Переліку відомостей
(без додатку не конфіденційно)

Mr Volodymyr Groysman
Prime Minister of Ukraine

Прем'єр-міністру України
Гройсману В.Б.

Dear Mr Groysman,

Шановний Володимире
Борисовичу!

In response to your letter No. 25337/0/2-18 dated 29 December 2018, we inform you of the following:

У відповідь на Ваш лист № 25337/0/2-18 від 29.12.2018 р. повідомляємо таке:

We appreciate the opportunity to review the issue of contract renewal for the CEO of NATIONAL JOINT-STOCK COMPANY "NAFTOGAZ OF UKRAINE" (Naftogaz). As we discussed in our meeting with you, the Supervisory board takes its responsibility to ensure the continuity of Naftogaz leadership. In that vein, we discussed options regarding the expiring contract with Naftogaz's CEO. After agreeing, the contract should be

Висловлюємо вдячність за можливість розглянути питання про продовження строку дії контракту з Головою Правління Національної акціонерної компанії "Нафтогаз України" (далі – Нафтогаз). Як ми обговорювали під час зустрічі з Вами, Наглядова рада бере на себе відповідальність за забезпечення кадрового резерву для посад керівної ланки в Нафтогазі. У зв'язку з цим ми обговорювали опції



extended, we discussed the compensation package of the CEO. While normal industry practice would be to increase compensation at time of renewal of the contract, we believe it would be appropriate to extend it while maintaining flat continuation of his compensation package. We take specific note that Mr. Kobolyev's current level of compensation package was originally decided by the shareholder. While the legal authority for defining conditions of the contract with CEO, including setting his compensation, lies with the Supervisory board, we know you may have views on this subject. We therefore respectfully request you share with us what your expectations are so we can finalize this issue in a satisfactory manner.

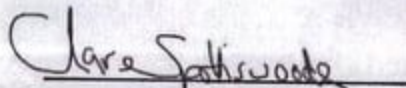
стосовно вирішення питання закінчення строку дії контракту з Головою Правління Нафтогазу. Узгодивши те, що дія контракту повинна бути продовжена, ми обговорювали компенсаційний пакет Голови Правління. Хоча нормальна галузева практика передбачає збільшення компенсації у разі продовження строку дії контракту, ми вважаємо, що було б доцільно продовжити його, зберігаючи при цьому чинні умови в частині компенсаційного пакета. Ми звертаємо особливу увагу на те, що рішення про поточний рівень компенсаційного пакета пана Коболева було на початку прийняте акціонером. Хоча юридичні повноваження щодо затвердження умов контракту з Головою Правління, в тому числі встановлення рівня його компенсації, закріплені за Наглядовою радою, ми розуміємо, що Ви можете мати окрему думку з цього питання. Тому ми шанобливо просимо Вас повідомити про Ваші очікування з тим, щоб ми могли завершити роботу над цим питанням у прийнятний спосіб.

Attachment on 2 pages

Додаток на 2 арк.

Kind regards,

З повагою,



Spottiswoode Clare Mary Joan / Споттісвуд Клер Мері Джоан
Chairperson of the Supervisory board / Голова Наглядової ради

Appendix to the Letter
 № 88.6-2 КД 11.01.2019 Copy No. 2

Conditions	In the amount of	Andriy Kobilyev Chief Executive Officer of National Joint-Stock Company "Naftogaz of Ukraine"
Validity	28.03.2014 - 22.03.2019	25.03.2014 - 22.03.2019
Collective Bargaining Agreement of the Company	Doesn't apply	The Parties confirm that the amounts of payments made hereunder shall include any and all amounts of salary and other incentive, compensatory and guarantee payments (including increments, awards, bonuses, rewards, etc.) due in favour of the CEO under the Collective Bargaining Agreement of the Company effective as of the date of account and making the relevant payments. The CEO hereby confirms that he has no claims and all such payment amounts under the Collective Bargaining Agreement of the Company but not yet fully exercised through writing up to this Contract, which terms and conditions on guarantee and social benefits for the CEO as set forth have neither stipulated in the conditions provided for by the Collective Bargaining Agreement of the Company.
Base monthly salary	Monthly base salary UAH 2,062,000	3.2. Base part of remuneration of the CEO shall be set as monthly base salary amounting to UAH 2,062,000 (two million and sixty-two thousand hryvnia) accrued pro rata to the hours worked.
Bonuses	Quarterly bonus	3.3.1. Upon resolution of the Supervisory board quarterly bonus in the amount set by the Supervisory board may be paid.
	3.3.2. Upon resolution of the Supervisory board, in accordance with the Remuneration policy for the Executive board members of participating, the CEO may be paid with the following bonuses (variable component of the remuneration)	NATIONAL JOINT-STOCK COMPANY "NAFTOGAZ OF UKRAINE" and chief executive officers of business entities in which NATIONAL JOINT-STOCK COMPANY "NAFTOGAZ OF UKRAINE" is the sole shareholder (founder).
	Annual performance bonus subject to achieving the Goals and KPIs, as set to the CEO for the respective year	3.3.3.1. Annual performance bonus subject to achieving the Goals and KPIs, as set to the CEO for the respective year with the maximum amount of 100% of annual base salary.
	Bonus for achievement of goals in mid-term projects (1 to 3 years)	3.3.3.2. Bonus for achievement of goals in mid-term projects (1 to 3 years) with the maximum amount of 100% of annual base salary.
	Bonus for outstanding achievements	3.3.3.3. Bonus for outstanding achievements. Achievements shall be deemed outstanding if, according to the Supervisory board, they have a significant positive impact on the Company's business. Amount and procedure for the bonus payment shall be determined by the Supervisory board. In case of respective resolution of the Supervisory board, conditions and procedure for the bonus payment for outstanding achievements shall be set forth in the respective written to the Contract.
Bonus for achievement of goals in long-term projects (3 to 5 years)	3.3.3.4. Bonus for achievement of goals in long-term projects (3 to 5 years). The amount of bonus shall be determined by the Supervisory board.	
Bonus according to terms of Additional Agreement No.4 dated 12.07.2018	Second part payment	
3.3.4. In case of no approved financial plan of the Company and/or set Goals and KPIs, the Supervisory board may resolve on annual	and payment of bonuses indicated in paragraph 3.3.2 hereof, based on results of assessment of the Company's performance and compliance with the requirements of the Supervisory board.	
One-time payments	Provisional aid for health improvement	3.4. Along with the annual vacation, once during the calendar year the CEO shall be paid health improvement aid in the amount of 90 per cent of the monthly base salary.
	Severance payment in case of illness or disability of the CEO confirmed by relevant medical documents and which prevent performance of his obligations hereunder	3.5. The CEO shall be entitled on his own initiative to withdraw from the Contract before expiry of its validity in case of: 3.5.1. illness or disability of the CEO confirmed by relevant medical documents and which prevent performance of his obligations hereunder, and for other valid reasons determined by the laws of Ukraine; 3.5.2. in case of early termination hereof for reasons beyond control of the CEO (subclause 3.6.2 hereof), he shall be paid the following supervisory guarantees and compensation: 3.5.2.1. severance payment in the amount defined by the Supervisory board; 3.5.2.2. other payments envisaged by the laws of Ukraine.
	Severance pay in case of early discharge of the CEO from his office upon initiative of the authorized body of the Company	3.6. In case of early discharge of the CEO from his office upon initiative of the authorized body of the Company, save for the reasons of the Contract termination for violations caused by the CEO (early discharge of the CEO from his office in accordance with the laws of Ukraine), or for the reasons beyond control of the CEO, other than those referred to in clause 3.6 hereof, he shall be paid the following supervisory guarantees and compensation: 3.6.1. severance payment in the amount of 12 (twelve) average monthly salaries calculated based on the two past months; 3.6.2. other payments as prescribed by the law of Ukraine, except for severance payment set forth in paragraph 3.6.1 hereof.
	Material aid in case of retirement	3.11. In case of resignation due to retirement of the CEO, he shall be paid an allowance in the amount provided for by the Collective Bargaining Agreement of the Company, up to a maximum of five monthly base salaries of the CEO.
Mandatory guarantee and compensatory payments accrued and paid as prescribed by the labour laws of Ukraine	3.10. The CEO shall have mandatory guarantee and compensatory payments accrued and paid as prescribed by the labour laws of Ukraine.	
Annual paid basic vacation, calendar days	24	3.12. The CEO shall be provided with annual paid basic vacation of 24 calendar days, as well as additional paid vacation for irregular working hours of 7 calendar days and other types of vacations and leaves stipulated by the labour laws of Ukraine and the Collective Bargaining Agreement of the Company.
Additional paid vacation for irregular working hours, calendar days (non-standard working hours)	7	3.13. Upon agreement with the Chairperson of the Supervisory board, the CEO shall determine the time and the use of the annual vacation and other types of vacations and leaves (start time and end time, split in parts, etc.) according to this Law of Ukraine "On Vacation".
Other types of vacations and leaves stipulated by the labour laws of Ukraine and the Collective Bargaining Agreement of the Company	3.14. The CEO can be provided with other types of entitlement at the expense of the Company as necessary to perform his employment duties, which are not prohibited by the laws of Ukraine and deemed to be the business need, including, without limitation:	
Payment of representative expenses, including those in foreign currency	yes	3.14.1. Payment of non-representative expenses, including those in foreign currency (if he is on a business trip abroad) within the amount provided for by the approved financial plan of the Company.
Life insurance	yes	3.14.2. Life insurance within the coverage limit equivalent to USD 1,200,000 at the rate of the National Bank of Ukraine as at the date of the insurance contract.
Voluntary medical insurance to cover the territory of Ukraine (corporate package)	yes, according to Collective Bargaining Agreement of the Company	3.14.3. Voluntary medical insurance to cover the territory of Ukraine within the medical services package and within the expense provided for by the Company's financial plan. Contents and cost of the medical insurance package shall be determined by internal documents of the Company.
Liability insurance	yes	3.14.4. Liability insurance within the expenses provided for by the Company's financial plan.
Security	yes	3.14.5. Security of the CEO, information and resources at the expense of the CEO, or retention of his permanent and temporary stay by means of organizational and legal regime, engineering and technical measures, and measures of personal physical security, according to financial plan of the Company.
Other	Company car and mobile communication	3.14.6. Furnished office with modern facilities of organizational, computer and other equipment, company car and mobile communication.
Additional benefits		3.16. Guarantee of legal defence of the CEO
		3.16.1. Before conclusion of liability insurance contract of the CEO, the Company shall reimburse the CEO for all reasonable expenses for the legal assistance of a lawyer and/or other specialists in the field of law in administrative, criminal, civil, labour disputes, related to the execution of the official duties by the CEO as specified in the Contract hereunder; the Costs, incurred during the validity period of the Contract, which is not covered by the liability insurance contract.
		3.16.2. All reasonable expenses incurred by the CEO for a following shall be reimbursed: a) provision of the rights, freedoms and legitimate interests of the CEO in his capacity as a witness, expert (witness), acquired, a permit to be applied compulsory measures of medical care or educational reform to, or otherwise applicable the law or criminal proceedings is considered, as well as a person held administrative, public or criminal proceedings; b) legal assistance to the CEO in the capacity as a witness in criminal proceedings; c) receipt of legal information, consultations and explanations on legal matters in all fields of law, which arise with regard to Cases in courts and other state bodies, both in Ukraine and abroad (hereinafter jointly referred to as the Expenses).
		3.16.3. The Company's obligation to reimburse the Expenses shall not cover the following Expenses:
		3.16.3.1. in the Cases where in court criminal, civil or other proceedings of the CEO have been proved;
		3.16.3.2. incurred by the CEO in the Case where the Expenses are paid by the Company;
		3.16.3.3. claims for whose reimbursement the CEO has been established by court or another body considering the relevant Case or which are subject to intervention in pursuit to the liability insurance contract of the CEO.
		3.16.4. In order to reimburse the CEO for the Expenses, the provisions shall be as follows:
		3.16.4.1. The CEO shall send to the Company a notice on engaging a lawyer and/or other specialist in the field of law, where a specific Case is indicated, within 30 (thirty) days of each occasion. Along with the notice, a original or signed and scanned copy of legal assistance contract entered into shall be sent with supporting documents under sub-clause 3.16.4.2, as well as copies of documents (as referred to) to the CEO by the respective lawyer, legal assistant, who were the basis for the CEO's decision on the need to obtain legal assistance. To the extent allowed by the applicable procedural laws, the CEO shall be obliged to apply to the court or other body that is considering the relevant Case, with a claim for which payment of Expenses at the expense of the other party in the Case.
		3.16.4.2. The CEO shall provide the following supporting documents: - original or signed and scanned copy of a duly terminated contract and acceptance certificate for the legal services (signed by the CEO and another party under the contract), where the amount paid by the CEO is indicated, as well as the original copies of the bill of services provided; - all documents confirming payment by the CEO for the services under the legal assistance contract.
Guarantee of legal protection	yes	3.16.5. The amount of payment for the Expenses shall be determined by the court or other body considering the relevant Case or which are subject to intervention in pursuit to the liability insurance contract of the CEO.