

ON THE ROAD OF CHANGES

PJSC Concern Galnaftogaz Sustainable Development Report for 2014

FILLING UP ON

POSITIVITY ON THE

ROAD OF LIFE!



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A message from the Company's President

It is in years like 2014 when the business is tested for durability. Together with all Ukrainians, our company went through dramatic events and hardships which never happened before in the newest history of Ukraine. It was not easy, but we have stood the test. We succeeded as market leaders and as citizens of our country. We did not just sit and wait or stop our operations, but we continued to grow and move forward. Why did we succeed? First of all, because we are a team united by common values. During the past year, our corporate values were the strongest pillar that allowed us to withstand the challenge.

Our list of achievements for 2014 is not really short:

- We continued with our business, opening new filling stations, restaurants and cafés;
- We extended the network of natural gas modules;
- We invested into the future of Ukraine by installing electric car chargers at our filling stations;
- We maintained a high level of credit in the eyes of our international investors, and even during an economic crisis we had secured additional loan resources on reasonable terms.

In 2014 we continued to create new jobs all across the country. At the same time we did not let our colleagues in the East down. We helped them find new jobs in other regions, and many others received financial support even when our filling stations were closed in their cities. Besides, we have been supporting medical institutions in purchase of medicines and medical equipment for treatment of people who suffered in the events in the East.

People are always in the company's focus. These are our clients on one hand, and our colleagues on the other. They are the two wings of our success. Their credit of trust is worth more than money. And as our clients as well as employees are part of the society, our social concerns remain a top priority for our company even in the toughest times. That is why last year we put considerable effort into strengthening safety at our facilities and, together with EBRD, implemented a big project aimed at road safety. Because a human life is of the utmost value to us.

Considering all the above, we entered year 2015 with dignity and confidence. We have a clear awareness that our activities can have significant impact on many different processes within Ukraine. Following the principles of the UN Global Agreement, our company strives to maximize the positive effect of this impact, to broadly integrate the sustainable development objectives into our business processes, and to adopt the best CSR practices from the world and national content as well as share our achievements in this sphere. This Sustainable Development Report for 2014 is also one of the forms of communication with the world, when we share our experience with the public. And we are ready to take every piece of advice and every critical comment into account.

Jumping a few steps forward, I would like to note that in 2015 we established a Business Social Responsibility Committee in the company, composed of our top managers. This expert body is crafting a sustainable development strategy for the company and regularly reviews socially important projects and public initiatives which can be joined and supported by our company. It makes our decisions more systematic and participatory, and our involvement may bring even more benefits to the society.

Vitaliy Antonov
President of Concern Galnaftogaz
(OKKO filling station network)

Антонов В.



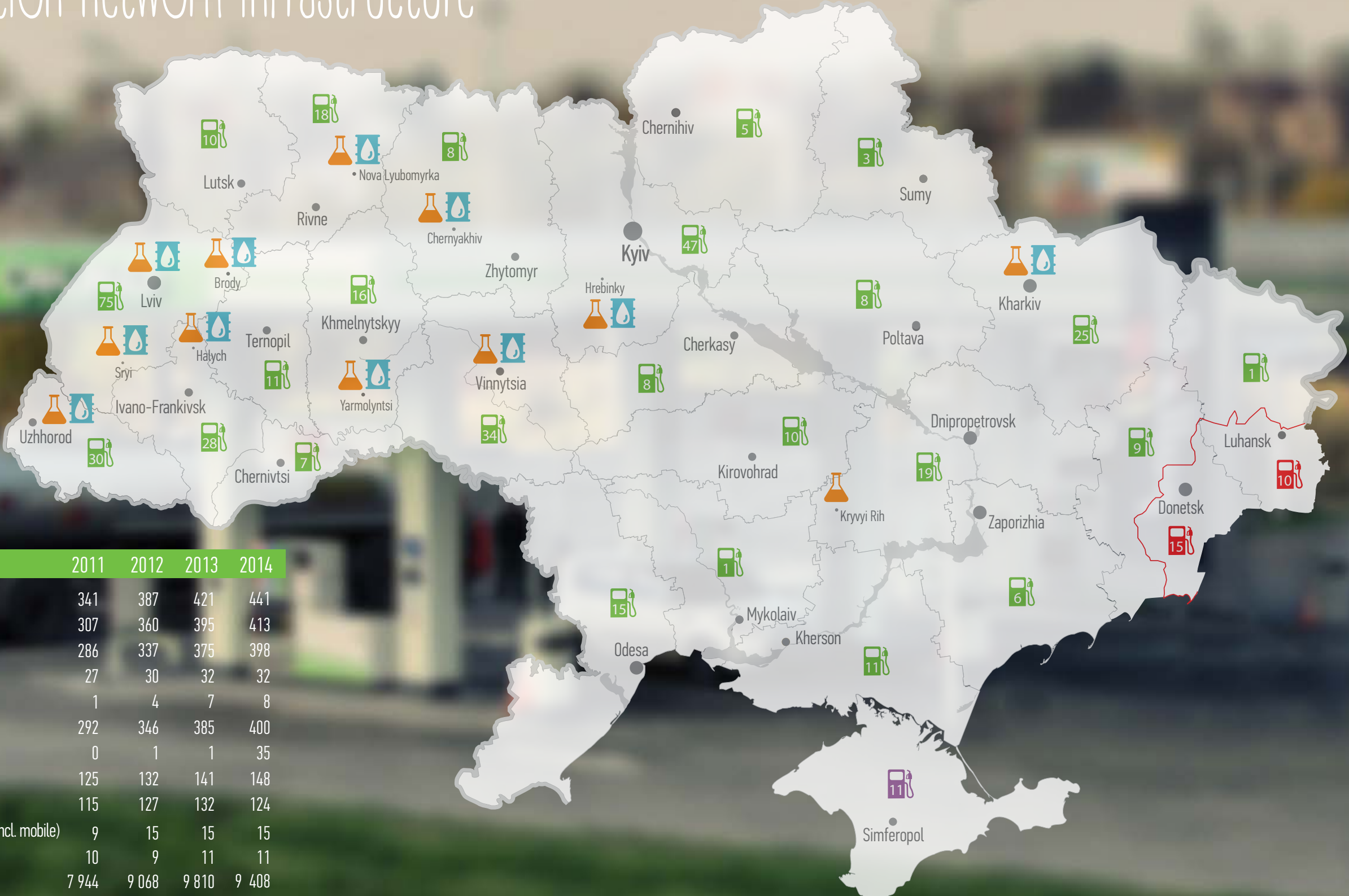
ABOUT US

PJSC Concern Galnaftogaz is an operator of OKKO network, one of the largest filling station networks in Ukraine that counts over 400 locations. The largest network of roadside restaurants in Ukraine is also a part of the company's structure, represented by A la minute, Pasta Mia, and Hot café brands. Concern Galnaftogaz business units are also involved in retail merchandise sales through the filling station shops, wholesale and retail sales of oil products, expert analysis of fuel quality, storage and transportation of oil products.

Concern Galnaftogaz is a Ukrainian company with a share of foreign capital. The European Bank for Reconstruction and Development is one of the company's shareholders. The registered capital of Concern Galnaftogaz exceeds UAH 195 million. According to the study by Deloitte, the international consulting company, Concern Galnaftogaz ranks 126th among the biggest companies of Central and Eastern Europe and 16th among Ukrainian businesses. The company is one of the biggest employers and taxpayers in Ukraine. As of the end of 2014, OKKO team counted over 9 thousand employees. In 2014, all business units of Concern Galnaftogaz have paid a total of UAH 4.396 billion in taxes, which constituted more than 1% of total budget income of Ukraine.

The OKKO network is present in all 24 oblasts of Ukraine and in Crimea. Due to the fighting in the East in 2014 and impossibility to maintain operational control over its facilities, the company was forced to suspend the operation of 25 filling stations in Luhansk and Donetsk oblasts. All OKKO filling stations in Crimea are presently leased out. In 2014, another 21 filling station were added to the network and 19 more were reconstructed. Besides, the company installed 34 chargers for electric cars at our filling stations along major highways.

OKKO filling station network infrastructure



Operational indices	2011	2012	2013	2014
Total number of filling stations in operation	341	387	421	441
Number of OKKO filling stations	307	360	395	413
Number of shops at OKKO filling stations	286	337	375	398
Number of 'A la minute' restaurants	27	30	32	32
Number of 'Pasta mia' restaurants	1	4	7	8
Number of 'Hot cafes"	292	346	385	400
Number of electric car chargers	0	1	1	35
Number of LPG modules	125	132	141	148
Total number of tank trucks in operation	115	127	132	124
Number of oil products quality testing laboratories (incl. mobile)	9	15	15	15
Number of fuel depots in operation	10	9	11	11
Total number of employees	7 944	9 068	9 810	9 408
Number of FISHKA program participants, thousands	907	1 287	1 986	2 915



Market overview

After several years of stability in Ukrainian oil products market, consumption levels have decreased significantly in 2014, and this tendency was most vividly observed at the end of the year. Over the year, the consumption of fuel in Ukraine decreased by more than 11%, and in the fourth quarter the drop was over 20%. The root cause of this drop-down was the deterioration of social and economic situation in the country, which resulted from political instability and start of military warfare in the East of Ukraine. This led to the devaluation of national currency and a decline in business activity and purchasing capacity of citizens. In these circumstances the retail market was filled with cheaper and lower-grade oil products.

The negative tendencies affected all operators of fuel market in Ukraine and thus the competition for clients became even more acute. The sales volumes of OKKO network were also decreasing this year, but slower than those of our competitors.

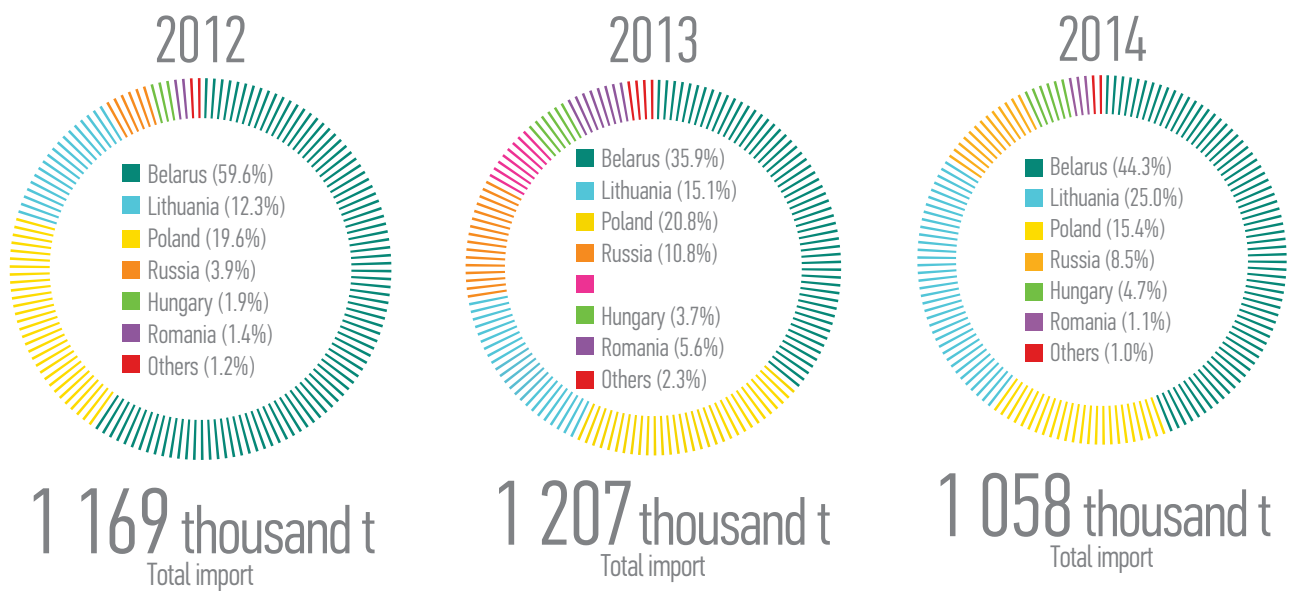
The company's market share in 2014 amounted to 16%.

Due to complications at the market the company had to adjust some of our initial plans. Nevertheless, in the past year we managed to implement many new projects in our key directions, namely in business, in service and in sustainable development. We also installed the first network of electric chargers in Ukraine (see page 65 for more details). We enrolled almost 1 million new participants to our FISHKA rewards program. We launched a unique online platform for OKKO fuel card holders that has no match to it in Ukraine by today.

USD 49 million were solicited from the syndicate of Western banks for business development, which were used in part for the refinancing of short-term loans and for the construction of new filling stations in the other part. In 2014 all our oil product quality testing laboratories were certified according to the European ISO/IEC 17025:2006 standard.

As in previous years, in 2014 OKKO network offered its clients imported Euro-5 grade petrol and diesel fuels produced according to the highest European standards of quality and environmental safety. Oil refineries of Belarus, Lithuania and Poland remained the main fuel suppliers for OKKO.

Fuel supply sources and volumes for the OKKO network

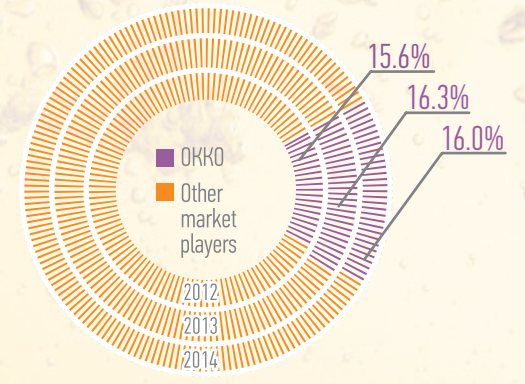


Retail sales of fuel in Ukraine, mln t



*without Crimean AR

OKKO share on fuel market



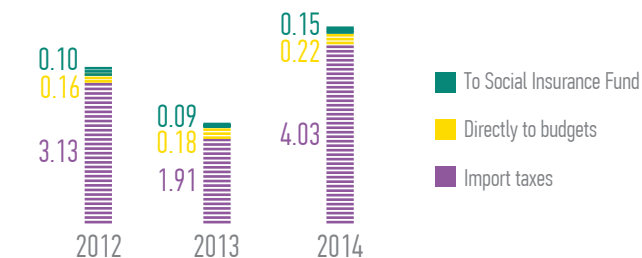


Financial results

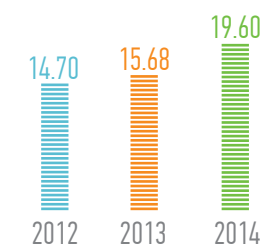
Year 2014 turned out to be extremely challenging both for the company and for our country. Although the gross revenue of the company increased, our net loss was UAH 875.7 million in 2014. At the same time Concern Galnaftogaz paid UAH 4.4 billion in taxes, having increased tax payment twofold in comparison with the previous year. Thus, we provided over 1% of total budget income of Ukraine which constituted UAH 425 billion according to the State Fiscal Service.

Taxes paid by Concern Galnaftogaz constituted over 1% of total budget income of Ukraine in 2014.

Taxes and duties paid by the company, billion UAH

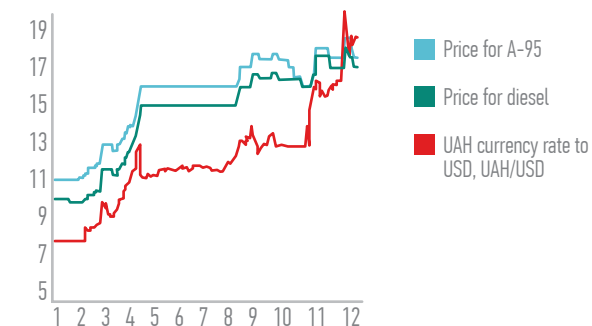


Gross income, billion UAH



In 2014 prices for oil products increased significantly, which negatively affected the company's financial results. The main reasons were devaluation of national currency, tax burden, decrease of purchasing capacity of Ukrainian citizens and forced closure of 25 filling stations in the East of Ukraine. Retail prices of oil products increased by over 60% in one year. But when prices are compared in USD equivalent, they were actually lowered.

Fuel price at OKKO filling stations in 2014, UAH/l



Fuel price at OKKO filling stations in 2014, USD/l



This disproportion was caused by the devaluation of national currency which happened in parallel to the global oil prices drop-down. Global prices for fuel became a stimulating factor, and without its influence fuel at Ukrainian filling stations would be even more expensive. But the global factor could not completely level the consequences of devaluation: hryvnia was losing value even faster than global oil prices were decreasing. These fluctuations above all affected operations of oil products importers, including the OKKO network. We pay for oil products to European refineries in foreign currency which we need to purchase at the interbank exchange, and at the same time we sell fuel for hryvnias. Besides, excise duty rates, customs fees and other charges for oil products in Ukraine are also linked to the foreign currency.



Ratings



The OKKO brand took ranked 15th among the Top 100 biggest Ukrainian companies by income level, 5 positions higher than the previous year. The President of Concern Galnaftogaz Vitaliy Antonov ranked 7th among the Top-100 best top managers of Ukraine. These two ratings are compiled annually by Ekonomika Publishing House.



In the rating of 500 biggest companies of Central and Eastern Europe which is published annually by the international consulting company Deloitte, Concern Galnaftogaz ranked 126th, having improved its position by 12 points.



According to Forbes magazine, Concern Galnaftogaz is placed 18th in the rating of Ukraine's 200 largest companies.



The Top-100 magazine (Ekonomika Publishing House) prepared the first rating of the Ukraine's largest companies by IT systems maturity, where Concern Galnaftogaz took the sixth place.



Concern Galnaftogaz was added to the list of top ten Ukrainian companies according to corporate website transparency index. The study was performed by CSR Development Center.



The Sustainable Development Report of Concern Galnaftogaz for 2013 was rated among the five best in Ukraine according to experts of CSR Marketplace.



Sustainable development strategy

In the sphere of sustainable development the company maintains the following primary directions:



Environmental Safety
The company implements project aimed at improvement of energy efficiency and reduction of contamination, and also supports the activities which cultivate a responsible attitude to the environment among all stakeholders.



Corporate volunteering
The company encourages its employees to take part in environmental and social projects, and supports them with necessary tools for volunteering.



Responsible communication
The company maintains an open communication with all stakeholders through diverse communication channels. The company provides its communication resources in order to promote important social and environmental issues in the society and involve its stakeholders in joint actions.



Safety
The company views the issue of safety in the broadest context possible. It includes health and safety of our employees at the workplace, the guaranteed quality of products and services, as well as accessibility for disabled persons. In 2014 we further expanded this activity by adding a focus on promoting road safety.

The company has set a plan to develop a Sustainable Development Strategy in 2015. The underlying process of development of social responsibility business model will be based on the analysis of significant issues involving 6 aspects of capital:

- ✓ Financial capital
- ✓ Human capital
- ✓ Industrial capital
- ✓ Environmental capital
- ✓ Intellectual capital
- ✓ Social capital

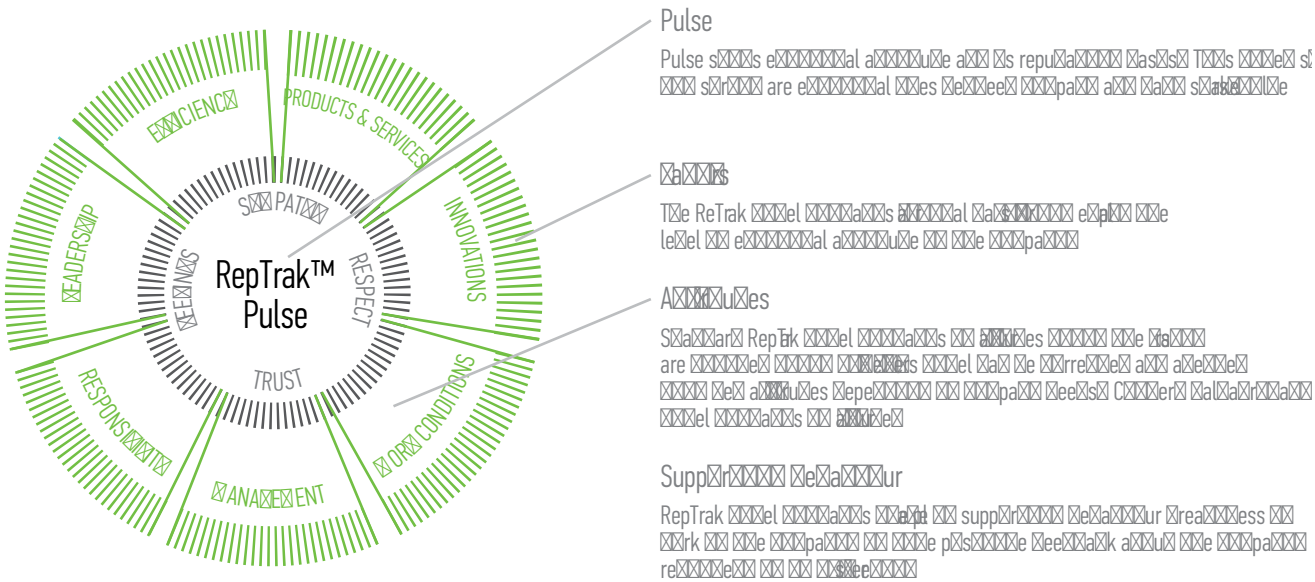
The Business Social Responsibility Committee, a newly created permanent body within the company structure, will be coordinating the development of this strategy. The Committee which will draw a roadmap for the preparation of Sustainable Development Strategy will also initiate and evaluate projects and their efficiency.



Reputation audit

In 2014, the company performed a reputation audit with the help of Reputation Institute, which assessed the company's reputation according to RepTrak™ Pulse indices. The audit was initiated in order to measure the level of trust to the company, to define the most important factors affecting company's reputation among the clients (B2C, B2B), partners, experts, employees and mass media. The audit results will form the basis for development of reputation management system and will be taken into account in drafting the Sustainable Development Strategy, as company's responsibility is one of the factors influencing our reputation.

RepTrak™ Pulse – International reputation standard used to measure company reputation



The audit revealed high reputation of the OKKO network in the society according to the RepTrak™ Pulse* indices among all stakeholders:



*Meaning of RepTrak Pulse indices

✓ excellent reputation > 80
✓ good reputation 70–79

✓ medium reputation 60–69
✓ weak reputation 40–59

✓ bad reputation < 40



Personal safety

The filling stations are highly visited locations that are open 24 hours a day. Due to this specific nature of our operations the company must consistently take necessary measures to ensure safety of our clients and employees at our filling station. That is why we invest significant costs into safety equipment and measures each year.

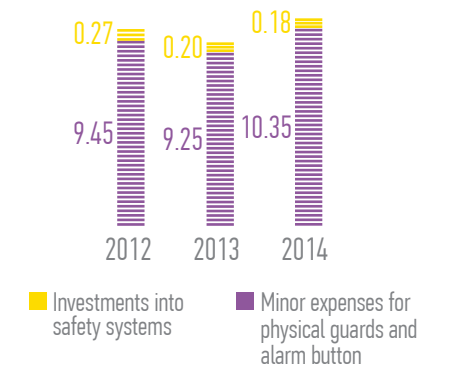
In 2014, according to statistics of the Prosecutor's General Office, the number of infringements, including crimes against property, had significantly increased. In particular, last year there were 1000 more robbery-related assaults against property objects than in 2013. Beside banks, ATMs and retail shops, the filling stations are unfortunately also included into the risk group. With this in mind, the department of economic safety has, in cooperation with operational division, taken additional measures in order to prevent any dangerous incidents at our filling stations. As a result, in 2014 none of our employees or visitors of OKKO filling stations were harmed.

As part of our efforts to protect personal safety of people at OKKO filling stations, we have installed video surveillance and emergency alarm systems and optimized cash logistics and cash storage systems. To avoid storing large amounts of money in our cash registers, the company provides options for clients to pay for products and services using electronic payment systems. The company continuously cooperates with State Security Service and other law enforcement bodies in areas of its operations in order to minimize law enforcement officers arrival time in case of an emergency signal from our filling station.

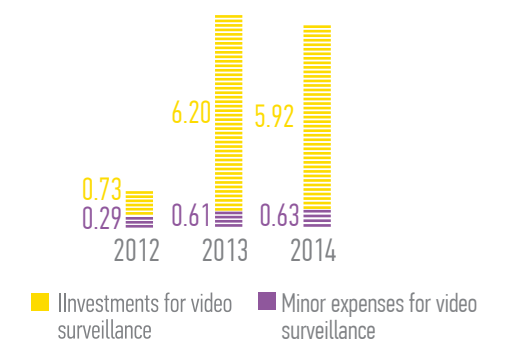
Due to the complicated situation in the country, in 2014 the company paid much more attention to preparation to new possible challenges, like threats of subversive or terrorist acts, hostage-taking, etc. We have approved an algorithm of steps that need to be taken in case of threats related to explosive devices, evacuation, etc.

A number of instructions for company employees have been developed. They provide detailed description of steps that should be taken in case of different contingencies, including attacks at filling stations or in case of threats of such attacks. All the steps employees should take in such circumstances should be directed at minimizing the threats to life and health of our filling station/restaurant employees, clients or other persons. In order to enforce the rules described in the instructions, all the OKKO network objects regularly run through safety training sessions.

Investments and minor expenses for safety system, mln UAH



Investments and minor expenses for video surveillance systems, mln UAH





Technological safety

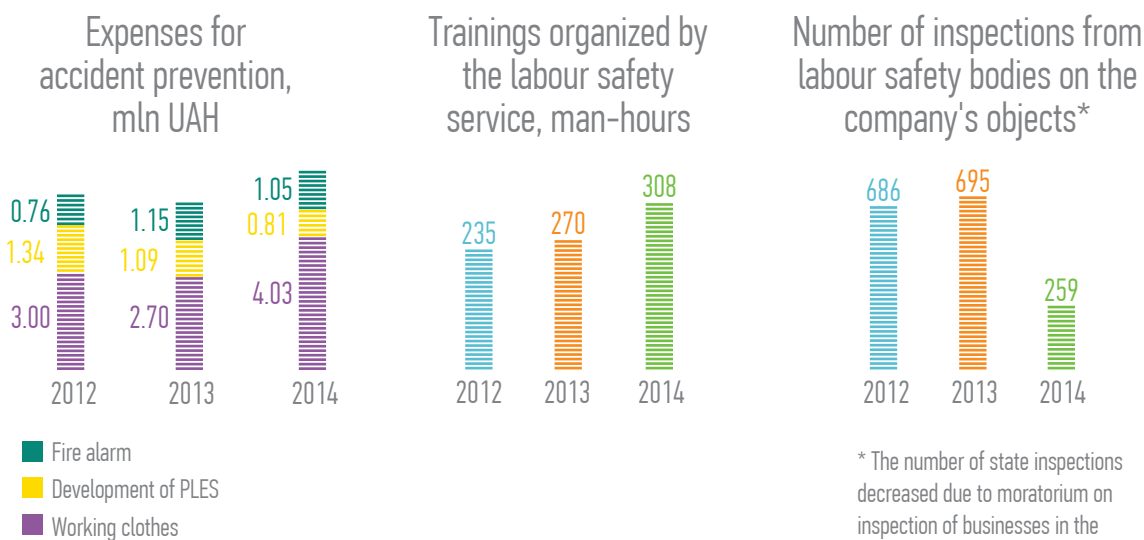
Filling stations and fuel depots are objects with higher risk of technological or fire disasters. With that in mind, OKKO network employees carefully follow all applicable rules and regulations on technological and fire safety and maintain strict control over all operations in order to prevent any emergencies. The service of labor, technological and fire safety of the company holds a level 4 audit on a monthly basis, aimed at monitoring safety and working conditions. The anti-crisis strategy and a comprehensive compilation of instructions for employees on acting in critical situations are now being developed.

An individual plan for mitigating emergency situations (PMES) and safety declarations were developed for each of the company's facilities.

According to these documents, the employees of these facilities have to be properly prepared for mitigation of a potential accident. To achieve this, OKKO filling station network regularly organizes practical exercises for the personnel. The schedule of such practical exercises and instructions is approved annually.

Corporate exercise on fire liquidation with participation of State Service of Emergencies officers and rescue teams are held each year at one of our network filling stations. In 2014 the exercise was held in Vinnytsya, in addition to Lviv, Rivne and Ivano-Frankivsk in previous years. Accident prevention exercises are held at least twice a year, where employees learn to act in different modeled emergency situations. Instructions on labor safety, fire safety and public safety are held quarterly at each of the company's facilities for employees involved in high-risk tasks. Each week company drivers are instructed and reminded about safe driving methods and measures to be taken in emergency situations. GPS navigation system installed in all corporate vehicles helps monitor the compliance with these rules.

All employees of the OKKO filling stations are trained how to act in case of car or clothes of a person catching fire, during natural disasters and in cases of significant spill of oil products so that they could avoid risks to their own lives and protect others who may be present on the premises of a filling station. As a result of these measures, no production-related accidents were reported at OKKO network facilities over the last 3 years.



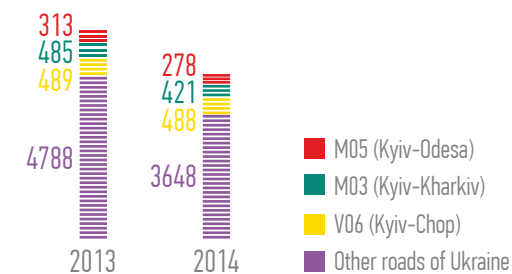


Blahunchyky are fantastic creatures pleading you to remember that your family, friends, and the loved ones love you, always care for you and wait for you to come home safe and sound! Blahunchyky remind you to be careful on the road, not to violate traffic rules and respect the others. They appeal to you: 'I plead, live!'

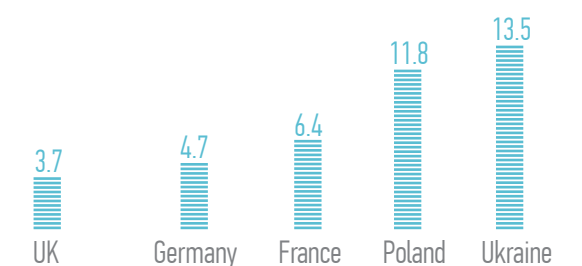
Road safety

Our clients, employees, our family members are using the roads on daily basis. Unfortunately, Ukrainian roads are among the most dangerous in Europe. According to statistics of World Health Organization, the traffic accident death rate in Ukraine is 13.5 per 100 thousand of the population, which is one of the highest figures in Europe. Over 5 thousand people die in traffic accidents in Ukraine each year. The economy loses USD 5 billion a year in road accidents and mitigation of their consequences. Highways passing through villages are especially dangerous as local citizens often get injured in accidents.

Number of car accidents with victims on Ukrainian roads



Death rate as a result of car accidents in some countries of Europe, persons per 100 thousand citizens



The main reasons of traffic accidents in Ukraine are:

- ✓ Deliberate violation of traffic rules
- ✓ Drunk driving
- ✓ Low visibility at night

The European Bank for Reconstruction and Development (EBRD) is one of the largest investors in Ukraine. Modernization of road network is among the most large-scale projects of the Bank. EBRD is also an investor and a lender of Concern Galnaftogaz. The activity of EBRD and Concern Galnaftogaz is directly linked to roads, and thus they are united by common intention to make Ukrainian roads safer. The OKKO network includes over 400 filling stations across Ukraine which serve more than 200,000 clients daily. Thus, they are the most visible place of communication with all road users. Our long-term cooperation and trustworthy relations resulted in signing of open memorandum on realization of a joint social project "I plead, live! Road safety", which promotes responsible behavior on the road. The team of Provid creative agency has promptly joined the memorandum and developed a creative platform of the project and images of the main campaign characters – Blahunchyky (pleaders).

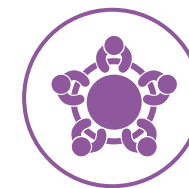
'I plead, live! Road safety' is the first social project in Ukraine implemented on the basis of public and private partnership



Road safety

The primary goal of the project is to increase the awareness of population, and especially children, living near one of the most dangerous international highways, Route M05 (Kyiv–Odesa), vehicle drivers, cyclists and other road users about road safety and possible consequences of traffic rules violation.

The main achievements of the project:



3

round tables
on the issues
of road safety



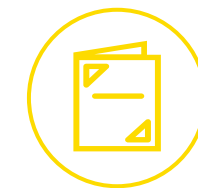
65

extracurricular events on
road safety for schoolchildren
of grades 5 and 6.



12

Training sessions on
road safety for personnel
of OKKO filling stations



10 thousand

free "Safe roads
with blahunchyky"
guidebooks



500

information posters in
villages and at OKKO
filling stations along
the Route M05

1800

kits of reflecting bracelets, jackets,
labels and pendants handed out to
schoolchildren in areas along the
Odesa-Kyiv highway

9

"Safety shelves" where clients may take
information materials and buy light-reflecting
items or other products for safe driving were
installed at OKKO filling stations

300

employees of OKKO filling
stations along Route M05
were provided with complete
sets of light-reflecting materials

355

children of our employees
received gifts with light-reflecting
items and information materials
about road safety

Blahunchyky appealed to drivers:



I plead you, do
not drive drunk!



I plead you,
fasten your belt!



I plead you,
Follow the rules!

Blahunchyky appealed to pedestrians:



I plead you,
get visible!



I plead you,
take care of yourself!

On our web-site www.okko.ua/uk/pray_live you may find leaflets for drivers, cyclists, pedestrians, horse-drawn transport drivers, and children, as well as news about the project. Project 'I plead, live! Road Safety' lasted from November 2014 till April 2015. The campaign received many positive feedbacks, and thus in 2015 the company will continue the project expanding it to the entire network.

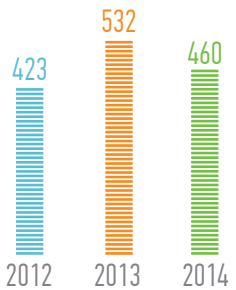


Economic safety

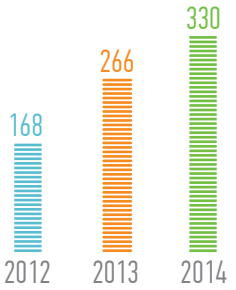
In order to ensure transparency in our relations with partners, OKKO filling station network annually extends the volumes of products and services for company's own needs which are purchased at open tender auctions. The aim of this open purchasing is to create competitive and dynamic environment for buying products, works and services for OKKO filling station network, eliminate any chance of misconduct and corruption, and ensure efficient and rational use of financial resources. All tenders announced by the company are published at <http://okko.ua/uk/purchase>.

99% of tenders are held in electronic form which guarantees transparency and efficiency of purchasing process and allows to substantially minimize circulation of paper documents.

Number of tenders



Total amount of purchased products via tenders, mln UAH



Compliance

The company is strictly observing all legal requirements, ethical standards, and its financial and investment obligations in all operations. In order to avoid and minimize the risks of fines, financial or other sanctions for violation of effective laws, to strengthen the status of reliable partner in the eyes of international investors and lenders, and to establish the reputation of the company which operates in strict accordance to all laws and regulations, we implemented a range of internal corporate compliance procedures. These procedures include constant monitoring of changes in current legislation, analysis of business processes and projects on their conformity to norms and moral requirements, continuous dialog and cooperation with state regulatory bodies enabling the company to follow relevant regulatory requirements, continuous monitoring of fulfillment of our obligations and financial covenants for loans and investment contracts, counteractions against corruption and prevention of financial misconduct. In the area of corporate management the company strictly complies with all requirements of applicable laws, charter, by-laws and the Corporate Management Code while following the world's best practices and standards and thus securing the rights and interests of our shareholders and investors to the maximum extent.

Personal data handling

The safety of our clients' personal data is among the key principles of our interaction with outside stakeholders. The company takes very serious measures to protect personal data: we store all data at secure data centers that conform to European security standards; we minimize the number of vendor companies that handle the data; we provide access to the data solely via secure channels; we set up authorized access for designated employees both in the company that is running the program and in coalition partner companies. We handle personal data in strict accordance with applicable legislation of Ukraine, drawing upon the best international practice.



Accessibility

Starting from 2008, the OKKO network implements an accessibility standards program to provide unrestricted access for persons with limited mobility, namely people in wheelchairs and parents with children, to all services of our filling stations.

Today over 30% of OKKO filling stations are equipped in accordance with accessibility requirements

All the new stations are built in accordance with these requirements.

150 filling stations with ramps, wide entry doors and appropriate space for wheelchair movement between the shelves in sales hall or tables in restaurants or cafés.



71

dedicated parking space for the disabled at OKKO filling stations



60

specially equipped sanitary units at OKKO filling stations

For the smallest visitors and their parents we have:



24

filling stations equipped with swaddling tables



40

highchairs for baby feeding



40

restaurants offering special menu for kids with a great choice of dishes



2

open-air playgrounds in the filling station area

TEAM AND COMMUNICATIONS



From the moment of its inception, the OKKO network was always eager to work in line with European values based on respect to people and society. During the past 10 years we joined the UN Global Agreement, approved the Corporate Management Code, and defined our mission and values. In 2014, the implementation of Code of Corporate Ethics was an important milestone in company's development and its internal culture.

In 2014 the company paid special attention to internal communication, as the only way to organize efficient work of 10 thousand employees is by establishing reliable links between different regions and business units, ensuring equal understanding of our goals and ways to achieve them. The reputation audit held last year also helped us understand opinions and expectations of OKKO employees regarding our brand (see p. 21 for more details). The results of this study demonstrated a high level of internal loyalty to the company. At the same time the study allowed to identify new tools to unite our staff, exchange information and engage employees in society development projects supported by the OKKO network.

We continued our dialog with existing and potential clients, partners, local communities, and civil society leaders using broad range of communication tools. Top managers of our company represented not only Concern Galnaftogaz but also Ukraine at the reputable economic and sectoral forums such as Annual EBRD meeting in Warsaw, XIV International Economic Forum in Lviv, Davos Communication Forum in Kyiv, and Petroleum Ukraine 2014, HR Wisdom Summit.



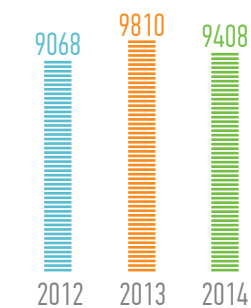
Team

The OKKO network is one of the biggest employers in Ukraine. Our employees form our main intellectual capital. That is why our relations are guided by the principles of partnership and social responsibility of the company. We strictly follow the requirements of Ukrainian legislation and international human rights standards, we pay competitive wages in a timely and transparent manner, we do not allow any type of discrimination and provide equal opportunities for professional development and career growth to all employees.

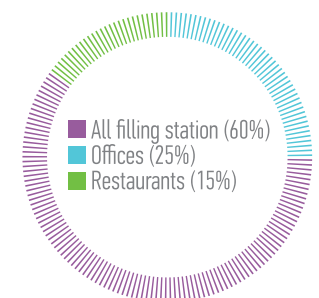
9,408 people were working in the company at the end of 2014

Among them, almost 8 thousand were employed at filling stations, over 1 thousand at restaurants, cafés and shops, and about 500 in the main office. The company created 449 new workplaces in 2014. At the same time the general number of employees decreased by 400 persons in comparison to 2013. This was mainly related to withdrawal of city retail shops from company's structure and events in the East. The company was forced to suspend operation of 25 filling stations in the zone of combat, affecting a total of 380 employees.

Total number of employees



449 newly created working places in 2014





Labor standards

The company aims for a long-term cooperation with each OKKO team member and due to this reason we create necessary conditions for professional and personal development and encourage our employees to take part in training courses and events. In 2014, 2769 employees benefited from these training courses. 85% of training courses were held by the company's department of organizational development and training. We also adhere to the principles of gender equality. That is why today we have almost equal number of male and female employees. The percentage of the latter at managerial positions is growing each year and now reaches 35% in the main office and 43% at filling stations and restaurants. The company is open to young people without previous work experience. At the same time we highly value the people who decided to grow professionally at OKKO. Today we have about 500 people who have been working with the company for more than 10 years.

We ensure high labor standards at each workplace and in case of necessity we may offer different forms of cooperation depending on employees' convenience: flexible schedule, part-time job, and remote positions. This approach is effective when employing disabled people or women who are in the maternity leave.



177

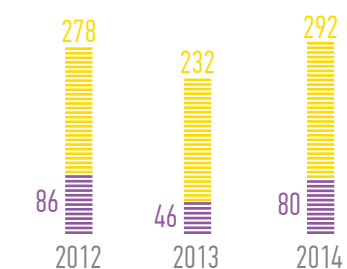
employees left
to maternity leave
in 2014



52

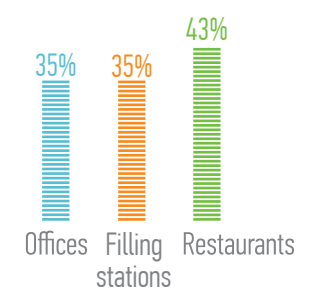
employees returned
from their maternity
leave in 2014

Employment of
disabled people



■ Total number of disabled employees
■ Employed in the current year

Women at
management positions

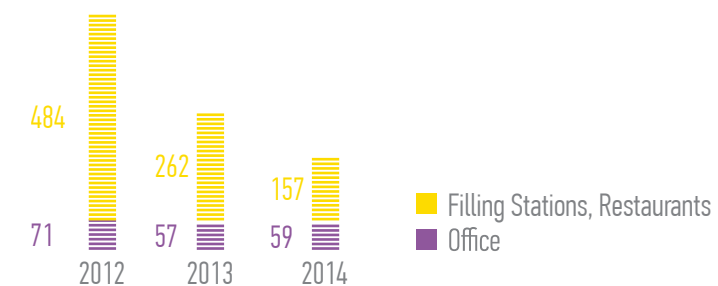




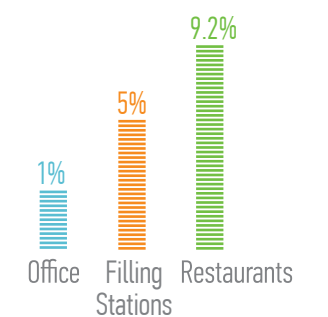
Career and rewards

Our aim is to ensure that all OKKO employees receive adequate remuneration for their work, that they enjoy safe work environment and social security. We are investing in training and professional growth of our employees. Approximately one third of the company's job openings are filled from our internal candidate pool, but for management positions this figure is over 70%. In 2014, over 200 employees were promoted to higher positions. As in previous years, the company could boast one of the lowest staff turnover rates in this industry. The only exception was in restaurant business where this rate constituted 9%.

Number of employees promoted

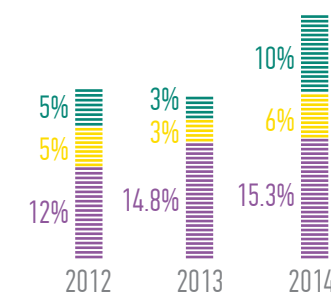


Employee turnover in 2014



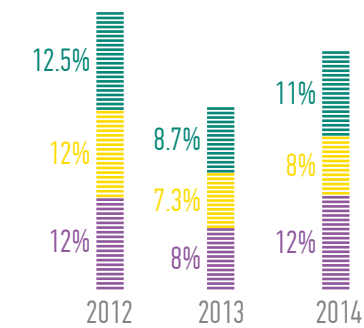
The company values all its employees to the same degree, and pays salaries based exclusively on each individual's contribution to the company's development, his or her experience, qualification and personal achievements. In spite of an economic downturn, the company managed to increase salaries for all categories of employees in 2014.

Avarage salary growth in restaurants segment



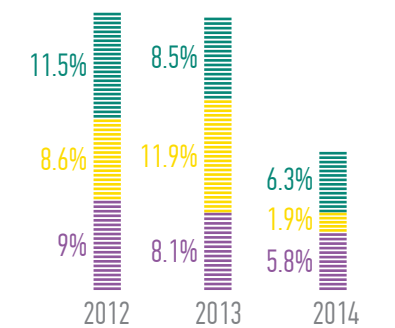
- Shopping hall personnel
- Kitchen personnel
- Office personnel

Avarage salary growth in shops segment



- Shopping hall personnel
- Supply managers
- Office personnel

Avarage salary growth in filling station segment



- Junior operators of the filling station
- Sales consultants
- Office personnel



Code of Corporate Ethics

The Code of Corporate Ethics for employees came into force at Concern Galnaftogaz on July 1st, 2014. The company President Vitaliy Antonov took an active part in its preparation as he is convinced that the effectiveness of the code directly depends on the company's culture and how well the top management follows the behavior standards established for the employees. The Code reflects the OKKO network philosophy, business behavior principles and working relations within the company which are equal for all regardless of their position, gender, age, experience, etc.

Our ethic rules are equal for all:



internal
client-oriented work



zero tolerance to corruption,
theft and other fraudulent acts



political
neutrality



alcohol and drug
abuse is a taboo



corporate
confidentiality



shared responsibility for
the company's reputation

The Code defines the principles of relations between managers and their subordinates, as well as communication rules and instruments in the company. A special communication campaign was held to promote the adopted ethic rules among OKKO employees. A printed copy of the Code of Corporate Ethics was presented to each employee. All new employees will also receive the same copy.



Internal communication

In 2014 the OKKO network extended the list of communication tools within the company while focusing on bridging the gap between the main office and regional employees and creating a single information sphere and a unified corporate culture. In order to achieve this, the company performed an audit of internal communications and developed an action plan for the nearest 3 years.

In 2014 the corporate internal portal was updated with new functionality, regular email newsletter service was set up, "OKKO Inform" electronic bulletin for filling station employees was established, and a network of regional correspondents for corporate media was organized out of company employees. Also the company started the tradition of regular meetings of employees from regional divisions with top management. In 2014 such meetings took place in Kyiv and Odesa. Company managers discussed the results of the year in Skype conferences with all 10 regional branches of the OKKO network.

The main instruments of internal communications



OKKO Drive magazine
(quarterly)



OKKO Inform newspaper
(twice a month)



corporate
portal



regular meetings and
Skype conferences of
top managers with teams

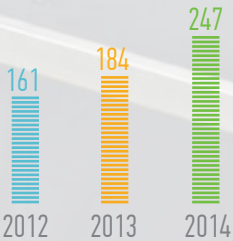


Ideas
tank

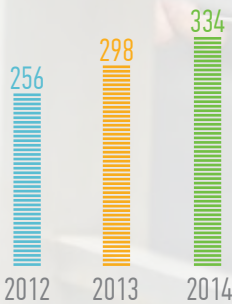


internal events
common leisure

Number of filling station that
participated in Solidarity Day



Number of employees who
participated in Solidarity Day



In 2014 the company started a program of collecting ideas from its employees called "Ideas tank". Each company employee may send his or her ideas on how to improve client service, enhance working processes, ensure reliable operation of equipment, etc. to the expert committee. Authors of ideas supported as viable and implemented will receive a reward from the company. The company held the seventh Solidarity day when office employees voluntarily worked as junior operators at a filling station or shop assistants for one working shift. 300 company employees took part in this event, working at more than 200 filling stations. After one working day spent at the filling station, employees shared their impressions and proposals for the improvement of operational processes.



External communication

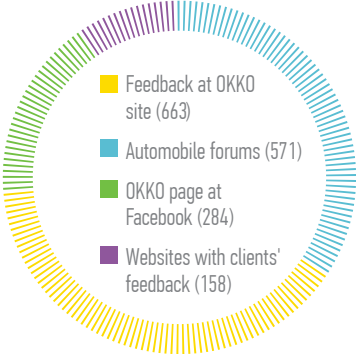
During 2014 we continued our open dialog with clients, media and social media users trying to respond to inquiries in a timely and most detailed manner and implement changes into our operational processes in case of necessity. In July we implemented another communication tool, a feedback form at OKKO website. By the year's end it became the most popular instrument for communication with the company among our clients.

- In 2014 the company worked with mass media in the following directions:
- ✓ daily open communications in order to maximize reports about company's activity;
 - ✓ establishment of close contacts with regional mass media (Donetsk, Odesa, Vinnytsya, Rivne, Dnipropetrovsk, Cherkasy oblasts);
 - ✓ explanation of pricing principles for oil products in the network;
 - ✓ active promotion of sustainable development principles and our projects in this sphere in mass media, including road safety, Go Green program, electric charger network, and sorting of waste.
- Last year the company and its business units prepared over 100 press releases for mass media, provided responses to over 500 inquiries from journalists. The company was mentioned in mass media more than 5000 times.

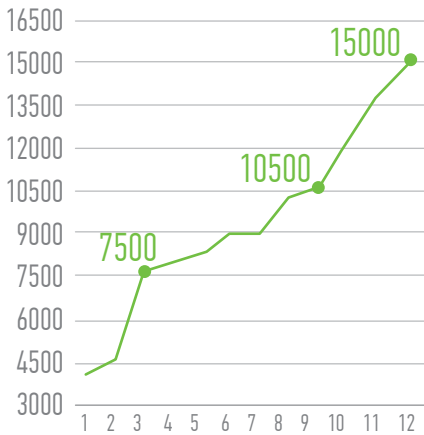
The company extended its presence in social media which are not only a platform for communication with the public, but also one of the instruments for implementation of our social projects such as 'I plead, live! Road safety', or collection of fuel for Dzhherelo rehabilitation center for children. Today OKKO brand has its own accounts in Facebook, Twitter, YouTube, Instagram and eight automobile forums where the company constantly communicates with clients of the network. The popularity of our Facebook page was growing very rapidly and the number of followers increased from 4 to 15 thousands in just one year.

The audience of OKKO Facebook page tripled in the course of one year.

Number of processed requests from clients through online channels in 2014



Number of Facebook followers





“Ukraine through the lens” photo contest

In 2014 the OKKO network in partnership with Raiffeisen Bank Aval, Concern Khlibprom and Terrin company organized a national photo contest titled “Ukraine through the lens” intended to reveal Ukraine by means of photography as an interesting, modern and diverse country undergoing the period of dramatic historical changes. Another goal was to create additional stimulus for talented photographers and support their creativity.

Professional photographers working in different genres and styles, photographers of leading Ukrainian mass media and those who published their high-quality pictures in social media were invited to participate in the contest. In total the jury reviewed 172 pictures and selected a Photo of the Year (it was a picture called Revolution by Kyiv art photographer Andriy Broide) and also 8 other winners in different nominations. Two of them were selected by polling among Facebook users at official pages of OKKO network and Raiffeisen Bank Aval.

The best photos of the contest were published in “Ukraine through the lens” photo book, printed in 2000 copies. “The works represented in this album will not only retain their meaning over time but will become even more valuable, – says the President of Concern Galnaftogaz Vitaliy Antonov. – That is because authors focused not only on certain characters or events, but on human dignity, dignity of Ukrainian people which was most vividly manifested in 2014.” The photo book was distributed among contest participants and also among investors, clients and partners of the network.



Collaboration with the trade union

The Spivdruzhnist national trade union which includes employees not only from Concern Galnaftogaz but also from other companies, has regulated a broad spectrum of relationships between the company and its employees since 2010, and it has also organized a number of labor-related, social and cultural processes over this time.

In 2014 the Spivdruzhnist trade union united 6,073 people

Owing to cooperation of the company with the trade union OKKO employees may receive social aid, financial support for health improvement, assistance in organization of cultural and leisure events and corporate holidays. Since 2014, support for employees mobilized to ATO region, their families, and internally displaced persons has become one of the top priorities for the trade union.



2987
employees attended
cultural events



1639
financial
aid allowances



1330
children attended
leisure events



53
employees used vouchers
for health improvement



21
corporate
trip (1013
participants)



404
tickets to gyms
and swimming pools
provided to employees

ENVIRONMENT PROTECTION



Sales of oil products is a kind of activity that seriously impacts the environment. That is why The company strictly follows all legal norms regulating environmental safety standards during construction and operation of our filling stations. OKKO filling stations are constructed according to legally defined sanitary protection zones (SPZ) and only sell lead-free products which conform to the highest European environmental standard Euro-5. Starting from 2006, 296 new and reconstructed filling stations have been equipped with double-wall tanks which prevent leakage of oil products into soil. 150 filling stations have tanks with automatic level-measuring systems which allow real-time monitoring if there is any leakage of oil product. The company also plans to install the same system for the whole network.

Proper equipment of fuel depots, reliability and safety of tanks for storage of fuel are also of utmost importance for us. Concern Galnaftogaz developed a seven-year program for development of storage depots and invested large amounts in order to reach the level of European standards. In the framework of this program the company equipped 10 depots with oil products vapor exhaustion systems which decreased air emissions resulting from tanks “breathing” by 50%.

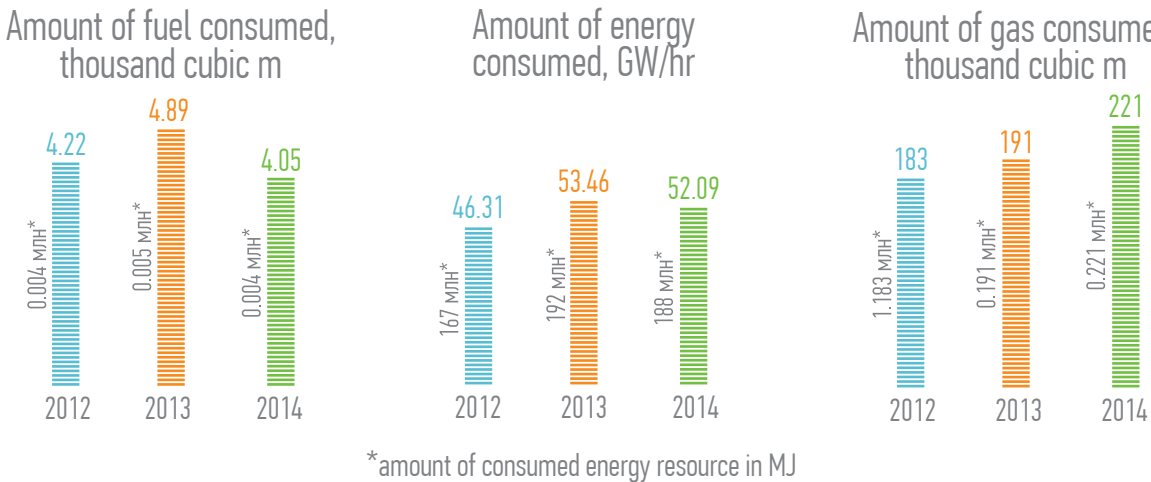
While cooperating with EBRD, IFC and BSTDB the company held an environmental audit the results of which are taken into account for annual development of business plans and environmental policy. We consistently adhere to Go green principles in our operations promoting them among our employees, clients and partners. The company continues to implement energy-efficient technologies across our filling station network and takes measures to decrease the volume of resources consumption.

In July 2014 the company organized a workshop on “Environment Management System (EMS) according to the ISO 14001:2004 standard and internal EMS audits in accordance with ISO 19001:2011 standard requirements” for environmental engineers. Having received the new knowledge and skills, company experts held an internal environmental audit at 19 filling stations and 8 depots according the the above-mentioned standards. In 2015 the same number of internal audits is to be held.



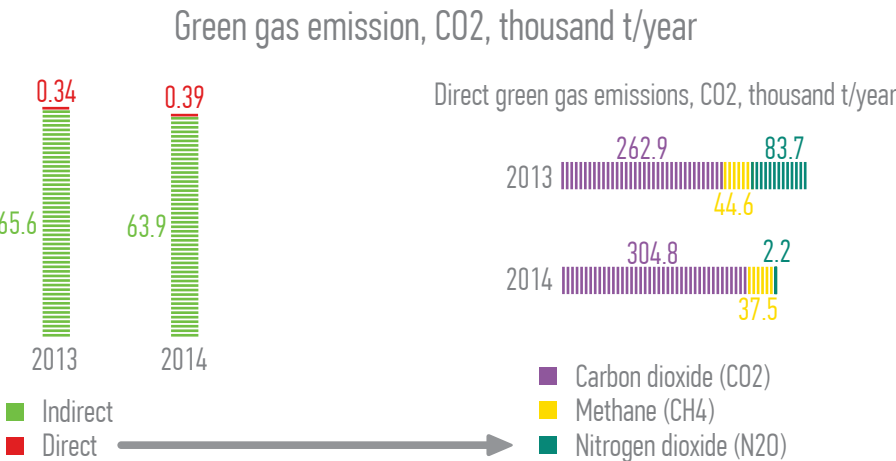
Use of resources

The OKKO network uses significant amount of recyclable as well as non-recyclable resources in its operations. Thus, we produce waste of different hazard classes. The company consistently takes measures to shorten these amounts, which were described in detail in previous reports. In 2014 we managed to decrease the volume of greenhouse gas emissions in general, and lower the consumption of fuel and electricity at OKKO filling stations. However, the consumption of natural gas and water increased, and this fact is a reason for a more detailed study of their consumption and research of new saving opportunities. Electricity is dominating the structure of energy resources consumption in the OKKO network, while other types of resources do not play an important role. Particularly in 2014 the company consumed over 187 million MJ in electricity, while other energy resources consumption was up to 1 MJ.



The company understands that with limiting energy resources consumption we may also decrease the volumes of greenhouse gas emissions. Direct emissions constitute only about 0.5% of the total volume of emissions caused by our activity; accordingly, about 99.5% are indirect ones. In the past year the volume of the former somewhat increased, but that for the latter dropped.

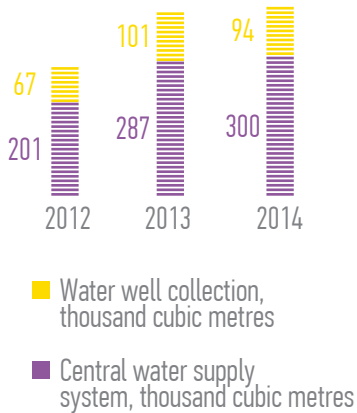
In total we managed to decrease emissions by 1,600 t or 2.5%



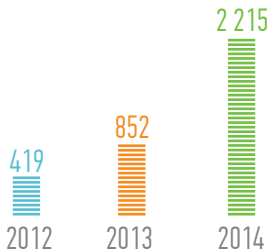


Water for operational needs of OKKO network is supplied from two sources: through central water supply system or from water wells where there is no central system. Now we are using 76 water wells. At filling stations without central water supply system biological wastewater treatment units such as Biotol or Bioprocessor were installed. Today we have 110 filling stations of that type in our network. These units produce technical water and mineral fertilizer suitable for secondary use.

Water consumption, thousand cubic metres



Liquid utility wastes, thousand cubic metres



In 2014 the company spent UAH 2,242,399 for waste treatment, which is by UAH 11 thousand more than in the previous year. The company has secured contracts for collection and disposal of all types of waste. However, company's expenses for licensing decreased almost twice: from UAH 1,974,030 to UAH 1,093,786. Due to moratorium on state inspections of economic entities introduced in the second half of 2014, the number of inspections from state authorities significantly decreased.



Go green

May 2014 was the fifth anniversary of the Go Green program started in OKKO network which aimed at developing the business in maximum harmony with the environment. During this period the program extended to all 400 filling stations and environmental care had become one of the most important values of the company.

Within the framework of the Go Green program, OKKO held a range of promotional campaigns about thoughtful attitude to our environment, arranged sorting of waste and collection of paper and plastic waste for recycling, vastly introduced energy-saving technologies, and supported a range of community environmental initiatives.

Over 2014 the company collected about 55 t of paper waste, which is 20% more than in the previous year. In order to motivate all filling stations to actively collect paper waste, in 2013 the company introduced the procedure which allows to reward the filling station teams for their participation in recyclable resources collection. As a result, over 80% of paper waste were accumulated at filling stations. Moreover, part of the collected paper waste is used for the second packaging of goods.

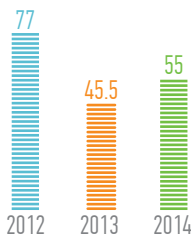
In 2014 almost 5 t of packaging paper ran through several life cycles

Apart from paper waste, OKKO filling stations are collecting used plastic packaging. The first 18 containers for PET materials were installed at filling stations of Transcarpathian oblast. In 2014 the company was actively searching for contractors able to collect and transport these materials for recycling in other regions. As a result, the company agreed to install PET-packaging containers in Ivano-Frankivsk and Zaporizhzhya oblasts in 2015. OKKO network supported the Energy Evolution UA community initiative aimed at protecting the energy independence of Ukraine and raising citizens awareness on how everyone may save energy resources. Within the campaign, 10 thousand leaflets with tips on energy saving were distributed at OKKO filling stations in Kyiv and Lviv oblasts. Traditionally we also joined the nationwide spring cleaning rally "Make Ukraine clean!" In 2014 the company provided its support in organization of this event in Lviv, Donetsk, Zaporizhzhya by supplying fuel for transportation of waste and necessary instruments and informing OKKO network clients about the rally. Hundreds of company employees took an active part in cleaning their towns and villages as volunteers.

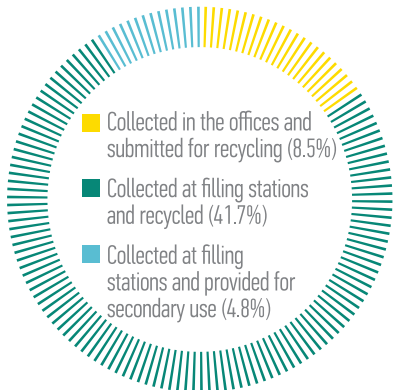
In order to make the "green" attitude popular, OKKO network continued to produce promotional souvenirs in Go green style and to sell eco-friendly packaging.

4,400 eco-bags and 16,450 paper bags were sold through OKKO filling stations in 2014

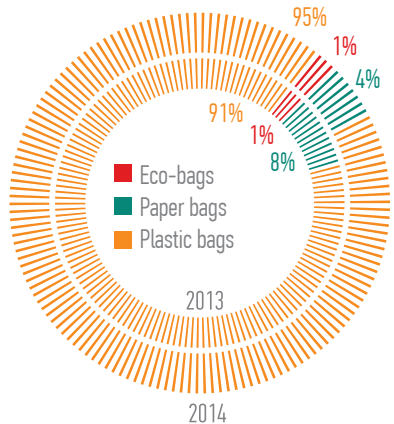
Paper wastes collected at OKKO network, t



Sources and paper wastes handling in 2014



Packaging sales at OKKO filling stations



1082
kilograms of plastic waste gathered at OKKO in 2014



18
containers for separate collection of plastic were installed in 2014



Fuel quality

Starting from 2013, the OKKO filling station network only sells imported certified fuel of the highest European environmental standard Euro-5. This means lower emissions of hazardous substances, which harm the environment and human health. The fuel is purchased from the best foreign manufacturers and corresponds to all relevant Ukrainian standards (DSTU 4839:2007 "Motor petrol of improved quality" EN 228:2008, DSTU 4840:2007 "Diesel fuel of improved quality" EN 590:2004, Technical regulations on motor petrol, diesel, ship and boiler fuels requirements). On the consumer's information board at each OKKO filling station every client may receive all necessary details about composition, origin and characteristics of our oil products.



High quality standards

- ✓ DSTU 4839:2007 "Motor petrol of improved quality" EN 228:2008
- ✓ DSTU 4839:2007 "Diesel fuel of improved quality" EN 590:2004
- ✓ Technical regulations on motor petrol, diesel, ship and boiler fuels requirements.
- ✓ EURO 5

Before delivery to the filling station, all the fuel sold at OKKO network undergoes three-level quality control. This control is performed by Fuel Testing Center TFC which has 12 testing laboratories. All of them are accredited according to the European ISO/IEC 17025:2006 standard. The TFC center is equipped with state-of-the-art equipment which has no rival at the Ukrainian market. Beside services for OKKO network, the center checks the quality of oil products for external customers, including State Standardization bodies.

Three-level quality control



Refinery



Fuel depot



Filling station

Continuous monitoring of oil products quality on the market

- We select the best suppliers of high-quality foreign fuel:
- ✓ ORLEN LIETUVA (Lithuania)
 - ✓ ORLEN (Poland)
 - ✓ MOL (Hungary)
 - ✓ NAFTAN and MOZYR OIL REFINERY (Belarus)
 - ✓ ROMPETROL (Romania)

Storage and transportation is under continuous control

- ✓ Every tank with fuel delivered to depot is controlled
- ✓ Each tank truck is sealed and tracked using GPS

At every OKKO filling station quality control system is in place

- ✓ After every discharge of fuel the tanks are sealed
- ✓ At each filling station we store samples taken from the last three tank trucks
- ✓ TFC testing center performs regular checks at each filling station



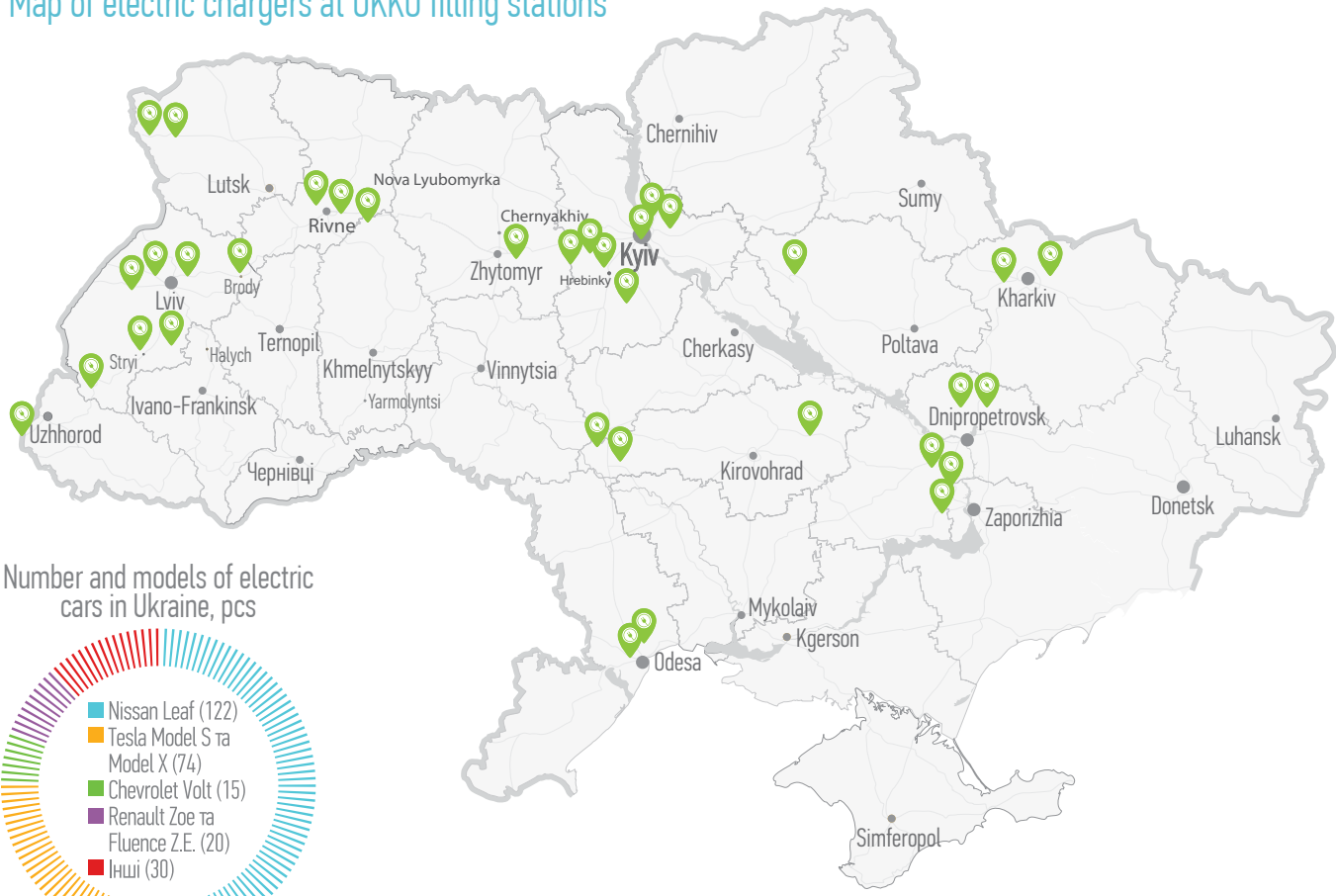
Electric charger network

OKKO network systematically supports the process of integration of the most eco-friendly vehicles of today, electric cars, into Ukrainian market. The company created infrastructure which simplifies travel across Ukraine for electric car owners. In December 2014, KEBA P20 high-speed chargers for electric cars were installed at 34 OKKO filling stations.

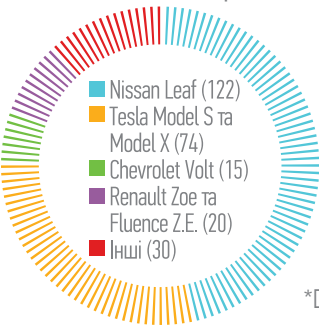
Electric chargers are now present in 11 oblasts along the main highways.

This is the first network of electric chargers in Ukraine which allows electric car owners to travel across the entire country with greater comfort. They may now have their car charged for free at OKKO. New electric chargers are positioned in such a way that the average distance between them does not exceed 200 kilometers. Electric cars of any mass produced model can drive this distance without being charged. In order to create as much comfort as possible for our clients, electric chargers are installed at filling stations that have full-scale A la minute, Pasta Mia or Hot cafe restaurants. While the car is being charged, the driver may relax having a delicious meal or a cup of coffee. KEBA P20 chargers produce a max. capacity of 22 kW/h. The duration of electric car charging depends on the car brand and model. For example, for a Tesla Model S, one hour of charging ensures additional range of 150 to 200 kilometers. Other electric cars have chargers with lower capacities, and charging will last a bit longer.

Map of electric chargers at OKKO filling stations



Number and models of electric cars in Ukraine, pcs



*Data from AutoMoto.ua as of March 2015.

APPENDICES



APPENDIX 1

In line with our policy of openness and transparency, PJSC Concern Galnaftogaz presents this 2014 Report on Sustainable Development. This is the seventh reporting period of the company. The Report includes standard elements according to GRI recommendations on reporting sustainable development issues.

Apart from standard indices the report reveals substantial issues for stakeholders in 2014, namely the issue of market conditions and approaches to fuel pricing, safety management systems and innovative projects of the company. We also recommend to compare this report with sustainable development reports for previous years, in particular 2013 Report of PJSC Concern Galnaftogaz which was published in October 2014. All reports of the company may be found

in Ukrainian and English at www.okko.ua/uk/non-financial-report and at the website of UN Global Agreement <https://www.unglobalcompact.org/what-is-gc/participants/7099#cop>

The substantial issues were defined through the dialog with stakeholders and based on feedback on the company's Report on Sustainable Development of 2013 from the expert community. The report also covers issues which were most frequently raised in requests at hotline, company website, in social media and inquiries from mass media. The report informs about company's initiatives implemented according to credit obligations of the company as to environmental safety, labor practices and social influences in general.

More detailed information about the company can be found at <http://okko.ua/uk/sustainability>, including management structure and business results, and sustainable development directions. Printed copies of the report will be delivered to stakeholders as well.

Your opinion about this report and the company's activities is important to us. We are grateful for your comments and ready to answer any questions you may have.

Please contact us at the following addresses:

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IMyronova@gng.com.ua

APPENDIX 2

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Vinnytsya, 21001
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APPENDIX 3

GRI content indicator

General standard reporting elements		
General standard reporting elements	Page	External certification
Strategy and analysis		
G4-1	6	Was not held
Organization profile		
G4-3	8	Was not held
G4-4	9, 70	Was not held
G4-5	72	Was not held
G4-6	10-11	Was not held
G4-7	9, 70	Was not held
G4-8	10-11, 21	Was not held
G4-9	9-15	Was not held
G4-10	40-43	Was not held
G4-12	13	Was not held
G4-13	10	Was not held
Obligations on external initiatives participation		
G4-15	68	Was not held
Substantial aspects found		
G4-17	68, 70	Was not held
G4-18	19-21	Was not held
Stakeholder engagement		
G4-24	19-21	Was not held
G4-26	19-21	Was not held
General report information		
G4-28	68	Was not held

G4-29	68	Was not held
G4-30	68	Was not held
G4-31	68	Was not held
G4-32	68	Was not held
G4-33	68	Was not held
Corporate management		
G4-34	71	Was not held
Ethics and fair practice		
G4-56	45	Was not held
G4-57	47	Was not held
Specific standard reporting elements		
G4-EC1	13-15	Was not held
G4-EN3	57	Was not held
G4-EN6	55-57	Was not held
G4-EN8	59	Was not held
G4-EN15	57	Was not held
G4-EN16	57	Was not held
G4-EN22	59	Was not held
G4-EN23	69	Was not held
G4-EN28	61	Was not held
G4-EN29	54	Was not held
G4-EN31	54	Was not held
G4-LA1	43	Was not held
G4-LA3	41	Was not held
G4-LA9	41	Was not held
G4-LA12	43	Was not held
G4-LA13	45	Was not held
G4-PR5	49	Was not held

APPENDIX 4

Detailed information on waste and emissions produced as a result of company’s activity.
Read more about the policy on resources use and waste handling on pages 57-59.

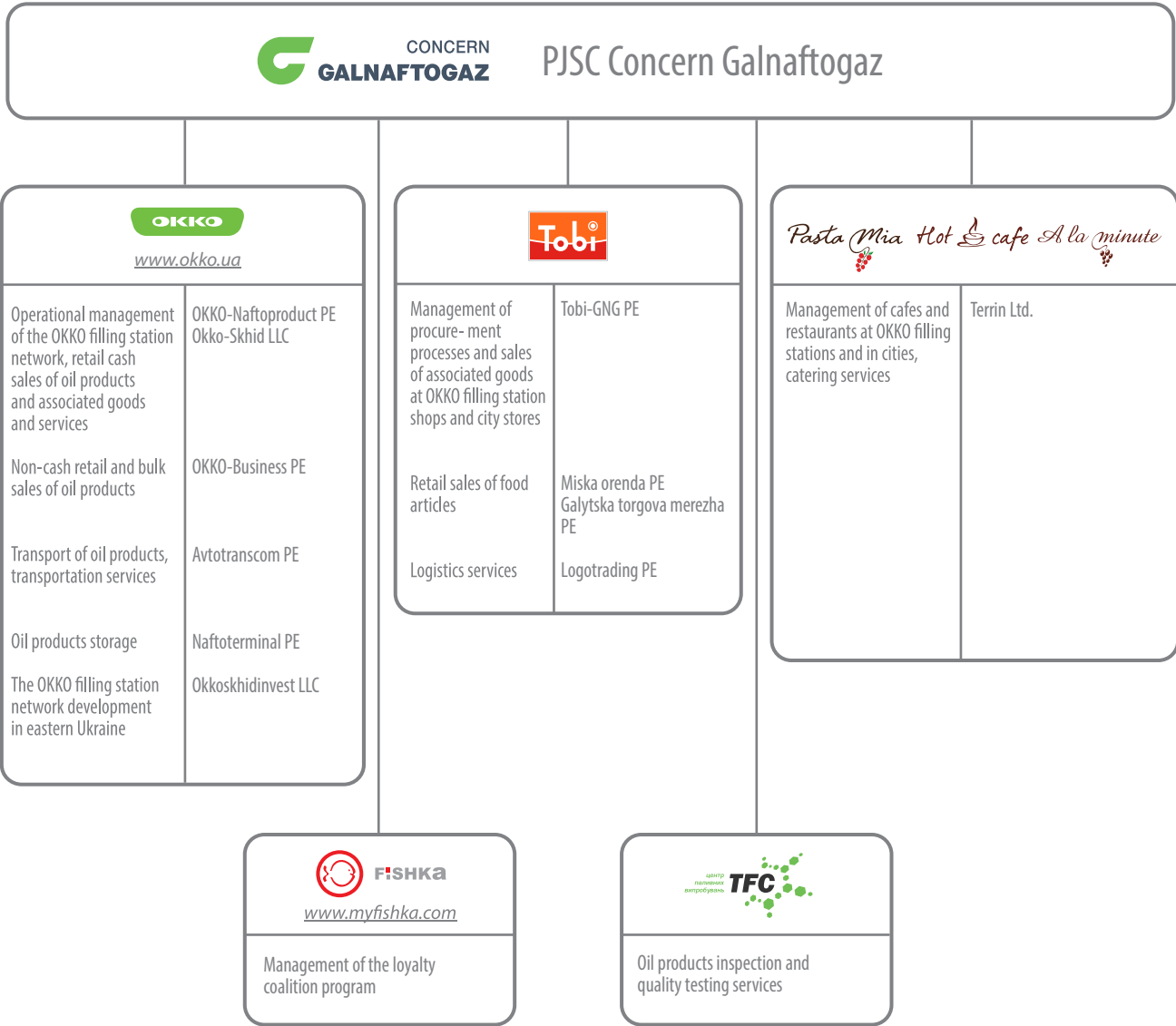
Amount of waste according to class of hazard, t					
No.		2012	2013	2014	Class
Hazard	Luminescent lamps and waste containing mercury, and other damaged or used, pcs.	4777	3302	5216	I
2	Storage tank cleaning waste, containing oil products (oil sludge)	29.24	33.26	11.74	III
3	Absorbers: damaged, waste or soiled (used sand)	-	15.61	3.02	III
5	Grease and water separator sludge (car washing silt)	3.01	3.91	1.82	III
6	Non-specific industrial wastewater purification sludge (sediment from settling tank of cleaning system)	0.67	4.94	2.58	III
7	Wiping materials: damaged, waste or soiled (oiled cloths)	1.79	4.59	2.39	III
8	Disposable and rechargeable batteries: damaged or used (used batteries)	-	-	0.8	III
9	Filtering materials: damaged, waste or soiled (used oil filters)	-	-	2	III
10	Mixture of lubricants and oil greases, received from wastewater oil removal process (sludge of petrol and oil absorbers)	-	-	4.27	III
11	Mixed municipal waste, incl. litter bin contents (solid waste)	3694	8070	11912.73	IV
12	Plastic packaging materials: damaged, waste and soiled (used tyres)	-	15.39	1.37	IV
13	Tyres damaged before use, waste, damaged or soiled during use (waste tyres)	-	-	2.8	IV

Other air emissions, t		
	2013	2014
NOx	0.551	4.446
SOx	0.0592	2.248
Solid particles (SP)	0.003	0.663
Non-methane volatile organic compounds (NVOC)	801.39	743.783

* Increase of the emissions volume containing contaminants is related to the increase of diesel motor use.

APPENDIX 5

PJSC Concern Galnaftogaz Functional Structure



APPENDIX 6

PJSC Concern Galnaftogaz Management Structure



[illegible]

