

PREAMBLE

The Corporate Governance Professional Association (CGPA), founded in 2009, is a community of expert professionals and is at the center of reforms in the sphere of corporate governance in Ukraine.

CGPA helps Ukrainian business become more profitable, sustainable and stable through the development of their corporate governance.

The process of forming a community of qualified professional non-executive directors (members of Supervisory Boards) in Ukraine is just beginning. CGPA considers it necessary to take an active part in this process, understanding the direct relationship between professional company management and a successful Ukrainian economy as a whole.

The Code of Professional Conduct of Directors (hereinafter – the Code) specifies the principles to be followed by the members of Supervisory Boards (non-Executive Directors)¹ in the performance of their duties and provides clarification of these principles.

This Code has been developed, approved and published by CGPA in order to help Directors in the performance of their duties. Using the Code, all stakeholders can better understand the requirements for Directors, the principles of their appointments and evaluating their performance.

No Code or policy can foresee all possible situations that arise in the process of activity. Therefore, the Code includes such core values as honesty, integrity, self-improvement and responsibility, which should be fundamental elements of the conduct of each Director and create added value for the company. Specific requirements for the work of Directors may be set forth in the listing regulations of stock exchanges, by investors, or by private companies.

The norms of the Code are recommended for the entire professional community. CGPA considers compliance with all norms of this Code a mandatory condition for an individual's inclusion in the Registry.

CGPA will regularly review and improve the Code as changes occur in the economy and, accordingly, in the best practices of corporate governance in Ukraine, as part of the greater European and world market.

¹ Hereinafter – Director, meaning an Independent Director

PROFESSIONALISM

THE PRINCIPLE

It shall be the responsibility of the Director to fully understand the undertakings of the Company he serves. The Director must be fully apprised of the affairs, business and operations of the Company, and should take such steps as are required or necessary to this end.

THE PRINCIPLE

The Director shall act with due diligence in the discharge of his office of Director.

Recommendations

1. *The Director should seek to assist the Board in constantly improving the management of the Company to protect and enhance the interests of shareholders.*

2. *The Director should endeavor to attend all Board meetings of the Company and participate fully in its deliberations, and to take an active part in the discussions of all questions at Board or committee meetings. If participation in a meeting is not possible, a Director needs to inform the Board beforehand and, if possible, inform the Head of the Board of his own point of view on matters scheduled to be considered.*

3. *The Director shall ensure that he does not overextend himself by accepting too many directorships that prevent him from properly discharging his duties to any Company.*

4. *The Director should take reasonable steps to be satisfied as to the soundness of all decisions taken by the Board (in particular, to examine in detail submitted materials, to take part in the discussion at the Committee, to consult with experts, etc.).*

THE PRINCIPLE

It shall be the responsibility of the Director to ensure that he has the relevant knowledge to carry out and discharge responsibly his duties as a Director. He shall keep abreast of developments through continuing education. He must strive to improve and maintain his competence as a Director.

Recommendations

1. *The Director shall not accept the nomination to the Board if his professional or personal business qualities clearly do not allow him to work effectively on this Board.*

2. *When considering the proposal to be nominated for the Board, the Director shall ensure that he has sufficient time for effective execution of commitment, also taking into account the remoteness of the Company from his place of residence.*

3. *The Director shall facilitate an exchange of experiences with other Directors and members of the professional community, in particular through participation in activities of professional organizations that operate actively in the field of corporate governance.*

THE PRINCIPLE

The Director shall endeavor to ensure compliance by the Company with the Code (Provisions) of Corporate Governance approved and applied in the country where the company operates.

Recommendations

1. *The Director shall adhere to the position that no circumstances may excuse a violation of company rules of the Code (Provisions) of corporate governance.*

2. *In the case that the company in which the Director serves is large and plays a leading role in the economy, the Director must approve the Company's Code (principles) of corporate governance and contribute to its development.*

LOYALTY

THE PRINCIPLE

The Director shall at all times act honestly, in good faith and in the best interest of the Company.

Recommendations

1. *The honesty of the Director means full disclosure of information regarding his person, his experience, and other circumstances that may concern the Company and its activities (in particular, conflicts of interest, a list of related parties, related party transactions, etc.).*

2. *The Director shall maintain and exercise independence in his judgment at all times; he shall have the appropriate authority, experience and qualifications.*

3. *Directors with the status of an independent director must always avoid situations that may compromise their independence.*

4. *The Director must always act in the best interests of the Company and not in his own interests or in the interests of certain stakeholders.*

5. *The Director appointed to a Board by the nomination of a major shareholder or a creditor should recognize the particular sensitivity of the position. Fiduciary duty requires the Director to represent the interests of the Company and the shareholders as a whole, not only in the interest of the nominator. Where obligations to other people or bodies preclude an independent position on an issue, the Director should disclose the position and seriously consider abstention or refraining from participating in the Board's consideration of the issue. The matter should be disclosed to and resolved by the rest of the Board.*

CONFLICT OF INTEREST

THE PRINCIPLE

The Director shall maintain transparency at all times and avoid placing himself in a position of conflict that may arise in any respect. He shall disclose immediately all contractual interests, whether direct or indirect, to the Company.

Recommendations

- 1. The Director shall seek to avoid conflicts of interest where possible.*
- 2. The Director must inform the Board about existing and potential conflicts of interest (including any situations that are questionable, ambiguous, etc.). The Director should consider whether any benefit to be received by the Director or an Associated Person is of sufficient magnitude that the approval of the shareholders should be sought, even though not required by law.*
- 3. In considering the issues on conflicts of interests, account should be taken of the significance of the potential conflict for the Company and the possible consequences if it is not handled properly.*
- 4. Where conflict does arise, the Director must consider whether to refrain from participating in the debate and voting on the matter. Where the Director chooses to remove himself from the meeting, consideration should be given as to whether expertise that would be contributed by the Director is otherwise available.*
- 5. Directors involved with multiple organizations should avoid situations that are, or appear to be, organizational conflicts of interests. Such situations may arise, for example, when the Director simultaneously serves on the Board of Directors of a customer, supplier, or competitor.*
- 6. In the case of an ongoing material conflict of interest, the Director should give careful consideration to resigning from the Board.*

THE PRINCIPLE

The Director must not take improper advantage of his position.

Recommendations

- 1. The most common situations that the Director should avoid are:
a) Relationships with third parties. The Director may not receive personal benefit from a person or firm that is seeking to do business or to retain business with the company. The Director shall recuse him from any company Board decision involving another firm or company with which the Director is affiliated.*
- b) Compensation from non-Company sources. The Directors may not accept compensation (in any form) for services performed for the Company from any source other than the Company.*
- c) Gifts. The Director may not offer, give, or receive gifts or other items of value from persons or entities who deal or seek to deal with the Company in those cases where any such gift has the purpose or effect of influencing (or could be perceived as influencing) the directors' actions as members of the Board, or where acceptance of the gifts could create the appearance of a conflict of interest.*

2. The Director is not entitled to use, in their own interests or in the interests of their affiliated persons, information that he obtained as a Director.

3. The Director must adhere to all rules and regulations relating to the buying and selling of shares in the Company and, additionally, must comply with such guidelines as may be prescribed by the Board when trading shares. In the absence of such procedures, the Director shall offer and support a draft policy setting out the procedure in accordance with international standards of corporate governance.

COMPLIANCE

THE PRINCIPLE

The Director shall take all necessary steps to ensure that he and the Company he serves observe all laws and rules governing its operation, including the provisions of applicable laws of other countries.

Recommendations

- 1. The Director must acquire knowledge about the regulatory and legal context in which the Company operates.*
- 2. The Director should, where necessary, obtain legal, financial or other professional advice on the Company's affairs or in respect of his duties. There should be an agreed procedure for Directors in the furtherance of their duties to obtain such independent professional advice, if necessary, at the Company's expense.*

THE PRINCIPLE

The Director shall, within their competence, take all actions necessary to prevent breaches by the Company of current legislation of which he is aware.

Recommendations

- 1. The Director shall inform the Board of Directors in written form about violations of current legislation of which he is aware.*
- 2. The Director shall require a review by the Board of Directors of questions concerning the prevention of violations of current legislation by the Company.*
- 3. In the case of Board's ignoring the proposals to prevent violations of current legislation by the Company, the continuation of offenses and the like, the Director shall terminate their functions and communicate their reasons to the public.*
- 4. The Director shall notify appropriate legal authorities about violations of current legislation by the Company of which he has become aware, if these breaches are signs of criminal offenses.*

ACCESS TO INFORMATION

THE PRINCIPLE

The Director shall insist on being kept informed, on a timely basis, of all important developments in the Company he serves.

Recommendations

1. *The Director must be at the forefront of the decision-making process. He must always be apprised of the Company's progress to be an effective Director.*

2. *The Director should insist on access to complete, adequate and timely information. This information should be made available to Directors within sufficient time to allow proper consideration of all relevant issues. Where information is not provided, the Director should make an appropriate objection about the failure on the part of management to provide information and, if necessary, abstain from voting on the particular matter on the basis that there has not been adequate time to consider the matter properly. Any abstention, and the reasons for it, should be included in the meeting minutes. It may be appropriate to vote against the motion or move for deferment until proper information is available.*

THE PRINCIPLE

The Director shall keep all information acquired as a Director confidential and not make improper use of such information.

Recommendations

1. *Requirements of confidentiality are paramount for a Director, irrespective of whether the Director would gain a personal advantage or an advantage for any Associated Person or might cause detriment to the Company.*

2. *The Director should ensure that any information that is not publicly available, and which would have a material effect on the price or value of the Company's securities, is not provided to anyone who may be influenced to subscribe for, buy, or sell shares.*

3. *The Director's duties of confidentiality persist even after he stop serving on the Board.*

2. *The Director is required to act morally, with a high level of honesty and integrity. Competitive advantage and profit must not be illegal, dishonest, or obtained through unethical business practices.*

3. *The Director is required to follow the full intention of laws and regulations, to avoid interpretations that do not meet the spirit of the law, and not to use formal procedures to achieve goals incompatible with business ethics norms.*

4. *The Director is required to respect the professional status of the other Directors and should not deliberately or inadvertently operate to the detriment of their reputation.*

THE ENFORCEMENT OF THIS CODE

THE PRINCIPLES

The Director shall apply this Code in all circumstances. The Code should be a reflection of a Director's personal values.

The Director shall notify the Registry Advisory Board of the National Registry of Corporate Directors about the violations of this Code by other Directors, because such violations harm the reputation of each person included in the National Registry of Corporate Directors.

In case of violation of the provisions of this Code, the Director may be excluded from the National Registry of Corporate Directors in accordance with the procedure set forth in the Regulations of the National Registry of Corporate Directors.

STANDARDS OF PERSONAL CONDUCT

PRINCIPLES

The Director shall set and maintain high personal standards by honoring and promoting the Code and encouraging other Directors to observe it.

Recommendations

1. *The Director should act in such a way as to not damage the reputation, assets and resources of the Company, which are to be used responsibly and effectively.*

