



UN Global Compact

Concern Galnaftogaz: Report on achieved results and overall advancement

August 2009

WE SUPPORT

Declaration of Support for the UN Global Compact Principles

In May 2007, Concern Galnaftogaz joined The UN Global Compact and officially declared its support for the ten principles of human rights, labour, the environment and anti-corruption. The principles stated in the Global Compact are in line with the philosophy of our business. Our Company as a rightful representative of the national business is fully responsible to the society for its activities and adheres to the highest ethical standards. A signature under the Global Compact is an opportunity to join the best world business practices, gain valuable experience, and make its own contribution to building the moral foundation of the Ukrainian economy.

It is my great pleasure to confirm that Concern Galnaftogaz consistently supports and develops a reputation of the company that besides its active position at the market, and its continuous efforts to embed best world practice into the Ukrainian business environment, is deeply involved into a community life, and actively supports the social sector, culture and sports of our society. Understandably, our key task in this realm is to ensure the quality of products and services we offer to the market, satisfy the needs of our customers, provide adequate working conditions for our employees, create most favourable conditions for professional development, and to eliminate the impact on the environment. However, we also are deeply aware of our role in making the environment more sustainable, as well as developing education, sciences, culture and sports. For this reason, we do our best to contribute to the development of our community.

In past years, we had a separate section in our annual reports that described and demonstrated social projects, which we initiated and/or supported. This year for the first time we prepare Report on Advancement we have achieved, and as we follow the principles of transparency and information disclosure, we plan to prepare a report on corporate social responsibility in line with Global Reporting Initiative – international standards of non-financial reporting. It is important not only to take responsibilities, but also to report on their accomplishment.

Corporate social responsibility is an integral part of the Company's global development strategy. We strive to lead our business activities in the area of corporate social responsibility on the basis of our own experience and principles, as well as world leading trends and public initiatives. We see corporate social responsibility, as a partnership of all stakeholders for the sake of the common purpose to improve the society we live and work in.

Report on Achieved Results and Overall Advancement contains information from Year 2008, though many projects are still carried out today. As the Company's obligation is to inform all stakeholders about its social activities, this report will be posted at Concern Galnaftogaz and Universal Investment Group corporate web-sites.

We will be following the principles of the UN Global Compact and the responsibilities we have taken!

Sincerely,
Vitaliy Antonov
President of Concern Galnaftogaz PJSC

A handwritten signature in black ink, appearing to read 'V. Antonov', is written over a light blue horizontal line.



About the Company

Concern Galnaftogaz Public Joint Stock Company is a leading Ukrainian company, whose key activities are fuel and consumer goods retailing through its chain of OKKO filling stations. At Ukraine's fuel retail market the Company is one of the top three for fuel sales volumes, and is one of the largest filling station owners in the country. Concern owns a network of OKKO filling stations, which includes 265 modern service complexes.*

The Company employs 5,224* people in 21 regions of Ukraine and the Crimea. The Company's share capital is 175 million UAH.*

In 2004, Concern Galnaftogaz became the first Ukrainian company who developed and adopted the Code of Corporate Governance which defined ethical principles of the company's activities.

Concern Galnaftogaz gained the first place in Ukraine's Corporate Governance 2007 rating held by Concorde Capital Investment Bank.

In 2007, as a result of an annual survey of Cbonds web-site Concern Galnaftogaz was recognized, as the most media open company among Ukraine's issuers.

In 2008, Concern Galnaftogaz joined Go Green environmental and educational initiatives and started Green Office Project.

In 2008, Concern Galnaftogaz was listed among top employers of Ukraine, as a result of a survey conducted by HR Centre in partnership with Hewitt Associates.

As a result of the second stage of Value-led Business Survey, conducted by Lviv Business School at Ukrainian Catholic University in 2009, Concern Galnaftogaz took the third place.

**as of July 1, 2009*

HUMAN RIGHTS

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2

Make sure that they are not complicit in human rights abuses

Our Policies and Commitments

1. Concern Galnaftogaz respects the rights and takes into account the lawful interests of all stakeholders, including Company's employees, creditors, consumers, local community, along with the relevant central and local government bodies.

2. In its activities, Concern Galnaftogaz does not infringe on any right of a stakeholder, as envisioned by Ukraine's current law.

3. Concern Galnaftogaz takes into account the interests of stakeholders when making decisions or performing actions that could in one way or another affect the stakeholders. Such cases include implementation by the Company of social and environmental projects; creating new jobs within the areas of the Company's operations.

(Concern Galnaftogaz Code of Corporate Governance, 2004)

Events and Activities conducted in the past year/planned for the coming year

When signing the Ten Principles of the Global Compact, Concern Galnaftogaz took an even more active position in its public activities.

In February 2008, Concern Galnaftogaz signed the Memorandum of Intentions to prevent trading in humans, which was initiated by Ukraine's office of the UN's International Organisation for Migration. The Company was adamant to contribute to the efforts that would help prevent human trading, and in January 2008, Concern launched an information campaign on billboards on twelve OKKO filling stations in Lviv, Volynska and Zakarpatska Regions (at international border crossings). The message also contained a free hotline number for enquiries on human trading; this free information service was started, as a result of long-term partnership between IOM and Ukraine's Ministry for Family, Youth and Sports. IOM and Concern Galnaftogaz put joint efforts to promote lawful and safety migration.

In 2008, the Company started a large scale project of easy access to increase accessibility of our filling stations for people with limited mobility, i.e. people in wheelchairs. Concern Galnaftogaz engineers and designers learned all of the requirements on how to make public places compliant with norms of accessibility, and made appropriate adjustment to OKKO filling station design projects. Most of OKKO stations constructed in 2008 are designed and equipped in the way, which meets Ukrainian and international requirements for improved accessibility. All OKKO station that are currently under construction or planned to be reconstructed in the future will also be modified to meet the needs for easy access.

The project still continues and we adjust OKKO filling stations and introduce reserved parking areas for people in wheelchairs. In early 2009, Committee on Accessibility at Lviv Regional Administration acknowledged OKKO filling stations located in Lviv at 12 Washington Street, as an accessible public place, and gave a permit to use an interna-

tional easy access sign at this site. Councillors emphasized that it was the first case, when a filling station was audited and acknowledged, as the one that conformed to accessibility standards. The Committee on Accessibility is currently examining the accessibility at a number of filling stations in Lviv Region.

OKKO chain plans to expand this project and introduce easy access standards at all filling complexes to ensure equal life conditions for all citizens.

Labour Standards	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	The elimination of all forms of forced and compulsory labour
Principle 5	The effective abolition of child labour
Principle 6	The elimination of discrimination in respect of employment and occupation

Our Policies and Commitments

Concern Galnaftogaz human resource policies are built on a strict adherence to the regulations of Ukraine's law and follow world practice of human resource management. We never support and strongly dispraise child, forced or compulsory labour, along with any aspect of discrimination. The Company's strategic goal is to create favourable terms and conditions for any employee to develop and advance. Concern Galnaftogaz creates plenty of opportunities for its employees to develop their professional capabilities, as well as move up their career ladders.

In late 2008, the average number of personnel totalled to 5,233. In the times of economic crisis, unlike other companies, when decreasing operating costs we managed to avoid job cuts or unpaid leave of absence.

Brief summary on our internal action plans

Concern Galnaftogaz runs a number of social projects for its employees. Due to a close cooperation with Social Progress Trade Union Organisation we find numerous opportunities to meet the needs of our employees and their children for leisure, recreation and health care.

A collective contract concluded with Concern Galnaftogaz provides guarantees that protects the rights of a collective, defines norms and regulations on efficient employments, fair labour payment, social and labour privileges, guarantees and compensations, etc.

In addition, the Company's Corporate Governance Code outlines the norms of ethical behaviour of its employees. The existing system of motivation takes into consideration both individual and the Company's achievements, along with Ukraine's labour market indices. The Company constantly monitors salary levels in Ukraine in general, and in each region in particular. In order to have up-to-date reliable information about the labour market and salaries, the Company orders market reviews and surveys. The Company works on improving its system of salaries, and for this reason, it has introduced Regulations on a Grade Structure of Work Payments in Concern Galnaftogaz OJSC.

The Company closely cooperates with leading educational and consulting institutions to develop and advance the level of expertise of its employees. Hence, Concern Galnaftogaz is an active participant of all events, which are organized by Lviv Business School at Ukrainian Catholic University.

Concern Galnaftogaz has established Office for Labour Protection, Technological and Fire Safety, which conducts regular training course for employees of all level, first of all for those who work at fuel depots and forecourts. This Office is also responsible for developing Emergency Action Plans for each filling station and fuel farm.

Events and activities conducted in the past year/planned for the coming year

1. In early 2008, proceeding from the survey conducted by Ernst & Young upon the Company's request, Concern revised the scale of basic work payments for each grade and adjusted it to Ukrainian labour market indices, as of January 2008.

2. During 2008, as a part of its partnership with Lviv Business School, the Company implemented Top Talent Project, a training programme to upgrade skills of officers and managers who can be potentially promoted to higher managerial positions. Lviv Business School is a provider of this training programme.

3. Concern Galnaftogaz participated in Ukraine's Best Employer Survey. It was organized by HR Centre, a strategic partner of Hewitt Associates in Ukraine. The key objectives of this survey were to analyse opinions of employees on their Company, its policies and procedures, management quality and to define how much they were satisfied with labour conditions, created within the Company. The Survey attracted 59 Ukrainian and international companies. As a result, our Company took the eighth place among large Ukrainian companies (22 participants) and 29th place among all companies that joined the survey (59 participants).

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges

Principle 8

Undertake initiatives to promote greater environmental responsibility

Principle 9

Encourage the development and diffusion of environmentally friendly technologies

Our policies and commitments

Our Company pays considerable attention to the issues of environmental protection in all business activities. We develop a culture of accountable conduct towards the nature both among its employees and OKKO station customers.

We implement initiatives across a number of areas. First of all, we are compliant to all legal regulations and sanitary requirements concerning nature protection during construction, as well as operation of OKKO filling stations. Our trading policy is also a vital part of nature protection activities. When retailing fuel products of euro standards via OKKO network we reduce a harmful influence of exhaust gas on the environment. All high octane fuels that we import fully meet the strictest European ecological standards of euro 4 and euro 5.

Our filling stations are designed and constructed with the view to eliminate hazardous impact upon the environment (water and rainwater treatment systems, soil protection systems). Another direction of the Company's environmental activities is its own projects focused on educating and nurturing a feeling of responsibility for the nature among its employees and customers.

Brief summary on our internal action plans

As a part of collaboration with International Finance Corporation, which is a part of the World Bank and European Bank for Reconstruction and Development, Concern Galnaftogaz underwent an environment audit, and together with these institutions it developed ecological plans which we followed in our daily activities.

Since 2008, the Company has the Office for Nature Protection, a separate unit, which is responsible for environmental programmes. Ecologists are on the staff of each branch office.

Events and activities conducted in the past year/planned for the coming year

1. Trading policy. OKKO filling stations trade only in non-leaded fuels. In 2008, the share of fuels, which were imported from Europe, exceeded 50 per cent; those were the fuels that were produced in Europe and fully met current European ecological standards. We also offer Ukrainian motorists alternative fuels. Since 2005, Concern Galnaftogaz builds LPG facilities at OKKO filling stations. Today, more than one hundred sites offer LPG across the country. This alternative fuel is widely used in European countries and is more environmentally friendly than other types of fuels. When developing a chain of LPG stations, we are aimed at encouraging motorists to install LPG equipment on their vehicles.

2. Go Green! Programme. In 2008, Concern Galnaftogaz Head Office began to implement the principles of the Green Office. Prior to this initiative, in July, Vitaliy Antonov Head of the Supervisory Board signed the UN's Go Green! Declaration, and the Company established a separate Office for Nature Protection. Nowadays, Go Green! Programme has been introduced in the Head Office and branch offices, and is currently on its way to OKKO filling stations and other companies that are part of Universal Investment Group (Universalna Insurance Company, Concern Khlibprom, U.D.C. Holding, Effort Economic Safety Agency).

As a part of the Programme, the Company:

- has organized office waste paper collection, a dispatcher system for efficient usage of company cars, recycling of fluorescent lamps, cartridges and used furniture, etc. Just for eight months since the start of the programme, the Head Office collected 2.5 tons of waste paper for its recycling.

- displayed special stickers in its office facilities (Head Office in Lviv and nine branches), which encouraged employees to use resources efficiently (switch off the light, do not leave office electrical devices, conditioners, and chargers turned on at night time, use an duplex printing option, etc.) Within just one month, electric energy consumption decreased considerably.

- Five OKKO filling stations became a venue for a pilot project of separate polyethylene collection. (For four months from February till May 2009 three hundred kilos of polyethylene and PET-bottles were collected and sent for recycling.)

- In August 2009, the Company signed a contract with Grinko-Kyiv on separate waste collection at four OKKO filling stations of Concern Galnaftogaz Kyiv Branch Office. Separate waste collection at OKKO filling stations is also being organised in other regions.

- In June 2009, on Concern Galnaftogaz initiative, Lviv became the venue for the press-club gathering on The Problems of Resource Preservation: World Practice and Prospects for their Solution for Ukraine (case studies of Ukraine's Office of the UN, the British Council, and Concern Galnaftogaz). Green Office theme was widely reported in the media.

- In July 2009, the Company signed a contract with Vtorresurs Company on separate waste collection at five OKKO filling stations in Lviv.

- On April 22, on International Day of the Earth, due the support and participation of Concern Galnaftogaz volunteers from universities and business organisations organized Day of the Earth and Myself Campaign, during which they cleaned the park at Sviatoyurska Hill (the park around St. Yuriy Church) in Lviv.

- From March through to May 2009, due to the support of Concern Galnaftogaz SIFE Students' Club at Lviv Ivan Franko National University held Save A Resource Ecological Project aimed at decreasing energy and water consumption on the premises of Lviv Ivan Franko National University.

Measurable Results and their Consequences or Evaluation Summary

As the Company started its Green Office Programme only at the end of 2008, all of its results and commenced projects were implemented in 2009. However, these were not the figures of energy and water saved, the volume of waste collected for recycling that became our greatest achievement. We believe, the outcome and consequently our greatest result was that the behaviour of our employees and clients turned into more environmentally minded. We intend to show an example of responsible attitude to the environment as of both a business entity and an individual. And we consider that the more opportunities and examples of socially responsible behaviour we create for people, the faster such behaviour will become a norm in our society.

Anti-Corruption

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery

Brief summary on our internal action plans

In 2004, Concern Galnaftogaz adopted the Code of Corporate Governance. This document defines the rules and regulates ethical behaviour of the Company's officials in order to eliminate any extortion, bribery and unscrupulous implementation of their duties.

The Company has organised a hotline, so that a client can report on any shortcoming and breach in the work of fore-court personnel.

Concern Galnaftogaz also supports a high level of incorporate communication. The Company has defined top management (particularly the President and four Vice-Presidents) call days, during which employees have an opportunity to talk directly with the top management and share their ideas or complaints.

In addition, the Company holds regular corporate meetings at which employees and the top management can discuss important events in the Company's life, define priorities, share their vision, etc.

Box of Trust has become another instrument that helps to build an internal system of cooperation. Box of Trust has been created for those special situations when it is necessary to respond to any case of malpractice, fraudulence or corruption of the Company's officials of any level, including any form of misconduct of the Company's officials in relation to employees. Box of Trust exists in a form of an e-mail and ordinary P.O. box.

Moreover, the Company's Department of Audit conducts regular systematic internal audits aimed at prevention any fraudulent behaviour and at effective implementation of cash related procedures.