

Ukraine's Cabinet of Ministers worked out a settlement with five members of the Naftogaz Supervisory Board.

- On May 19, Prime Minister Denis Shmygal personally worked out the settlement to the Supervisory Board predicament that occurred when five members of the Board signed resignation letters after the Cabinet of Ministers changed the Naftogaz CEO on April 28.
- The two-week impasse with the Supervisory Board members was unblocked through various negotiations and discussions around a common set of objectives moving forward.
- The Prime Minister agreed and publicly stated that continuing corporate governance reforms is a priority for the government and the President, as is guaranteeing the stability of one of the largest state companies Naftogaz Ukraine.
- Clare Spottiswoode, Chairwoman of the Naftogaz Supervisory Board said, "We share the joint goal of defending the interests of Naftogaz and guaranteeing its stable activities."

What was agreed?

- In his May 19, letter to the independent Supervisory Board members, Prime Minister Shmygal summarized the results of the negotiations:
 - Independent members of the Naftogaz Supervisory Board shall continue their tenure on the supervisory board under the same contract terms for a period of up to one year and until such time as an open competition to select a new Supervisory Board is held in accordance with OECD Guidelines.
 - To ensure the international authority of the Naftogaz Supervisory Board, another independent member of the Supervisory Board will be appointed in consultation with Ukraine's international partners and will continue performing functions of their position until the open competition is held.
 - The new supervisory board formed as a result of the open competition shall submit a candidacy to the Cabinet of Ministers of Ukraine for the appointment of Naftogaz CEO effective April 29, 2022, when the contract of the existing CEO expires.
 - Clare Spottiswoode, Chairwoman of the Naftogaz Supervisory Board said, "All five members of the Supervisory Board are ready to accept the offer of our reappointment for the period of up to one year with the same conditions as in our previous contracts."

The Cabinet of Minister's has high expectations for transforming Naftogaz into a modern company and having the CEO propose new members for the management team.

- The Prime Minister's May 19 letter clearly states the following expectations:
 - That Naftogaz would continue its transformation into a modern company, accelerating and deepening its transformation.
 - As to the company strategy, the Prime Minister proposes increasing the volume of natural gas extraction in the near future and expects that Naftogaz will assume a leadership role in sustaining market reforms along the entire chain from gas extraction to its supply and the supply of central heating services. The Prime Minister also suggests attracting large-scale direct foreign investment to Ukraine's oil and gas sector.
 - CEO Yuriy Vitrenko may propose new members to the management board for consideration by the supervisory board. Particular attention is given to having a professional in the field of hydrocarbon extraction that has specialized education and work experience in the field of sustainable development and counteraction to climate change.

Ukraine's Cabinet of Ministers will continue to work constructively with international partners on corporate governance issues.

- Shmygal signaled that the Cabinet of Ministers would renew the work of its Nominating Committee to fill the seats on the Supervisory Board and increased efforts to implement corporate governance reforms. The nominating committee will work jointly with representatives of international financial organizations to become a reliable partner to supervisory boards formed in accordance with international standards and in discussions of common approaches to the improvement of corporate governance practices.

What led to the impasse with the Supervisory Board?

- As the key shareholder and owner of Naftogaz Ukraine, the Cabinet of Ministers expressed its concern over the work of the Naftogaz CEO and Supervisory Board and on April 28, 2021, issued an order that:
 - accepted the annual report of the company including its financial losses for 2020 and non-payment of dividends to the state budget;
 - expressed its dissatisfaction with the work of the Executive and Supervisory Boards;

- terminated the authority of the Supervisory Board's independent members and those representing the state until a new board is chosen, but no longer than six months from date of the Cabinet Order;
- terminated the contract of CEO Andriy Kobolyev effective April 28, 2021;
- appointed Yuriy Vitrenko as CEO effective April 29, 2021 for a period of one year.