

# MANAGEMENT REPORT

OF  
JOINT STOCK COMPANY  
“UKRPOSHTA”  
FOR 2023



# Table of contents

1. Information about the Company  
(Organizational Chart and  
Description of the Company's  
Activities)
2. Business Results
3. Liquidity and Liabilities
4. Environmental Aspects
5. Social Aspects and Personnel Policy
6. Occupational Safety
7. Compliance and Anti-Corruption Activities
8. Risks
9. Internal Audit
10. Development Perspectives
11. Corporate Management

# 1. Information about the Company (Organizational Chart and Description of the Company's Activities)

Joint Stock Company “Ukrposhta” (hereinafter referred to as “Ukrposhta” or the “Company”) is an enterprise where 100% of all stock is held by the state Ukraine. The Ministry for Communities, Territories and Infrastructure Development of Ukraine shall manage the corporate rights of the state in regard to the Company. The Company is a successor of Ukrainian State Enterprise of Posts “Ukrposhta”, founded in 1993. In March 2017, Ukrposhta was registered as a Joint Stock Company under the laws of Ukraine. The Company's shares are not listed on any international or local exchange.

The mission of the Company is to provide modern financial and logistics services in Ukraine and elsewhere. The Company conducts business to obtain profit from providing postal services on a commercial basis. Also, the state imposes on the Company social obligations such as providing universal postal services, ensuring the availability of financial services, delivering pensions and social benefits and distributing subscription periodicals on the national level.

The Company's Main Activity is the provision of universal postal services and other related services to the population, state organizations and commercial enterprises, namely:

- postal services (sending letters and parcels in Ukraine and abroad);
- delivery of pensions and selected social payments to individuals;
- financial services (acceptance of payment for utilities; domestic and international money transfers);
- distribution of periodicals (managing subscription and delivery of periodicals); and
- sale of merchandise (including where the Company acts as an agent selling merchandise which belongs to other parties) and other services.

As the national postal operator, the company represents Ukraine in the Universal Postal Union and has been a permanent member of the UPU since 1947.

The organizational chart of Ukrposhta is compartmentalized into functional areas to ensure the fulfilment of the strategic goal. With a view of implementing the best corporate governance practices in the organisation and construction of the management model of JSC “Ukrposhta” and in accordance with the decision of the Supervisory Board of JSC “Ukrposhta” dated 27.06.2023, Minutes No. 8, the activities of separate subdivisions (branches/directorates) were terminated and the regional principle of determining the boundaries of administrative territories consisting of 25 regions (corresponding to the administrative territories of 24 regions of Ukraine and the Autonomous Republic of Crimea) was introduced.

### **Today Ukrposhta assets include:**

- stationary points – 4,996, serving 7,335 service points, mobile points – 1,982, serving 20,797 service points;
- the average number of full-time employees of JSC “Ukrposhta” in 2023 is 40,024 people, including postal operators – 7,406 people, postmen – 12,505 people. The average salary of a full-time employee in 2023 is UAH 11,696;
- in 2023, JSC “Ukrposhta” accepted domestic and international mail in the amount of 85.0 million pieces of written correspondence, 50.4 million parcels, paid 11.8 million transfers and 37.8 million pensions and financial aid;
- in 2023, 1.4 thousand periodicals of Ukraine were distributed by subscription and retail, totalling 94.9 million units;
- in 2023, 11 plots of artistic postage stamps and 8 postal blocks totalling 8.5 million copies were produced and put into circulation.
- total mileage of vehicles is more than 106.0 million km.

## **2. Business Results**

The full-scale military invasion of Ukraine by the Russian Federation on February 24, 2022 and the adoption of martial law by the Decree of the President of Ukraine, with the corresponding introduction of temporary restrictions, affected the economic environment and the Company’s operations, which were significantly impacted by the war.

The hostilities caused a sharp decline in the Company’s operations and consumption of basic services, which resulted in a significant decrease in revenues. Against the relatively stable labour costs at the beginning of the war, a significant increase in transport costs due to logistical delays and rising fuel prices.

As a result of the profits of previous years and measures to preserve liquidity, Ukrposhta maintained its operations without a cash deficit in 2023, met its financial obligations on time and restarted its capital investment programme.

In 2023, measures were taken to centralise the structure and optimise staff, which, in particular, are accompanied by appropriate payments in accordance with the legislation. As a result of the optimally planned timing and scheduling of these changes, we managed not to exceed the labour costs budget planned for 2023. The implementation of the 2023 budget was 99.5% (actual UAH 5,974.6 million vs. plan UAH 6,007.3 million).

In 2023, JSC “Ukrposhta” participated in government programmes, namely, in accordance with Government Resolution No. 305 of March 17, 2022 (as amended), the Company fulfilled its additional obligations to transport property of domestic enterprises, institutions and organisations free of charge as part of their evacuation from the combat zone, as well as humanitarian food delivery.

Due to military actions, the Company temporarily lost control over approximately 12% of its postal offices, mostly in the occupied areas of Luhansk, Donetsk, Kherson and Zaporizhzhia regions.

Net income from sales of products (goods, works, services) for 2023 amounted to UAH 11,581.1 million, which is UAH 1,257.6 million or 12.2% more than in 2022.

Revenue growth compared to the previous year is observed for all services, except for revenues from sending written correspondence, distribution of periodicals, payments, etc.:

**“written correspondence”** – revenues amounted to UAH 1.5 billion, which is 11.0% or UAH

189.9 million less than in 2022 due to the fact that the financial plan provided for an increase in tariffs for universal postal services, but the tariff increase took place only from January 1, 2024.

In 2023, the Company will continue to develop the sale of art stamps and related merchandise of the most relevant plots through its network and online platforms;

**“distribution of periodicals”** - the volume of periodicals decreased by 25.3% in comparison with 2022. Revenues for 2023 amounted to UAH 197.9 million, down 40.6% year-on-year, due to lower demand for this service among the population and a delayed tariff review;

**“acceptance of payments”** – the number of payments accepted decreased by about 3.6% compared to the previous year, due to both migration of the population and the destruction of utility infrastructure and, in some places, the introduction of payment holidays. Income for 2023 amounts to 1,015.0 million which is 1.4% less in comparison with 2022.

At the same time, it should be noted that a number of key services have seen a recovery in business activity and an increase in volumes, which made it possible to ensure income growth compared to the same period last year, namely:

**“domestic parcels”** – the volume of parcels increased by 34% year-on-year to 50.0 million units. Income from the parcel delivery business totalled UAH 1.7 billion. In 2023, the company worked to attract new contractors to cooperate with it and to restore the work and increase the volumes of its main customers;

**“international postal operations”** – income from international operations amounts to UAH 2.7 billion and includes:

exports in the amount of UAH 1,763.4 million (international parcels, small packages, EMS and others). International export shipments increased by 3.7% year-on-year, while income grew by 27.8% due to the growth of the exchange rate.

imports (international postal exchange) in the amount of UAH 919.6 million. In comparison with the previous year, income from import increased by 61%;

**“pensions and cash benefits”** – income amounted to UAH 2,801.1 million, which is 4.0% more than in 2022. The number of pension payments decreased by 5.5% compared to the previous year, which is significantly higher than the historical rate of outflows. At the same time, the Company was able to preserve the vast majority of its customer base during the war, as it did not stop its operations and worked in those parts of the country where banking institutions were often closed;

**“money transfers”** – the income in 2023 increased by 88.7% and amounts to UAH 317.2 million;

**“trade”** – income amounted to UAH 873.3 million and increased by UAH 23.8 million, or 2.8% compared to 2022, as the Company ensured a sufficient level of inventory at low prices, primarily of essential goods;

**“other postal services”** – at the level of the previous year and amount to UAH 475.6 million.

To improve customer service, **new services were introduced in 2023.**

In April 2023, Ukrposhta launched a new service called PRIME Small Package, which is aimed at Ukrposhta’s regular customers who export their goods by selling them online. The service was developed by the International Postal Corporation IPC specifically for the online sales format and provides for the delivery of the order to the customer’s mailbox, priority processing in the country of destination and order tracking in all countries of the PRIME network. The service is expected to be available in 67 countries, including Canada, the United Kingdom, Germany, Australia, France and other countries.

In October 2023, JSC “Ukrposhta” started delivering driver’s licences abroad. The service for the exchange or renewal of a driver’s licence outside Ukraine was launched by specialists of the state enterprise INFOTECH together with the Main Service Centre of the Ministry of Internal Affairs of Ukraine. The order for a driving licence to be delivered abroad is made through the driver’s electronic cabinet. After the application is processed by the service centre of the Ministry of Internal Affairs, the finished document is sent to the selected Ukrposhta branch for further delivery to the address in a

foreign country.

In November 2023, for the first time in Ukraine, Ukrposhta introduced an electronic stamp for registered letters delivered within the country. An electronic stamp is a postage mark that is applied to letters and postage cards in the form of a QR code, containing information about the recipient's zip code, date of creation of the mail item, weight, and item number, and confirms payment for postal services. The electronic stamp is widely used in modern post offices around the world: the UK, the USA, Germany, Ireland and others, to provide postal services to their customers. The electronic stamp service is primarily aimed at large government institutions, lawyers and notaries who send large volumes of correspondence.

The use of an electronic stamp makes it possible to track all shipping operations online, display the status and history of the shipment in the user's Personal Account, and reduce the cost of using postage stamps and preparing letters. Another advantage for corporate customers ordering stamps under contracts will be the ability to pay for postal services on a postage-paid basis rather than by subscription.

The introduction of the electronic stamp allows not only to increase control over the delivery of letters, but also to relieve the post offices from queues. The introduction of the electronic stamp was made possible by the Law of Ukraine "On Postal Services", which came into force on May 25, 2023.

The Company's infrastructure had a high level of wear and tear (old-fashioned fleet and IT infrastructure, low level of automation and computerization). Such technological backwardness has led to the fact that Ukrposhta has not developed and lost customers and market share in previous years. But during 2016-2023, Ukrposhta is constantly implementing **projects to upgrade its infrastructure and improve the operational efficiency of business processes**. In particular, projects to modernise and change the image of the Company's branches, automate the sorting infrastructure, unify and replace the outdated vehicle fleet, increase the level of computer equipment for employees while automating processes and implementing modern IT systems.

In April 2023, JSC "Ukrposhta" launched the first automated sorting line. The aim of the project is to automate sorting operations as much as possible, reduce the number of errors, optimise the number of staff and premises, and improve and speed up the quality of service. The introduction of automated sorting will increase the speed of processing small parcels to 8,000 items per hour or more than 150,000 parcels per day (on one sorting line), which is 8 times faster than manual sorting. In total, in 2023, 4 automated sorting lines were introduced – two in Kyiv and one each in Dnipro and Lviv.

In April 2023, the vehicle fleet of JSC "Ukrposhta" was replenished with 44 ISUZU NQR 90 trucks with a carrying capacity of 4.53 tonnes each. The new vehicles replaced those lost and damaged during the war. The first vehicles from the lot were sent to transport postal items in Kherson and Mykolaiv regions, which helped residents of the frontline regions and de-occupied territories to receive parcels, items and essential goods from the national postal operator. In total, 51 vehicles were delivered to the Company's vehicle fleet in 2023.

Russia's military aggression continued to have a significant impact on the development of Ukraine, the postal industry and the Company in 2023. Despite the significant negative impact on the Company's operations in 2023 as a result of military aggression, **JSC "Ukrposhta" provides assistance to government agencies and actively participates in the implementation of humanitarian programmes**.

In January 2023, JSC "Ukrposhta" joined the programme initiated by the President of Ukraine Volodymyr Zelenskyi and supported by the President of the European Commission Ursula von der Leyen to replace incandescent lamps with energy-saving LED lamps in Ukrainian homes. Starting from February 2023, Ukrainians could exchange 5 old incandescent lamps for the same number of LED lamps.

The goal of the all-Ukrainian programme was to reduce the load on Ukraine's power system by

7-10% during peak times. The programme has become one of the energy efficiency tools that helped us withstand the energy crisis and ensure a balance of energy consumption during peak hours.

Within a week of the start of the all-Ukrainian programme, from January 31 to February 3, the first million LED bulbs were distributed at the offices of JSC “Ukrposhta”. And within two weeks of the programme, by February 14, 2024, Ukrainians had exchanged 5 million LED bulbs in Ukrposhta offices.

In May 2023, based on the Export school project launched by Ukrposhta 6 years ago, the E-Export Intensive programme was launched for Ukrainian IDPs, veterans and entrepreneurs affected by the war. The programme was launched with the support of the Ministry of Economy of Ukraine, the Ministry of Digital Transformation, the Office for Entrepreneurship and Export Development, the national project Diia. Business, the USAID Competitive Economy of Ukraine Programme, Payoneer and Disqover Agency. The aim of the E-Export Intensive was to open up opportunities and prospects for internally displaced persons, war veterans, and start-up entrepreneurs who want to start their own business and open a store in the shortest possible time and make their first sales on such platforms as eBay, Etsy, Amazon, and Shopify. About 1,800 Ukrainians have joined the programme.

In March 2023, Ukrposhta joined the charity campaign “Ukrainian Children – Ukrainian Books”, which was initiated by the State Committee on Television and Radio Broadcasting in cooperation with the Office of the President of Ukraine and the Ministry of Culture and Information Policy of Ukraine. The aim of the campaign was to provide Ukrainian children who were forced to move to escape the Russian aggressor with textbooks and manuals, and adults with popular science and fiction books. With the support of the Health of the Future Charitable Foundation and JSC “Ukrposhta”, 40 thousand children’s and adult fiction books were sent to the Points of Invincibility.

In August 2023, JSC “Ukrposhta” started paying pensions to Ukrainians abroad who, as a result of Russian aggression, took refuge outside Ukraine and previously received pensions and social benefits from Ukrposhta.

In December 2023, on the birthday of the outstanding Ukrainian poet, philosopher and humanist Hryhorii Skovoroda, the Company donated UAH 1 million to restore the National Literary Memorial Museum of Hryhorii Skovoroda, which was destroyed by a Russian missile on the night of May 7, 2022. The donation was raised through the sale of the charity postage block “To the 300th anniversary of the birth of Hryhorii Skovoroda. Garden of Divine Songs”.

In December 2023, the Company donated UAH 1.5 million to help animal shelters. With the outbreak of full-scale war, assistance to stray animals and organisations that take care of them became one of the charitable areas where Ukrposhta focused its attention. The Dog Patron stamp became the first charity stamp in Ukraine. Thanks to the proceeds from the Dog Patron stamp, the national postal operator transferred UAH 1.5 million to shelters and centres for animal protection, rehabilitation and rehoming – Best Friends in Makariv, Gostomel Shelter in Gostomel, Kyiv region, and Dvorniashkam Dim in Kyiv.

In 2023, **JSC “Ukrposhta” was awarded** the honorary prize in the field of postal and express delivery “World Post & Parcel Awards 2023” in three categories: Industry Leader, Postal Operator and Philatelic Campaign of the Year. JSC “Ukrposhta” has demonstrated that it can operate in a full-scale war, fulfil state social tasks of business relocation, support Ukrainian entrepreneurs, deliver pensions, ensure uninterrupted logistics within the country and abroad, provide financial assistance from international organisations, successfully develop exports despite the closed skies, and deliver humanitarian aid from abroad.

In the Philatelic Campaign of the Year category, the Company’s example proved that this industry can be extremely popular and in demand. Ukrainian philately has become a topic of interest not only in the country but also in the world. The world media wrote about Ukrainian stamps: CNN, the Guardian, The Times, The Washington Post, Bloomberg, etc.

The professional resilience and extraordinary efforts of the Company’s staff to provide services to customers during the full-scale war were also recognised by the Smithsonian National Postal

Museum in the USA. In November 2023, the Company received a special award for the professional resilience and extraordinary efforts of Ukrposhta's staff to provide services to customers during the full-scale war. In addition, the company's positive contribution to the history of postal services and philately in the face of extraordinary challenges was highly appreciated.

In 2023, measures were taken to centralise the structure and optimise staff, which, in particular, are accompanied by appropriate payments in accordance with the legislation. As a result of the optimally planned timing and scheduling of these changes, we managed not to exceed the labour costs budget planned for 2023. The implementation of the 2023 budget was 99.5% (actual UAH 5974.6 million vs. plan UAH 6007.3 million).

All procurement procedures are carried out impartially and transparently, exclusively through the electronic bidding system, the share of tender procedures and the number of bidders has increased. The Company was one of the first state enterprises to begin renting real estate through "ProZorro. Sales". According to the results of electronic bidding, the Company was granted non-residential premises for lease use by third parties of various forms of ownership with a total area of 64,038 m<sup>2</sup> in accordance with the lease agreements concluded in the amount of 1,000. The total rent under the agreements mentioned above amounts to UAH 83,318 thousand without VAT.

Also in 2023, Ukrposhta alienated (sold) 31 real estate objects with the total area of 13,218.2 m<sup>2</sup> through "ProZorro. Sales". The amount of income from sales is UAH 44,172,627.28 without VAT.

In addition, the Company received 5,230 objects with a total area of 370,427 m<sup>2</sup> from third parties for temporary lease use of non-residential premises.

Directions for use of capital investments in 2023:

1) Activities: Replacement of obsolete IT equipment.

Effect: Minimization of downtime of IT equipment and losses, reduction of time of operations (including time for customer service), improvement of level of IT services, ensuring information security of PC, possibility of using modern software, standardization of workplaces, reinforcement of the Company's image.

Investments, UAH million: 124.0.

2) Activities: Creation of joint operations centres.

Effect: Increasing capacity, personnel optimization, improvement of working conditions and improvement of quality of the services provided.

Investments, UAH million: 121.0.

3) Activities: Purchase of vehicles.

Effect: Replacement of obsolete vehicles, creation of conditions for improving the quality and efficiency of postal transportation, increasing the volume of postal items, reducing operating costs.

Investments, UAH million: 119.0.

4) Activities: Purchase of equipment for opening offices and refreshing existing ones, additional automation.

Effect: Increase of network of postal facilities and creation of conditions for quality and performance improvement.

Investments, UAH million: 101.0.

5) Activities: Post and post-processing equipment.

Effect: Ensuring maximum reduction of time for sorting of postal items and reducing labour costs.

Investments, UAH million: 51.0.

6) Activities: Implementation of a new front office system and other IT projects.

Effect: Automation of all points of sale functions to ensure their accounting, control, quick adaptation of staff, quality of customer service; organization of a joint communication system.



Investments, UAH million: 7.0.

7) Activities: Major repairs of postal facilities.

Effect: Reducing operating costs, improving the quality and availability of postal services, increasing profits of the Company and improving working conditions.

Investments, UAH million: 4.0.

It should be noted that despite the duration and consequences of the hostilities, JSC “Ukrposhta” demonstrated an increase in operating and financial performance compared to 2022.

In 2023, the company incurred a net loss of UAH 796.4 million.

In addition, the Company’s EBITDA for 2023 was negative and amounted to UAH -22.9 million.

In 2023, JSC “Ukrposhta” participated in government programmes, and the procedure for payment for services provided by the company and expenses incurred in their implementation was carried out in accordance with Government Resolution No. 305 dated March 17, 2022, which defines the specifics of work of JSC “Ukrposhta” under martial law.

It provides for the allocation of the expenses incurred in the reporting period to the results of financial and economic activities within the amount of funds from the reduction of the dividend transfer rate to the state budget.

Such expenses are incurred until the amount of funds from the reduction of the dividend transfer rate to the state budget is exhausted.

In case of insufficient funds, such measures are financed from the reserve fund of the State Budget (at the request of the Ministry of Infrastructure of Ukraine and by a separate decision of the Cabinet of Ministers of Ukraine).

As of today, JSC “Ukrposhta” has unreimbursed expenses for the fulfilment of tasks under Resolution No. 305 amounting to UAH 7.9 million.

In addition, JSC “Ukrposhta”, in accordance with Resolution No. 25 of the Cabinet of Ministers of Ukraine dated January 10, 2023 (hereinafter referred to as Resolution No. 25), exchanges incandescent lamps for LED lamps, but no reimbursement of expenses incurred under this Resolution is provided.

The costs of fulfilling the tasks under Resolution No. 25 amounted to UAH 37.9 million in 2023.

In addition, in 2023, JSC “Ukrposhta” lost income from the late revision of regulated tariffs. The delay in the revision of the regulated tariff for sending domestic letters weighing up to 50 grams in H2 2023 alone resulted in a loss of revenue of over UAH 300 million.

JSC “Ukrposhta” has no outstanding payments to budgets and state trust funds. In 2023, the company paid a total of UAH 2,998.7 million in taxes, duties and mandatory payments, which is UAH 89.1 million or 2.9% less than the planned value. The amount of taxes, duties and mandatory payments paid increased by UAH 128.6 million compared to the actual data of the previous year.

UAH 544.5 million was paid to the state budget, which is UAH 32.6 million or 5.7% less than planned due to a decrease in the amount of value added tax paid as a result of not meeting the revenue plan. The amount of taxes paid to the state budget increased by UAH 89.8 million, or 19.7%, year-on-year.

The actual amount of capital investments used in 2023 is UAH 526.7 million. Investment activities in 2023 were carried out at the expense of own and borrowed funds.

The audit of the financial statements for 2023 with the involvement of an independent auditor was successfully completed. The financial statements are recognized as such that meets the requirements of International Financial Reporting Standards.

There is currently a considerable uncertainty about the development of the Russian Federation’s military invasion into Ukraine, its duration and, accordingly, the impact on the Company’s activities, staff, liquidity and preservation of assets.

The main specific risk factors include:

- safety of fixed assets, which depends on the developments in war events. The losses include both physical destruction, damage to property, and write-offs due to loss of access to or control of property;
- reduced volumes of operations due to reduced postal network coverage, operational failures, including due to hacker attacks, and decreased demand for certain types of services;
- possibility to raise borrowings to finance the Company's operational activities;
- other factors.

2023 will remain in the history of Ukrainian philately, as well as in the history of Ukraine, as the second year of the struggle of the Ukrainian people against a large-scale invasion of the enemy horde. Despite the difficult year of challenges and threats, Ukrposhta continued to create postal miniatures that not only recorded the most important events in modern Ukraine, but also became an influential tool for raising the spirit and uniting the nation, honouring the feat of the military and representatives of heroic professions.

To mark the anniversary of Russia's large-scale invasion of Ukraine, Ukrposhta issued a "FCK PTN!" stamp featuring graffiti by the British artist Banksy created in Ukraine in 2022.

The stamp series continued in 2023: "Glory to the Defence and Security Forces of Ukraine!", "Cities of Heroes", "Awards of Ukraine", which immediately gained popularity among philatelists.

Equally important were the issues on providing Ukraine with the necessary military assistance: "Fighters of Evil" as a reference to F-16 aircraft, "Weapons of Victory. World with Ukraine" as gratitude to the partners for the weapons already transferred, and "Gifts from St. Nicholas" as a visualisation of the one gift most desired by all Ukrainians – enough weapons for our Victory.

The military theme of the stamps is closely related to the theme of peace. Two issues were dedicated to it. In 2023, more than fifty European postal administrations issued stamps on the theme "PEACE – the highest value of humanity" in solidarity with Ukraine, which was initiated by Ukrposhta in the first days of the large-scale invasion. "Peace. Ukraine. Victory" is the title of the Ukrainian stamp of this issue, which emphasises the only way for us to achieve peace – through the Victory. The second peace-themed miniature, "Children of Victory Draw the Ukraine of the Future", was released on Children's Day and is dedicated to children who found themselves in the midst of war.

Russian aggression did not prevent Ukraine from celebrating its 32nd anniversary of Independence. To mark the occasion, Ukrposhta issued a postal miniature with a modernised image of the Mother Ukraine monument and timed it to coincide with the sculpture's decommunization, with the State Emblem of Ukraine engraved on the shield instead of the coat of arms of the former Soviet Union.

In 2023, Ukrposhta continued its practice of issuing charity stamps. Thanks to the issues of "FCK PTN!", "Children of Victory Draw the Ukraine of the Future", "The Defence Intelligence of Ukraine", "Fighters of Evil", "Eternal Memory!", "Weapons of Victory. World with Ukraine" and to the concerned supporters of postal miniatures in 2023 Ukrposhta helped the Armed Forces of Ukraine, orphanages and children of defenders, and equipped school shelters, which are essential for safe learning in war.

Ukrainian postal stamps continue to win prizes even during the war. In 2023, the first Ukrainian wartime postal stamp "Russian warship, go...!" received the highest award of the international philatelic art prize "Asiago" (Italy) – the Grand Prix, which is now on display at the Smithsonian Postal Museum in Washington. The World Post&Parcels Award (a kind of postal Oscar) presented Ukrposhta with the award for the BEST PHILATELIC PROGRAMME in 2022.

This year's issues also won awards. According to the results of the All-Ukrainian voting for the Best Postal Stamp of 2023, the miniatures "Eternal Memory!" by Honoured Artist of Ukraine Oleh Shupliak and Ukrainian Carols in the Kyiv-Pechersk Lavra by Honoured Artist of Ukraine Mykola Kochubei were named the best postal issues of 2023.

### 3. Liquidity and Liabilities

Throughout 2023, JSC “Ukrposhta” meets its financial obligations on time (including: repayment of bonds in the amount of UAH 3.9 million, leasing in the amount of UAH 221.9 million, and loans in the amount of UAH 231.9 million.

At the same time, new tranches of the EBRD in the amount of UAH 59.3 million and leasing in the amount of UAH 132.0 million were received.

As of the end of the reporting period, the debt amounted to UAH 1,732.2 million, including financial leasing of UAH 170.2 million and bank loans of UAH 1,008.0 million.

A summary of the information on the attraction and repayment of funds is shown in the table below:

UAH thousand

Liabilities		Debt at the beginning of reporting period	Borrowed funds received for the reporting period	Paid with respect to the borrowings for the reporting period	Other changes (+ “increase”; - “decrease”)	Debt at the end of reporting period
Non-current liabilities, total		1,129,327	447,820	215,036	-115,801	1,246,310
Including:	renting of immovable property	181,403	256,432	215,036	153,466	376,265
	financing purchase of vehicles	83,693	132,053		-142,083	73,662
	others	1,116			-10	1,106
	bonds	0			0	0
	bank loans	863,115	59,335		-127,174	795,276
Current liabilities, total		434,964	0	457,779	508,728	485,913
Including:	renting of immovable property	149,559			27,096	176,655
	financing purchase of vehicles	113,812		221,910	204,616	96,519
	financing for sets of computer equipment					
	bonds	3,381		3,925	545	0
	bank loans	168,211		231,944	276,471	212,739
<b>Total</b>		<b>1,564,291</b>	<b>447,820</b>	<b>672,814</b>	<b>392,927</b>	<b>1,732,223</b>

### 4. Environmental Aspects

To ensure an integrated approach to energy saving, the Company gradually implemented an analytical programme for calculating energy consumption by real estate objects based on Prengi software. In 2023, the Company switched to ERP software (IT Enterprise) to develop and implement the Energy Management module. Natural gas consumption is accounted for in the IT systems "Information Platform of JSC Ukrtransgaz and LLC Gas TSO of Ukraine on a daily basis, and electricity is accounted for on a monthly basis. In 2023, it was planned to complete the transition to LED lighting at all energy-consuming facilities of Ukrposhta, but given the complexity of the military period, a small share of fluorescent lighting remained. The Company’s facilities are heated in autumn and winter without the use of coal and wood.

When designing modern logistics centres, it is planned to use energy-saving technologies,

including energy recovery, alternative renewable energy sources and energy-efficient equipment for lighting and maintaining indoor air parameters. During the construction process and as a building material, the use of asbestos and materials containing asbestos is prohibited, and the use of wood as a building material is excluded as much as possible in accordance with European standards for saving natural resources.

## 5. Social Aspects and Personnel Policy

As of December 31, 2023, the Company's registered number of full-time employees was 38,198. The average number of full-time employees in 2023 was 40,024. In the gender structure of the Company, the share of women (80%, or 30,720 persons) prevails over the share of men (20%, or 7,478 persons), which is due to the specifics of production activities. In particular, the Company's top management consists of 20 women, which is 33%.

Among the total number of full-time employees in 2023, the share of employees of the administrative and managerial staff was 11%, the production staff - 89%. Among the total number of production personnel, the share of heads of post offices was 21.4%, postal operators of post offices - 16.6%, postmen - 26.1%.

The average age of the Company's personnel is 46.9, administrative and managerial personnel - 44.6, production personnel - 47.2. In 2023, the Company's overall staff turnover rate was 63.9%.

In 2023, "Ukrposhta" had  $\approx$  20 regulations on the motivation of various groups of personnel based on the results of work, depending on the functions performed.

At the same time, management personnel are motivated to meet key performance indicators.

At the same time, one-time incentives are provided to employees for performance of especially important tasks, which became significant in the period, when the employees have to work during the state of war. Payments in the form of material assistance related to the consequences of hostilities continue.

In 2023, 31,768 employees completed training, retraining and raised their qualification, of which:

- 8,042 employees were trained, retrained, and trained in other professions in the workplace. In particular, 2,046 novices underwent classroom training; 5,105 novices underwent workplace training. 3,576 instructors were involved in the training of new employees. 7,381 employees successfully passed the professional level assessment.

- 23,726 employees underwent advanced training due to internal and external training measures. In particular, 977 officials from the Company's regions and central management office underwent mandatory training. In particular, 223 persons underwent training on occupational safety, qualification training, re-certification, assignment of electric safety access group for the following professions: crane operator, elevator operator, forklift driver, compressor equipment operator, gas boiler operator, stoker, welder, etc. Other fields of mandatory training include handling firearms, aviation safety, rules for transportation of hazardous goods by air, fire safety and civil protection.

External training and development events, attended by 146 employees of the Company, covered such topics as corporate governance, the role and functions of the head, the basics of regular management, organisation of cash collection and transportation of currency valuables of banks in Ukraine, internal audit, public procurement of works and services under martial law, etc.

Internal trainings and master classes were held for 20,090 employees on service standards, conflict management, product, service sales, management skills, mentoring, employee emergency response during martial law, self-help and first aid in crisis situations.

More than 26,000 employees were involved in distance training, the main target audience of which includes the personnel of automated postal offices and PC users in the regions and central offices, as

well as new employees. They studied the products and services of “Ukrposhta” remotely, took online courses in financial monitoring, Ukrainian language, anti-corruption program, protection of commercial secrets and confidential information of JSC “Ukrposhta”, safety measures in case of air attacks or artillery shelling, etc.

33,388 human events were held as part of the implementation of 8 Ukrposhta projects, including “Rural Branch”, “Rural Post Office Automation”, “E-market Ukraine (OLX)”, “Mystery Shopper”, “Modular Programme for Territorial Managers: (management skills, team management, customer service)”, “Digital literacy”, “Procedure for working on a 3-in-1 device in the SPTR mode”. In particular, during the implementation of the project “Rural branch”, 2,830 mobile postal office managers, 195 drivers and 3,338 postmen were trained.

## 6. Occupational Safety

Creating safe working conditions is one of the main priorities of Ukrposhta. Occupational safety includes a number of laws, regulations, European standards and best international practices to implement a system of measures aimed at:

- identifying hazards and assessing risks at employees’ workplaces;
- preventing incidents of various kinds;
- reducing the impact of harmful and hazardous production factors on the health of employees;
- safe operation of machinery, equipment and facilities;
- ensuring that the Company’s employees undergo the necessary training;
- raising the level of competence of managers in terms of organising safe work performance by employees and technological processes;
- controlling the availability and organisation of obtaining permits.

All this helps to create a proper occupational safety management system at JSC “Ukrposhta”, which includes:

- a unified framework of regulations,
- a unified approach to planning strategic goals and objectives, as well as organising and coordinating work on occupational safety;
- development of annual comprehensive measures and their implementation, fulfilment of the terms and conditions of the collective agreement;
- a system for registering audits and inspections;
- a system for recording hazards and risk assessment;
- a system of recording and accounting of incidents;
- development of preventive and corrective actions based on the results of audits and inspections, risk assessment and incident investigation;
- emergency preparedness and response;
- a system for organising training for the Company’s employees;
- development of measures for continuous improvement of the occupational safety management system.

In order to engage the Company’s employees in safety issues and raise awareness of these issues, the official corporate portal has a section “Occupational Safety”, which contains the necessary regulatory documents, training materials, manuals, safety guides, etc. Distance learning courses on certain priority topics are also developed from time to time. In particular, in 2023, courses were developed on the following topics: “Employee safety in the absence of electricity supply”, “Rules of behaviour for employees in civil protection facilities”, “Safety measures during work in the autumn and

winter”.

A risk management and assessment system has been introduced to help identify all possible risks at employees' workplaces in a timely manner, classify and assess them by level and consequences. A register is used to record them, as well as to monitor the implementation of measures developed based on the results of risk assessments, indicating the terms for their elimination.

Comprehensive measures are developed annually to achieve the established standards of safety, occupational health and the working environment, improve the existing level of occupational safety, prevent occupational injuries, occupational diseases and accidents, which in 2023 made it possible to provide preventive measures for employees by:

reconstruction of: heating system, supply and exhaust ventilation, lighting, amenity rooms – in the amount of UAH 16,907.54 thousand;

provision of first aid kits, tactical medical kits for departments and structural units, provision of car kits, provision of regulatory and technical literature. The total amount provided was UAH 1,174.18 thousand;

conducting medical examinations of employees, certification of workplaces in terms of working conditions. The total amount provided was UAH 2,960.94 thousand;

training on labour protection in external training centres for 360 employees of the Company and responsible persons. The total expenses amounted to UAH 258.50 thousand;

provision of special clothing, footwear and other personal protective equipment to the Company's employees in the amount of UAH 942 thousand.

The Company also supports the functioning of the system for counteracting the spread of COVID-19 infection through organisational measures, control and response system:

- provision of structural units with personal protective equipment and disinfectants for the prevention of COVID-19, as required;

- taking response measures when the source of COVID-19 is identified.

In order to ensure fire, industrial safety and civil protection of postal facilities, a set of organisational, engineering and technical measures was implemented, namely:

- measures aimed at improving the sanitary condition of 73 civil protection structures to make them ready for their intended use for a total amount of UAH 6,856.15 thousand;

- purchase of 966 fire extinguishers for a total amount of UAH 751.9 thousand;

- purchase of 6 closed fire stands for a total amount of UAH 67.86 thousand;

- purchase of printed materials (magazines, safety signs) for a total amount of UAH 153.9 thousand;

- installation of a fire alarm system in the building at the address: 22, Khreshchatyk Str., Kyiv, namely in the premises of the online store of JSC “Ukrposhta” for a total amount of UAH 76.4 thousand;

- maintenance of fire protection systems (automatic fire extinguishing systems – 25 units and fire alarm and warning systems – 114 units).

Inspections were carried out to assess the state of readiness of 72 units of civil protection structures on the Company's balance sheet, with subsequent preparation of Reports on the state of readiness of civil protection structures. During the year, specialists conducted scheduled and targeted inspections and checks of the fire safety of postal facilities and worked on the development (updating) of regulatory documents on fire, industrial safety and civil protection.

JSC “Ukrposhta” operates and builds its strategy based on the principles of sustainable and socially responsible business development and pays special attention to employee safety both in its daily activities and in strategic planning. At the same time, work to improve human protection is a sustainable process and the Company makes every effort to improve it. The Company strives not only to comply with legal requirements but also to take additional measures necessary to reduce potential risks.

## 7. Compliance and Anti-Corruption Activities

The Company has established a compliance function based on a target model developed by EY consultants as part of a project with the EBRD.

The compliance function has a dual reporting line: It reports to the Supervisory Board and is directly subordinated to the Director General. The activities of the Compliance function are regulated by the Compliance Policy, which was approved by the Supervisory Board and approved by the order of JSC “Ukrposhta”. The policy defines the following main processes:

- corporate culture management,
- organization of compliance trainings, providing advice,
- compliance risk management,
- verification of business partners for compliance risks;
- conflict of interest management,
- managing reports of violations of the Code of Ethics and Business Conduct and/or the Anti-Corruption Program,
- gift and business hospitality management,
- implementation of internal investigations of compliance incidents.

To ensure the functioning of the compliance system, the Company has approved all the necessary documents, including the Code of Ethics and Business Conduct and the Anti-Corruption Programme. These documents are mandatory for all employees of the Company, including officials at all levels, and are published on the Company’s website to whom it may concern.

The Company’s Anti-Corruption Program declares that its employees, officials and managers in its internal activities, as well as in legal relations with business partners, public authorities, local governments are guided by the principle of “zero tolerance” towards any manifestations of corruption and will take all legal and associated actions (practices) to prevent, detect and combat corruption.

The Code of Ethics and Business Conduct proclaims the values, principles, ethical norms of business behaviour that determine the way of forming relationships between employees, employees and management on the one hand, and on the other hand between employees and customers and management and customers, as well as any persons acting on behalf of and/or in the interests of JSC “Ukrposhta”.

The Compliance Function constantly identifies and analyses compliance risks for business partners, job candidates, employees, as well as corruption risks inherent in processes, regulations, contracts, amendments to them (anti-corruption expertise) and takes measures to strengthen existing or establish new internal controls to minimise/eliminate identified risks. In addition, the necessary measures are taken to identify and resolve conflicts of interest. To raise awareness of employees, periodic training on compliance issues is conducted, consultations and explanations are provided, and documents and rules are made available through internal communication channels.

The Company has the following main channels for employees or other persons to report violations:

### **To report corruption or corruption-related offences:**

- Appeal to the head of JSC “Ukrposhta”:
  - by the hotline number 0 800 300 076 (free of charge, 24.7);

- by e-mail: ukrposhtaantikor@gmail.com
- Appeal to the Head of the Service for the Prevention and Detection of Corruption:
  - by contact phone 050 770 75 49 during business hours;
  - by e-mail stopcor@ukrposhta.ua;
  - via the electronic form on the Company's website.

**To report violations of the Code of Ethics and Business Conduct:**

- web form on the Company's corporate portal,
- e-mail to compliance@ukrposhta.ua;
- an employee's oral appeal to the Compliance Function.

All appeals received in 2023 were analysed and the necessary checks were carried out, and the applicants were informed of the results.

## 8. Risks

The risk management process is performed by the manager and employees of the Company.

Risk management in the Company includes risk identification and assessment and determining response methods and control measures for prevention or reducing the negative influence on the achievement of objectives.

Risk management organizational chart includes a clear distribution of functions between structural units and employees, determining the limits of their responsibility within the functional powers in the process of decision making or performance of other actions. The division is based on the three-line protection model: first protection line - the level of the Company's business process owners. These structural units initiate, perform/reflect the operations, take risks in the process of their activities and bear responsibility for current risk management, implement control measures, inform the manager on the discovered risks; second protection line - the level of the structural units the main field of activity of which includes internal control procedures; third protection line - the level of the internal audit unit responsible for independent assessment of the effectiveness of the first two lines.

The internal documents approved by the manager (orders, instructions, rules, regulations, job descriptions) ensure the organization of risk management in the Company.

Risk identification is performed by the managers of each of the Company's structural units (or by assigned persons) with respect to each process or operation, according to their functions. Risk identification includes determination and categorization of risks according to their categories and types. The risks are divided into the following categories: external risks (the possibility of such risks is not related to the performance of the Company's functions) and internal risks (the possibility of such risks is directly related to the performance of the Company's functions). The types of risks include legal risks (the matters related to the Company's functions are not properly regulated by the law); operational and technological risks (irregularities of the established procedure of the performance of functions); program and technical risks (lack of technical means, utility software or modifications to it); personnel risks (lack of proper skills of the Company's employees and failure to perform their functions); financial and economic risks (lack of the necessary resources).

Risk assessment is performed according to the criteria which include the possibility of such risks and the materiality of their influence on the Company's ability to perform its functions in order to achieve its objectives.

According to the possibility and materiality criteria the risks are assigned the level "high", "medium" or "low".



The manager is informed on the spheres of the Company's activities with high-risk possibility and materiality levels for making decisions on the implementation of control measures for prevention or restriction of such risks.

Adoption of decisions with respect to the risk response method is based on the risk possibility and influence assessment; expenditures related to the risk response in comparison with the benefits from reducing such risk; possible additional risks created by the chosen risk response method.

Risk management in the Company includes methods of documenting such activities by preparing tables (matrices) of categorized and assessed risks with respect to particular functions, including control measures, employees responsible for their implementation, terms and indicators of the implementation of such measures.

The matters considered during the review of the risks include the changes in the economic and legal field, internal and external conditions of the Company's activities, as well as new or reviewed objectives of the Company's activities.

## 9. Internal Audit

The Internal Audit Department of JSC "Ukrposhta" is an independent structural unit of the Company, which reports to the Supervisory Board. The size of the Internal Audit Department and its organisational structure correspond to the size of the Company, the type and scale of its activities.

The Internal Audit Department organises and conducts internal audits in accordance with the plan approved by the Audit Committee, in accordance with the requirements of the current legislation and the International Framework for the Professional Practice of Internal Auditing: Standards for Internal Auditing and the Code of Ethics for Internal Audit Employees. The main tasks of the Internal Audit Department are to assess and improve the Company's management and internal control systems in order to assist the Supervisory Board, the Audit Committee and the Company's management in achieving the Company's goals through a systematic, orderly approach to assessing and improving the efficiency of risk management, control and corporate governance processes.

The activities of the Department are free from any interference from other departments and officials of the Company, including the selection of the object and scope of the audit, procedures, frequency, timing of audits and the content of audit reports to ensure the independence of internal auditors.

The responsibilities of the internal audit department include:

- reviewing and assessing the adequacy and effectiveness of the internal control and risk management system;
- assessing the compliance of the Company's activities with the requirements of Ukrainian legislation;
- assessing the compliance of the Company's activities with the requirements of its internal administrative and regulatory documents;
- assessing the Company's activities with regard to the reliability of financial statements and correctness of accounting;
- assessing the efficiency of the use of the Company's resources;
- monitoring the implementation of recommendations based on the results of internal audits;
- interaction with external auditors and state regulatory authorities, if necessary;
- conducting unscheduled audits in the event of the establishment of facts, events that require immediate action to identify and determine any damage, losses or risk limitation, as well as in the presence of factors related to the risk of fraud.

Based on the results of its activities during the year, the Internal Audit Department prepares a report on the implementation of the annual audit plan and submits it to the Audit Committee for approval. The Audit Committee also annually evaluates the effectiveness of the Internal Audit Department, taking

into account the quality of the audit plan, the availability of necessary evidence from the departments' personnel, and the implementation of the annual quality assurance and improvement programme. Based on the results of the assessment, the Internal Audit Department's performance in 2023 was recognised as effective.

## 10. Development Perspectives

The peculiarities of the development of Ukrainian postal industry correspond to the main world trends: development of e-commerce contributed to the rapid development of the market for delivery of parcels and courier delivery and reduction of volumes of the postal items market. There is growth in the money transfer market. The competition in financial services and trade is increasing in big and medium-sized cities. At the same time, a significant part of population living in rural areas has very limited access to financial services and cashless economy.

To achieve these goals, the Company plans to implement key strategic projects, such as:

- Development of financial services – searching for a legal opportunity for the Company to provide banking services to the public by purchasing a banking institution or obtaining a banking licence;
- Launching new business lines to increase the Company's income – launching the sale of medicines in 100% of Ukraine, launching a loyalty programme and a communication programme to change the image, developing an online store and its own marketplaces on Amazon and eBay;
- Modernisation of the post office network - updating the format of post offices, introducing cargo offices for e-commerce, continuing the project to introduce mobile offices, providing postmen and couriers with electric bikes, introducing modular post offices in the frontline areas;
- Modernisation of the logistics network and sorting infrastructure – introduction of a hub sorting model with simultaneous revision of the system of main transport routes and introduction of container exchange, 100% digitalisation of all processes and processing of parcels, letters and printed media;
- Implementation of social projects – creation of a barrier-free environment for customers and employees, adaptation of veterans upon their return, retraining and provision of necessary assistance, including medical, psychological and prosthetic care;
- Modernization of the IT-infrastructure – implementation of the new “Front” system and CRM;
- Effective property management – sale of non-core assets and relocation to modern sorting centres and depots, improving the energy efficiency of existing constructions.

## 11. Corporate Management

In order to implement the best corporate management practices and achieve a balance between the Company's management bodies, as well as a clear distribution of their powers, a transparent corporate governance structure was created in the Company.

The state represented by the Ministry for Communities, Territories and Infrastructure Development of Ukraine shall be the founder and the sole shareholder of the Company (location: 14 Peremohy Avenue, Kyiv, 01135, identification number 37472062). The Company's Shareholder has the rights determined by the current legislation of Ukraine and the Company's Articles of Association, compliance with and protection of which is ensured by the Company. The priorities according to which the State owns the company are defined in the ownership policy approved by the order of the Ministry of Infrastructure of Ukraine on September 11, 2020.

The General Meeting is the highest governing body of the Company. The powers of the General Meeting of the Company are exercised by the Shareholder personally and cannot be transferred to other bodies of the Company.

The competence of the General Meeting of Shareholders is determined by the current legislation of Ukraine and the Company's Articles of Association.

The Annual General Meeting is held no later than April 30 of the year following the reporting year. Any General Meeting, except Annual General Meeting shall be deemed as extraordinary.

In 2023, the annual general meeting was held in accordance with the law and 4 extraordinary general meetings were held in person. In accordance with Article 60 of the Law of Ukraine "On Joint Stock Companies", the provisions of Articles 40-57 of this Law on the procedure for convening and holding general meetings of shareholders do not apply to a company with one shareholder. The powers of the general meeting provided for in Article 39 of this Law and by-laws of a Joint Stock Company shall be exercised by the shareholder alone. A shareholder's decision on issues within the competence of the general meeting shall be made in writing (in the form of a resolution).

The Supervisory Board of the Company shall be a collegial body, which shall protect the rights of shareholders of the Company and within its competence, which is determined by the Company's Articles of Association and the current legislation, shall govern the Company, control and regulate the work of its executive body. The competence, structure, working procedure, rights, obligations and responsibilities of the Supervisory Board shall be determined by the current legislation of Ukraine, the Articles of Association and Regulations on the Supervisory Board of the Company.

In April 2023, the Cabinet of Ministers of Ukraine approved the candidates for the Supervisory Board of the Company (Resolution of the Cabinet of Ministers of Ukraine No. 371-r dated April 25, 2023 "Issues of the Supervisory Board of Joint Stock Company "Ukrposhta") consisting of 7 persons, of whom:

- 5 members of the Supervisory Board are independent (independent directors) and Rinat Abdrasilov, Jakub Karnowski, Gary John Carroll, Olena Oleksandrivna Malynska, and Ihor Oleksandrovych Mitiukov were elected on a competitive basis in compliance with the current legislation of Ukraine on competitive selection of candidates for the position of an independent member of the Supervisory Board.

- 2 members of the Supervisory Board are representatives of the state and were appointed Gura Kostyantyn Yurovych and Derkach Serhii Anatoliiovych by the Shareholder by the respective decisions of the Shareholder.

In 2023, as of 01.01.2023, the Supervisory Board of the Company functioned in the following composition:

1. Pleska Benoit, Chairman of the Supervisory Board, independent director of the Supervisory Board
2. Safarov Farid Kamil oglu, Deputy Chairman of the Supervisory Board, member – shareholder agent
3. Karnowski Jakub, independent director of the Supervisory Board
4. Jensen Tommy, independent director of the Supervisory Board
5. Joona Saluveer, independent director of the Supervisory Board
6. Oksana Yulianivna Volchko, independent director of the Supervisory Board
7. Oleksandr Mykolaiovych Zinkin, member – shareholder agent

Personal composition of the Supervisory Board of the Company as of 31.12.2023:

1. Karnowski Jakub, Chairman of the Supervisory Board, independent member;
2. Serhii Derkach, Deputy Chairman of the Supervisory Board, representative of the state.
3. Abdrasilov Rinat, member of the Supervisory Board, independent member;
4. Carroll Gary John, member of the Supervisory Board, independent member;
5. Olena Malynska, member of the Supervisory Board, independent member;
6. Ihor Mitiukov, member of the Supervisory Board, independent member.

The competence of the Company's Supervisory Board shall be determined by the current

legislation of Ukraine, the Company's Articles of Association and the Regulations on the Company's Supervisory Board.

The Company's Supervisory Board may form permanent or temporary committees from among its members for preliminary study and preparation for consideration at a meeting of issues falling within the competence of the Supervisory Board.

In 2023, as of 01.01.2023 the following committees of the Supervisory Board operated at JSC "UKRPOSHTA":

1. Audit Committee of the Supervisory Board of JSC "UKRPOSHTA";
2. Nomination and Remuneration Committee of the Supervisory Board of JSC "UKRPOSHTA";
3. Digital Committee of JSC "UKRPOSHTA";
4. Postal Logistics and Parcel Committee of the Supervisory Board of JSC "UKRPOSHTA";

The list of the Committees of the Supervisory Board of JSC "UKRPOSHTA" as of 31.12.2023:

1. Audit Committee of the Supervisory Board of JSC "UKRPOSHTA";
2. Nomination and Remuneration Committee of the Supervisory Board of JSC "UKRPOSHTA".

Pursuant to Article 85 of the Law on Joint Stock Companies, the Company has introduced the position of Corporate secretary. The procedure for the work, rights and duties of the Corporate secretary as well as the procedure for paying remuneration to him/her, are determined by this Law, the charter of the Joint-Stock Company, the regulation on the Corporate secretary as well as the employment agreement (contract) or civil law agreement concluded with the Corporate secretary.

The Corporate secretary shall be appointed by the Supervisory Board, unless otherwise provided by the charter of the Joint-Stock Company. The term of office of the Corporate secretary shall be established by a resolution of the Supervisory board unless such term is specified in the charter of the Joint-Stock Company. By resolution of the Supervisory Board, the powers of the Corporate secretary may be terminated at any time and for any reason or the Corporate secretary may be temporarily suspended from exercising his/her powers. The Supervisory Board has the right to dismiss the Corporate secretary or suspend him/her from performing his/her powers at any time and for any reason. Without a decision of the Supervisory Board, the powers of the Corporate secretary shall be terminated early:

- 1) at his/her request, subject to a two-week written notice to the Joint-Stock Company;
- 2) in case of inability to perform the duties of the Corporate secretary for health reasons;
- 3) in case of entry into force of a verdict or court decision sentencing him to a punishment that excludes the possibility of performing the duties of a Corporate secretary;
- 4) in the event of death, recognition of his/her incapacity, limited capacity, missing or deceased;
- 5) in the case provided for in part three of Article 88 of the Law on Joint Stock Companies.

In case of termination of powers of the Corporate secretary by the decision of the Supervisory board or the board of directors, the relevant agreement (contract) with this person shall be deemed automatically terminated. The Corporate secretary may not be another official of the company.

The Director General is elected by the Supervisory board in accordance with the procedure approved by the Supervisory board on the basis of a recommendation of the Supervisory board's Nomination and Remuneration Committee based on the results of a competitive selection process on the basis of integrity, professionalism and specificity. On behalf of the company, the agreement or contract shall be signed by the Chairman of the Supervisory board or a person authorised by the Supervisory board to sign it. The term for which the Director General is elected or re-elected is determined by a resolution of the Supervisory board. The same person may be elected or re-elected as the Director General more than once.

The Articles of Association and contract with the Director General determine his competence. The competence of the Director General includes, in particular, but not exclusively:

- the Director General shall be accountable to the General Meeting and the Supervisory Board and shall organize implementation of their decisions. The Director General shall act on behalf of the Company within the limits established by these Articles of Association and the law;
- management of Company operational activity;
- development of the strategy of the Company and implementation of the strategy of the Company approved by the Supervisory Board;
- administration of the property and the funds of the Company subject to limitations specified by legislation, these Articles of Association and internal documents (rules, regulations etc.) of the Company;
- Developing and submitting to the Supervisory Board and the General Meeting for further approval/coordination/approval in accordance with the law of the annual financial and investment plans for the medium term (three to five years), strategic development plan, business plans (activity plans), investment programmes, other plans of the company, and reports on their implementation;
- preliminary consideration of issues to be discussed at the General Meetings and the meetings of the Supervisory Board, preparation of materials necessary for consideration of such issues and organization of implementation of plans and decisions of the General Meetings and the Supervisory Board;
- Ensuring the implementation of annual business plans (activity plans), annual financial plans, annual and long-term investment and development plans, strategic development plans, and other company plans approved in accordance with the established procedure;
- preliminary consideration of issues to be discussed at the General Meetings and the meetings of the Supervisory Board, preparation of materials necessary for consideration of such issues and organization of implementation of plans and decisions of the General Meetings and the Supervisory Board;
- deciding issues of management of legal entities to which the Company is a shareholder (founder, participant), as well as branches, representative offices and other separated subdivisions;
- approval and amendment of the provisions on affiliates and representative offices of the Company, statutes of enterprises (companies) established by the Company submitted to the Director General for approval by the Supervisory Board;
- development and approval of any internal regulatory documents of the Company, except for internal regulatory documents, the approval of which falls under the exclusive competence of the General Meeting and/or the Supervisory Board by these Articles of Association or the law, unless such powers are delegated to the Director General;
- approving and amending regulations on the Company's branches, representative offices, charters of enterprises (companies) established by the Company, charters of legal entities of which the Company is the sole founder (shareholder, participant);
- approval of the anti-corruption program of the Company as well as regular corruption risks assessment in the activities of the Company and implementation of appropriate anti-corruption measures;
- deciding issues of organization of commercial activity, financing, accounting and reporting, work with securities;
- exercise of other powers entrusted with the Director General according to decisions of the General Meeting or the Supervisory Board.

Based on the results of the year, the Director General reports to the Supervisory Board of the Company.

In accordance with the requirements of the current legislation of Ukraine, the Company has developed a Corporate Governance Code approved by the Order of the Ministry of Infrastructure of

## ***Internal Monitoring System***

The Company's internal monitoring system shall be aimed at preventing, identifying and implementing measures to correct significant errors, ensuring the protection and safety of assets, compliance with the current legislation of Ukraine, completeness and accuracy of accounting documentation, and includes administrative and accounting control.

The Company's internal monitoring and risk management system shall be ensured by:

- all management and operation members' compliance with the current legislation of Ukraine and the administrative documents of the Ministry for Communities, Territories and Infrastructure Development of Ukraine;
- regulations, procedures, provisions, norms, etc., approved orders, instructions, decisions and other documents of the Company regulating the operations, compliance and responsibility of the employees of structural units of all operational levels, as well as management and reporting.

## ***Dividend Policy***

The Company is a stock company, 100% of which is owned by the state of Ukraine. Accordingly, the Company's dividend policy shall be determined in accordance with:

- the Law of Ukraine "On the Management of State Property Objects";
- the resolution of the CMU "On approval of the basic standard for deducting the share of profit allocated for the payment of dividends based on the results of financial and economic activities in 2022 of business entities in the authorized capital of which there are corporate rights of the state".

## ***Development and Improvement of Corporate Management***

In order to build a transparent corporate management structure of the Company, as well as a clear distribution of powers and control over the management of the Company, the shareholder has introduced a number of measures, namely:

- The Company's Supervisory Board was formed, the Chairman of the Supervisory Board and its deputy were elected, and standing committees were formed under the Supervisory Board;
- The regulation on the Supervisory Board of the Company was approved, which, in particular, determines the legal status of the Supervisory Board, its composition and powers, requirements for members of the Supervisory Board, their election and termination of powers, powers and duties of members of the Supervisory Board, as well as the procedure for convening the Supervisory Board and the procedure for holding meetings.
- The Company's ownership policy was approved, which determines the goals and priorities according to which the state owns the Company's corporate rights, the principles of managing the Company, as well as the expected results of the Company's activities;
- By the decision of the Supervisory Board, the Internal Audit Department and the Compliance Unit were established and report to the Audit Committee;
- The Code of Ethics and Business Conduct was developed and approved;
- In 2023, by the decision of the Supervisory Board, the Company updated and approved the Company's Development Strategy for the period 2024-2026.