



Ukrainian Business Leaders Outlook 2021

KPMG in Ukraine

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FOREWORD

This is the fourth annual report that the KPMG in Ukraine team has prepared, based on information that was very generously supplied in our survey of Ukrainian business leaders. This study examined how the COVID-19 phenomenon has caused companies to adjust their development strategies, and influenced their long-term vision for business growth, their business model, and future investment decisions.

The crisis caused by COVID-19 has shaken the confidence of business leaders in Ukraine in the growth of both the local economy and global prospects as a whole. However, despite operational and regulatory risks, as well as the delta variant of the virus slowing down the expected return to normality, our survey shows that Ukrainian executives and business leaders are extremely confident in the prospect of increased business growth over the next three years. These business leaders expect their companies to grow dynamically, though they understand that they need to take into account new ways of working that were developed during the pandemic in order to adapt their companies to a new post-pandemic future.

I would like to invite you to read about the results of our survey and look at the dynamics of the changing priorities of Ukraine's business leaders, the key challenges and business opportunities caused by the pandemic, and to learn about the strategies for overcoming the global crisis and ensuring further business growth. The structure of the survey is based on questions adapted from the global KPMG 2021 CEO Outlook survey which will let you compare global and local trends. On behalf of the KPMG in Ukraine and KPMG International team, I would also like to sincerely thank all the CEOs who participated in the survey for sharing their opinion in an open and frank conversation about the most important issues they face today.

Andriy Tsymbal

Managing Partner
KPMG in Ukraine

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Key findings

Ukrainian Business Leaders Outlook 2021 is a survey from KPMG in Ukraine that offers a unique overview of the consequences of the COVID-19 pandemic and the prospects business leaders see for economic recovery. The structure of the survey was based on 19 questions, adapted from the international KPMG 2021 CEO Outlook survey, giving you the opportunity to compare global and local trends. During the pandemic, we regularly communicated with executives in Ukraine and CEOs around the world, previously sharing the results of that research in our reports Ukrainian Business Leaders Outlook 2020 and KPMG 2020 CEO Outlook in the fall of 2020.

This report presents the opinions of executives and business leaders in Ukraine on the future of business and the best ways to achieve economic growth.

Business leaders in Ukraine are optimistic and expect their companies to develop dynamically and achieve organic growth by means of innovation, capital investment, new products, and more recruitment. However, global executives are mostly focused on less organic tactics for growth: strategic alliances with third parties, mergers and acquisitions (M&A) agreements, joint ventures, and outsourcing. Respondents in Ukraine also named regulatory risk as the biggest threat to business growth over the next three years, whereas international outlooks identified a three-element bundle of threats to growth: supply chain, cybersecurity, and climate change risks.

Nearly 50 percent of business leaders in Ukraine and two thirds of the world's CEOs see a surging demand from stakeholders to implement Environmental, Social, and Corporate Governance (ESG) principles in their business strategy.

Now that people are returning to work and society is increasingly in need of businesses to get things back on track, senior management are taking a more flexible approach to work organisation by focusing on balancing investments in human capital and digital technology.



The road to renewal

Despite continued uncertainty and the risk of volatility, business leaders in Ukraine are confident and optimistic about the growth prospects of their companies. However, this year Ukrainian executives are less optimistic about the growth of local and global economies.

Rebounding growth

In Ukraine, 47 percent of the company executives interviewed are confident in the growth prospects of the world economy. Globally, a relatively larger percentage of managers (60 percent) are convinced of increasing growth for the world's economy over the next three years. An even smaller share of Ukrainian business leaders (38 percent) are confident in Ukraine's local economic growth.

Leading with purpose

As the public looks to leaders to drive progress to address major societal challenges, 73 percent of Ukrainian business leaders surveyed say their organisation's defining objective is to embed purpose into everything they do to create long-term value for all stakeholders (an increase when compared to 54 percent of respondents in February–March 2020).

Accelerating growth and the digital agenda

In Ukraine, 76 percent of business leaders are confident in the growth prospects of their companies. 71 percent indicate that organic growth will be crucial. An even higher number of global executives (87 percent) are confident in the growth prospects of their companies, though this will be principally through inorganic growth strategies such as M&A deals. M&A will be crucial to stimulate global growth, with 87 percent of worldwide CEOs saying that they plan to enter into M&A agreements over the next three years.

In Ukraine, meanwhile, just 11 percent of respondents say that M&A will be the most important strategy for their organisation to achieve its growth goals over the next three years.

Trusted purpose

With increased stakeholder pressure for businesses to build back better, business leaders are embedding ESG in their business strategies.

Demand to increase ESG accountability and transparency

In Ukraine today, 47 percent of respondents said that there was demand from stakeholders (including investors, regulators, and customers) to increase reporting and transparency related to ESG, with 30 percent of respondents describing this request as sizable and significant. Worldwide, 67 percent of executives interviewed say that they foresee a demand from stakeholders to increase ESG accountability and transparency.

Investments to ensure sustainable development

In Ukraine, 24 percent of business leaders plan to invest over 10 percent of their business' income in strengthening sustainable development, while globally this figure is 30 percent.

Connecting ESG strategy with financial returns

Among high-growth organisations, a mere 14 percent of business leaders in Ukraine believe their ESG programmes actually improve financial performance, compared with a global response of 52 percent of CEOs in the worldwide survey. However, these numbers align slightly more when we begin to consider lower growth organisations: 20 percent of all the surveyed Ukrainian executives have greater faith in their ESG programmes, compared with 37 percent of CEOs in the world.

Digital agility

Senior management is developing more flexible approaches to work organisation and are focused on ensuring the current pace of digital transformation.

Building a flexible future of work

CEOs need to decide on an operating model for the future that works for both employers and employees. Only 36 percent of respondents in Ukraine (37 percent worldwide) said that most of their employees would work remotely two or more days a week. At the same time, 29 percent of business leaders in Ukraine and 51 percent globally are considering investment in the creation of shared office space.

Stimulation of disruptive changes

Worldwide, 67 percent of respondents said they would increase investment in identifying disruptive change and innovation, almost double the number of leaders in Ukraine (36 percent) who plan to increase similar investments.

Partnering for transformation and resilience

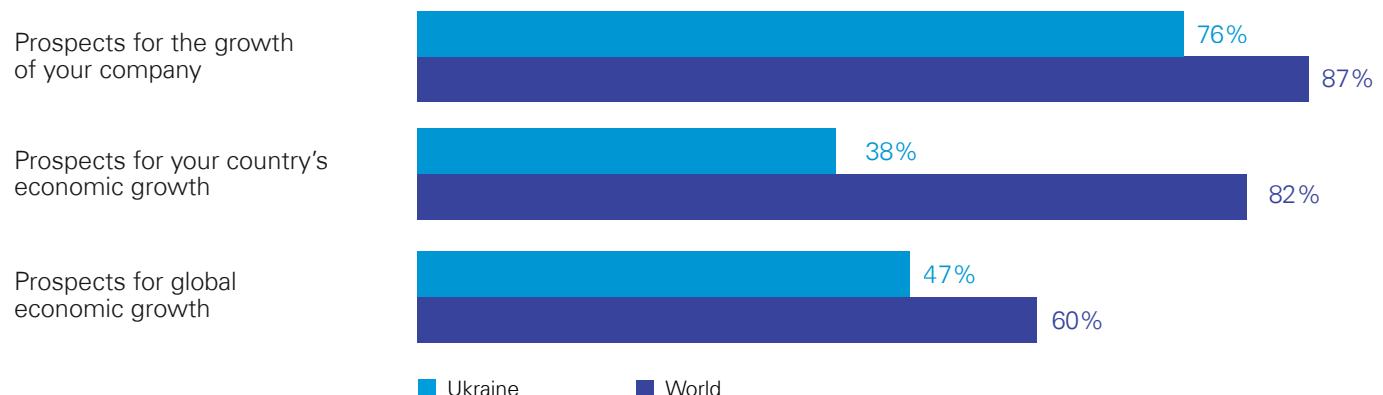
55 percent of business leaders in Ukraine (70 percent globally) say that forging new partnerships will be crucial to ensure the current pace of digital transformation.

The road to renewal

Rebounding growth

In Ukraine, 76 percent of executives say that they are confident in the growth prospects of their companies over the next three years. Internationally this figure is even higher: reaching 87 percent among global respondents. In general, despite the long-standing uncertainty coupled with the COVID-19 pandemic and the delta coronavirus variant slowing down the “return to normal”, global executives demonstrate more optimism about the growth prospects of the global economy and the countries where their companies operate. In Ukraine, only 47 percent of business leaders and executives are confident in the growth prospects of the global economy over the next three years, compared with 60 percent of international respondents. An even smaller percentage of Ukrainian CEOs (38 percent) are confident in Ukraine's economic growth over the next three years.

Figure 1: Confidence in growth prospects



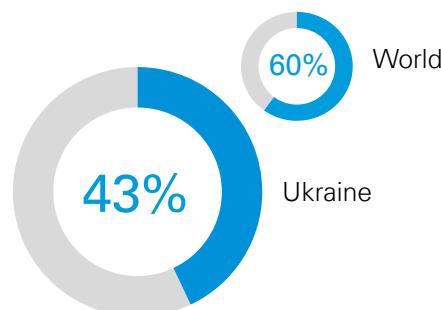
Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

76 percent of executives in Ukraine say they are confident in the growth prospects of their companies over the next three years.

Figure 2: Building talent an increasingly important driver of growth and performance



We are placing more capital investment in developing our workforce's skills and capabilities



We are placing more capital investment in buying new technology

Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

Over the next three years, 94 percent of worldwide executives and 81 percent of those in Ukraine expect their organisation's earnings to increase. To achieve this growth and implement relevant plans, companies need to make sure that they have achieved the necessary level of technological development, as well as employing appropriately qualified staff who possess the necessary skills to implement growth plans. As shown in Figure 2, the gap between the goals of digital transformation and investment in a workforce capable of working in a digital environment has become more narrow.

Figure 3: Changing threats to growth in Ukraine



Most global executives prioritise investment in technology as a part of their efforts to encourage growth, though the number of respondents paying more attention to investment in staff has also increased significantly: standing at 40 percent in 2021, as compared to 33 percent in 2020. In Ukraine, slightly more than half of business leaders surveyed said that they still prefer to invest in the development of human capital, though this number has decreased since 2020 (53 percent in 2021 vs 59 percent in 2020).

In their striving for growth, business leaders also face serious challenges. According to Ukrainian respondents in 2021, biggest threat to business is operational risk. Last year, the executives considered regulatory risk to be their top priority, which took second place this year. Talent risk has also remained on the radar of Ukrainian business leaders for many years in a row. Since the beginning of the pandemic in Ukraine, relevant risks of adverse changes to the supply chain have also gained weight and, according to local respondents, now share third position with talent risk. Based on our survey, 70 percent of Ukrainian respondents are companies that manage their own supply chains, while 65 percent of this group say that their supply chain has been under increasing pressure over the last 18 months. Diversification of supply sources by adding new sources to increase the stability of the supply chain is the core strategy for minimising the impact of supply chain risk with 42 percent of respondents identifying this as an important change. The fourth place, according to Ukrainian respondents, is shared by cyber security and environmental/climate change risks.

In a time of great uncertainty around the world, when assumptions and forecasts are constantly changing and when few things are certain, no specific risk has taken first place among global business leaders. A three-element bundle of threats to growth has been identified: supply chain, cybersecurity, and climate change. They are immediately followed by disruptive technologies, regulatory, and operational risks.

Figure 4: Top threats to growth in 2021

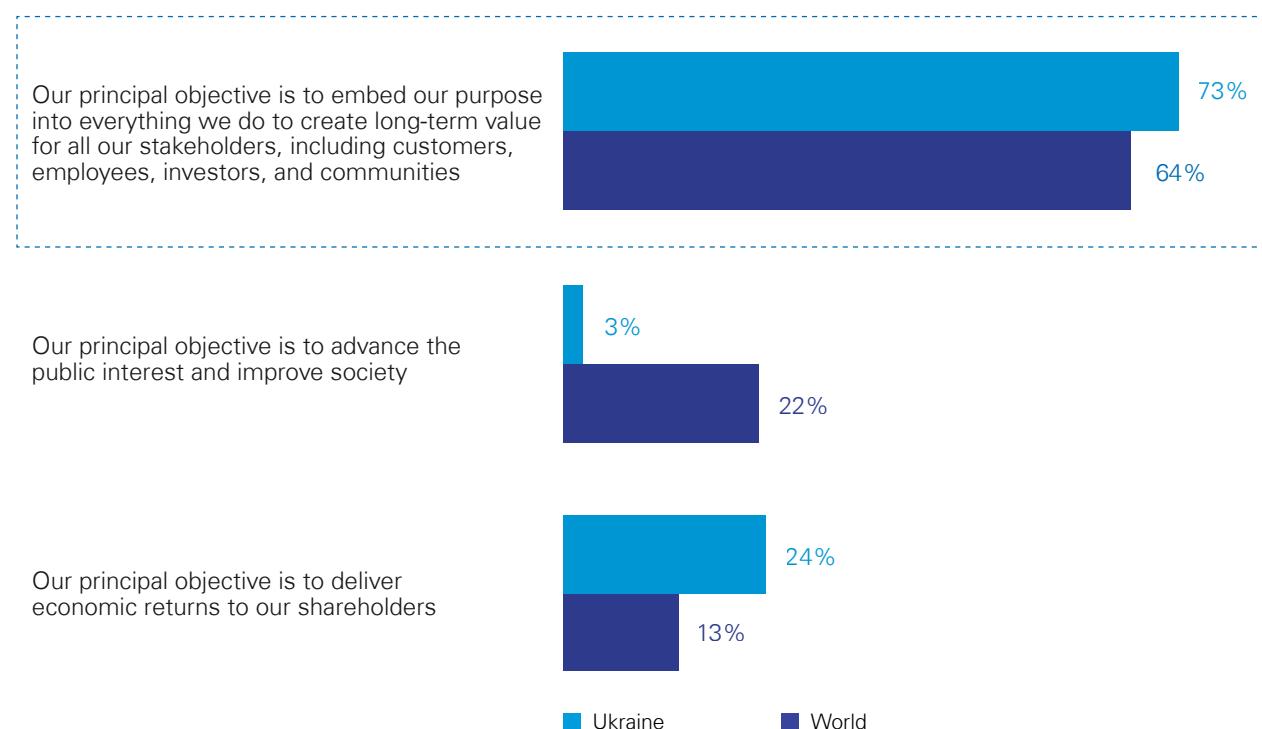


Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

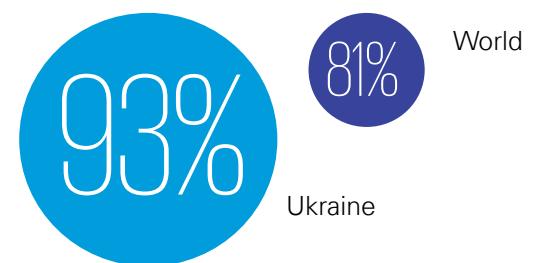
Leading with purpose

Top management executives recognise the importance of company purpose. According to our survey, 73 percent of Ukrainian respondents stated that the principal objective of their organisation is to achieve the company's strategic goals and mission to create long-term value for all stakeholders, including customers, employees, investors, and the community. Globally, 64 percent of respondents support this statement, with a further 22 percent of global respondents saying that their main goal is to promote public interest and improve society as a whole (in Ukraine, this number was a mere three percent). At the same time 24 percent in Ukraine and even fewer executives across the world (13 percent) are focused primarily on providing economic benefits to their shareholders.

Figure 5: Majority of respondents say purpose is the defining business objective



Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021



of business leaders said that "trusted purpose" will have the greatest impact on strengthening employee engagement. "Building customer relationships" was also universally recognised as having a significant impact by 90 percent of Ukrainian respondents (88 percent globally).

Accelerating growth and the digital agenda

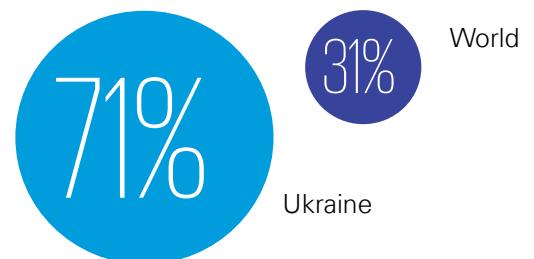
Optimism is high: 76 percent of respondents in Ukraine and 87 percent worldwide are confident in the growth prospects of their companies. 71 percent of respondents in Ukraine indicate that organic growth will be decisive. Across the globe, even more executives (87 percent) are confident in the growth prospects of their companies, though they anticipate this will take place through inorganic growth.



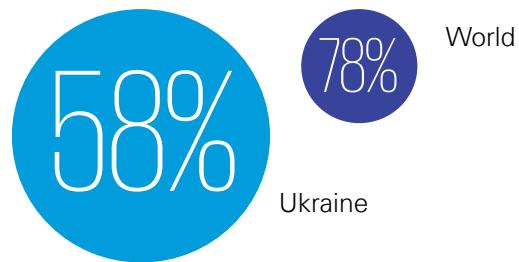
claim that they will mainly use *inorganic* tactics: strategic alliances with third parties, M&A agreements, joint ventures, and outsourcing.

In Ukraine, only 11 percent of respondents interviewed (24 percent worldwide) said that M&A will be the most important strategy for their organisation to achieve growth goals over the next three years, with 14 percent of business leaders in Ukraine and 29 percent internationally claiming that they plan for growth via strategic alliances with third parties.

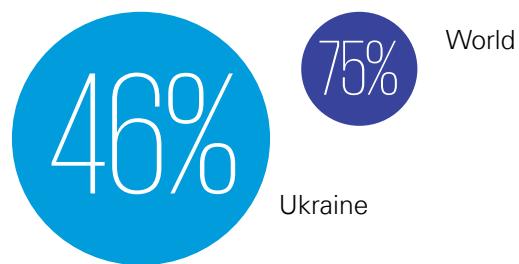
Top management is aware of the importance and effectiveness of technology for growth, with 38 percent of business leaders in Ukraine and 49 percent internationally planning to make products and services available via an online platform provider, 36 percent of respondents in Ukraine and 67 percent internationally planning to increase investment in disruptive ideas and innovations, and 23 percent in Ukraine and 46 percent internationally planning to co-operate with innovative startups. Our research also shows that executives around the world have an increasingly comprehensive understanding of the need to expand the digital potential of their businesses.



say *organic* growth (like innovation, capital investment, new products, and recruitment) are their main path to growth.



say "we need to be quicker to shift investment to digital opportunities and divest businesses that face digital obsolescence".



say "we have an aggressive digital investment strategy, intended to secure first-mover or fastfollower status".



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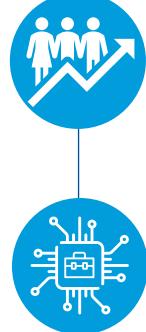
The post-COVID reality has quite clearly given rise to several universal and unconditional requirements for all players in the business ecosystem. In other words, these are the new rules of survival that we are forced to follow if we want to claim a certain role, let alone achieve business growth.

For example, one of the relatively big surprises of the post-COVID reality was the emergence of strong demand peaks which, as a domino effect, had a deleterious impact on certain manufacturing and service industries, triggering a wave of inflation in goods and utilities which, in turn, affects all of us.

Add to the mix some more political games in Europe's energy sector and natural disasters in Central America that have both contributed to a rapid rise in energy prices, and the high level of variability and unpredictability of the world we live in becomes obvious, but also how interdependent we are regardless of where we are on the planet. This interdependence affects all aspects of our social interaction across a world which is increasingly acting more and more as a single organism, highlighting that ESG is on the agenda and making it a top priority for all.

Flexibility in reacting to ever-changing circumstances and prompt decision-making in response to these changes are therefore probably the most powerful challenges experienced by both organisations and individuals. We are already taking a lot of measures to ensure the mobility and dynamism of our business and these transformations have affected almost all areas of our activities. Careful attention is paid to models of team interaction to increase efficiency and make the chain of decision-making shorter. We are also rethinking our products, offering more and more innovation in the sphere of health and opening new formats of interaction with our key customers and consumers, as well as in our dialogue with communities, by implementing more and more new initiatives in area of sustainable development. These concerns will remain a priority for us in the near future, as we are convinced that they will create a reliable springboard for joint development in terms of partnership and co-operation. ”

Adrian-Valentin Pascu
General Manager
Danon Ukraine



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We in Eldorado have adopted a new development strategy for our team which is now one of our top priorities. I am convinced that investing in human capital will be a determining factor for our company's growth and development.

At the same time, when it comes to technology and staff, there is no either-or for Eldorado. Technology is impossible without people. We see that technology is evolving extremely fast and people often can't keep up. Our priority, therefore, is to invest in the development of staff who not only master new technologies, but also help other Ukrainians to master them. We are the first Ukrainian retailer of home appliances and electronics to say that appliances are important but that that's not the main point. The important thing is the people and the moments they live.

Technology unfolds around a person, and not the other way around. The staff in our retail operations are very important and I think that will be the case for a long time, so long as our clients continue to need advice and face-to-face human contact. ”

Vira Vitinska

CEO

Eldorado.ua



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No business development or transformation would be possible without the on-going, comprehensive involvement of all staff. That's why at UFuture we rely on people as the main engine and tool for development and transformation. It is our people who find, develop, and implement the technologies and innovations that subsequently change our business and our lives. To this end, we are constantly learning and even created UFuture University; a comprehensive corporate training programme which any employee can join that covers a variety of areas and topics. Our goal is to gradually create the educational ecosystem of the future.

However, learning alone is not enough either. After all, without the active and systematic application of new knowledge in practice, any knowledge or technology will atrophy and disappear. That is why today UFuture Holding and our portfolio of companies and projects live as a single ecosystem, often co-operating with each other, sharing experience, expertise, and opening new markets, opportunities, and ideas with each other.

Communication is also one of the key levers. We make sure that everyone feels like they are involved and participating in the big ideas and projects we implement every day. Everyone needs to understand the company strategy; why and for what reason some changes take place, certain technologies are introduced, or priorities are updated. Furthermore, effective communication helps to better understand each other and this is vital for conquering new markets, and making competitive breakthroughs or outstanding discoveries. ”

Mykola Tymoshchuk
CEO
UFuture Holding



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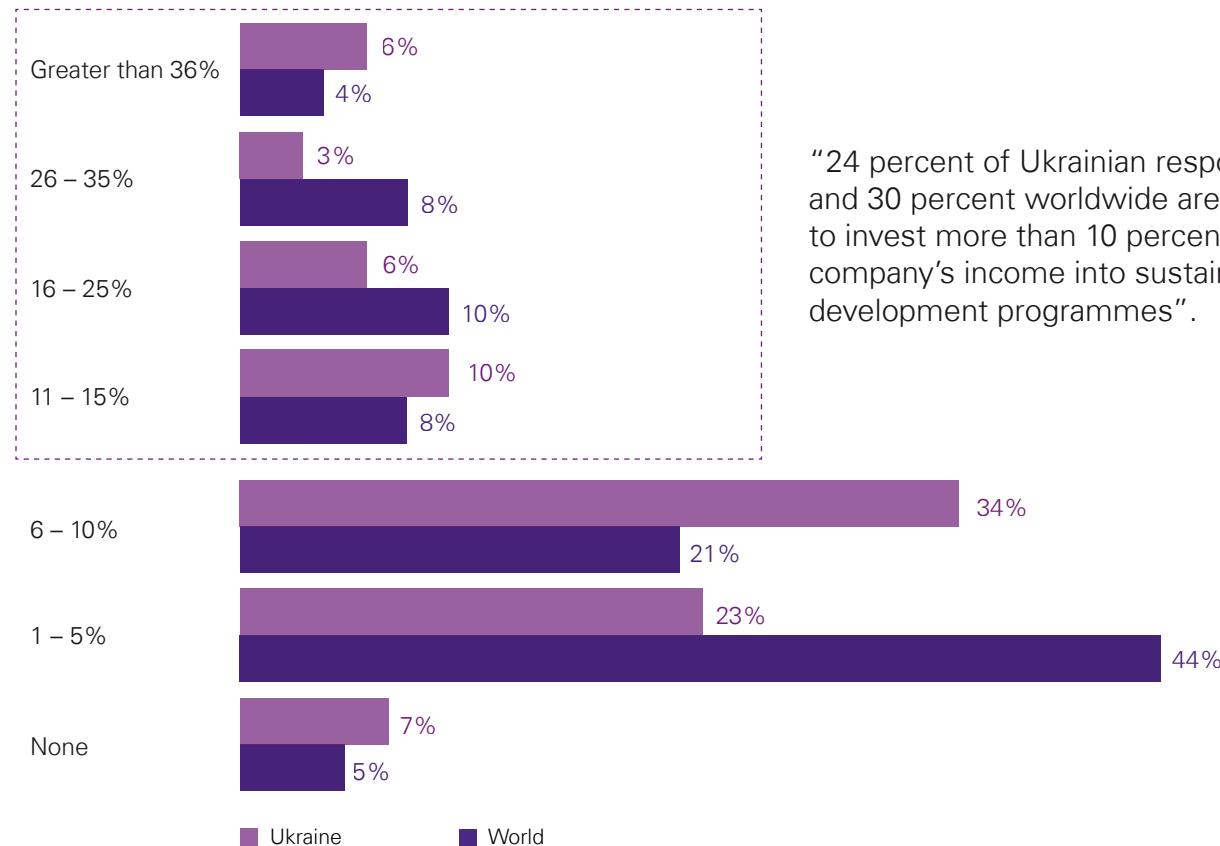
Stepping up on social issues

CEOs see a growing demand from stakeholders to implement ESG principles in their business strategy. Almost half of the respondents in Ukraine (47 percent) and over two-thirds worldwide (67 percent) are talking about the demand from stakeholders (including investors, regulators, and customers) for increased ESG accountability and transparency. 30 percent of Ukrainian respondents and 58 percent worldwide characterise this demand as significant and important; noting that the greatest demand and pressure is seen from institutional investors, according to 67 percent of respondents in Ukraine and 52 percent globally.

Investments to ensure sustainable development

To make progress on sustainable development, including climate change and decarbonisation of the economy, executives plan to devote significant capital to becoming more sustainable; with 24 percent of Ukrainian respondents and 30 percent worldwide planning to invest more than 10 percent of their company's income into sustainable development programmes.

Figure 6: Percentage of revenue that business leaders expect to invest in sustainable development programmes



"24 percent of Ukrainian respondents and 30 percent worldwide are planning to invest more than 10 percent of their company's income into sustainable development programmes".

Connecting ESG strategy with financial returns

There is great public demand for integrating ESG policies into companies' business processes. Company executives believe that social and environmental priorities are important, though they are less confident about the relation between ESG programmes and financial performance.

Within high-growth organisations, 52 percent of global executives believe that their ESG programmes will improve financial performance, a stark contrast to a mere 14 percent of Ukrainian executives from high-growth organisations. However, in a wider sample of organisations, the figures align more closely (though are still pessimistic) with 37 percent global executives and 20 percent of Ukrainian respondents seeing financial benefits in ESG programmes.

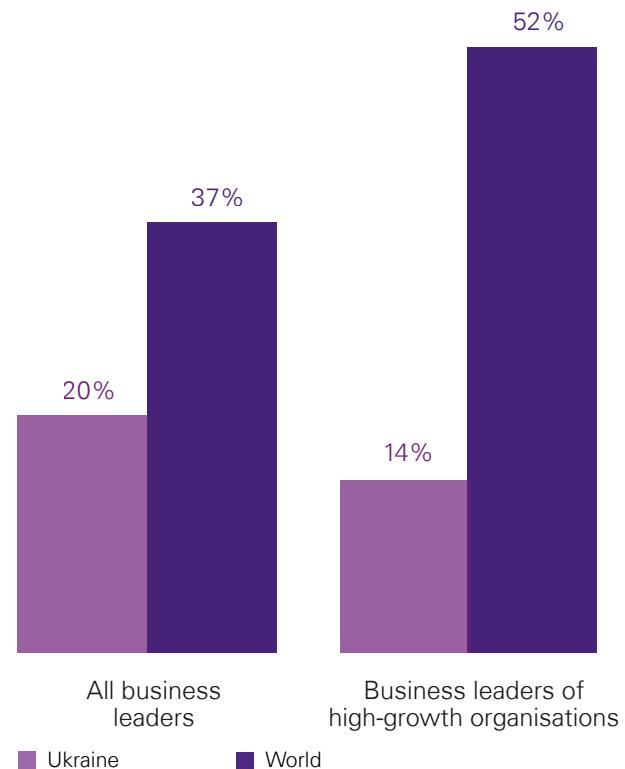
Almost a quarter (24 percent) of the surveyed executives worldwide say that the implementation of ESG programmes could lead to a decrease in financial results, while just three percent of Ukrainian business leaders agree. 77 percent of Ukrainian managers, meanwhile, consider the impact of ESG implementation to be neutral or to have an insignificant effect on their companies' financial results.

Preparing proper reporting will be essential as investors' attention to ESG activities is on the rise: 58 percent of global executives and 30 percent in Ukraine face increased ESG reporting requirements from stakeholders; including investors, regulators, and clients.



business leaders face stronger demand from stakeholders (including investors, regulators, and customers) related to ESG reporting and transparency.

Figure 7: Global high-growth companies are more likely to find that their environmental, social, and corporate governance (ESG) programmes contribute to better financial results.



Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021



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Today, sustainable development is not just an unalterable path for all mankind but a business imperative. Accenture studies show that between 2013 and 2019, companies with consistently high-quality ESG programmes demonstrated lower volatility and almost five-times higher operating margins than those with less investment in ESG.

Indeed, let's take Danone as an example. How can we talk about stable output of high-quality food products without providing favourable conditions related to care for the animals that provide the raw materials, without efficient co-operation with communities, or without fair working conditions and other important components?

After more than a century of business development worldwide, Danone has no less ambitious plans for the future. In 2017, we synchronised our strategic business goals with the UN Sustainable Development Goals. The goals are quite specific and cover three clear areas: the organisation of our business model, the model of brand building, and the model of trust.

During the [COVID-19] crisis, we were able to achieve effective practical results from the above strategy, quite possibly for the first time. For instance, the trust model consolidated our team to counter the threat of the pandemic and we managed to achieve uninterrupted production. Our model of brand building, where health has always been paramount, has made our useful and functional products even more relevant and in strong demand by our consumers. And our business model, where quality, innovation, and growth laid a solid foundation for work, has allowed us to maintain a foothold even in the most turbulent times. **”**

Adrian-Valentin Pascu

General Manager
Danon Ukraine



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We at Eldorado have identified the need to include ESG elements in our corporate strategy over the next three years, in line with our new philosophy.

Eldorado strives for constant growth by improving our interaction with customers and employees. Therefore, we are especially focused on the development of vertical and infrastructural solutions for sustainable development. For the Ukrainian business community, at least for companies operating solely in the Ukrainian market like ours, ESG is an entirely new area. It will take more than a year for its full acceptance and formation.

However, Eldorado already pays considerable attention to implementing sustainable development approaches. We understand that where clients previously used to be satisfied with choices that served their direct functional needs, now most clients are already starting to think about the emotional and social impact of their consumer choices. Customers expect companies to conduct socially responsible business practices so ESG is gaining popularity in the financial market. Primarily, there is demand from immediate consumers. Competing at the level of a wide shelf and the lowest price point is no longer possible today. This is a matter of the future, and the future is about the client's emotions, about their commitment to certain types of companies. Going further, customers clearly understand why they love some specific company and why they enjoy its services. It's not solely about the fact that the customer came, bought something at a good price, and left. ”

Vira Vitinska

CEO

Eldorado.ua



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Sustainable development is not just some abstract goal but a specific strategy for companies operating in the global market. Environmental protection has become a trend over the past few years, setting a vector for both business and public policy. This is only natural, as environmental problems have matured step by step since the times of total industrialisation. This is what will radically change the economy over the next 20–30 years.

Tectonic changes have already begun. We are talking about the approved European Green Deal, about the intentions of dozens of major powers to build a carbon-neutral economy. As an industrial company and a large Ukrainian exporter, we have already received requests from customers from Europe and the United States to confirm more information than the usual queries about the technical characteristics of our products or our financial reliability, but also environmental audit information about suppliers. Many of our clients have decarbonisation goals and our customers are concerned about what our company is doing in this area.

One thing is for certain, and that's that we keep up with the times. In 2012, our company opened the Interpipe STEEL electric steel plant, built from scratch, which is already on par with the leading European companies and is a benchmark for CO₂ emissions in the field of steel production. In addition, the plant is equipped with modern gas cleaning and sound insulation systems, as well as a closed water supply system, i.e. the company has no industrial discharges, all water is reused in its production processes. However, we will continue to move forward by taking into consideration the environmental component, and implementing new projects. ”

Fadi Hraibi
CEO
Interpipe



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METRO has always been a socially responsible company and has invested in environmental and social initiatives. We have doubled our budget for sustainability for the next two to three years in order to implement initiatives faster and develop new areas that emphasise our long-term view and responsible attitude to our products, our planet and, above all, our customers and employees.



Indeed, we are currently witnessing a growing focus on ESG. Firstly, we are not just talking about climate change as something distant and illusory; we can see the reality of things in different parts of the world, including extreme temperatures, fires, heavier snowfall, etc. Unless something is done now, all of these will have a significant impact on the global economy sooner or later.



It will be simply impossible to live in some parts of the world due to adverse climatic conditions, leading to mass migration. There are doubts that countries with suitable living conditions will have sufficient capacity to accept "migratory" populations and, accordingly, this will trigger difficulties with employment, pressure on social benefits, housing, infrastructure, and so on.



The same climate changes will entail shortages of agricultural products that will directly affect the economies of countries, enterprises, and corresponding living standards, as well as affecting the purchasing power of different populations.

All of this taken together will entail the loss of some markets for international players and, for both international and local companies, potential shortages of raw materials, drastic changes in the supply chain, and reduced turnover.

Therefore, it is extremely important for us not to take the position that "it doesn't matter to me, it's not happening to me, it's not happening here." Humanity and business need to unite and start actively implementing proactive initiatives!

ESG is also a social responsibility, first and foremost, to a company's employees. It is impossible to build a long-term, profitable business with employees who are not satisfied with their job or who quit their job often. Only a happy employee will be the most efficient and able to make the customer happy. The need to maintain the well-being of a company's employees manifested itself quite vividly during the pandemic when, in conditions of uncertainty, the level of involvement and, consequently, efficiency began to decline.

METRO carries out research on the involvement of its employees on a regular basis, implementing the most efficient tools to boost team spirit. We adhere to the principles of diversification and inclusion so that each employee understands their value, sees their contribution to the success of our business and our customers, and knows that they will always be heard and their opinion will be taken into account.”

Olena Vdovychenko
CEO
METRO Cash & Carry



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Our priorities have stayed the same. SOCAR is a customer-centric company and we see that as a source of growth. First of all, this customer-centric philosophy manifests itself in the level of service and quality we provide, which are unparalleled among other fuel market players of Ukraine. That is why our strategy does not focus on aggressive expansion. This is not necessary for the premium segment in which we operate. In our opinion, rapid growth is not compatible with preserving a high quality of service and an individual approach. It is much more important for us to increase our expertise as a hub that provides everything you need for a comfortable trip around the city and beyond.

Responsibility is an integral part of any successful business. Investing in social capital is just one aspect of this process. The world is moving towards greater awareness and responsibility for our actions. Naturally, it is becoming impossible to develop further without taking into account the shared interests of the environment and business. It is good that social initiatives have found support at the government level as well. Analysts say that companies supporting ESG principles have much higher growth potential. Time will tell how viable this strategy is for Ukrainian realities, but we have definitely chosen that vector of development for ourselves here at SOCAR.

Whether or not a business is environmentally friendly is also expressed in its willingness to innovate and digitalise its own processes. This does not run counter to the need to invest into staff development, but rather complements this need. The ultimate goal of these processes is to maintain and enhance the level of quality of service companies, in order to meet the requirements of our customers.

”

Elchin Mammadov
CEO
SOCAR Energy Ukraine





Digital agility

Building a flexible future of work

As people return to workplaces, CEOs need to decide on an operational model for the future that will work for both employers and employees.

Only 35 percent of Ukrainian respondents (37 percent worldwide) said that most of their employees would work remotely at least two or more days a week. However, CEOs rely on flexibility. Nearly one third of Ukrainian respondents (29 percent) and over half of global respondents (51 percent) are aware of the needs of future workforces and seek to invest in shared office spaces to allow for increased flexibility. In addition, 42 percent of global business leaders and only 13 percent of Ukrainian executives indicate they will look to hire talent that works predominantly remotely, seizing the opportunity to expand their reach into a wider pool of talent.

Disruptive change stimulation

Executives recognise that digital technology is at the heart of how companies can create new sources of value. When we asked what measures business leaders plan to take to achieve their growth goals, over two thirds of global respondents (67 percent) said that they intend to invest in disruptive technologies and innovation, whereas in Ukraine just 36 percent of managers plan such investments. Overall, as can be seen from Figure 8, executives from across the world show a much greater willingness to co-operate and invest into innovation.

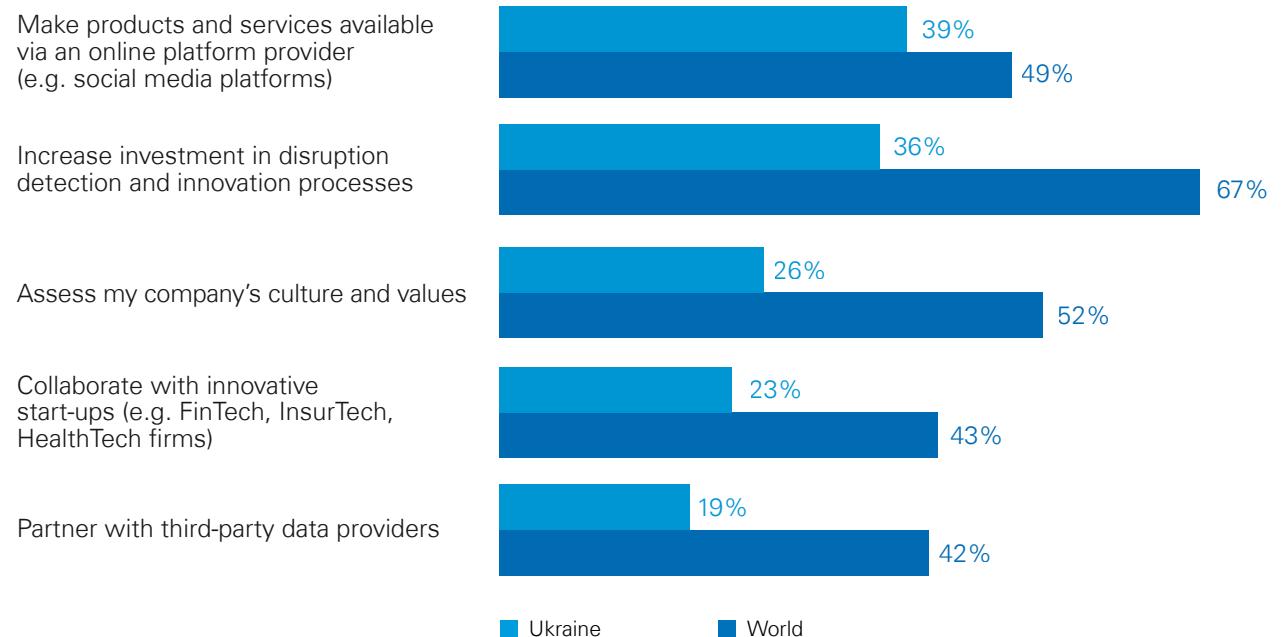
Partnering for transformation and resilience

Companies around the world work as part of digital ecosystems to improve operational performance, identify new sources of digital revenue, and gain compelling digital experience when working with customers in IT sphere. To meet their organisation's goals, companies co-operate with partners, suppliers, and even competitors. Company executives recognise the importance of co-operation and an adaptive approach to transformation, with 55 percent of managers in Ukraine and 70 percent worldwide saying that new partnerships will be crucial to ensure the pace of digital transformation.

Over two thirds of global respondents (67 percent) said that they intend to invest in disruptive technologies and innovation, whereas in Ukraine just 36 percent of executives plan such investments.

As partnerships require systems to interact with digital technologies and share data with partners, business leaders need to make sure that such systems and data, especially customer data, are secure. Cybersecurity threats limit growth and create barriers to digital development and interaction. Only 58 percent of the organisations surveyed globally and 49 percent of those in Ukraine said they felt well prepared for a cyber attack.

Figure 8: Actions that the company plans to take over the next three years to achieve its growth goals



Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

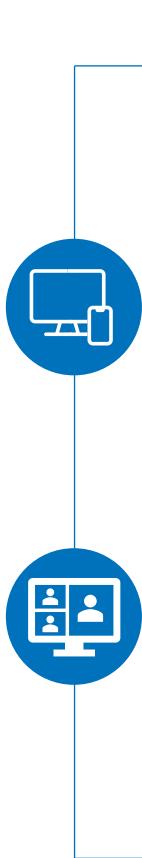
In Ukraine, 55 percent of executives and 70 percent of worldwide respondents say that new partnerships will be crucial to ensure the pace of digital transformation.



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We are automating operational processes on an on-going basis and investing in technology accordingly. We invest in technologies that will improve the speed of work and the speed of customer service at all sites. We channel a significant share of investment into technology to ensure the comfort of customers and employees. On average, the investments of companies in such technologies generates a fivefold return thanks to increased productivity, organisational flexibility, and customer satisfaction. ”

Vira Vitinska
CEO
Eldorado.ua



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The Ukrainian IT market is very hot right now. The industry is developing very quickly and everything implies that this trend will continue in the coming years.

The need for businesses to digitalise process will only grow. Even large companies that were once entirely analogue are now beginning to digitalise and create their own products by establishing in-house IT departments.

In addition, the heritage of COVID-19 will stay with us forever: the format of working from the office that reigned supreme before will no longer be relevant. Most companies will operate in a hybrid format in a way that is most convenient for professionals and acceptable to companies.

In order to remain a market leader, you will need create the best climate for a hybrid team to work at all levels: in terms of working conditions and organisation of all processes. Current approaches will therefore need to be reviewed.

The key priority for us is still people, their all-round development, comfort, and equal opportunities. In a rapidly evolving world, we will rest upon our fundamental values centred on professionals and their talents.”

Olena Samborska
Managing and HR Director
Luxoft Ukraine



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As always, the key priority of METRO Ukraine will be the development and success of our business customers, and meeting the needs of our end users. Our goal is to provide customers with affordable products and services and create added value for our customers, no matter whether they buy our products directly in stores or order them on a website offering home delivery which has already become everyday reality.

We will keep on developing and investing in the hotel and restaurant business market by providing our HoReCa clients with business solutions, namely; product-specific, financial, and digital tools, as well as educational programmes.

In order to efficiently fulfil the task we set ourselves, we are going to invest a significant part of our resources into digital transformation. On the one hand, we will digitise routine processes to free up team time for creative solutions that will be part of our value proposition to customers, such as the development of products under their own brands that offer quality at the best price.

On the other hand, we will invest into solutions for customers which will make their customer experience easier and more interesting, reduce the time needed for purchase transactions, and increase the time for satisfaction with products and ready meals.

Systems and technologies cannot exist without people. Even the so-called AI [artificial intelligence] which is the marketing name for Big Data cannot be implemented and work effectively without professionals to operate it. Only qualified professionals can tell where, what process, and how data should be analysed, automated, and which systems should be connected to bring the level of efficiency that a company expects.

We will therefore equally invest into the purchase/development of digital solutions, and increase the capabilities of our team. Sometimes we attract staff from the market directly, specifically for industries where we did not have enough experience at first or when this was a new area for us. However, in most cases we prefer to develop and improve the knowledge of our in-house employees.

This strategy has always enabled us to maintain a high level of team involvement which manifests itself in terms of our market share, which is growing steadily despite the fact that we have not opened new stores. ”

Olena Vdovychenko
CEO
METRO Cash & Carry



Key findings

The road to renewal

Trusted purpose

Digital agility

Interviews with CEOs

Methodology and acknowledgments



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For Farmak, as the leader of the Ukrainian pharmaceutical market, the only strategic priority is to improve our portfolio of medicines to meet the needs of Ukrainian patients for quality, affordable medication. That is why we are investing on an ongoing basis into the modernisation of our enterprise; constructing new production sites, advanced IT technologies, and staff development.

Traditionally, we reinvest 90 percent of our profits every year. The expansion of our business also contributes to the creation of new, prestigious jobs and the strengthening of the Ukrainian economy. Today, Farmak's staff includes 3,000 employees and many more of them are busy in related industries. In addition, we are the largest taxpayer among Ukrainian pharmaceutical manufacturers. In 2020 alone, we paid over UAH712.1 million in taxes and fees to central and local budgets.

Overall, Farmak has invested about USD250 million into new technologies and new production facilities over the past 15 years. The resources of our existing research centre are no longer sufficient, so we plan to open an innovative R&D centre in Kyiv's Podil district in 2023 to develop modern medicines. This will be vital for the company to keep expanding its product range and enter new, foreign markets. In 2020, we increased exports by 40 percent and plan to expand even further in the coming years. ”

Volodymyr Kostiuk
Executive Director
Farmak



Key findings

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Interviews with CEOs

Ivan Geliukh: "Electric networks are a fundamental part of the Green Deal, and the transition to a new economy and clean energy."

Quarantines imposed in response to the COVID-19 pandemic pose a challenge for the energy industry. While people were forced to stay at home in self-isolation, the energy supply system continued to work both for people and for business: there was light and internet in people's homes, while electricity was continuously supplied to business facilities. We met with Ivan Geliukh, CEO of DTEK Grids; a group that includes seven energy distribution system operators with 18,000 employees serving more than 13 million residents of Ukraine. We talked about the main challenges the industry faced two years ago, and discuss 'recipes' for business recovery and development in difficult times.

The conversation was led by Andriy Tymoshenko, Director, Head of Strategy and Operations, KPMG in Ukraine.

This autumn, KPMG International released the global version of its traditional CEO Outlook report. The research shows that global business leaders are confident in the growth of their companies and the global economy as a whole. Our Ukrainian Business Leaders Outlook 2021 confirms this prediction, with more than 70 percent of Ukrainian executives sure that their business will grow. Do you agree with those who are optimistic about the future of the economy and business in Ukraine?

DTEK Grids operates in five regions of Ukraine. If we compare the amount of distributed energy and the demand for electricity on a y.o.y basis, we can see a six percent increase on average. This is quite substantial. For 11 months of 2021, we recorded a 5 percent increase



in consumption. For us, this is evidence that the Ukrainian economy is recovering and that businesses are developing. Another important factor indicating economic recovery is the increase in the volume of new customer connections to electricity networks. That is, the demand for connection is there: new houses and apartment blocks are being built and people are consuming more electricity. In some regions, we've seen an increase of 37 percent.

In your opinion, how long will it take to restore supplies to pre-crisis volumes?

Different industries will do this in different ways. In general, if we look at the volumes of electricity consumption in the regions where DTEK Grids operates, we expect volumes this year to exceed those of 2019.

What challenges has DTEK Grids faced over the past two years?

Firstly, there was the beginning of the pandemic which was quickly followed by quarantine restrictions that fundamentally changed the format of our work, the work of our people, and our approaches to work and technology. The second big challenge was changes in the electricity market due to changing customer demand. Today, customers see electricity as a basic need: electricity simply has to be available round the clock. This is power grids' primary responsibility. However, customers and market participants now have a desire and a need to trade on the energy market too.

We have seen a significant increase in small-scale generation: more and more people are becoming prosumers, installing home solar panels for their own needs and for generating electricity. More and more households are connected to power grids, and have installed chargers for electric vehicles. We can feel how the customer market has changed the role of electricity



networks. Today, in addition to high-quality power supply services, we provide our customers with the opportunity to become a player on the energy market.

What are your expectations for changes in the Ukrainian energy sector?

Today, the Ukrainian energy sector is following the same path as energy companies in Europe did a few years ago. Grids are transforming from classical 'Oblenergos' to modern energy distribution systems with 'green' energy elements. The grids' role is to help all market participants to fulfil their aspirations, plans, and needs: from traditional electricity consumption to electricity generation through new 'smart' digital solutions, such as 'smart' meters that enable customers to monitor their electricity consumption via smartphones and manage them according to their needs. We are consciously strengthening our power

networks' image and the public's perception of them as a partner that creates opportunities.

You have mentioned many factors and challenges that change approaches to business, management approaches in particular. How did this affect the vision of the company's strategy? What is your company's strategy today?

Our strategy involves the formation of a sustainable, customer-oriented business. The COVID-19 crisis has not affected the goals of our strategy or our vision of how our business will develop. One of the fundamental pillars of our strategy is the concept of ESG; that is, how we interact with the environment, with society, and our corporate governance.

We continue to focus on building our customer experience. It is important for us that the customer

feels like working with us is convenient and straightforward. We demonstrate care at all stages of our work with the customer, show what we do for the public, and pay due attention to environmental projects. We see this as our contribution to the common strategy for the development of Ukraine.

Nowadays attention is focused on the issue of infrastructure renewal. We have all heard about the Great Construction programme aimed at improving Ukraine's roads, schools, and sports infrastructure. At the same time, the energy sector, and electricity supply networks in particular, is an integral part of the country's infrastructure. Recently, there has been mention

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of a 'Big Network Renovation' in the national press. Could you shed some light on this?

The Big Network Renovation is DTEK's large-scale programme that involves construction, automation, and digitalisation of substations and new electricity networks. We believe that the essence of this programme is just as vital for Ukraine as the Great Construction programme in terms of upgrading infrastructure and electricity networks. In any country, basic infrastructure (such as roads and electricity networks), must be modernised if one is to boost the development of the entire economy and benefit the state, people, and business.

The Big Network Renovation programme was launched this year in response to the start of long-awaited electricity distribution tariff reforms. The new preferential tariff procedure adopted in almost all European countries enables greater investment in electricity networks and, accordingly, quicker development and infrastructure improvements.

It took Ukraine about eight years to elaborate and enact these reforms, before they were finally implemented from January 2021. As a result, network investment has increased significantly: according to our estimates, there has been an average increase of 53 percent in investment in our companies which obviously allows us to improve the quality of electricity supply and reduce losses in electricity networks.

Digital and cloud technologies form an integral part of business development. They are also very important for electricity networks. Are there any projects you are proud of?

We have launched many projects to digitalise infrastructure and electricity networks. We implement both systemic projects and SCADA-based solutions for automating our network, ERP-systems, and billing. Put simply, this means shifting our entire infrastructure online. Together with Hepta, an Estonian company, we are implementing projects using

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At DTEK, human capital is the basis of the company's success. A vivid example can be seen in DTEK Academy which successfully provides training to our employees to help them develop professionally. ”

drones to scan electricity networks and energy facilities, which then automatically upload data to artificial intelligence software that detects any damage that occurs to the network.

Electric networks are a fundamental part of the Green Deal and the transition to a new economy and clean energy. That is why energy sector automation and digitalisation projects aim to transform the economy and make energy 'green'.

Can we say then that Ukraine is moving forward to be on par with European companies, and the quality of electricity supply will be the same as in Europe?

Our goal is to improve the quality of supply and achieve the quality indicators that our Western colleagues already have.

We look at their practices, but I can safely say that we take a pioneering role in a number of projects.

Digitalisation and automation are one side of the coin. The other one is human capital. How do you find a balance between investing in digital solutions and people at DTEK Grids?

At DTEK, human capital is the basis of the company's success. A vivid example can be seen in DTEK Academy which successfully provides training to our employees to help them develop professionally.

Innovation does not stand still: there are new solutions, new electric system technologies. Take repair work under





Ivan Gliukh

CEO, DTEK Grids

Graduated from Donetsk National University with a master's degree in Finance.

Completed DTEK Academy's Energy of Knowledge programme (an MBA module programme run jointly with Kyiv-Mohyla Business School) and the 'Energy of Leader' management development course (an INSEAD programme).

On 6 June 2018, Ivan Gliukh was elected co-chairperson of the Energy Community Distribution System Operators in Electricity (ECDSO-E) at the 23rd Energy Community Electricity Forum held in Athens.

Ivan Gliukh



voltage, for example. Traditionally, you had to turn off the power first to carry out repairs on electricity networks. Today, advanced technology, special equipment, and protection kits allow repairs on electricity networks with the power on. However, such work requires certain skills and training. That's why we started training our employees at the Dnieper testing facility last year to affirm their readiness to learn and develop professionally. This is how we can develop our company and provide new services and quality products: through balancing the requirement for DTEK to improve its services and our employees' willingness to learn.

Naturally, automation and implementation of new software systems and innovative remote control solutions for electricity networks increases cybersecurity risks. How do you protect your systems from cyber threats?

The more a company digitalises, the greater the risk that systems can be damaged by malicious third parties or attacked from the outside. It is only natural for us to protect against such risks. As for information security, this is a priority and as important an element for us as the infrastructure of the company. For our European colleagues, the issue of information security is also the focus of heightened attention.

Another topic has become part of the modern Ukrainian business ESG agenda, specifically the issue of decarbonisation and environmental impact. What is the role of ESG in your company's strategy?

We approach ESG principles from several angles. One of these is technology. Modern technology allows us to reduce losses from power networks. With lower distribution losses comes a reduced need for generation

output and, accordingly, lower CO2 emissions. This is one contribution of our networks to decarbonisation.

The second area of focus is the connection of renewable energy sources to DTEK networks. Over the past three years, about 1.5 GW of electricity from renewable sources has been connected to DTEK networks, mainly from solar and wind. We see more and more people installing solar panels for their own use, so the new modern role of DTEK Grids is to not only provide electricity to customers but also allow users to generate electricity themselves and provide it to the network. Although the classic network configuration was not designed for this purpose, DTEK is currently undergoing transformation so that customers can satisfy their ambition to become players on the electricity market. This is how DTEK Grids contributes to resolving issues related to 'green', eco-friendly energy.

The third area of focus within our ESG agenda is environmental protection. We implement projects to protect and support biodiversity in Ukraine. One such project is #EnergyWings which aims to preserve the population of storks that nest on the supports of power transmission lines. To do this, we have installed special platforms on which storks can safely and reliably nest without hurting themselves and damaging the lines.

What are your personal key focuses as a manager so that the company grows and continues to develop?

The team. Our people who are developing professionally will change the company and implement all the transformations we discussed above. My main task and focus is working with the team because, in the end, it is our people who will implement these plans and help DTEK to achieve the results we want to achieve.

Yuriy Ryzhenkov: "Business models must be suited to their time and external conditions at an economic, political, and human level."

The metallurgical industry was one of the first to experience the onset of the COVID-19 pandemic. This sector of the economy has also been adversely affected over the past few years by a lack of qualified personnel. We met with Yuriy Ryzhenkov, Metinvest Group CEO, referred to in the media as 'one of the most influential managers in Ukraine', to talk about the main challenges faced by the industry and potential 'recipes' for business recovery and development in difficult times.

The conversation was led by Yuriy Fedoriv, Partner, Head of Restructuring Practice & Head of KPMG in Ukraine Financial Services.

 [Video version of the interview](#)

KPMG International has recently released the latest version of its CEO Outlook report for 2021. The research shows that global business leaders are confident in the growth of their companies and the global economy as a whole. Our Ukrainian Business Leaders Outlook 2021 confirms this prediction, with more than 70 percent of the CEOs sure that their business will grow. In your opinion, how will the Ukrainian economy and metallurgy develop in the coming years?

Metallurgy is a cyclical business. Its development does not always reflect the economic cycle. This explains why metallurgical companies have just shown their best results worldwide in the COVID-19 years, with Metinvest being no exception. We are witnessing



an unprecedented level of investment in infrastructure projects around the world. That's why I think the economy will be able to demonstrate growth next year. I am sure that by 2022, we will have passed through the current wave of COVID-19 and both the Ukrainian and global economies will have a chance to recover and operate at full strength. Furthermore, we predict an increase in steel consumption.

What factors will affect the rapid recovery of business, in addition to the lifting of restrictions to reduce the effect the pandemic?

First of all, a company's chosen business model. It must be suited to the time and the external environment in both an economic and political sense and, even more



simply, in a human sense. It is important for any business to understand that we are in this COVID-19 pandemic for the long haul. So you have to take this into account in your strategy.

How did the pandemic change Metinvest Group's strategy? What challenges did you face?

Metinvest only sells 20 – 25 percent of its products in Ukraine, while the rest is exported. Accordingly, we are influenced not only by what is happening in Ukraine but also by the situation worldwide. I can say that our company was among the first in Ukraine to be affected by the pandemic. When COVID-19 broke out in China, we had problems there with the supply and purchase of equipment. Then we had to halt

two plants in Italy which is Metinvest's second largest market after Ukraine.

At the same time, this gave us an opportunity to respond faster when the pandemic reached Ukraine. For example, from the very beginning of the pandemic we communicated intensively with our Chinese colleagues; metallurgists and equipment manufacturers. We received information about the procedures they used and the way they responded to restrictions, and we adapted their protocols to suit our businesses. This applied to remote work, mandatory mask wearing, disinfection, personnel placement, and even basics like the use of elevators.

From a long-term prospective, the pandemic has altered our view of the world. Let me give you a remote work





example. We divided our administrative staff into several groups: the first group works permanently in the office, the second one only works remotely, and the third one spends 2 – 3 days a week in the office and then works remotely for the rest of the time. We also adopted a hot-desking system in the offices to accommodate administrative staff in a smooth manner.

In your interviews, you often say that you will invest extensively in IT. Why is it so important for your production, and for metallurgical companies in general?

We have a large field for the application of IT technology. Our Metinvest Digital business is now very actively gaining momentum. We started with office applications and accounting software, and now the next step is the automation of industrial facilities. New production facilities for which we have purchased equipment can be completely automated. Central control of new CCM 4 or Roll Mill 1700 equipment in Mariupol can already be at the click of a computer mouse. However, old equipment can also be automated. We currently have several global projects, automating our iron ore processing facilities (GOKs), for example, via so-called 'digital processing'. Now a pilot digital processing project is underway at Ingulets GOK. In metallurgy, we also use artificial intelligence and work with big data. The thermal balance of the blast furnace at Azovstal Iron & Steel Works is controlled by artificial intelligence. Data from the furnace is analysed online and artificial intelligence advises the operator on what actions they should take.

What is your company's investment priority: technology or people and their knowledge?

Both. If you invest in people's IT knowledge but don't give them the proper tools to apply it then your money is thrown to the wind.

To enhance our employees' IT knowledge, Metinvest has established a university. It currently operates as a training facility that provides advanced training courses. However, starting from next autumn, this university will offer a full-fledged bachelor's degree programme, with a view to launching master's degree programmes. What we need today are not just metallurgical engineers, those are yesterday's demands. We need IT professionals with a very good knowledge of metallurgical processes. We now have more than 120 employees enrolled in our advanced training courses, of which IT education is an obligatory part.

The development of IT infrastructure and advanced technology involves cyber threats. How do you protect your IT systems?

We divided our IT risks into several groups. There are systems that ensure process continuity. Usually, they

are related to production, where disruption of processes can lead to man-made disaster and irreparable losses. These systems are isolated from office networks. We also installed a significant number of systems to protect our machinery and production equipment so that they could be operated efficiently at any time. Further, we have office systems. To this end, cloud based solutions offered by Microsoft, among other providers, are used that ensure a high level of protection against any attacks. But at the same time, we have Plan B, a recovery plan to enable getting the system back on the track quickly. Depending on the system's criticality, the recovery takes us from a few minutes to several hours.

When the Petya virus hit, which we unfortunately couldn't avoid, our American assets were probably recovered for the longest time because they were not integrated into the overall system. The Ukrainian assets can be recovered in less than 4 – 5 hours. In general,

the work of our systems has shown our ability to recover rather quickly.

In the public field, you often talk about Metinvest's strategy for ESG. What is your company's strategy in the field of Cleaner Production and decarbonisation?

Unfortunately, no one has been seriously engaged in decarbonisation in Ukraine so far. People often just don't understand what it is all about. In contrast to environmental protection, if you ask a person on the street if they know what decarbonisation is, you are unlikely to get a clear answer. In our opinion, these two problems require different approaches.

Metinvest has been investing in environmental projects since its inception. We need to restore, or build from scratch, new pollution control systems, aspiration detectors, etc. This year alone, we invested more than USD150 million into purely environmental projects. A project worth over USD160 million to reconstruct a gas treatment system for non-controlled emissions from converters has been launched at Azovstal. In general, the Group has agreed on a strategy with municipal authorities and the Ministry of Ecology and Natural Resources to eliminate sources of harmful emissions, and we intend to move forward with this plan. This involves investing a further USD150 – 200 million per year in environmental projects.

Regarding decarbonisation, we are currently developing a decarbonisation strategy that will hopefully be approved and presented to the public early next year. Its essence is the transition to direct iron recovery Technology; that is, the transition from blast furnaces and sintering plants to electrometallurgical methods of steel milling.

The fact is that electrometallurgy in Ukraine is mainly based on scrap metal, of which there is a chronic

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To enhance the IT knowledge of our employees, the company has established a university. Currently it operates in a format of a training facility providing advanced training courses. However, starting next autumn, it will offer a full-fledged bachelor's degree programme, with a view on launching master's degree programmes. ”

scarcity at the moment and one that we foresee will continue in the future, both in Ukraine and the European Union. We want to transform the iron ore that we mine in Kryvyi Rih so that it can be used in direct iron recovery processes.

We are talking about pellets with an iron content of more than 90 percent, which will then be used in electrometallurgy to obtain new, pure steel. Combining this technology with renewable energy sources that can be actively developed in eastern Ukraine, the Azov and Black Sea coasts will enable carbon neutral metallurgy in Ukraine. We have already taken the first steps in this direction: last year, Metinvest produced its first high-quality DRI-Grade pellets at our Central GOK, with Northern GOK being the next in line. We plan to produce our first low-carbon steel in 2029 – 2030.

One of your strategic initiatives is Metinvest Polytechnic. Could you tell us about this project?

The existing education system does not provide us with sufficient numbers of engineering personnel and

lacks the quality necessary for training new ones. We tried to solve these problems by directly investing in certain universities. But in the end, we still lacked the specialists that we needed. Another problem is that many talented high school graduates of a technical bent and with high scores in mathematics, physics, or chemistry seek out education in colleges or universities abroad rather than in Ukraine. Unfortunately, most of them then stay abroad after completing their education. To this end, I can say that there is serious competition with foreign companies for young Ukrainian talent.

As a result, Metinvest decided to establish our own technical university and try to bring technical education to a level on par with the world's best practices. For us, Metinvest Polytechnic is also an opportunity to attract young people from all over Ukraine to receive high-quality higher education in Mariupol. Here, they can see and understand what metallurgy is all about, take an interest in the profession and stay to work at Metinvest.

Meanwhile, the construction of the campus is underway, comprising the university, dormitories, and

**Yuriy Ryzhenkov**

CEO, Metinvest Group

December 2013 to date: CEO, METINVEST HOLDING LLC

2010: Chief Operating Officer and Member of the Board of Directors, DTEK

2007: Chief Financial Officer, DTEK

**Yuriy Ryzhenkov**

a sports complex using steel produced by our Mariupol plants. We decided to prove that using metal in their construction is much more efficient than other materials. We expect the campus to be completed in just one year; from groundbreaking to commissioning. Metinvest Polytechnic has received more than 300 bachelor's degree licences and more than 200 master's degree licences. We have already formed a core professorship that will provide advanced training courses to our employees and develop a programme for future applicants. At the same time, partnerships have been developed with different universities, like Igor Sikorsky Kyiv Polytechnic Institute, and negotiations are being held with universities in Poland, Germany, the USA, and Italy.

What are your personal focuses as CEO for the next year?

Next year, metallurgy is most likely to hit a downward cycle. Therefore, operational efficiency will be a primary focus. If we set up processes effectively, this will help us solve environmental and labour protection issues. Investment is focus number two. A record investment programme is planned for next year: we have launched significant projects related to developing and manufacturing new products. At the Ilyich plant, for example, construction has started on a new cold rolling workshop worth more than a billion dollars, which is to be fully implemented within three years time. Many projects will enter an active phase next year, such as flotation and a new burning machine at Northern GOK, among others.

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In summary

Business leaders in Ukraine are optimistic and expect their companies to dynamically grow: 76 percent of Ukrainian respondents and 87 percent of global respondents are confident in the growth prospects of their companies. In Ukraine, 71 percent of respondents say that their main path to growth will be via organic means, while 69 percent of global executives say that they will mostly use inorganic tactics.

Ukrainian respondents name operational risk as the biggest threat to local company growth over the next three years, but regulatory risk, talent risk, the risk of supply chain disruption, and cyber threats also remain on their radar.

Company executives aim to stimulate growth and prosperity through digital technology by combining investment into technology with investment in human capital development, and are working to balance new ways of organising work developed during the COVID-19 pandemic and adapt their companies to a new post-pandemic future. In Ukraine, 55 percent of executives and 70 percent global respondents said that forging new partnerships will be crucial to ensure the current pace of digital transformation.

47 percent of Ukrainian respondents and 67 percent global business leaders foresee an increase in demand from stakeholders to implement ESG principles in their business strategies. 24 percent of Ukrainian executives and 30 percent of global respondents plan to invest more than 10 percent of their income in their companies' sustainable development programmes.

Methodology and acknowledgments

This KPMG report presents the views of Ukrainian business leaders in Ukraine about their companies, business as a whole, and global and local economic growth. The survey offers a unique look at how executives' thinking is changing because of the global COVID-19 pandemic.

The survey involved 70 business leaders and executives whose companies operate in various sectors of the Ukrainian economy. This survey was conducted in Ukraine from July to October 2021. The structure of the survey was based on 19 questions adapted from those used in the international survey KPMG 2021 CEO Outlook. The above executives work in more than 11 key areas, including the asset management sector, the automotive industry, banking, retail, energy, transportation, insurance, pharmaceuticals, manufacturing, and technology. Of the 70 executives, 30 represent companies with revenues of up to EUR8 million; 14 of them represent companies with revenues ranging from EUR8 million to EUR40 million; and 26 represent companies with revenues of over EUR40 million. We compared the data published in this report with the results of the KPMG 2021 CEO Outlook global report.

NOTE: Some figures may not add up to 100 percent due to rounding.

KPMG in Ukraine would like to thank all the business leaders who joined in our the survey, as well as all those who shared their thoughts with us:

- Adrian-Valentin Pascu, General Manager, Danone Ukraine
- Vira Vitynska, CEO, Eldorado.ua
- Fadi Hraibi, CEO, Interpipe
- Olena Samborska, Managing and HR Director of Luxoft Ukraine
- Olena Vdovychenko, CEO, METRO Cash & Carry
- Elchin Mammadov, CEO, SOCAR Energy Ukraine
- Volodymyr Kostiuk, Executive Director, Farmak
- Mykola Tymoshchuk, CEO, UFUTURE Holding



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