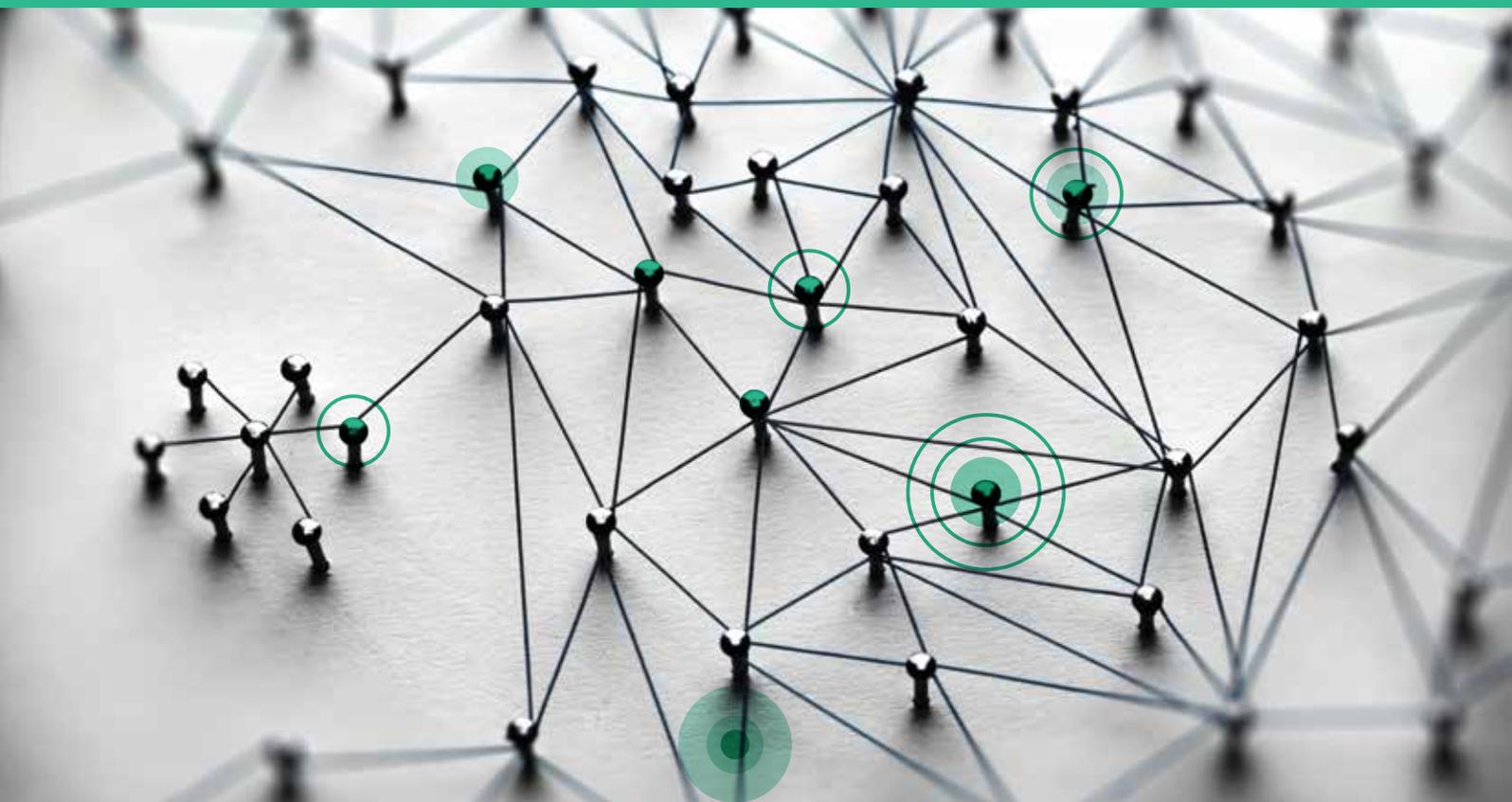




UNIC

Ukrainian Network
of Integrity and Compliance



ANNUAL REPORT

Ukrainian Network of Integrity and Compliance

2017



UNIC

**DELIVERING
BUSINESS
VALUE**

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UNIC'S MESSAGE

Dear Friends, Colleagues, and Partners,



Investing and doing business successfully in Ukraine, unfortunately, remains a challenge and the demand for change, driven by the local business community, has never been more pressing. A wise person once said that the best way to foster change is to start with ourselves, and we, at the Ukrainian Network of Integrity and Compliance (UNIC), are doing exactly that.

Obviously, a functioning business integrity network could not be built in one day – we had our share of discussions, negotiations, and meetings with like-minded companies to ensure the necessary motivation for and the scale of collective action.

When this report was written, the UNIC and/or the Network included 55 companies from 46 cities

with a cumulative number of employees exceeding 60 thousand people, and we continue expanding. We realize it is not an easy task to adapt a robust approach to ethics and integrity on all levels of decision-making in a business. However, we do believe that a public commitment to good governance through the UNIC membership has an immediate impact on a company's reputation and intend to demonstrate a business case for integrity and compliance in Ukraine by engaging more businesses and expanding our membership bases.

Having made significant progress, the UNIC does not plan to stop. To support our members' commitment to fostering transparency and healthy competition, we are working on building the capacity of their anti-corruption programs by making systems, tools, policies, and best practices available to them. We hope that our efforts will eventually affect policymaking on the state level and the various organizations who share our interest in improving Ukraine's business climate will join efforts with us.

As a Head of the UNIC Executive Committee, I am confident that together we will promptly meet the challenges that come our way and make doing business with integrity and compliance a predominant approach in Ukraine.

Sincerely,

Ivan SAKAL,

Head of UNIC Executive Committee

Dear Friends, Colleagues, and Partners,



I am pleased to present to you the 2017 UNIC Annual Report titled Delivering Business Value. The report accounts for the first year of operations and progress of the UNIC as a new private sector initiative and a promising opportunity to change Ukraine's business environment through collective action. In the reporting year, the UNIC evolved from an idea voiced during closed discussions in the local business community to a full-scale platform for promoting an ethical and transparent approach to doing business as essential components of long-term success.

The UNIC was officially launched on October 9, 2017, but the collaboration and the effort to make it happen began long before this date. There is no doubt that current progress could not be achieved

without the financial and the institutional support of the Business Ombudsman Council, the European Bank for Reconstruction and Development, and the Organization for Economic Cooperation and Development. We highly appreciate the engagement and the input of the first signatories of the Business Integrity Declaration on May 19, 2017 that laid the UNIC's foundation – 42 local and international companies whose determination has set an example in community-building on the industry level.

Considering the actual start of operations in the second half of 2017, this report also covers the first quarter of 2018 and includes both the UNIC progress overview and the plans for the upcoming years. We have ambitious goals: to double the current membership till the end of 2018, to expand our educational program, and to build productive relations with Ukraine's government authorities, among others. Promoting a business culture of integrity and compliance takes diligent effort on behalf of businesses, government, media, and the general public. We intend for the UNIC to become a source of inspiration and expertise for increasingly more companies to gradually change Ukrainian business culture through leading by example.

Sincerely,
Ganna GERASYMCHUK,
Head of UNIC Secretariat



1

**ABOUT
UNIC**

1. WHO WE ARE



The Business Ombudsman Council (BOC), with the support of the European Bank for Reconstruction and Development (EBRD) and the Organization for Economic Cooperation and Development (OECD), founded the Ukrainian Network of Integrity and Compliance (UNIC), a new initiative for businesses interested in a culture of transparency, integrity, and compliance.



A place for promoting the idea of doing business responsibly



A platform for implementing compliance standards in accordance with the best international practices

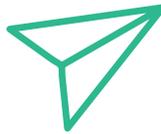


An educational project fostering the idea of integrity and transparency in business and local communities

The UNIC members are committed to



maintaining
good reputation



constantly improving
their practice of integrity
and compliance



working together to assess
corruption risks as
part of implementing
compliance programs



regularly auditing their
compliance standards,
practices, and procedures

This will give an opportunity



to start the much-needed
discussions of integrity
as business practice



to build up awareness
of and interest in operating
transparently among the local
businesses

2. OUR HISTORY



On May 19, 2017

the BOC, with the support of the EBRD and the OECD, presented the UNIC as a new initiative for businesses interested in operating transparently and by the end of May, 46 Ukrainian and international companies have signed the pledge of integrity. These companies jointly defined the basis and the rules for the Network's further activities.



On January 27, 2017

after completing the regional seminar on business integrity in Eastern Europe and Central Asia organized by the OECD, UNDP, EBRD and the BOC, the EBRD hosted a roundtable for Ukrainian business and government representatives to discuss how business integrity could be strengthened in Ukraine.

The BOC proposed to discuss the launching of a collective action initiative focused on integrity for companies working in Ukraine and, following that discussion, developed a proposal of a platform called the "Ukrainian Network for Integrity and Compliance (UNIC)".

In February-April 2017 the BOC held consultations with several private sector partners about launching the UNIC indicated sufficient interest and willingness to act on behalf of many companies operating in Ukraine. They were ready to undertake the commitment to promote business integrity by living it. Several international organizations, notably the OECD and EBRD, expressed their willingness to support this initiative as well.

On October 9, 2017

the UNIC officially launched in Ukraine with 42 Ukrainian and international member companies. We initially defined bringing together responsible businesses, committed to promoting the idea of operating ethically as our first priority. Our intention was and remains to do so through educational events, helping members to develop exemplary policies, and assessing our members' compliance level annually.

3. UNIC MISSION AND VISION

OUR MISSION

is to become a reference center and a knowledge-sharing platform for members in the areas of fighting corruption and corporate compliance.

OUR VISION

is to serve as the building block of a corruption-free business environment in Ukraine.

UNIC OBJECTIVES

Our main objective is to encourage the adaptation of transparent business practices in Ukraine. Our member companies are responsible not only for operating responsibly and transparently but also for encouraging their business partners and subcontractors to do the same.



The UNIC transparency label was presented to the members and the public in the nearest future, to encourage its awareness and use. We hope for this “Business Integrity Logo” to become a widely recognized symbol of business transparency. Companies bearing this logo will eventually enjoy higher customer loyalty, stronger trust and reputation in their industry and local community, as well as serve an example for other companies.

This will be the first instance of ethical business labeling in Ukraine.



OBJECTIVE 1.

Building the community



OBJECTIVE 2.

Building partnership with stakeholders



OBJECTIVE 3.

Raising awareness



OBJECTIVE 4.

Organisational sustainability

4. UNIC GUIDING PRINCIPLES

The Network members shall be obliged to adhere to the following principles:



Operate responsibly and in compliance with extant legislation



Ensure the top management actively supports integrity and compliance



Instill clear written guidelines of conduct and policies of zero tolerance to corruption



Promote business integrity through education and communication



Strive for a responsible business reputation by dealing only with subcontractors who uphold professional ethical standards



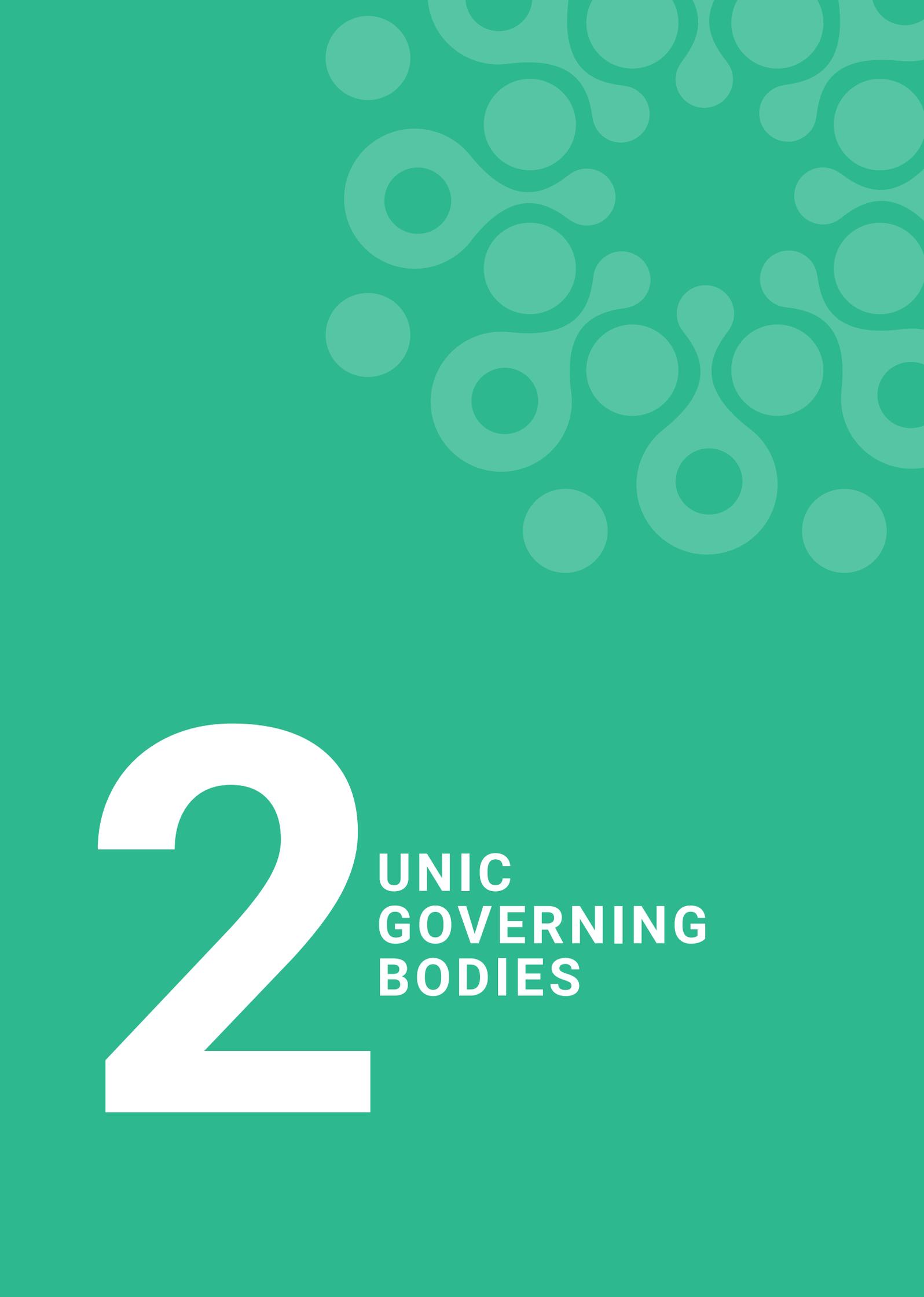
Regularly review current policies and compliance rules and update them as necessary



Place transparency and accountability at the core of the business



Spread the word about business ethics among employees, partners, and peers



2

UNIC GOVERNING BODIES



1. EXECUTIVE COMMITTEE

The UNIC Executive Committee is a collegial body

Consisting of nine officials: both the UNIC members and the external experts

Members of the Executive Committee are elected for 3 year term

six of them nominated by the members



three by external parties following a public request for nominations by the Secretariat



as of 31.03.2018

EXECUTIVE COMMITTEE CHAIR:



Ivan SAKAL,
Financial Director
of ORGANIC SYSTEMS
FE ENTERPRISE

EXECUTIVE COMMITTEE MEMBERS:

Svyatoslav KOZLENKO,
Chairman of the Managing
Board of Podilsky Cement
PJSC

Lesya KURLKO,
Finance Director
of Oriflame Ukraine LLC

Olivia ALLISON,
Director
of KPMG Ukraine LLC

Vadym SHERSHUN,
Financial Director
of Sandoz Ukraine LLC

Oleksandr GROMYKO,
Founder of KTD GROUP
COMPANY LLC

Algirdas SEMETA,
Business Ombudsman
in Ukraine

Olga SAVRAN,
ACN Manager at the OECD

Daniel BILAK,
Director of the Ukraine
Investment Promotion Office

The Executive Committee was elected at the General Assembly of Members on October 9, 2017. Since then the Committee held five meetings and achieved the following results:



appointed the Head of the Secretariat



approved the list of the UNIC Ethics Committee members nominated by the UNIC members



approved all required statutory documents (Membership Payment Policy, Policy of Business Integrity Logo and Name Use, the UNIC Ethical Standards for Members) to ensure the UNIC's smooth operations



approved the UNIC Action Plan which sets specific targets for further action



approved the UNIC Partnership Criteria and Conditions to formalize cooperation with supporters



approved tasks for the Expert Groups and Engaged Experts



considered and successfully accepted new 9 membership applications



launched shortlisting of independent experts for compliance and business integrity level certification of the UNIC members

2. ETHICS COMMITTEE

The UNIC Ethics Committee is a voluntary, non-remunerated body

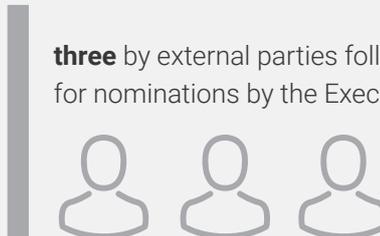
Consisting of seven members

Each member of the Ethics Committee is appointed to serve a two-year term

four of them nominated by the Members of the Executive Committee



three by external parties following a public request for nominations by the Executive Committee



as of 31.03.2018

ETHICS COMMITTEE CHAIR:



Maryna ROMAS,
Head of Ethics & Business Integrity, Sanofi Ukraine LLC

ETHICS COMMITTEE MEMBERS:

Pavel VERKHNIATSKY,
Managing Director of COSA

Maryna VOSHCHYLKO,
Member of the Supervisory Board of CB Globus OJSC

Andrii BOROVYK,
Chief Operating Officer of Transparency International Ukraine

Juraj STRASSER,
Director Policy & Ethics at the EBRD

George LOGUSH,
Former General Manager of Kraft Foods Ukraine

Vacant position

The Ethics Committee is responsible for ensuring the Network members are aware of and adhere to the principles of the Memorandum they signed and to the UNIC Ethical Standards.

Our member companies are expected to take the necessary preventive and corrective actions to ensure their compliance with the stated documents.

This Committee does not itself make decisions, but presents its opinions and provides recommendations regarding them to the Executive Committee upon request.

In the reporting period, the UNIC Ethics Committee held 3 extraordinary meetings that brought the following results:



elected the Head of the UNIC Ethics Committee and prepared the Action plan for 2018



developed and approved the list of duties and responsibilities of the UNIC Ethics Committee



jointly with the UNIC Expert Group, developed the UNIC Ethical Standards based on the Integrity Principles of the UNIC Member



developed the Procedures and Methodology for the assessment of alleged breaches by UNIC members as part of the Integrity Principles of the UNIC Member



Maryna ROMAS,
Head of Ethics &
Business Integrity,
Sanofi Ukraine LLC

“The Ethics Committee is an important advisory in UNIC’s structure, whose main functions reflect the Network’s values and objectives – to promote and facilitate the application of ethical business standards. After holding three Committee meetings, we are proud to say that all its members are enthusiastic about the work they have done and have yet to do to ensure the UNIC member companies understand and follow Ethical Standards. We are confident they will set an example of the transparent approach to doing business as a worthy investment in their sustainability and success.

To establish a solid foundation for the UNIC members’ ethical conduct, the Committee has done the following:

Firstly, to ensure all our members understand the ethical principles set out in the Memorandum, we developed ethical standards, in fact, the rules each Network member is required to follow.

Secondly, to ensure proper monitoring of member compliance with the ethical standards and supporting those facing unethical conduct, we developed a procedure and a methodology for assessing the possible violations of the Memorandum principles by the UNIC members.

Thirdly, we have and continue to provide consulting support at the request of the UNIC Executive Committee on the ongoing basis.

The UNIC is a Network of like-minded people determined to help Ukrainian business to overcome corruption and improve our country’s investment climate. And our Committee will make every effort to ensure the reputation of this organization is maintained at the highest level, with membership here being a true privilege.”

3. SECRETARIAT

The overall organization of the Secretariat, as well as preparation and implementation of its resolutions and other activities is approved by the UNIC bodies.

The Secretariat consists

as of 31.03.2018

of the Head



and two members who coordinate the Network's activity and provide administrative support to the UNIC



Anna POPOVA,
Assistant to the Head of the UNIC Secretariat, PR specialist

Ganna GERASYMCHUK,
Head of the UNIC Secretariat

Viktoria VOLOTOVSKA,
Project Coordinator

In the reporting period, the UNIC Secretariat performed the following activities:



ensured the proper set up and administration of the UNIC, including human resources and financial management



submitted annual and ad hoc reports on the UNIC activities to the Executive Committee and via regular newsletters with the UNIC members



proposed to establish cooperative relationships with leading international and local partners



has been actively seeking appropriate funding for the UNIC



coordinated activities of all the Network's bodies



organized Anti-Corruption Flash mob and a series of educational events for current and potential UNIC members



established the library of best practices for the UNIC members



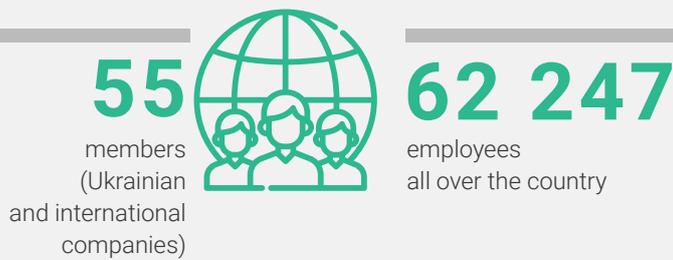
issued 2 Business Integrity Digests



3

UNIC
MEMBERS

1. UNIC MEMBER PORTRAIT



as of 31.03.2018

Among the UNIC members, there are local and international companies from the following industries:



Pharmaceutical



Accounting



Agriculture &
Agribusiness



Transportation



Beauty &
Cosmetics



Construction



Financial
Services



FMCG



Food
industry



IT



Legal Services



Manufacturing



Real Estate



Retail



Distributors



MARCHENKO
DANEVYCH



ТОВАРИСТВО З ОБМЕЖЕНОЮ
ВІДПОВІДАЛЬНІСТЮ
"СУЧАСНІ ТРАНСПОРТНІ
СИСТЕМИ"



The UNIC is also diverse in terms of member companies' size, including:



THE UNIC CURRENT MEMBERS DECIDED TO JOIN THE NETWORK FOR THE FOLLOWING REASONS:



Sharing Expertise through experts' meetings, trainings, and access to the best international practices



Good Business Reputation through educating subcontractors, partners, competitors, and the general public about integrity and transparency, thus, raising the bar of business ethics in the industry



Added value through easier access to loans and entry to the international markets, lower regulatory pressures

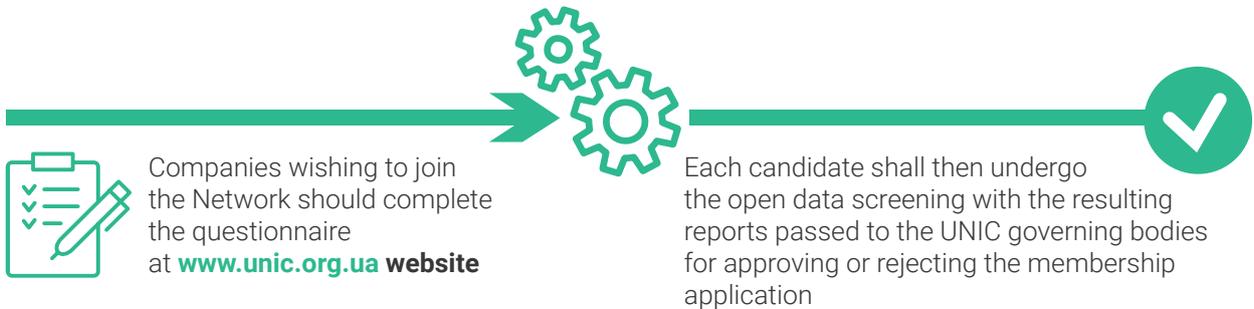


Communication – benefitting from the experience of the UNIC members who had and met the same challenges



Commitment to ABC measures through fighting corruption via collective action

2. HOW TO JOIN THE UNIC

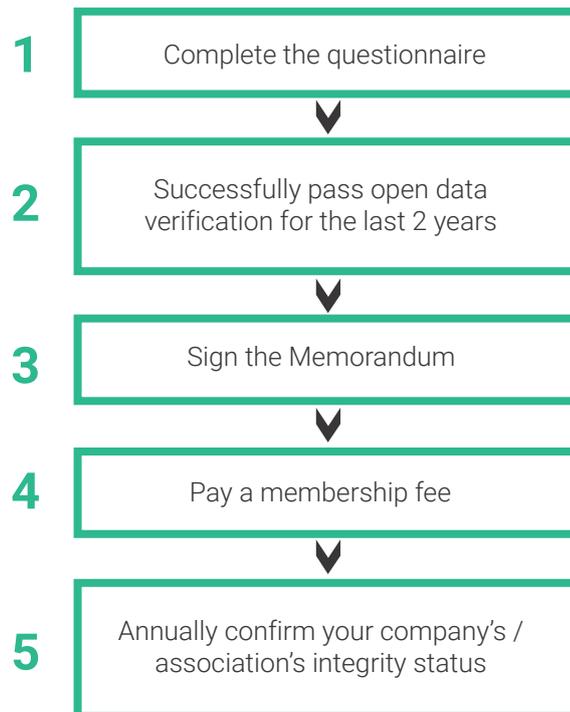


Any company or business association can join the Network regardless of its size or area of expertise



The key to becoming a member is to accept and strive to achieve high standards of integrity and compliance in doing business

APPLICATION FOR MEMBERSHIP INCLUDES THE FOLLOWING STEPS:



For details visit:

unic.org.ua/membership

3. UNIC MEMBERS COMMITMENT:



Publicly declare commitment to integrity and anti-corruption



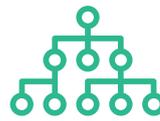
Develop and implement a Code of Conduct or equivalent formal policy document



Conduct due diligence of all partners, subcontractors, suppliers and clients



Spread the word about ethical approach to doing business among employees, partners and peers



Make sure the top management uses integrity and compliance in decision-making

4. MEMBERSHIP BENEFITS



Good business reputation



Fighting corruption through collective action



Lower regulatory pressures



Easier entry to international markets



Easier access to loans



Sharing best compliance practices



Certification of compliance and business integrity level

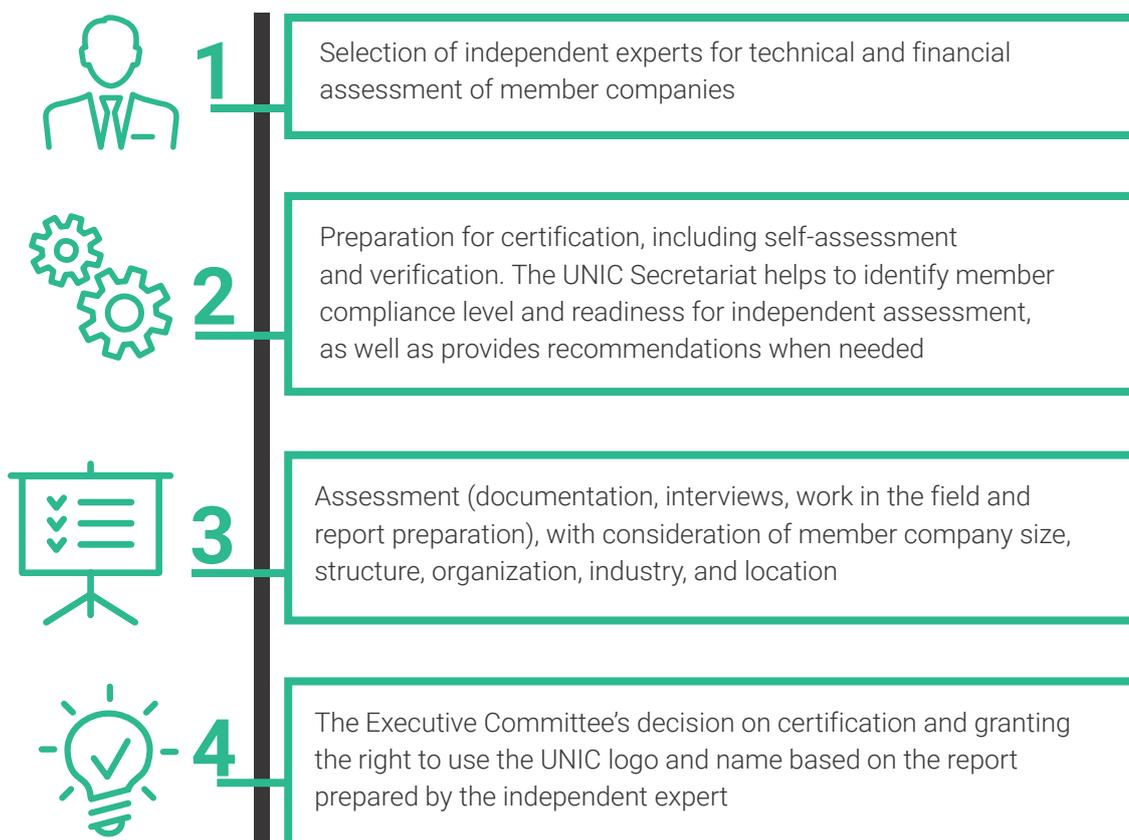
5. CERTIFICATION

According to the Memorandum on Partnership, the UNIC members should proceed from a self-declaration to the independent assessment of compliance and business integrity level, the so-called UNIC Certification. Certification is voluntary and provides the official recognition procedure and document for members with a reasonably high level of compliance and business integrity culture.



Member may apply for the right to use the UNIC logo and name for labeling purposes. This right is awarded upon the positive conclusion of the independent expert about the member company's level of compliance and business integrity based on the UNIC Executive Committee decision.

CERTIFICATION PROCEDURE OF COMPLIANCE AND BUSINESS INTEGRITY LEVEL COVERS THE FOLLOWING STEPS





The Certification standard has been developed by the UNIC experts and is predominantly based on ISO 37001:2016 standard.

THE UNIC CERTIFICATION PROVIDES THE FOLLOWING BENEFITS FOR THE NETWORK MEMBERS:

Labeling goods for marketing purposes



UNIC
Ukrainian Network
of Integrity and Compliance

Using the UNIC logo and name on the website, stationery, and marketing materials



Demonstrating the company's business integrity and compliance level to the government and the other market players



Enhanced trusting relations with subcontractors, investors, and creditors



THE COST OF ASSESSMENT

Depends on time spent by the project team of the independent expert as well as size, type, organisation, sphere of the company, subject to the assessment



TERMS OF CERTIFICATION

FROM 2 MONTHS



Small structures

TO 6 MONTHS



Large structures



4

**UNIC
ACCOMPLISHMENTS**

BUILDING THE COMMUNITY

In striving to achieve its mission, the UNIC provides its members with knowledge, cases, best practices and tools to develop compliance culture in their companies, as well as to overcome the challenges of promoting business integrity among their peers, partners and wider society.



UNIC's educational platform was designed as a helpful resource to our members in implementing this change by providing information on the extant rules, laws, policies, and standards of governance and business ethics that can be legally enforced in Ukraine by regulatory bodies and government agencies.

The UNIC educational activities involve three types of events series:

launch events

capacity building events

learning events

We also regularly conduct open learning events for non-members to participate in, familiarize themselves with basics of business integrity and compliance, and gradually change the respective approaches and procedures in their companies and local communities where they operate. Many of such companies later become the UNIC members. Overall, 546 representatives of Ukrainian companies and government authorities attended our learning events within the above-stated period.

Between September 2017 and March 2018, the UNIC conducted

2 launch events

4 capacity building events

6 learning events



UNIC EVENTS (IN REVERSE CHRONOLOGICAL ORDER):

April 4, 2018

“Reducing Your Company’s Exposure to Bribery & Corruption Risk” webinar for TRACE International, Inc., a globally recognized anti-bribery business organization and leading provider of party risk management solutions

March 22, 2018

“Employees involvement in the company’s compliance culture” meet up, supported by HeadHunter Ukraine and Ilyashev & Partners Law Firm

February 15, 2018

a presentation of the OECD report on anticorruption reforms in Ukraine, with the UNIC recommendations included

February 8, 2018

a learning meeting on compliance basics and on maintaining ethical and productive relations with government authorities, supported by the Ukrainian Chamber of Commerce and Industry (UCCI)

December 9, 2017

a flash mob before the International Anti-Corruption Day of over fifty social media posts with tips and success stories on improving business integrity and compliance, initiated by the UNIC members and actively supported by the social media users

November 23, 2017

a learning meeting on benefits of implementing compliance standards and practices with two UNIC members, Nokian Tyres and Organic Systems, sharing their practices

October 9, 2017

an International Conference on Business Integrity Culture as Impetus for Sustainable Growth

September 19, 2017

the second working meeting of the UNIC Initiative Group, supported by Oriflame, with international experts: Tayfun Zaman, Managing Partner at Integrity Partners Consultancy and Founder of the Center for Private Sector (Turkey) and Andzelika Rusteikiene, Head of Communication and Strategic Project Development of Investors Forum (Lithuania) presenting the UNIC strategy, followed by a joint discussion of its sustainable development

September 7, 2017

a working meeting of the Business Ombudsman with Ukraine’s leading business associations (including the UNIC members) on the Network establishment

September 6, 2017

an open-attendance learning meeting with the UNIC members, British Council of Ukraine and Mott McDonald sharing their compliance practices

July 17, 2017

the first working meeting of the UNIC Initiative Group with KPMG experts presenting the global compliance survey results, the representatives of the Lithuanian “Chysta Hvyliia” (Clear Wave) initiative sharing their practices, and the Group identifying further steps in the Network development

May 19, 2017

the Business Ombudsman Council, with the support of the EBRD and the OECD, presented the Ukrainian Network of Integrity and Compliance (UNIC). An International Conference and signing of Declaration of Integrity by the Initiative Group of 46 companies



EVENTS UNIC MEMBERS ATTENDED:

March 13-14, 2018

the UNIC members "Aisberg" and "ORGANIC SYSTEMS" spoke at the international seminar in Tbilisi (Georgia) hosted by the EBRD and the OECD with UNDP support on "Building Business Integrity and Compliance Across the Region"



INFORMATIONAL PARTNERSHIPS:

November 9, 2017

the UNIC was an informational partner of the Orchestrators of Change Forum on "Transformational Processes In Personality, Society, and Business" organized by Nobles Fortune and attended by more than 300 representatives of business, government, and experts from various industries



EDUCATIONAL RESOURCES:

Educating members and sharing the best practices to help them increase the level of business integrity and compliance is part of the UNIC mission. To serve the learning needs of our members, the Network launched a quarterly Business Integrity Digest with practical guidelines and recommendations any business could use in their daily operations.



Within the reporting period, two digests have been produced.

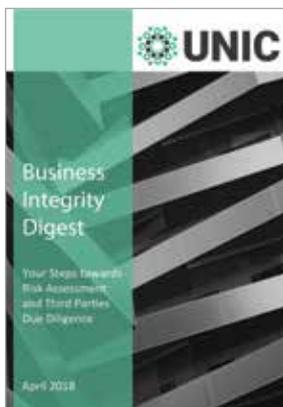


DIGEST 1:

Prohibited Practices Contracts Clauses

December 2017

-  Brief guidance on entering into contracts with businesses with low corruption risk scores.
-  When it is reasonable to require compliance provisions to be included in a contract.
-  What types of anticorruption commitments should be included in a contract.



DIGEST 2:

Your Steps towards Risk Assessment and Third Parties Due Diligence

April 2018

-  Overview of risk assessment and guidance for the UNIC members to undertake risk assessment measures in a reasonable and proportionate manner.

We hope the expertise and the practical solutions provided by the UNIC Experts for our digests will add value and help their readers build compliance capacity, as well as avoid and manage risks.



To deliver on our commitment to sharing case studies, relevant information, and best international business integrity practices, the UNIC launched an online library available exclusively to our members.



In the reporting period, the UNIC Executive Committee developed and approved the **Methodology of Certification and the Terms of Reference for Independent Assessment** of our member companies' compliance and business integrity levels. The competitive selection process of the certification experts began at the end of March 2018.

EXPERT GROUPS:

The Expert Groups



are the UNIC's voluntary, non-remunerated advisory bodies, established and approved by the Executive Committee, whose expertise and professional advice support our members in addressing the issues of corruption in the business context through ad-hoc advice and assistance.

The Expert Groups also developed policies described in the Memorandum on Partnership, as well as integrity and compliance tools to be applied by our members.

Specifically, the UNIC Expert Groups developed the following policies and templates:



Membership Payment Policy



Policy on the Use of UNIC Business Integrity Logo



UNIC Ethical Standards



Risk Assessment Report Template

BUILDING PARTNERSHIP WITH STAKEHOLDERS:

The UNIC is proud of the substantial support we have been given from the start by a wide range of partners from business, government, and international organizations and associations.



Establishing trusting and productive relationships with the government organizations is one of the Network's focus areas, as well as a source of added value for its members. As a sign of goodwill and assurance of fruitful cooperation, **Volodymyr Groysman, the Prime-Minister of Ukraine**, delivered an opening speech at the meeting of the UNIC founders on October 9, 2017.

The Network systemically promotes integrity and compliance practices among as many companies operating in Ukraine as possible, and seeking cooperation with the leading business-association was a logical step in that direction. By the end of the reporting period, the UNIC has established

relationships and active cooperation with **American Chamber of Commerce, European Business Association, Union of Ukrainian Entrepreneurs, Ukrainian Chamber of Commerce and Industry, Ukrainian League of Industrialists and Entrepreneurs, and Federation**

of Ukrainian Employers.

Not only these associations supported the UNIC when it was founded, but have been actively participating in the Network's activities by delegating representatives to work in Expert groups, as well as promote and attend our educational events.



In January 2018, the UNIC became a member **of the B20 Collective Action Hub at the International Centre for Collective Action (ICCA)**. The ICCA was launched in 2012 by the Basel Institute on Governance and works with the relevant stakeholders from business and other sectors to develop, facilitate and moderate anti-corruption collective action initiatives in a variety of industries. Inclusion in the ICCA global database connects the Network with more than 100 anti-corruption initiatives from all over the world and gives us access to dedicated service and advice of the team of in Basel and the potential like-minded partners from around the globe.

We highly value the support of the numerous local and international companies and their contribution to the Network's development and self-sustainability. We would like to especially commend **COSA**, whose

team has been conducting the verification of the two years of open data for the UNIC potential members – free of charge. We would also like to thank **KPMG, Sandoz, British Council, Oriflame, Ilyashev & Partners**, and

UCCI who provided their premises and much-needed organizational support to our events: the UNIC initiative group meetings, the Executive Committee sittings, and open meetings with compliance experts.



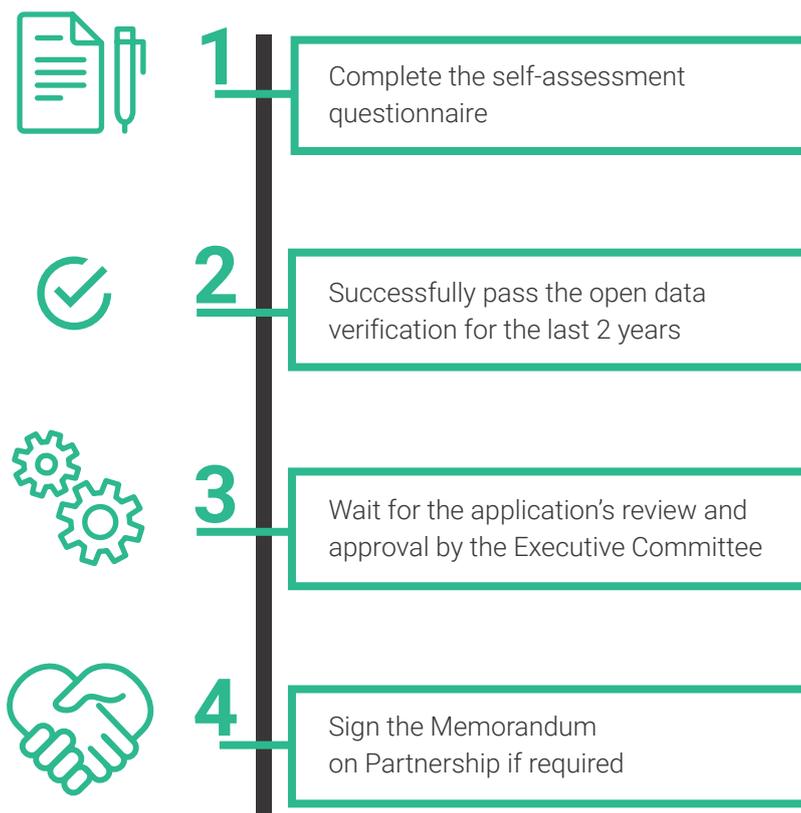
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UNIC
PARTNERS

1. HOW TO BECOME UNIC PARTNER

The UNIC Partnership unites an exclusive group of local and international organizations aiming to advance their compliance and business integrity levels, change the established industry practices, share the UNIC mission and engage with peers on both national and international scale. Corporations, law firms, and nonprofit organizations from Ukraine and all over the world are welcome to apply for the Partnership.

APPLICATION PROCESS STAGES ARE THE FOLLOWING:



2. INITIATORS

The Business Ombudsman Council (BOC)



was established in November 2014 as an independent permanent advisory body under the Cabinet of Ministers of Ukraine. The BOC mandate is to help establish the transparent business environment and prevent corruption at the central and the local government levels, and in state-owned and state-controlled companies within the scope of their administration.

The Organization for Economic Cooperation and Development (OECD)



is an international organization established in 1961 that brings together leading world economies whose activities are aimed at ensuring economic growth and improving the socio-economic conditions of both industrialized and developing countries. The OECD is among the top three world economic institutions, along with the IMF and the World Bank – an analytical organization that assesses the economies of countries in various areas, including the field of anti-corruption reforms.

The European Bank for Reconstruction and Development (EBRD)



is an international financial institution founded in 1991. As a multilateral developmental investment bank, the EBRD uses investment as a tool to build market economies. The EBRD has been committed to furthering progress towards “market-oriented economies and the promotion of private and entrepreneurial initiative” as its guiding principle since its creation. Sixty-six countries from five continents and the European Union and the European Investment Bank are the shareholders of the EBRD.

3. OTHER STAKEHOLDERS

The Basel Institute of Governance



is an independent not-for-profit competence center, specializing in alleviating corruption, public and corporate governance, compliance, preventing and fighting money laundering, criminal law enforcement, and the recovery of stolen assets. The Basel Institute is an Associated Institute of the University of Basel. In January 2018, the UNIC became a member of the B20 Collective Action Hub at the International Centre for Collective Action (ICCA) launched in 2012 by the Basel Institute on Governance.

The Compliance Periscope



is an independent blog related to ethics and compliance in Ukraine and the world. At the Compliance Periscope platform, the UNIC regularly shares thoughts and opinions on the current trends and developments in the area of business ethics and compliance. The UNIC also uses this platform to publish the professional events announcements and job opportunities.

The Transparency International Ukraine (TI Ukraine)

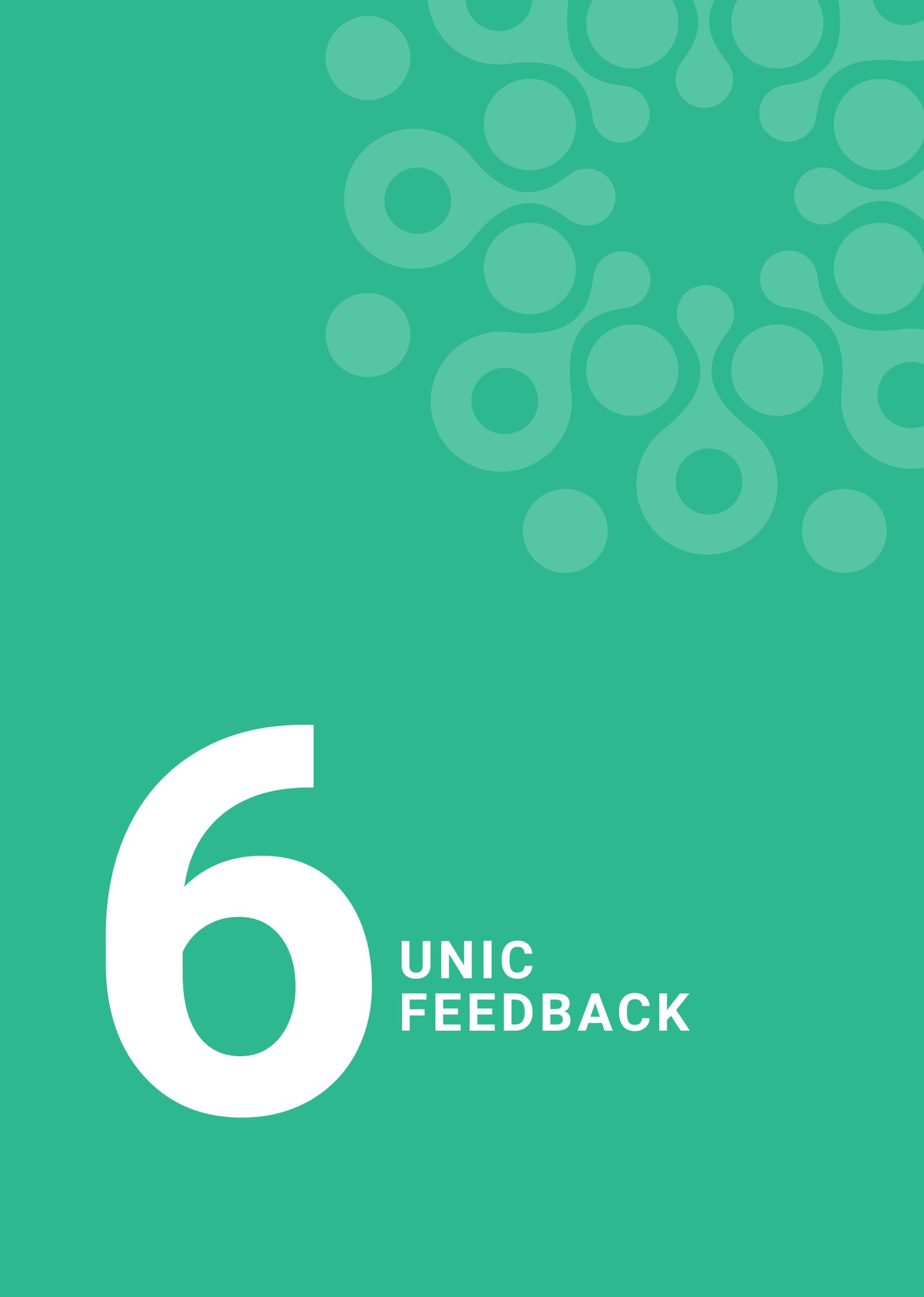


Transparency International is a global anti-corruption NGO with over 100 chapters worldwide, founded in Berlin in 1993. This global anti-corruption Network is known, among other things, through its signature analytical products: the Corruption Perceptions Index and the Global Corruption Barometer study. TI Ukraine was also in the lead of the Open Government Partnership Initiative for Ukraine.

The “Clear Wave” Collective Action Initiative



was established in 2007 to encourage transparent and ethical business practices in Lithuania. It started as a transparent business labeling initiative named “Clear Wave” and since then has expanded its agenda, seeking to become a reference point for the companies in search of business integrity knowledge- and best practice-sharing platform. The companies involved in this initiative, assume responsibility for conducting their business transparently and encouraging their partners to undertake the same commitment, which involves transparent accounting; compliance with the Law of the Republic of Lithuania; fair tax payment; and transparent public procurement. Such companies publicly mark themselves with a “Clear Wave” label, the first social label in Lithuania, awarded to those who successfully have passed rigorous assessment process of formal data, institutional partners’ recommendations, and public opinion. His label serves as a communication tool for companies eager to share their values of integrity and compliance with their partners, clients, and wider society. Patroness of the Initiative is the President of the Republic of Lithuania H.E. Dalia Grybauskaitė. Key partners are: the Ministry of Finance of the Republic of Lithuania, State Tax Inspectorate, State Labor Inspectorate and the Special Investigation Service.



6

**UNIC
FEEDBACK**



The European Business Association (EBA)

**Iaroslava SAVASTIEIEVA,
Head of Compliance:**

«The European Business Association congratulates the Ukrainian Network of Integrity and Compliance on its launch of operations and the first confident steps towards their noble mission of promoting ethical business in Ukraine. Improving integrity and responsibility in doing business helps secure a positive image of Ukraine in the international arena».



The Transparency International Ukraine (TI Ukraine)

**Andriy BOROVYK,
Chief Operating Officer:**

«There are numerous industry unions and associations in Ukraine, designed for advocating interests and addressing problems in certain sectors of the economy. However, fighting corruption is the overarching theme that unites interests of the private sector, the government, and the general public.

Ukrainian Network of Integrity and Compliance is a progressive “business for business” and “people for

people” initiative. Its purpose to promote the idea of integrity and responsible business conduct is a new approach for Ukraine, which makes it stand out among other initiatives and organizations. This project has been created to facilitate, assist and educate, in order to shape a responsible attitude to and a culture of doing business with integrity, based on the right values. I am convinced the UNIC will consolidate the critical mass of business representatives, capable of setting an example of operating honestly and efficiently to produce high-quality products and services in Ukraine.

TI Ukraine is sincerely happy to cooperate with the Network, a union whose members are guided by the same principles of transparency, accountability and integrity in their work as we are”.



The Ukrainian League of Industrialists and Entrepreneurs (ULIE)

**Anatoliy KINAKH,
President:**

«I congratulate and strongly support the UNIC activities. The fact that such initiative does exist and, most importantly, brings together ethical and responsible companies seeking to bring about positive change to the way of doing business in Ukraine. These companies seek fair “rules of the game”,

maintain their reputation, and are positively involved in the local communities where they operate. ULIE will continue to promote these ideas with UNIC, thus, gradually expanding the reach of responsible business practice in Ukraine. And I think, everyone will benefit in the end”.



The Union of Ukrainian Entrepreneurs (SUP)

**Kateryna GLAZKOVA,
Executive Director:**

UNIC pursues a very important goal of demonstrating to Ukraine's business community that ethical and fair business practices in our country are not only feasible, but also economically sound and profitable. The actively growing UNIC's membership base only confirms the trend of the local enterprises gradually embracing the principle of operating in good faith. I am confident that UNIC's using educational activities, policy development, and specialized events will help business advance in the fight against corruption. By uniting the efforts of SUP and UNIC, we will bring together Ukraine's most prominent entrepreneurs to help our country's economy to become more competitive internationally".



Hipsovik PJSC

**Volodymyr POSTOVY,
Chairman of the Board:**

You are following an extremely important mission, to which many voluntary business associations can relate: promoting honesty, fairness, and transparency in both, business conduct and business-government relations. Educating Ukrainian companies on how to survive the challenges of our business environment without violating the principles of integrity and compliance will, undoubtedly, bring positive effects. Especially important activities would include learning events for businesses and government, as well as advice and sharing expertise on legal mechanisms of fighting corruption".



Sokolovskyi and Partners Law Firm

**Volodymyr SOKOLOVSKYI,
Managing Partner:**

It's widely known that the union of those who think alike is the strongest. This is why Sokolovskyi and Partners Law Firm welcomes the foundation of the Ukrainian Network of Integrity and Compliance. Our firm shares and upholds the same values and approaches to doing business as the UNIC, as well as we are ready to join efforts with the Network in fighting corruption and helping its members to implement best transparency practices. Sokolovskyi and Partners were among the Network's first members and is proud to be spreading the word about its activities to as many companies as possible".



COSA

**Pavlo VERKHNIATSKY,
Managing Partner:**

The Ukrainian companies are forced to “clean up and keep clean” to be able to borrow money or attract investment from the international financial institutions. Today, low compliance risk is one of the most important investment criteria for any Ukrainian company. Good compliance, in fact, includes a wide variety of requirements for a business to follow, such as transparent structure and lack of corruption practices. Another motivating factor for the local companies to improve compliance practices is the need to measure up to their Western partners who regularly conduct due diligence of all their foreign counterparties, including the Ukrainian ones”.



Plastics-Ukraine Ltd

**Ireneush DEREK,
General Director:**

I think it’s important for the Ukrainian companies to join UNIC for several reasons. For a successful local company like us, it is important to demonstrate that business success can be based on honesty, ethics, and transparency. We are ready to share our expertise and practices to show other Ukrainian companies that this approach works here and now. As for employees and customers, the fact that they work for or cooperate with a company with integrity gives them a chance to be part of the change of their team, company, and country – for the better.”



**Marchenko Danevych
Law Firm**

**Borys DANEVYCH,
Partner:**

Practicing law in a very challenging environment, we, in Marchenko Danevych, are committed to integrity and the rule of law in our dealings. It is a part of our core values – without exceptions. We do believe this is the way all legal professionals must conduct business in Ukraine: demonstrating zero tolerance to corruption and the “shortcuts” it provides; paying all taxes in Ukraine; staying compliant and committed to the highest professional ethics standards. Although this approach still remains an exception in our country, we see great potential in organizations like UNIC for changing the status quo and transforming the country. This is why we are now the UNIC’s member”.



7

**FINANCIAL
SUMMARY
2017**

In 2017, prior to the official establishment of UNIC

55 000 EURO

the founding of the network, the registration documents, and the constituent events were funded by the Organization for European Cooperation and Development (OECD):

| BUDGET ITEM | PLAN, EURO | SPENT, EURO | SOURCE |
|---|--------------|--------------|----------------|
| Drafting the questionnaire and principles of the UNIC by the international experts | 3000 | 3000 | OECD |
| Drafting the memorandum of the initiative and business integrity strategy | 3000 | 3000 | OECD |
| Developing the draft certification procedure | 3000 | 0 | OECD |
| Visit of 2 international experts in course of drafting the strategy for 1-day interview | 1400 | 1400 | OECD |
| Project coordinator compensation | 7600 | 7600 | OECD |
| UNIC Website construction | 3000 | 3000 | OECD |
| Arranging signing of the Declaration on integrity in May 2017 | 17000 | 17000 | OECD and SIDA* |
| Arranging the annual meeting in October | 16000 | 16000 | OECD and SIDA* |
| Legal fees for the registration of Public Union "Supporting UNIC Activities" | 6200 | 2000 | OECD |
| 2 BOC team members study visit to Lithuania, initiative with similar model, Clear Wave | 2000 | 2000 | OECD |
| Total: | 62200 | 55000 | |

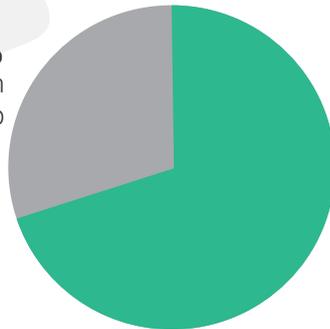
* **SIDA** – Swedish International Development Cooperation Agency

The Network's annual budget is prepared jointly by the Secretariat and the Executive Committee and is then submitted to the General Member Assembly for approval.

The UNIC's total budget for 2018 is equivalent to

223 254 EURO

32%
funded from
membership



68%
funded from the multi-donor
account for Ukraine set
up at the European Bank
for Reconstruction and
Development (EBRD)

As of January 1, 2018, the network's activities have been funded from the following sources:



EURO 65 676

(UAH 2,147,897.75), from the UNIC membership fees paid by the member companies to the network's bank account



EURO 325 416

from the EBRD multi-donor account, in accordance with the grant funding agreement between the UNIC Secretariat and EBRD for April 2018 – March 2020

THE STATED FUNDING WILL BE USED TO COVER THE FOLLOWING EXPENSES:



conducting Business Integrity Week in May 2018



creating an intranet-portal for the Network members



conducting General Annual Assembly of the network members



soliciting the assistance of international experts with training on compliance, providing recommendations on developing compliance culture and passing certification to the Network members, as well as designing relevant policy document templates

other operating expenses including:



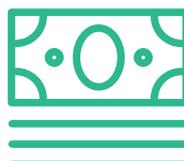
IT-services



design and printing of information materials



administrative services (mandatory accounting and HR, legal, etc.)



compensation for three Secretariat employees



8

**UNIC
COMMUNICATION
COMPONENT**

UNIC COMMUNICATION COMPONENT

One of the key strategic goals of the Network is to increase the level of knowledge about the positive business integrity cases in Ukraine while regularly sharing best practices, including by means of external communication.



In 2017, the UNIC launched its website

www.unic.org.ua

Average monthly visit website traffic



400
visitors

as of 31.03.2018



has been actively publicizing its activities on Facebook

www.facebook.com/UNIC2017



678

subscribers

as of 31.03.2018



2

electronic news digests

as of 31.03.2018

Communicating and explaining what we do and generating increasingly more independent publications of the UNIC members and activities is a joint responsibility of the Secretariat, the Executive Committee, and all members of the Network. It is only this way that we can gradually move to developing awareness to and trust in the Network in business circles and among the general public.

1 Among others are:



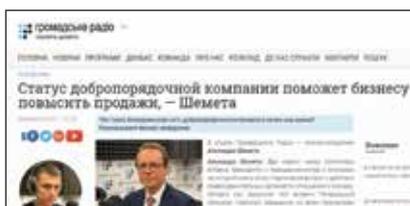
Media Topic Voice of the Capital Radio
About the Network
Author Algirdas Semeta (BOC)
Date September 13, 2017
Link www.youtube.com/watch?reload=9&v=ZN9_ir5Txow

2



Media Topic 112.ua
We wish that the law enforcement were forbidden to use balaclavas and weapons during searches
Author Algirdas Semeta (BOC)
Date September 26, 2017
Link <https://ua.112.ua/interview/khochemo-shchob-sylovykam-zaboronyly-vykorystovuvaty-balak-lavy-i-zbroiu-pry-obshukakh-413102.html>

3



Media Topic Hromadske Radio
A status of company with integrity will help boost sales – Semeta.
Author Algirdas Semeta (BOC)
Date October 5, 2017
Link <https://hromadskeradio.org/programs/kyiv-donbas/status-dobroporyadochnoy-kompanii-pomozhet-biznesu-povysit-prodazhi-shemeta>

4



Media Topic Buduy Svoje (Build Your Own)
Business advocates
Author Tetyana Korotka (BOC)
Date November 15, 2017
Link <https://buduysvoe.com/publications/advokaty-dlya-biznesu>

- 5**
- 
- Media Topic** Fakty ICTV
(Facts ICTV news program)
- Author Date Link** What businesses mainly complain about to the Business Ombudsman Council and what positive changes are taking place in Ukraine's business climate
Algirdas Semeta (BOC) and Ivan Sakal (Organic Systems)
December 5, 2017
<https://www.facebook.com/UNIC2017/videos/134298353870807/>
- 6**
- 
- Media Topic** Interfax Ukraine
Press-conference about the International Corruption Fighting Day
- Author Date Link** Algirdas Semeta (BOC)
December 7, 2017
<https://www.facebook.com/UNIC2017/videos/134764127157563/?t=15>
- 7**
- 
- Media Topic** Business-Media
Compliance is a moral compass for business
- Author Date Link** Guilhem Granier (Sanofi)
December 22, 2017
https://bzns.media/korporazhiya_otosheniy/komplaens_nravstvennyy_kompas_biznesa-598942/
- 8**
- 
- Media Topic** First Business Channel
How entrepreneurs can lower the risks of government inspections and searches and why it's beneficial to do business transparently
- Author Date Link** Tetyana Korotka (BOC) and Lesya Kurylko (Oriflame)
December 26, 2017
<https://www.facebook.com/UNIC2017/videos/138520960115213/>
- 9**
- 
- Media Topic** Business Ukraine Magazine
COMBATING CORRUPTION - New Ukrainian initiative seeks to fight corruption by making ethical business fashionable
- Author Date Link** Algirdas Semeta (BOC)
January 16, 2018
<http://bunews.com.ua/interviews/item/new-ukrainian-initiative-seeks-to-fight-corruption-by-making-ethical-business-fashionable>

10



Media
Topic
Author
Date
Link

Business-Media
Demand for honesty or why Ukraine needs compliance
Pavlo Verkhnyatsky (COSA)
February 1, 2018
https://bzns.media/gosydarstvennoe_regulirovanie/zapros_na_chestnost_ili_zachem_ukraine_komplaens-601624/

11



Media
Topic
Author
Date
Link

Kyiv Post
Business integrity and compliance network appoints its first head
Ganna Gerasymchuk (UNIC)
February 16, 2018
<https://www.kyivpost.com/business/business-integrity-compliance-network-appoints-first-head.html>

12



Media
Topic
Author
Date
Link

Yurydychna Gazeta
(Legal Newspaper)
Ethics in legal business: phantom or phenomenon
Ganna Gerasymchuk (UNIC)
March 6, 2018
https://www.dropbox.com/s/c5h5hvgav9gug94/Yurydychna%20Gazeta_UNIC_Ganna%20Gerasymchuk.pdf?dl=0



9

**MEDIA
OUTREACH**

Key Quotes

We believe regular media outreach is critically important for spreading the word about and fostering confidence in the practical utility of integrity and compliance practices in Ukraine. This section summarizes the UNIC key messages mentioned in Ukraine’s prominent business media.

**Algirdas Semeta, BOC
(Business Ukraine Magazine)**

“We do not expect things to change overnight. However, little by little, as positive stories start to emerge of companies achieving success thanks to adherence to the principles promoted by UNIC, we will be able to enlarge this network to reach a critical mass. This will help to make it fashionable for Ukrainian businesses to act with integrity and compliance.”

**Ganna Gerasymchuk, UNIC
(Kyiv Post)**

“One of the UNIC’s challenges is most Ukrainian companies’ not realizing the value of being compliant and honest despite their complaints about difficult and corrupt business environment. For most companies, compliance is often an additional effort, not worth the investment. They have not even estimated the losses they have incurred due to the lack of compliance and integrity culture.”

**Pavlo Verkhnyatsky, COSA
(Business-Media)**

“Compliance in Ukraine is, primarily, a demand from the society for the transparent “rules of the game” for all market players. Secondly, it is one of the means of survival in times of the internal funding deficit. Thirdly, it is necessary for the local business to build economic relations with the developed markets, where compliance is a way of thinking and a culture, in a way.”

**Ganna Gerasymchuk, UNIC
(Yurydychna Gazeta)**

“In the competitive environment with limited funding sources, business reputation is one of those important assets that ensure sustainable development of the company and gives advantages over competitors.”

**Guilhem Granier, Sanofi
(Business-Media)**

“International companies with advanced compliance structure can become a driving force of change in Ukraine, and I’d like to hope this country does not miss its change to improve business-environment and investment climate, as well as to alleviate corruption.”



10

**OPPORTUNITIES
AND FUTURE
PERSPECTIVES**

The Network plans to achieve the following till May 2019:



150 members



30 certified member companies



30 issued recommendations



12 educational activities



4 webinars



3 roundtables



4 digests

*Focus on the things that you can do something about...
tackle corruption where you have the best chance
of success.*

M. Khan

ANNUAL BUSINESS INTEGRITY WEEK

In order to engage business community, state authorities, civil society, business associations, educational institutions and media in promoting business integrity in Ukraine, the UNIC plans to launch a series of annual events within the Business Integrity Week (BIW) framework. The BIW is a series of integrity-focused events allowing organizations already working in the area of business integrity to join efforts and reach a broader audience.

The BIW is aimed at the following:



promoting compliance and business integrity by giving a platform and a voice to the companies with institutionalized practices of integrity and compliance;



maintaining productive dialogue between business and government to improve governance and investment climate in Ukraine;



establishing support and collaboration between the business community and the civil society to spread the culture of integrity in Ukraine.

MONTHLY EDUCATIONAL MEETUPS AND WEBINARS

Business Integrity Academy



The UNIC expects its educational events to gain popularity of and remain demanded by the local business community, with their further development into the UNIC Compliance Academy, expected to offer the standardized and the tailor-made seminars on business

integrity and compliance for company officers, who have recently become familiar with compliance as a function. The Academy will use a holistic approach to teaching anti-corruption and transparency practices to practitioners of all levels of expertise.

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