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UKRAINE COVID-19 BUSINESS IMPACT SURVEY VOL.2 RESULTS



VOL. 2

CONCLUSIONS

- 104 representatives from 96 organizations took part in the survey, conducted on March 19, 2020. Almost three-quarters of survey respondents are CEOs (71%). The survey includes representatives of professional services, consumer products, IT, telecommunications/media, and other companies, representatives of small organizations with up to 100 employees (40%), and medium and large companies with more than 500 and 1000 employees. (accounting for 29% of respondents).
- Respondents low rated the effectiveness of tax measures, measures to implement responsibility for noncompliance with the quarantine regime, measures to limit public transportation and customs measures.
- Respondents note the equally high degree of impact on their business of such challenges as the spread of COVID-19, the crisis on the international financial markets, lack of cooperation with the IMF, and default risk (8* and above points). According to the respondents, the most effective government's measures taken to prevent the spread of COVID-19 is the permission to conduct banking and insurance activities and permission to trade in food, fuel, hygiene, medicines, and other medical products (5 and below points).
- More than half of the respondents (65%) believe that their organization will not be able to fulfill its 2020 business plans. However, some respondents are more optimistic - they think they will be able to fulfill existing plans (16%) and significantly exceed the plans (2%). At the same time, respondents point out the difficulty in making forecasts because of the high level of uncertainty in the future.
- More than half of organizations (60%) are quite optimistic about the headcount (47% plans to maintain the current headcount and 13% hire personnel). Almost a quarter (23%) of respondents plans to decrease headcount.

*Average value on a scale from 1 to 10

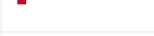
- Almost a third of survey respondents (30%) indicated that more than 50% of their company staff would not be able to work remotely. 4% of respondents said that none of the employees could work remotely. At the same time, 18% of respondents indicated that all staff of their companies could work remotely (usually small in size with less than 200 employees).
- The biggest challenges in creating safe work conditions for employees who cannot work remotely are the limited functioning of public transportation (65%) and the lack of protection means (52%). 17% of respondents reported the non-possibility of the staff to maintain regular working hours (working in the office or the workplace) during quarantine.
- The biggest challenges in creating safe work conditions for employees who can work remotely are administrative, namely, the need for physically available documents, signatures, etc. (60%) and psychological, namely, employees' stress due to pandemic, quarantine limitations and uncertain future (46%). Moreover, more than a third of respondents (35%) also mentioned cultural factors, such as lack of employees' experience/willingness to work from home, to work remotely in teams. Other important factors include insufficient efficiency of technical means, such as instruments for remote work, connection quality, load on internal systems, etc. (34%).

- Businesses most expect from the government: increase the capacity of healthcare services to keep it effective during the pandemic (9.6*), ensure stable functioning of the banking system (9.6) and continue cooperation with IMF to ensure macroeconomic stability (9.3).
- More than half of the surveyed companies (64%) are ready to support society in protecting against COVID-19. One third is ready to provide financial assistance (32%), the rest of the respondents are ready to provide protection means (20%), medical devices (10%), and medicines (6%). Other options for assistance include information support, IT services, consulting and legal services, the provision of free goods (food, water, cleaning and laundry, etc.).
- The vast majority of respondents indicated that they are already assisting society in the form of protection means (27%), financial support (20%), medical devices (5%), and medicines (3%). Other types of assistance included consulting, information services, working with ministers, municipalities and regional offices, free products, and more.

**Average value on a scale from 1 to 10*

RESPONDENTS

| Role | |
|---|--------------------|
|  | 71% CEO |
|  | 24% C-level |
|  | 5% Other |

| Function (excluding CEO) | |
|---|--|
|  | 27% Administration |
|  | 24% Communications and government relations |
|  | 17% Finance |
|  | 13% Legal |
|  | 3% Marketing |
|  | 3% Sales |
|  | 13% Other |



RESPONDENTS

| Industry | | |
|----------|------------|---|
| | 21% | Professional services |
| | 14% | Consumer products |
| | 12% | IT |
| | 8% | Telecommunications, media and entertainment |
| | 6% | Life sciences and health care |
| | 5% | Automotive |
| | 5% | Banking |
| | 4% | Investment management |
| | 4% | Oil, gas and chemicals |
| | 4% | Agriculture |
| | 4% | Transportation, hospitality and services |
| | 3% | Insurance |
| | 3% | Power, utilities and renewables |
| | 2% | Industrial products and construction |
| | 2% | Real estate |
| | 2% | Retail, wholesale and distribution |
| | 1% | Other |

| Size of organization | | |
|----------------------|------------|----------------|
| | 40% | Less than 100 |
| | 16% | 100 - 200 |
| | 15% | 201 - 500 |
| | 13% | 501 - 1,000 |
| | 14% | 1,001 - 5,000 |
| | 1% | 5,001 - 10,000 |
| | 1% | Over 10,000 |

IMPACT

The impact of the below challenges on your business from 1 to 10 (where 1 - absolutely unaffected, 10 - significantly affected)

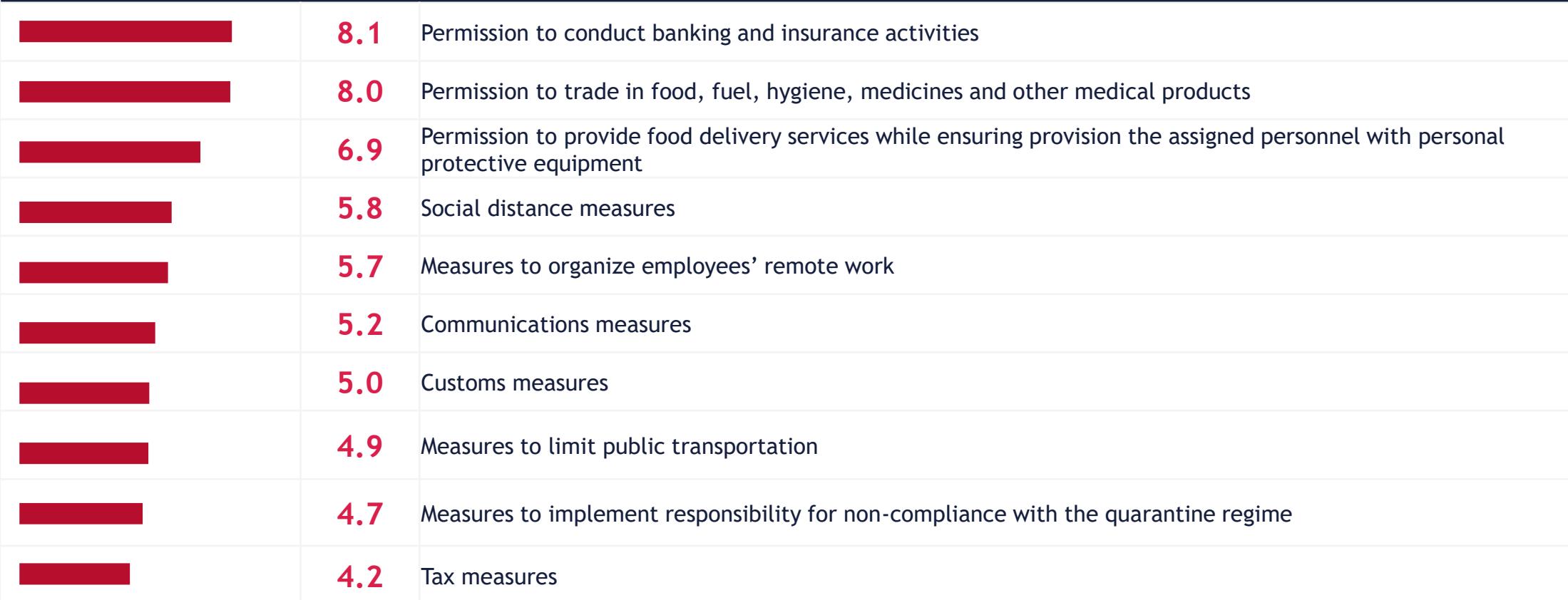
| | | |
|---|------------|---|
|  | 7.8 | The crisis on the international financial markets |
|  | 7.7 | COVID - 19 |
|  | 7.4 | Risk of lack of cooperation with the IMF and default risk |
|  | 6.8 | Risk of slowing down the reforms |

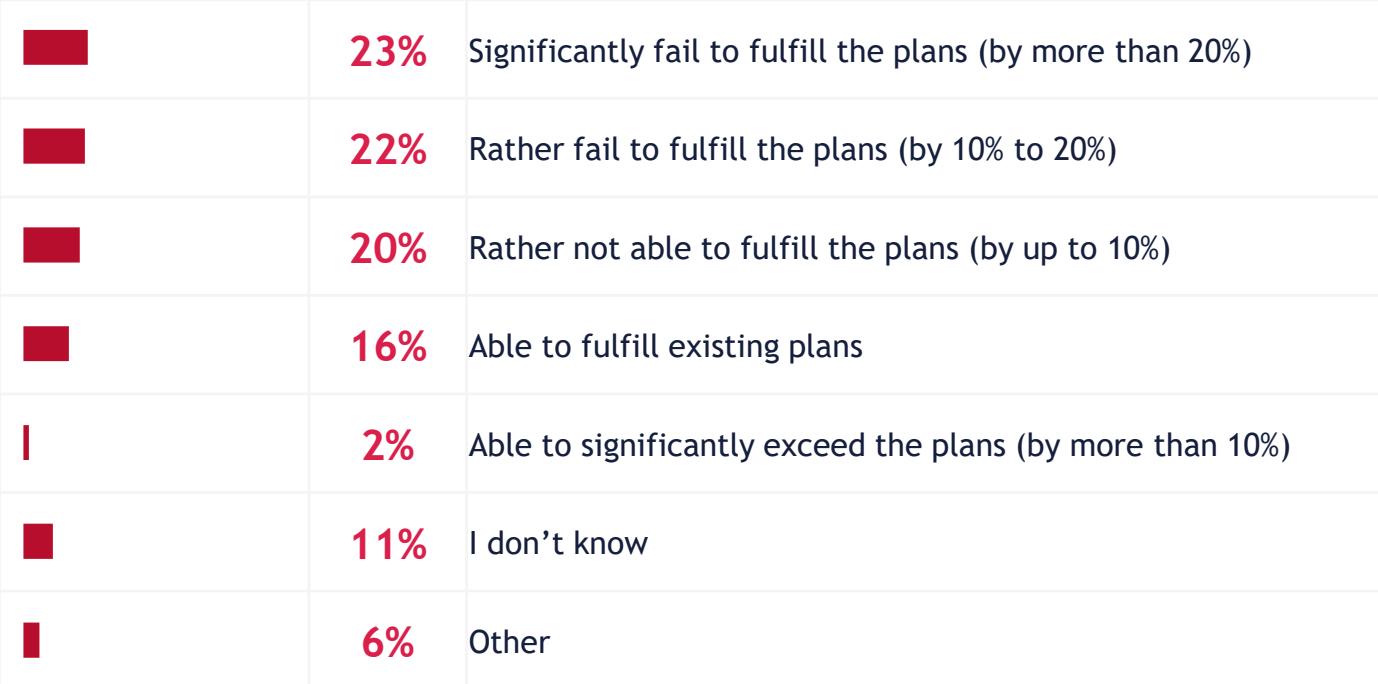
Percentage of respondents, that indicated maximum impact of challenges on business (10)

| | | |
|---|------------|---|
|  | 33% | COVID - 19 |
|  | 29% | Risk of lack of cooperation with the IMF and default risk |
|  | 28% | The crisis on the international financial markets |
|  | 13% | Risk of slowing down the reforms |



The government's measures taken to prevent the spread of COVID-19 from 1 to 10 (where 1 - absolutely ineffective, 10 - extremely effective)



Organization's ability to meet its 2020 business performance plans**Other:**

- It will depend on how long the COVID-19 pandemic lasts, but it will have a huge impact on the annual performance
- It will depend on the duration of the quarantine and the situation with the hryvnia
- It is too early for conclusions, since it is not yet clear when or how this will all end
- At the moment, all our activities have been stopped
- The government should reconsider its approach to the transportation of passengers/workers to factories and plants located outside the cities, which, through their production cycle, cannot cease their activities during quarantine. Currently, this issue can only be resolved by using cars. Such transportation creates high additional costs.

Organization's plans to optimize the headcount by the end of 2020

| | | |
|---|------------|--|
|  | 47% | No, maintain the current headcount |
|  | 13% | Yes, hire personnel |
|  | 12% | Yes, significantly decrease headcount (by more than 10%) |
|  | 11% | Yes, slightly decrease headcount (by less than 10%) |
|  | 13% | I don't know |
|  | 4% | Other |

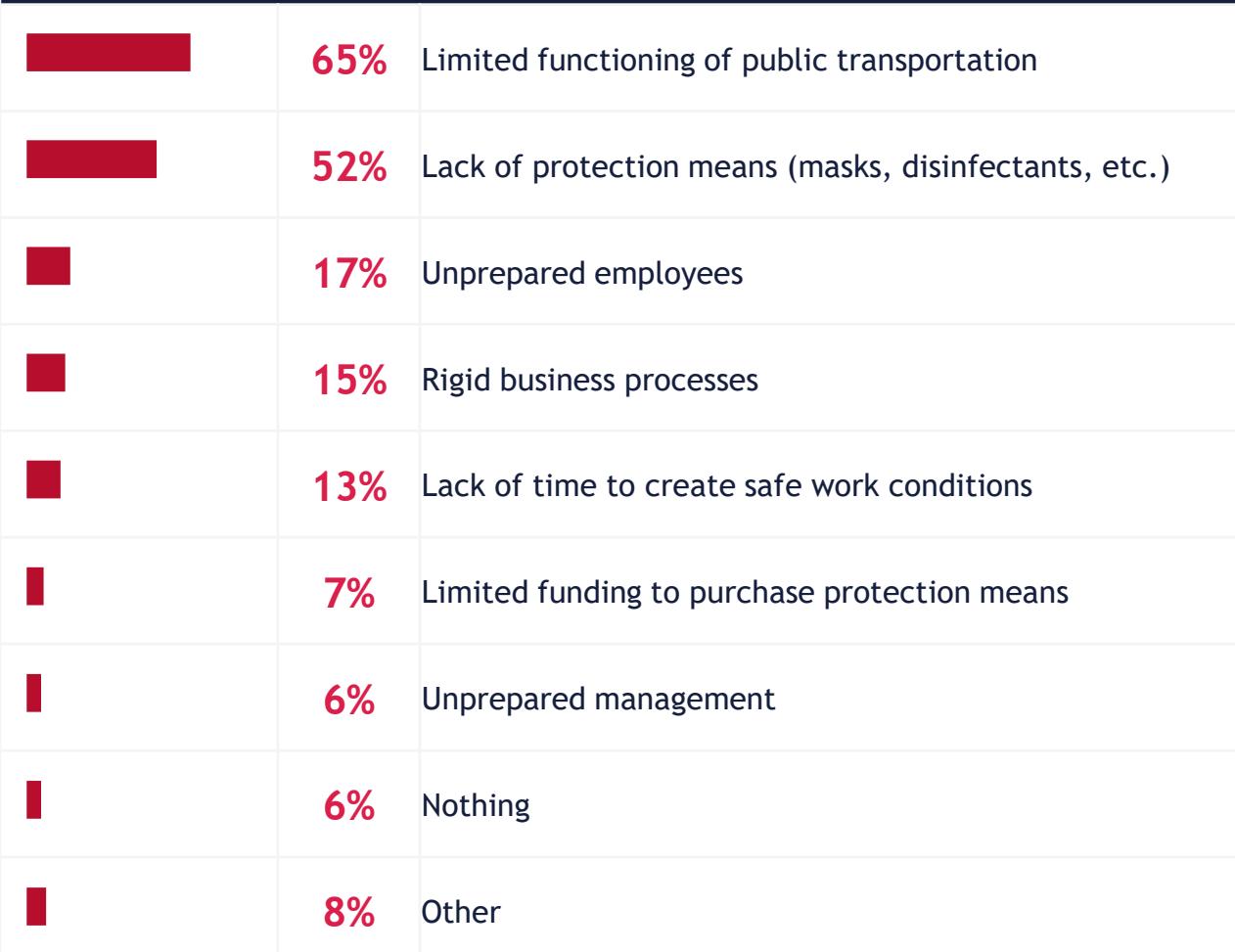
Other:

- Depends on the development of the crisis
- Too early for predictions
- We would like to retain staff, but it will depend on the state of the business
- There is some risk that may arise later

Percentage of organization's employees who CANNOT work remotely



The biggest challenges in creating safe work conditions for employees who CANNOT work remotely



Other:

- Government requirements for the use of paper documents rather than electronic documents
- Absence of automated procedures in certain areas requires physical and paper approvals/procedures
- Lack of food in the office - all cafes and food courts are closed
- No problems in our organization. However, our subcontractor is a construction company (with more than 500 employees) that is not ready for state restrictions.
- None. Living and working in a country at war for 6 years, we are always ready for the worst
- We stopped all non-core processes and sent about 60% of workers home without work obligations (self-isolation)
- Government bodies that do not work
- Unstable power supply and internet
- Limited supply of masks and antiseptics (now we have enough, but more will be needed if quarantine continues until May). Also business that works during pandemic needs tests for COVID-19
- Limited amount of medicines, if employees are infected

The biggest challenges in creating safe work conditions for employees who CAN work remotely

**Other:**

- A great desire to work from home! Home is safer but less efficient
- Inability to work for women with children at home
- No challenges from an employer perspective, everything works fine. The problem is the discipline of the staff: that they clearly follow all measures implemented by the government (keep distance, do not go outside, etc.)
- Ensure high quality of service provision through remote teamwork
- Customers close, so not much work is done remotely
- Home conditions (small apartments, presence of children, etc.)

**Further actions is business expecting most from the government?
(From 1 to 10, where 1 - least expected, 10 - most expected)**

| | | |
|---|------------|--|
|  | 9.6 | Support to increase the capacity of healthcare services to keep them effective during the pandemic |
|  | 9.6 | Ensuring stable functioning of the banking system |
|  | 9.3 | Continued cooperation with IMF to ensure macroeconomic stability |
|  | 9.0 | Timely and transparent communications from the government |
|  | 8.9 | Ensuring smooth operation of border guards and customs to ensure the stability of import |
|  | 8.7 | Preparation of an action plan for the post-quarantine transition |
|  | 8.2 | Postponing and/or termination of unimportant inspections for the duration of the quarantine |
|  | 8.1 | Organization of a media campaign on how quarantine can prevent the spread of the virus |
|  | 7.6 | Termination of the unified social security tax for at least 2 months |
|  | 6.7 | Implementation of price monitoring to avoid speculation |



Other further actions business expecting most from the government:

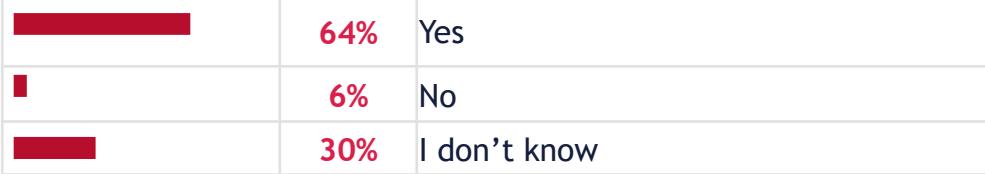
- Stronger enforcement of Social Distance guidelines
- More tests. People need masks to protect from infection, you can't get any. We provide them for our staff but probably will run out of them in April. Why not get them from China? They have them available due to the slow down in virus spread!
- Provide availability of masks and antiseptics in pharmacies, shops
- Keep calm, communicate and avoid panic
- Call centers need to be established to answer COVID-19 questions. Retired from health system services and army might work there
- Educating society to become better facing these challenges, to unite and help each other, not to take advantage of the trouble
- Any economical actions to protect people, considering closure of retailers leading to salary erosion
- Amendments to the Labor Code on compensation of 2/3 from the salary if pauses in work are caused by company decision, up to 1/3 but not less than 50 % of the minimum salary
- Support business with salaries payment in order to avoid mass dismissal

Other further actions business expecting most from the government:

- Amendments to Law #211 - inclusion of private clinics, auto service, post services, other critical infrastructure objects which were excluded as exceptions
- Holidays on mortgage loans from state-owned banks. Tax holidays for small and medium-sized businesses with the only remaining tax - income tax. This is difficult, but the budget deficit might be offset due to external borrowing. A number of private entrepreneurs and mid-size companies are now actually on the verge of layoffs / significant salary cuts due to the sharp decline in earnings. The state has to share their risks
- We are importing, and need to be sure that the goods to be imported (and products to be exported) will be cleared quickly at the borders. Now I have express post shipments on hold, as well as trucks stuck at border crossings potentially at risk of non-delivery.
- The NBU should provide sufficient market liquidity and reduce demand for foreign currency. For this purpose it is necessary to: prohibit buying foreign currency with the help of UAH funds, reduce the limits of commercial banks to deposit with the NBU, surely sell export proceeds
- Timely VAT refund to exporters
- Cancellation of the single social contribution not only for private entrepreneurs, but also for all companies that are forced either to suspend their operations entirely or to suspend the employment of certain employees
- Do not introduce regulation or tax increases for various industries, including the tobacco industry. Considering the fact that due to the threat of COVID-19 a number of countries around the world are introducing significant preferential conditions and are adopting incentive programs for their economies, Ukrainian business is also in need of rapid and proactive anti-crisis measures by the state to reduce fiscal pressure and support the domestic business in such difficult conditions. In particular, this concerns the implementation as of January 1st, 2021 of excise tax rates (which are introduced in accordance with the Law of Ukraine "On Amendments to the Tax Code of Ukraine Purposed to Improve the Administration of Taxes, Eliminate Technical and Logical Inconsistencies in the Tax Legislation" ("Anti-BEPS Law")) on the subcategory of "Heated tobacco-containing products (HTPs)", the value of which is 4 times higher than for other products belonging to the main category. This will create a tax discrimination for one product-type from a category, which is a violation of one of the fundamental principles of the tax law. In view of the above-mentioned, as well as to reduce the fiscal pressure in the face of economic turbulence and uncertainty, the Council of Entrepreneurs under the Cabinet of Ministers of Ukraine proposes to increase the excise tax rate on heated tobacco-containing products (HTPs) from 2021 to 2025 by 35% and from 2026 to 2030 inclusive by 10% annually. Excise tax rate increase of 35% annually for heated tobacco-containing products (HTPs) will increase excise tax revenues in 2021 by UAH 1 billion (up to UAH 2.7 billion) compared to 2020
- Make digital signature free of charge
- Allow for at least limited flights in and out of Ukraine in case of emergencies
- Reform in the area of telemedicine



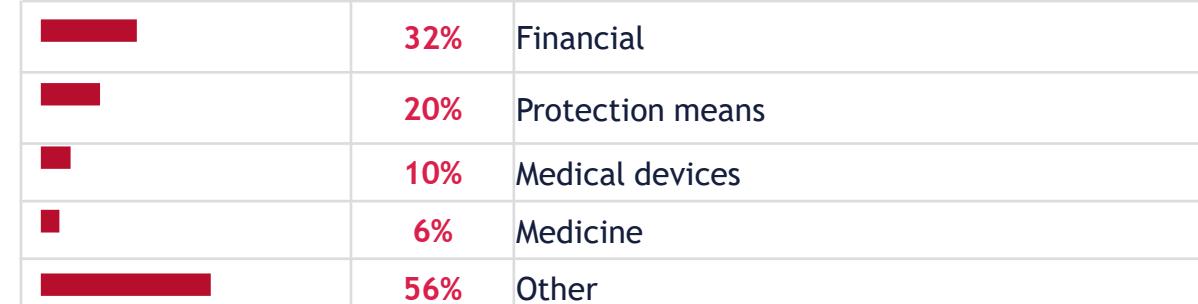
The williness of business to support society in protecting against COVID-19



Companies that are willing to support and have agreed to the disclosure of their name:

- 4i Capital PArtners
- Akkerman Distillery, a member of ALBO Group
- Alpheus Partners / Kinsel&Co
- American Councils for International Education
- ArcelorMittal Kryvyi Rih
- Baker McKenzie
- Carlsberg Ukraine
- Citi
- COSA
- Danevych.Law
- Danfarm
- DELTAWILMAR UKRAINE, PJSC "CHUMAK"
- DLA Piper
- Esri Ukraine
- lifecell
- Morgan Furniture/Home Group
- Philip Morris Ukraine
- Porsche Ukraine LLC
- ProCredit Bank
- Procter & Gamble Ukraine
- Robert Bosch
- Shell Ukraine
- Sitch Group
- Skynet worldwide express
- SoftServe
- Svitla Systems
- Toyota Ukraine
- Unilever
- Willis Insurance Brokers Limited
- Zinteco
- Ведерстад ТОВ

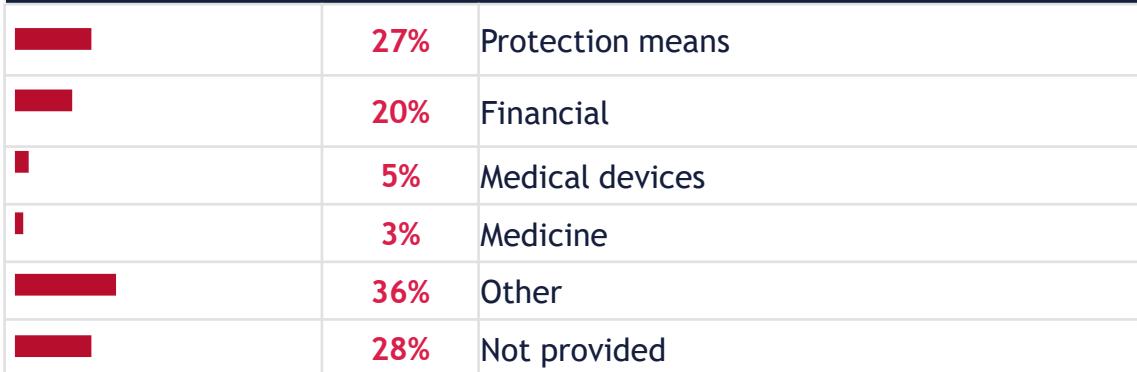
What support the business is ready to provide



Other:

- Observation premises
- Free dairy products for hospitals
- Disinfectants / antibacterials / masks
- Voluntary assistance in the communications
- Cleaning and washing products for older people, who need help, children's goods for mothers
- Food and water
- Information support (searching and analyzing the best global practices and communicating them to the government)
- IT services
- Communications, access to communication services, especially for medical professionals
- Consultations on insurance issues
- Consultation services
- Media services to provide support and awareness to people
- Security services
- Legal services

What support the business have already provided



**Companies that have
already provided support
and agreed to the
disclosure of their name:**

- 4i Capital PArtners
- Akkerman Distillery, a member of ALBO Group
- American Councils for International Education
- ArcelorMittal Kryvyi Rih
- Baker McKenzie
- Carlsberg Ukraine
- Citi
- Danevych.Law
- DELTAWILMAR UKRAINE, PJSC "CHUMAK"
- DLA Piper
- Esri Ukraine
- lifecell
- Pharmagate
- Philip Morris Ukraine
- Porsche Ukraine LLC
- Procter & Gamble Ukraine
- Robert Bosch

- Shell Ukraine
- Sitch Group
- Skynet worldwide express
- Softjourn, Inc
- SoftServe
- Toyota Ukraine
- Unilever
- Willis Insurance Brokers Limited
- Ведерстад ТОВ

Other:

- Observation premises
- Free dairy products
- Manufacture of sanitizers
- Disinfectants for partners
- Joined the global project helpwithcovid.com
- Ensuring the smooth operation of the communication infrastructure
- We provide the sanatorium with some necessary means (shower gel, food, bedding, towels, bathrobes, books, etc.)
- IT equipment
- IT services
- Consulting/information services
- Consultations on insurance issues
- Legal Services
- Media services to provide support and awareness to people
- Informed city administrations that we are ready to produce protective masks
- Reported intentions to engage in lawmaking
- Security services
- We will start delivering the following products from next week (cleaning and washing products for older people who need help, baby products for moms)
- Work with Ministers, municipalities and regional offices