

Ward Howell

**CORPORATE GOVERNANCE
INDEX
UKRAINE
2021**

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INTRODUCTION

Introducing the third edition of the Ward Howell Ukraine Corporate Governance Index, an annual study aimed at evaluating the present state and emerging trends in corporate governance within Ukraine.

Our objective is to offer business leaders a comprehensive overview of current board practices in the country, encompassing aspects such as board size, composition, committees, as well as profiles of Chairpersons and CEOs.

We trust that this research paper will serve as a valuable and practical resource, offering ideas and insights for our readers. We warmly welcome your feedback and eagerly anticipate the opportunity to engage in discussions regarding any matters stemming from our research.

METHODOLOGY

WHU-50

The WHU-50 is an annual list compiled by Ward Howell Ukraine that showcases the top 50 Ukrainian companies leading the way in corporate governance development. In 2021, we analyzed 329 board members across the 50 companies featured in the WHU-50, compared to 335 in 2020 and 323 in 2019.

The list, available on page 22, comprises the following categories of companies with publicly accessible information on their corporate governance systems:

- Leading Ukrainian banks (specifically, banks which have been identified as systematically important by the National Bank of Ukraine);
- Ukrainian companies listed on foreign stock exchanges;
- The leading Ukrainian SOEs;
- The companies listed on the Ukrainian stock exchanges;
- Other companies with well-developed corporate governance systems and publicly available reporting which are presented by Ukrainian Eurobond issuers, Ukrainian domestic bonds issuers, and Private Joint Stock companies with developed and independent boards of directors.

In contrast to well-established stock exchange indices and business magazine rankings, which adhere strictly to predefined rules, the WHU-50 Index components are handpicked by Ward Howell. The company selection process involves assessing each company's merit based on several primary criteria:

- Availability of information;
- Progress in enhancing corporate governance;
- Impact on the economy.

The index excludes certain private Ukrainian companies that maintain well-developed advisory boards but lack publicly available information on their boards of directors.

As transparency continues to improve year over year, the list remains dynamic and subject to change.

Data sources and definitions

We collected all publicly available data from the websites and official documents of the 50 companies, including but not limited to:

- 2021 Annual Report;
- 2021 Annual Issuer information;
- 2021 Annual Financial Statement;
- 2021 Reports of the Supervisory Board.

All data were taken as of December 31, 2021. In the few cases when such information was not found in the documents listed above, the data were taken from the most recent and relevant documents.

Our research focuses mostly on gathering numerical data and constructing statistical models to reveal the patterns of corporate governance in Ukraine.

A company's country allocation in the WHU-50 is determined based on its initial incorporation and market perception. We define international companies as those in which foreign citizens hold the majority of shares, and foreign professionals are considered individuals with a nationality different from Ukrainian. New board members refer to those appointed for the first time in 2021.

By the term “board” we mean either the supervisory board as in a two-tier system or the board of directors as in a one-tier system. The management board is identified as such.

List of Abbreviations

FSE Foreign Stock Exchanges

Max Largest number among the research subjects

Min Smallest number among the research subjects

Q1 Lower quartile – the point at which one fourth of the data are less than or equal to that point

Q3 Upper quartile – the point at which one fourth of the data are larger or equal to that point

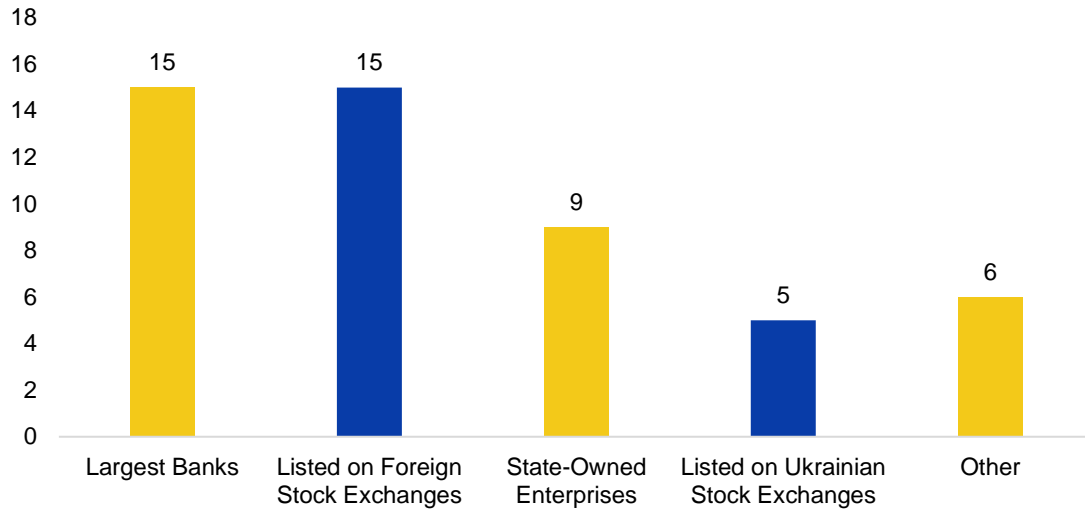
SOB State-Owned Bank

SOE State-Owned Enterprise

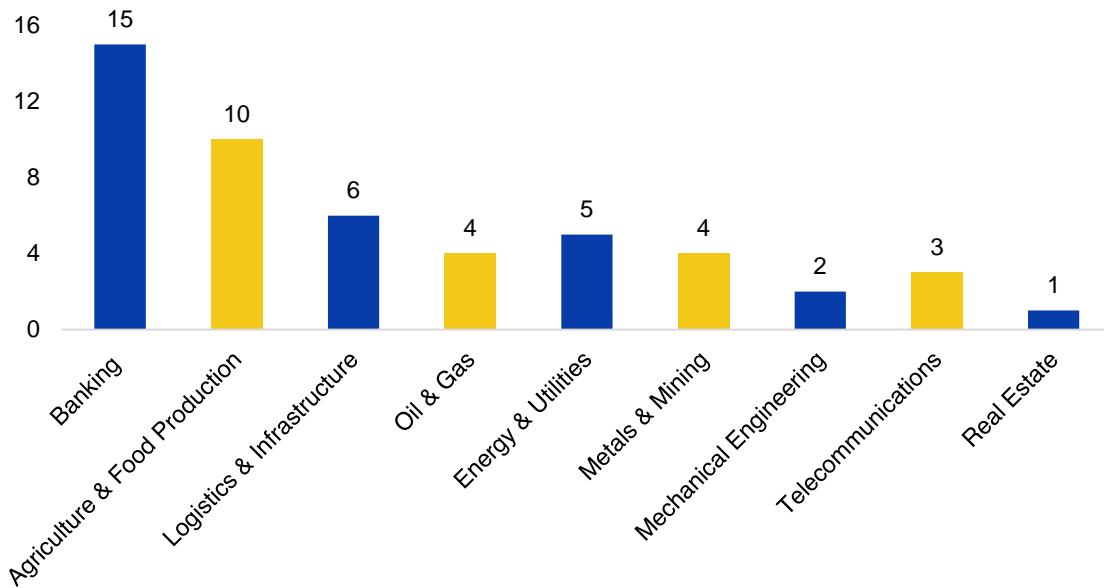
USE Ukrainian Stock Exchanges

WHU-50 STATISTICS

GROUPS OF COMPANIES BY MAIN TARGET CRITERIA



INDUSTRIES



ORIGIN



RESULTS

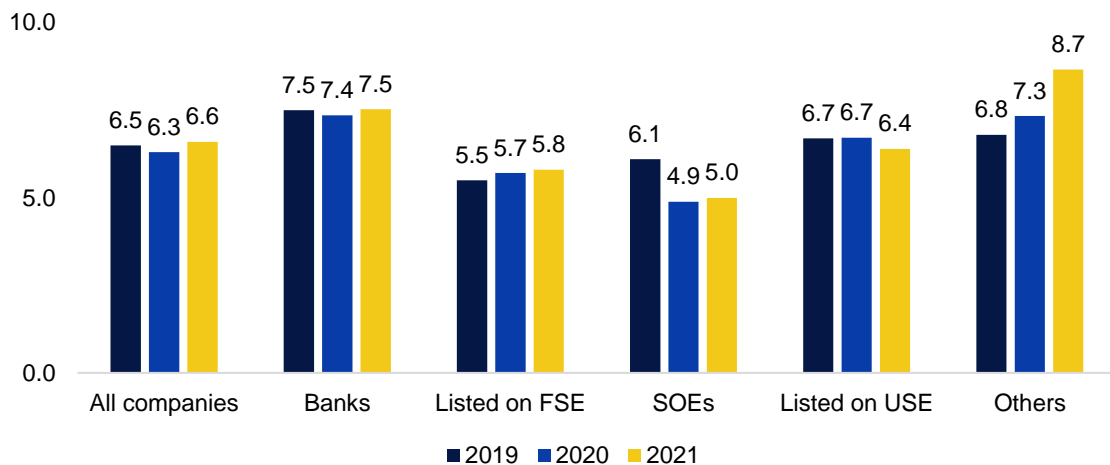
Board Size

The average board size across the WHU-50 in 2021 is 6.6 board members, a slight increase from 6.3 in 2020. This includes both independent directors and shareholder representatives.

Banks have the largest boards while the smallest boards tend to be found in the companies listed on foreign stock exchanges and in the state-owned enterprises. Among 48 companies which were included in both the 2019 and 2020 board indexes, 7 companies increased, and 10 companies decreased the number of board members.

Exhibit 1 Board Size

Average Board Size (Members)



Number of Board Members in 2020

	Min	Median	Max	All companies
Banks	5	10	8	Max – 11
Listed on FSE	4	9	5	Q3 – 8
SOE	3	7	5	Median – 6
Listed on USE	5	11	5	Q1 – 5
Others	6	10	7	Min – 0

One-Tier vs. Two-Tier Boards

There are two types of board structures: the one-tier board (also called a unitary board) and the two-tier board (also called a dual board). Ukraine has adopted a two-tier board structure: Ukrainian joint stock companies usually have a supervisory board and a management board. However, companies listed on foreign stock exchanges usually have one-tier boards in accordance with local exchange regulations. Among the WHU-50 companies, 34 (68%) have two-tier boards and 16 (32%) have one-tier boards. All banks and state-owned enterprises have two-tier boards while all companies listed on foreign stock exchanges have one-tier boards

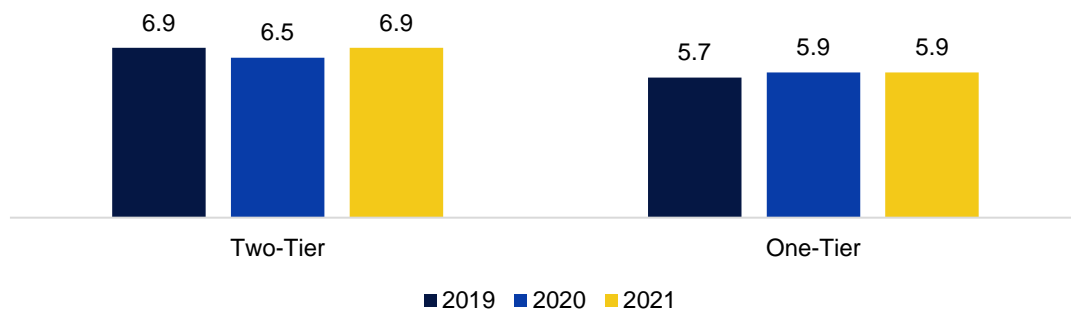
Exhibit 2
Proportion of WHU-50 Companies by Type



In the one-tier board, the Chairman of the board and the Chief Executive Officer both sit on a single board. In contrast, the two-tier board system separates the supervisory board, led by the Chairman of the board, from the management board, led by the CEO of the company.

The average size of two-tier boards has increased from 6.5 members in 2020 to 6.9 members in 2021. Meanwhile, one-tier boards have remained stable at an average of 5.9 member

Exhibit 3
Average Board Size



Independent Directors

Out of the 329 board members across the WHU-50 in 2021, 146 members were classified as independent, representing 44% of the total board. The remaining 183 board members were either shareholders or their representatives, making up 56% of the total board. The percentage of independent board members increased slightly from 43% in 2020.

In 2021, the percentage of independent board members increased for companies listed on foreign stock exchanges and the Ukrainian Exchange, while state-owned enterprises (SOEs) experienced a slight decrease in the percentage of independent board members. In other companies, the percentage of independent board members remained unchanged.

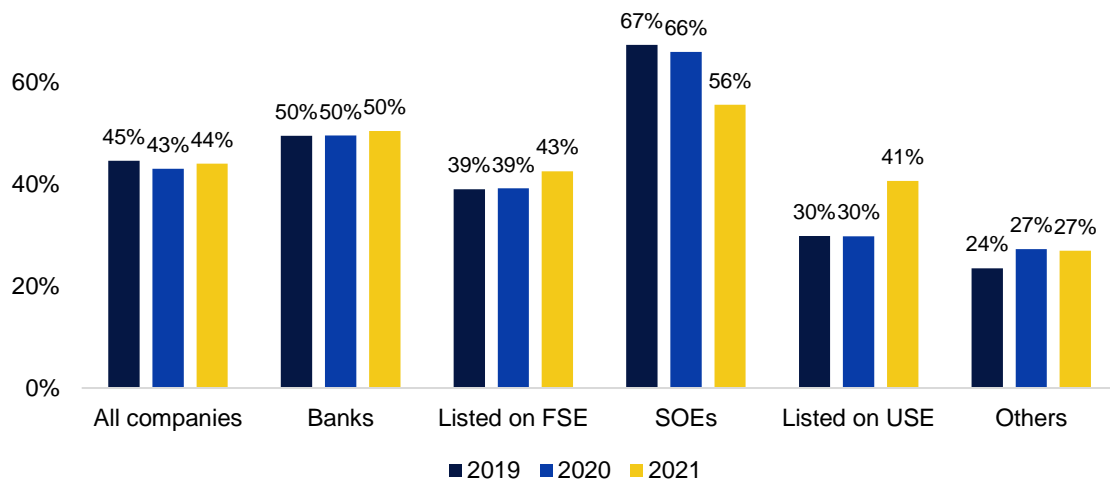
As previously, state-owned enterprises had the highest percentage of independent board members at 56%.

Five companies had no independent board members, compared to three in 2020, and 11 companies had less than three independent members on their boards.

Exhibit 4

Independent Board Members

Average Proportion of the Independent Members of the Board



Number of Independent Members of the Board

	Min	Median	Max	All companies
Banks	3	3	6	Max – 6
Listed on FSE	1	2	4	Q3 – 4
SOEs	0	3	5	Median – 3
Listed on USE	0	2	6	Q1 – 2
Others	0	3	6	Min – 0

Foreign Professionals on the Board

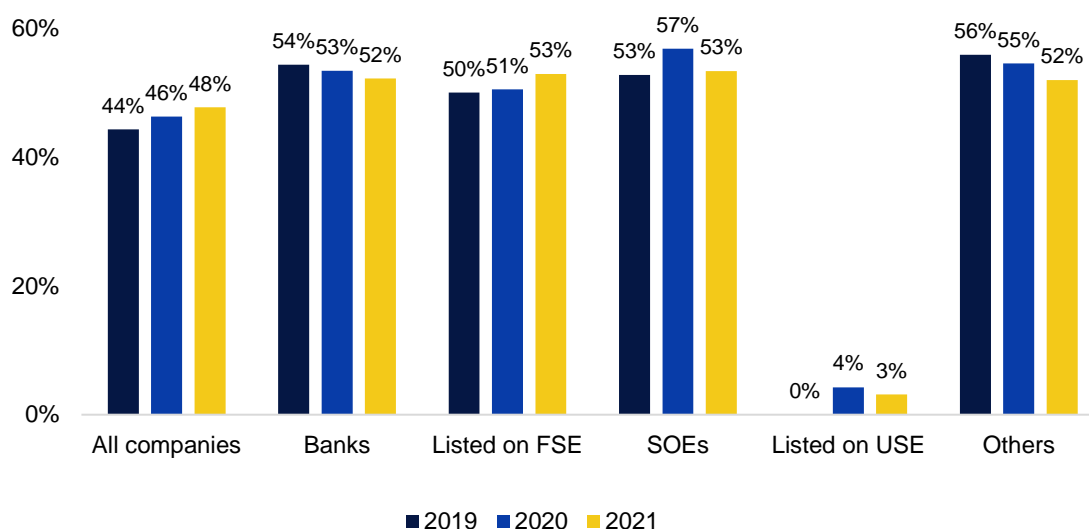
As of 2021, 157 members, or 48%, of board members on the WHU-50 are foreign professionals. This marks the second consecutive year of an increase in this ratio, up from 44% in 2019.

However, there was a decrease in the proportion of foreign professionals on bank boards in 2021, while an increase was observed among companies listed on foreign stock exchanges. When comparing the group of companies, we found that the proportion of foreign professionals on boards falls within a narrow range of 52-53%, except for companies listed on Ukrainian exchanges, which only have 3% of foreign professionals on their boards.

Exhibit 5

Foreign Professionals on the Board

Proportion of Foreign Professionals per Board



Number of Foreign Professionals per Board

	Min	Median	Max	All companies
Banks	0	4	8	Max – 8
Listed on FSE	0	4	6	Q3 – 5
SOEs	1	2	4	Median – 4
Listed on USE	0	0	1	Q1 – 1
Others	0	5	6	Min – 0

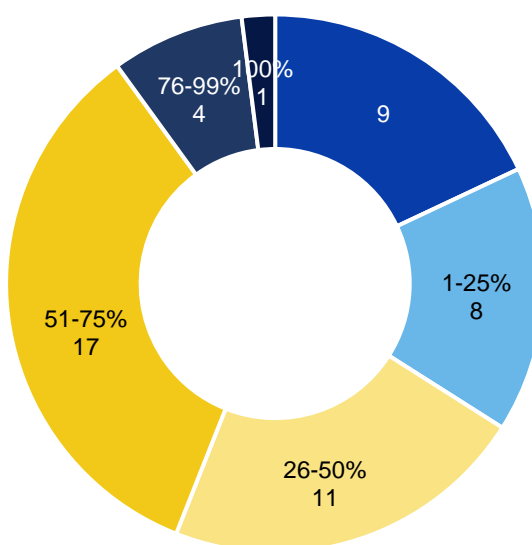
Generally, the WHU-50 boards comprise of foreign professionals from 33 distinct nationalities, excluding Ukraine. The most common nationalities represented on the WHU-50 boards are the United Kingdom, France, and the United States. This applies to both all board members and specifically to independent board members.

Exhibit 6
Foreign Board Members by Nationality

Nationality	All Board Members	Nationality	All Board Members
Ukraine	172	Latvia	3
United Kingdom	28	Estonia	3
France	19	Austria	3
Russia	14	Switzerland	3
United States	12	Luxemburg	3
Poland	12	Cyprus	3
Hungary	9	Georgia	2
Germany	8	Romania	2
Belgium	6	Armenia	2
Netherlands	5	Denmark	2
Turkey	4	Azerbaijan	2
Others	12		

Among the WHU-50 companies, there are four where the number of foreign professionals on the company boards is as high as 8, accounting for 100% of their board members. On the other hand, nine companies from the WHU-50 have no foreign professionals serving on their boards

Exhibit 7
Number of companies by the percentage of foreign professionals



Women on the Board

The issue of diversity, particularly with regard to female representation on corporate boards, remains a significant and timely concern.

According to the data, among the 329 directors comprising the WHU-50, 70, or 21.3%, are women. This marks a second consecutive year of improvement, with the figure increasing from 19.4% in 2020 and 17.6% in 2019.

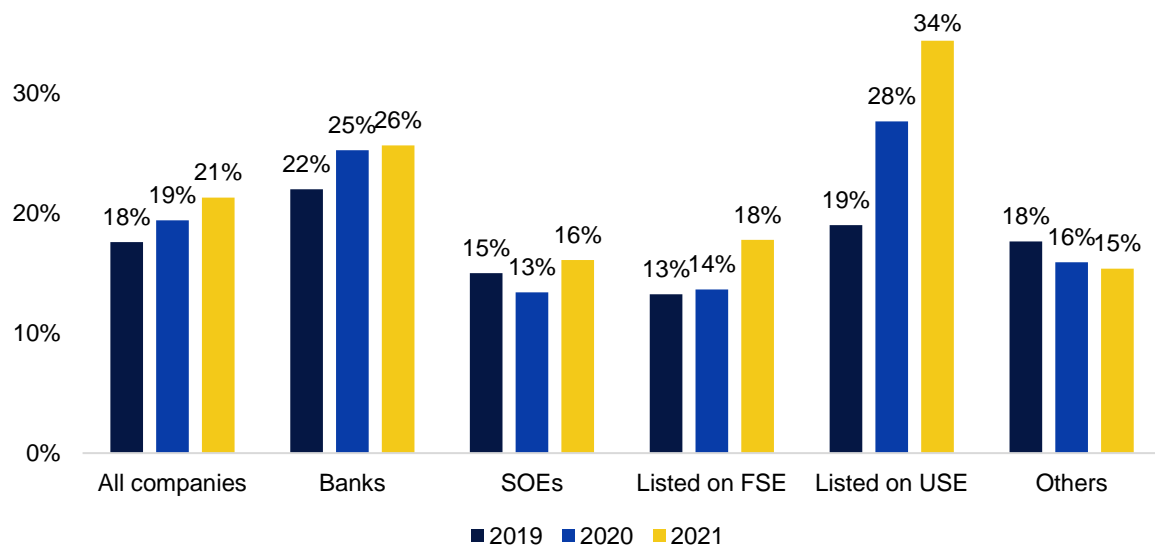
Banks as well as companies listed on Foreign and Ukrainian stock exchanges, have shown notable progress in terms of gender diversity on their boards. In fact, the Ukrainian stock exchange boasted the highest percentage of female representation in 2020, with as much as 34% of board seats held by women.

Overall, the upward trend in female representation on corporate boards is encouraging, though there remains significant room for improvement. As the global conversation around diversity, equity, and inclusion continues to gain momentum, it is likely that greater attention will be paid to this issue, with the hope of achieving more equitable and diverse boardrooms.

Exhibit 8

Women on the Board

Proportion of Women on the Board



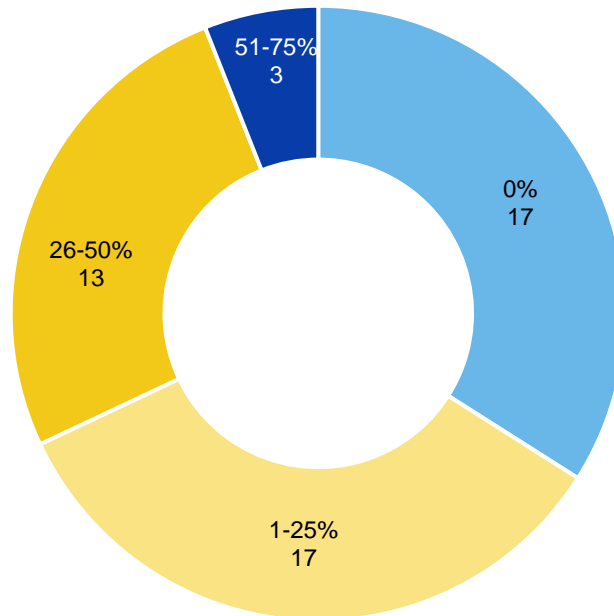
Number of Woman on the Board

	Min	Median	Max	All companies
Banks	0	2	4	Max – 4
Listed on FSE	0	1	4	Q3 – 3
SOEs	0	1	3	Median – 1
Listed on USE	0	2	4	Q1 – 0
Others	0	1	4	Min – 0

There are three companies among WHU-50 that have a majority of 60% of women on the board. There are two companies with half of the board comprising women. At the same time, there are still 17 companies out of WHU-50 with no female representation on the board.

Exhibit 9

Number of companies by the percentage of women on the board



Regarding the nationality of female board members, it is worth noting that out of the 70 women currently on the board, 49 are Ukrainian. However, there are also 5 female board members who hold British citizenship, and 2 female board members who hold American citizenship.

In terms of recent appointments, the year 2021 saw the addition of eleven new board members, an increase from the seven new female board members appointed in 2020. This suggests a positive trend towards greater gender diversity in the recruitment of board members.

Tenure of WHU-50 Board Members

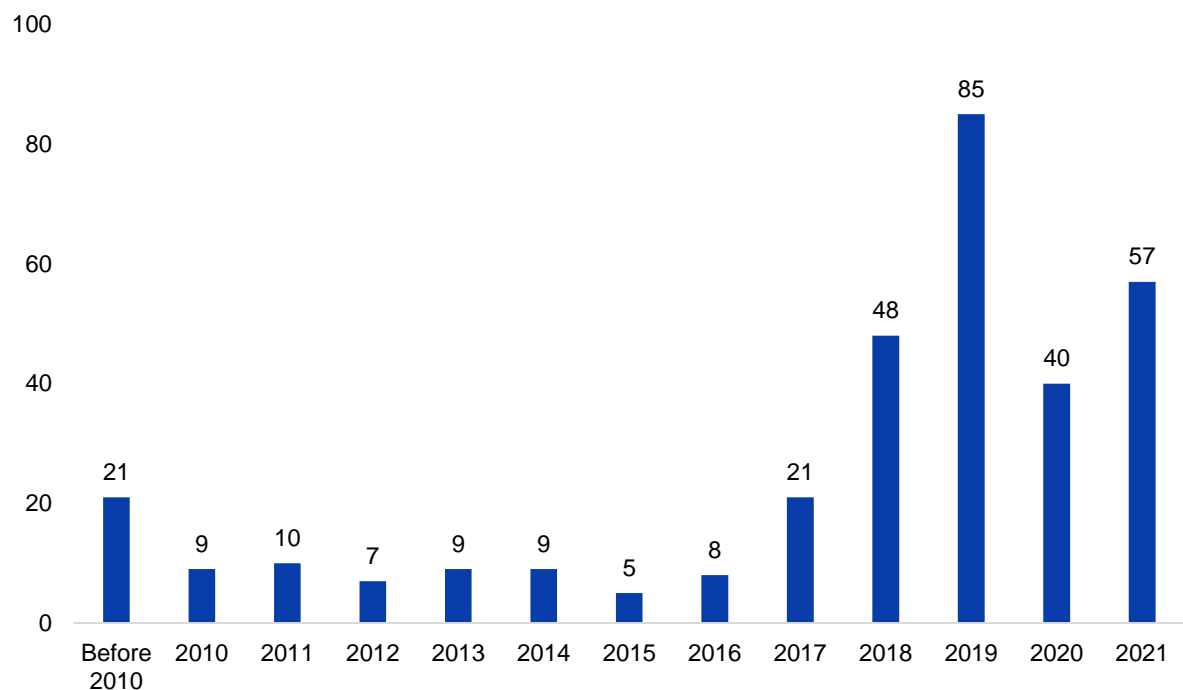
The boards of the 50 companies comprising the WHU-50 currently have a total of 329 board members. Over the course of 2021, 57 new board members were appointed, indicating a significant turnover.

It is worth noting that the vast majority of directors were appointed in 2019. Additionally, there are 21 directors who have served on their boards for more than 10 years, with the longest-serving director having held their position for 27 years.

Interestingly, the smallest number of new directors were appointed between 2010 and 2020 in the year 2015, when only 5 individuals were appointed.

Exhibit 10

Number of Directors by year of Appointment



The average tenure of board members is 3.7 years. The average tenure of independent board members is 2.8 years while the average tenure of shareholder representatives is 4.4 years.

Exhibit 11

Tenure of Board Members

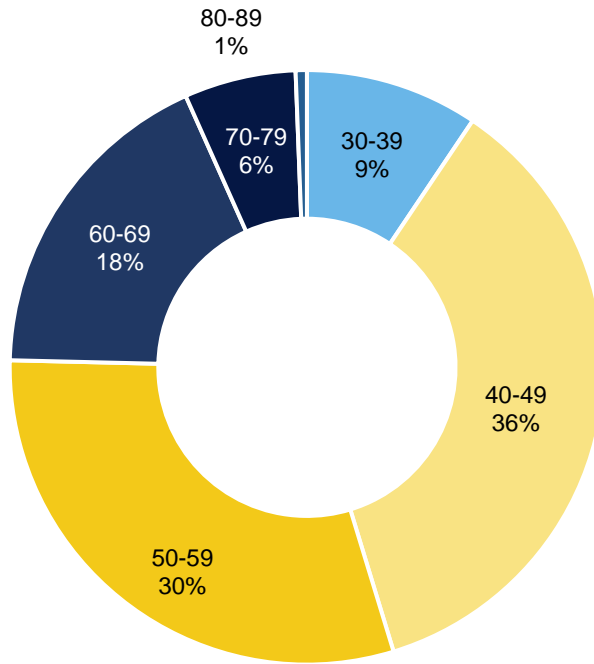
	All Board Members	Independent	Non-Independent
Max	0	0	0
Q3	1	1	1
Median	2	2	2
Q1	4	3	7
Min	27	17	27

Age of WHU-50 Board Members

The age range of board members varies greatly, with the youngest member being 30 years old and the oldest member being 84 years old. On average, the board member's age is 52.5 years old.

Exhibit 12

Number of Directors by Age



Number of Meetings	
Max	84
Q3	59
Median	51
Q1	45
Min	30

The age distribution of board members is diverse, with a majority falling between the ages of 40 and 49. However, there are also 31 board members aged between 30 and 39. Additionally, there are 22 board members who are between 70 and 84 years old.

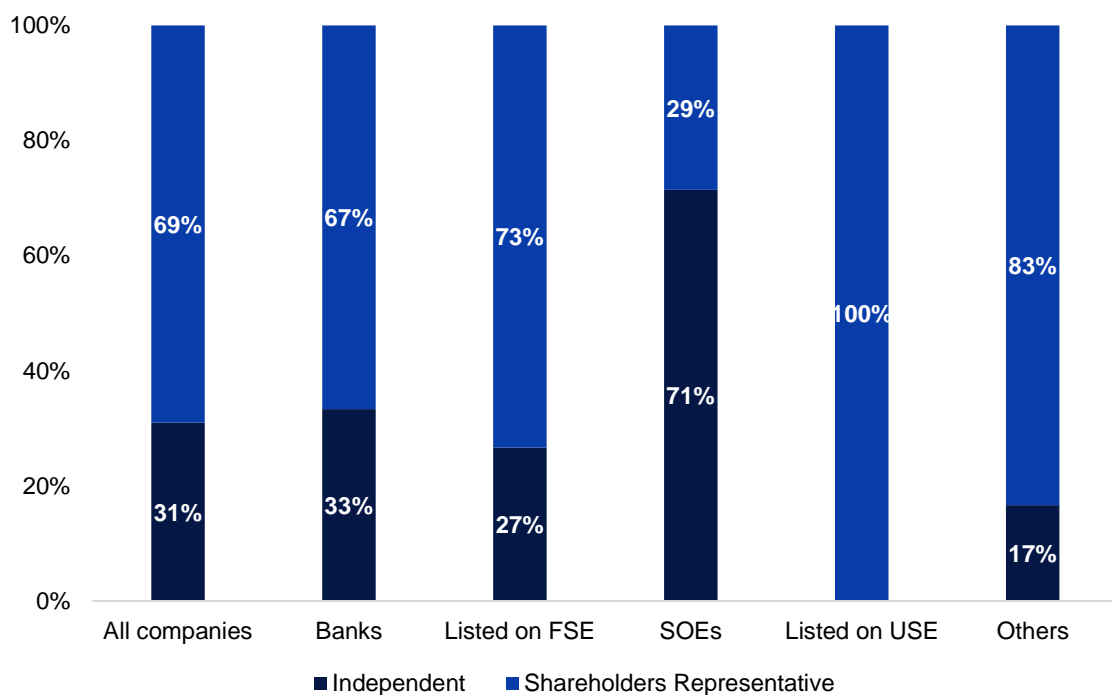
Chairman

After analyzing the data of 48 Chairmen from WHU-50 companies ((excluding two companies without a chairman), it was found that 31% of them were independent board members while 69% were either a hired representative of the shareholder or a founder of the company.

The study revealed that independent chairmen of the board were more prevalent in state-owned banks and state-owned enterprises. On the other hand, companies listed on the Ukrainian stock exchanges preferred to nominate non-independent Chairmen, who were often shareholder representatives.

Exhibit 13

The Origin of the Chairman



There are two chairmen of the board who are seated on more than one WHU-50 board simultaneously.

Six new chairmen were appointed in 2021. There are six chairwomen of the board at WHU-companies.

Exhibit 14
Chairman Portrait

	Chairman 2021	Chairman 2020	Chairman 2019	Independ- ent Chairman 2021	Independ- ent Chairman 2020	Independ- ent Chairman 2019
Average Age	53 years old	55 years old	55 years old	52 years old	57 years old	56 years old
Percentage of women	12.5%	7.5%	6%	33%	20%	16%
Citizen of Ukraine	54%	53%	48%	33%	30%	17%
Just appointed	12.5%	6%	28%	20%	5%	39%
Average tenure	4.6	3.9	3.4	2.9	2.9	2.7
Age of the youngest Chairman	35 years old	39 years old	38 years old	35 years old	39 years old	40 years old
Age of the oldest Chairman	82 years old	81 years old	80 years old	82 years old	81 years old	80 years old

New Members on the Board

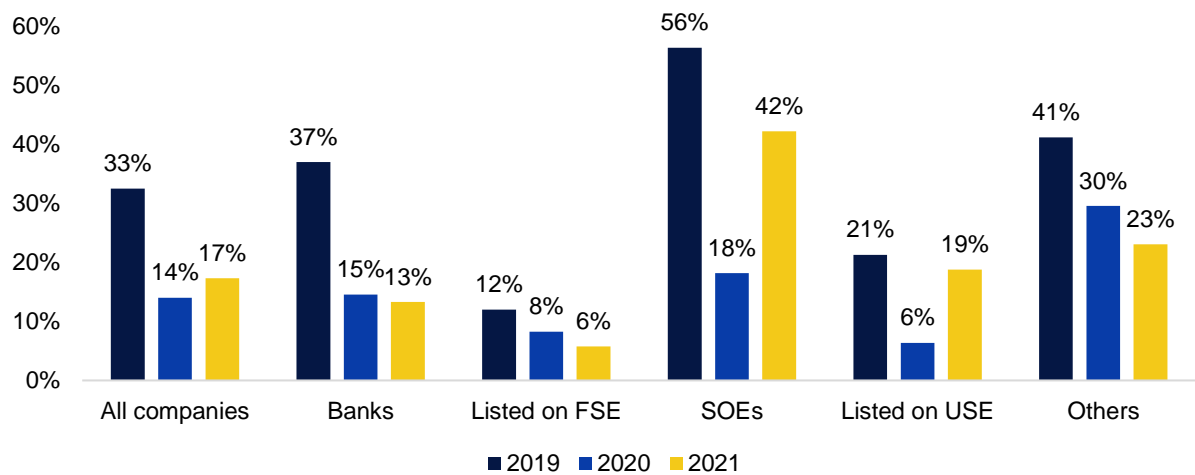
In 2021, 57 new board members were appointed to the boards of WHU-50 companies, or 17.3% of total board members. For comparison, in 2020 47 new board members were appointed and in 2019, 104 new board members were hired.

Among the 57 newly appointed board members, 11 are women and 45 are men. The 31 of new board members have Ukrainian citizenship while 26 have foreign citizenship, including but not limited to the United Kingdom, France, Poland, etc. The 26 out of 57 newly appointed board members are independent.

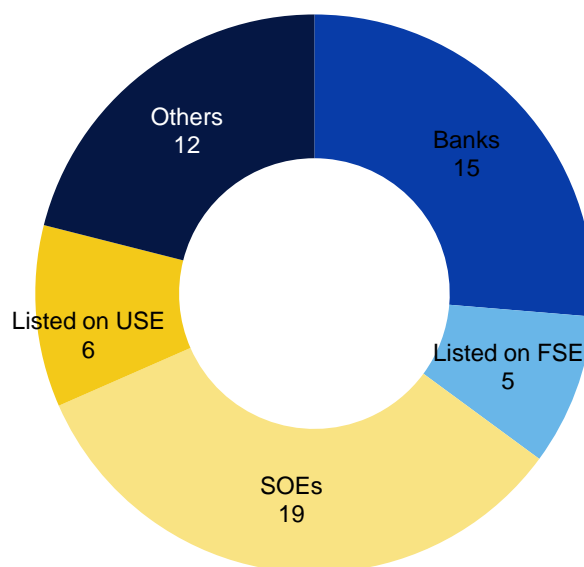
Exhibit 15

New Members on the Board

Proportion of New Members on the Board



Total Number of New Members on the Board

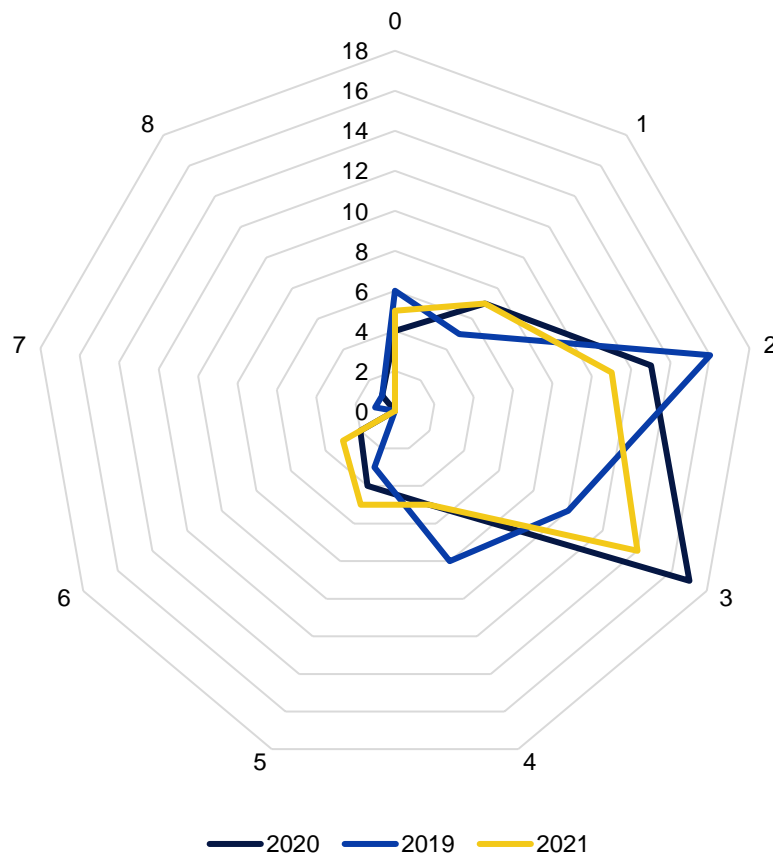


Board Committees

Among the 50 companies of WHU-50, five have not set up any committee. Audit and nomination & remuneration committees are still the most common.

All WHU-50 companies have in total 134 committees with the average of 2.7 committees per board (2.7 in 2020 and 2.6 in 2019). The largest number of committees is 6. State-owned enterprises as well as banks have the largest number of board committees.

Exhibit 16
Number of Committees on the Board



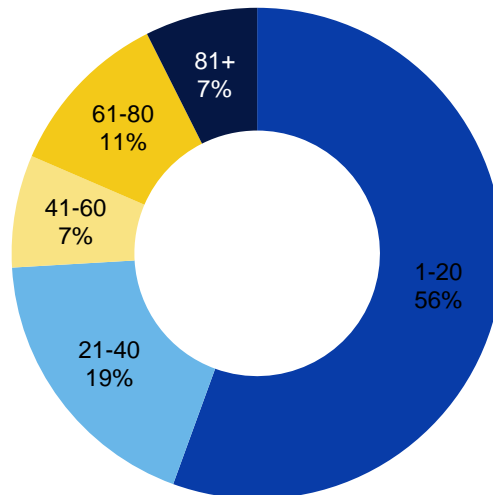
	Min	Median	Max	All companies
Banks	0	3	6	Max – 6
Listed on FSE	1	2	5	Q3 – 4
SOEs	1	4	6	Median – 3
Listed on USE	0	2	4	Q1 – 2
Others	0	1	5	Min – 0

Board Meetings

Based on the available information, the greatest number of meetings held in 2021 per company was 133 compared to 113 in 2020 (the same company) and 126 in 2019 (different company). The smallest number of meetings was 4. The average number of meetings was 31 compared to 32 in 2020 and 25 in 2019 and the median was 16 compared to 18 in 2020 and 17 in 2019. The third quartile equals 45 while the first 7.

Exhibit 17

Number of Board Meetings

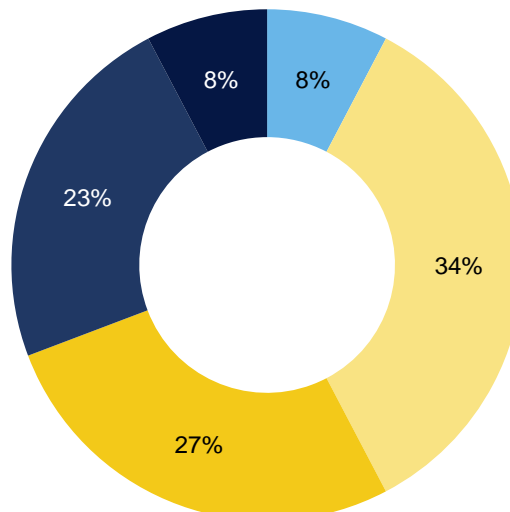


The majority of the companies (42%) have increased the number of board meetings in 2021 as compared to 2020. 31% of companies decreased the number of board meetings

Exhibit 18

Dynamic in the number of the Board Meetings 2021/2022

- Increased 51-100%
- Increased up to 50%
- Not changed
- Decreased down to 50%
- Decreased 51-100%

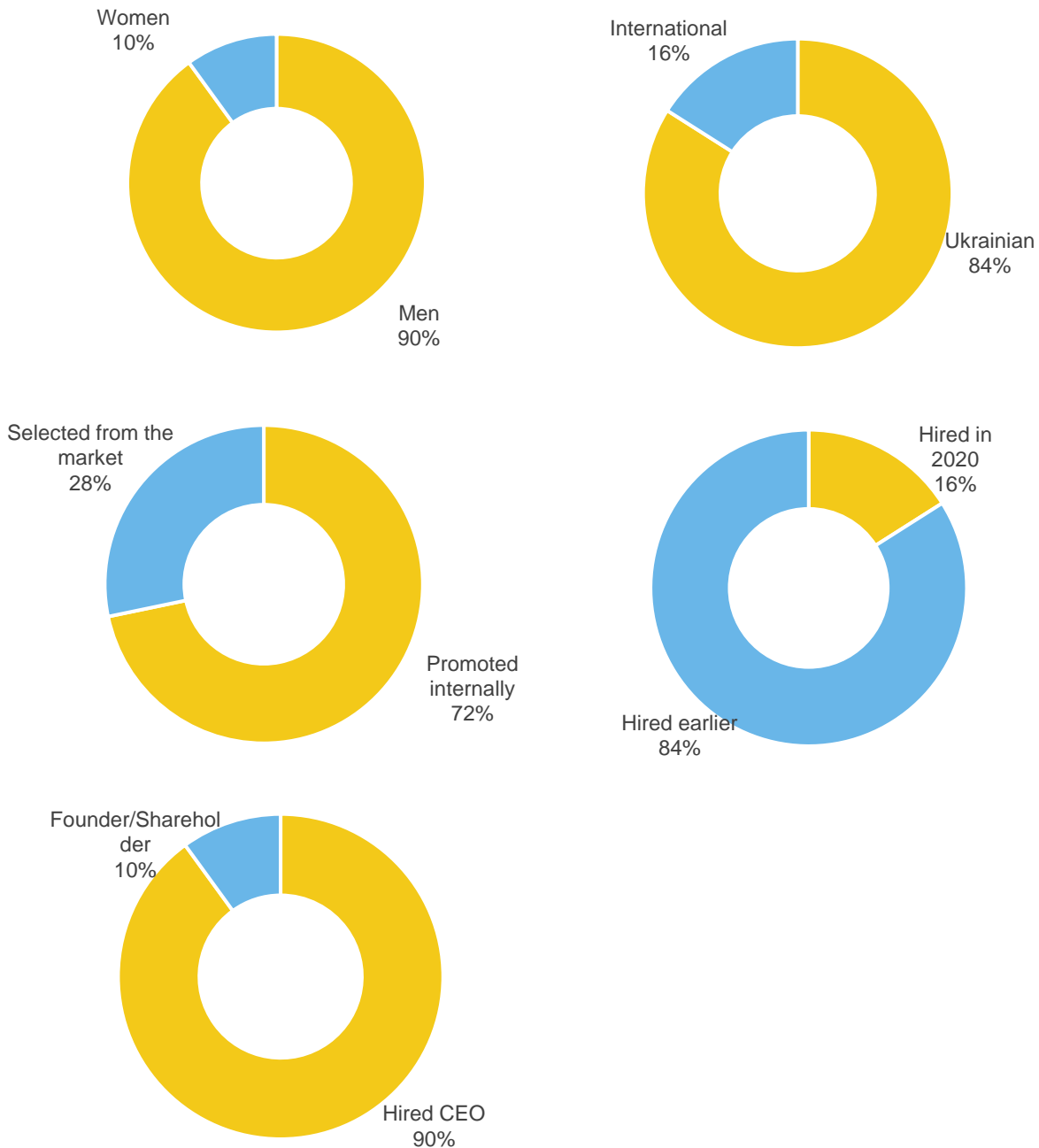


Chief Executive Officer

In 2021, the WHU-50 saw a total of 8 new CEO appointments, compared to 15 in 2020 and 9 in 2019. Among the 8 new CEOs appointed in 2021, only one was female, while the remaining 8 were male. Out of these 8 appointments, 4 were made from within the company's internal hierarchy, while the other 4 were recruited externally from the market. It is worth noting that 75% of the newly appointed CEOs in 2021 were Ukrainian professionals, while the remaining 25% were foreign executives.

Exhibit 19

Origin of Chief Executive Officer



List of companies

Company	Industry	FSE	USE	SOE	SIB	Other
A-Bank (Accent-Bank)	Banking					
Agrogeneration	Agriculture & Food Production					
Agroton	Agriculture & Food Production					
Alfa-Bank Ukraine	Banking					
Arricano Real Estate	Real Estate					
Astarta Holding	Agriculture & Food Production					
Boryspil International Airport	Logistics & Infrastructure					
Cadogan Petroleum	Oil & Gas					
Centrenerg	Energy & Utilities					
Credit Agricole Bank	Banking					
Coal Energy	Metals & Mining					
Donbasenergo	Energy & Utilities					
DTEK	Energy & Utilities					EB
Enwell Energy	Oil & Gas					
Ferrexpo	Metals & Mining					
First Ukrainian International Bank	Banking					
Industrial Milk Company	Agriculture & Food Production					
Interpipe	Metals & Mining					EB
Kernel	Agriculture & Food Production					EB
Kredobank	Banking					
KSG Agro	Agriculture & Food Production					
Kyivstar	Telecommunications					
Mahistralni Gazoprovody Ukrainy	Logistics & Infrastructure					
Metinvest Holding	Metals & Mining					EB
MHP	Agriculture & Food Production					EB
Milkiland	Agriculture & Food Production					
Naftogaz Group	Oil & Gas					EB
Nova Poshta	Logistics & Infrastructure					
Oschadbank	Banking					EB
OTP Bank	Banking					
Ovostar	Agriculture & Food Production					
Pivdenny Bank	Banking					
PrivatBank	Banking					EB
Raiffeisen Bank Aval	Banking					
Tascombank	Banking					
Turboatom	Mechanical Engineering					
Ukrainian Sea Ports Authority	Logistics & Infrastructure					
Ukrenerg	Energy & Utilities					
Ukreximbank	Banking					EB
Ukrasbank	Banking					
Ukrhydroenerg	Energy & Utilities					
Ukrnafta	Oil & Gas					
Ukroboronprom	Mechanical Engineering					
Ukrposhta	Logistics & Infrastructure					
Ukrproduct Group	Agriculture & Food Production					
Ukrsibbank	Banking					
Ukrtelecom	Telecommunications					
Ukrzaliznytsia	Logistics & Infrastructure					EB
Universal Bank	Banking					
Vodafone Ukraine	Telecommunications					EB

Main target criterion,

Additional target criterion,

EB – Eurobond Issuer

Ward Howell

Ward Howell is one of the major global Executive Search and Leadership Development firms. We were founded in 1951 in New York City by the former head of McKinsey's executive search practice, Henry Wardwell Howell, a pioneering management consultant who helped create the Executive Search profession. Today Ward Howell operates a network of 30 offices worldwide, is supported by over 130 partners, and is active in all major industry and services sectors.

Ward Howell Ukraine

Ward Howell opened its office in Kyiv in 2004 in order to support the rapidly growing demand for executive search services in Ukraine. Over the years, we have cultivated an extensive network of personal contacts, particularly among key executives and directors. Our firm has developed a unique research capability that swiftly and accurately identifies potential candidates at target companies, specified in collaboration with our executive search clients. We cater to a diverse range of organizations in virtually every industry in Ukraine and the surrounding region. Our expertise extends beyond executive search, encompassing leadership development and board services. We assist clients in enhancing their businesses' effectiveness through the development and implementation of corporate governance systems, board effectiveness evaluations, and the acquisition, assessment, and development of board members.

Ward Howell Ukraine Leadership Institute

The Ward Howell Ukraine Leadership Institute is a proactive initiative to develop a knowledge-based approach towards research in Ukraine. The Institute was founded in 2019 to promote extensive research on corporate governance and leadership development. The Ward Howell Ukraine Leadership Institute conducts regular research on fundamental themes and developments as well as special research on newly developing topics of the day. The Institute also supports a data-driven approach to the conduct of executive search and consulting projects by Ward Howell Ukraine.

Read our previous studies here:

<https://ward-howell.com/corporate-governance-index-ukraine-2019/>

<https://ward-howell.com/corporate-governance-index-ukraine-2020/>

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