

## “Lifetime Disqualification for Corruption.” How Do You Become a Metinvest Supplier? A Case Study for Forbes by Andriy Mishchenko, Metinvest Group’s Chief Procurement Officer

What do you need to be able to sell clothing to the Ukrainian armed forces, food to WOG (a leading Ukrainian petrol station operator) and equipment to Metinvest? How do the largest companies support their partners and what red lines will they never cross? Senior managers from Metinvest, WOG and the State Logistics Operator, who purchase a combined US\$3 billion worth of goods annually, answer these questions in an article in Forbes Ukraine. The publication has compiled the main points from the speeches by company managers at the Forbes Entrepreneurs Forum held on 27 June. Below is a condensed version of the original article.



Viktorii Vynogradova, Head of Procurement at the State Logistics Operator, an agency with an annual budget of UAH95 billion that purchases products for the Ukrainian armed forces, said that her agency has zero tolerance for corruption. The agency has implemented an anticorruption system that has been validated by its Western partners. Some 90% of the operator’s tenders are published on Prozorro (Ukraine’s open-source e-procurement system), and 10% of procurement is conducted via direct contracts. For the agency, it is crucial that suppliers have digital document management capabilities.

Andriy Pyvovarskiy, CEO of WOG, said that the petrol station chain purchases goods and services worth UAH5-5.5 billion annually in addition to fuel. All procurement is published on Prozorro. The main criteria for the company when purchasing food products are quality and production standards, while price is not a key consideration. The network has been working with its suppliers for a long time and supports them in every way possible. For example, it is prepared to make prepayment for products a year in advance if needed. Red lines for partnerships include corruption, tax evasion or other risky financial transactions.



**Andriy Mischenko, Metinvest Group's Chief Procurement Officer:**

In 2023, Metinvest's operating procurement totalled nearly US\$400 million (UAH16 billion). This figure excludes raw materials. Last year, we worked with almost 2,000 partners.

We publish almost all lots on our website. We are as open as possible. If you are a new supplier, you will need to undergo a brief qualification procedure. All the details are available on our website.

We offer both spot contracts and long-term contracts. Before the war, we also had five-year contracts with formula pricing. Regarding supplier support, we cooperate with The First Ukrainian International Bank (FUIB), which provides a factoring service — offering financing for deferred payment. You can get all the details from FUIB or from our procurement team.

Today, we are more flexible with suppliers than ever before because we understand the challenges related to the war. We are willing to turn a blind eye to non-compliance with contractual deadlines by addressing the issue in accordance with the sanctions stipulated in the contract, and will provide the supplier with a chance to continue working with us. If this becomes a systemic problem, we will suspend working with them for at least 12 months. But there is one red line that we will never cross — corruption. If we detect it, we will disqualify the supplier for life and this ban even extends to related companies.

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