



Ukraine conflict: Considerations for a potential withdrawal

KPMG Board Leadership Centre



As the Russian-Ukraine conflict unfolds, companies have had to move quickly to ensure the safety of their workers while girding themselves for the economic impacts and operational disruption to come. The conflict has brought the intersection of risk, reputation, and revenue into stark view with many companies re-evaluating their businesses in Russia – some curtailing their operations there or deciding to leave entirely. For some, the decision to withdraw from Russia will be a relatively easy one as any lost revenue will be easily outweighed by the wish to do the right thing as a values driven organisation and the reputational harm of continuing to do business. But whether the decision to withdraw appears clear or not, any decision – which will be closely scrutinised by shareholders and other stakeholders – demands a disciplined process. In this piece we highlight the Conference Board’s [framework](#) for making near-term withdrawal decisions in a clear and consistent manner; and offer key insights for preparing for geopolitical crises in the future.

The conflict’s impact on Ukrainian lives has rippled worldwide, compounding the anxiety and toll taken by two years of pandemic-related hardship. Understanding how to best support employees in Ukraine, Europe, and around the world – while taking a responsible stand on the Russian government’s ongoing military attack on Ukraine is an immediate and important board issue.

For companies with a significant employee base in Russia, deciding whether to cease operations will no doubt be difficult. The decision making process boards follow at this difficult time need to be robust as they will likely serve as a precedent for the future.

Developing a decision-making framework

The scope and speed of the corporate withdrawal from Russia has no recent equivalent. Many companies have already suspended some or all their business operations, paused sales, or started to offload their stakes in Russian assets.

While the nature of the withdrawals vary, companies are having to make swift decisions on the basis of relatively limited information. It’s therefore critical that the process adopted by the board for deciding whether and how to respond is both robust and consistent.

Robust because rigorous and thoughtful debate leads to good decision making; and consistent because companies will need to explain not just their current decision, but whether they plan to cut business ties with other countries that, if not engaged in a war with other nations, do not abide by established international standards within their own borders.

The Conference Board’s framework set out in ‘*Cutting Ties With Russia: A Guide to Decision-Making Now and in the Future*’, addresses three key areas: *whether* to respond, *how* to respond, and the *process* surrounding the decision.

Whether to respond: In deciding *whether* to respond, consideration should be given to the company’s purpose and core values, the requirements and expectations of internal and external stakeholders, the significance of the issue to society, and the incremental impact the company can have along with the potential impact of collective corporate action.

With this particular crisis, extra weight should be given to a number of additional factors. For example, cutting ties with Russia may have significantly greater business and financial implications than taking a stand on a social issue, which means the interests of shareholders should arguably feature more prominently in the analysis.

In addition, there may be significant regulatory and legal dimensions to the decision such as complying with international sanctions. Further, while companies often take stands on social issues only when there is a meaningful connection with their business, given the significance of the invasion of Ukraine for global stability and democracy, in this case companies may wish to act even when they have little business with Russia, .

How to respond: In considering *how* to respond, boards should consider how prominent a leadership position they want to take.

As with any response to domestic social issues, before announcing a stand it is important for companies to consider how they plan to follow through – including under what circumstances they would resume business and the consistency of any decision with the company’s approach to doing business with other jurisdictions.

In contrast to taking a stand on a domestic social issue, however, companies need to be prepared not just for a negative reaction from some stakeholders who do not like the company’s position on a particular topic, but for the potential sustained retaliation by a nation state in cybersecurity or other arenas.

Process: Boards should also have a clear process for making the decision, including ensuring management consults with all key functions such as business unit leaders, finance, legal, government affairs, investor relations, corporate communications, marketing, risk management, and human capital.

Also, companies should be transparent with stakeholders about the criteria and process they employed in deciding whether and how to respond. This will enable them to explain why they did, or did not, sever business ties with Russia, and why they may not go as far, or may go farther, than other businesses or in other situations.

While employees and the public are often the main focus for companies taking a stand on social issues, in this situation companies need to also focus on explaining to investors what they are doing and why.

Looking forward

The business and societal response to the heart-breaking Ukraine conflict should serve as a reminder of the risks involved in conducting business with, or in, jurisdictions where the rule of law and respect for human and civil rights is fragile. Stakeholders are already asking questions about the appropriateness of conducting business in other jurisdictions (BBC Today Programme, 14 March 2022) so consistency in how companies approach these issues is important. Boards should consider using the steps above to prepare for all situations involving significant violations of international law and human and civil rights. The decision making process boards follow at this difficult time can serve as a precedent for the future.

For further insights please visit: [Cutting Ties With Russia: A Guide to Decision-Making Now and in the Future, The Conference Board, March 2022](#)

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