Unfinished Business

International business exits from Russia since the beginning of the full-scale invasion of Ukraine
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Key findings

The majority of international firms which had ties to Russia at the start of 2022 continue to do business in the country, a new analysis of 3,078 multinationals reveals. One year after the invasion and nine years since the beginning of Russia’s aggression, this is far too little progress. The EU, G7 and all other nations committed to a rules-based international order now need to step up to urge companies to cut ties with Russia and issue market guidance advisories to warn of the heightened risks of continuing business there.

- **56%** of companies (1,717) have chosen to continue doing business with Russia, giving legitimacy to Putin’s regime and indirectly contributing to the war effort.

- Of the companies that had a local Russian subsidiary at the start of the war, only **one in ten** has completed the liquidation or sale of its Russian business.

- In 2021, taxes paid by the companies which have chosen to remain could fund Russia’s war for **two months**.

- G7 countries continue to make a significant indirect contribution to the Russian war effort, undermining their government’s efforts to isolate Putin:
  - The **981** companies headquartered in G7 nations which remain in Russia paid $12 billion in taxes to the Russian government in 2021.
  - For every $7 G7 countries declare in bilateral aid to Ukraine, their companies may have contributed $1 to the Kremlin in taxes.
  - Over **65%** of companies from G7 countries Italy, Germany, Japan and France are continuing business in Russia.

- On average, multinationals with local subsidiaries in Russia earned just **4.5%** of their global revenue in Russia before the invasion of Ukraine. A fraction that may be hard to justify in the face of the risks associated with remaining in Russia.

- International pharmaceutical and agriculture firms — some of which provide essential services — have been the slowest to leave, with **89%** and **80%** of companies from these sectors respectively continuing to do business in Russia.

- The remaining **44%** of companies (1,361) have temporarily suspended business relations, begun to leave or have left the Russian market.
One year on, far too little progress

Following the full-scale invasion of Ukraine on 24 February 2022, many large companies came out to express their concern about Russia's brutal assault. Household-name firms issued press releases with a promise to cut ties to the Russian economy, even where a large portion of their business depended on it. One year on, and after tens of thousands of civilian casualties, it's time to assess where companies stand.

While 1,361 (44%) companies have either begun the process of leaving or left — either by ceasing trading or selling their local subsidiaries — 1,717 (56%) companies are inexcusably continuing business in Russia. Companies in this group may continue to pay taxes, disburse payroll, or provide services or goods. Of the 1,361 companies which have begun the process of leaving, only 644 of those have committed to a full withdrawal from the Russian market. The remaining 717 multinationals which are in the process of leaving have at the time of writing temporarily suspended their Russian operations leaving open the possibility of a return to the market.

There have been some consequential exits — such as Société Générale and FMC — showing that when there is the will, even those companies with significant investments in Russia before the war can do their bit to stand up against Russia’s unprovoked aggression.
The Leave Russia dataset
(Kyiv School of Economics)

B4Ukraine’s analysis is based on data compiled by the Kyiv School of Economics (KSE) which is also published on the Leave Russia website. It is the most comprehensive set of information on corporate engagement in Russia and tracks the activities of 3,078 international companies and associations. The data used for this analysis is accurate as of 14 February 2023.

Two groups of companies make up KSE’s database. The first comprises 1,364 international firms with at least one majority-owned local Russian subsidiary with revenue of over $5 million. The second set includes 1,714 corporations and associations with trading or other business relationships with Russia but which generally derive no income within Russia.

For companies with a Russian subsidiary, KSE has collected information on these firms’ in-country staff, revenues and capital using the global company data aggregator ORBIS. KSE uses many public sources to keep the information up-to-date and incorporates information from other monitoring projects, including the Yale CELI List and Squeezing Putin. Unless otherwise stated, statistics in this briefing are based on the full KSE dataset, which includes companies with a Russian subsidiary and those with only trading links. See Annex I for more details on the classifications.

The cost of war

Companies that retain economic ties to Russia may be financing the war and indirectly supporting the purchase of deadly weapons used against civilians in Ukraine. Others may be directly supporting the military, helping conscript employees to the Russian army, or providing it with the technology or resources required. Other companies, by keeping their brand in Russia, are normalizing the invasion, leading to the perception among the Russian population that nothing significant has changed and their lives are unaffected by Putin’s aggression towards its neighbour.
Forbes estimates that the war costs Russia around $300 million a day. We calculate that the international firms with local subsidiaries that continue to do business in Russia earned about $181 billion in the country in 2021, meaning they could have paid as much as $18 billion in taxes to the Kremlin in the same year. $18 billion could cover the estimated cost of the war for over two months.

Is the G7 doing enough?

The G7 has issued several strongly worded statements condemning Russia’s actions in Ukraine. Its members have developed a raft of economic sanctions to restrict Russia’s access to industrial inputs, services, and technologies. Most recently, the G7 introduced a price cap on Russian oil, aiming to limit one of the Kremlin’s most significant sources of revenue.

G7 governments have also provided a large amount of bilateral humanitarian, financial and military aid to Ukraine. According to the Kiel Institute, between 24 January and 20 November 2022, the US contributed €47.8 billion in aid, followed by the UK (€7.1 billion), Germany (€5.4 billion), Canada (€3.9 billion), France (€1.4 billion), Italy (€0.7 billion), Japan (€0.6 billion).

B4Ukraine’s analysis reveals that despite this, 981 companies headquartered in G7 countries continue business in Russia, potentially undermining the group’s efforts to curtail the Kremlin’s revenues and support an independent Ukraine.

Overall, companies headquartered in G7 nations that remain in Russia paid $12 billion in taxes to the Russian government in 2021, suggesting they could still be making a significant indirect contribution to the Russian war effort.

When compared to the group’s contributions in aid, for every $7 G7 governments declare in bilateral aid to Ukraine, its companies may still be paying $1 in taxes to the Russian state. For France, this ratio is disturbingly low. For every $2 the French government declares in bilateral aid to Ukraine, French companies may be contributing $1 in taxes to the Kremlin.
Companies in **Italy, Germany, Japan and France** have the poorest records when it comes to withdrawal. Even after twelve months of conflict and tens of thousands of reports of war crimes, more than 65% of firms incorporated there with economic ties to Russia before the invasion remain active.

314 US firms active in Russia at the start of the war continue doing business in Russia — that’s 45% of all American firms tracked by KSE. **IT and finance** companies headquartered in the US have been particularly slow to leave. A total of 15 firms headquartered in Canada continue to say in Russia, 44% of all Canadian companies monitored. 94 British have continued to do business in Russia, 37% of all British firms in the KSE database. British **insurance** and **energy** firms are the laggards.
A clean break is possible

Société Générale (SocGen) serves as an example to the international business community that a swift and orderly exit from Russia is possible even when the financial stakes are high. Despite having one of the largest exposures to Russia with €18.6 billion of assets at the start of 2022, SocGen cut a deal within weeks of the invasion. They took a €3.3 billion hit.

FMC Corporation — the American agricultural sciences company — announced on 14 April 2022 that it would discontinue its business and operations. According to changes in the Russian company register, it completed the sale of its local Russian business on 24 June 2022.

Which industries are dragging their feet?

While pharmaceutical and healthcare companies justify their continued presence on the basis of providing essential goods and services, that reasoning is harder to apply to other sectors with low withdrawal rates such as manufacturing and energy.

One of the Kremlin’s most reliable sources of revenue comes from oil and gas exports. In 2021, cash from oil and gas exports made up 45% of the Russian federal budget. In an attempt to limit the extent to which Russia can continue to derive revenue from its energy exports, the EU, the US, the UK, and Canada have all introduced sanctions. At the end of 2022, the G7 agreed on a price cap for Russian oil in an attempt to squeeze Putin’s profit margins on its fossil fuel exports.

Unfortunately, international oil, gas and energy companies have been slow to self-sanction. While some big names such as Exxon and Shell have pledged to make full exits from Russia, 124 multinationals have continued to do business including Schlumberger, the oil field servicing company, and the French energy giant, EDF.
The oil and gas sector not only plays a vital role in bolstering Putin’s war chest, but it also makes a material contribution to the war effort by providing jet fuel and naval diesel. Any international company providing materials for the production of fuels or handling them along the supply chain risks being complicit in war crimes.

In August 2022, the French newspaper *Le Monde* accused *TotalEnergies* of producing gas condensate which was refined by Gazprom into military jet fuel. Their exposure to these supply chains eventually led them to cut back their investments in Russian oil and gas production. In December 2022, Total finally committed to “gradually withdraw” from its 19% stake in the Russian oil and gas producer Novatek – its partner in the joint venture alleged to have supplied gas condensate to Gazprom for refining into military jet fuel. It is unclear why it took nine months of Russian atrocities for Total to make this decision. TotalEnergies strongly denies these allegations and has said that all the gas condensate its joint ventures produced in Russia were turned into products for export.

Companies in the food and beverage sector have also been slow to withdraw and it appears that there are firms within that group willing to make dubious use of the “essentiality” defence. For example, *Mondelez*, owner of the iconic Oreo biscuit brand, continues to stay in Russia on the basis of providing essential goods. In March 2022, it said it would be cutting back all “non-essential” activities and that it would help to “maintain continuity of the food supply”. Russian media reported in May that the company was still selling chocolates, biscuits, and chewing gum in Russia (Alpen Gold, Picnic, Milka, Toblerone).

### The ten industries with the lowest rate of withdrawal

<table>
<thead>
<tr>
<th>Industry</th>
<th>Staying</th>
<th>Leaving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharma, healthcare</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Energy, oil and gas</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>Metals and mining</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Chemical industry</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Food &amp; beverages</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Industrial equipment</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Construction &amp; architecture</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Electronics</td>
<td>63%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: Kyiv School of Economics
Mounting risks for companies that remain

The legal risks for the 1,717 companies that remain in Russia are growing daily.

As Russia continues to launch missiles and drones against Ukraine's civilian targets and infrastructure, there are clear risks for any company which knowingly or otherwise provides parts for such weapons. For example, the indispensability of American semiconductors to Russian and Iranian weapons systems used in violation of international law has attracted particular scrutiny.

Companies with assets and staff in Russia also face heightened risks of complicity in war crimes. The 'partial mobilisation' order, introduced by Putin in September 2022, opened the door for the Russian government to force any company operating within Russia to enlist employees and provide information and resources to support the war effort. The killing of an enlisted Raiffeisen Bank employee in October brought the bind in which international companies find themselves into sharp focus.

Moreover, there's the risk of doing business with entities or individuals who are the target of U.S. sanctions.

Alongside the legal hazards of continued engagement in Russia are a host of material risks. Any company which maintains assets in Russia runs the continual risk that Putin will seize them. Shell, Mitsui and Mitsubishi were on the sharp end of the Kremlin's decision to nationalise the Sakhalin-2 oil and gas project in July last year, an initiative in which they all had major stakes.

Wintershall Dea — the German gas giant — which has been particularly slow to react to the invasion of Ukraine found out the hard way what the current cost of doing business in Russia is. Over a period of months, the Kremlin imposed price caps on its gas sales to Russian entities and according to Wintershall's CEO began a process of "expropriation" of its joint ventures. Wintershall has subsequently committed to a full exit from Russia.

Firms that import goods from Russia may suffer major supply chain disruptions and price spikes should the Kremlin decide to intervene as it did with the Nord Stream 1 pipeline, for instance. Most recently, the Kremlin has ordered some Russian companies to disregard the votes of shareholders from “unfriendly” countries.
Conclusion

In the past year, thousands of Ukrainian civilians have been killed and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times. Russia is violating international humanitarian law, with continuous inhumane and brutal attacks targeting critical infrastructure, in particular energy and water facilities, and cities across Ukraine. At the time of publication, over 70,000 war crimes had been registered by Ukraine’s prosecutor general. Outside of Ukraine, the invasion triggered a crisis in global food security and energy, raising the cost of living for the world’s most vulnerable.

At this stage, there are no more ambiguous grey zones. Companies who continue to trade in or with Russia are helping to finance these crimes through the taxes they pay, the supply chains they support and the technologies they provide. Those who remain risk complicity in Russia's assault on Ukraine and its war crimes. They must act now to place themselves on the right side of history and commit to leaving Russia.

CEO Mark Douglas:

“Our values as a company no longer allow FMC to grow our business in Russia”.

CEO Jens Birgersson:

“Rockwool would pull out of Russia if Putin, for example, launched a nuclear attack”.
**Recommendations**

**Governments**
- EU, G7 and Swiss governments should immediately issue business advisory notices urging companies to stop doing business with Russia and informing individuals, companies, financial institutions, and other persons — including investors, consultants, and research service providers — of the heightened risks associated with doing business in Russia, and particularly business activity that could benefit the Russian military or any affiliated paramilitary groups.

- EU, G7 and Swiss governments and their economic agencies should use all available powers not to support trade and investment activity with Russia, including withholding public money from companies which continue doing business in or with Russia.

**Companies**
- All companies should demonstrate public support for Ukraine, opposition to Russia's continued war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises (OECD Guidelines). All companies must also commit to carrying out enhanced due diligence with regard to their intermediaries and partners to mitigate the risk of potential indirect support of the Russian state, military or other groups involved in the war against Ukraine.

**Remainers**
- Companies that continue business in Russia should take immediate steps to cut ties and exit responsibly.

- Companies claiming to provide essential goods and services to the Russian population also have a responsibility to clarify the criteria and process they used to reach that conclusion.

- Companies that have suspended operations but have retained subsidiaries in Russia now need to take immediate steps to conclusively cut ties and exit responsibly.
Leavers

- Companies who left Russia in 2022 should hold their position until the territorial sovereignty of Ukraine within internationally recognized borders is restored and accountability is imposed for war crimes and the destruction of Ukrainian infrastructure and property.

- Companies who suspended deliveries of goods and services to Russia must commit to the enhanced due diligence of their supply chains, intermediaries and partners, to ensure their goods and services do not continue being delivered to Russia without the companies’ knowledge or authorisation.

- Companies who have committed to leave but find their assets stymied by legal barriers to exit have two options:
  - Write off the assets and, like others before them, write down the loss.
  - Take their case to the international courts and explicitly say that Russia violates all the norms of international law and investors’ protection.

Investors

- Demonstrate public support for Ukraine, opposition to Russian aggression, and alignment with the UNGPs and OECD Guidelines.

- Identify “remainders” in their portfolios for the purpose of engaging those companies to encourage them to leave or suspend operations and relationships in Russia.

- Consider exclusion or divestment of those companies that are unwilling to adequately mitigate the human rights risks associated with their operations and relationships in Russia.
## Annex I: B4Ukraine’s explanation of company classifications

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<thead>
<tr>
<th>Status</th>
<th>KSE status</th>
<th>KSE sub-status</th>
<th>Equivalent Yale status</th>
<th>Equivalent Yale grade</th>
<th>Number of companies</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staying</td>
<td>Stay</td>
<td>Continue operations</td>
<td>Digging in</td>
<td>F</td>
<td>1,221</td>
<td>Continuing operations and/or trade with Russia much as normal.</td>
</tr>
<tr>
<td>Staying</td>
<td>Wait</td>
<td>Pausing investments</td>
<td>Buying time</td>
<td>D</td>
<td>177</td>
<td>Company postponing future planned investment/development/marketing while continuing substantive business.</td>
</tr>
<tr>
<td>Staying</td>
<td>Wait</td>
<td>Scaling back</td>
<td>Scaling back</td>
<td>C</td>
<td>319</td>
<td>Company reducing activities by scaling back some business operations while continuing others</td>
</tr>
<tr>
<td>Leaving</td>
<td>Leave</td>
<td>Suspension</td>
<td>Suspension</td>
<td>B</td>
<td>717</td>
<td>Company pausing operations and temporarily curtailing activities while keeping return options open.</td>
</tr>
<tr>
<td>Leaving</td>
<td>Leave</td>
<td>Withdrawal</td>
<td>Withdrawal</td>
<td>A</td>
<td>453</td>
<td>Company halting Russian engagements or exiting Russia.</td>
</tr>
<tr>
<td>Leaving</td>
<td>Exit</td>
<td>Exit completed</td>
<td>No equivalent category (closest is Withdrawal)</td>
<td>No equivalent grade (closest is A)</td>
<td>191</td>
<td>Company has sold its Russian business or initiated liquidation.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>3,078</strong></td>
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