

CONDUCTING BUSINESS IN CONFLICT & POST-CONFLICT ZONES: THE CASE OF UKRAINE

ROUNDTABLE #148
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Executive Summary:

Russia's invasion of Ukraine in February 2022 has caused one of the world's fastest growing humanitarian crises and strained critical supply and logistics chains already weakened by the COVID-19 pandemic. Public outrage combined with a spike in geopolitical risk has led many companies to reevaluate their business involvement in both Ukraine and Russia. Key ethical questions concerning the exit, entry, and extent of business are challenging the private sector's ability to develop a cohesive response. The Roundtable explored the challenges posed by timing and implementation of responsible business practices across various good- and service-based industries.

Key Takeaways:

Decisions about entry and exit into conflict markets are complicated by overlapping business and human rights obligations. Best practice guidelines can offer direction, but a complicated web of suppliers, stakeholders, and consumers makes consistent implementation difficult. In this environment, adaptability, communication, and transparency are key to ensuring human rights protections.

Russia's invasion of Ukraine, resulting in 7.3 million border crossings and as many as 10,000 civilian casualties, has galvanized international intervention in both the public and private sectors. Diplomatic measures have included condemnations by the UN, joint pledges by the EU to cut oil trade with Russia, and other hardline economic sanctions. The international business response in Ukraine has included making donations to humanitarian efforts, strengthening cyber security and internet services, while businesses have responded in Russia by suspending operations, divesting, and exiting.

Operating in Challenging Contexts

While the private sector has been swift and largely successful in corporate activism in Ukraine, a central challenge remains around adopting an appropriate attitude towards business in Russia. What are the ethical consequences of continuing work in and with Russia? What obligations do companies have to non-government consumers in Russia, especially those companies providing essential goods and services? While businesses may be impartial to the conflict, properly implementing the UN Guiding Principles (UNGPs) and practicing Human Rights Due Diligence (HRDD) means they are no longer a neutral party to human rights violations. Businesses must make difficult decisions about how they can maximize their services and minimize their harm in a constantly evolving environment.

Part of evaluating the tradeoffs between action and inaction involves articulating a clear "why are we here" statement for continued business in Russia. Much of this internal decision

making is directly respondent to the type of good or service being provided by the company and its impact on the conflict context. Furthermore, companies with a large supply chain or distributor network must decide what degree of responsibility they demand from their partner networks. Published guidelines such as the UNGPs offer guidance for criteria to use in making such decisions, but the case-by-case analysis must be conducted by corporations themselves. This is proving especially difficult in the Ukraine context for some businesses because of the challenges in not just understanding their own supply chains, but those of their partners as well.

In addition to quality and depth, timing is key in these assessments. The humanitarian and economic impact of the Russian invasion has expanded exponentially in just a few months, and there is still no clear timeline on a cessation of hostilities. Businesses must recalculate how to strike an appropriate balance as new information comes in. This requires a high degree of adaptability and diligence, a challenge for large businesses with heavy infrastructure and specialized manufacturing activities.

Transparency and accountability continue to remain a challenge. However, businesses will benefit from sharing and adopting best practices for agile response in fragile settings, including a broader analysis of knock-on effects of responses in one fragile country to other countries or regions. As global supply chains and trade, particularly energy and food markets, are reeling from the effects of the Ukraine crisis, it is imperative for businesses to support the move towards greater resilience and diversified trade options.