



INTEGER WEALTH GLOBAL

Russia / Ukraine Conflict

IWG Good Business Practice 'Human Rights and Economic' policy on the Russian invasion of Ukraine

Date: 24 March 2022

On 24 February, Russia began its invasion of Ukraine. As tanks continue to roll in and cities are shelled, business and investors have issued a stream of unprecedented announcements pledging action to reduce risks they might contribute to Russia's assault on Ukraine. Over 620 companies have halted operations in Russia, however, most of these have low exposure and in total represent only 1 to 3% of revenue from Russian markets.

Nevertheless, this is not what occurred with the wars in Syria, Yemen or the coup in Myanmar, where business action is both limited and muted.

Rapid, radical and decisive action by European and North American governments is undoubtedly what has had the greatest influence. By being quick to denounce the Russian state's aggression and apply painful economic sanctions on the country and its oligarch's overseas wealth, they effectively forced the hands of companies operating in the region.

The scale and scope of Western sanctions have created "*conditions of legal and financial hostility*". This has spun a web of legal and financial complexity for international business, ballooning transaction costs, and the reputational risk of being accused of violating sanctions, either in error or by design.

Additional pressure has also been applied by the rise of responsible 'Environmental, Social and Corporate Governance (ESG) investment, palpable consumer pressure and the power of social movements, such as '#MeToo', 'Black Lives Matter' and 'Fridays for Future' which, combined with the media and social media, have sensitised companies and investors to make ethics more central to their business decisions. While we should celebrate these longer-term shifts in companies' calculus of human rights risks, nobody should doubt the decisive action that was the UK and other western governments coordinated, economic and legal response.

So what should business, our clients and investors do, not just in response to current Russian aggression in Ukraine, but also to mitigate risk longer term, for no one could say the human rights risks of operating in Russia are new.?

As companies respond to the sanctions, they must ensure they implement international human rights standards for business.

The 'UN Guiding Principles for Business and Human Rights' (UNGPs) which are clear on the need for heightened due diligence duties in conditions of conflict. By doing so, IWG companies will also be practicing our future duties on human rights and environmental due diligence, which will become a legal necessity when the draft European Corporate Sustainability Due Diligence Directive is finalised.

We expect the same of our clients and investors alike.

Due diligence action plans for companies depend greatly on a company's nature. In the context of this invasion, there are at least three types:

1. Business or products linked to sectors which enrich Putin's circle or sustain the military and security apparatus. This clearly includes oil, gas, strategic minerals and surveillance software. It could also include uniforms, high-energy biscuit rations for troops or business support functions.



Many are directly affected by sanctions. Unscrupulous companies, clients and even investors may remain, but may be exposed under international humanitarian law to being complicit in war crimes as the Lafarge ruling in France's Supreme Court may illustrate.

This is why we have seen the corporate exodus led by this category of companies, from BP and Chevron in the first days, to Rio Tinto and many others some three weeks later.

2. Western aspirational brands, from Carlsberg to Zara, and Esther Lauder, all have withdrawn their brands or shuttered their outlets, most of them 'temporarily'. The aim is to create conspicuous international isolation in Russia which may help as an antidote to the Russian media's downplay of what they deem 'special military operations'. The action helps the company avoid the sanctions tangle, enhances reputation with consumers, investors and employees, and is visible cooperation with the governments of their primary markets and jurisdictional origin.

The purveyors of medicines and essential food and similar are in a different category. Their withdrawal could harm Russian civilians whose essential welfare should be upheld, whether or not they support their government's invasion, according to the Geneva Conventions. Pharmaceutical brands and food manufacturers, like Danone and Nestlé, have said they will freeze new investment but will continue to operate in Russia, but are facing increasing calls (including from President Zelensky of Ukraine) to cut all ties.

3. For companies leaving Russia (or Ukraine), their responsibility does not end with this decision. Under international standards they, as we at IWG, have a duty to minimise the harm their exit creates for workers and communities affected. We have seen some better practice such as Zara which has closed its stores, but is providing a support package for its 9,000 Russian staff and Carlsberg who have done similarly. But many companies have yet to explain their action to minimise harm to civilians.

There are many scenarios for how this invasion will play out, but like the Covid pandemic, one of the key lessons for our business is enlightened self-interest, combined with a commitment to uphold international human rights standards, and is most likely to deliver resilience and long-term benefits.

This approach will be further strengthened in the next year by new regulatory standards for human rights due diligence in Europe and the United Kingdom and the rise of responsible (ESG) investment as IWG expands across the globe.

With the sad anniversary of the unprovoked invasions of Ukraine by the aggressor Russia, Integer Wealth Global S.A. (Luxembourg) (IWG), the holding company for its member companies has convened with legal and financial services consultants in both Europe and the United Kingdom on this new policy in regard to engaging and conducting business with Russian related businesses.

It is the position of IWG that its management, its staff, its clients both project and investors stand with the people of Ukraine.

The conflict, however long or short it may be, has set in motion many sanctions by the global community and IWG is no exception therein.

Recognising this 'act of aggression' and that international armed conflict is underway, businesses and investors operating or investing in the region, and especially those with links to the Russian state, must avoid contributing to violations of international humanitarian law.



The United Nations Guiding Principles on Business and Human Rights (UNGP's) and related materials provide guidance, outlining the need for heightened human rights due diligence processes and adopt a conflict-sensitive approach due to the severe risk of gross human rights abuses.

A conflict-sensitive approach emphasises effectively preventing, managing and addressing conflict, including by seeking to understand conflict dynamics and related risks.

Please see further details on the link below at:

[The UN Guiding Principles on Business and Human Rights : UN Guiding Principles Reporting Framework \(ungpreporting.org\)](https://ungpreporting.org)

Factors such as weakened state governance, increased presence of security forces and armed groups, emergency measures, complex operating environments, and a history of grievances and injustices can further increase the risk that a company's, client or investor's actions may exacerbate conflict or contribute to human rights abuses.

To provide guidance to responsible business assessing their situation, the 'Business & Human Rights Resource Centre' referred to materials developed by the 'Geneva Centre for Security Sector Governance and the International Committee of the Red Cross' on guidance and 'Good Practices' for companies operating in conflict-affected contexts and to understand when and where the rules and principles of international humanitarian law apply. In situations of armed conflict, additional legal obligations may apply to all industry sector companies and their personnel, including financial services.

International humanitarian law covers the entire territory of the states involved in a conflict, regardless of whether or not combat takes place there. It encompasses both international and non-international conflicts, including situations of military occupation.

Be aware of the potential for liability in relation to international humanitarian law. Companies, as legal entities and through associated individuals, have increasingly been brought before international tribunals and national jurisdictions for violations of international humanitarian law.

Failure to comply may result in civil and criminal liabilities, or in serious cases, prosecutions for war crimes, crimes against humanity, or other violations of the Geneva Conventions.

IWG and its member company's commit to complying with international humanitarian law and update and adjust our company policies accordingly, ensuring all company staff and management, directors and shareholders are made aware of this commitment and share relevant information on corporate compliance with international humanitarian law.

Consider that any conflict does not absolve companies of their responsibility to comply with human rights standards.

IWG ensures that our company operations, actions, and personnel (including security providers) neither violate international humanitarian law nor intensify violence in conflict-prone regions through our business dealings, and that we are aware that company operations, business relationships, and financial and resource flows can exacerbate conflict.

IWG analyse and implement plans to address and reduce these risks, in partnership with affected communities, experts, humanitarian groups, and other stakeholders.

IWG Further undertake heightened due diligence when operating in conflict affected contexts or situations where there is risk of or potential conflict of risk occurring.



IWG undertake a conflict sensitive approach to analysing impacts and engaging with communities, particularly those in vulnerable situations (including women, minorities, children, and marginalised groups).

IWG reassess needs and impacts as conflict emerges or dynamics change. In some situations, full impact assessments may not be possible, but IWG will seek to identify actual and potential impacts on human rights and conflict dynamics to the best extent possible within the context.

IWG will carefully weigh the human rights implications of withdrawing from the conflict-affected context versus the human rights implications of staying, should IWG find itself engaged with such a client, their clients or any investors of any kind.

If a company's operations exacerbate the conflict or cause or contribute to immitigable human rights harms, it may be necessary to withdraw in order to avoid causing harm. Contrary if a company provides key services, withdrawing may have more negative than positive impacts. Be aware that as changes occur over time, the balance of positive versus negative effects may shift.

IWG have a clear exit strategy. Even if the client or their investment fund or vehicle does not intend to withdraw from its involvement with Russia at whatever level, it should prepare an exit strategy in advance, should the circumstances change. It should create plans to ensure the security of both departing and remaining employees and contractors and provide IWG with such plans as soon as possible.

As safely as possible, provide notice to communities, suppliers, workers, and other partners. Enact a plan to mitigate the loss of employment and income for employees and contractors, with consideration of both short-term and long-term strategies that make sense in the local context. If the company supports community activities and programs, consider short-term and long-term plans to address any gaps that arise from leaving (for example, short-term aid and long-term handover plans).

IWG will support such exits by advising on implementing a monitoring strategy, advise on assessing signals that the security environment is changing, including for example new possible military operations, the imposition of emergency laws or a rhetoric of hate towards specific groups. Coordinating with NGO security networks, established during times of conflict, can be useful in this regard.

Businesses are not neutral actors. Their presence is not without impact. Even if business does not take a side in the conflict, the impact of their operations would influence conflict dynamics.

In solidarity with Ukraine, all western allies who condemn the Russian invasion of a European sovereign nation, Integer Wealth Global confirms herewith that we as a company and its people have not and will not have any economic dealings with Russia either direct or indirect and will reject any client or investor who have existing ties or are planning to conduct or engage economically with Russia, to three tiers deep.