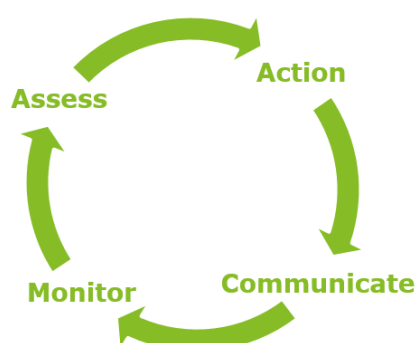


Governance briefing: Russia and Ukraine – matters for boards to consider

As the crisis in Ukraine develops with impacts felt across the world, this briefing note is designed to help boards to meet their responsibilities to promote the long term success of their companies, through identifying and assessing risk areas and taking effective decisions. The situation will impact some businesses more than others depending on the nature and location of the business, so the matters boards will need to consider will vary widely.

When boards were tackling the uncertainties presented by the COVID-19 pandemic we recommended that a good starting point is to establish a clear framework of principles against which decisions should be made. These principles would normally be underpinned by the corporate purpose, company values and also Section 172 of the UK Companies Act. The reputation of the company and high standards of business conduct are amongst the important considerations. Clearly, in this situation, the protection of life has to be the primary driver.

In a rapidly evolving situation which threatens lives and has the potential to disrupt key business operations, establishing a crisis management team with the delegated authority to make mission critical decisions is the essential first step. This team becomes a vital link between operations on the ground and the Executive (and ultimately the board). This team, or a sub set of it, should also have a remit to consider a range of potential future scenarios and consider the impact these scenarios might have on the business and what mitigations can be readied as, of course, in a rapidly changing situation, continuous assessment and monitoring is required.



Assess

Undertake an initial assessment of the impact on the following areas of your business - and continually revisit it across your span of operations in both Russia and Ukraine:

- Workforce and key management, considering family impacts as well as direct impacts
- Key customers
- Key operating units/production facilities
- Supply chain, including sourcing and transport of resources and components and import/export operations and licence requirements
- Sanctions exposure on trade (import/export/sales, transfers and facilitation), third parties and banking
- Liquidity, solvency & resilience – overall and in countries affected
- Currency fluctuation impacts
- Communicating with the market in a timely manner
- Financial reporting – key judgements and estimates relying on forecasts, valuations during market disruption, financial instruments, events after the balance sheet date etc
- Audit and/or Regulatory matters – consider additional complexities and potential delays to reporting

Inputs from stakeholders should also be considered constantly, i.e. people, markets, customers, suppliers, communities.

Sanctions

As you will be aware the United Kingdom, European Union, the United States and other countries have issued, and continue to issue, a comprehensive package of sanctions, export controls, and related measures in response to Russia's invasion of Ukraine. Sanctions actions by authorities need to be understood and observed without delay, so companies with exposures need to have a team following and assessing these.

Companies are required by law to adhere to the domestic sanctions regime in their respective jurisdictions. Many sanctions regimes can have extra-territorial impacts and other regimes must therefore also be considered depending on the nature of your span of activity. Additionally, employees are typically required to comply with the laws of the countries in which they maintain citizenship and in which they work.

Cyber Security

The National Cyber Security Centre (NCSC) has stated that there is a heightened cyber security threat to UK organisations. While the NCSC is not aware of any current specific threats to UK organisations in relation to events in and around Ukraine, there has been an historical pattern of cyber attacks on Ukraine with international consequences. The NCSC – which is a part of Government Communications Headquarters (GCHQ) – has urged organisations to follow its [guidance on steps to take when the cyber threat is heightened](#).

Action

Once decision principles are established (underpinned by corporate purpose & values) and you have made assessments you will be able to take decisions – proactively or reacting to events.

It can be helpful to play the basis of the decisions back to yourselves, capturing the reasoning carefully before enacting the decision. This helps to ensure that the articulation of how critical decisions are explained is properly tested. Decisions are being communicated fast within organisations and find themselves in the public arena quickly, so testing of rationale is essential. This is useful also to capture material board decisions for explanation later in the annual report.

Decisions taken with imperfect information, as many are when events move fast, benefit from this testing even more. This is where the framework of decision principles is extremely helpful, coupled with thoughtful input from diverse sources.

Communicate

Communicate effectively with key stakeholders:

- Workforce – travel and reassurance for Ukrainian and other nationals affected, including those located in Russia
- The market – consider material implications for the share price, impacts on future results, delays in reporting, material changes to strategy/business model, consider also new principal risks and uncertainties
- Be ready to respond to enquiries - there may be many – but control the flow of information so that key messages are clearly articulated to all stakeholders and heard in one go

Monitor

Monitor the ongoing situation constantly:

- Market reactions
- Stakeholder reactions and other reputational inputs
- Government & regulatory intervention and sanctions

For information on Deloitte's crisis management methodologies, please click [here](#).

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