

CIVIL SOCIETY INFLUENCE ON CORPORATE BEHAVIOR

in relation to Russia's full-scale invasion of Ukraine



KYIV – 2023

ISBN 978-617-7574-84-1

Davlikanova, O., Lylyk, I., and Savytska, N. (2022): Civil Society Influence on Corporate Behavior in relation to Russia's full-scale invasion of Ukraine, 58 p.

This study is devoted to the influence of civil society on the behavior of international companies present on the Russian market in connection with the Russian Federation's unprovoked full-scale invasion of Ukraine. The exit of foreign companies from the Russian market contributes to stopping this military aggression. Companies staying in Russia, by stark contrast, are thereby latently sponsoring the war. In order to influence this situation, a number of civil society initiatives have been launched to change the behavior of companies operating on the Russian market. A number of different models of corporate behaviour are presented in this study, including "warwashing", in other words, companies' attempts to improve their reputation or mask their status as "sponsors of war".

The study uses open sources and databases, such as the Yale School of Management, KSE, Stat Space, Statista, Vloomberg, YouControl, Moral Rating Agency, and materials from Forbes, Reuters, the Financial Times, and the New York Times, as well as from the sites epravda.com.ua, leave-russia.org, and squeezingputin.com.

This work will be useful to public activists, opinion leaders, business leaders, top managers, and academics researching corporate ethics, as well as other interested parties.

TABLE OF CONTENTS

SUMMARY	4
INTRODUCTION	6
ABBREVIATIONS.....	7
CHAPTER 1	
The interdependence of international companies' operations in the Russian market and the prolongation of military aggression against Ukraine	8
1.1 The mechanism of latent sponsorship of war by foreign companies	9
1.2 Presence of foreign companies on the Russian market	15
CHAPTER 2	
Civil society initiatives aimed at influencing the behavior of companies operating in the Russian market.....	19
2.1 Socially responsible behavior of brands: from theory to practice in the context of Russia's military aggression against Ukraine	20
2.2 Civil society initiatives to influence brand behavior through appeals to business	21
2.3 Civic initiatives to influence brand behavior through appeals to consumers	29
CHAPTER 3	
Various ways in which foreign companies exit the Russian market	35
3.1 Scenarios of corporate behavior in response to Russia's invasion of Ukraine	36
3.2 Models of company pseudoaction	43
3.3 The potential effect of civic initiatives on the behavior of companies	47
CONCLUSIONS	52

SUMMARY

Russia's full-scale invasion of Ukraine in 2022 not only shook the world security order but opened up another front in the economic realm. Even though the sanctions imposed on Russia since 2014 seem to have had little effect and have not prevented the ongoing genocide of Ukrainians, the economic aspect of resistance to aggression has been essential in cutting the inflow of funds to Russia's federal budget, in which military expenditures have a massive share.

But not only were the relevant governments using economic instruments to influence the aggressor country. Civic organizations and activists were looking for effective ways to appeal to international company managements and consumers, calling on them to stop, in effect, sponsoring the war.

Technologies have changed the nature of the relationship between businesses and consumers, who have both expectations of and means of influencing corporate behavior. A modern society demands that companies be socially responsible, and take account not only of shareholders' interests, but also those of other stakeholders, such as communities, humanity as a whole and even the planet. In recent decades, brand activism¹ has been focused on environmental and social issues, such as climate change, the need for resource conservation, Covid-19, and less material things, such as discrimination, inclusiveness and diversity. Such processes have prompted companies to change their communication strategies in order to build trusting relationships with consumers. With the beginning of the full-scale invasion of Ukraine, many consumers started to call on international companies to make a choice between financial interests and human values.

The operations of foreign companies in the Russian market create investment flows, jobs and production chains. This fills the coffers of the aggressor state and serves to help finance the war. International companies that have not ended their operations in Russia are contributing to Russian GDP and thus indirectly funding the Russian army via the public budget. This may be considered latent sponsorship of Russia's war in Ukraine. In addition to the direct taxes paid by businesses, the salaries paid to employees stimulate consumer spending, which in turn provides revenue to the budget. Therefore, foreign companies' war sponsorship can be terminated only when they fully withdraw from the Russian market.

In order to influence companies' decisions, intellectuals, NGOs, activists, and in some cases even companies' own employees have been pursuing a wide range of activities aimed at company managements and consumers. They include awareness-raising campaigns about company operations and payments to Russia's budget (so-called "shame lists"), appeals to company leaderships to terminate operations in Russia, and calls on consumers to boycott "war-sponsors". Such activities have been conducted both on- and off-line, with varying rates of success.

The broader spectrum of reactions on the part of international business to sanctions, and to political, consumer and media pressure can ultimately be reduced to a dichotomy: either the company has left the Russian market, or it has remained there (using various excuses and a range of legal loopholes and marketing strategies). The brands that have remained in the Russian market and have perpetrated only a kind of "pseudo-exodus" have of course attempted to whitewash

1 Foglia, E., Sarkar, C., and Kotler, P. (2021): Regenerative Marketing: Lessons Learned from Italian Business, in: The Marketing Journal (16 June); available at: <https://www.marketingjournal.org/regenerative-marketing-lessons-learned-from-italian-business-enrico-foglia-christian-sarkar-and-philip-kotler/>

their newly gained reputations as “war sponsors”. We call this PR tactic “warwashing”.² It is based on a succession of compromises and mollifying alternative-reality narratives. Examples of this include “reduction of investments”, “reduction of marketing budgets”, “feeding Russian children”, “working to protect the health of Russians”, and “saving employees’ salaries as a manifestation of socially responsible business”.

While a number of global companies have left the Russian market since 24 February 2022, some with significant losses, more than 1,000 foreign companies, despite all that has happened, continue their operations and thus continue to boost Russia’s federal budget. This prolongs the war in Ukraine and increases the number of its victims.

² The term was proposed by the authors to denote companies’ efforts to whitewash their reputation despite continuing to contribute taxes to the budget of a country waging war.

INTRODUCTION

On February 24, 2022, the Russian Federation launched a full-scale invasion of Ukraine. Russia's military aggression against Ukraine is the most heinous crime against humanity of the twenty-first century so far. Indeed, it has turned out to test the unity not only of the Ukrainian people, but of the whole democratic world.

The Russian Federation's attack has also proved to be a test in particular for large multinational corporations. A full-scale invasion inevitably raised the question of whether they should remain in the aggressor country's capacious market and continue to pay taxes to its budget, or to leave. In each case the company's management decided based on a mixture of political will, personal values and individual responsibility, not to mention economic expediency and fear of reputational damage.

Transnational corporations and their brands have acted in a variety of ways in these trying circumstances. Not all have passed the test. According to the Kyiv School of Economics (KSE), the share of companies that have passed is about 5 percent of all foreign businesses operating in Russia.³ Some companies left only under sanctions, and political, reputational, media and public pressure.

The study highlights a number of examples of civil society campaigns conducted to put pressure on foreign companies present on the Russian market and the results of such activities.

The first chapter of this publication is devoted to an analysis of the interdependence of foreign business operations in Russia and the funding of Russian military expenditures. The second chapter covers campaigns targeting businesses and consumers, calling on them to stop supporting the war financially. This analysis of the initiatives and narratives used to pressurize brands shows which have been more effective and which ones less. In the final chapter, we present the tactics used by companies to protect themselves from reputational risks. We define the corporate behavior of the brands that have stayed in Russia, trying to whitewash their reputations as "war sponsors", as "warwashing".

The importance of collective Western sanctions cannot be underestimated. But effective pressure on companies is achieved through a synergy of initiatives by households, individual consumers, state authorities, business, public organizations, and opinion leaders. This harnesses the power of civic cohesion as a driving force to compel businesses to make socially responsible decisions. Even though more than 1,000 international companies are still operating in Russia, the role of public efforts in forcing at least some companies to prioritize values over profit should be recognized.

We hope that this study will be useful for public activists, opinion leaders, business leaders, top managers, academics who research corporate ethics, and of course interested general readers.

3 Self-sanctions / LeaveRussia, KSE Institute project to collect data on foreign companies operating on the Russian market and limiting or ceasing their activities. Kyiv School of Economics; available at: <https://kse.ua/ua/samosanktsiyi-kse-institute/>

ABBREVIATIONS

- D2C** – Direct-to-customer business model
- ESG** – Workplace policy code covering environmental, social and governance aspects of employees' conduct
- FMCG** – Fast-moving consumer goods
- GMO** – Genetically modified organism
- KSE** – Kyiv School of Economics
- UNCTAD** – United Nations Conference on Trade and Development

CHAPTER 1

THE INTERDEPENDENCE OF INTERNATIONAL COMPANIES' OPERATIONS IN THE RUSSIAN MARKET AND THE PROLONGATION OF MILITARY AGGRESSION AGAINST UKRAINE



1.1 The mechanism of latent sponsorship of war by foreign companies

After the collapse of the Soviet Union, large international companies began to enter the Russian market. Since the 1990s, Western business and capital investment have expanded dramatically there, ranging from the opening of the first McDonald's outlet, which was particularly symbolic in terms of opening up to the West, and the coming of international giants such as British Petroleum (BP) and Shell in the Russian energy sector. For many companies, of course, the Russian market has been attractive since the days of the Russian Empire. Some managed to cooperate with the regime even in the Soviet period. The well-known international companies that have long experience of doing business in Russia include: Siemens (since 1853, resumed in 1992); Dr Oetker (since 1908, resumed in 1993); Adidas (since 1979); McDonald's (1990); Nestlé (since 1871, resumed in 1995); Philips (since 1914, revived in the 1990s); PepsiCo (since 1974); Raiffeisen Bank International (since 1996); Yves Rocher (since 1991); and P&G (since 1991).⁴

According to the World Bank Group, the population of the Russian Federation as of January 1, 2022 was 143.4 million. The income level of the population was higher than the world average, at 10,700 USD. GDP per capita was 12,200 USD, and the economic growth rate for 2021 reached 4.7 percent.⁵

Before the start of Russia's full-scale military aggression against Ukraine (third quarter 2021), the Russian market reflected unprecedented investor confidence in the country. Major investment players such as hedge fund Carrhae Capital, Wells Fargo Asset Management and JPMorgan Chase & Co. even reoriented themselves from shares in Chinese technology giants to Russian commodities, according to Bloomberg.⁶ As a result of rising energy prices, optimism about crude oil prices and expectations of rising profits, foreign investors snapped up the shares of Russian energy companies, thereby stimulating the development of the Russian economy. According to UNCTAD estimates, as of 2021, Russia was among the top ten countries as regards high growth rates of foreign direct investment.⁷

Another factor that influenced the growth of Russia's economic power was its attempt to build a semi-closed economic model, the so-called "fortress economy". The economic basis of this model comprised the formation of gold and foreign exchange reserves, together with a balanced budget based on the oil price that amounted to USD 40 per barrel.⁸ This strategy allowed the Russian economy to adapt to the sanctions that were imposed on Russia after the illegal annexation of Crimea and to become less sensitive to the changes in supply and demand that occurred during the Covid-19 pandemic, creating a certain cushion of financial security.

On March 25, 2020, The Economist published a comment by O. Vyugin, a former employee of the Russian Central Bank and Ministry of Finance, who explained the meaning of this economic model as follows: "We are protected from external shocks and external enemies because we have modern

4 First to come, first to leave? Which international giants continue to finance Russia; available at: <https://www.epravda.com.ua/publications/2022/06/3/687738/>

5 World Development Indicators; available at: <https://datatopics.worldbank.org/world-development-indicators/>

6 World's Energy Chaos Turns Russia Into Top Emerging-Market Pick; available at: <https://www.bloomberg.com/news/articles/2021-10-10/world-s-energy-chaos-turns-russia-into-top-emerging-market-pick?srnd=premium-europe&sref=Y0jVLcFo>

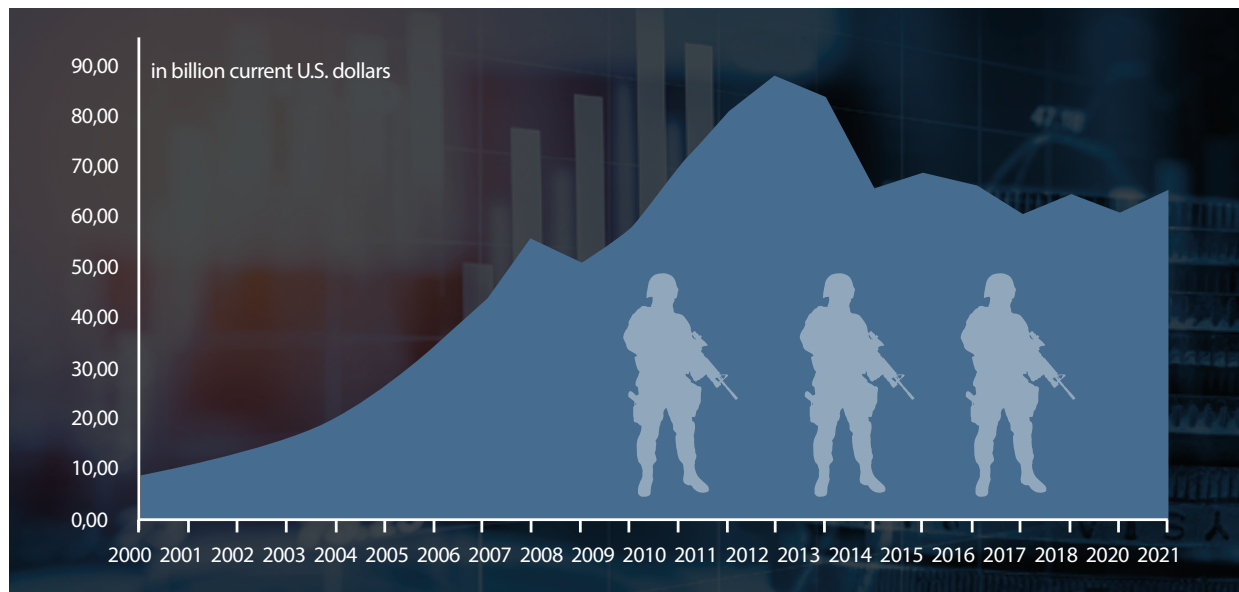
7 UNCTAD/WIR (2022): Report on World Investments 2022. International Tax Reforms and Sustainable Investments: An Overview. Geneva; available at: https://unctad.org/system/files/official-document/wir2022_overview_ru.pdf

8 Russia's economy is isolated from the global rout; available at: <https://www.economist.com/europe/2020/03/25/russias-economy-is-isolated-from-the-global-rout>

weapons and missiles, and because we have gold and reserves".⁹ This took on new meaning after February 24, 2022, when Russia launched a unprovoked full-scale invasion of Ukraine.

Accumulated resources have been systematically invested in the military-industrial complex. Since 2007, Russia has pursued a policy of increasing defense spending. After the annexation of Crimea in 2014 and the introduction of sanctions, Russia chose the path of partial self-sufficiency or import substitution. It introduced counter-sanctions on food imports from the EU, stimulated the revival of domestic agriculture, reducing the share of food imports by a third.¹⁰ Along with this, the commodity markets and Western capital formed the basis for stabilizing the world's eleventh largest economy. Budget revenues exceeded expenditures for several years in a row, and before the start of the war in Ukraine, Russia had a budget surplus.¹¹

Figure 1 Military expenditure of the Russian Federation



According to estimates by the Stockholm International Institute for Peace Research, in 2020, Russia spent 61.7 billion US dollars on defense, rising to 65.9 billion US dollars in 2021, the fourth highest military expenditure in the world.¹² Figure 1 shows the composition of the Russian Federation's consolidated budget for 2021.

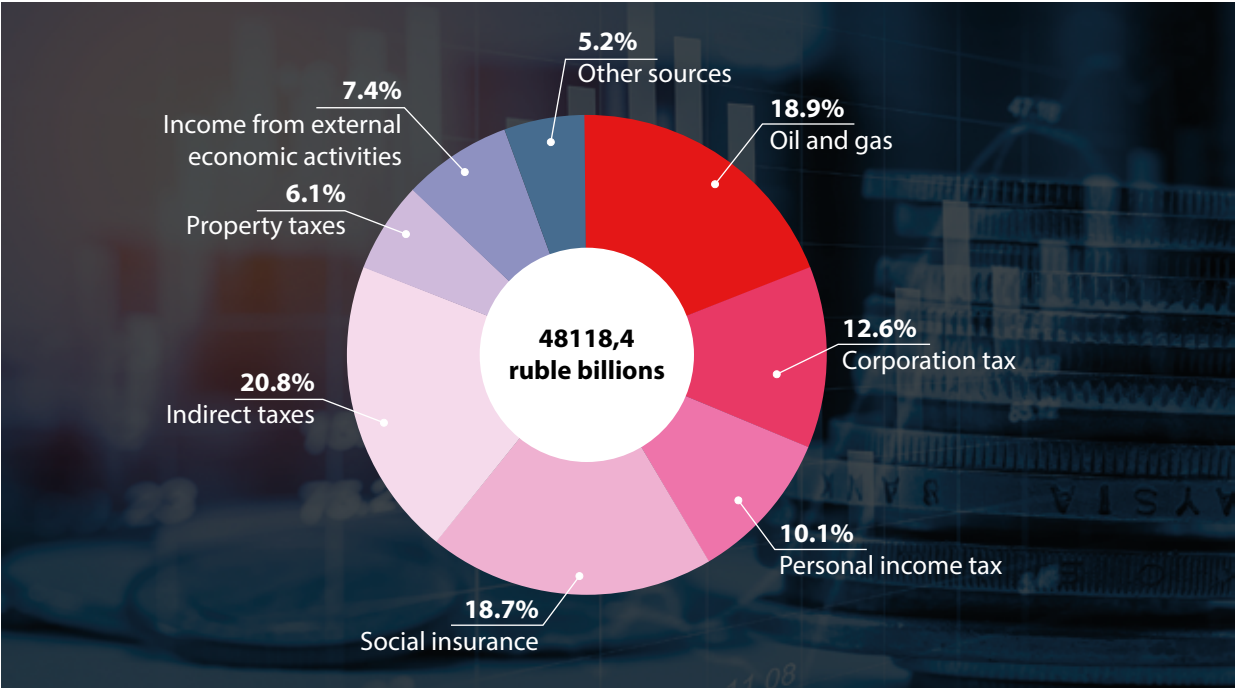
⁹ Seen. 8.

¹⁰ Seen. 8.

¹¹ Ministry of Finance of Russia; available at: https://minfin.gov.ru/ru/document?id_4=80042-informatsiya_ob_ispolnenii_federalnogo_byudzheta

¹² Trends in world military expenditure, 2021; available at: https://sipri.org/sites/default/files/2021-04/fs_2104_milex_0.pdf

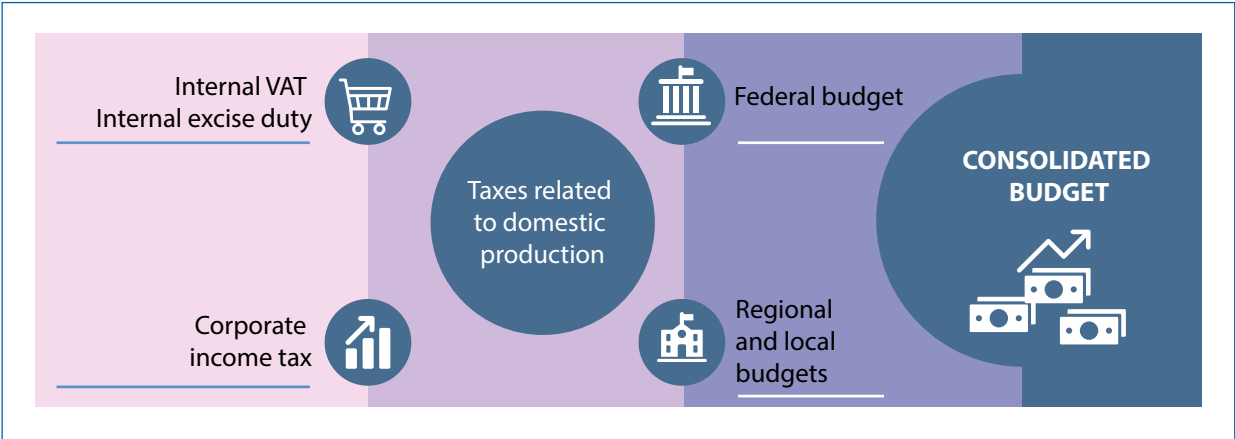
Figure 2 Consolidated budget of the Russian Federation 2021



Source: Revenue of the Russian Federation’s consolidated budget for 2021.

Budget revenues shown are related to domestic production and include value added tax and excise duties, as well as direct taxes paid by businesses and employees, corporation tax and personal income tax. In the consolidated budget revenue structure, every third dollar came from taxes related to domestic production. Overall revenues in 2021 related to domestic production were 159.9 billion US dollars.¹³ Accordingly, the share of budget revenues paid by foreign businesses in the Russian market is 15.2 percent or 24.375 billion US dollars.¹⁴

Figure 3 Structure of the Russian Federation’s budget 2021



Russian defense spending as a proportion of total federal budget spending over the past decade has ranged from 11 to 25 percent. In 2021, almost all (99.7 percent) military expenditure was financed

13 Ministry of Finance of Russia; available at: <https://minfin.gov.ru>

14 KSE Analytics and Leave-Russia; available at: <https://leave-russia.org/uk/bi-analytics>

from the federal budget and 0.3 percent from regional budgets. We will thus analyze the structure of the federal budget, which actually finances expenditures for the Russian army.

Analyzing the sources of the federal budget, it should be noted that 64.2 percent do not come from oil and gas revenues. Furthermore the lion's share is from domestic production (43.1 percent), although of course the share of oil and gas revenues is also quite significant at 35.8 percent. Experts say that it is the revenues from the sale of hydrocarbons that balance Russia's budget.¹⁵

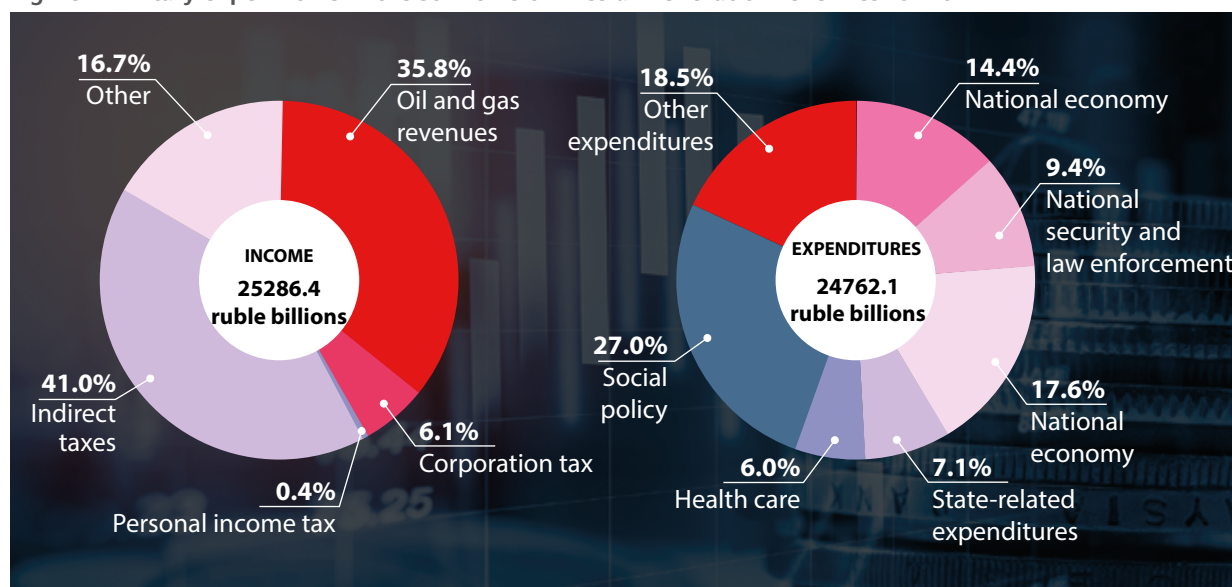
Indirect taxes, which include internal taxes and import taxes, make up the largest share of federal budget revenues at 41 percent. Among them, VAT can be considered a key tax that boosts the federal budget, with a share of 36.4 of all federal budget revenues. This is greater than oil and gas revenues, whose share is 35.8 percent. This is evidence that the consumer sector has a significant impact on the formation of Russian budget revenue.

According to official data published on the Ministry of Finance website, 14.4 percent of the Russian budget is spent on defense and 9.4 percent on security and law enforcement.¹⁶

It should be noted that the official Ministry of Finance figures on military expenditures are somewhat lower than the estimates of the Stockholm International Peace Research Institute (SIPRI). This is because the experts use adjusted information about approved military budgets, taking into account the actual expenditures of the state on national defense and security.

In 2021, official statistics detail 49.4 billion US dollars of budget expenditures,¹⁷ while SIPRI estimates an actual amount of 65.9 billion US dollars at current prices. The difference of 16.5 billion is explained by the fact that spending on national security and law and order (funding of the Federal Security Service, the Ministry of the Interior, the Ministry of Emergency Situations, and so on) is not open, which allows it to be redirected to military needs.

Figure 4 Military expenditure in the structure of Russian Federation revenues for 2021¹⁸



15 The Russian budget surplus increased by more than four times thanks to revenues from Gazprom; available at: <https://forbes.ua/ru/news/profitsit-rosiyskogo-byudzhetu-zbilshivsya-bilsh-nizh-u-chotiri-razi-zavdyaki-dokhodam-vid-gazpromu-12122022-10424>

16 Official website of the Ministry of Finance of Ukraine; available at: <https://index.minfin.com.ua/finance/budget/gov/expense/>

17 Ministry of Finance of Russia; available at: https://minfin.gov.ru/ru/document?id_4=80042-informatsiya_ob_ispolnenii_federalnogo_byudzheta

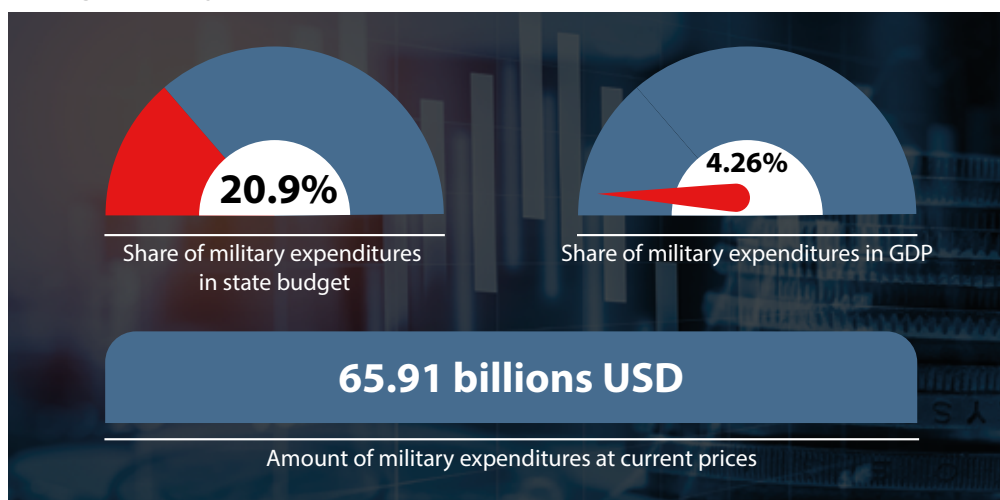
18 Calculated from the data; available at: <https://www.statista.com/statistics/1203160/military-expenditure-russia/>; <https://index.minfin.com.ua/finance/budget/gov/expense/>

In 2021, almost half of these funds (47.6 percent of the budget item “Expenditures for national security and law enforcement activities”) went on covert financing of the military budget. That is, theoretically, the sum of defense spending and national security spending can be considered the military budget because, depending on the situation, the government can vary the amount of funds used. Thus, in 2021, the total share of expenditures on defense (14.4 percent) and on national security and law enforcement (9.4 percent) amounted to almost 24 percent of all Russian budget expenditures.¹⁹ According to Bloomberg, in 2023 Russia planned to increase spending on “national defense” by almost 20 billion US dollars, rising to 84 billion US dollars.²⁰

Summing up, in 2021, tax revenues from foreign businesses, which through the budget mechanism covered expenditure on the Russian army, amounted to 580.1 million US dollars. And this is only the tip of the iceberg. Hidden from view are multiple budget revenue streams arising from salaries paid to employees of foreign companies. Thus we can talk of “latent sponsorship” by foreign companies of Russia's full-scale invasion of Ukraine. By “latent war sponsorship” we mean indirect financing by foreign companies of spending on the Russian army through the redistributive budget mechanism.

Overall, the economy turns expenditure into income and vice versa. Business expenditure on salaries is the income of employees and the state. Individual personal income tax is paid from employees' incomes and taxes on goods and services. Foreign companies that are tax residents of the Russian Federation or work through permanent representative offices must pay tax on profits from the sale of goods (work, services) and non-sales income.

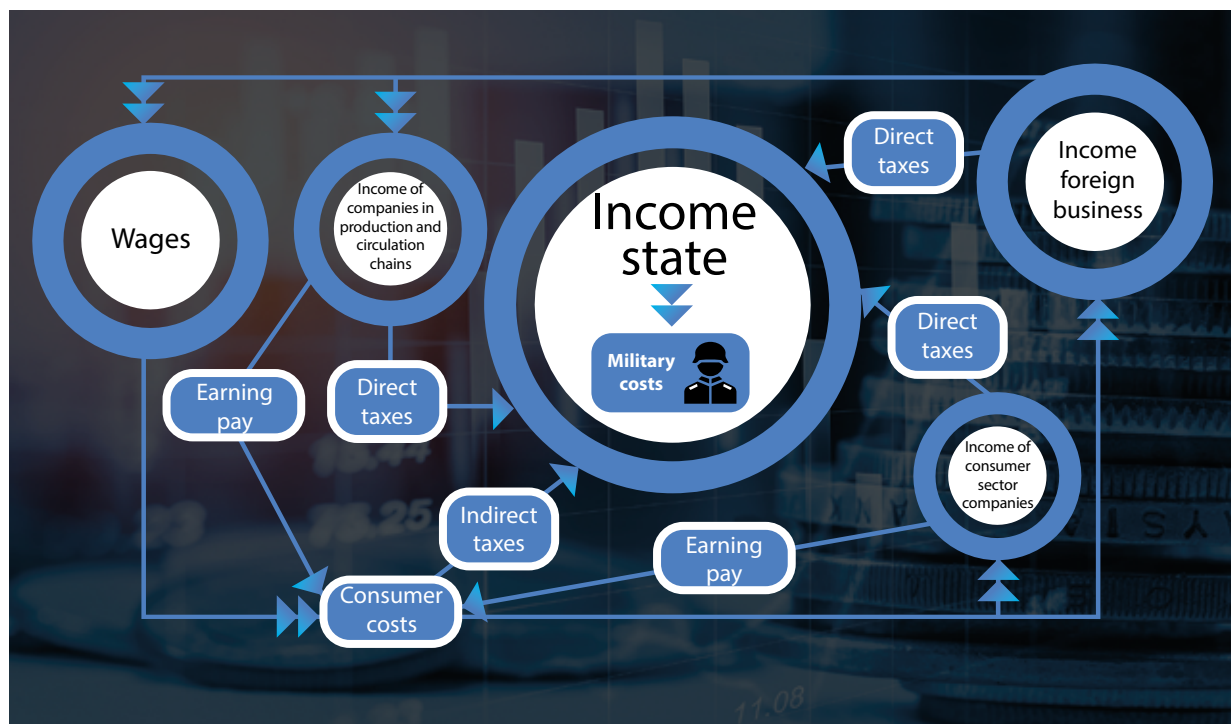
Figure 5 Contribution of companies, including international ones, to the budget of the Russian Federation and the financing of military expenditure



19 Official site of the Ministry of Finance of Russia. Statistics, Federal budget; available at: <https://minfin.gov.ru/ru/statistics/fedbud/>

20 Putin Readies 43% Defense Spending Hike Amid Plan for Longer War; available at: <https://www.bloomberg.com/news/articles/2022-09-23/putin-readies-43-defense-spending-hike-amid-plan-for-longer-war>

Figure 6 Influence of the activities of companies, including international ones, on the level of the Russian budget and the financing of military expenditure (prepared by authors)



Indirect taxes (VAT, customs and excise duties) are included in the sales prices paid by buyers. Salaries paid to employees of foreign companies after personal income tax are allocated to consumption and savings. Private sector savings form the basis of investments, which in the future may stimulate the long-term development of the national economy. Consumer spending, or purchased goods and services, provides the revenue that triggers acceleration. That is, new cycles of production and exchange are created in the economy, which boosts economic turnover. Consumer spending is driving the economy at present. New consumer spending is corporate income, on which taxes are paid, which again is turned into spending on the army. A conditional example, schematically shown in Figure 6, demonstrates the influence of salary payments on the size of Russia's budget, from which military expenditures comes.

The mechanism presented in Figure 6 shows the essence of the latent sponsorship of Russia's military expenditure as a result of international businesses paying salaries to employees in Russia. If the basic rate of 13 percent personal income tax is paid on every 1,000 rubles of wages, then the available personal income is 870 rubles. This makes up consumer demand for goods and services in the economy, which is a catalyst for the growth of national production a priori. We assume that in a state of war, the population will consume at least at the level of a pandemic recession, during which, according to Russian research, the marginal propensity to consume in the Russian economy is 0.85;²¹ that is, each additional ruble of income turns into 85 kopecks of consumer spending. Consumer spending boosts income multiplication and investment acceleration in the economy.

21 Kozlova, H.G. (2021): Influence of the consumer spending multiplier on the economic situation in the Russian Federation, Moscow Economic Journal, No. 3; available at: <https://cyberleninka.ru/article/n/analiz-vliyaniya-dohodov-i-multiplikatora-potrebitelskih-rashodov-na-makroekonomicheskuyu-situatsiyu-v-rossiyskoy-federatsii/viewer>

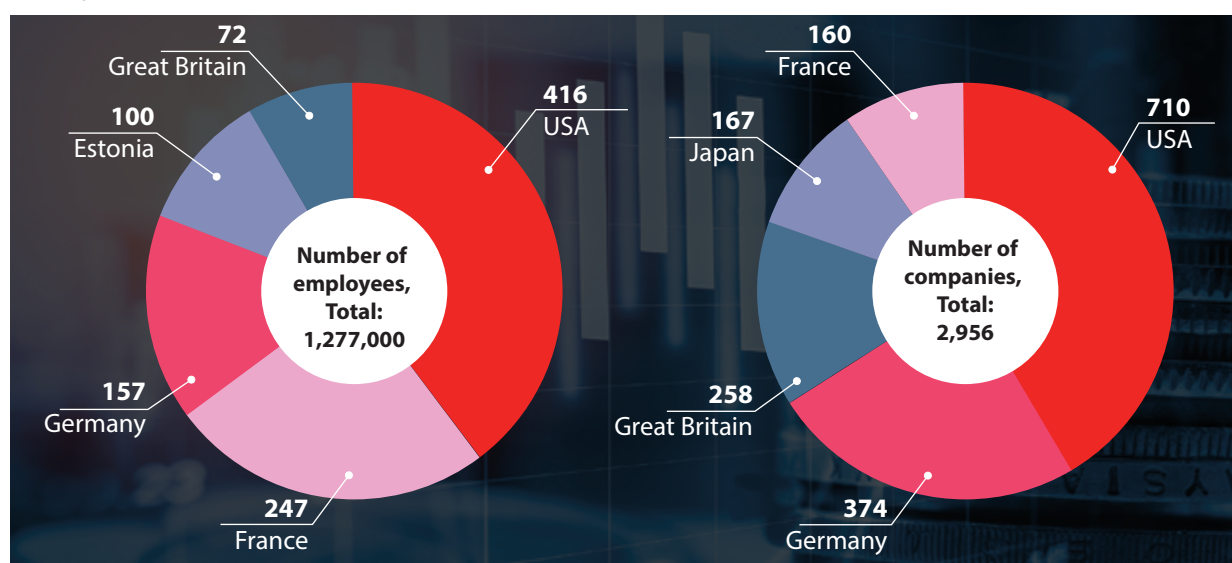
A simple spending multiplier is inversely proportional to the value $1 - \text{marginal propensity to consume}$.²² From our example, 870 rubles income will turn into 739.5 rubles of consumer spending, which will cause a chain reaction in national income.

As a result, this will lead to the payment of higher taxes: corporate income tax, indirect and other taxes. When the marginal propensity to consume is 0.85, the consumer spending multiplier is 6.66. Consequently, consumer spending will generate income for companies producing consumer goods and retailers and will result in an almost sevenfold increase in national income. Furthermore, from income received, businesses will pay taxes, from which almost every fourth ruble (24 percent) will cover the military expenses of the Russian army.

1.2 Presence of foreign companies on the Russian market

There are different estimates of the number of foreign companies conducting business in the Russian market. According to the Kyiv School of Economics (KSE), 2,956 international companies/organizations from 86 countries, working in 56 sectors of the economy, were present on the Russian market.²³ Figure 7 shows five leading countries in terms of the number of companies present on the Russian market, as well as the number of employees.

Figure 7 Top five countries by number of companies present on the Russian market and number of employees (based on KSE data)



Of the companies that, according to Kantar, were included in the top 100 most valuable brands in the world in 2021, 78 conducted commercial activities in Russia and had a physical presence on the Russian market, including production facilities, a dealer network, and so on. These include, in particular: Apple (first in Kantar BrandZ rating), Google (2nd), McDonald's (6th), PepsiCo (14th), Coca-Cola (17th), Samsung (44th), L'Oréal (50th), Toyota (66th), IKEA (91st), KFC (95th), and Airbnb (99th).²⁴ These are world-famous brands, and therefore it is quite logical that the attention of the world community, consumers, investors, public figures, scientists and ordinary citizens is focused on their reaction to the full-scale Russian invasion of Ukraine.

22 Savytska, N.L. (2010): Macroeconomics: teaching manual. Kharkiv: Kharkiv State University of Food and Trade.

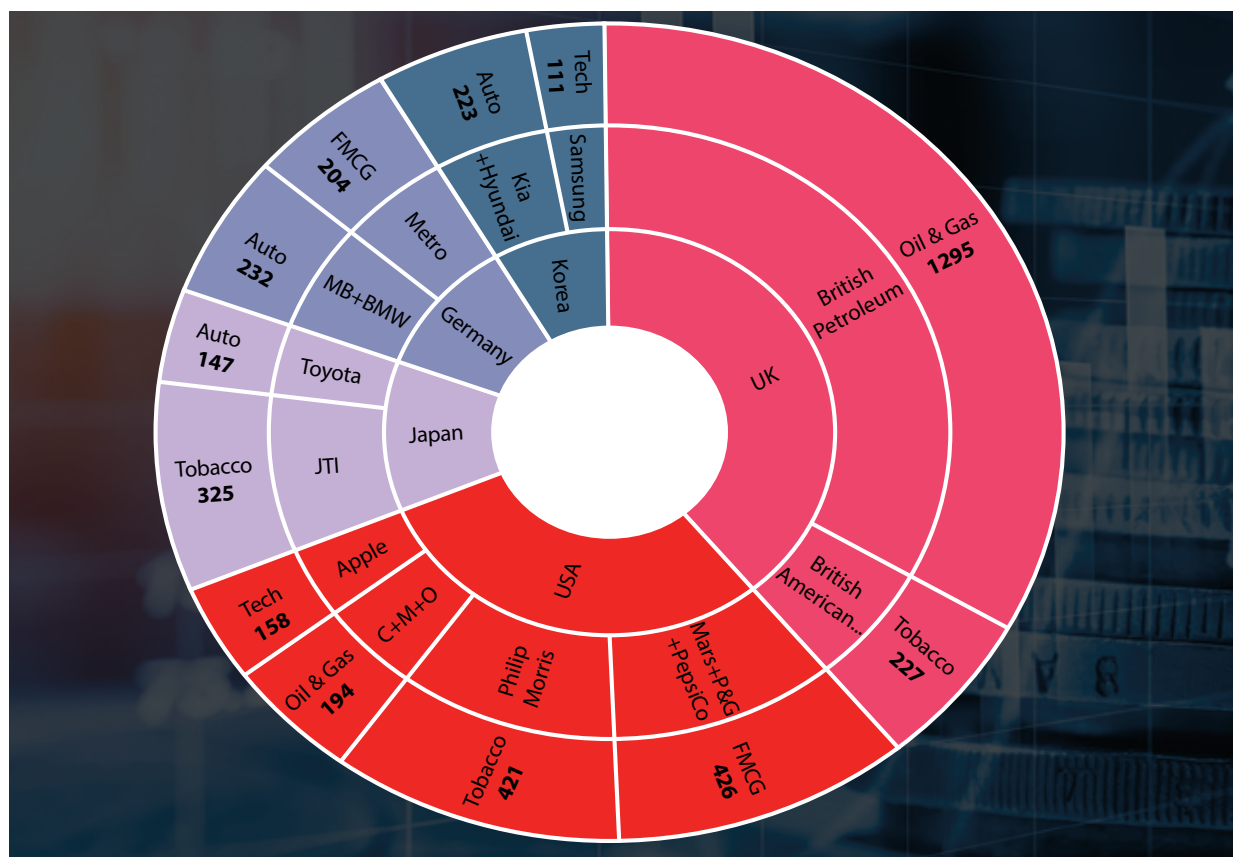
23 Analytics of KSE and Leave-russia; available at: <https://leave-russia.org/uk/bi-analytics>

24 Kantar BrandZ Most Valuable Global Brands 2022; available at: <https://indd.adobe.com/view/bb7c01af-7f11-4c17-a3f5-15b4e07436ce>

Among the companies doing business in the Russian market, most were from the USA, Germany, Great Britain, and France. Before the war, oil and gas and tobacco companies dominated foreign capital in the Russian economy in terms of turnover and profits (Figure 8), together with the FMCG²⁵ sector (including manufacturers of food products, household chemicals and personal care products, as well as mixed assortment retail chains) and the automotive industry.

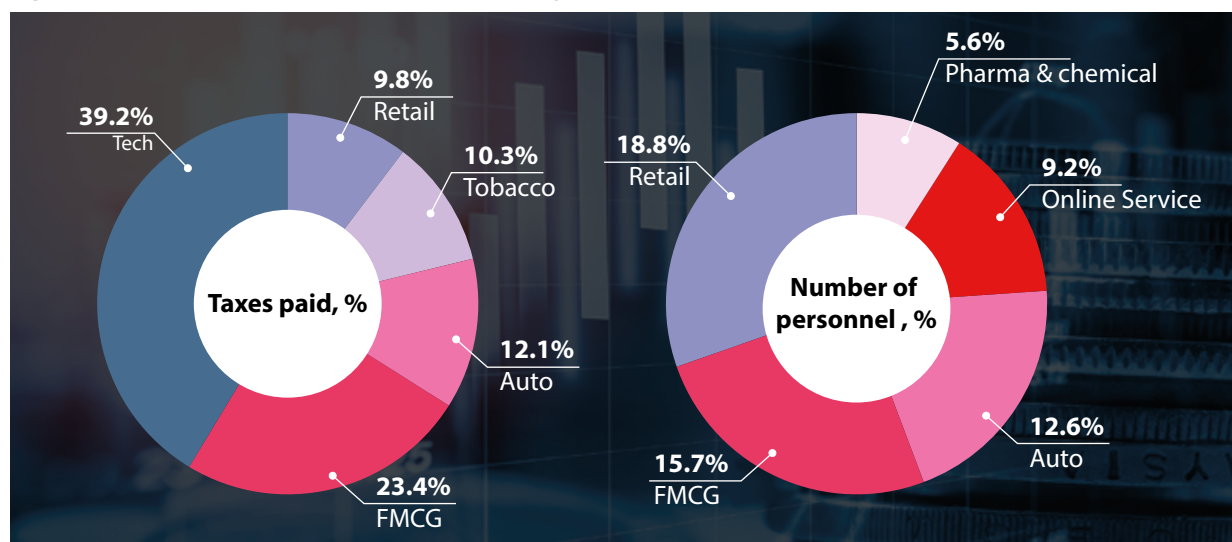
Figure 8 indicates that before the war in Ukraine, the lion's share of large foreign businesses in the Russian economy were concentrated in the oil and gas sector, which ensured the stability of the Russian economy. For example, BP owned a 20 percent stake in the country's largest oil producing company, Rosneft, and through it in 11 other subsidiary companies.

Figure 8 Structure of large foreign capital in the Russian economy before the full-scale invasion of Ukraine in 2022 (by profits)



Large foreign companies (with the exception of banks and the raw materials sector) operating in Russia annually pay about 20 billion US dollars to the Russian budget.²⁶ Figure 9 shows the structure of tax revenues in the Russian budget obtained from the activities of the largest foreign tax-paying companies in the largest sectors of the consumer market.

Figure 9 Sectoral profile of top five companies by taxes paid to the Russian state and number of personnel



The largest taxpayers were tobacco companies: they accounted for 39.2 percent of budget revenues from foreign business. By number of personnel (12,500), foreign tobacco companies are not included in the top five sectors shown in Figure 9. The most significant injections into the Russian budget were provided by three tobacco companies: Philip Morris (USA), Japan Tobacco International (Japan) and Imperial Brands (former Imperial Tobacco Group, Britain). The total budget revenue from the Imperial Brands tobacco empire in Russia amounted to 9.1 billion US dollars. Philip Morris International and JTI ranked first and second, respectively, in the ranking of the largest foreign tax-paying companies in the aggressor's budget. In 2020, the Philip Morris company paid 4.8 billion US dollars in tax and JTI 3.6 billion US dollars. Imperial Tobacco Group and British American Tobacco are also large taxpayers with a total contribution to the budget of the aggressor state of 1.2 billion US dollars.

A significant share of products in Russian supermarkets come from foreign FMCG manufacturers: Nestlé (Switzerland), Mars (USA), Danone (France), PepsiCo (USA), and Coca-Cola (USA), whose total revenue in 2020 was 9.9 billion US dollars. It should be noted that Coca-Cola, Nestlé, PepsiCo and Mars alone paid 2.1 billion US dollars in tax, which is more than half of all tax revenues in this sector. In addition, manufacturers in the FMCG sector are among the largest employers among all foreign companies present in the Russian market. Almost every sixth Russian who works in a foreign company works in the FMCG sector.

The automotive industry ranks third among foreign businesses and employs more than 116,700 Russians. Foreign companies dominate the Russian car market. These include such well-known brands as Renault (France), Hyundai (Korea), Kia Motors (Korea), Mitsubishi (Japan) and Nissan (Japan). In 2020, they had a combined revenue of 11.8 billion US dollars, and together Renault, Mitsubishi, Hyundai and Kia pay 2.5 billion US dollars in taxes.

26 Business on the blood of Ukrainians: which international companies finance the Russian occupiers. Volyn News, March 16, 2022; available at: <https://www.volynnews.com/news/all/biznes-na-krovi-ukrayintsiv-i-aki-mizhnarodni-kompaniyi-finansuiut-rosiys/>

Companies in the FMCG sector, such as Metro (Germany), Auchan and Leroy Merlin (France), made 11 billion US dollars in total revenue, which provided 997 million US dollars in revenue to the Russian budget. The fashion industry, sporting goods, and cosmetics paid almost 300 million US dollars in taxes. Retail action is traditionally labor-intensive, so retail companies are the largest employers among foreign businesses present in Russia. Every fifth Russian who works for a foreign company works in retail.

Tech companies contributed 10.3 percent of total taxes paid by foreign businesses. They include well-known household, computer and electronics brands (Samsung, LG, Candy, Ariston, Gorenje, Bosch, Apple). However, total personnel in this sector is insignificant, at 1 percent. But the activities of these companies are important in ensuring technological chains.

In terms of number of employees, the top five are rounded out by online services and trading (the total number of people employed online is 117,700), as well as the pharmaceutical and chemical industries, with more than 70,900 employees. Figure 9 shows that different sectors of the economy in which foreign companies are present make different contributions to the latent sponsorship of Russia's military machine. But every representative of international business working with the aggressor helps to strengthen its economic power.

Therefore, an analysis of the commercial activities of foreign companies shows how they finance the Russian army. The information provided in this section will allow us to analyze in the second section the potential impact of civil initiatives on ending latent sponsorship of the Russian Federation's war in Ukraine.

CHAPTER 2

CIVIL SOCIETY INITIATIVES AIMED AT INFLUENCING THE BEHAVIOR OF COMPANIES OPERATING IN THE RUSSIAN MARKET



2.1 Socially responsible behavior of brands: from theory to practice in the context of Russia's military aggression against Ukraine

Brand strategies in promoting their products in the twenty-first century have gradually changed, not only in the countries of the so-called "Golden Billion",²⁷ but also in the post-Soviet space. As a result of rising living standards among ordinary citizens, a consumer society emerged, and this led to an increase in individualization through the social recognition of both individuals and communities. Marketing shifted from the creation of a trademark to formation of a favorite brand. Branding became a tool for positioning a company by associating it with the behavior of progressive persons. This made it possible to find the key not only to consumers' wallets, but also to human souls through the spread of certain ideas about general well-being in people's minds.

By focusing on consumers' experience and emotions in their interactions with the brand, companies – in peacetime – positioned themselves as not prioritizing profit, but recognizing the interests and values of communities, societies and even humanity. Since the middle of the twentieth century, brand activism²⁸ has focused on environmental, social and corporate governance. There has been an increase in demand for brand social responsibility related to global problems such as climate change or discrimination, the need for resource conservation, and the spread of ideas of social justice, inclusiveness and diversity. Such processes have prompted companies to change their communication policies in order to build trusting relationships with consumers.

Adoption of the Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution²⁹ in December 2019 demonstrated that in a globalized world, a company must create not just a product, but also a certain value that will be positively approved by all stakeholders to ensure long-term benefits for shareholders, employees, and partners, as well as for consumers and society as a whole.

For companies, especially in the consumer sector, a policy of transparency has come to be required, which, among other things, means open communication between the brand and consumers, correspondence of the stated corporate values with real solutions, and showing empathy towards consumers. The social position of the brand began to influence the formation of consumer demand because it showed the conformity of the brand's mission with the values of the target audience and certain segments of society. In 2019–2020, the most important thing was to tackle Covid-19, as well as the problems that arose due to lockdown.

After February 24, 2022, people around the globe felt the need for a new sense of the term "social responsibility": people started asking about how business has reacted to Russia's war against Ukraine, in view of the gross violations of international law and the war crimes committed by the Russian army.

27 https://en.wikipedia.org/wiki/Golden_billion

28 Foglia, E./Sarkar, C./Kotler, P. (2021): Regenerative Marketing: Lessons Learned from Italian Business, in: The Marketing Journal (June 16, 2021); available at: <https://www.marketingjournal.org/regenerative-marketing-lessons-learned-from-italian-business-enrico-foglia-christian-sarkar-and-philip-kotler/>

29 K. Schwab, founder and executive chairman. World Economic Forum. Corporate governance. Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution, December 2, 2019; available at: <https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/#:~:text=The%20purpose%20of%20a%20company,communities%20and%20society%20at%20large.>

Corporate communications departments were tasked with informing customers of the company's position regarding the war against Ukraine and about actions that demonstrate condemnation of the war.³⁰ Russia's full-scale invasion of Ukraine was a new challenge that forced companies to make a choice: whether to follow the declared values of the brand (modern companies are trying to cultivate a socially responsible and humane image), or pursue only financial goals, such as making profits, retaining market share or even taking the opportunity to take the place of companies who have left the market.

Factors such as the consciences of investors, partners, and consumers, and their desire for companies to take transparent, sustainable action in support of the sanctity of life, and therefore to protest against the war by exiting the Russian market, also influence such companies' decisions. In addition to sanctions, the decisions of brands were significantly influenced by civil society initiatives: those aimed at businesses and those aimed at consumers. This division is quite arbitrary - the same initiative may influence both businesses and consumers as its target audience.

2.2 Civil society initiatives to influence brand behavior through appeals to business

With the beginning of the war, appeals to businesses were directed both to the management of brands (to accelerate their decision to exit the Russian market) and to partners (so that they do not cooperate with those who have not exited the Russian market). Such a communication strategy, first of all, appeals to the moral stance of company managements. Initiatives were also aimed at causing reputational losses of businesses that had not taken a public stand or those refusing to leave the market, so that they would lose the trust of investors and consumers. The ultimate goal is to hit sales and profits.

The first noticeable public initiative is the so-called Sonnenfeld "List of Shame" or "Hall of Shame".³¹ A team of experts led by renowned Yale University professor Jeffrey Sonnenfeld³² drew up a list of companies that had operated in Russia before the full-scale invasion and had not withdrawn. The list was created on February 28, 2022, almost immediately after the full-scale invasion began. Currently, this list includes about 1,400 companies.

After the publication of this list, there was a wave of public, political and business initiatives aimed at promoting business boycotts of Russia: as a rule, viral content (video clips, posters) is created, which is instantly distributed on websites and social networks.

Another initiative was launched by a young Ukrainian developer from Stanford, Igor Barakaev, who graduated from school in Kropyvnytskyi. The initial idea included the creation of the website *Don't Fund War*³³ with a list of companies that continued to operate and pay taxes in Russia. The site's database is regularly and automatically synchronized with "Sonnenfeld's List" provided by the Yale Institute of Executive Management.³⁴ Later, the website began to post information about rallies and

30 Savytska, N.L. (2022): Socially responsible marketing during wartime. Marketing and logistics in the management system: theses of reports of the XIV International Scientific and Practical Conference. Lviv: Department of Lviv Polytechnic.

31 Over 1,000 Companies Have Curtailed Operations in Russia – But Some Remain. Yale School of Management: Chief Executive Leadership Institute; available at: <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>

32 Jeffrey Sonnenfeld is the Lester Crown Professor of Management at the Yale School of Management and has been researching corporate social responsibility for 45 years.

33 Don't Fund War. available at: <https://www.dontfundwar.com/ua/directory>

34 Seen. 31.

demonstrations calling for the cessation of international business in Russia, as well as evidence of Russian war crimes. Since March 2022, the initiative has spread across Twitter, Instagram, LinkedIn and Facebook.

Figure 10 Don't Fund War information campaign (examples of information materials posted on social networks)



The following instruments were used to involve people in the initiative 'Don't Fund War'.

Table 1 Types of informational materials in the campaign

Visual materials	Visualize the consequences of direct or indirect financing of the war in Ukraine, condemnation of business activities on the Russian market
Templates and sample texts for email distribution	Sample letters to the management of companies operating in Russia, with calls to stop financing the war
Templates for content	Images for creating one's own content with "Don't fund war" narratives
Hashtags	#DontFundWar #MaryKay #ExitRussia to encourage companies to stop sponsoring the killing of civilians and war
Top management contacts to enable people to write to them	Specific addresses and names of management of companies operating in Russia

Among other companies, the initiative targeted Leroy Merlin, Dannon, Mary Kay, Iridium, and Inmarsat.

Figure 11 The Don't Fund War info campaign on social media against MaryKay company's support of the war in Ukraine

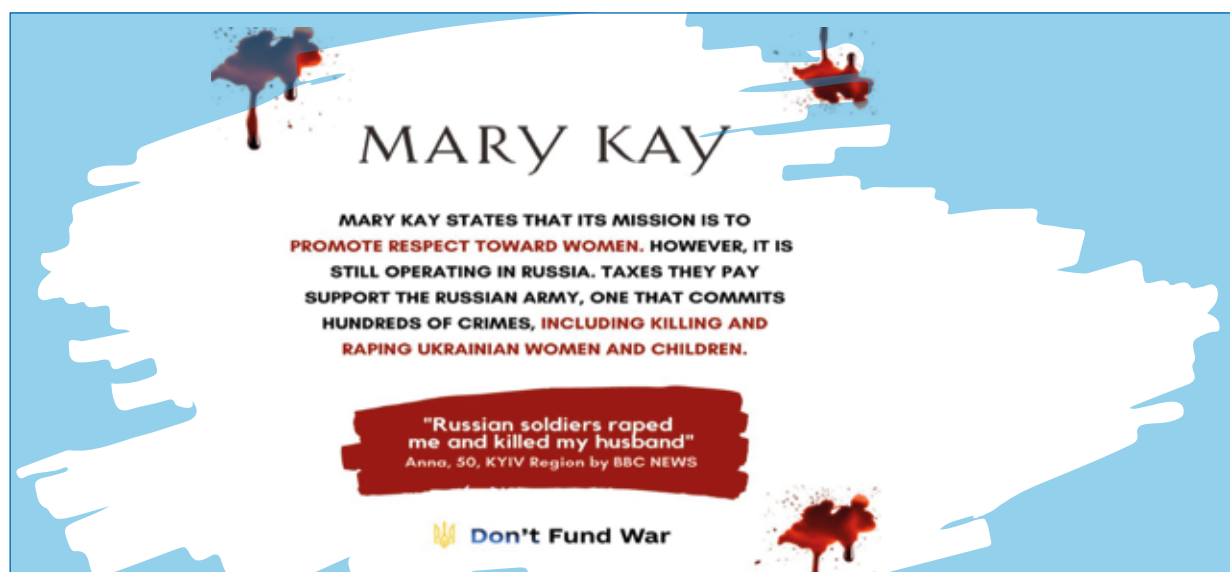
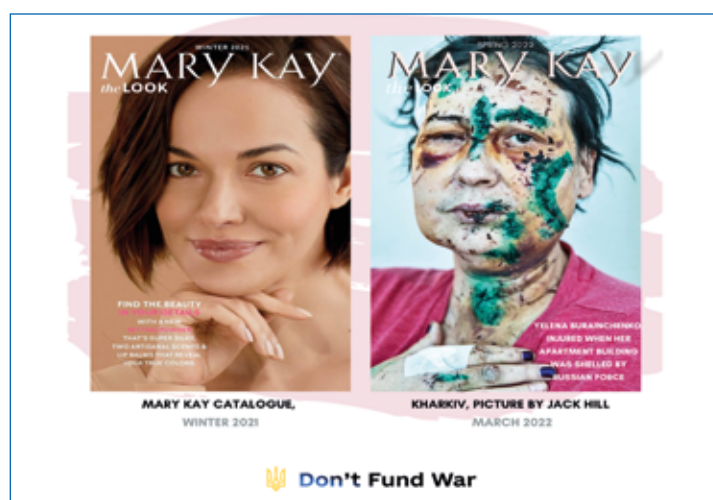


Figure 12 The Don't Fund War info campaign on social media against MaryKay company's support of the war in Ukraine



Such civic initiatives have been supported by Ukrainian politicians and government officials. For example, despite the insignificant audience reaction (the Don't Fund War Twitter page has only 619 followers, and only 20 followers shared the materials about MaryKay), these materials were distributed by Ukrainian government bodies: the Cabinet of Ministers, the Ministry of Digital Transformation, the Ukrainian Office for the Development of Entrepreneurship and Export, the national project for the development of entrepreneurship and export Diya.Biznes, the Ministry of the Economy and the Ministry of Foreign Affairs.

Another example is a viral tweet by Dmytro Kuleba (Ukrainian Minister of Foreign Affairs), which proves that the image campaign of the famous car manufacturer Renault, launched in 2012, no longer corresponds to the brand's real actions. The company Renault Group, which has adopted the mission "Our spirit of innovation expands the possibilities of mobility to bring people together", is present in more than 38 countries and has more than 111,000 employees.³⁵

35 Renault Group official web page; available at: <https://www.renaultgroup.com/en>

Renault Group controls the Korean company Renault Korea Motors (80.1 percent), the Romanian Dacia (99.43 percent) and 43.4 percent of Japanese company Nissan Motor, as well as more than 50 percent of "AvtoVAZ", 3.1 percent of Daimler and 20.5 percent of Sweden's AB Volvo. Its main brands are Renault, Dacia, Lada, Alpine and Mobilize³⁶.

Since 2012, Renault brand cars have been positioned with the slogan "Renault – Passion for Life". The main value of the Renault brand is thus realized through the idea of love and a passion for life: to create bright and attractive cars that can change people's everyday lives for the better. The inconsistency of the proclaimed values and the actual position of the French car brand Renault during the war in Ukraine is reflected in the poster.

Figure 13 Dmytro Kuleba's viral tweet about Renault³⁷



This poster went viral and hundreds of consumers shared the post on their social media platforms.

Under public pressure and after an appeal by President Volodymyr Zelenskyi to French companies on March 23, 2022, the Renault company shut down its Moscow plant, which it announced on its website³⁸ and in social media.

Another initiative aimed at transnational businesses was an international information campaign "*DO NOT Sponsor Murder*"³⁹ launched by Ukrainian state agencies⁴⁰. It was preceded by civic public actions and calls not to cooperate with businesses that have not left the Russian market and to ban trade with Russia. Ukrainian and Polish activists managed to block a transfer of goods from EU countries to Belarus and Russia at the Polish border.

Natalka Panchenko and Iryna Zemlyana blocked Russian and Belarusian trucks on the Polish-Belarusian border for a week. Activists began to block traffic at the Polish border crossing of Kukuryka, near the village of Koroshchyn, on March 12, 2022 after they noticed trucks with Russian and Belarusian license



Figure 14 Statement of Renault Group in social media

³⁶ Seen. 35.

³⁷ Dmytro Kuleba, available at: <https://twitter.com/DmytroKuleba>

³⁸ Seen. 35.

³⁹ Do NOT sponsor murder. Дія. Бізнес; available at: <https://business.diia.gov.ua/do-not-sponsor-murder>

⁴⁰ "No" to business in Russia and Belarus! Don't sponsor murder! – Committee on Digital Transformation: Information Management, April 1, 2022; available at: <https://www.rada.gov.ua/news/razom/221148.html> + <https://business.diia.gov.ua/do-not-sponsor-murder>

plates, whose drivers refused to say what exactly they were transporting and declared that it was a "military secret" (proverbially used in Russia to jokingly refuse to answer). Other drivers admitted that they were carrying sanctioned goods, in particular, Martini. This initiative drew public attention to the action of companies helping Russia to circumvent sanctions.

Figure 15 Blocking of Polish-Belarus border to stop transfer of goods through Belarus to Russia



"Apoliticalness is a position that kills Ukrainians every day. So make your contribution to ending the war against Ukraine today" is the main narrative of the information campaign DO NOT sponsor murder.

Foreign citizens were asked to use hashtags in social networks such as #DONOTsponsormurder, #StandWithUkraine, and #IbuyUkrainian; to comment and distribute posts on the accounts of corporations that continue cooperation with Russia and Belarus; and to attend rallies against companies that cooperate with Russia and Belarus. For example, "We joined the boycott of Russian and Belarusian products. Glory to Ukraine!", "Support Ukrainians. Boycott Russian and Belarusian products". There were calls to abandon cooperation with Russian and Belarusian counterparts and to start working with Ukrainian partners, to remove Russian and Belarusian goods from store shelves.

Users of social networks can distribute developed multimedia packages, including visual materials for social networks such as Facebook, Twitter, Instagram, and LinkedIn.

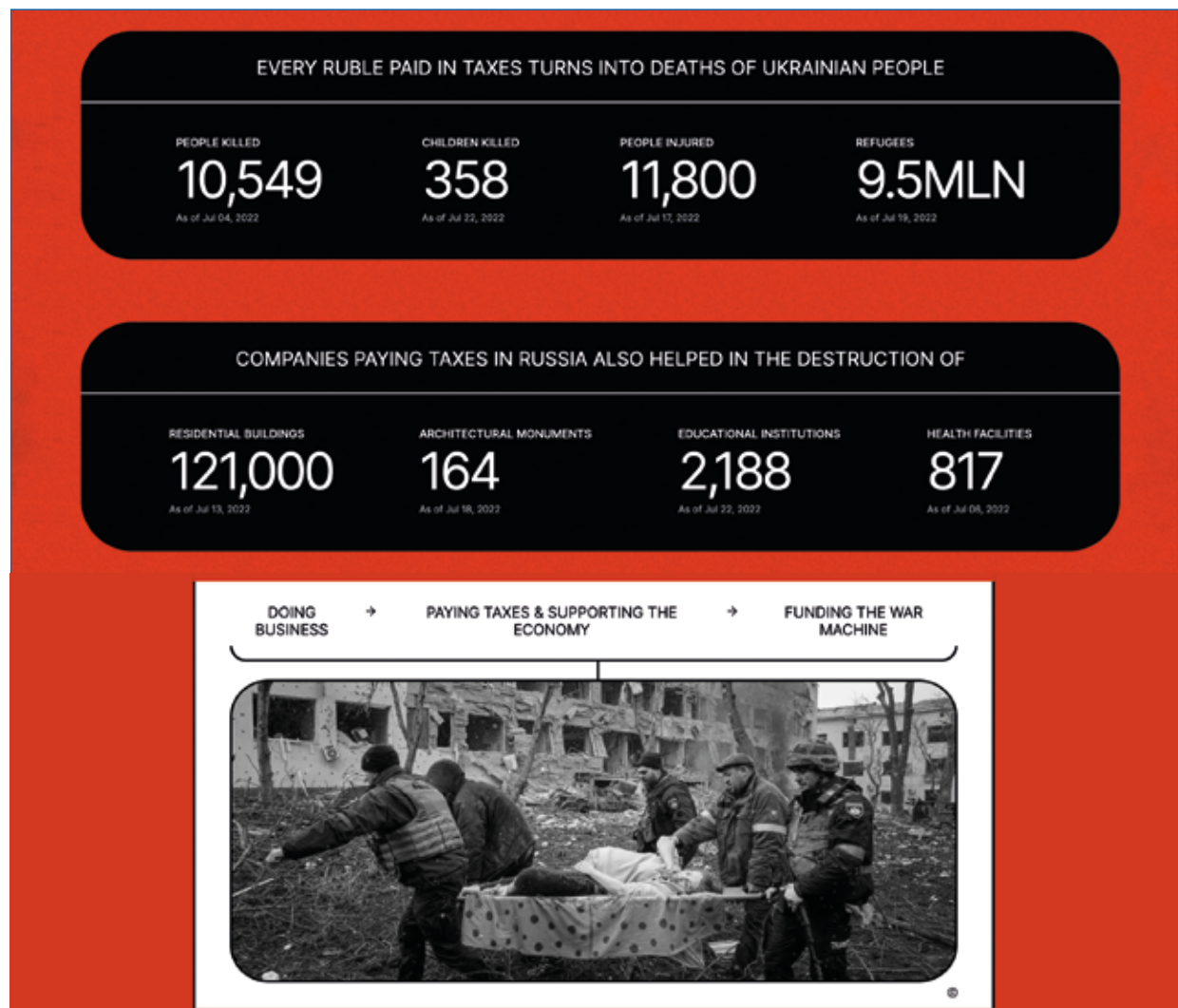
Figure 16 DO NOT sponsor murder – social media campaign



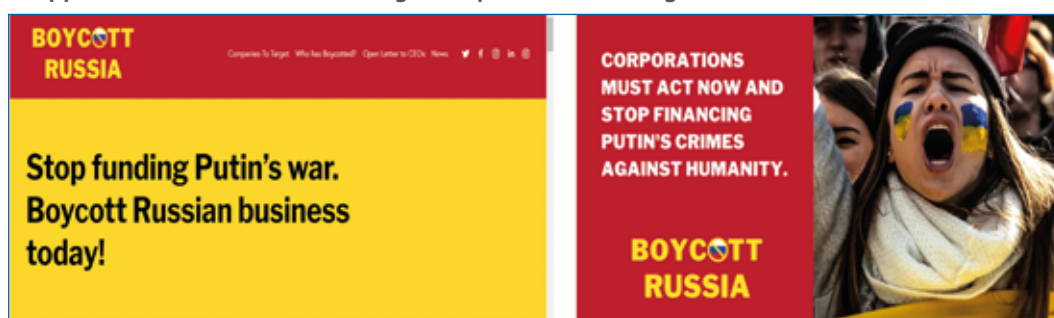
The Boycott Russia (www.boycottrussia.info) initiative should be highlighted. It is aimed at various target audiences, ranging from personal communications with relatives in Russia to representatives of international businesses. This initiative brought together activists from the business community, political leaders, opinion leaders, and so on. In particular, since the beginning of the war in February 2022, Ukrainian businessman Dmytro Dubilet has actively used his personal pages on Facebook (over 170,700 followers), Telegram (about 100,000 followers) and Instagram (179,000 readers) to call for a boycott of companies that finance the war, directly or otherwise. There have also been widespread appeals to Ukrainians to convince their relatives in Russia that a full-scale war is really taking place on the territory of the Ukrainian state and to go out to protest against the war. Ukrainian call centers have been involved in implementing this initiative.

This initiative includes a public forum that highlights the analysis of military events, the covert actions of international companies that support the war, and the results of journalistic and expert investigations into the involvement of companies in supporting Russia's military economy. The main narrative is: "stop financing Putin's war, because every ruble of taxes paid in Russia kills Ukrainians."

Figure 17 Website of Boycott Russia initiative



In April 2022, the Telegram bot *Boycott Russia* was created by volunteers to check the interaction of brands with Russian businesses. This Telegram bot is able to determine whether a certain company continues to do business in Russia.

Figure 18 Appeals on social media to foreign companies continuing business in Russia

Another Dmytro Dubilet project is *Total Isolation of Russia*, which represents a vivid example of the unity of business communities, volunteer initiatives, cyber activists and ordinary citizens. It involves exerting public pressure by holding demonstrations under the head offices of companies that have not yet exited the Russian market. Actions have been held all over the world and publicized on Dmytro Dubilet's official Facebook page.⁴¹

Figure 19 The most famous protests of the Total Isolation of Russia project in front of the headquarters of well-known international companies operating in Russia

B2C brands	Industry	Agribusiness	Banking sphere
<ul style="list-style-type: none"> • Metro – Dusseldorf, Germany • Unilever – London, Great Britain • Danone – Paris, France • Nestlé – Vevey, Switzerland • Colgate-Palmolive – New York, USA • Johnson & Johnson – New Jersey, USA 	<ul style="list-style-type: none"> • Renault – Paris, France • SKF – Gothenburg, Sweden • Bosh – Herlingen, Germany • Danieli – Buttrio, Italy • Grundfos – Bjerringbro, Denmark 	<ul style="list-style-type: none"> • Syngenta – Basel, Switzerland • DuPont – Delaware, USA • Dow Chemical – Michigan, USA 	<ul style="list-style-type: none"> • Rayffayzen – Vienna, Austria • Unicredit – Milan, Italy • Société Générale – Paris, France • Citi – New York, USA

The goal of the *Total Isolation of Russia* project is not only to achieve the invader's total economic isolation in all markets and regions, but also to identify and punish European defense companies that circumvent sanctions and work to strengthen the Russian military. Using information from open sources and data provided by cyber volunteers who "extract" it from Russian sites, the team of lawyers works with the security authorities of EU countries and other interested parties who may have influence on the entities violating the sanctions. The goal of this initiative is to punish violators and reinforce Russia's international isolation. The promotion of this project, among other things, was carried out through the social media of Ukrainian state bodies, for example, through the **Diya.Business website**.⁴²

41 Dmytro Dubilet, Facebook account, March 3, 2022; available at: <https://www.facebook.com/dubilet>

42 Diia.Business official website; available at: <https://business.diia.gov.ua/>

Dmytro Dubilet's initiative is aimed at demanding that brands exercise social responsibility during the war: "Doing business with Russia should become as unethical as using child labor or non-ecological production. A geopolitical No GMO".⁴³

Another, similar initiative is *LeaveRussia*,⁴⁴ launched in March 2022 by a team of Ukrainian IT volunteers, who in June of the same year joined forces with a KSE⁴⁵ team of analysts engaged in analyzing the activities of international companies operating on the Russian market (SelfSanctions project). They created a website and social media pages that allow citizens to receive up-to-date economic information about the activities of international companies on the Russian market and call on companies to leave that market and stop financing the war in Ukraine.

The *Moral Rating Agency* project deserves special attention.⁴⁶ This initiative was created by Mark Dixon, head of the Thinking Linking consulting company. The goal of the Moral Rating Project is to collect and summarize information about the corporate management of companies operating in Russia. From the well-structured materials collected on the moralratingagency.org website, citizens, businesses, shareholders, and investors can find information on brands that put "their own profit above people's lives and freedom of choice, the interests of the free world".⁴⁷

Also, representatives of the Ukrainian diaspora in Great Britain, the USA and the European Union have created a business and human rights resource center and compiled a list of more than 10,000 companies. Since the beginning of the war, the center's efforts have been aimed at tracking society's reaction to the Russian invasion in the context of human rights.

Wikipedia has a page for "Companies Criticized for Not Joining the Boycott", although there is also a list of companies that have already taken action. The effective initiative "Conscious partnership: how to check partners for ties with Russia and Belarus" has also become widespread. The Vkursi team launched a registry of companies related to the Russian Federation and the Republic of Belarus. As Andrii Hryshchuk and Vadym Zapeka, co-founders of Vkursi, put it: "In the conditions of war, there is no place for tolerance towards the owners of companies that pay taxes to the budget of enemy states. Therefore, we offer a tool that allows you to develop a culture of conscious refusal to cooperate with such companies, or at least the desire to do so in the future. The service increases the visibility of hidden and obvious connections of Ukrainian companies with legal entities and individuals of the Russian Federation and Belarus".

From now on, in the "Vkursi Pro Counterparty Verification System" in the file of each company whose founders or ultimate beneficial owners are citizens or residents of the Russian Federation or Belarus, there will be a special mark and a warning about the risks of cooperation. Access to the "Register of companies related to the Russian Federation and the Republic of Belarus" and the "Vkursi Pro Counterparty Verification System"⁴⁸ is provided free of charge.

Overall, a whole range of initiatives have one and the same goal: to compel businesses not to operate in the Russian market, not to invest in production or marketing, emphasizing that every ruble spent in the Russian Federation sponsors the war. All the initiatives show businesses that

43 Dmytro Dubilet's Facebook account, March 3, 2022; available at: <https://www.facebook.com/dubilet>

44 Stop Doing Business with Russia: Official site Leave Russia; available at: <https://leave-russia.org/>

45 Self-sanctions / LeaveRussia. KSE Institute project to collect data on foreign companies operating on the Russian market and limiting or ceasing their activities. Kyiv School of Economics; available at: <https://kse.ua/ua/samosanktsiyi-kse-institute/>

46 Who is still supporting Russia? Moral Rating Agency; available at: <https://moralratingagency.org/>

47 Ibid.

48 Verification of counterparties – a dossier on business; available at: <https://vkursi.pro/>

their ethical stances are being monitored by consumers all over the world and that this affects their reputations.

2.3 Civic initiatives to influence brand behavior through appeals to consumers

Numerous studies have shown that consumers believe that brands should respond to the war and stop funding it. Consumers have been boycotting goods from brands that remain in Russia. For example, according to Forbes, 88 percent of consumers are in favor of brands not being silent about the war, and 57 percent support the severing of economic relations with the Russian Federation.⁴⁹ The Edelman Trust Barometer Global Report for 2022 was devoted to a special study of geopolitics and business (13,000 respondents in different countries). According to this study, an average of 47 percent of respondents had changed their attitude towards a brand or company depending on how these brands have reacted to Russia's invasion of Ukraine.⁵⁰ According to a survey conducted by YouGov (2,000 US voters), four out of five Americans believe that businesses should stop doing business in Russia, and 30 percent say that their opinion of brands that have made no statement at all about the Russian invasion of Ukraine has changed in a negative direction.⁵¹ According to another Morning Consult survey of 2,200 American adults, 75 percent of Americans support brands cutting ties with Russia, and only 8 percent said companies should continue to maintain business ties, but also issue a statement condemning the war.⁵²

The results of a survey of 14,000 people in 14 countries, conducted in May 2022 by the well-known consulting firm Edelman,⁵³ show that more than 50 percent of respondents have changed their attitude towards a brand as a result of its response to Russia's military aggression in Ukraine. According to 62 percent of respondents, companies that do not respond to military aggression are morally responsible. According to Yale School research,⁵⁴ it is more profitable for brands to leave Russia than to stay. Those companies that have left the Russian market have lost only 3 percent of their capitalization, which is four times less than the losses of those that have remained. The losses of the latter have reached 12.6 percent of their market value, and their probability of defaulting on bonds is estimated at 33.5 percent.

A survey conducted by Gradus Research in Ukraine in May 2022 among 1,790 citizens between the ages of 18 and 64 found that three-quarters of respondents would have a worse attitude towards the brand if they found out that it continues to operate in Russia.⁵⁵ Only 14 percent of Ukrainians are not going to boycott brands that continue to work on the territory of Russia.

49 Kadygrov V., Tarasyuk A. 50 global brands have left Russia. How the war in Ukraine forced companies to reconsider their social responsibility. Forbes Ukraine, April 19, 2022; available at: <https://forbes.ua/ru/company/450-svitovikh-brendiv-pishli-z-rosii-yak-viyna-v-ukraini-zmusila-kompanii-pereosmisлити-vidpovidalnist-pered-suspilstvami-19042022-5515>

50 Expectations for business: more pressure to act, more issues to address. Edelman Trust Barometer, Special Report The Geopolitical Business, 2022; available at: <https://www.edelman.com/sites/g/files/aatuss191/files/2022-05/2022%20Edelman%20Trust%20Barometer%20Special%20Report%20The%20Geopolitical%20Business-Final.pdf>

51 Hoang Nguyen (2022): What Americans think about brands and the Russia-Ukraine conflict, YouGov; available at: <https://business.yougov.com/content/41686-what-americans-think-brands-ukraine-crisis-poll>

52 Ibid.

53 Seen. 50.

54 Sonnenfeld, J./Steven, T./Steven, Z./Yash, B./Ryan, V. (2022): It Pays For Companies To Leave Russia, May 18. SSRN; available at: <https://ssrn.com/abstract=4112885> or <http://dx.doi.org/10.2139/ssrn.4112885>

55 Gradus Research. Три чверті українців гірше ставляться до брендів, які продовжують діяльність у РФ; available at: https://gradus.app/documents/222/Attitude_brands_Russia_Gradus_Research_17052022.pdf

The 25–54 age group, which represents the most economically active population, showed the greatest desire to boycott the products of international brands remaining in Russia.

An example of such a civic initiative is the *Boycot Russia group*, which was created by People's Deputy Halyna Yanchenko.⁵⁶ This group has supporters in the EU, the United Kingdom, the United States of America and Canada. The group develops visual materials and calls on all people to boycott companies that remain operating in Russia. The main narrative is that companies that remain in Russia and pay taxes there are financing the Kremlin's war machine. These are brands that do not seem to understand the concept of "social responsibility".

The initiative offers answers to the question "WHAT CAN YOU DO?", targeting consumers:

- Pressure companies to #BoycottRussia by tagging them on social media, participating in protests, publicly boycotting their products, and demanding that they immediately cut all ties to Russia.
- Contact CEOs and corporate stakeholders and ask them to #BoycottRussia.
- Demand additional sanctions against Russia: the US, UK and EU buy more than \$800 million worth of oil, gas and other goods from Russia, thus financing Russia's war against Ukraine. The US, UK and EU must immediately impose additional sanctions to stop this war.

Thus, the call to boycott Russia is aimed at different audiences.

56 Buchynska, O./Davlikanova, O./Lylyk, I./Yashkina O. and others (2022): "100+ stories of women and girls in Russia's war against Ukraine", volume 1, under the editorship O. Davlikanova. Kyiv: "VISTKA" LLC; available at: <https://www.uam.in.ua/upload/medialibrary/ef9/ef9412c559004cc5a7c21ba9ac04dfb8.pdf>

Figure 20 Information material from the BoycottRussia initiative

#BoycottRussia #StopWarInUkraine

Nestlé will stop selling KitKat and Nesquik in Russia due to aggression in Ukraine. But there are at least 30 brands from Nestlé which will stay on the Russian market, such as Lion. Nestlé should stop funding the Russian budget and sponsoring war in Ukraine.



#SiemensHealthineersAG says that it continues operating in Russia so as “not to deprive Russians of cancer treatment”. At the same time, Russia deprives cancer patients in Ukraine of treatment by dropping bombs on hospitals. Siemens Healthineers AG, stop financing the war in Ukraine!

Do not be silent, write something on their page #SiemensHealthineersAG:



#BoycottRussia #SaveLivesInUkraine

“ONE PLANET. ONE HEALTH” is a #Danone slogan. But it doesn't correspond to what they really do. Danone still hasn't stopped doing business in Russia. It's sponsoring the aggressor country. I call on all consumers in the world to #boycott Danone. Please choose other brands, for which people's lives have value.



The Calvin Klein and Tommy Hilfiger stores in Russia are temporarily closed, and commercial activities are suspended but not terminated. Unlike the Polish LLP Group, which completely left the Russian market. Unfortunately, it is impossible to temporarily suspend the war. Every company that still has an office in Russia is sponsoring massacres in Ukraine. Write about it #CalvinKlein:

Another idea for truthful #Oreo advertising. The owner of these cookies, brand Mondelez International, has no plans to leave the Russian market and continues trading “food” like they say. Every Oreo cookie sold in Russia is turned into a spare part for Russian weapons.



Civic initiatives use various communication channels. Thus, the public initiative “Boycott Leroy Merlin and Auchan networks”, initiated by a Ukrainian volunteer in Poland, Myroslav Petryga, involves protests right in front of Leroy Merlin and Auchan stores.⁵⁷

Figure 21 An example of the misalignment between the values of foreign companies and their actual actions during Russia's full-scale invasion of Ukraine (taken from the website <https://war-sponsors.com/>)



Figure 22 Example of an action from the “Boycott Leroy Merlin and Auchan” initiative in Poland



Activists asked consumers to “shop in other stores!” They also offered public transport tickets to consumers to go and buy their essentials elsewhere. Protest actions took place in 20 cities in Poland. In addition, activists sent appeals to the managers of Leroy Merlin and Auchan with calls for them to resign from their positions. However, these networks still operate in Russia.

Other, similar initiatives that have targeted both the top managements of companies and consumers include the “Total Isolation of Russia” initiative demonstrations near the headquarters of companies that have not yet exited the Russian market.

⁵⁷ Lopata, Orest (2022): The more we help Ukraine, the sooner the war will end. Our Word. No. 21, 2022-05-22; available at: <https://nasze-slowo.pl/chym-bilshe-my-dopomagatymemo-ukrayini-tym-shvydshe-vijni-nastane-kinecz/>

Social networks have become an important channel for consumer voice. The users of social networks have become active initiators of boycotts of companies doing business in Russia, and a source of pressure on such companies' policies.

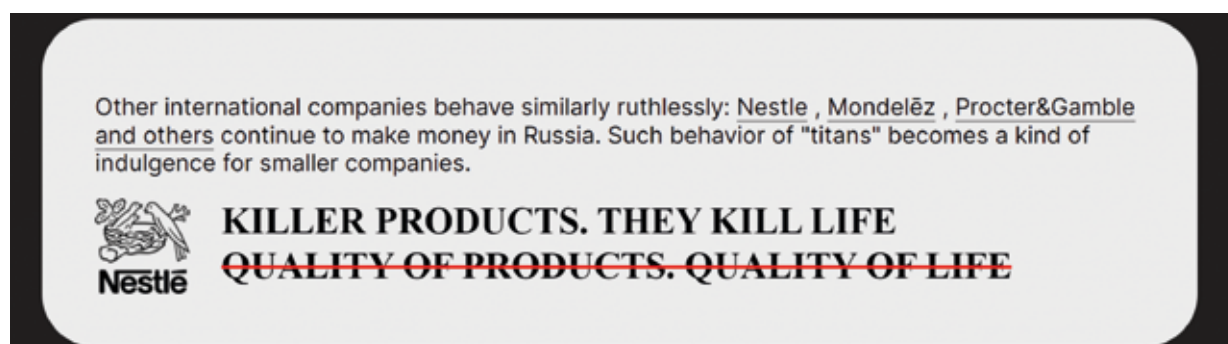
The initiative of the Center for Civic Representation "Zhyttia", which was launched on social networks, chose as its main narrative the slogan: "Tobacco companies operate in Russia and finance the war in Ukraine." They called for a boycott of Japan Tobacco International, Philip Morris International, British American Tobacco and Imperial Tobacco products.

A new form of "cancel culture"⁵⁸ has developed, targeting not only Russian brands and goods, but international companies that have remained in the Russian market, including in the FMCG sector: Danon, Nestlé, Unilever, Leroy Merlin and Auchan, whose activities are viewed as sponsoring war and the murder of people in Kyiv, Bucha, Mariupol, Kharkiv, Kherson and other cities of Ukraine.

In the Ukrainian retail chains Silpo, Novus, Aushan, Tavriya, Rukavychka, and Blyzenko, during May – August 2022, there was a wave of boycotts of brands that continue operations in the Russian Federation. Activists put stickers with photos of Russian President Putin and the inscriptions "Sponsors of Russian terrorism", "Do not sponsor war in Ukraine", "Do not buy from a murderer" on such goods. They also conducted an awareness-raising campaign among the customers of retail chains. The stickers contained a QR code that led to a site⁵⁹ with a list of large international brands that are operating in Russia, indicating the amount of taxes that each of these manufacturers has paid to the aggressor country, including Nestlé, Mondelēz, PepsiCo, Unilever, and VICI.

Among the protest actions, one should pay particular attention to the so-called "internal activism" of employees of such famous companies as Nestlé, PepsiCo, and Mondelēz (manufacturer of Oreo cookies). Employees of these companies in Ukraine, Poland, and Eastern Europe have spoken out against maintaining business in the Russian Federation, and some Ukrainians have even resigned from the companies in protest. PepsiCo withdrew its Pepsi brand from the Russian market. However, it has not withdrawn other brands that bring significant profits, including Lay's, Cheetos, and Doritos. Only after using up all warehouse stocks of raw materials for the production of its legendary drink did Coca-Cola HBC change its name. It continues to produce a similar drink and other products in Russia under local brands, such as Dobry, Rich and My Family.⁶⁰ PepsiCo's approach became widespread and was picked up by other manufacturers.

Figure 23 An example of the discrepancy between foreign companies' values and their actions during Russia's full-scale invasion of Ukraine (taken from <https://war-sponsors.com/>)



58 "Cancel culture" refers to a mass withdrawal of support from public figures or celebrities (or companies) who activists deem to have done things that aren't socially acceptable.

59 Official website of War Sponsors. On February 24, 2022, Russia launched a full-scale war against Ukraine; available at: <https://war-sponsors.com/>

60 What analogues of Coca-Cola and Pepsi have appeared in Russian stores, RBC; available at: <https://www.rbc.ru/photoreport/18/09/2022/632316099a79476f7070bf8f>

In March 2022, 130 employees of Mondelēz's regional representative office in Lithuania, Latvia and Estonia sent a petition to the company's CEO with a demand to stop all operations in Russia. In response, Mondelēz International CEO Dirk van de Put sent a letter to employees⁶¹ in which he underlined the provision of humanitarian aid to Ukraine, the reduction of secondary activities in Russia, the termination of all new capital investments and media advertising expenditure. He also condemned Russia's unjust aggression against Ukraine and expressed his firm support for those calling for peace and an end to the war. But the company still continued to operate on the Russian market.

Consumers have always been the primary audience for business efforts, as they are the source of companies' income. Thus, civic organizations and activists communicate with consumers just as much as with company managements.

61 Official website, Mondelēz International. Our statement on the war in Ukraine. Internal CEO Memo to Employees, MONDELÉZ INTERNATIONAL Snacking made right. Wednesday, March 9, 2022; available at: <https://www.mondelezinternational.com/News/Statement-on-War-in-Ukraine>

CHAPTER 3

VARIOUS WAYS IN WHICH FOREIGN COMPANIES EXIT THE RUSSIAN MARKET



3.1 Scenarios of corporate behavior in response to Russia's invasion of Ukraine

Companies have behaved in a variety of ways. Some have condemned the Russian aggression and exited the Russian market quickly. Others have moved more slowly, for example, after using all the raw materials in stock. Some have engaged in partial exit, for example, removing only the most well-known brands or products. Others have announced their intention to exit the market but are procrastinating, using different excuses, have done nothing or have been defiant. The following factors affect behavior patterns: company investments in facilities in the Russian Federation, sanctions, the importance of the Russian market for the company (defined as the share of local revenue in global revenue), and the targeting of civil initiatives, among other things.

Experts take a wide range of approaches to classifying these companies' behavior.

Table 2. Classification of behavioral patterns of the foreign companies present on the Russian market

Authors	Types of company response to the Russian war in Ukraine
"Sonnenfeld's list of shame" Yale School of Management (https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain)	Digging in – they refuse to exit or reduce the volume of investments in the economy of the Russian Federation; Buying time – they have postponed planned development activities, but continue operating in Russia; Scaling back – they have significantly reduced certain types of activities, but continue operating in other areas; Suspension – operations have been temporarily suspended, but leaving open the possibility of returning; Withdrawal – operations on the territory of the aggressor have been terminated.
Kyiv School of Economics Institute (https://kse.ua/ua/samosanktsiyi-kse-institute/)	Staying – the company continues operations; Waiting – the company has partially cut current operations and suspended new investments; Leaving: the company has suspended operations or announced their intention to withdraw completely; Exited – it has withdrawn.
Moral Rating Agency (https://moralratingagency.org/)	The Moral Rating Agency's Moral Badges are generated by combining words to describe bands within each of the five dimension scores to allow readers to see the components of a company's behavior in linguistic form. The bands relating to each word or words are shown in the definition of each Moral Badge below.

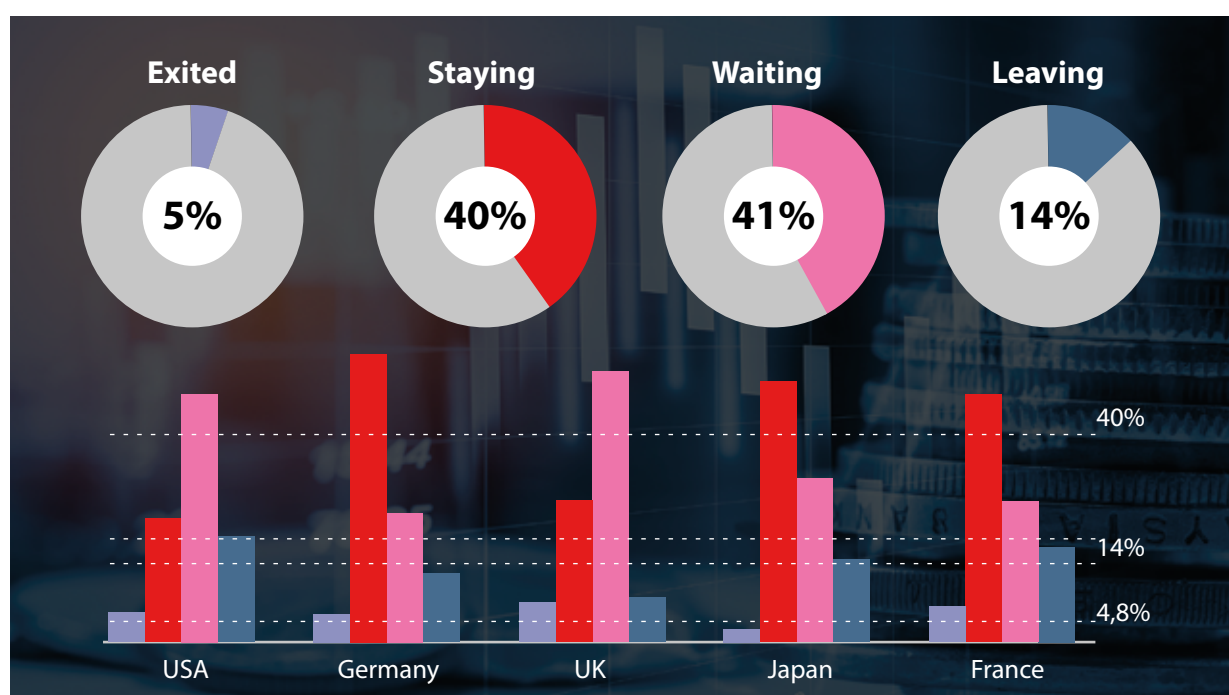
Table 3 presents a classification of company behavior patterns:

Table 3 Behavioral patterns adopted by companies operating on the Russian market

Inaction	Pseudoaction / Warwashing	Action
Operates without changes, ensuring full financial flows – absolute inaction	Partially ceased operations/partial reduction of financing/reduction of product range	Left the market quickly – a manifestation of a decisive position (decisive action)
Operates without making any public statements – tacit consent to military aggression	Terminated some operations; manipulates consumers and society Continues paying salaries to employees Continues operations in Russian Federation, but publicly supports Ukraine Continues operations, but participates in targeted support programs for Ukraine	Left in time to preserve reputation (considerate action)

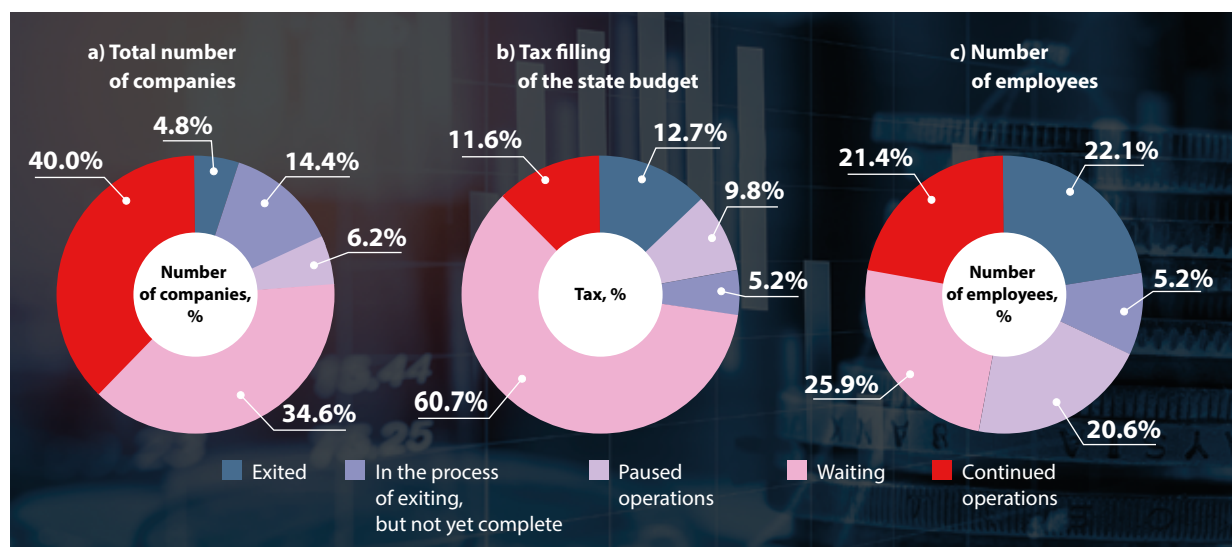
Overall, despite the variety of approaches presented in Table 3, for the most part companies can be divided into two large groups: those who have left the Russian market and those who have remained. The KSE study conducted jointly with the project LeaveRussia⁶² showed that by the end of November–beginning of December 2022, out of 2,956 foreign companies analyzed, only 143 had actually left the Russian market, which is less than 5 percent.

Figure 24 Share of foreign businesses operating in the Russian market (total number of companies, tax revenues to the state budget, and number of employees)⁶³



62 Stop Doing Business with Russia. Official website of Leave Russia; available at: <https://leave-russia.org/uk>

63 Data source: <https://leave-russia.org/uk>

Figure 25 Companies' behavior patterns by presence in the Russian market and by country⁶⁴

According to various estimates, ranging from 40.8 percent⁶⁵ (KSE study) to 59.5 percent⁶⁶ (Yale School of Management study) a substantial number of companies reserved judgement on the option of resuming operations in Russia under more favorable conditions. It is indeed difficult for international business to neglect the capacious Russian market.

According to KSE research and Leave Russia experts, Germany, Japan and France are the leading countries in terms of number of companies present in the Russian market. Half of them (55.7, 50.3 and 47.8 percent, respectively) have decided to stay. US and UK companies are more likely to take a wait-and-see approach (48 and 52 percent, respectively). In general, according to KSE, 81 percent of foreign companies have remained, are waiting to see what happens or reducing their activities. They collectively provide work for 68 percent of all employees of foreign companies in Russia and pay 82.1 percent of foreign company tax revenues to the budget of the Russian Federation.⁶⁷

By the beginning of December 2022, only 4.8 percent of companies had left the Russian market. They contributed 12.7 percent of tax revenues paid by such companies to Russia's budget and provided work for 22 percent of the workforce from all foreign businesses combined. Another 14.4 percent of foreign companies are in the process of exiting the market; they contribute only 5.2 percent of taxes paid by foreign companies in the federal budget and provide jobs to 10 percent of all the relevant employees.

Other researchers have obtained similar results. According to Sonnenfeld's list, out of 1,389 foreign companies 335⁶⁸ (24.1 percent) have left or suspended their activities in the Russian market. According to the results of a study conducted by S. Evenett and N. Pisani in November 2022,

⁶⁴ Data source: <https://leave-russia.org/uk/bi-analytics>

⁶⁵ Self-sanctions / LeaveRussia KSE Institute project to collect data on foreign companies operating on the Russian market and limiting or ceasing their activities. Kyiv School of Economics; available at: <https://kse.ua/ua/samosanktsiyi-kse-institute/>

⁶⁶ Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain. Yale School of Management, Chief Executive Leadership Institute; available at: <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>

⁶⁷ Seen. 62.

⁶⁸ Over 1,000 Companies Have Curtailed Operations in Russia – But Some Remain. Yale School of Management, Chief Executive Leadership Institute, January 9, 2023; available at: <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>

8.5 percent of foreign companies from the EU and the G7 had sold at least one of their Russian subsidiaries. Some foreign companies have more than one subsidiary that does business in Russia. For example, Renault has 22 subsidiaries that have operating revenues and are in the ORBIS database.⁶⁹ Researchers have identified 1,404 companies with headquarters in EU and G7 countries that were doing business in Russia as of February 24, 2022.⁷⁰

According to the Moral Rating Agency, 5 percent of the 200 most influential companies covered by the survey have left the Russian market; 38 percent did not even make a statement in support of Ukraine. And the lion's share, namely 57 percent of the sample, are "false heroes", that is, companies that made statements about a partial cessation of operations, but did not exit the market.⁷¹ Thus, the majority of foreign companies continue to operate in the Russian market.

In this regard, we focused our research on analyzing companies' actual actions. Our position corresponds to the one expressed by President Volodymyr Zelenskyi on Twitter on March 13, 2022: "There can be no half-solutions or half-tones today! There is only black and white, good and evil! You are either for peace, or you support the bloody Russian aggressor in killing Ukrainian children and women..."⁷² The reactions of companies to civil society initiatives can be divided into three groups: inaction, action, pseudoaction. The "pseudoaction" scenario manifests the "half-solutions" mentioned above.

Given that Russia's military aggression against Ukraine is long-lasting, the "inaction" clearly demonstrates the inhumane position of international companies that are interested in keeping their share of the Russian market, regardless of Russia's war crimes. These decisions are made by the management of these companies – provided that they are not sanctioned – so there are no disruptions in the supply and distribution chains, or the economic gain from continuing operations is much greater than the potential reputational losses. So, in our opinion, inaction means that the company is not going to leave the Russian market and does not in any way take a position on Russia's military aggression against Ukraine.

Tacit consent is when the company's management and employees ignore Russia's military aggression in Ukraine. These include companies from the top 100 largest foreign businesses operating in the Russian Federation, for example, from China (Agricultural Bank of China, finance), Greece (Alumil, aluminum building systems), Germany (AnyDesk, software; HAVI, logistics and transport), USA (Tenneco, consumer sector), Turkey (Rönesans Holding, construction and architecture; Hayat Holding, consumer goods) and others.

As our research presented in Chapter 2, civic initiatives have been aimed at brands that say they do not plan to change their strategies for the Russian market. One example is the Mary Kay brand, as well as retailers Auchan and Metro AG. It should be noted that civil initiatives have had little influence on the behavior of these companies. In fact, these companies are implementing the "inaction" scenario under a PR cover.

The dramatic action behavioral pattern includes several scenarios, such as urgent action – a company quickly and completely exits the market; and prudent action – a company announces an intention

69 Orbis, official site; available at: <https://www.bvdinfo.com>

70 Evenett, S.J./Pisani, N. (2022): Less Than Nine Percent of Western Firms Have Divested from Russia; available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4322502

71 Who is still supporting Russia? Moral Rating Agency; available at: <https://moralratingagency.org/this-project/>

72 Twitter account of Volodymyr Zelensky (13.03.2022); available at: https://twitter.com/ZelenskyyUa/status/1503072789779128322?ref_src=twsrc%5Etfw

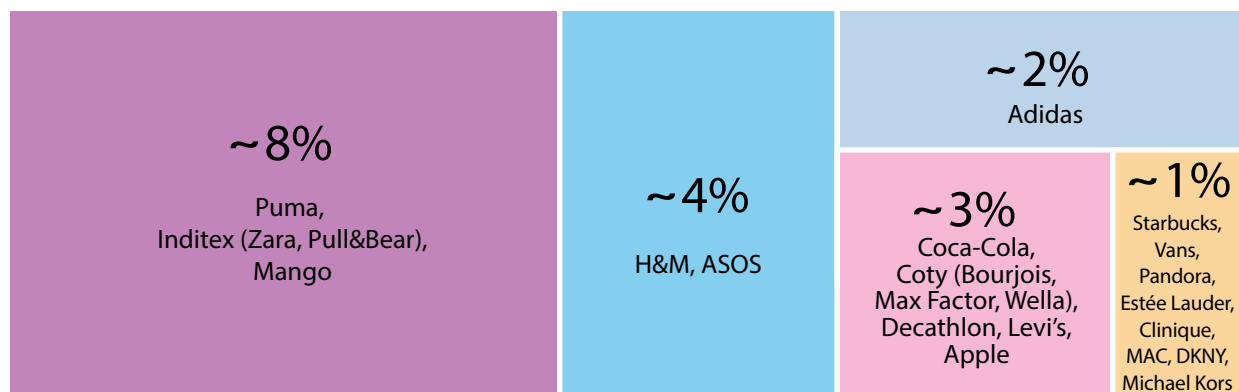
to exit the market and is gradually doing so. Also, this scenario is implemented using the tools of brand activism and targeted support.⁷³

Companies' brand activism may be reflected in showing public support for Ukraine through social media communications (on company websites, on pages in social networks, publication of open letters of support); labeling of goods with Ukrainian symbols; and supporting the business boycott. Most companies have used targeted efforts to support Ukraine, providing financial assistance, organizing the collection and dispatch of humanitarian aid to the population, support for professional communities and volunteer movements on the economic and/or military fronts, targeted programs to support Ukrainian consumers and partners (and not only refugees), including a focus on supporting critical industries.

The first to leave the Russian market were brands that professed a clear and decisive position regarding their social and moral responsibility and a desire to have a reputation untainted by cooperation with the aggressor. These were large companies, in terms of both the number of employees and the amount of tax revenues, for example, Shell and ExxonMobil, Samsonite International S.A., OBI GmbH & Co., Deutschland KG, and McDonald's. These companies withdrew from the Russian market despite their long histories there. Data confirm that the 143 foreign companies that exited the market had at least 284,000 employees, 35.5 billion US dollars in annual revenue, \$14.7 billion in capital, and \$31.5 billion in assets.⁷⁴

In addition to large corporations, which contribute most to Russian budget revenues, consumer brands that satisfy the demands of ordinary Russian citizens play an important role. Most of the well-known brands, such as Starbucks, Vans, Pandora, Estée Lauder, Clinique, MAC, Coca-Cola, Bourjois, Max Factor, Wella, Decathlon, Apple, H&M, and ASOS, have less than 4 percent of their income from activities in the Russian market. According to the study,⁷⁵ the median value of Russian sales out of the global revenue of the companies included in Sonnenfeld's list is 2.4 percent. Therefore, we can say that all revenue values in the Russian market higher than this level make it of strategic importance for companies. Consumer brands and goods that are not important for everyday life, for example, the fashion industry, have a specific social importance for Russian buyers – for a long time there was a shortage of fashion goods there.

Figure 26 Share of the Russian market in the global sales of well-known brands



73 The 31st edition of the weekly digest about the impact of the exit of foreign companies on the economy of the Russian Federation. Kyiv School of Economics, December 12, 2022; available at: <https://kse.ua/ua/about-the-school/news/31-y-vipusk-shhotizhnevogo-daydzhestu-pro-vpliv-vihodu-inozemnih-kompaniy-na-ekonomiku-rf/>

74 Ibid.

75 Hrybanovsky, O. (2023): Why do some foreign companies stay in Russia?; available at: <https://voxukraine.org/chomu-deyaki-inozemni-kompaniyi-zalyshayutsya-v-rosiyi/>

For global market leaders the support of consumers and investors from other parts of the world is important, not just in Russia.

The Russian market is not crucial for many of the well-known fashion brands. Many companies' global profit share there is less than 3 percent. For example, for DKNY and Michael Kors, the Russian market provides approximately 1 percent of sales. For such brands as H&M and ASOS, the market share is 4 percent, and for the famous sports brand Puma, about 5 percent, which are more significant.

March–April 2022, according to KSE, was the period when the largest number of companies left the Russian market or made statements about leaving.⁷⁶

In March 2022, for example, Swedish company H&M, Europe's largest retail clothing chain, as well as the Spanish companies Mango and Inditex, which owns such brands as Zara, Zara Home, Massimo Dutti, Oysho, Bershka, Pull & Bear and Stradivarius, announced the closure of all stores in Russia and the suspension of online trading. Fashion retailer Mango announced in its statement that it was temporarily closing its stores, as well as its sales website, and is ceasing delivery of goods to Russia. This company had 800 employees and 120 stores in Russia, 55 of which were franchised and able to distribute products depending on stock availability. Aware of its responsibility to franchise partners, the company still suspended its presence on the Russian market.⁷⁷

French companies specializing in luxury goods also announced the termination of their activities in Russia: Cartier, Chanel, Hermès, LVMH (owner of brands Dior, Givenchy, Guerlain, Chaumet, Louis Vuitton, Moët & Chandon, Hennessy) and Kering (owner of Gucci, Yves Saint Laurent, Balenciaga, Bottega Veneta, Brioni, Alexander McQueen). Adidas has suspended cooperation with the Russian Football Union. Also, online clothing stores ASOS and Boohoo.com canceled delivery to Russia, along with Mr. Porter, Net-a-Porter, Matchesfashion and Mytheresa.

It should be noted that since July–September 2022 some companies have started to resume operations in Russia. For example, the Spanish company Inditex decided to extend the leases of its stores in shopping centers until the beginning of 2023, so its real attitude is wait and see. Despite demonstrative statements, Siemens continues to serve existing customers, Meta (formerly Facebook) continues to sell advertising in the local market, and General Motors maintains its staff in Russia.

The companies that made exit statements, but could not quickly exit the market were mainly large manufacturers, in particular, car makers. Such well-known companies as Volkswagen, Mercedes-Benz, and BMW suspended the production of cars at factories in Kaluga and Nizhny Novgorod, in Yesipovo near Moscow, Kaliningrad and Naberezhny Chuvny. Their "prudence" is due to their significant capital assets and production base, which was formed during decades of cooperation with Russian companies. The sale of assets in the current situation means multi-million-euro losses for such manufacturers.

There are other examples. At the end of March 2022, German automaker Daimler Truck (buses, traction equipment) under sanctions and reputational pressure left assets in the amount of 220 million euros in KAMAZ workshops and quit the Russian market. The German company Dr. Oetker, a manufacturer of frozen semi-finished products (pizzas, desserts, baking ingredients), transferred its factory in Belgorod to its Russian management for a nominal fee on April 8, 2022. In December,

76 Self-sanctions / LeaveRussia. KSE Institute project to collect data on foreign companies operating on the Russian market and limiting or ceasing their activities. Kyiv School of Economics; available at: <https://kse.ua/ua/samosanktsiyi-kse-institute/>

77 Fashion retailer Mango is leaving Russia; available at: <https://trademaster.ua/zarubezh/29711>

MAN Truck&Bus SE and Scania AB sold their Russian assets (MAN Truck and Bus Rus LLC and Scania-Rus LLC) to new Russian owners.⁷⁸ The main purpose of such exit models was companies' desire to preserve their reputational capital and protect themselves from legal claims and also the nationalization announced in Russia.

It is clear that it is difficult for businesses to take decisive action, renouncing not only potential profits, but also the capital invested in production. The so-called second wave of withdrawals from the Russian market (end of March, April 2022) included, in addition to the automotive industry, brewing giants Dutch Heineken, Danish Carlsberg and the international brewing corporation Anheuser-Busch InBev, which announced the withdrawal of their world-famous brands, fearing confiscation. Of course, the companies tried to get at least some kind of compensation for their Russian assets. Heineken and Carlsberg put their factories up for sale almost at the same time, but they did not manage to offload the assets quickly.

At the start of the war, Heineken CEO Dolph van den Brink announced on LinkedIn that the company was targeting "people affected by this terrible crisis"⁷⁹ and allocating €1 million in aid. For subscribers, however, such a donation manifested insufficient determination and courage on the part of the company. People left comments on social media criticizing the company management's reaction as weak. This was followed by a clear message from the company condemning "Russia's unprovoked and completely unjustified attack on Ukraine". Subsequently, the company suspended new investments in Russia, exports of its flagship brands and sales of Heineken brand drinks. It should be noted that Heineken (which includes the local brands "Ohota" (Hunting), "Zhigulovske" and "Bochkarev") is one of the largest in Russia and the second largest brewing company in the world, with seven factories in the Russian Federation, in St. Petersburg, Nizhny Novgorod, Sterlitamak (Bashkortostan), Yekaterinburg, Novosibirsk, Irkutsk and Khabarovsk.⁸⁰ As of March 9, the company announced the suspension of beer production under its own brand in Russia, but, as before, it is selling local brands and trying to find a buyer for its assets.

The Carlsberg company (local brand "Baltika"), which has eight factories in St. Petersburg, Yaroslavl, Tula, Voronezh, Rostov-on-Don, in the Samara region, Novosibirsk and Khabarovsk, suspended investments and exports in early March 2022, and on March 28, it announced that it would stop producing and selling its products under the Carlsberg brand in Russia. In June 2022, the entry "Carlsberg Eastern Europe" LLC was deleted from the register, and replaced by "Hoppi Union". The price of leaving the Russian market for the company was a loss of 8.6 billion Danish kroner.⁸¹

The world's largest beer producer Anheuser-Busch InBev (its global market share is estimated at 28 percent), which produces products under the international brands Budweiser, Stella Artois, Corona, Castle, Beck's, Leffe and Hoegaarden, as well as under 500 local brands, including Russian "Sibirska Korona", "Klinske", "Tovstun", under public pressure, also announced (on April 22) that it was leaving the Russian market and would like to transfer assets to the Turkish company Anadolu Efes, with which it has a joint venture "AB InBev Efes".⁸² In its statement, the company emphasized that it employs thousands of Russians and Ukrainians and is a source of income for thousands

78 Hrybanovsky, O. (2022): They slammed the door. Which Western companies have already sold their business in Russia; available at: <https://www.epravda.com.ua/publications/2022/12/23/695354/>

79 Official page of Dolf van den Brink. URL: <https://www.linkedin.com/in/dolfvandenbrink/?originalSubdomain=nl>

80 The withdrawal of European firms from Russia: the second wave is coming. What are its special features? Available at: <https://www.dw.com/ru/uhod-iz-rossii-zapadnyh-firm-idet-vtoraja-volna-v-chem-ee-osobennosti/a-61673942>

81 Ibid.

82 Ibid.

of customers and farmers in these countries. At the same time, the Turkish-Belgian joint venture expanded its activities in Russia. At plants in Ulyanovsk, Kaluga, Omsk, Volga, Saransk, Klin, and Ivanovo, the production began of products under the brands Spaten, Franziskaner, Leffe Blonde and Brune, owned by Belgians.

Companies' decisions to exit are not always clear-cut. Among the economic factors that influence companies to stay in the Russian market, the study identified the following: the absence of sanctions, a long period of action on the market (working for at least 10 years), a share of local revenue in global business of 5 percent or more. Such companies are almost 14 times more likely to remain in the Russian market.⁸³

Thus, the selected scenarios can be present different models of behavior on the part of foreign companies. Most of the exit models demonstrate a veiled desire not to leave the Russian market, or even to occupy the market share vacated by competitors.

3.2 Models of company pseudoaction

According to KSE, many companies adopt a wait-and-see position. They continue to work in the Russian Federation and bide their time. However, they also try to maintain the trust of investors and consumers and to appear socially responsible.

The behavior of brands that engage in such pseudoaction is masked by PR efforts aimed at whitening their reputation as sponsors of war and Russian terrorism through various clever tricks, opaque statements and so on. In this publication, we called this behavior "warwashing": whitewashing the company's reputation through a series of compromises and emollient alternatives, using such narratives as "reduction of marketing budgets", "production only of goods on which the daily life of Russians depends", "saving employees' salaries as a manifestation of social responsibility" and so on.

Let's consider some variations of pseudoaction. All are either aimed at whitewashing brands or are dictated by companies' desire simultaneously to preserve their reputations and not lose the Russian market.

Companies that continue to operate in the Russian Federation have used brand activism: condemning military aggression and/or providing various types of targeted assistance to Ukrainians. But such actions were often used as reputational indulgence. For example, PepsiCo condemned Russia's aggression against Ukraine, but did not leave the market. It only limited its investments and product range and, accordingly, sales in Russia, curtailed its advertising activities. It stopped selling Pepsi, 7Up, and Mirinda drinks 6 months after the statement. A similar decision was made by the Coca-Cola Company regarding the brands Coca-Cola, Fanta, Sprite, and Bonaqua; and by Nestlé regarding the KitKat and Nesquik brands. In the consumer goods sector there has been a notable reduction in the assortment line due to the suspension of production and/or sale of well-known international brands on the Russian market. The use of this behavioral model is due to both public pressure and the statements of Russian leaders about the nationalization not only of production, but also the trademarks of those companies that want to exit the market.

83 Hrybanovsky, O. (2023): Why do some foreign companies stay in Russia? Available at: <https://voxukraine.org/chomu-deyaki-inozemni-kompaniyi-zalyshayutsya-v-rosiyi/>

Well-known companies that are included in the Top-500 world brands,⁸⁴ such as Nestlé, PepsiCo and the Coca-Cola Company, Danone, confectionery and pet food manufacturer Mars, the tobacco group Philip Morris, and others have begun to adopt this model.

Most companies announced in March 2022 that they would discontinue production of flagship brands. These included Pepsi, Coca-Cola, Bud, Carlsberg, and Heineken. But actual suspension began much later, due to public pressure. In particular, the Reuters agency conducted its own monitoring of the presence of brands on the shelves of supermarkets, retail stores and sports clubs in Moscow and other large cities.⁸⁵ As a result, it was established that the products of these brands were still widely available as late as August. After the revelations and the agency's requests for information from the companies, top management replied that it is technically impossible to stop production instantly. They have ceased to produce concentrates and raw materials, but retailers are selling off the remaining stocks. Regarding cans and bottles of Pepsi, however, the last date of production established by the Reuters agency is listed as August 17, 2022.⁸⁶

Also, the cessation of sales of international brands does not mean the cessation of activities, because these companies continued to produce and sell products under local brands, thereby filling the coffers of the aggressor state. For example, the Nestlé company announced on July 1, 2022 that it was suspending the production and sale of KitKat and Nesquik and stopped importing and exporting non-essential goods to Russia, advertising and all capital investments in the country. However, it continued the production of baby food, broadcasting the idea of "feeding Russian children with quality food." And even the statement that Nestlé does not expect to make a profit, and therefore will not pay any significant taxes in the foreseeable future in Russia, and any profit will be transferred to humanitarian aid organizations, can only be considered a PR defense and a desire to make profits on the Russian market down the line. This is confirmed by the fact that Nestlé has resumed construction of a plant and warehouse near Novosibirsk.

The Russian division of the Coca-Cola Company, having canceled sales of the legendary drink, in summer 2022 brought to the market a series of carbonated drinks under the regional brand "Dobry", including "Dobry Cola", which is a substitute for Coca-Cola. Another warwashing tool was the commercial renaming of the Russian divisions of well-known foreign companies; in particular, the Coca-Cola Company was renamed "Multon Partners."

Another model of pseudoaction on the part of international companies is the suspension of investments in future development. In itself, this initiative is effective in slowing down the development of the economy in the long term because of the effects of the investment multiplier, which leads to a decrease in national income. But we need to pay attention to two points: first, some brands planned to reduce investments even before the war, as a result of the post-Covid recession; second, this behavior, which does not involve exiting the market, is ineffective from the standpoint of ending financing of the war.

As a rule, along with the termination of development funding, companies have ceased marketing activities. Among the well-known companies that have stopped investing in growth and have

84 Kantar BrandZ. Most Valuable Global Brands 2022; available at: <https://indd.adobe.com/view/bb7c01af-7f11-4c17-a3f5-15b4e07436ce>

85 Last orders: foreign beers remain on Russian shelves months after brewers halt sales. Reuters. July 22, 2022; available at: <https://www.reuters.com/markets/europe/last-orders-foreign-beers-remain-russian-shelves-months-after-brewers-halt-sales-2022-07-22/>

86 Pepsico ends Pepsi, 7up production in Russia months after promising halt over Ukraine. Reuters. 2022-09-20; available at: <https://www.reuters.com/markets/europe/exclusive-pepsico-ends-pepsi-7up-production-russia-months-after-promising-halt-2022-09-20/>

reduced advertising budgets are Metro AG (a German multinational company that operates stores under the Metro brand), Procter & Gamble (one of the largest foreign investors in the Russian economy), Johnson & Johnson, pharmaceutical corporation Sanofi, Nestlé, Coca-Cola and others. All of them have been operating in the country since "*perestroika*" in the 1990s. PepsiCo is a somewhat unique example because it has been present on the Russian market for more than 60 years, since the days of the Soviet Union. Accordingly, global brands that have been sold on the Russian market for decades have loyal customers, brand awareness is 100 percent, and the customer base of these companies is so strong that they do not need additional advertising or other means of product promotion. That is, all the companies that announced they were ceasing marketing activities continued to hold Russian market share and contribute to the state budget. The demonstrative statements made by managements exemplify the washing of the brand's reputation during the war.

The main justifying narratives of the companies that have remained in Russia, in particular FMCG, retail and the pharmaceutical industry, are built around the ideas of socially responsible business and meeting the humanitarian needs of the civilian population. The most common messages in the company's statements are the following: "we work so that the civilian population has access to good quality food at an affordable price"⁸⁷ (Auchan); "the company is responsible for 10,000 employees and many people who buy food from us"⁸⁸ (METRO AG); supplying the population of the country with "everyday food and hygiene products produced in Russia, and we will keep this under close scrutiny"⁸⁹(Unilever); "focus on essential health, hygiene and personal care products that many Russian families depend on in their daily lives"⁹⁰ (Procter & Gamble); "fulfilling the food mission - growing agricultural products and producing basic food products for Russian consumers, as well as for 90 million consumers in neighboring countries"⁹¹ (Bonduelle) etc.

Well-known companies Liebherr, Metro, Leroy Merlin and Auchan continue to operate in Russia as usual. French DIY-retailer Leroy Merlin, the largest employer in the retail sector (45,000 staff and 143 stores in Russia, \$335 million in taxes annually), has taken a wait-and-see position but is not leaving the market. Under political and public pressure, the Auchan company announced the termination of investments. However, these retail giants work under the guise of the value of their products for the average Russian and the benefit to the civilian population. The Auchan company stated that it still operates in the Russian Federation due to the impossibility of leaving, as its mission is to provide the population with access to quality food at an affordable price, as well as from the position of a responsible company that cares for the well-being of its employees.⁹² However, they also try to protect their marketing assets from reputational losses. For this purpose, they registered a new trademark in Russia, which in loose translation means "Native, and everything is here".⁹³ The new local brand can be used in various ways: in advertising, management of shopping centers and

87 Official site Auchan Retail. Position of Auchan Retail on the pursuit of its activities in Ukraine and Russia. March 27, 2022; available at: https://www.auchan-retail.com/wp-content/uploads/2022/03/2022_03_27-memo-de-position-Ukraine_Russie_UK.pdf

88 Official site Metro AG. Statement on war in Ukraine. March 11, 2022; available at: <https://newsroom.metroag.de/en/news/2022/03/11/statement-on-war-in-ukraine>

89 Official site Unilever. Updated Unilever statement on the war in Ukraine. Published: March 8, 2022; available at: <https://www.unilever.com/news/news-search/2022/updated-unilever-statement-on-the-war-in-ukraine/>

90 Official site P&G. Update on P&G's European Operations. This is a letter to P&G employees from Jon Moeller, P&G's President and CEO, published on March 7, 2022; available at: <https://us.pg.com/blogs/pg-european-operations-update/>

91 Official site Bonduelle. Bonduelle statement on Ukraine and Russia; available at: <https://www.bonduelle.com/en/bonduelle-statement-on-ukraine-and-russia/>

92 Official site Auchan Retail. Position of Auchan Retail on the pursuit of its activities in Ukraine and Russia. March 27, 2022; available at: https://www.auchan-retail.com/wp-content/uploads/2022/03/2022_03_27-memo-de-position-Ukraine_Russie_UK.pdf

93 Auchan. LeaveRussia; available at: <https://leave-russia.org/uk/auchan>

distance trade. Considering that before the war, Auchan planned to spend more than 340 million US dollars until 2024 on the development of digital services to increase online sales in the Russian market,⁹⁴ it can be concluded that the company is implementing its plans without adjustments for the war in Ukraine.

In general, there is a trend in the Russian market towards the active use of local brands by international companies, which allows the expansion of production and sales at the local level and rebranding of their Russian networks. From the standpoint of marketing management, such actions involve building a long-term strategy of market presence, bringing the company closer to the target audience, reorienting the business and using the D2C (direct-to-customer) business model. The brands' behavior is proof of this: the parent company stops investing in marketing, innovation and product development of one iconic brand, but instead invests in the development of other local brands with a similar "personality".

The behavior of pharmaceutical companies should be singled out because their action inherently contributes to the satisfaction of humanitarian needs. In this regard, vital and prescription drugs have been excluded from international sanctions. Prominent companies Pfizer Inc, Bayer AG and Eli Lilly said they are shutting down non-essential operations in Russia but plan to continue supplying diabetes and cancer drugs.⁹⁵ Such actions were supported by individual shareholders, for example, the Pfizer Corporation. The company continued to supply drugs to Russia, and its shareholders said that ordinary people should not suffer because of the actions of the Russian government. Individual companies not only did not reduce, but expanded their activities, for example, the KRKA group, whose business action was quite significant until February 24, 2022, and the production of the subsidiary company "Krka-Rus" continued without interruption even after the start of Russia's full-scale invasion of Ukraine. The company reported that it is increasing reserve stocks of raw and basic materials in the Russian Federation, and sales of products meet the expectations of network management.⁹⁶

The most common model of behavior of international companies is dictated by the traditional rules of socially responsible business, which provide for the protection of employees from the negative impact of economic shocks, which include Russia's military aggression in Ukraine. Of course, from the point of view of the ESG Code, companies should financially support their employees, continue to pay them salaries. But in the conditions of military operations, such behavior is an example of latent sponsorship of war, changing the very essence of social responsibility.

In general, the presence of such pseudoaction models in the corporate behavior of foreign companies indicates a significant concern on their part about the reaction of civil society to such actions. According to our research, application of warwashing models as described above has become widespread, and almost 80 percent of companies operating in the Russian market use them.

94 French retailer Auchan does not plan change its Russia strategy. Reuters. Published May 25, 2022; available at: <https://www.reuters.com/business/retail-consumer/french-retailer-auchan-does-not-plan-change-its-russia-strategy-2022-05-25/>

95 Analysis: Western companies wrestle with Russia "half-exits"; available at: <https://www.reuters.com/business/western-companies-wrestle-with-russia-half-exits-2022-03-18/>

96 Krka Reports on 2021 Unaudited Financial Statements; available at: <https://www.krka.biz/en/media-centre/press-releases/krka-reports-on-2021-nbsp-unaudited-financial-statements/12833/>

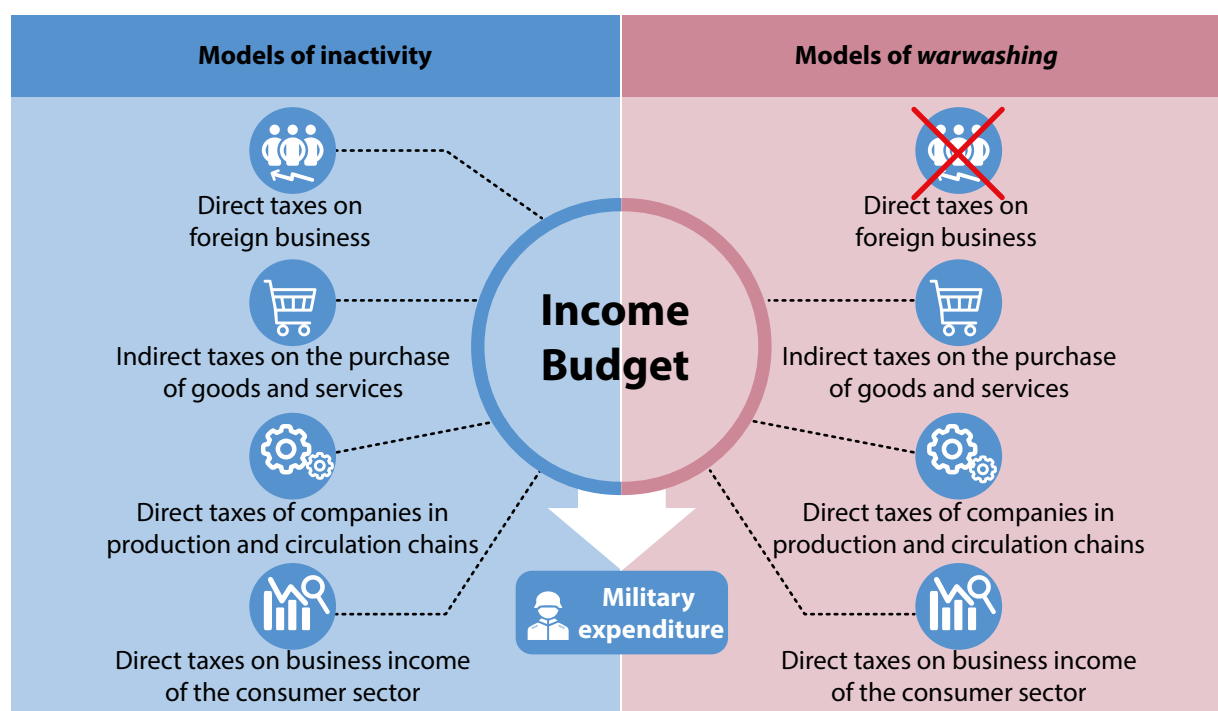
3.3 The potential effect of civic initiatives on the behavior of companies

As shown in previous chapters, every market action of foreign companies, such as production, distribution, or payment of salaries, has a number of effects on the economy of the aggressor country. Acceleration of economic turnover causes growth of taxable incomes. As a result, budget revenues increase, and accordingly, financial opportunities are created for new expenditure for the army.

That is why public pressure on the behavior of foreign companies is important.

According to KSE,⁹⁷ as of December 2022, out of 2,956 foreign companies present on the Russian market, 1,183 (with total staff of about 273,400) refused to leave. These companies paid staff salaries in full even after the start of the war. Total employees of the 1,204 companies that announced they were winding down their activities and suspending operations was more than 594,200.⁹⁸ They continue to pay employees two-thirds full salary.

Figure 27 Comparison of the impact on the budget fillings of the Russian Federation by different behavior models of foreign companies



Let's calculate (according to a simplified model) the amount that all employees of foreign businesses remaining in Russia can spend on consumption. To do this, we multiply the number of Russians working in these foreign companies (867,657 people) by their salary, assuming that all employees receive the minimum wage. According to Rosstat, the minimum salary for 2021 was 12,792 rubles.⁹⁹ Accordingly, the potential consumer infusion generated by salaried workers is 1.34 billion US dollars

⁹⁷ According to KSE data, the total number of Russian personnel across all companies operating in the Russian market is 1,276,941 individuals.

⁹⁸ 32nd issue of the weekly digest on the impact of the exit of foreign companies on the Russian economy by KSE. URL: https://kse.ua/wp-content/uploads/2022/12/Leave-Russia_weekly-digest_18.12.22_UKR.pdf

⁹⁹ For information on the minimum wage, please refer to: <http://www.consultant.ru/law/ref/mrot/2021/>

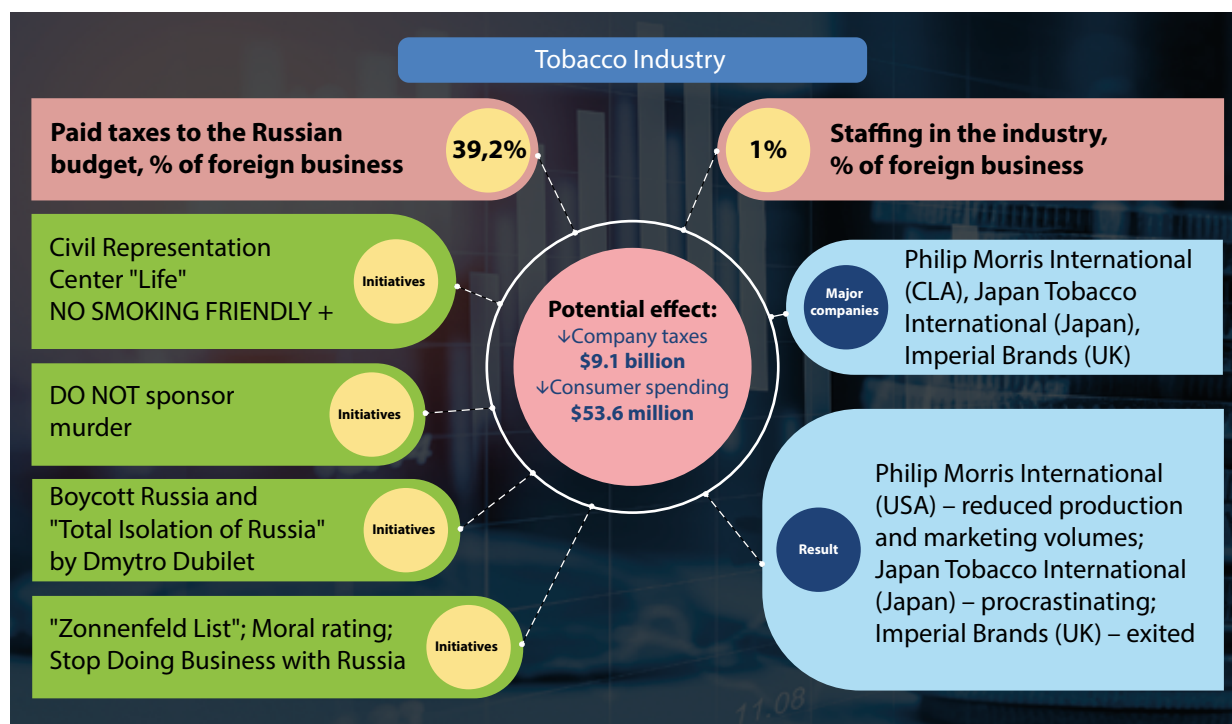
per year. Assuming that all employees receive an average salary of 40,245 rubles,¹⁰⁰ which in Russia is defined as median salary,¹⁰¹ potential consumer spending by employees will total 4.23 billion US dollars per year.

This model is simplified: of course, the salaries paid by foreign companies significantly exceed not only the minimum, but also the average. For example, according to the rating agency National Credit Ratings, which is part of the RBC holding, Philip Morris, JTI, Procter & Gamble, Samsung, and Mars paid above average salaries in Russia before the war in Ukraine. In particular, in 2020, the average salary at RMI was 208,780 rubles.¹⁰² The injection of such salaries into the economy via consumption contribute to the development not only of foreign, but also of local businesses. Accordingly, tax revenues are generated, part of which are spent on the military.

We will illustrate the potential effects of foreign companies' exit from the Russian market resulting from a synergy of civil society initiatives across the board. To calculate the potential effects in various spheres of economic action, we used the level of the average wage, 40,245 rubles.¹⁰³

Let's calculate the potential effects on manufacturers of tobacco products.

Figure 28 Potential impact of civic initiatives on foreign tobacco companies



100 Average monthly nominal accrued wages of workers in the economy of the Russian Federation in 1991–2021; available at: <https://rosstat.gov.ru/storage/mediabank/t1.xlsx>

101 Median wages differ from average wages in that 50 per cent of the working population receives less (or more).

102 Experts named the leaders in terms of salaries among the largest companies in Russia; available at: <https://www.rbc.ru/economics/16/12/2021/61b742749a794746753683b3&cd=4&hl=ru&ct=clnk&gl=ua>

103 See n. 99.

Firms in this sector of the economy were the largest taxpayers among international companies before the start of Russia's full-scale invasion of Ukraine. The Russian retail tobacco market is the third largest in the world, according to Statista,¹⁰⁴ at 236.5 billion cigarettes sold each year. The share of the Russian market in the overall sales of the tobacco giants is significant – for Japan Tobacco International it amounts to 21.2 percent,¹⁰⁵ and for Philip Morris 17.3 percent.

The main companies producing tobacco products in Russia until February 24 were Philip Morris (USA), Japan Tobacco International (Japan) and Imperial Brands (Britain), some of the largest employers. Before the war, about 11,000 Russians worked in this sector. The company Imperial Brands (Britain) conducted sales and marketing in Russia, and also owned a factory in Volgograd (with 1,457 employees). Of the three tobacco giants, it had the smallest physical presence, which allowed it to leave the Russian market relatively quickly. So, on April 10, 2022, this company announced the exit and transfer of its Russian business to investors based in Russia.¹⁰⁶

The companies that decided to wait and see – Philip Morris International (PMI) and Japan Tobacco International (JTI) – are among the top 100 international companies operating in Russia. On March 24, 2022, PMI announced that it was working on exit options from the Russian market and took measures in case of nationalization of the company.¹⁰⁷ However, the company still could not find a buyer for its 19 factories. In May, the company stopped production of a number of cigarette products and suspended marketing activities in Russia. The company also withdrew all foreign employees (who numbered 4,100 before the war). Currently, Philip Morris is continuing its core business and paying salaries to 3,200 employees in Russia.

JTI, another giant of the tobacco industry, announced in a statement that the company will suspend all new investments and marketing activities in Russia. In addition, the planned launch of its newest tobacco product, Ploom X, in Russia has been halted. Nevertheless, the company continues to pay salaries to 4,000 employees in Russia.¹⁰⁸

Public initiatives have been targeted at tobacco manufacturing companies. However, the business is burdened with significant capital investment,¹⁰⁹ previously invested in the Russian economy, and is thus caught between a rock and a hard place. This has often led companies to put their financial interests ahead of universal moral principles. However, the potential effect of the withdrawal of all companies from the Russian market would be significant. It amounts to \$9.1 billion in tax revenues and \$53.6 million in consumer spending. The real effect of exiting the market for Imperial Brands (UK) is \$0.849 billion in tax revenue and \$7.09 million in potential consumer spending.

The activities of companies in the FMCG sector have been subject to the most public pressure and media influence because flagship consumer brands are bought by ordinary citizens all over the world, so they are literally “on everyone's lips”. However, the big players have not left the Russian market.

104 Global cigarette retail volume by country 2018. Published by Koen van Gelder, January 13, 2022. Statista; available at: <https://www.statista.com/statistics/279872/global-cigarette-production-by-region/>

105 Official site of JTI; available at: <https://www.jti.com/ru/europe/russia>

106 Official site of Imperial Brand. Russia Update. Published April 20, 2022; available at: <https://www.imperialbrandsplc.com/media/key-announcements/2022/russia-update>

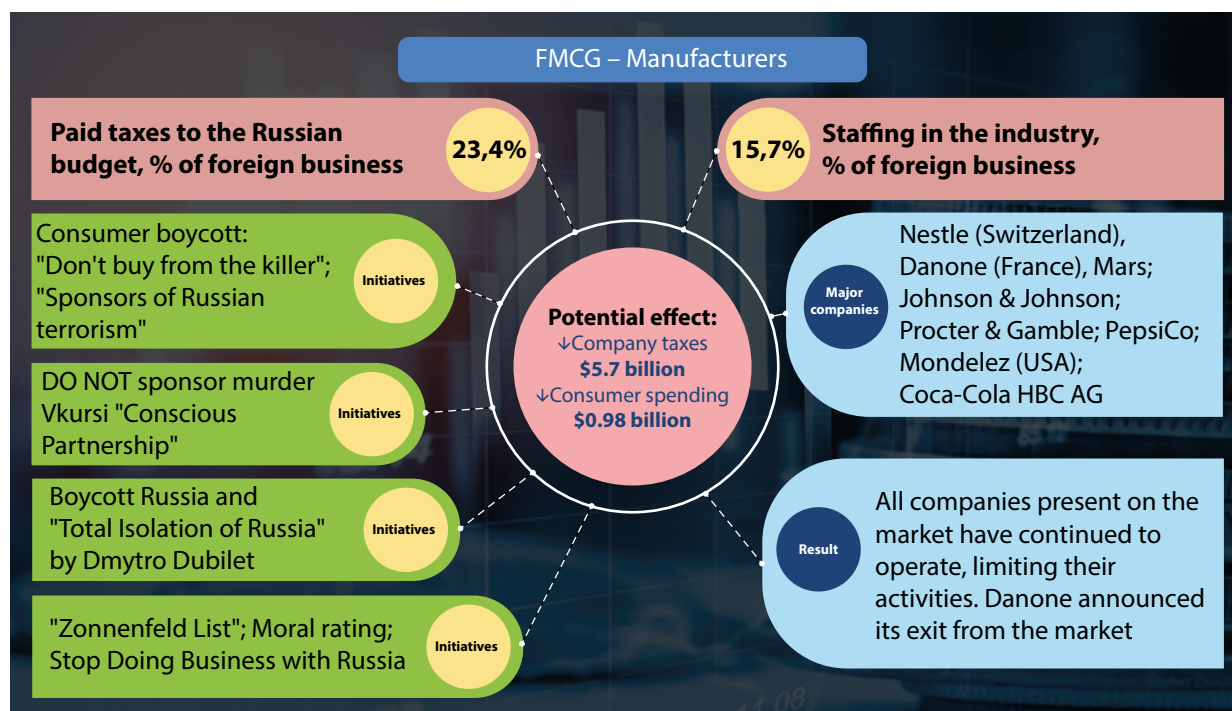
107 Official site of Philip Morris International. Philip Morris International Inc. (PMI) Announces Concrete Steps to Scale Down Operations in the Russian Federation and Its Intention to Exit the Market. Published March 24, 2022; available at: <https://www.pmi.com/media-center/press-releases/press-details/?newsId=25011>

108 Official site of JTI Russia: <https://www.jti.com/ru/europe/russia>

109 The total capital already invested of tobacco giants PMI and JTI is 4.5 billion US dollars – 2.1 billion and 2.4 billion US dollars, respectively (according to <https://leave-russia.org/>).

All the companies presented above are still operating in the Russian market and engaged in warwashing. Under public pressure, in October 2022 Danone, which owns eight production facilities in Russia and employs 8,000 Russians, said it was looking for a buyer for its dairy business.¹¹⁰ Among other companies in the TOP-500 global ratings, the trend is as follows: Nestlé remains in the market, while Johnson & Johnson, PepsiCo, and Coca-Cola have adopted a wait-and-see position.

Figure 29 Potential impact of civic initiatives on foreign FMCG manufacturers



The total number of employees of FMCG manufacturers in Russia is almost 200,600.¹¹¹ Potentially, employees of these companies are responsible for consumer spending in the amount of almost a billion dollars, which turns into business income, from which the budget of the aggressor state is replenished.

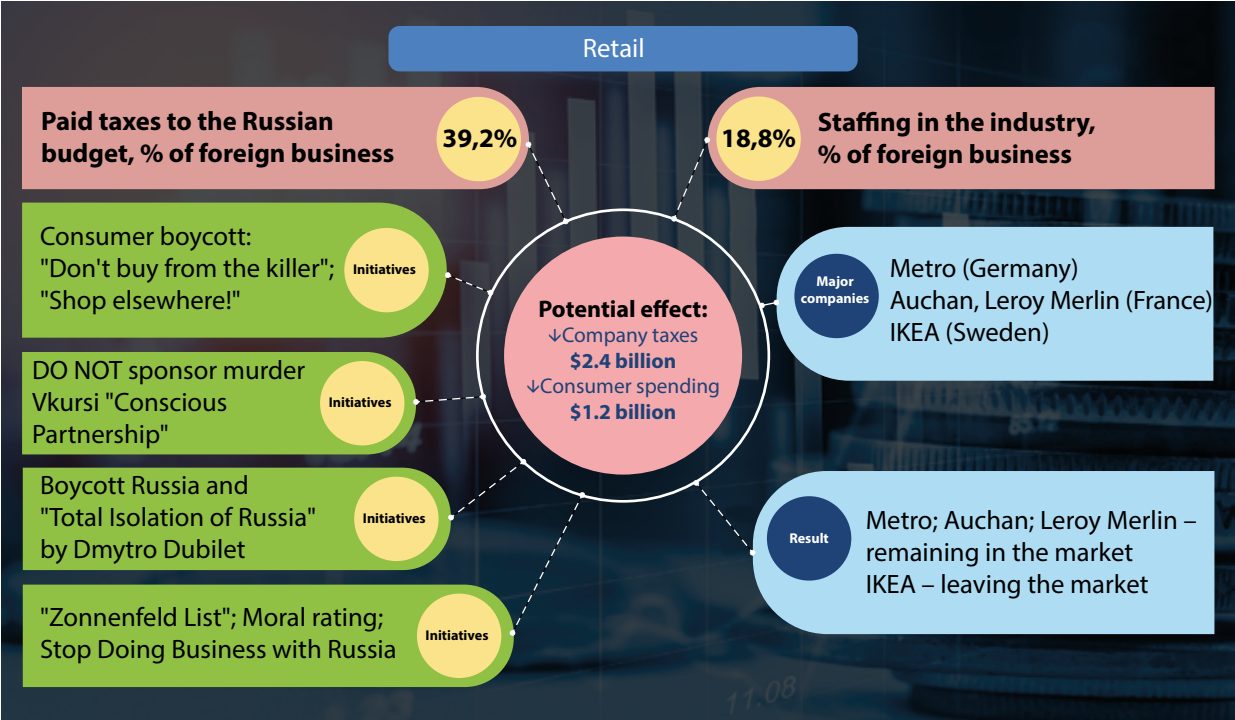
In addition, retail, in particular FMCG retail, is a powerful employer in Russia. Below we show just several of the largest international companies of this kind that are operating in Russia.

For example, Leroy Merlin employs 45,000 Russians and has a network of 143 stores. Auchan has about 30,000 employees, 231 stores and an online business in Russia. Metro AG, a German multinational, operates 93 stores under the Metro brand and employs 10,000 people. In total, international retail companies provided almost 40 percent of the budget revenues of all foreign companies operating in Russia before the war. This sector is the largest employer among international companies present on the Russian market. It provides work for about 240,600 Russians and pays them a salary that, even at average earnings, generates 1.2 billion dollars of consumer spending.

¹¹⁰ Danone to Take €1 Billion Hit from Exiting Russia Dairy Unit, Dasha Afanasieva. Bloomberg. October 14, 2022; available at: <https://www.bloomberg.com/news/articles/2022-10-14/danone-to-exit-russia-dairy-business-as-ukraine-war-rages-on>

¹¹¹ Kantar BrandZ Most Valuable Global Brands, 2022; available at: <https://indd.adobe.com/view/bb7c01af-7f11-4c17-a3f5-15b4e07436ce>.

Figure 30 Potential impact of civic initiatives on foreign retail sector



The upshot is that wages paid to employees of international corporations have a significant effect, which complements corporate taxes to the Russian budget. Mere limitations on their activities are not a solution, as their presence on the Russian market still replenishes the state budget. Therefore, both governments and public opinion should not cease pressuring companies that, effectively, are sponsoring Russia’s war in Ukraine.

CONCLUSIONS

The study shows that Russia's full-scale invasion of Ukraine has mobilized popular demand for reliable information on companies' ethics and corresponding behavior. Even though people demand that businesses observe principles of humane growth, the corporate world prioritizes utilitarian interests and situational decisions. Civil society and consumer actions aimed at influencing the behavior of foreign firms operating in the Russian market have been partially effective and should be viewed as part of broader collective efforts by the West to limit the Russian Federation's financial ability to continue the war.

Before the full-scale invasion, almost 3,000 foreign companies had been providing more than 1.3 million jobs on the Russian market and annually generated about \$20 billion for the budget of the aggressor state. Foreign companies' operations may be considered latent sponsorship of aggression against Ukraine.

The mechanism of latent war sponsorship relies not only on direct taxes paid by businesses. It also includes taxes generated by consumers, which have a significant impact on budget revenues. Indirect taxes paid by ordinary Russians from their earned income have the largest share of the structure of federal budget revenues (41 percent). Thus, the salaries paid to the Russian employees of foreign companies create multiple streams of income for the budget, arising as a result of their consumer spending. Therefore, the termination of war sponsorship by foreign companies is possible only on condition of full exit from the Russian market and termination of any activities in it. Currently, more than 80 percent of foreign companies are still operating in Russia.

Companies' decisions to exit the market or continue to operate in Russia have become a demonstration of their true adherence to the principle of social responsibility. International companies have faced a dilemma: to leave the Russian market or stay in it. The speed with which such decisions were made depended on the values of company management, the scope of their investments, market share, and reputational risk, as well as political and media pressure, sanctions and public initiatives.

Civil society and consumer efforts to pressurize companies and force them to leave the Russian market have targeted both business leaderships and other consumers. The initiatives have been implemented both on- and offline and based on "horror marketing", appeals for consumer boycotts and involvement of opinion leaders. Volunteers' instant creation of sites and pages in social networks should also be highlighted.

Three scenarios may be identified with regard to companies' behavior: inaction (when companies continue to operate in Russia and do not react in any way to the full-scale war in Ukraine or public pressure); pseudoaction (when companies use opaque statements and compromise solutions in order not to leave the Russian market); and action (when companies take real measures to fully exit the market). The "action" scenario has been implemented by 19.2 percent of companies. In almost a year of the war, only 4.8 percent of companies have completely withdrawn from the Russian market, and another 14.4 percent are in the process of exiting. We have described the behavior of the latter as "prudent action", usually because of the significant capital assets of these businesses and the production base created in Russia over decades. Accordingly, it is not easy for such companies to exit the Russian market quickly.

All other companies remaining in the market are applying the “inaction” scenario and the “tacit consent model” or one of the variants of the “pseudoaction” scenario. In the first case, about 1 percent of companies are continuing to operate completely ignoring the ongoing full-scale military aggression; they do not even issue statements about it. In total, 40 percent of the 2,956 companies that were present on the Russian market, according to KSE data, have refused to exit. In other words, 1,183 companies continue to operate as if nothing had happened.

PR tactics are used to help companies “whiten” their reputations as, in effect, sponsors of war and Russia's terrorism, resorting to a range of excuses, compromises, or opaque statements. The most common PR statements refer to a “reduction of marketing budgets”, “production only of everyday staples”, and “saving employees' salaries as a manifestation of business social responsibility”.

The study shows that as soon as the public attention wanes, companies on the Russian market fall silent on the issue. Most companies demonstrate a desire to keep this market, minimizing financial and capital losses, although of course they also want to reduce reputational risks. Some companies are even ready to occupy new or vacated niches in the market, ignoring Russia's war crimes in Ukraine.

SOURCES

1. The 31st edition of the weekly digest about the impact of the exit of foreign companies on the economy of the Russian Federation. Kyiv School of Economics, December 12, 2022; available at: <https://kse.ua/ua/about-the-school/news/31-y-vipusk-shhotizhnevogo-daydzhestu-pro-vpliv-vihodu-inozemnih-kompaniy-na-ekonomiku-rf/>
2. Analysis: Western companies wrestle with Russia "half-exits"; available at: <https://www.reuters.com/business/western-companies-wrestle-with-russia-half-exits-2022-03-18/>
3. Auchan, LeaveRussia; available at: <https://leave-russia.org/uk/auchan>
4. Danone to Take €1 Billion Hit From Exiting Russia Dairy Unit. Bloomberg, October 14, 2022; available at: <https://www.bloomberg.com/news/articles/2022-10-14/danone-to-exit-russia-dairy-business-as-ukraine-war-rages-on>
5. Lopes da Silva, Diego, Tian, Nan and Marksteiner, Alexandra (2020): Trends in world military expenditure. SIPRI Fact Sheet; available at: https://sipri.org/sites/default/files/2021-04/fs_2104_milex_0.pdf
6. Do NOT sponsor murder. Дія.Бізнес; available at: <https://business.diia.gov.ua/do-not-sponsor-murder>
7. Don't Fund War. Список; available at: <https://www.dontfundwar.com/ua/directory>
8. Evenett, S.J., Pisani, N. (2022): Less than Nine Percent of Western Firms Have Divested from Russia (December 20). SSRN; available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4322502
9. Expectations for business: more pressure to act, more issues to address. Edelman Trust Barometer (Special Report). The Geopolitical Business, 2022; available at: <https://www.edelman.com/sites/g/files/aatuss191/files/2022-05/2022%20Edelman%20Trust%20Barometer%20Special%20Report%20The%20Geopolitical%20Business-Final.pdf>
10. Fashion-ритейлер Mango йде з Росії; available at: <https://trademaster.ua/zarubezh/29711>
11. Foglia, E., Sarkar, C., and Kotler, P. (2021): Regenerative Marketing: Lessons Learned from Italian Business. The Marketing Journal, June 16; available at: <https://www.marketingjournal.org/regenerative-marketing-lessons-learned-from-italian-business-enrico-foglia-christian-sarkar-and-philip-kotler/>
12. French retailer Auchan does not plan to change its Russia strategy. Reuters, May 25, 2022; available at: <https://www.reuters.com/business/retail-consumer/french-retailer-auchan-does-not-plan-change-its-russia-strategy-2022-05-25/>
13. FTC Report Finds Annual Cigarette Sales Increased for the First Time in 20 Years; available at: <https://www.ftc.gov/news-events/news/press-releases/2021/10/ftc-report-finds-annual-cigarette-sales-increased-first-time-20-years>
14. Global cigarette retail volume by country (2018). Published by Koen van Gelder, January 13, 2022. Statista; available at: <https://www.statista.com/statistics/279872/global-cigarette-production-by-region/>
15. Gradus Research. Три чверті українців гірше ставляться до брендів, які продовжують діяльність у РФ; available at: https://gradus.app/documents/222/Attitude_brands_Russia_Gradus_Research_17052022.pdf
16. Nguyen, Hoang (2022): What Americans think about brands and the Russia-Ukraine conflict, March 22, 2022, YouGov; available at: <https://business.yougov.com/content/41686-what-americans-think-brands-ukraine-crisis-poll>
17. Kantar BrandZ, Most Valuable Global Brands 2022; available at: <https://indd.adobe.com/view/bb7c01af-7f11-4c17-a3f5-15b4e07436ce>
18. Krka Reports on 2021 Unaudited Financial Statements; available at: <https://www.krka.biz/en/media-centre/press-releases/krka-reports-on-2021-nbsp-unaudited-financial-statements/12833/>
19. Last orders of foreign beers remain on Russian shelves months after brewers halt sales. Reuters, July 22, 2022; available at: <https://www.reuters.com/markets/europe/last-orders-foreign-beers-remain-russian-shelves-months-after-brewers-halt-sales-2022-07-22/>
20. Military expenditure in Ukraine from 2000 to 2021 (in billion, current U.S. dollars). Statista; available at: <https://www.statista.com/statistics/1293277/ukraine-military-spending/>
21. Military spending in Russia from 1993 to 2021 (in billion, current U.S. dollars). Statista; available at: <https://www.statista.com/statistics/1203160/military-expenditure-russia/>

22. Monitor what matters, in real time. Understand any crisis or opportunity in real time with NewsWhip's predictive media monitoring platform. NewsWHIP; available at: <https://www.newswhip.com/>
23. Orbis (офіційний сайт); available at: <https://www.bvdinfo.com>
24. Over 1,000 Companies Have Curtailed Operations in Russia – But Some Remain. Yale School of Management. Chief Executive Leadership Institute; available at: <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>
25. Pepsico ends Pepsi, 7up production in Russia months after promising halt over Ukraine. Reuters, 2022-09-20; available at: <https://www.reuters.com/markets/europe/exclusive-pepsico-ends-pepsi-7up-production-russia-months-after-promising-halt-2022-09-20/>
26. Putin Readies 43% Defense Spending Hike Amid Plan for Longer War; available at: <https://www.bloomberg.com/news/articles/2022-09-23/putin-readies-43-defense-spending-hike-amid-plan-for-longer-war>
27. Russia Sanctions Dashboard. Castellum.AI; available at: <https://www.castellum.ai/russia-sanctions-dashboard>
28. Russia Sanctions Dashboard; available at: <https://www.castellum.ai/russia-sanctions-dashboard>.
29. Russia's economy is isolated from the global rout. The Economist; available at: <https://www.economist.com/europe/2020/03/25/russias-economy-is-isolated-from-the-global-rout>
30. Schwab, K., Founder and Executive Chairman. World Economic Forum. Corporate Governance. Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution, December 2, 2019; available at: <https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/#:~:text=The%20purpose%20of%20a%20company,communities%20and%20society%20at%20large>.
31. Sonnenfeld, J., Steven, T., Steven, Z., Yash, B. and Ryan, V. (2022): It Pays For Companies to Leave Russia (May 18, 2022). SSRN; available at: <https://ssrn.com/abstract=4167193> or <http://dx.doi.org/10.2139/ssrn.4167193>
32. Squeezing Putin. Офіційний сайт; available at: squeezingputin.com
33. Stop Doing Business with Russia; available at: <https://leave-russia.org>
34. Stop funding Putin's war. Boycott Russia today! Available at: <https://boycottrussia.info/>
35. Trends in world military expenditure, 2021. Available at: https://sipri.org/sites/default/files/2021-04/fs_2104_milex_0.pdf
36. Visual Capitalist. Visualizing the \$94 Trillion World Economy in One Chart. Published on December 22, 2021 by Dorothy Neufeld. Graphics/Design: Sabrina Fortin Harrison Schell; available at: <https://www.visualcapitalist.com/visualizing-the-94-trillion-world-economy-in-one-chart/>
37. Who is still supporting Russia? Moral Rating Agency; available at: <https://moralratingagency.org/>
38. World's Energy Chaos Turns Russia Into Top Emerging Market Pick. Karl Lester, M. Yap, Netty Idayu Ismail, and Srinivasan Sivabalan. October 11, 2021; available at: <https://www.bloomberg.com/news/articles/2021-10-10/world-s-energy-chaos-turns-russia-into-top-emerging-market-pick?srnd=premium-europe&sref=Y0jVLcFo>
39. World's Energy Chaos Turns Russia Into Top Emerging-Market Pick; available at: <https://www.bloomberg.com/news/articles/2021-10-10/world-s-energy-chaos-turns-russia-into-top-emerging-market-pick?srnd=premium-europe&sref=Y0jVLcFo>
40. Twitter account of Volodymyr Zelensky (13.03.2022); available at: URL: https://twitter.com/ZelenskyyUa/status/1503072789779128322?ref_src=twsrc%5Etfw
41. Activists continue to block Russian and Belarusian trucks on the Polish border: the queue of trucks has already stretched for 45 kilometers. CensorNet, March 20, 2022; available at: <https://censor.net/ua/n3326974>
42. Business on the blood of Ukrainians: which international companies finance the Russian occupiers. Volyn News. First Information Agency, March 16, 2022; available at: <https://www.volynnews.com/news/all/biznes-na-krovi-ukrayintsiv-iaki-mizhnarodni-kompaniyi-finansuiut-rosiys/>
43. Boycott of Russia and Belarus. Wikipedia; available at: https://ru.wikipedia.org/wiki/%D0%91%D0%BE%D0%B9%D0%BA%D0%BE%D1%82_%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D0%B8_%D0%B8_%D0%91%D0%B5%D0%BB%D0%BE%D1%80%D1%83%D1%81%D1%81%D0%B8%D0%B8

44. Military spending in the era of the coronavirus: Russia is in the top five, Britain is breathing down its back. BBC News. Russian Service, April 26, 2021; available at: <https://www.bbc.com/russian/news-56886362>
45. Hrybanovsky, O. (2022): Why do some foreign companies stay in Russia? Vox Ukraine; available at: <https://voxukraine.org/chomu-deyaki-inozemni-kompaniyi-zalyshayutsya-v-rosiyi/>
46. Hrybanovsky, O. (2023): Slammed the door. Which Western companies have already sold their business in Russia; available at: <https://www.epravda.com.ua/publications/2022/12/23/695354/>
47. Two Poltava units organized a blockade of trucks between Poland and Belarus carrying goods to the Russian Federation. Poltavshchyna online, March 23, 2022; available at: <https://poltava.to/news/65393/>;
48. Report on world investments 2022. International tax reforms and sustainable investments: review. UNCTAD/WIR: Geneva, 2022; available at: https://unctad.org/system/files/official-document/wir2022_overview_ru.pdf
49. Ekonomichna Pravda. Official site; available at: epravda.com.ua
50. "100+ stories of women and girls in Russia's war against Ukraine." V. 1 / comp. : O. Buchynska, O. Davlikanova, I. Lylyk, O. Yashkina and others. Kyiv: FES-Ukraine, 2022; available at: <https://www.uam.in.ua/upload/medialibrary/ef9/ef9412c559004cc5a7c21ba9ac04dfb8.pdf>
51. Kadygrob, V. and Tarasyuk, A. (2022): 50 global brands left Russia: how the war in Ukraine forced companies to rethink their responsibility to society. Forbes Ukraine, April 19; available at: <https://forbes.ua/ru/company/450-svi-tovikh-brendiv-pishli-z-rosii-yak-viyna-v-ukraini-zmusila-kompanii-pereosmisлити-vidpovidalnist-pered-suspilst-vami-19042022-5515>
52. Career. Phillip Morris International; available at: <https://www.pmi.com/markets/russia/ru/careers>
53. Kozlova, H.G. (2021): Research on the influence of the multiplier of consumer spending on the economic situation in the Russian Federation. Moscow Economic Journal, 3; available at: <https://cyberleninka.ru/article/n/analiz-vliyani-ya-dohodov-i-multiplikatora-potrebitelskih-rashodov-na-makroekonomicheskuyu-situatsiyu-v-rossiyskoy-federatsii/viewer>
54. The minimum wage rate; available at: <http://www.consultant.ru/law/ref/mrot/2021/>
55. Ministry of Finance of Russia; available at: https://minfin.gov.ru/ru/document?id_4=80042-informatsiya_ob_ishpolnenii_federalnogo_byudzheta
56. Between Russia's values and money: which of the world's most valuable brands made a mistake; available at: <https://www.epravda.com.ua/publications/2022/07/7/688925/>
57. "No" business in Russia and Belarus! Don't sponsor murder! Committee on Digital Transformation, Information Management. Posted on April 1, 2022; available at: <https://www.rada.gov.ua/news/razom/221148.html> + <https://business.diia.gov.ua/do-not-sponsor-murder>
58. Review of amendments to the Federal Law, dated 15.10.2020, N 327-FZ "On Amendments to the Budget Code of the Russian Federation"; available at: http://www.consultant.ru/document/cons_doc_LAW_372099/ea6e9341745c1e387dbe1dad04bc4e71f4f60f59/
59. Orest Lopata (2022): The more we help Ukraine, the sooner the war will end. Our Word: No. 21, 2022-05-22; available at: <https://nasze-slowo.pl/chym-bilshe-my-dopomagatymemo-ukrayini-tym-shvydshe-vijni-nastane-kinecz/>
60. Official site of the Russian Ministry of Finance. Statistics, Federal Budget; available at: <https://minfin.gov.ru/ru/statistics/fedbud/>.
61. Official site of the Renault Group; available at: <https://www.renaultgroup.com/en/>
62. Official site of Auchan Retail. Position of Auchan Retail on the pursuit of its activities in Ukraine and Russia, March 27, 2022; available at: https://www.auchan-retail.com/wp-content/uploads/2022/03/2022_03_27-memo-de-position-Ukraine_Russie_UK.pdf
63. Official site of Bonduelle. Bonduelle statement on Ukraine and Russia; available at: <https://www.bonduelle.com/en/bonduelle-statement-on-ukraine-and-russia/>
64. Official site of Imperial Brands. Russia Update, April 20, 2022; available at: <https://www.imperialbrandsplc.com/media/key-announcements/2022/russia-update>
65. Official site of JTI Russia; available at: <https://www.jti.com/ru/europe/russia>

66. Official site of Metro AG. Statement on war in Ukraine, March 11, 2022; available at: <https://newsroom.metroag.de/en/news/2022/03/11/statement-on-war-in-ukraine>
67. Official site of P&G. Update on P&G's European Operations. This is a letter to P&G employees from Jon Moeller, P&G's President and CEO, published on March 7, 2022; available at: <https://us.pg.com/blogs/pg-european-operations-update/>
68. Official site of Philip Morris International. Philip Morris International Inc. (PMI) Announces Concrete Steps to Scale Down Operations in the Russian Federation and Its Intention to Exit the Market. March 24, 2022; available at: <https://www.pmi.com/media-center/press-releases/press-details/?newsId=25011>
69. Official site of Unilever. Updated Unilever statement on the war in Ukraine. March 8, 2022; available at: <https://www.unilever.com/news/news-search/2022/updated-unilever-statement-on-the-war-in-ukraine/>
70. Official site of War Sponsors. 24 February 2022 Russia launched a full-scale invasion of Ukraine; available at: <https://war-sponsors.com/>
71. Official website of Ministry of Finance of Ukraine; available at: <https://index.minfin.com.ua/finance/budget/gov/expense/>
72. Official site of Mondelez International. Our statement on war in Ukraine. Internal CEO Memo to Employees MONDELEZ INTERNATIONAL: Snacking made right. Wednesday, March 9, 2022; available at: <https://www.mondelezinternational.com/News/Statement-on-War-in-Ukraine>
73. Verification of counterparties – business dossier; available at: <https://vkursi.pro/>
74. First to come, first to leave? Which international giants continue to finance Russia; available at: <https://www.epravda.com.ua/publications/2022/06/3/687738/>
75. World Development Indicators; available at: <https://datatopics.worldbank.org/world-development-indicators/>
76. Polish and Ukrainian activists blocked Russian trucks in Poland. Spilno, March 14, 2022; available at: <https://spilno.org/news/polski-aktywisty-spilno-z-ukrainskymy-zablokuvaly-rosiiski-fury-u-polschi;>
77. The surplus of the Russian budget increased more than four times thanks to the revenues from Gazprom; available at: <https://forbes.ua/ru/news/profitsit-rosiyskogo-byudzhetu-zbilshivsya-bilsh-nizh-u-chotiri-razi-zavdya-ki-dokhodam-vid-gazpromu-12122022-10424>
78. Savytska, N.L. (2022): Socially responsible marketing during wartime. Marketing and logistics in the management system: theses of reports to the XIV International Scientific and Practical Conference. Lviv: Department of Lviv Polytechnic.
79. Savytska, N.L. Macroeconomics: teaching manual. Kharkiv: KhDUHT (2010).
80. Self-sanctions / LeaveRussia. KSE Institute project to collect data on foreign companies operating on the Russian market and limiting or ceasing their activities. Kyiv School of Economics; available at: <https://kse.ua/ua/samosanktsiyi-kse-institute/>
81. Average monthly nominal accrued wages of employees in the economy of the Russian Federation in 1991–2021; available at: <https://rosstat.gov.ru/storage/mediabank/t1.xlsx>.
82. The exit of European firms from Russia: the second wave is coming. What are its special features? Available at: <https://www.dw.com/ru/uhod-iz-rossii-zapadnyh-firm-idet-vtoraja-volna-v-chem-ee-osobennosti/a-61673942>
83. Federal Law dated July 9, 1999 N 159-FZ “On the implementation of the Budget Code of the Russian Federation”; available at: <http://ivo.garant.ru/#/document/12116244/paragraph/8918:0>
84. Experts named the salary leaders among Russia's largest companies; available at: <https://www.rbc.ru/economics/16/12/2021/61b742749a794746753683b3&cd=4&hl=ru&ct=clnk&gl=ua>

AUTHORS

Olena Davlikanova, project coordinator, FES-Ukraine, researcher, associate professor at Sumy State University.

Iryna Lylyk, researcher, Associate Professor at Kyiv National Economic University.

Natalia Savytska, researcher, head of department, professor at the State Biotechnological University (Kharkiv).

The use of information published by the Friedrich Ebert Foundation for commercial purposes without the written consent of the Foundation is prohibited.

The views presented in this paper are not necessarily those of the Friedrich Ebert Foundation.



Values

Profit