



CONTINGENCY PLANNING IN UKRIANE

SHORT OVERVIEW

Before we provide this limited overview of actions taken by businesses operating in Ukraine in the time of crisis, we would like to underline that we consider the aggressive behavior of the Russian authorities as a special operation aimed at weakening Ukraine in the economic and political aspects. Even though, as a corporate intelligence firm serving businesses worldwide, we do prepare analysis on the development of worst-case scenarios, but consider that the key aim of the special operation executed by the Russian government might not involve a full-scale invasion with an attempt to occupy the country or new territories besides the already occupied Crimea and parts of the Donetsk and Luhansk oblasts in Eastern Ukraine. We believe that the Russian government will continue using tools of information warfare to make the international community see Ukraine as an unprofitable and dangerous partner. Two key aims that in our opinion the Russian government is seeking to reach on the Ukrainian front (as there are others Russia is working on at the moment) are:

- 1. Economic damage: foreign economic activity decrease, currency crisis, investment halt, entrepreneurial and creative activity slowdown (including but not limited to through psychological pressure on the population).*
- 2. Political damage: discrediting the Ukrainian government, complicating and delaying Ukraine's integration into NATO and the EU.*

The security situation around Ukraine has reached a level where concerns of another Russian invasion have become one of the key topics among the Ukrainian and international businesses operating in the country. Even though military experts do not confirm a high possibility of a full-scale invasion due to numerous factors, the population and business leaders in particular have started to take certain actions to secure their families and organizations in the worst-case scenario.

However, it should be noted that it is not the overwhelming majority of companies that is taking those actions. Moreover, there is definitely no panic on the market now.

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Businesses develop their worst-case scenario plans depending on the industry they operate in, size of company, location of people and assets, dependence on offline or online activity, clients' locations, supply chains, and a number of other factors.

Importantly, although businesses in the northern, southern and eastern Ukraine are naturally concerned by the recent developments, they continue to operate just as they did during the same period last year. A number of manufacturers located close to the Russian Border have been under a permanent threat since 2014. As for businesses in other parts of Ukraine, their owners and top managers consider it appropriate tactics to be prepared for the worst-case scenario, even though it is highly improbable. The only difference between the operations and behaviour of the Ukrainian businesses today and last year is that their owners and managers are making contingency plans for the unfavourable scenario. However business owners outside Ukraine are much more concerned than their counterparts in Ukraine are.

First of all, companies prepare evacuation plans for their staff. Obviously, those businesses that are not dependent on certain locations (like the IT sector) have more room for maneuver and simply arrange transport for their staff and first line family members in the regions that they consider to be at most significant risk (eastern and southern regions) to take them to rest homes and other places for accommodation they can afford to rent in advance and further on in case of need.

Secondly, information assets, such as technology documentation, patents, work plans, client information are audited and structured for quick transportation or digital relocation.

Those companies that require physical asset relocation are not as flexible, but some also develop crisis plans. At the same time, certain large companies located in the eastern part of Ukraine, with owners that are supposed to be informed, have not taken actions yet.

Smaller businesses take less crisis management actions, and rely predominantly on reserves.

Another significant area of concern is the banking sector and communication.

There are businesses that have limited their currency importing operations, and keep foreign currency in foreign banks outside Ukraine. Some companies have even resorted to building cash reserves instead of keeping money on bank accounts fearing the bank system could stop operating properly.

At the same time, most of the businesses in the banking and the financial sectors report that the Ukrainian banking system is institutionally stronger now than it was in 2014–2015, which is why Ukrainian banks are not expected to go bankrupt.

As to communication aspects, there are concerns about Internet and telephone connection stability, so some companies look for alternative communication means such as satellite phone systems.



Business operations crisis planning significantly depends on every company's specific business activity, but some of the common actions are decreased payment delays and alternative supply chain planning. In this context, it is important to note that large agro-industrial holdings (including the ones with foreign capital) continue to operate at full capacity through the ports on the Black Sea, and no winding-down of operations is observed. Moreover, agro-industrial products are contracted for years ahead. The commodity turnover and operations are growing instead of diminishing.

The legal aspect of business operations during martial law is also an area companies' explore and double check in the course of preparing a crisis plan, as among other issues, including staff that can be recruited into the Armed Forces, there are norms that could lead to managements' suspension for violating such norms. Contract clauses regarding force majeure are carefully checked too.

Thus, most of the Ukrainian businesses operating in different sectors (agricultural industry, energy, finance, etc) are fully aware of the aforementioned risks that they may face if the Russian Federation does invade Ukraine. However, in more than seven years that they have been in the state of a de-facto war, Ukrainian business owners have become more level-headed and resistant to panic, all the while being aware of the possible threats and preparing contingency plans should the threats materialise.

Do not hesitate contacting us for more information.

COSA is a professional Corporate Intelligence services provider. We help our clients to be informed, safely develop their business in risky markets, preserve their reputation, manage compliance issues, and be aware of the changing environment.

The system analysis method, international sources coverage and full dedication to every project result in our clients receiving the most accurate and verified information to support their short-term and strategic goals.

Our mission is to help businesses navigate uncertain environments and to provide companies with information that allows them to grow successfully and confidently, regardless of any changes in their domain.

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