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REPUTATION MATTERS

CORPORATE CONSCIENCE IN THE DARKEST OF DAYS:

What Can Board Directors Do About Ukraine?

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WHAT CAN BOARD DIRECTORS DO ABOUT UKRAINE?

We all feel so helpless as we view the slaughter of innocents day after day and night after night in Ukraine. Yet viewing the resistance of the Ukrainian people and their leader has inspired legions to take action. And that means not only private citizens, nonprofits, and governments, but our corporations as well.

THE CORPORATE CONSCIENCE

Over the years, the obligation organizations, their employees, customers, and stakeholders have felt to address — and redress — tragic wrongs in society has grown and grown.

Corporate social responsibility has been a topic for decades. But it is only now, as the concept of [B corps](#) (a designation that a business is meeting high standards of verified performance, accountability, and transparency) has intersected with the dereliction of

various countries and their leaders to “do the right thing,” that companies have truly begun to find their voices. Often, they have needed to become [the only adults in the room](#).

“#MeToo,” the murders of George Floyd and other Black men and women caught on video, racism as a whole, atrocities at our border separating parents from their children, climate change and its devastating consequences, the importance of vaccines to fight the pandemic, and the pandemic itself — are all examples of controversial, politicized issues some corporations have begun to weigh in on.

THE COMPANY AS GLOBAL CITIZEN

Whether those issues directly involve the company or not, some leaders — management and board-level — choose to speak out. **It is as if companies now not only have their own “brands” and “reputations,” they are developing their own personalities that they must stay true to: the company as global citizen. The corporate conscience.**

Boards and executive leadership of companies increasingly are the holders of that conscience, on behalf of the stakeholders. Governance appears to be expanding to encompass social responsibility, especially as more

emphasis has been put on diversity in the boardroom. And as the trend has grown, often if companies do not act when stakeholders feel they should, they are conspicuous in their absence. And in the evolving digital and social media worlds, that absence is often called out publicly.

But boards continue to debate whether or not to take stands on politically divisive, controversial topics. And many are settling on addressing only issues in their own “swim lanes,” or that are simply too big to ignore.

WHAT BOARDS CAN DO ABOUT UKRAINE

Given the scope of the Russian invasion of Ukraine, it is increasingly urgent that management and boards take a stand.

There are no less than 15 indices tracking companies leaving Russia over the Ukraine crisis — the [most widely referenced is from Yale’s Jeffrey Sonnenfeld](#). And there are also [lists of companies that have NOT pulled out of Russia](#).

A [Morning Consult poll](#) found that “Americans Support Brands Taking Action Against Russia for Invasion of Ukraine.” 75% of Americans said they support companies’ cutting business ties with Russia, and stopping sales in the

country. 78% of respondents say they support brands providing assistance to Americans looking to return from Ukraine, and to employees affected by the invasion.

And, most importantly, “All of the potential actions had broad support, regardless of political party. Clear majorities of Democrats, Republicans and independents said they support companies taking such actions — a rare example of wide bipartisan support.”

MY ADVICE — MANAGEMENT ACTION AND THE BOARD’S SUPPORT

Companies’ workforce and stakeholder communities — global and local — are looking for **management’s action and the board’s support, and actively calling out those who don’t give it**. This atrocity is reaching citizens in THEIR living rooms, bedrooms, and on every personal digital device. Their nervous systems are probably reacting as if it is happening to them. And their expectation, their need, is often to **know that their company is a force for moral good and responsibility in an increasing dangerous world**.

Here is how Board Directors can respond:

WHAT DIRECTORS SHOULD ASK BEFORE THEY ACT

- What is the company's exposure to Russia and Ukraine, in terms of business? What actions can be taken, and what will their impact be?
- What is the company's exposure to Russia and Ukraine, in terms of employees, and their families? What actions can be taken to help them immediately and over time?
- Has the company been reaching out or creating ways employees affected can ask for assistance? Who leads that effort?
- Does the company have any suppliers or partners who are connected to Russia and Ukraine?
- What will be the financial impact on the company of this war?
- What are employees, customers, shareholders and other stakeholders asking or demanding the company do, if anything?
- What is the company's peer group doing? Is there any opportunity for collaboration? Could there be a multiplier effect?

- Is there anything the business enables (or can disable), that can have an impact?
- How does our company stay in compliance with our purpose and mission during this crisis?
- How do we best take a moral stand and act?

SUPPORT VICTIMS. SUPPORT RESPONSE. SANCTION AGGRESSORS.

Based upon the answers to these questions, and the company's corporate identity as a citizen of the world: **Support victims. Support response. Sanction aggressors.**

Start at home, and then expand actions to your communities and world.

ACTIONS TO TAKE INTERNALLY

- Directly support employees and their families in the region.
- Help employees and their families in country get out if they can, or survive if they stay. There are many ways to support your employees in country even if your operations in Ukraine have been suspended. Act generously, quickly, and do not wait for "process" to dictate your actions.

Do let humanity dictate your actions toward individuals and families.

- Support employees who have family in Ukraine. Make special accommodations for them, sponsor refugees from their families, support them with words, donations, connections, psychological support, and other things they tell you they need.
- Find innovative ways to tangibly express your support. And generously answer employee requests if you can. And if you cannot, do not ignore them, rather explain what you CAN do.

A STATEMENT IS NECESSARY BUT NOT SUFFICIENT

Corporate statements on societal issues have turned into art forms. Starting with the annual letters of Buffet and other investment leaders, CEOs now issue them in order to claim the high road internally and externally. But though necessary, they are not sufficient.

What you say to your stakeholders, you must support in the world. And become a company of your word.

The strongest statements are invariably tied to action.

ACTIONS TO TAKE EXTERNALLY

- Support the war effort in every practical way possible, unique to your company — both by donation to the Ukraine battle, and by supporting NATO and US sanctions against Russia. Do not circumvent them, rather be proactive.
- Continue to sanction Russia over time, not just temporarily.
- Stop your product distribution in Russia if you can.
- Close operations if you can.
- Follow suggested financial sanctions.
- Add to the isolation of Russia. As military action between nuclear states is out of the question, shunning, sanctions, and isolation are all we have available. Think of actions in your swim lanes to further this cause.
- But also think through repercussions for your own company as well as those you are trying to help. Strike the necessary balance between action and inaction; value creation and value destruction.

LET ELON MUSK BE YOUR GUIDE

Just as Musk found a unique way to help the Ukrainian people by donating his network and hardware to give them satellite connectivity, and to try to keep that connectivity safe, find your company's unique manner of contribution.

This will morph over time. But as war's reality sinks in, we have no choice other than to support our war effort, and our corporate social responsibilities.

This is when companies and their boards define themselves — what they stand up for is who they are. It is time to define and live those answers, and govern and lead with courage.

FOR REFERENCE: A FEW EXAMPLES

Here are just a few examples of what a growing array of companies are doing, first to support Ukraine and then to sanction Russia. Much of this list comes from [Just Capital](#), which is maintaining an on-going list of corporate actions to support Ukraine, and to sanction Russia, "[How Companies Are Responding to Russia's Invasion of Ukraine](#)":

ACTIONS TO TAKE INTERNALLY

- Directly support employees and their families in the region.

TO SUPPORT UKRAINE:

- [SpaceX](#) is sending satellite internet terminals to the country in response to a request from Ukrainian officials, though warning that using them might be dangerous.
- [T-Mobile](#) is making certain long-distance calls between Ukrainians free.
- [Airbnb](#) is offering free housing for Ukrainian refugees.
- [Uber](#) is offering free rides from the Poland-Ukraine border.

TO SUPPORT SANCTIONS AGAINST RUSSIA, A BURGEONING LIST OF CORPORATE EXAMPLES INCLUDES:

- [Apple](#) will stop selling physical products in Russia, has stopped Apple Pay, and restricted some apps.
- [H&M](#) is pausing all sales in Russia and [Nike](#) is temporarily closing its Russian stores after suspending online sales in the country.
- [Mastercard and Visa](#) block Russian financial institutions after sanctions, and both companies commit \$2 million in humanitarian aid.
- [TJX](#), the parent company of retailer T.J. Maxx, is selling its 25% stake in Familia, a Russian retail chain, and its executives have resigned from the Familia board.
- [Airbus](#) is halting services support and delivery of aircraft parts to Russian airlines.
- [IKEA](#) is closing its stores in Russia and halting sourcing from the country and Belarus while providing pay for at least the next three months for its 15,000 affected employees.
- [Boeing](#) is cutting off its parts and maintenance support for Russian airlines and shutting down its operations in Moscow.
- [Etsy](#) is canceling the current balances owed to Etsy by all sellers in Ukraine, which includes listing fees, transaction fees, advertising fees, and more, a contribution of approximately \$4 million.
- [Delta](#) is severing ties with the Russian airline Aeroflot, removing its codeshare agreements from any of the company's planes.
- [Disney, Warner Bros, and other Hollywood studios](#) pause theatrical releases in Russia.
- [GM, Daimler Truck, Volvo, and Volkswagen](#) suspend business in Russia.
- [Microsoft](#) is supporting the Ukraine and U.S. governments as well as NATO and the European Union to identify and defend cyberattacks.
- [Shell](#) announces it's exiting all its joint ventures with Gazprom, a Russian state-owned energy firm.
- [Harley Davidson](#) is suspending its sales in Russia and shipments of bikes to the country.

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