

Kiilto response 13/9/23

Dear B4Ukraine

Thank you for your letter dated September 11, 2023. As you the most probably are aware, Kiilto have exit Russia and Belarus completely (<https://www.kiilto.com/newsroom/kiiltos-business-activities-in-russia-ceased/>). In addition, we do not export our products either directly or indirectly to Russia or Belarus, neither we have any other business activities or connections in those countries, and I we will continue this approach if not forever, at least several decades. The decision to exit was for Kiilto and its owners clearly ethical and we did not calculated money we lost in exit from Russia.

However, we have continued our operations in Kiev, Ukraine. We have supported our employees by paying additional salaries and we have done several donations to Ukraine (see our latest donation: [Kiilto on LinkedIn: #ukraine #standwithukraine](#)). We are part of Finnish business community (Business Finland), which organizes re-building of Ukraine.

What comes to barriers for western companies to exit Russia, I believe those have increased and became more complicated, as Russian authorities have created all the time new requirements for exit. We are happy, that we took immediate decision and actions already at the beginning of March 2022 to exit from Russia and Belarus. We saw clear increase in number of restrictive actions introduced by Russian authorities in fall 2022, and since then, it has just continued to be more and more difficult. Due to our fast exit process, we were able to complete our exit just before new and more restrictive legal requirements were introduced.

I also want to underline need for quality professional legal services for western companies to exit Russia. I assume level of expertise in legal knowledge have increased during past 1,5 years. On the other hand, Russian authorities have made life of Russian lawyers and accountants also riskier, as they need to carry personal liability following strict legal requirements in exit process (like doing valuation calculation of business for sale).

In addition, role of western banks is critical. Due to sanctions and other regulations related to international money transfers, it is real challenge to organize money transfer from Russia via western bank. Western banks are reluctant to receive money from Russia, as it might create massive business risk for themselves, in case they would not follow sanctions and other regulations.

As a conclusion, exit from Russia is very challenging process, but it is still doable. First companies exit more than year ago, and therefore it is relevant question to ask why some companies are still in Russia. It is obvious, that they should not expect any monetary value from their businesses in Russia neither in form of sale of operations today nor as dividends in the longer run, if they have decided to

stay in Russia. However, as Kiilto sees it, exit is the only right choice for any company who follows modern and sustain business principles.

I see you do valuable work when you make public brands still doing business in Russia, and you are also encouraging and pushing companies to exit Russia. I wish all the best for your work. Kiilto will stand with Ukraine.

Ystävällisin terveisin | Best Regards

**Arto Raivio**

**Managing Director**

Kiilto  
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September 11, 2023

RE: Kiilto's business operations in Russia

Dear Kiilto Leadership Team,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. The coalition expects companies to demonstrate public support for the people, democracy, and territorial integrity of Ukraine; opposition to Russia's war of aggression; and alignment with the UN Guiding Principles on Business and Human Rights. Such support will also demonstrate respect for the fundamental human rights of all people, the rules-based international order, and a prosperous global economy.

We are encouraged by Kiilto's decision to withdraw from Russia in response to this unprovoked and unjustified war.<sup>1</sup> The company has joined the growing ranks of multinational companies which, according to the Kyiv School of Economics Institute's #LeaveRussia [company tracker](#), have exited the Russian market,<sup>2</sup> thus minimising the risks of enabling and financing Russia's violations of international humanitarian and human rights law during the ongoing invasion and occupation of Ukraine.<sup>3</sup> We write now to urge you to maintain your position and, further, to use your leadership and influence to encourage other companies to follow your example.

As you may well be aware, Russia continues to commit war crimes and crimes against humanity through attacks on civilians and civilian infrastructure, mass executions, the bombing of schools, hospitals, and apartment buildings, sexual violence, torture, and forcible transfer of civilians. More than 26,000 Ukrainian civilians have been killed or injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times. So far, over 100,000 war crimes have been recorded.

On September 21, President Vladimir Putin escalated the war by announcing a "partial mobilisation" of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including more than 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least

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<sup>1</sup> Kyiv School of Economics Institute, "Leave Russia," <https://leave-russia.org/kiilto> (accessed September 10, 2023).

<sup>2</sup> Kyiv School of Economics Institute, "Leave Russia," <https://leave-russia.org/companies-that-exited> (accessed November 14, 2022).

<sup>3</sup> The UN Working Group on Transnational Corporations, Business, human rights and conflict-affected regions states: "Businesses are not neutral actors; their presence is not without impact. Even if business does not take a side in the conflict, the impact of their operations will necessarily influence conflict dynamics."

one of the employees is eligible for military service.<sup>4</sup> They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

This legislation entails significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.<sup>5</sup> Companies may also be exposed to financially material risks through operational restrictions such as limitations of future government contracts.<sup>6</sup> By remaining in Russia, companies may not only be exposed to these risks but may also become directly complicit in war crimes.<sup>7</sup> Likewise, further financial risks arose upon Putin's confirmation that the internationally recognised terrorist group Wagner are financed directly by the Russian state.

In addition to these risks, any re-entry into the Russia market would now bring further exposure to the heightened legal, regulatory, operational, and financial risks associated with companies being required to provide direct support to the internationally sanctioned Russian military.

As you know, many other businesses have decided to stay and continue operations in the aggressor country. We commend you for taking the correct path and exiting the market, showcasing your commitment to responsible business practices. We are interested in the barriers the company has encountered in the process of exiting the Russian market. We hope that we can learn from your experience of exiting and use this knowledge to persuade other companies to follow in your footsteps.

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<sup>4</sup> Federal Law No. 31-FZ of February 26, 1997 "On mobilization training and mobilization in the Russian Federation" (as amended), <https://base.garant.ru/136945/> (accessed November 14, 2022).

<sup>5</sup> International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, "Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward," September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed November 14, 2022); The Sentry, "Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate," July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed November 14, 2022); Rfi, "French technology firm charged over Libya cyber-spying," July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed November 14, 2022); Preston Lim, "Canadian Supreme Court Allows Corporate Liability for International Law Violations," *Lawfare*, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed November 14, 2022); Sherpa, "Aiding and abetting war crimes in Yemen: Criminal complaint submitted against French arms companies," June 2, 2022, <https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed November 14, 2022).

<sup>6</sup> Venable LLP, "Do You Contract with State Governments? If So, Beware of Emerging State Sanctions' Obligations Related to Russia and Belarus," *JD Supra*, June 3, 2022, <https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed November 14, 2022).

<sup>7</sup> Nataliya Popovych and Bennett Freeman, "Russia's Putin is forcing foreign-owned companies to participate in his conscription campaign. It's time to get out," *Fortune*, October 13, 2022, <https://fortune.com/2022/10/13/russia-putin-foreign-owned-companies-conscription-campaign-sanctions-ukraine-war-international-europe-popovych-freeman/> (accessed November 14, 2022).

We request a dialogue with Kiilto's senior management and staff to discuss how the company may exert its influence with other companies and considerations on its potential future relationship with Russia as well as Ukraine. Please contact us at [contact@b4ukraine.org](mailto:contact@b4ukraine.org) to schedule a call by September 25<sup>th</sup>, 2023.

Sincerely,

The B4Ukraine Coalition