



ICGN

International Corporate Governance Network

Inspiring good governance & stewardship

ICGN Statement on Russia's War against Ukraine

The International Corporate Governance Network (ICGN) condemns the Russian invasion of Ukraine as an egregious violation of international law and as a morally unjustified attack on a democratic sovereign nation and its citizens. It is an affront to European and global security and the safeguarding of a peaceful world order.

Our hearts go out to the innocent people caught up in this conflict. We look to all Governments to ensure that human rights and freedoms are upheld. This extends to the right to protest aggressive actions, particularly for those in precarious environments including people on the streets of Russia demanding an end to their own President's actions and calling for peace and democracy.

While this is first and foremost a human and political tragedy, it is also an economic crisis that will negatively impact both Russia and the Ukraine. Further, the conflict will adversely impact the global economy, pandemic recovery, and the energy transition. Most fundamentally, Russia's aggression towards Ukraine, undermines the international rules-based order that has underpinned the global economy since World War Two. This is not a war simply between two countries - Russia's attack represents an affront to democracies which rely upon the foundations of proper governance and the rule of law, freedom, and truth.

The invasion will negatively impact institutional investor appetite for investing in Russia. At the very least, it increases the risk premium that investors would demand with a corresponding increase in the cost of capital for Russian companies. S&P Global has now downgraded Russia's sovereign debt to junk bond status and reports that the impact on Russia's export receipts, budget revenues and the broader economy could be substantial. Russia now faces the prospect of developing its economy without full access to global capital markets. This carries immeasurable financial, economic, and social consequences.

Institutional investors will be wary about future investment in Russia for the foreseeable future. In the meantime, they will continue to have an important role to play in the fixed income market – a vital source of fresh foreign currency for the Russian state and Russian industrial companies. While political sanctions will limit the ability of investors in many Western jurisdictions from investing in Russia, other global investors and banks without these constraints may still choose to blacklist refinancing Russian debt as a form of collective engagement. We also anticipate a reinvigorated regulatory and investor focus on anticorruption and efforts to eliminate the role Western markets have played in money laundering.

Geopolitical conflict is not something new. But from an investor perspective it is also a dangerous systemic risk that weakens peace and security, destroys wealth and the fabric of society - locally and globally. Apart from the human tragedy and political upheaval, the Russian invasion underscores the vital importance of responsible governance and rule of law for building long-term sustainable value for all.