



KEYHAVEN

mitigating risk, protecting reputation

**Crisis communications
scenario and role-playing exercise**

HR/Corruption

CityPoint, 11th floor
1 Ropemaker Street
London, EC2Y 9 AW

info@keyhaven.cc

+44 (0)20 7920 2320/2317

After hours: +44 (0)7825 579 254

+44 (0)770 3537 721

www.keyhaven.cc

KEYHAVEN IS THE CRISIS CONSULTANCY DIVISION OF KING WORLDWIDE, THE LEADING
GLOBAL FINANCIAL COMMUNICATIONS AND STAKEHOLDER MANAGEMENT COMPANY

***We protect and enhance your reputation
by helping you prepare for crises and
manage them effectively***

STAGE 1: TODAY, NOW...

Trouble at Buckmaster (Part I)

Buckmaster is a US-based multi-national corporation formed from an amalgamation of aging appliance companies. Today it is the world's second largest producer of consumer goods powered by solar energy. Through acquisitions it inherited manufacturers in China, Russia and India. It prides itself on its cutting edge technology and designs. Recently it has become the darling of Wall Street, nearly doubling its share value.

Buckmaster is a champion of clean energy and ethics and the chairman is an outspoken advocate of social responsibility. Its website proclaims: ***"We value character as much as capability. We do the right things, in the right way for the right reasons. Those who work for and with Buckmaster do so not only because of the value we provide, but because of the vision, mission and values by which we operate. We call them the Buckmaster Way".***

It emerged in the Moscow press and social media that Buckmaster's Russian supplier of LED thermometer controls was dumping toxic waste from its plant in Svetogorsk into a nearby river. Local authorities are investigating complaints by town residents over the unexplained increase in bowel cancer cases.

Buckmaster's Corporate HR Director alerted the Country Manager that a blogosphere whistleblower claimed that the Svetogorsk plant manager was related to the town Mayor, and that officials within the Mayor's office had been aware of the pollution for over a year - but had taken no action to correct it. The Country Manager summoned the Director of Operations and told him to call the owner of the supplier company with the ultimatum that either he fire the plant manager immediately, or lose the contract.

A week later, the dismissed plant manager filed an unfair dismissal suit in the local court against his employer. The Mayor, who is politically well connected, asked the local prosecutor to investigate who is behind these "scandalous claims" on social media.

WHAT DO YOU DO?

1. Did the Country Manager have the authority to demand the immediate dismissal of the Svetogorsk plant manager? Was he right to do so?
2. What information should the Country Manager have requested from his staff before he made his decision?
3. Was this just a local issue, or could the reputation of Buckmaster's global brand be affected? What, if any, action should be taken at this stage in reaction to the media and social media?
4. Even if the owner of the supplier company didn't overstep the legal boundaries of an employment contract, was he compliant with "The Buckmaster Way"?
5. If the sacked employee wins his case in the local court, could Buckmaster face financial liability for having ordered the dismissal by the management of the supplier company as a condition for keeping a contract?

STAGE 2: A Month Later

Trouble at Buckmaster (Part II)

Buckmaster's office in Moscow is preparing for a visit in three weeks' time by the Chairman. This was scheduled some time ago as he has been invited to give a keynote corporate speech at the World Economic Forum's annual European Conference on the growing impact that whistleblower legislation is having in improving international trade practices. The conference, which always attracts the international media, will be held in St. Petersburg and will be attended by the Russian President.

An investigator from the Russian Federation Ministry of the Environment makes an unannounced visit to Buckmaster's offices and delivers a letter requiring the Director of Health & Safety to appear at his office in 48 hours for questioning. He is told to bring his compliance records for all the company's manufacturing operations in Russia as well as the compliance reports the company requires of its suppliers. Failure to appear at the Ministry runs the risk of criminal prosecution.

There are reports emerging on twitter that the whistleblower on the Svetogorsk plant has disappeared and rumours of foul play are being heard.

WHAT DO YOU DO?

1. What protection is there in Russia for the blogosphere whistleblower who made the allegations of corruption?
2. What impact will the new US Legislation, known as the Magnitsky Act, have in this situation?
3. What proactive steps can the company take now to protect its reputation and share price?
4. Is it coincidental that the investigation by the Ministry of Environment is started three weeks before the Chairman of Buckmaster arrives in Russia?
5. What can the company do when a foreign government chooses to make an example of it for unethical behavior, intentionally embarrassing the foreign company in order to score political points against its government?

BACKGROUND

S. 1039 (112th): Sergei Magnitsky Rule of Law Accountability Act of 2012

At the centre of the stormiest US-Russia diplomatic crisis since the cold war stands the enigmatic figure of Sergei Magnitsky, for whom the US Senate has named a punitive new law that imposes harsh visa and economic sanctions against scores of Russian officials deemed guilty of committing serious human rights violations and acts of corruption. In addition to those directly involved in the Magnitsky case, the US Government will deny (or revoke) visas to those believed responsible, either for violating the human rights of individuals seeking to expose illegal activity by officials of the Government of the Russian Federation, or for preventing the activities of those seeking to, “obtain, exercise, defend, or promote internationally recognised human rights...” Russian officials listed under the Magnitsky Act will also have their assets frozen and all US based property and interests seized.

Mr. Magnitsky, a corporate lawyer who blew the whistle on a vast corruption scheme, was arrested by the same officials he had implicated and was allegedly beaten to death in prison over three years ago. His tale appears to validate all the worst suspicions held in the West about the nature of Vladimir Putin's Russia. The Act represents a controversial new breed of legislation that aims to compensate for the perceived failures of Russia's justice system by meting out punishment to about 60 Russian officials deemed to have been involved in the wrongful prosecution and alleged murder of Magnitsky.



The Magnitsky Act was approved by the US Congress on December 6, 2012 as part of a trade bill recognizing Russian membership in the World Trade Organization and eliminating a long-obsolete 1974 provision, called the Jackson-Vanik Amendment, that tied trade relations between the US and the former Soviet Union to the emigration of Jews and other Soviet minorities.

The Kremlin's incandescent response makes it likely that the mutual acrimony will expand in months to come. President Putin called the Magnitsky Act a "purely political, unfriendly act" that demanded a stern riposte. On December 28 2012 he signed the retaliatory Dima Yakovlev Act whose key provision is a ban on all adoptions of Russian children by US citizens. The law also suspends the activities of US NGOs operating in Russia and bans those US officials, who have illegally put Russian nationals in prison or sentenced Russian citizens to "unreasonably severe punishments" from receiving entry visas to Russia. A similar ban has been put in place against agents of US secret services who have kidnapped Russian citizens.

CONCLUSION:

Seven principles of crisis management

HAVE A PREPARED MIND

is the most important principle. Embed the ethos. Think through the possibilities.

HAVE A VALIDATED POLICY

which is understood and rehearsed.

Don't overcomplicate or over-template it (there will never be a "black-book" for every situation). And just because you have extant procedures, never get complacent.

HAVE CONTEXTUAL AWARENESS

— put things in perspective relative to the local culture and politics.

GET THE RIGHT PEOPLE TOGETHER

quickly, ensuring that they know their roles before a crisis.

BE TIMELY, GET THE FACTS

and ensure the passage of information. But accept that you will have to take some early decisions without knowing everything (that's where judgment is so important)

OVERREACT

early and don't be reluctant to say that you have a crisis (it's easier to de-escalate in a timely way than to escalate too late in the day)

REMEMBER

- “Bad news” or “problems” exist in all companies and organizations. Senior management is often kept in the dark about such news for various reasons. A constant effort is required to ensure that information flows upwards to decision-makers.
- To ensure that critical information flows to the top, a company or organization must instill a culture where senior people are seen to be taking full responsibility for the actions of their subordinates and where subordinates know to seek out the guidance of senior people on serious issues.
- Risks involving money are a legal issue. Risks involving reputation are a moral issue. The penalty for the latter is always greater.
- Major crises are usually caused by coincidences of several contributing factors, of which your company may only be one. Where an international company is operational in two or more countries experiencing political tensions, they need to be aware that they may incur collateral damage.
- A spirit of openness and honesty will always enhance your reputation. Any suspicions that facts are being hidden will do the opposite.
- It is vital to engage with the media at the earliest possible opportunity. The vacuum created by the failure to communicate will quickly be filled with rumour, misrepresentation, gossip and poison.

