

War in Ukraine

Companies supporting Ukrainians in a time of humanitarian crisis

Kristen Le Mesurier

When Russia invaded the Ukraine, fund managers quickly assessed portfolio exposures to both countries. With Russian sanctions in focus, companies rushed to announce their withdrawal from Russia and managers announced their intentions to divest Russian holdings as soon as possible.

What about companies that operated in Ukraine, where the bombs are falling?

Ukraine is a significant tech, manufacturing and services hub, with Ukrainian people employed by some of the world's largest companies – Nestle SA, Carlsberg AS, ArcelorMittal and Cargill, for example. How are companies with people in the Ukraine helping them and supporting them?

As an Australian equities manager that takes ESG seriously, these were some of the first questions we asked ourselves. In addition to understanding any portfolio exposures to Ukraine, we were keen to make sure any company we owned was doing everything it could to help Ukrainian staff and their families on the ground.

We care about this for two reasons. First, a company should be helping their employees in a war torn region. It's the right thing to do. Second, how a company treats its employees is a window into its culture, the quality of its management team, and ultimately goes to the sustainability of earnings. It is an important part of our investment analysis.

In the Platypus Australian Equity fund, there is only one company with employees in Ukraine: Aristocrat Leisure. In Australia, it's known for making poker machines, but it has a much broader,



global business spanning digital games and technology. As an example, it has 18 creative studios and its mobile-first publishing division Pixel United makes seven of the top 100 games in the United States, including RAID: Shadow Legends. Its games are played by 20 million people a month.¹

When Russia invaded Ukraine, Aristocrat had 1,500 employees in Ukraine and Russia – 1,000 in Ukraine and 500 in Russia. With 7,000 employees globally, that's just over 20% of its workforce. Combined, about 40% of its Pixel United workforce lived in Russia and Ukraine.

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While the Russian invasion might have come as a surprise to many Australians, Aristocrat had been working on a number of contingencies for some time. Before the invasion, cyber security was the primary focus because there had been a reported rise in attempted cyber

strikes in the region, but the company was also encouraging and helping any of its employees that wanted to move from the east of the country to the west, primarily to Lviv, which is 70 kilometres from the Polish border. Employees that wanted to move internationally were also assisted.

¹ www.aristocrat.com/pixel-united/ accessed 6 May 2022

When the invasion occurred, business continuity plans were stepped up, which included the creation of a special task force in Poland to assist staff and families on the ground. Along with continuing to pay employees their full salaries despite no expectation of work being done (how can people work while bombs are falling), Aristocrat organised buses out of war torn areas, along with visas and legal assistance, housing and help settling in to new areas. It paid rent for workers and their families and helped find new schools for workers' children. Where there was room on buses, friends, pets and any others who wanted to get out were also transported. Most of this assistance is still ongoing where it's still logistically possible.

Of course, not everyone chose to leave, and on 24 February 2022 Ukraine announced martial law, preventing male citizens aged 18 to 60 from leaving the country without approval.² Many of this cohort have since either opted to bear arms or been conscripted. Aristocrat offered to move the relatives of those unable to leave or who have chosen to stay and has committed to paying workers conscripted their full salaries for the foreseeable future.

By 9 March 2022³, within two and a half weeks of the invasion beginning, over two-thirds of Ukraine based employees and their families had moved to safer locations domestically or internationally.

What about those who stayed? Aristocrat is providing funds, assisting with shelter, emergency supplies and other direct aid

wherever possible. Colleagues have also got involved, donating funds to support Ukraine colleagues, which Aristocrat has matched, dollar for dollar.

For the 500 employees in Russia, where operations are not viable because of sanctions and a commitment to no longer do business with and in Russia, Aristocrat is working on options. It has suspended its mobile games operations in the country which have historically contributed about 3% of total annualised Pixel United bookings.

Since the start of this conflict, Aristocrat has focused on worker safety and wellbeing rather than cost. It has tried to minimise disruption to the business by releasing game developments sooner than planned, supporting staff to work remotely, opening a new office in Poland and has prioritised cyber security training globally. It says it able to leverage its broad network of studios and operations across Europe, US and Israel to uphold business continuity and relocated staff are working remotely.

This focus on workers is exactly what we look for in the companies we own. Businesses like Aristocrat are in a unique position to help alleviate suffering and the displacement of people in a humanitarian crisis. By acting in support it can also express support for rules-based international order.

We hope every company with people in Ukraine is going to the same degree of effort as this one.



2 www.loc.gov/item/global-legal-monitor/2022-03-03/ukraine-martial-law-introduced-in-response-to-russian-invasion/

3 https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02496957-2A1362088?access_token=83ff96335c2d45a094df02a206a39ff4

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