Moral Rating Agency

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Writing off isn't selling off

- The MRA accuses many companies of making "accounting entries instead of Russia exits"
- Moreover, a write-off can confuse people that an exit has occurred

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The MRA is accusing eleven companies of making announcements of accounting entries instead of making Russian exits.

They have all put a lower or zero value on Russian assets. The MRA is calling on them to stop dragging their heels and actually leave Russia.

Writing off without selling off

Corporate accounting entries by companies holding onto assets

Company	Announcement of write-off or write-down	Activities in Russia
BASF	$7.9 billion write-off related to the planned exit from Russia by Wintershall Dea (67% owned by BASF)	Wintershall involved in gas and oil projects in Russia and did not give a date for its planned exit. BASF still serves existing clients and carved out the food sector in Russia
BP	$25.5 billion write-off related to 19.75% stake in Rosneft and other business with Rosneft in Russia	Still owns Rosneft stake
General Electric	$200 million write-down of Russian assets	Still owns Russian assets, continues existing power services and provides essential medical equipment
Marubeni	$97.0 million write-down related to its stake in Sakhalin-1 project	Still owns stake in Sakhalin-1 project and only announced "negotiating to divest from existing transactions"
Mitsui	$1.0 billion write-off related to its 11.5% stake in Sakhalin-2 project	Still owns stake in Sakhalin-2 project and no exit monitored from other activities in Russia
Mitsubishi	$622 million write-off related to its 10% stake in Sakhalin-2 project	Still owns stake in Sakhalin-2 project and no exit monitored from other activities in Russia
Sumitomo	$445 million write-off related to its aircraft leasing to Russian companies	Still owns Russian assets and only announced "suspending or scaling-back any Russian-related businesses"
PepsiCo	$241 million write-down related to the "discontinuation or repositioning of certain juice and dairy brands in Russia"	Still produces dairy products and crisps, and retained employees
Royal Dutch Shell	$5.0 billion write-down related to its activities in Russia including 27.5% stake in Sakhalin-2 project	Still owns stake in Sakhalin-2 project
Siemens	$651 million write-down related to "Mobility business" in Russia	Continuing to serve existing clients and carved out the health sector
Total	$3.7 billion write-off related to its 19.4% stake in Russian Novatek	Still owns stakes in several Russian businesses and has only said it will "gradually suspend" activities in Russia

Source: **MoralRatingAgency.org**

The MRA investigated the world's top 200 companies to identify those that have written off or written down their Russian assets and those that had not left Russia. Eleven companies were found by the MRA to have made write-off announcements after the invasion of Ukraine despite continuing to hold Russian assets today.

The MRA is not only accusing the companies of failing to get out of Russia but is also highlighting that these write-off announcements can, intentionally or not, give the false impression of an action involving real sacrifice when it is in fact just an accounting entry.

A write-off is not a sell-off

Mark Dixon, the MRA's founder, explained:

> **"Many people think that when something is written off it has been lost. A write-down or write-off just means the owner has put a lower or zero value on an asset at that point in time. It is a paper value that can be revised at any moment at the whim of the owner."**
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> **"If the company drags its heels long enough and doesn't leave Russia, it can write up the value whenever the world situation changes. In this case, the company would have lost nothing and done nothing real. We expect that, when the war one day ends, many of these companies will say there is no longer a need to leave Russia and they will write up the value of their investments."**
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> **"Putin's regime continues to profit from companies' economic support. The war in Ukraine is unaffected by an accounting entry in a company's books and records."**

Confusing statements: write-offs that don't mention any exit plan

To make matters worse, some companies are omitting to mention in their write-off or write-down announcement that they have not yet fully exited from Russia. Mark Dixon said:

> **"A company embarrassed by holding onto its Russian assets may decide to make a big announcement about writing down or writing off the assets, making no clarification of its continuing ownership and hoping people interpret the statement that it has done something to get out of Russia."**

For example, **Shell** reported on April 7th, 2022 a write-down of $5 billion relating to its Russian activities. However, the company gave no update on its promise to exit all of its joint ventures with

Gazprom. This omission may give the impression of progress on this promise. Its intentions may be even more questionable since the write-down announcement came a month after the company was forced to apologise for buying Russian oil on the spot market at a cheap price.

Mark Dixon said:

> **"Shell should be making a real exit rather than an accounting entry. It first announced it planned to sell Sakhalin-2 and other joint ventures with Gazprom a few days after the invasion. In addition to the Sakhalin-2 stake, Shell still has a stake in the Caspian Pipeline Consortium which helps Russia get its oil to the coast. Russia is selling this oil from Sakhalin and the pipeline to countries like India and China to finance its invasion. The excuse that it is difficult to sell assets in Russia is a self-fulfilling one because the longer Shell waited to sell, the harder it becomes to accomplish."**

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About the Moral Rating Agency

The Moral Rating Agency was set up to get Russia out of Ukraine. It later plans to cover corporate unethical actions in other countries and on other issues.

In addition to exposing, and crediting, corporations through moral ratings, the MRA maintains an Indelible Ledger of a company's actions so any later corrective actions do not wipe the slate clean. Time is of the essence, so the rating system includes a disincentive for delay through exposing and tracking what preceded a later corrective action.

Unlike ESG (Environmental, Social and Governance) rating agencies, which have a commercial responsibility to their institutional investor clients to cover the range of issues these clients wish, the Moral Rating Agency is zeroing in on a single corporate moral issue, in this case the Russia-Ukraine war.

The MRA was founded and is led by Mark Dixon, who runs the mergers & acquisitions consultancy Thinking Linking in the City of London and New York. He was one of the co-founders of the online financial commentator BreakingViews.com, which is today part of Thomson Reuters. Mark has been opposed to autocratic regimes, particularly to the Chinese government and to Putin's transformation of Russia from a nascent democracy into a fully-throttled autocracy. He has a personal connection with Ukraine because he has owned an apartment in the city of Lviv since 2010. He has also lived in China.

The MRA has a paid staff of moral raters, verifiers, and fact-checkers who operate according to its Rating Methodology. It also has an on-site team involved in statistics, media relations, site production and publishing.

The MRA has no customers, external commercial relationships, or conflicts of any kind. It will rate and publish so that consumers, media and governments can judge companies on a single topic on a fair basis. This objectivity on individual companies and their relative scores is maintained despite the campaigning nature of the agency, as explained in Rating Philosophy.