

Burger King Faces Scrutiny Over Delayed Exit from Russia Amid Ukraine Crisis

By Julie H. - 10/03/2023

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Despite a previous announcement of its impending departure over a year ago, Burger King continues to operate as usual in its 800 outlets strewn across Russia. The multinational fast-food franchise’s owner, Restaurant Brands International (RBI), which possesses a 15% stake in the chain’s Russian business, remains tight-lipped on the details and offers no updates on the exit plan.

It was in March 2022 when RBI first revealed their intentions to withdraw from Russia, a resolution influenced heavily by the ongoing Ukraine war that has put considerable pressure on Western companies to sever ties with Russia.

Criticism is not in short supply for RBI, with the company accused of bolstering Putin’s regime through a lack of decisive action on relinquishing its share in the Russian business. This questionable relationship with Russia spans a joint venture that includes three additional partners.

David Shear, RBI’s president, noted in a previous announcement that the main operator of Burger King in the country had shown a marked resistance to shuttering the stores in the wake of the initial assaults on Ukraine. Yet, the company commenced the process to let go of its 15% stake, a move that would inevitably require a significant amount of time.

Steven Tian, a discerning researcher from Yale University trained in tracking corporate actions in response to the Ukraine crisis, highlighted the inconsistencies in RBI’s actions. Tian condemned RBI’s framing of franchise agreements as excuses, dismissing them as mere distractions. He drew attention to Starbucks, which managed a clean exit.

As Tian pointed out, “passive intentions to leave contrast sharply with the actual act of exiting Russia. Eighteen months into Russia’s invasion of Ukraine, Burger King continues to contribute to Putin’s regime by maintaining its operations.”

Addressing the criticism, a spokesperson for RBI assured that the company has halted all new investments and supply chain support while steering clear of profits from Burger King in Russia since early 2022.

However, Mark Dixon, founder of the Moral Rating Agency, urged RBI to act more transparently. He emphasized the need for RBI to be prepared to sever bonds, even if it entailed facing legal risks.

Interestingly, Burger King’s prime competitor, McDonald’s, managed a successful exit from Russia despite the ownership of most of its restaurants. Similarly, KFC’s parent company, Yum! Brands, successfully sold over 100 restaurants to a Russian operator and underwent rebranding.

David Bond, a partner at law firm Fieldfisher, says RBI’s 15% stake means they can’t merely dictate terms to its fellow shareholders. He also highlighted the potential legal and reputational risks, but noted it doesn’t stop RBI from terminating the franchise agreement, though it may not erase the brand from Russia’s fast-food scene.

The Burger King franchise in Russia operates under a joint management of RBI and three other entities, including Businessman Alexander Kobolov, who oversees the 800 outlets and owns a 30% stake, ICU Group, a Ukrainian investment firm with a 35% stake, and VTB Capital, an affiliate of the financially powerful VTB Bank.

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