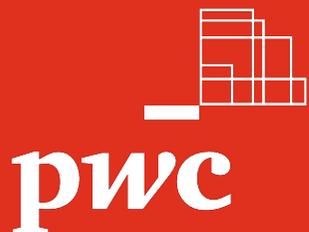


War in Ukraine

Situational Awareness Briefing

24 October 2023



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Situational Awareness – Briefing as of 24 October 2023 (Summary)

Ukraine Crisis

The current geopolitical developments in Eastern Europe and the unprecedented attack on Ukraine are also an attack on our way of living and doing business together.

At the moment, no one can foresee all the consequences of this aggression. This is why urgent questions are now being asked in all areas of our social life. Also for companies this means far-reaching cuts and changes.

This Situation Awareness Briefing is provided for information purposes only by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and will be updated regularly.

The overview to the right represents a summary of points along the following five dimensions:

- Overall Geopolitical Assessment
- Industry/Topic/Country Special
- Forecast
- People
- Operations
- Finance



Overall Geopolitical Assessment

The world is focusing on the Israel-Hamas War and awaiting the Israeli ground offensive. Russia used this distraction and launched a large-scale attack on the Avdiivka salient. The attack achieved almost no success while it led to significant losses for the Russian Army.



Forecast

Xi Jinping showcased ambitions to reshape the global order and emphasized the central role of his relationship with Vladimir Putin // Tensions between the US and China are disrupting established supply chains, potentially leading to sustained inflation and higher interest rates. The US is seeking to reshore strategic manufacturing, the EU is contemplating tariffs on Chinese electric vehicle imports.



Operations (Focus: Cyber)

The Russian airline reservation system, Leonardo, experienced a massive DDoS attack, causing airport check-in issues for several airlines, including Aeroflot and Rossiya // Pro-Russian hackers have reportedly exploited a recent WinRAR vulnerability in a phishing campaign targeting compromised systems to harvest credentials // A hacker group named Ransomed.vc, comprising Russian and Ukrainian cybercriminals, claimed to have hacked Sony's IT systems and is offering stolen files for sale on the dark web.



Inside-out view on reconstruction efforts in Ukraine

Ukrainian railways tested an intermodal route from Kyiv to Budapest, aiming to shift cargo from roads to railways and enhance customer reach // Canada begins ratifying an updated free trade agreement with Ukraine, promoting economic interactions and border simplification // Ukraine adopts law enhancing financial monitoring of politically exposed persons, aligning with IMF standards // Ukraine's economy shows resilience with projected GDP growth.



People

Germany is accelerating the integration of Ukrainian refugees into its labor market by relaxing language requirements and offering additional training // Chinese and Russian companies signed cooperation agreements in various sectors during a regional conference in northeastern China, signaling closer economic ties // Cubans have allegedly been recruited to work for the Russian military.



Finance (Focus: Sanctions)

China has saved almost USD 10 billion this year by importing oil from Russia, Iran, and Venezuela despite Western sanctions // The EU plans to impose restrictions on Russian diamond trade as part of the 12th package of sanctions against Russia, with G7 countries considering a ban on Russian diamond imports // The US has imposed sanctions on key figures of Hamas and Chinese companies that facilitated the proliferation of weapons of mass destruction delivery to Pakistan.

For questions, comments or details, please contact Joint Crisis Center team: de_ukraine-crisis@pwc.com



Key takeaways

- Russia is setting-up its war economy indicating its willingness to prolong the conflict.
- Russia's catastrophic attacks at Avdiivka highlight its inability to learn from previous failures.
- In Kiev, fears arise that the US and Western supporters will be distracted by the Israel-Hamas War.

Current topics

Current situation in the Russo-Ukrainian War

On the Kherson front, Ukrainian forces continued their operations on the southern bank of the Dnieper. While the Russian Army could drive back the Ukrainian Army around Poima and Pishchanivka Ukrainian forces consolidated their positions inside parts of the town of Krynyky. The Ukrainian strategic counteroffensive also continues along multiple sections of the Zaporizhzhia front, albeit encountering significant difficulties during its advance. The two most important sectors remain the Robotyne sector (Tokmak direction) and Staromaiorske (Mariupol direction). The first batch of ATACMS arrived from the United States and made its presence felt in a Ukrainian attack on a Russian airfield at Berdyansk where multiple Russian attack helicopters were destroyed on the ground in a single attack.

The Russian side launched an extensive counteroffensive in the vicinity of Avdiivka from north and south in an attempt to encircle the city. For more than 10 days significant Russian armored elements attacked. In the north, the Russian advance surprised the Ukrainian defenders and managed to gain some territory. However, after the initial shock, Ukrainian forces responded by methodically eliminating all advancing Russian elements, turning the offensive into a military disaster for Moscow. Based on independent sources, the estimates of Russian losses are horrific. Russia suffered about 20.000 casualties (KIA/WIA) within 10 days and lost over 150 tanks and armored vehicles for insignificant gains. The southern pincer of the attack was stopped in its tracks.

A second counteroffensive was launched in the area of Kupiansk. However, it went similarly disastrous for Russia as Ukrainian forces not only managed to repel the attack but launched minor counterstrikes that penetrated the original Russian positions. The Russian attacks can be considered as an attempt by Moscow to shift the strategic initiative in their favor as well as to ease the pressure on their defensive line along the Zaporizhzhia front. In addition, Moscow seems to hope that the concentration of the West on the Israel-Hamas War will limit its ability to support Ukraine with the same vigor as in the past due to the diversion of supplies to Israel that could ultimately constrain Ukrainian capabilities.

Armenia-Azerbaijan conflict over Nagorno-Karabakh

The conflict between Armenia and Azerbaijan flared up on September 19 when Azerbaijan launched a large-scale military offensive against Artsakh, a self-declared breakaway republic supported by Armenia but internationally recognized as part of Azerbaijan. A ceasefire agreement was reached on September 20, according to which both the Artsakh Defence Army will be disbanded, and the Republic of Artsakh dissolved on January 1, 2024. Most of the population of Artsakh, which is of Armenian ethnicity, fled from the region. This outcome presents a significant victory for Azerbaijan.

The conflict has several broader geopolitical implications. Despite a ceasefire agreement mediated between Armenia and Azerbaijan by Russia during the Second Nagorno-Karabakh War in 2020 and the presence of Russian peacekeepers in the region, Azerbaijan still launched a new offensive. This highlights Russia's reduced influence in post-Soviet states. Russia's military resources are overstretched in Ukraine and its international influence is diminished, enabling post-Soviet states to pursue their interests independent of Moscow. Other actors have begun to fill this vacuum left by Russia, with Turkey being Azerbaijan's closest ally and supporter of its offensive against Armenia. In consequence, other states in the post-Soviet sphere will probably also increasingly pivot away from Russia (e.g., Kazakhstan) or seek to resolve long-standing territorial disputes by force (e.g., between Kyrgyzstan and Tajikistan).

The conflict also put the West in a difficult position. Azerbaijan committed severe human rights violations during its offensive. This has been condemned by the European Union and various member states but had little practical consequences for Azerbaijan. Azerbaijan seeks to establish itself as a major gas supplier to the European Union and a major pipeline project is under development. Similar to Qatar, another major gas supplier, political and economic considerations overrode ethical concerns, a precedent that will likely be exploited by other nefarious actors in the future.

Overall Geopolitical Assessment (2 of 3)



Key takeaways

- The Ukrainian offensive continues to make small gains in the central sector of the Zaporizhzhia front.
- A large-scale Russian counteroffensive at Avdiivka led to significant losses to the Russian Army while achieving only minimal gains.

Selected upcoming events

- 28-29 October 2023: G7 Trade Ministers' Meeting, Osaka/Japan
- 26 November 2023: OPEC and non-OPEC ministerial meeting, Vienna/Austria

Current military situation in Ukraine (blue arrows indicate current Ukrainian counterattack, red arrows indicate potential future Russian operations in the coming weeks)





Key takeaways

- Hamas likely seeks to drag Israel into a protracted counterinsurgency in Gaza and provoke a broader expansion of the conflict to the West Bank and Lebanon.
- Even though Israel will inflict disproportionate losses on Hamas, an invasion of Gaza could turn into a disaster for Israel. Hamas is likely prepared to fight a long-term urban insurgency.
- A multi-front war in conjunction with domestic social unrest and a revolt in the West Bank might put Israel in the worst security situation since the Yom Kippur War.
- Arab states may reduce oil or gas exports to pressurize the West into reducing its support for Israel.
- Europe might face a wave of terror attacks conducted by Palestine sympathizers against Israeli institutions.
- The war will potentially cause a (temporary) setback to Arab-Israeli reconciliation.
- Turkey maintains links to both parties and will likely try to exploit the situation for political gain by offering itself as a mediator.
- The war might distract Western attention from Ukraine and constrain support, thereby playing into Russia's hand.

Special topic

Current state and possible implications of the Israel-Hamas War

The number of Israeli forces concentrated on the Gaza border in the aftermath of Hamas' attack and the intensity of Israeli air strikes indicate that Israel plans for the total elimination of Hamas. This will ultimately require prolonged ground operations in Gaza involving urban warfare and may include the temporary occupation of the entire Gaza Strip. In preparation of a ground offensive, Israel already ordered the evacuation of the northern part of Gaza (see Figure 1). Thousands of Israeli military casualties as well as a large number of Palestinian civilian fatalities are to be expected in such a conflict.

The complex nature of Hamas' attack indicates that the group had prepared for it for several months. Sophisticated military equipment used in the attack such as drones, guided missiles, anti-tank missiles, jammers, and modern rifles indicate Iranian involvement. The existing arms embargo on Gaza was evidently deficient. Iranian involvement may also indicate that the Hamas incursion into Israel and the anticipated Israel ground war response is only a precursor to a larger Hezbollah incursion in the north of Israel from Lebanon and Syria. Another likely motive behind the attack is to provoke a severe Israeli response that would in turn incite unrest in the West Bank and further destabilize the fragile Palestinian National Authority. Israel has conducted attacks on Hezbollah sites while the US have deployed a carrier battle group the Eastern Mediterranean to deter an attack from Lebanon or Syria. A multi-front war in conjunction with domestic social unrest and a revolt in the West Bank would put Israel in the worst security situation since the Yom Kippur War.

The war between Israel and Hamas also has a number of broader geopolitical implications:

- **Torpedoing Arab-Israeli reconciliation:** In recent years, Israel established diplomatic relations with several Arab states being currently in the process of normalizing relations with Saudi Arabia. This changes the geopolitical realities to the disadvantage of Iran and its allies Syria and Hezbollah in Lebanon. A harsh Israeli response to Hamas' attack will strain relations between Israel and the Arab world and impede further Arab-Israeli reconciliation.
- **Turkey's double-sided role:** Erdogan's government plays an ambiguous role. Turkish support for Azerbaijan has allowed the latter to reoccupy the Republic of Artsakh. Turkey currently also conducts an air campaign in Syria against the YPG (US ally). It is likely that Washington and Brussels will continue to overlook Turkish transgressions to secure Turkish allegiance with NATO. Turkey plays a similar role regarding Israel and has sought rapprochement with Israel while also maintaining links to Hamas. Turkey will seek to exploit the Israel-Hamas War for its own political benefit (e.g., by offering itself as mediator).
- **Deflection of Western attention from Ukraine:** As Iran is a close ally to Russia, a possible motive for Iranian support for Hamas is the deflection of western material support attention away from Ukraine. This would benefit Moscow, as already strained Western arms depots will have to split their supplies to support both Ukraine and Israel.

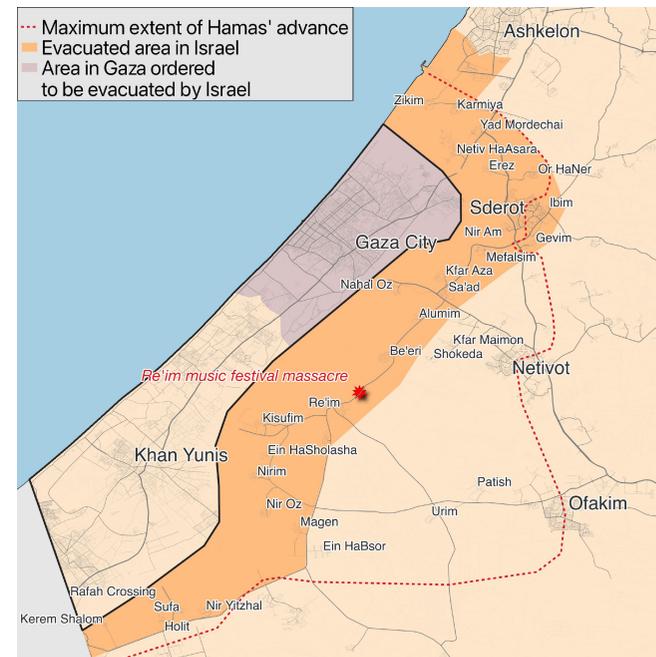


Figure 1: Extent of Hamas' attack and area ordered to be evacuated by Israel (illustration based on public data sources)



Donor activity - update

- The European Commission will make another contribution of EUR 50 million to the Energy Support Fund of Ukraine, established under the Secretariat of the Energy Community. This contribution will allow for the purchase of necessary equipment for the Ukrainian energy system.
- The United States has also allocated USD 522 million to procure energy equipment to support Ukraine's energy infrastructure.
- Furthermore, the Swedish International Development Cooperation Agency (SIDA) has contributed EUR 25 million to the Energy Support Fund, bolstering efforts to enhance Ukraine's energy sector.
- The Government of Norway is allocating USD 134.8 million to support the import of gas and electricity to Ukraine through the EBRD. These funds will be directed towards the repair and technical maintenance of critical electricity infrastructure and emergency power supply in areas affected by hostilities. The Head of the Norwegian Agency for Development Cooperation (Norad) also announced the expansion of energy support to USD 6.7 billion.
- Japan's Grant Agreement for Educational Recovery:
- IMF Launches Capacity Building Fund for Ukraine:
- On October 14, 2023, the IMF announced the launch of a Capacity Building Fund for Ukraine, for which donors have already allocated USD 14 million. The fund will address Ukraine's potential development plan and successful implementation of reforms, with the goal of raising USD 65 million.
- The Prime Minister of the Kingdom of Belgium has announced the creation of a special fund to support Ukraine in the amount of EUR 1.7 billion. This fund is funded through the taxation of frozen Russian assets within the country, making Belgium the first country to initiate such a practice to support Ukraine's fight against Russian aggression.

Current topics

Intermodal Transportation with European Countries

On October 11, 2023, the Ukrainian railway operator Ukrzaliznytsia, the Austrian railway company Rail Cargo Austria, and the German wagon operator VTG successfully tested an intermodal route for transportation of semitrailers from Kyiv to Budapest. This route marks the beginning of the implementation of an intermodal transportation project between Ukraine and European countries. The container technology will enable Ukrzaliznytsia to expand its customer base and shift cargo from road transport to rail. Additionally, a similar test transport route from Kaunas to Kyiv is planned as part of the cooperation with Lithuanian Railways (LTG).

Updated Free Trade Agreement with Canada

Ratification of the updated free trade agreement with Ukraine has begun in Canada. The agreement regulates investment, service provision modalities, the national regime for international trade in services, and conditions for conducting electronic commerce. Additionally, Ukraine and Romania have signed a bilateral declaration on cooperation to expand economic interactions, establish transportation links, simplify border crossing procedures, and expand military-technical cooperation.

Strengthening Financial Monitoring in Ukraine

On October 17, 2023, the Parliament of Ukraine adopted the law to strengthen politically exposed persons' financial monitoring. The law complies with AML/CFT standards, and its adoption was one of the IMF requirements. The law increases the responsibility of primary financial monitoring. Additionally, instead of three years after taking office, state officials will effectively have the status of politically exposed persons for the lifetime.

Resilience of the Ukrainian Economy

According to the Ministry of Finance of Ukraine, the Ukrainian economy has shown resilience in 2023. GDP is projected to grow by 4.7% in 2023 after a 29.1% decline in 2022. Inflation is decreasing faster than expected, reaching 7.1% in September 2023, down from 26.6% in 2022. International financial support remains steady and predictable, with a total volume of USD 33.8 bln in 2023. According to the Ministry of Economy, Ukrainian businesses have received more than EUR 4 bln in support from international partners during the war. Projects worth EUR 2.7 bln are currently being implemented, and projects worth EUR 1.5 bln have already been approved and signed.

- The Ukrainian government has approved the implementation of a pilot project for conducting mass land assessments. The pilot project, spanning 11 months, includes the following components: creation of a geoinformation system for mass land assessment integrated with the software of the State Land Cadastre; development of a mathematical-statistical model for mass land assessment; establishment of an automated system for calculating and updating mass land assessment indicators; development of proposals for utilizing the results of mass land assessment for land taxation purposes. This pilot project aims to enhance the land assessment process and its integration into land taxation procedures.
- During the 5th Summit of European Export Credit Agencies (ECAs), which gathered the heads of the largest European ECAs to discuss strategic investments in Ukraine, the leaders of EU ECAs announced the preparation of a joint risk insurance strategy for Ukraine. A proposal has already been submitted to the OECD to review Ukraine's country risk classification group, suggesting a downgrade from the seventh group to the sixth group.
- According to the Government of Ukraine, considering previous support packages, approximately EUR 500 mln have already been mobilized for demining efforts in Ukraine. Specifically, this includes EUR 100 mln from Switzerland, around EUR 20 mln from Norway, EUR 12.5 mln from Sweden, EUR 5 mln from Croatia, EUR 2 mln from Austria, and EUR 1.5 mln each from Spain and Slovenia.



General context

Considerations on implications for businesses along the PESTEL framework

P Political	China strengthens ties with Russia amid Gaza and Ukraine
E Economic	Change in global markets amid China-West tensions
S Social	Socially related implications
T Technological	Technology related implications: e.g. cyber threats and disinformation, IT infrastructure disruptions
E Environmental	Environment related implications: e.g. Resource scarcity, energy embargo
L Legal	Legal implications: Compliance with changing regulations, contractual obligations, etc.

Current topics

China strengthens ties with Russia amid Gaza and Ukraine

Reportedly during the the Belt and Road Forum, held by China last week, Xi Jinping, used the conference to showcase his ambitions to “reshape the global order”, as the uncertainty grows with a war in Ukraine and a crisis in Gaza. And he gave a prominent role to Vladimir Putin, underscoring how central their relationship is to Mr. Xi’s vision. “What we stand against are unilateral sanctions, economic coercion and decoupling and supply chain disruption,” Mr. Xi said. At the same time, Mr. Putin attempted to emphasize his country’s strategic independence from China. He highlighted Russia’s vast infrastructure ambitions in the region and urged for international investment, but he made no mention of joining China’s current projects. Later that day, he described the two visions as “complementary.”

According to the media the question of how far China and Russia’s alignment extends has risen to the forefront in the debate over how the world should respond to the conflict in Gaza, according to The New York Times.

Forecast on the influence of China-West tension on global markets

As reported by Reuters the desire of both Washington and Beijing to reduce their reliance on each other is straining established supply chains, potentially leading to sustained inflation and higher interest rates. As part of the shift, the US aims to bring strategic manufacturing, like electric vehicles and semiconductors, back to the country. Reportedly this approach may result in inflationary pressures, especially if Western manufacturing doesn’t scale up rapidly enough to replace declining imports. The US is promoting the concept of “friendshoring,” replacing China’s role in supply chains with friendly nations.

Research indicates that Vietnam and Mexico have benefited the most from the US supply chain shift. Mongolia is seeking US investment in mining rare earths, the Philippines is pursuing US infrastructure investment, and India is seen as a strong contender in low-cost, large-scale manufacturing. However, India is reportedly viewed as the most able to compete with China in low-cost, large-scale manufacturing.

Preliminary Assessment

- The Belt and Road Forum is centered on China’s signature foreign policy initiative, which aims to expand Beijing’s influence abroad with infrastructure projects.
- Prime Minister Viktor Orban of Hungary was the only European Union leader to attend.
- According to analysts, China’s criticism of Israel shows the country’s growing assertiveness and desire to seek favor with Middle Eastern countries. China has attempted to play a larger role in the Middle East in order to “fill the void” created by the withdrawal of US forces, most notably in Afghanistan.
- India’s central bank forecasts a 6.5% expansion this fiscal year, while China is expected to grow around 5%. If India can raise its annual economic growth closer to 8% over the next five years, it could become the biggest contributor to global growth.



Key Considerations

Response measures may include the following:

- Scenario planning sessions to explore how the escalating situation could impact the organization and identify the risks and mitigating actions.
- “Table-top exercising” can be used to validate response structures if they are not already in operation.
- Ensuring that playbooks are in place for extreme but plausible scenarios such as loss of IT for an extended period and disruption to critical suppliers.
- Ensuring the ability to locate all personnel based in, or travelling to, regions of conflict and ensure appropriate steps are taken for their protection.

Current topics

Germany is to speed up integration of Ukrainian refugees into its labour market

The German government has proposed steps to speed up the integration of Ukrainian refugees into its labour market, calling on companies to relax German language requirements and offer additional training. The government hopes to enlist the support of companies, employment agencies and associations that have made voluntary commitments and has appointed a special representative of the Federal Employment Agency, Daniel Terzenbach, to liaise with them. The new steps are aimed at helping, in particular, Ukrainian refugees who have completed or are about to complete integration courses offered by the German government.

Russian and Chinese firms sign agreement deals

Chinese and Russian companies participating in a regional conference in northeast China signed a number of cooperation agreements in sectors ranging from manufacturing and logistics to e-commerce and agriculture. The conference in Shenyang follows last week's meeting in Beijing between Russian President Vladimir Putin and Chinese President Xi Jinping. China has called for increased cross-border connectivity with Russia and deeper economic cooperation, despite Western disapproval. Moreover, northeastern China is gaining new strategic importance as an area of bilateral relations.

Cuban citizens recruited for Russian army

According to an investigation by Reuters, residents in various Cuban districts were approached with offers to join the Russian military, often facilitated through social media channels. In some cases, individuals volunteered to work in non-fighting roles, such as construction and logistics, while others expressed their intention to participate in combat. The recruitment activity commenced after a decree by President Vladimir Putin allowing foreigners joining the Russian military on year-long contracts to obtain Russian citizenship. The Cuban government initially responded ambiguously to this recruitment, with the Cuban ambassador in Moscow indicating tolerance for Cubans signing contracts with the Russian army but later contradicting this stance, emphasizing that Cubans were prohibited from fighting as war mercenaries. The situation gained public attention when the Cuban government announced the arrest of 17 individuals allegedly connected to a human-trafficking ring that recruited Cubans to fight for Russia.

Preliminary Assessment

- According to the Federal Employment Agency, the employment rate of Ukrainians in Germany is currently 19%.
- According to government data, in July, there were about 196,600 employed Ukrainian citizens in Germany, of whom 154,600 were paid social security contributions and 42,000 were employed in low-paid or part-time jobs.
- As of September, there were 205,970 unemployed Ukrainians in Germany.
- In January–September, 40 Russian firms opened businesses in Liaoning, China's national broadcaster reported. Liaoning's shipments to Russia increased by 82.3% in the first nine months compared to a year earlier to USD 5.83 bn.
- In March, a new freight hub for China-Europe freight trains was put into operation in Shenyang, with a train carrying 55 containers heading to Russia for the inauguration of the hub.
- In May, Chinese customs announced that starting in June, landlocked Jilin province will be able to use Vladivostok, the largest port in the Russian Far East, to deliver goods to Zhoushan and Jiaying in China's eastern Zhejiang province, cutting costs and transportation time.



Ukrainian hackers announced they had hacked the database of one of the largest Russian banks

According to media reports from 19 October, Ukrainian hackers penetrated the database of one of the largest banks in Russia, Alfa-Bank, and stole a considerable amount of information about the clients of this institution. According to the Ukrainian project KibOrg, the hack was carried out by their team in collaboration with NLB hackers.

“Personal data of more than 30 million clients of the largest private bank in Russia have been obtained. The database contains information about the client’s full name, date of birth, account number and telephone number,” the project reports.

To confirm that the cyberattack was indeed successful, the project published the banking data of the sanctioned Russian oligarch Mikhail Fridman, who is a co-founder and co-owner of the bank, his son Alexander Ozhelsky and some Russian celebrities.

In a commentary to the Russian agency TASS, the Alfa Bank press service stated that there was no hacking.

Due to Russia's invasion of Ukraine, Alfa Bank is under international sanctions from the European Union, USA, UK and other countries. Fridman is under personal sanctions from the UK, Canada, Switzerland, Australia, New Zealand, and Ukraine.

Current topics

The Russian Leonardo air ticket booking system is being attacked from abroad, in particular from Ukraine

Reportedly Russian airline reservation system Leonardo recently suffered a massive DDoS attack, causing problems with check-in at airports for numerous airlines, including Aeroflot, Pobeda, Rossiya, UTair and Red Wings. Rostec, as a developer, reported that attacks on the Russian domestic reservation system occur regularly. There have been dozens of such attacks in recent months, including about 5 attempts recorded in September. As Rostec emphasized, the attackers set themselves the goal of “stopping air transportation in Russia.”

Pro-Russian hackers exploiting recent WinRAR vulnerability in new campaign

Pro-Russian hacking groups have exploited a recently disclosed security vulnerability in the WinRAR archiving utility as part of a phishing campaign designed to harvest credentials from compromised systems. The attack involves the use of malicious archive files that, when clicked, give the attacker remote access to the targeted host. Also deployed is a PowerShell script that steals data, including login credentials, from the Google Chrome and Microsoft Edge browsers.

Hackers from Russia and Ukraine jointly hacked Sony

The hacker group Ransomed.vc, uniting Russian and Ukrainian cybercriminals, announced that it had hacked Sony IT systems and stolen about 6,000 files from them ed of last month. The database is reportedly up for sale on the dark web, but its contents are unknown. Sony has not commented on the incident. Ransomed.vc includes cybercriminals from a number of countries. Reportedly in particular, hacking specialists from Russia and Ukraine work side by side within this group. The group directly states that the majority of participants are natives or residents of these countries, and they ask other members of the group to refrain from attacks on targets in Ukraine or Russia.

Preliminary Assessment

- Leonardo's own information security team is deployed to repel attacks. To strengthen the service in the face of unprecedented attacks, two additional distributed teams have been brought in.



Key Considerations

Sanctions Screening Activities

- Screening solutions generate increasing number of alerts (especially banks must deal with the increased workload)
- Appropriateness and effectiveness of sanctions screening measures in identifying sanctioned parties and activities must be ensured. Complex ownership structures complicate the proper identification of involved parties (OFAC 50% rule)
- Trade transactions with Russia and Belarus must be reviewed

Sanctions Compliance Governance

- Sanctions Compliance Governance as a key requirement increasingly in the focus of regulatory authorities
- Robustness of Sanctions Compliance Management System and sanctions controls to counter the current and new sanctions regulations
- Adequateness of internal safeguards to prevent sanctions circumvention activities

Current topics

China saves USD 10bn from record sanctioned oil imports

Reportedly China has saved nearly USD 10 bn this year through substantial oil purchases from Russia, Iran, and Venezuela, all under Western sanctions. These lower-cost imports have boosted margins for Chinese refiners, including smaller independent operators known as "teapots." The savings stem from discounts and price differentials compared to alternative crude sources. Russia, Iran, and Venezuela accounted for a quarter of China's crude imports in 2023, up from 21% in 2022.

The US State Department commented that price caps on Russian oil allowed buyers to negotiate better deals, thereby limiting Moscow's revenue. However, the US maintains sanctions enforcement against Venezuela and emphasized China's isolation in the global community.

12th package of EU sanctions will include restrictions on diamond trade

The 12th of EU sanctions against Russia will include restrictions on trade in Russian diamonds, which is already being discussed at the G7 level, which was announced by an unnamed European diplomat in Brussels. According to him, the Western allies of the G7 are ready to announce a ban on diamonds to Russia "in the coming days".

As EU Observer reported earlier, representatives of the G7 countries will discuss four options for banning the supply of Russian diamonds to their markets from 1 January. Four sanctions proposals - ranging from light self-regulation to tough import measures - were prepared by Belgium, India, the French jewellery industry group and the World Diamond Council. They will be discussed at a meeting of G7 technical representatives.

US sanctions on Hamas leaders and Chinese companies assisting Pakistan

The US has announced sanctions against key figures of the Hamas group, as well as intermediaries who have provided support to this terrorist organisation. The US has imposed sanctions on 3 organisations in China that facilitated the proliferation of weapons of mass destruction delivery to Pakistan.

Preliminary Assessment

- China received a total of 2.765 mn barrels per day (bpd) of crude from these countries in the first nine months of 2023. The savings on these imports have also been a financial lifeline for the economies of Moscow, Tehran, and Caracas, which have faced constraints due to Western sanctions and reduced investment.
- Chinese General Technology Ltd supplied materials for connecting components in ballistic missile rocket engines and for the production of combustion chambers. Another Chinese manufacturer, Beijing Luo Luo Technology Development Co Ltd. provided equipment for the production of solid rocket engines, which is subject to the restrictions of the Missile Technology Control Regime. Changzhou Utek Composite supplied D-glass fibre glass, quartz cloth and high silica cloth used in rocket systems.

General remarks



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