

Despite the EU's efforts to weaken the Russian government's ability to finance the aggression against Ukraine, driven by the implementation of unprecedented restrictive measures (sanctions), Russia has managed to avoid and circumvent some of those sanctions.

Hence, the latest EU Sanctions Package, published on 23 June 2023, puts a strong emphasis on preventing circumvention, particularly for high-risk sectors and complex supply chains.

To help EU operators cope with their due diligence and compliance efforts, the European Commission has just issued a [Guidance Note](#) (the Guidance/the Document) providing a general overview of the major sanctions compliance aspects for EU companies to take into consideration.

The Guidance is not meant to be an exhaustive instrument applicable to all sectors and operators. As new forms of circumvention emerge, further approaches to due diligence should be implemented simultaneously.

The Document provides practical instructions for companies to comply with their obligations to perform an appropriate due diligence calibrated according to the specificities of their business and the risk exposure associated to them.

EU operators are encouraged to adopt a strategic risk assessment consisting of the following stages – (i) identification of threats and vulnerabilities; (ii) risk analysis; (iii) design of mitigating measures; (iv) implementing of mitigating measures; and (v) regular updating.

They should, based on the strategic risk assessment and the risks outlined in the Guidance, align their efforts to tackle those risks.

Such risk management should lead EU operators to adopt a proportionate approach and focus on the sectors deemed most exposed to circumvention risks by putting in place adequate proportionate systems to ensure that such threats do not materialise.

The Guidance provides some general good practice at three different tiers – (i) at the stakeholder level; (ii) at a transactional level; and (iii) at the commodity level. Furthermore, it outlines good practices to address different forms of sanctions circumvention, in particular through unlawful trade via third countries.

The Guidance also provides illustrative examples to assist companies in implementing the recommended practices and an indicative list of circumvention red flags.

We find that, albeit the Guidance is at a preliminary stage, it does provide some clarity to companies and ease the process of establishing an effective due diligence. We expect these types of recommendations to become more comprehensive and complete with each new development as further cases emerge.

In case you have any questions on the Guidance, or on how to comply with international sanctions in general, please contact:

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