

# Navigating sanctions: Practical guidance to mitigate business risks

## Regulatory obligations, contractual considerations and compliance strategies

20 December 2024

---

Global sanctions regimes have become increasingly complex, with the EU, US, UK and individual nations adopting multifaceted sanctions packages. The latest EU measures, effective from 26 December 2024, place additional compliance responsibilities on businesses operating within the EU and beyond. The consequences of non-compliance, including rejected payments, frozen assets and potential criminal liability, underscore the critical need for companies to understand and manage their exposure to sanctions risks.

The complexity of sanctions is reflected in their broad scope and the severe penalties for non-compliance. Many sanctions apply extraterritorially, affecting companies worldwide that have connections with sanctioned goods, services or individuals. This Client Alert highlights key developments and offers practical recommendations for businesses to manage sanctions risks effectively.

## 1 Key updates on sanctions

### New EU obligations effective on 26 December 2024

- 1. Extraterritorial effect of EU sanctions on non-EU subsidiaries**  
EU companies must now make "best efforts" to prevent non-EU entities they own or control from undermining EU sanctions. This primarily means that companies should ensure that such non-EU entity stops any planned or ongoing activities which undermine the EU sanctions.
- 2. Restrictions on intellectual property (IP) transfers**  
When transferring IP rights or trade secrets related to controlled Common High Priority (CHP) items to non-EU partners, EU companies must include contractual clauses prohibiting the use of such IP or trade secrets for CHP items destined for Russia. This obligation extends to sublicensees.
- 3. Ban on legal representation in certain Russian legal proceedings**  
EU entities are prohibited from participating, directly or indirectly, in Russian legal proceedings initiated under Article 248 of the Russian Arbitration Procedure Code or similar Russian laws, if the proceedings are connected to contracts affected by EU sanctions or asset freezes.
- 4. Stricter liability under anti-circumvention rules**  
Companies may be held liable even if they did not intentionally seek to bypass sanctions but acted with knowledge that their actions could have this effect.
- 5. Expanded restrictions on road transport and maritime access**

# Wolf Theiss

The EU has extended the road transport ban to include EU road transport companies that are at least 25% owned by Russian individuals or entities. Additionally, new vessel access restrictions to EU ports and locks apply.

## 2 Key considerations for businesses

### Business owners' responsibilities under sanctions

Compliance with sanctions is a legal obligation for all companies operating within EU jurisdiction. Companies must ensure that their transactions, partnerships and supply chains do not involve sanctioned parties, goods or services. Significant extraterritorial effects of the sanctions have been introduced in the Article 8a. Starting 26 December 2024, EU companies must undertake "best efforts" to prevent non-EU entities they own or control from undermining EU sanctions. This primarily means that companies should ensure that such non-EU entity stops any planned or ongoing activities which undermine the EU sanctions.

Failure to comply can result in serious consequences, including:

- **frozen payments and assets;**
- **trade disruptions; and**
- **criminal and administrative penalties**

To manage these risks, businesses should take the following steps:

- **Screen business partners and supply chains** by identifying links to countries or individuals subject to sanctions, particularly where deliveries transit through or originate from countries with looser controls such as Kazakhstan and Uzbekistan.
- **Conduct regular due diligence** through screening suppliers, owners and true beneficiaries of counterparties.
- **Maintain up-to-date knowledge of sanctions developments.** Sanctions lists evolve rapidly and companies must stay informed to avoid exposure to new risks.
- **Document compliance efforts** by ensuring there is a record of due diligence processes and results, demonstrating a proactive compliance approach to authorities, if necessary.

## 3 Contractual protections

### Force Majeure clauses

Sanctions may impact the ability of parties to perform their contractual obligations. To mitigate this risk, companies should include explicit Force Majeure clauses in their contracts. Such clauses should list sanctions as a Force Majeure event and provide for the suspension or termination of obligations when performance is hindered by unforeseen external factors.

#### Key recommendations:

- Include a clear definition of Force Majeure and specify that sanctions are a Force Majeure event.
- Ensure that the clause includes the right to suspend or terminate the contract if sanctions prevent performance.

#### Recommended contract clauses

- **Choice of law clause:** Specify which law governs the contract.
- **Force Majeure clause:** Explicitly list sanctions as a Force Majeure event.
- **Dispute resolution clause:** Define how disputes will be resolved, particularly in cross-border contracts.

- **Anti-corruption and sanctions clause:** Require the counterparty to declare that it is not on any sanctions list and to notify you of any change in status.

#### **New obligations for EU exporters**

From 20 March 2024, contracts for exports of certain industrial goods and electronic equipment must include clauses prohibiting the re-export of these goods to Russia. Contracts should also specify penalties for breach of this clause.

## **4 Sanctions compliance measures**

1. **Implement a sanctions compliance programme**  
Companies should appoint an individual responsible for overseeing sanctions compliance. Depending on the size of the company, this role may be fulfilled by an internal employee such as an accountant or legal counsel rather than hiring a dedicated sanctions specialist.
2. **Conduct employee training**  
Employees involved in trade, procurement, and finance should be trained to identify and manage sanctions risks.
3. **Document the process**  
Document how sanctions checks are conducted, what lists are used and how business partners are reviewed. This record can serve as evidence of compliance if authorities request an audit.
4. **Conduct periodic reviews**  
Given the rapidly changing nature of sanctions, businesses should review their compliance frameworks regularly to ensure they remain up-to-date.

## **5 Liability for non-compliance**

Breaches of sanctions obligations may result in both **corporate administrative liability** and **individual criminal liability**. Companies can face penalties even if the individual responsible for the breach is not identified. Under Czech law, criminal liability requires the (direct or indirect) intent to violate sanctions, while administrative liability is strict and does not require intent.

#### **Mitigating factors**

Companies that self-report sanctions violations may be treated more leniently. The 14th Sanctions Package empowers Member States to consider voluntary self-disclosure as a mitigating factor when determining penalties.

#### **Key takeaways**

- Non-compliance with sanctions can lead to administrative fines and criminal penalties.
- Liability can be triggered even if there is no direct intent to violate sanctions.
- Self-disclosure of violations may reduce enforcement actions.

## **6 Next steps**

The implementation of the 14th Sanctions Package introduces new obligations and stricter compliance requirements for businesses. Companies must act now to update contracts, review supply chains and ensure compliance measures are in place before the 26 December 2024 deadline.

Our dedicated team of sanctions experts at Wolf Theiss is available to provide guidance on how these changes impact your business. From conducting risk assessments to drafting protective contractual clauses, we are ready to support your company in navigating this complex regulatory environment.

## About Wolf Theiss

Wolf Theiss is one of the leading European law firms in Central, Eastern and South-Eastern Europe with a focus on international business law. With 390 lawyers in 13 countries and a central European hub in Brussels, over 80% of the firm's work involves cross-border representation of international clients. Combining expertise in law and business, Wolf Theiss develops innovative solutions that integrate legal, financial and business know-how

**For more information, please contact:**



**Jitka Logesová**  
Partner

E [jitka.logesova@wolftheiss.com](mailto:jitka.logesova@wolftheiss.com)  
T +420 234 765 111



**Marie Talašová**  
Counsel

E [marie.talaso@wolftheiss.com](mailto:marie.talaso@wolftheiss.com)  
T +420 234 765 228



**Jaromír Pumr**  
Senior Associate

E [jaromir.pumr@wolftheiss.com](mailto:jaromir.pumr@wolftheiss.com)  
T +420 234 765 111

