

FINANCING & GENOCIDE

Annex A Development Finance Institution and Corporate Responses

All Development Finance Institutions, IFC clients, and end customers named in the report were given an opportunity to respond to the report's findings. Their responses are included here in full. All further responses will be added here as they arrive.

Last Updated: April 14, 2023 5pm UK

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DEVELOPMENT FINANCE INSTITUTION RESPONSES

International Finance Corporation
February 4, 2022

Dear Kendyl et al,

The following is IFC's response to your draft report sent to us on January 28, 2022:

Thank you for sharing this information with us. We are aware of troubling allegations of forced labor and poor treatment of the Uyghur people, and we take these concerns very seriously. IFC does not condone or tolerate discrimination or the use of forced labor.

We note that the window you provided for IFC's review and response to your draft report gave us extremely short notice and falls over the Lunar New Year, a culturally important holiday in China during which our clients and staff are on leave and away from their offices. We also note that much of the background information and additional context we provided previously regarding the issues you raised is not reflected accurately in your report. We will therefore focus here on a few key points.

IFC has invested in projects in China, including the ones named in your report, to help the country address some of its development challenges, notably the transition to more environmentally sustainable growth and the reduction of inequality. Our priority sectors include providing affordable healthcare to less developed areas in China, helping to develop a robust recycling sector to efficiently use scarce resources, and giving farmers access to more stable and enhanced income. Our work is driven by the core principle of inclusion, with special consideration for the protection of vulnerable people and communities.

IFC conducts due diligence on the companies we work with to assess their capacity to meet all of our standards and operate in good conduct. We evaluate our potential investments for environmental and social risks, including standards on fair labor practices, working conditions, health and safety. We help improve our clients' E&S risk management practices during the course of our investments – through capacity building efforts and binding action plans. We do this in China as we would in any other country.

The projects mentioned in your report were all started before Covid restrictions, so we were able to perform our standard pre-investment appraisals. However, we agree that in recent years, accessing projects on the ground has been difficult. We performed site-visits where possible and supplemented them with virtual supervision as best we could, including gathering payroll documents, employment contracts and other evidence of fair labor practices from our clients. We have increased resources for supervision, recognizing the need to ensure our clients have the capacity to adhere to our standards.

As you point out, our Performance Standards, which set the environmental and social terms under which we make investments, are considered a model for banks and investors working in development finance worldwide. They are robust, include protections for workers, communities, and the environment, and expressly prohibit discrimination and the use of forced labor. However, contrary to the assertion in your report, IFC's Performance Standards *are* contractually binding and embedded in the financing and investment agreements.

In most cases, IFC also sets clear, legal boundaries around the use of proceeds from our investments.

In situations where it is required, IFC does context-specific assessments of environmental and social risks. Sensitive to those risks as well as difficulties around travel, we have not made any investments in the Xinjiang region in the last two years. In fact, we recently exited one of our investments because the client planned to acquire a company with operations in Xinjiang and we could not undertake thorough due diligence. We have also turned down a number of new investment proposals because we were not able to verify whether the project met our standards.

We thank you for this information and hope that you will continue to share your insights with us – as we seek to verify and address any allegations of discrimination or use of forced labor with our clients.

Sincerely,

Randall Riopelle
IFC Country Manager, China, Mongolia and Korea

[Note: IFC received a full advance draft of the report, and edits were incorporated to reflect this response and its concerns before the final publication.]

November 9, 2022

After a request for more information about how/whether the Camel project went through a “Broad Community Support” process before putting the lead acid battery project on top of irrigation system and near town, as well as a request for the environmental assessment to be posted to the disclosure page, as required by IFC rules

IFCH-1148593094

Dear Kendyl Salcito, Thank you for your inquiries.

IFC provided a loan to Camel Group to support its battery recycling operations. With respect to information request 1148593094, in Camel’s case, IFC determined during its due diligence process that BCS was not required. Thank you for pointing out that this section of the project’s disclosure page had not been updated – that has now been corrected.

With respect to information request IFCH-1565697419, we require additional time to evaluate the request and will revert as soon as possible.

Best regards. IFC Public Affairs.

Regards,

IFC Corporate Relations

December 21, 2022

In response to a request regarding public posting of Camel’s ESIA per IFC regulations

IFCH-1565697419

Dear Kendyl Salcito, Thank you for contacting IFC.

Following up on our earlier message, this response pertains to information request IFCH-1565697419 relating to disclosures of ESIA's for the Camel Group investment. Local regulations required that the ESIA documents pertaining to two new battery recycling plants be posted online temporarily during a pre-approval disclosure period. We would request that you contact the company for access to these documents as IFC's contract does not permit IFC to independently disclose them.

Best regards.

Regards,

IFC Corporate Relations

April 3, 2023

[after lengthy requests for official comment on status of IFC investments in XUAR]
from Julia Oliver, Communications, IFC

Dear Kendyl and Laura,

In response to your inquiry about the status of four IFC-financed projects, please see the following information:

IFC is no longer invested in Chenguang Bio or Camel Group. Both projects are completed, meaning they have no outstanding loan amounts or payment processes.

IFC's investments in Jointown and Century Sunshine are still active. IFC's [project pages](#) for these investments should reflect any public updates.

European Bank for Reconstruction and Development
February 1, 2022

Dear Laura Murphy,

Thank you for your message. The European Bank for Reconstruction and Development (EBRD) does not invest in Xinjiang Uygur Autonomous Region (XUAR). You can see the full list of EBRD's countries of operations below.

<https://www.ebrd.com/where-we-are.html>

Wishing you a successful and impactful reporting period.

Kind regards,

Civil Society Engagement

European Bank for Reconstruction and Development

March 8, 2022

in response to a request regarding information about sub-contracts related to the Uyghur Region

Dear Kendyl,

Hope this message finds you well and you had a good launch period for your report.

Thank you for your patience and understanding. It took more than expected to check all EBRD procurement systems in order to respond to you as accurate as possible. Now, we are pleased to confirm that there are not any consultants, contractors and/or subcontractors registered to EBRD's procurement system in any of the major cities in Uyghur Autonomous Region.

Wishing you and the whole world peace and prosperity.

Civil Society Engagement Unit
European Bank for Reconstruction and Development
One Exchange Square, London EC2A 2JN
Email: cs@ebrd.com

Web: www.ebrd.com

Visit our website, sign up to our email alerts and follow us on social media to get the latest updates.

European Investment Bank
February 3, 2022

Dear Mrs Murphy,

We refer to your message of 28 January 2022 to the European Investment Bank (EIB) requesting information on companies or projects the EIB has funded in the Xinjiang Uyghur Autonomous Region (XUAR) or that sub-contracts in the XUAR in the last 10 years, as well as the status of those funds at this time.

We thank you for consulting the EIB and would first like to clarify that EIB operations are project-based and as such, do not concern the "funding of companies".

The CCCFL II-Urumqi Building Efficiency, a sub-project under the China Climate Change Framework Loan II concerning the thermal refurbishment of existing buildings in the city of Urumqi ^[1], is the only operation initially considered by the EIB in the XUAR. However, the project was subsequently cancelled, so the EIB has not provided any financing in the region.

Moreover, the EIB has no plans to consider any other operation in the XUAR at this stage.

We hope you find this information useful, and remain at your disposal should you need any further clarifications.

With kind regards,

EUROPEAN INVESTMENT BANK

Juan Manuel Sterlin Balenciaga
Deputy Head of Division

Olivia Saunders
Senior Civil Society Officer

Civil Society Division
Corporate Responsibility Department
Secretariat General

[1] <https://www.eib.org/en/projects/pipelines/all/20140060>

February 8, 2022

in response to a request for dates and reasons for cancelling the sub-project

Dear Mrs Murphy,
Dear Kendyl,

Thank you for your follow up e-mails.

During the implementation, the EIB was informed that a large majority of the buildings initially proposed to the Bank had been refurbished with domestic funds instead of using the EIB loan and were therefore withdrawn from the project scope. As there were only very few buildings available for consideration the sub-project was cancelled in September 2021. The status has now been updated in the EIB website, this was merely a delay in changing the display.

Further, we would like to take the opportunity to make a correction in our previous answer and to add some complementary information. The Bank in fact made a first disbursement to this sub-project in 2015 for EUR 8 million (of the total loan agreement of EUR 40m). These funds will be now pre-paid.

As a result to the human rights situation in the region and the concerns of the EU in this respect, the EIB enhanced its monitoring of the sub-project, with support from specialized human rights and labour consultants.

With kind regards,

EUROPEAN INVESTMENT BANK

Juan Manuel Sterlin Balenciaga
Deputy Head of Division

Olivia Saunders
Senior Civil Society Officer

Civil Society Division
Corporate Responsibility Department
Secretariat General

February 8, 2022

Apologies but there was a mistake in my previous message
The disbursement took place in 2019, and not 2015.

Sorry for the inconvenience!

Regards
Juan M.

ASIAN DEVELOPMENT BANK
February 8, 2022

Dear Laura

I hope the info below is of help to you.

Regards

Graham Dwyer
Principal Communications Specialist
Asian Development Bank
Manila, Philippines

Inquiry 1. We are seeking comment from the Asian Development Bank regarding its financing in the XUAR. Would you please identify any companies or projects ADB has funded in the XUAR or that subcontract in the last 10 years, as well as the status of those funds at this time?

Response. Over the last 10 years, ADB has funded 4 sovereign projects in XUAR. Two projects have been closed and two are ongoing. The respective project profiles (weblinks) and status have been summarized in the table below.

ADB projects in XUAR from 2013-2022 (as of 31 January 2022)

□

Project No.	Project Name	Year Approved	Loan Amount \$ million	Implementation status
3017-PRC	Xinjiang Integrated Urban Development (https://www.adb.org/projects/45508-002/main)	Aug. 2013	\$200.0	Jun. 2021 (Closed)
3262-PRC	Xinjiang Akesu Integrated Urban Development & Environment Improvement (https://www.adb.org/projects/46049-002/main)	Jun. 2015	\$150.0	Apr. 2021 (Closed)
3263-PRC	Xinjiang Tacheng Border Cities and Counties Development (https://www.adb.org/projects/46063-002/main)	Jun. 2015	\$150.0	Jun. 2022 (Active)
3568-PRC	Xinjiang Changji Integrated Urban-Rural Infrastructure Demonstration (https://www.adb.org/projects/49029-002/main#project)	Sep. 2017	\$150.0	Sep. 2023 (Active)

Inquiry 2. Would you please indicate any assessments of Performance Standards or other ESG risk that your institution has conducted in regard to these investments since the crisis in the XUAR emerged in 2016?

Response. ADB's involvement in projects requires the project executing agencies to comply with ADB policies on procurement as well as environmental and social safeguards. Ethnic minority development plans (EMDPs) were prepared for each project (accessible in the project links in the table above). These plans assess project impacts in a culturally appropriate and gender-sensitive manner to ensure ethnic minorities benefit equally from a project, are fully included in project communication and implementation, and are able to voice their concerns and needs.

These plans have been monitored closely during project implementation to ensure compliance with ADB's indigenous peoples, social, and environmental safeguards, as required under the ADB Safeguard Policy Statement (2009). All project missions have reviewed EMDP implementation progress by visiting project

sites and interviewing local ethnic minority people. Physical review missions were carried out by ADB staff in November and December 2019 for the four ADB funded projects, and virtual reviews (as COVID-19 travel restrictions did not allow physical visits) in October 2021 and November 2021 for the two ongoing projects in XUAR.

February 9, 2022

In response to a request to provide reason projects were closed early

Dear Kendyl

The two projects were closed since they were completed. Please refer to the previous correspondence where we have provided the project links for more information.

Best regards

Graham

February 15, 2022

in response to a request for additional information regarding closure of the loans

Dear Kendyl

In answer to your first question in bold, the projects are finished and closed, and loan disbursements have ended. The sovereign loans are being repaid (over 21 years plus a grace period of 5 years).

On your second point, none of ADB's private sector loans proceeds were used for any projects in Xinjiang.

Regards

Graham

CORPORATE RESPONSES

Chenguang Biotech Customers

HUDSON TRADERS

January 31, 2022

Hello Professor Murphy:

We have received and reviewed your very important email.

Chenguang Biotech's (CGBT) Hebei facility, is one of many international suppliers to our company. We acknowledge and support that the US has recently memorialized in the UFLPA that deplorable human rights violations have occurred in the XUAR, China. We understand that with passage of this law, significant heightened scrutiny on imported goods sourced wholly or in part in XUAR, will be made. We intend to submit comments during the open US-CBP public comment period, requesting guidance on the scope of additional products to be added to the current WRO list.

As to our efforts to investigate allegations of forced labor in the XUAR throughout our supply chain, we have not idled. Correspondence and documentary requests began on this subject matter in earnest in 2020. CGBT has submitted to Sedex Members Ethical Trade Audits (SMETA) at their Hebei facility and more recently, a SMETA at their upstream XUAR facility. The audits we reviewed reflect no evidence of participation in a forced labor scheme at their facilities, nor up or downstream in their supply chain. The supplier has firmly and repeatedly denied any involvement in alleged forced labor or human rights violations in the XUAR to us.

To be clear, as an American company and as individuals, we will not tolerate, nor facilitate a supply chain using forced labor practices or human rights violations, whether in China or any other country in the world where we engage business. Should you have clear and conclusive evidence that CGBT is participating in a forced labor scheme or human rights violations in its supply chain to which we are currently unaware, please respond to me immediately. If it exists, we will take appropriate action to end our business relationship with CGBT. We look forward to reviewing your forthcoming report.

Sincerely,

Justin Nadi, *President*



KALSEC
February 2, 2022

Professor Murphy,

As a certified B Corporation, we take very seriously our commitment to ethical and sustainable business practices. We hold ourselves and those we do business with to some of the highest standards of responsible sourcing and product traceability in our industry, and will not do business with any company that fails to remedy breaches to our supplier code of conduct. We also highly value and monitor the work of organizations seeking to end labor abuses and human rights violations around the world, including in the Xinjiang region of China.

Chenguang BioTech, as a Kalsec supplier, has been subject to our industry-leading Supplier Approval and Responsible Sourcing programs. Under these programs, suppliers are required to submit documentation of their labor and sourcing practices, hold onsite visits with Kalsec representatives, members of our responsible sourcing team, and participate in a SEDEX-SMETA audit commissioned through a respected third-party auditor, among other requirements. Kalsec routinely exceeds industry standards in order to ensure product traceability and responsible sourcing. For instance, we devote considerable resources to vet our suppliers' supply chains. Kalsec employees have personally visited local farms to conduct a sustainability assessment of Chenguang BioTech's supply chain, using the Farm Sustainability Assessment (FSA) tool from the Sustainable Agricultural Initiative Platform. We also personally trained Chenguang BioTech company representatives to conduct their own further sustainability assessments to ensure adherence with our supplier requirements.

We will continue to do everything we can to ensure Kalsec products are sourced responsibly, and we continue to uphold our commitments as an ethical and socially conscious business. That includes continuing to engage with our suppliers in the Xinjiang region, regulators in the United States and China, and respected experts in sustainable sourcing.

We look forward to the report and any information you can share regarding specific supplier findings and dates/location for publication.

Regards,

Mark Staples
Executive Director, Global Marketing
Kalsec, Inc

January 11, 2023

Laura –

Hope you're well.

By way of update, we ended all sourcing from Xinjiang, and particularly Chenguang, shortly after our correspondence and prior to the enactment of the UFLPA. We shifted to suppliers to India and are working on a program ensuring that our supply chain is free of forced labor, particularly with regard to inputs from Xiangjiang. We have also researched the possibility of isotopic testing that, from an analytical standpoint, would affirmatively establish a product free of material from western China.

We are getting punished in the marketplace to the tune of lost sales, as our costs have incrementally increased in light of this choice, and some customers still don't seem to understand the issue. Additionally, we believe suppliers in the market given their costs are still sourcing from the region.

Would love the chance to talk with you about this space, particularly as we are trying to maintain a foothold in this space while committing to be free of forced labor. Thanks much.

Ian R. Kennedy
Vice President & General Counsel
Kalsec, Inc.

Camel Group Customers

VOLKSWAGEN
January 28, 2022

Dear Ms. Murphy,

thanks a lot for your mail!

At Volkswagen Group, human rights, tolerance and respect for one another has a top priority. Volkswagen and its joint ventures strictly oppose any form of forced labor in our operations anywhere in the world, including China.

The general approach to “Business and Human Rights” in the Volkswagen Group are shown under this link: <https://www.volkswagenag.com/en/sustainability/business-and-human-rights.html>

On our corporate website, we also dedicated an entire section on ESG – Controversies (<https://www.volkswagenag.com/en/InvestorRelations/corporate-governance/ESG.html>): Here you can find detailed information on the status in China as well as the response by Volkswagen AG to the Office of the High Commissioner on Human Rights regarding the situation in the Xinjiang Uyghur Autonomous Region (https://www.volkswagenag.com/presence/investorrelation/publications/corporate-governance/2021/esg-controversies/2021.03.12_Letter%20UN%20Human%20Rights%20Special%20Procedures..pdf)

In addition, we presented the topic of “Business and Human Rights Management” at Volkswagen AG during our last ESG conference in October 2021 (<https://www.volkswagenag.com/presence/investorrelation/publications/presentations/2021/10/2021-10-08-VWAG-ESG-Business-Human-Rights.pdf>)

With the “Code of Conduct for Business Partners” Volkswagen Group formulates the expectations for the attitude and behavior of their business partners in their business activities. (https://www.volkswagenag.com/presence/nachhaltigkeit/documents/policy-intern/CodeofConduct_BusinessPartners_V2020.pdf)

Here you can find the reporting options and points of contact for reporting misconduct (p.34).

Please do not hesitate to contact us if there are further aspects or information required by your side.

Best regards,

Ulrich Hauswaldt

Senior Investor Relations Officer
Konzern Investor Relations (K-FTK)

Volkswagen Aktiengesellschaft

February 2, 2022

in response to an email indicating that Camel Groups lists both Audi and Volkswagen as customers on its website.

Dear Laura

Your message has been forwarded to our purchasing department experts.

Due to Chinese New Year, we don't expect an immediate response.

We'll keep you posted,

Kind regard

Alex

Alexander Hunger

Senior Investor Relations Manager

Group Investor Relations, K-FTK

February 9, 2022

Dear Ms. Murphy,

My name is [redacted on request of the author], and within the Volkswagen Group, I am part of the purchasing department that is in charge of sustainability management in our supply chain. Grievance mechanism and Human Rights Due Diligence is an important part of our responsibility, hence we would like to get in touch with you about your recent inquiry about the CAMEL Group.

As described in the statement sent to you by the Audi AG, we as Volkswagen Group also analyses our business relationship with the CAMEL Group. In order to fully understand the extend of the allegations raised against them, we would like to ask you for a personal meeting. Please let us know if you agree and we will arrange for a Teams meeting accordingly.

Thank you very much and best regards,

Nachhaltigkeitsmanagement Konzerneinkauf (K-BG/N)

Volkswagen Aktiengesellschaft

AUDI/VOLKSWAGEN
February 1, 2022

Dear Laura T. Murphy,
thank you for your e-mail.

We take the suspicion of potential misconduct regarding human rights violations very seriously. Based on the information you have given us, we have undertaken an initial investigation in accordance with our guidelines. Regarding your inquiry, we can say: According to the current status of our investigations, Camel Group and Chenguang Biotech are no direct suppliers of AUDI AG. We have also informed our parent company, the Volkswagen Group, of this suspicion. Initial investigations were also launched there.

AUDI AG as well as the Volkswagen Group take their responsibility as companies in the field of human rights worldwide very seriously. Our work with our factories, sales companies and suppliers is based on our principles, such as respecting minorities, employee representations and social and labor standards. We expect the same of our Business Partners worldwide. If the Volkswagen Group learns of allegations, it investigates them immediately. If serious misconduct cannot be remedied, this would result in termination of a contract.

Before we place an order with a supplier, we check them using a sustainability rating. This so-called S-Rating evaluates our supplier companies with regard to environmental, social and corruption risks by using various instruments. It is a binding award criterion. An award by the Volkswagen Group is only possible with a positive S-Rating.

If you have any additional questions about the Volkswagen Group, please contact Sebastian Schaffer (cc).

Best regards
Sabrina Kolb

Mit freundlichen Grüßen
Kind regards



Sabrina Kolb
Pressesprecherin Beschaffung und
Nachhaltigkeit
Press Spokeswoman Procurement and
Sustainability

February 2, 2022
in response to an email indicating that Camel Groups lists both Audi and Volkswagen as customers on its website.

Dear Laura,
many thanks for the response and for this tip! We'll look into it.

Best regards
Sabrina

VOLVO
February 2, 2022

Dear Ms Murphy,

Many thanks for your email. We have not identified any connections between Volvo Cars and the companies you are referring to.

Best regards,

Stefan Elfström
Communications | Engineering & Operations

Sheffield Hallam University

Financing & Genocide: Development Finance and the Crisis in the Uyghur Region

MURPHY, Laura, SALCITO, Kendyl and ELIMÄ, Nyrola

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