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FINANCING & GENOCIDE

Development Finance and the Crisis in the Uyghur Region

Laura T. Murphy, Kendyl Salcito, and Nyrola Elimä

Atlantic Council

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Cover: Still from Chenguang Biotech Promotional Video

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EXECUTIVE SUMMARY

THE WORLD BANK'S PRIVATE lending arm, the International Finance Corporation (IFC), has committed to upholding the human rights of populations affected by its investment projects since at least 2012, with the launch of its updated Performance Standards. These eight standards mandate adequate assessment of project risks and management planning, as well as rigorous oversight of labor conditions, waste management, pollution prevention and biodiversity protection, community safety and security, indigenous and cultural rights, and protections against economic or physical displacement. The IFC is the private-sector part of the World Bank Group. While the other components of the World Bank Group (IBRD and IDA) can only lend directly to governments, the IFC is set-up differently, and can lend directly to companies.

As the research in this report reveals, IFC has several significant investments in the Xinjiang Uyghur Autonomous Region (XUAR or the Uyghur Region) of the People's Republic of China (PRC), where indigenous peoples have been subjected to what international legislators, legal scholars, and advocates have determined to be a genocide.

Significant evidence suggests that several of IFC's clients are active participants in the implementation of the PRC's campaign of repression against the Uyghurs, including through forced labor, forced displacement, cultural erasure, and environmental destruction. IFC's failure to adequately safeguard communities and the environment affected by its financing in the Uyghur Region makes the institution complicit in the repression of Uyghur, Kazakh, and other minoritized citizens.

FINDINGS

IFC currently has approximately US$486 million in direct loans and equity investment in four companies operating in the Uyghur Region:[1]

Chenguang Biotech Group Co., Ltd.
(晨光生物科技集团股份有限公司)

Camel Group Co., Ltd.
(骆驼集团股份有限公司)

Century Sunshine Group Holdings, Ltd.
(世纪阳光集团有限公司)

Jointown Pharmaceutical Group Co., Ltd.
(九州通医药集团股份有限公司)

Evidence drawn from corporate disclosures and publicity campaigns, government directives and state media, and other publicly accessible information reveals that these four companies have

- directly participated in and benefited from state-sponsored **forced labor programs**,
- directly participated in and benefited from state-sponsored **compulsory land expropriation**,
- participated in programs that require minoritized citizens to take oaths to the Chinese Communist Party (CCP) and be subjected to **indoctrination**,
- recruited workers through **overtly racist/discriminatory hiring practices**,
- assigned minoritized citizens to do **hazardous work without safety equipment**,
- contributed to the environmental **destruction of affected and indigenous communities**,
- contributed to the **destruction of cultural heritage**, and
- **failed to fully implement IFC's required monitoring and assessment of its Performance Standards**.

Although IFC carried out a monitoring trip to the region in 2019, two years into the PRC's by then widely publicized system of mass atrocities, **it continued to issue new financing to projects in the Uyghur Region in 2020. The continued willingness to maintain financing in the Uyghur Region, without any direct oversight, effectively supports the oppression in the region.**

This report lays out these findings and proposes recommendations for IFC and other Development Finance Institutions (DFIs). **Using Chinese state media and propaganda, satellite imagery of IFC's client operations, IFC project documentation, public reports, and corporate disclosures, this report presents credible evidence that IFC financing is contributing to companies committing gross human rights abuses against Uyghur peoples in the XUAR and makes evidence-based recommendations to IFC and other parties.** This report also emphasizes the way desk-based due diligence can expose the disinformation campaigns that the PRC uses to justify its campaign of repression and to reveal the companies that are intertwined with the oppression in the region. This may be of use to both companies investigating their suppliers and to investors for which environmental, social, and governance standards matter.

IFC's Performance Standards are relevant beyond its own investments. The Performance Standards are foundational to the environmental and social standards adopted by private and public banks issuing development project finance worldwide (though some banks have created additional internal standards that strengthen the safeguards).

CONCLUSIONS AND RECOMMENDATIONS

IFC and other development and infrastructure investment banks cannot conduct the on-the-ground due diligence necessary in the Uyghur Region to ensure that their clients are adhering to the Performance Standards. The United Nations has been denied access to the region. In the private sector, audit firms have ceased to certify products manufactured there, and the Fair Labor Association has banned all its members from sourcing from the region. Travel to the region is unsafe for researchers, journalists, corporate consultants, and others who might investigate state-sponsored atrocities, and asking minoritized citizens to report grievances about their working conditions is unacceptably dangerous so long as the PRC's campaign of repression remains in effect. For this reason, there is no feasible way for IFC to ensure its standards are met with regard to its investments in the XUAR.

As of March 2021, IFC closed its investments in three Chinese companies engaged in or sourcing from the Uyghur Region.[2] **However, if IFC is to uphold its own Performance Standards and serve as a model for responsible development finance, it must divest from any companies that have proven to be complicit in the PRC's program of repression in the Uyghur Region.**

These findings are specific to IFC's portfolio, but they are applicable to development and infrastructure finance organizations worldwide. **Other DFIs have significant investments in the Uyghur Region that are potentially similarly engaged in state-sponsored repression**. Financial institutions with commitments to environmental and social performance standards are heavily exposed in their current portfolios; application of IFC's Performance Standards is needed for investments in the Uyghur Region across the financial sector.

More broadly, this report reveals the challenges in applying the Performance Standards in situations of state-sponsored violence against ethnic minorities.

For these reasons, our **recommendations** include the following:

1. IFC and other DFIs should divest from all corporate investments in the Uyghur Region.

2. IFC and other DFIs should presume that all companies operating in the Uyghur Region are engaged in forced labor and carry risk of complicity in the ongoing genocide.

3. IFC and other DFIs should review and adjust their direct and indirect investment portfolios to move sub-investments, sub-contracts, and supply chains out of the Uyghur Region. IFC should conduct a full review of its portfolio, including financial intermediary investments, using the methods employed in this report.

4. IFC should create protocols for both responsible entry into fragile and conflict-affected regions, as well as protocols and triggers for responsible exit.

5. All tenders put out for bidding by IFC and other DFIs should include a restriction on the purchase of forced-labor-made goods and require full supply chain transparency from all contractors and their suppliers.

6. IFC should extend its zero-tolerance policy for reprisals against human rights defenders to the initial project appraisal phase and explicitly prohibit investments in any location where dissent is punishable by extrajudicial internment or incarceration.

7. IFC should reinstate its policy of publishing the names of the loan officer and lead environmental and social specialist tasked with projects. This will enable human rights defenders, activists, and advocates to more directly engage with the decision makers who interact with project proponents.

Governments should take note of the complicity of DFI investments in the PRC's repression of minoritized citizens. Individual government DFIs may be complicit, just as their investments in IFC may be. The United States in particular—with its 21 percent share—has an opportunity to take a leadership role in enhancing oversight of IFC's investments.

INTRODUCTION

THE PRC'S CAMPAIGN OF REPRESSION IN THE UYGHUR REGION

IN LATE 2017, NEWS BEGAN to emerge that minoritized citizens[3] of the Xinjiang Uyghur Autonomous Region (XUAR or Uyghur Region) were disappearing without notice and were being detained in an expansive system of newly built or repurposed internment camps.[4] The government of the People's Republic of China (PRC) denied these allegations, but government documents and speeches clearly revealed that the XUAR government, under instruction from the central government, had indeed built a massive system of vocational training and ideological reeducation facilities that were designed to provide security and stability in the Uyghur Region.[5] These extrajudicial, nonvoluntary "de-extremification" (去极端化) internment programs were intended "to fundamentally eliminate the environment and soil that breeds terrorism and religious extremism and eliminate violent terrorist activities *before* they occur."[6] The reasoning provided by the Chinese Communist Party (CCP) for the internment camps was that Uyghur citizens were either guilty of committing terrorism or prone to being influenced by terrorists and, therefore, needed to be assimilated into Han-dominated society.[7] Estimates suggest that this internment camp system held at least one million Uyghur, Kazakh, and other minoritized people at its height, the vast majority of whom were held without criminal charge.[8]

International legislators, legal scholars, rights groups, and researchers have indicated that the PRC's program of oppression in the Uyghur Region meets the definition of genocide.[9] In addition to the system of mass internment, authorities have systematically erased cultural heritage, both through physical destruction of cultural heritage and through the institutionalization and indoctrination of children and adults.[10] Simultaneously, evidence suggests that the government is working to eliminate or at least reduce Uyghur population density through the labor transfer programs, and further research has documented that the government is forcing sterilizations and birth control on Uyghur women resulting in plummeting birth rates.[11]

In the spring of 2017, the PRC central government and XUAR regional government unveiled another critical mechanism of their program of state-sponsored repression in the region: a vast project of systematic forced labor that would reach every household in the region under the banner of "poverty alleviation."[12] Government directives instructed labor agents to go door-to-door to identify people who could be considered "surplus labor" by dint of their being un- or underemployed in the judgment of the state.[13] Under this program, farmers are particularly targeted to be "transform[ed] into modern industrial workers,"[14] forced to leave behind their land to join the industrial workforce.[15] In some areas, government officials assign a point value to each Uyghur person, indicating their supposed security risk and thus how far from home they should be assigned for work.[16] The XUAR government directs labor agencies to employ at least one person in every household through these programs and sometimes designates quotas for the number of people to be transferred.[17]

By early 2018, reports emerged that as many as 10,000 minoritized citizens from southern XUAR had already been "transferred" and "resettled" in Urumqi.[18] One government directive indicated that 100,000 workers should be transferred from Kashgar region alone.[19] In 2020, the PRC government estimated that it had "relocated" more than 2.6 million "surplus rural workers" in the Uyghur Region that year,[20] and in 2021, the XUAR government's work report celebrated that in the previous five years "14.33 million surplus rural laborers were transferred to employment."[21] Though this documents how many times people were transferred, and thus could include people transferred multiple times, the government's reports reveal a program of widespread and systematic state-sponsored transfer of people from the Uyghur Region to industrial work.

Government policy indicates that a person who refuses to participate in a government program or in poverty alleviation should be considered potentially infected by the three evils—terrorism, separatism, and religious extremism—a status that would make them prime targets for internment.[22] In 2014, resistance to government assistance programs was included on a list of "religious extremist activities" disseminated by local governments across the Uyghur Region.[23] This means that no minoritized citizen in the region is at liberty to refuse to be transferred for work.

For this final reason alone, as well as the many others enumerated above, it is clear that the PRC's programs in the Uyghur Region are part of a program of systematic state-sponsored forced labor and meet the standards for forcible migration of people relevant to legal thresholds for genocide.

CORPORATE PARTICIPATION IN REPRESSION IN THE UYGHUR REGION

The XUAR government has made public-private partnerships a centerpiece of its system of forced labor. Scholar Darren Byler has aptly described this expansive, intertwined system of state violence, forced labor, and incentivized corporate expansion in the Uyghur Region as "terror capitalism." Terror capitalism is "a form of capitalist frontier-making that exploits ethno-racial difference in order to generate forms of capital accumulation and state power."[24] The PRC government's program of forced labor in the Uyghur Region serves overlapping ambitions—to enhance state control over the people of the region and to discipline the population into contributors to capital expansion. These programs serve both the state's security goals and corporate interest in financial growth.

Corporations and "development" projects both within the Uyghur Region and across China are complicit in the implementation of these programs. Previous research has shown that companies play an active role in the expansion of terror capitalism by employing those people coerced by the state into labor assignments. Companies might

- **build or operate a factory within the walls of a camp or prison and benefit from the labor of those interned there;**
- **"absorb" forcibly "transferred laborers" into an already existing factory in the Uyghur Region;**
- **build a "satellite factory" in a village in the Uyghur Region so that people can be assigned to work "on their doorstep" if they are deemed too high of a security risk;**
- **build a factory in an industrial park that "absorbs" transferred laborers and distributes them to companies located in the park;**
- **"pair" with a company or factory in the Uyghur Region to either train transferred laborers in other parts of China or send trainers from those parts to factories operating in the Uyghur Region that are dependent on forced labor; or**
- **accept "batches" of Uyghur workers, in groups as large as 100, at a factory in other parts of China.[25]**

The PRC government implemented an extensive system of incentives to entice companies to move out to the XUAR since 2010, and especially in the years since the advent of the "Strike Hard Campaign Against Violent Terrorism" (严厉打击暴力恐怖活动专项行动) in 2014.[26] These incentives include reduced rents in industrial parks, subsidized electricity and water, elimination or significant reduction in taxes for several years, and provision of office space, desks, chairs, and computers. Since as early as 2010, the government has also included subsidies for training Uyghur workers in Chinese language, worker discipline, and ideological education, and those programs have expanded in reach and intensity since 2017.[27] In addition, the government has called on companies to engage in coercive "poverty alleviation" and "surplus labor transfer" programs as part of their corporate social responsibility programs.[28]

For generations, many Chinese companies have eschewed operating in the Uyghur Region as it is remote and often considered unstable. Furthermore, research by Peking University's Department of Sociology in 2015 has shown that racist views about the indigenous Uyghur people have led Han business owners to consider Uyghur people to be "lazy," "unstable," and unwilling "to use their brains." Managers who participated in the study suggested that Uyghur "traditional culture" encourages them to be "indifferent to material enjoyment" such that they do not have a sense of urgency about earning a living. Uyghurs were also perceived as being universally undisciplined, unproductive, and ill-equipped to work in anything but the lowest skilled work.[29] Job advertisements in the region provide further evidence of this widespread discrimination; many public-facing jobs, as well as many administrative and technical positions, explicitly exclude applicants from minoritized groups (though hiring discrimination is officially illegal in China).[30] In some ads, people with "political problems" or "criminal records" or even those "within three generations of immediate family members who have participated in illegal religions, have been taken into custody, are serving a sentence, or have been held criminally responsible" are ineligible to apply for certain jobs.[31]

Recognizing the discrimination against Uyghur workers, government programs have been developed with the explicit intent of encouraging companies to take on Uyghur workers nonetheless.[32] Policies regarding labor transfers suggest that government officials have responded to corporate disinterest in hiring Uyghur workers by creating a labor regime grounded in "militarized discipline," constant surveillance, and compulsory indoctrination toward "increase[d] national consciousness."[33] Reports have suggested that Uyghur workers are segregated from their Han peers, sometimes in dorms surrounded by barbed wire; are not allowed to leave for holidays; and are monitored at all times. "Batches" of Uyghur workers transferred to factories in other parts of China are accompanied by special security that monitor them at all times.[34] First-person testimony from people who have been given labor assignments (who have left the region or who have contacted a family member outside of China) describe working conditions that meet the International Labour Organization's (ILO's) threshold for forced labor, entailing isolation, abuse of vulnerability (including their poverty and the threat of internment), restriction of movement, deception (regarding the terms of their contract, their pay, their ability to leave the job), retention of identification, withholding of wages, debt bondage, and abusive working conditions.[35] A recent Reuters article revealed that companies that take on labor transfers may not pay their Uyghur workers directly, relying instead on the government agency that placed the workers to pay them, leaving it unclear as to whether or how the workers get paid at all. The company exposed in the report acknowledged that the Uyghur workers were under constant security surveillance and were living in segregated facilities.[36] These state-sponsored programs of labor transfer, both within the Uyghur Region and to the rest of China, are designed in part to alleviate corporate management's reticence to hire the legions of Uyghur workers that the XUAR government is seeking to transfer. The result is a system of state-sponsored forced labor that businesses in the Uyghur Region and across China participate in knowingly.

FRAMING OPPRESSION AS DEVELOPMENT

In 2020, the PRC government announced it had reached the goal of zero percent poverty in all of China, including in the Uyghur Region.[37] International observers suggest that this apparent achievement was only possible because China has set its poverty line inappropriately low.[38] The PRC has set its poverty line at the equivalent of $2.30 per day, while the World Bank sets the poverty line at nearly double that—$5.50—for mid-upper-income countries like China. By the World Bank's benchmark, 24 percent of the population remains impoverished, and the figure is almost certainly higher in the XUAR.[39]

The government has emphasized the importance of labor transfers as a primary mechanism of its "poverty alleviation" efforts across China, though it is only in the Uyghur Region that these programs are supported by a system of mass internment and laws that make refusing government programs illegal. Despite the regime of terror inflicted upon minoritized populations in the Uyghur Region, companies have celebrated their participation in "industrial poverty alleviation" as a sign of their commitment to the CCP. Because of the government's significant financial and political investment in these programs, it is unclear to what extent companies have a choice as to whether they accept transferred laborers or engage in other poverty alleviation programs in the region. Based on corporate publicity campaigns, it appears that most do so enthusiastically or at least find it beneficial to publicly report on their participation. Regardless, it is clear that these programs require the participation of vast numbers of companies to succeed. State-sponsored labor transfers in the region are ubiquitous and far-reaching, "affecting 90 percent of residents in some Uyghur regions and involving the displacement of whole villages." The central government has identified several sectors for strategic investment and expansion in the Uyghur Region—agriculture, new energy and new materials, electronics, and textile/apparel manufacturing, among them—and has touted the expansion of labor

FIGURE 1: Uygur man transferring land with thumbprint, unable to write a signature.
Credit: Gao Sheng via Weixin

transfers as part of that strategy.[40]

Labor transfers are often facilitated through or significantly expedited by coercive land transfer and cooperativization programs. XUAR government programs called "enterprise + cooperative + order farming" (企业+合作社+订单农业) and "land transfer + x new countryside development strategy" (土地流转+X新农村发展方略) explicitly connect the expropriation of Uyghur lands with "development," and companies directly benefit. These programs are designed to "establish cooperatives and combine land transfers, livestock care, contract farming, characteristic planting, and surplus labor transfers."[41] This entails an agreement by which companies determine what crops will be planted in an area to meet their manufacturing needs. The company then sets the price for the harvest of those crops. The state in turn organizes small-scale farmers to transfer their land to a larger cooperative, run by a small group of the most prominent farmers in the area, or sometimes a Han Chinese person. Often one shareholder holds as much as 90 percent of the stake in the cooperative, as can be ascertained from a review of Xinjiang-located farming cooperatives' shareholders in SAIC filings.[42]

The programs are clearly not welcomed by many Uyghur and Kazakh agriculturalists who have worked the land in the Uyghur Region for generations. In April 2020, a Xinjiang State Rural Cooperative Economic Development Center report revealed signs of the indigenous people's reluctance to transfer their land when they indicated that "[i]n order to make the grassroots cadres and the broad masses of farmers truly realize that land transfer and the development of rural land management at scale are the only way to realize agricultural modernization, [government agencies] have jointly organized many training courses in land contract management law, regulation, and policy for rural cadres, actively guiding farmers to carry out land transfer, speeding up the exchange of land, and organically combine rural land transfer with the exchange and merging of land plots, making the policy well-known, and arousing farmers' enthusiasm for land transfer." The farmers are encouraged to change their mindset from passive to active, from "I am wanted to transfer [my land]" to "I want to transfer."[43]

These coercive state-sponsored land appropriation programs directly benefit corporations. Village "work teams" made up of CCP cadres visit the homes of area farmers promising a dividend for their land. Sometimes whole villages are coerced into transferring land. In some cases, the government demolishes an entire village's homes and forces the residents to move into new cookie-cutter "modern" housing developments, sometimes intentionally located next to a factory. Some of the now landless farmers are then expected to work the land that has just been expropriated from them and are paid wages below the state-determined minimum. Others are "liberated" from the land and "transferred" for work in factories, often far from their homes.[44] Reports from the last ten years of Uyghur dispossession suggest that the government threatens Uyghurs that if they do not transfer their lands for the use of private companies owned by Han people they could be arrested. Government reports describe the transfers as short-term leases, justifying compensation rates at below market value. However, often farmers understand the expropriation to be permanent, particularly as it involves demolition (without adequate compensation) of their family homes and sustained coercion by authorities.[45] Contracts are sometimes written in Mandarin, which many Uyghur farmers cannot read, and "signed" by thumbprint (see Figure 1).[46]

Thus, in addition to the manufacturing routes by which private corporate enterprises actively participate in state-sponsored forced labor, they are also complicit through

- **participating in cooperative agreements with the government that depend on coerced state expropriation of indigenous people's land rights**
- **sourcing raw materials from expropriated land**
- **sourcing raw materials from farmers who are coerced by the state into farming products for the company's express benefit**

Programs that systematically dispossess Uyghurs of their land are touted as get-rich-quick schemes that will lift Uyghurs out of poverty. Instead, these programs leave Uyghurs landless and unemployed, making them vulnerable to forced labor transfers. Farmers sign contracts to transfer their land to state-organized cooperatives because government officials treat resistance as a sign of cultural backwardness and potential terrorist mentality.[47] Again, because the supposed poverty alleviation programs operate on a backdrop of mass internment, state violence, and concomitant all-pervasive terror, refusing to participate in a land transfer is not possible for minoritized people of the Uyghur Region.[48]

The foundational protections for indigenous peoples in the international human rights regime derives from this precise situation. The ILO was the first institution to codify protections for indigenous peoples because the dispossession of indigenous peoples of their ancestral lands and their conversion into low-wage laborers so obviously violated both their labor rights and their rights to self-determination. The ILO first passed protections against these conditions in 1957 (ILO Convention 107) and strengthened them in 1989 (ILO Convention 169). The situation where indigenous peoples are expropriated and then hired back onto their ancestral lands has been recognized as a human rights violation for generations.

THE 'CIRCULAR ECONOMY' AND ENVIRONMENTAL DEGRADATION

The PRC's program of "development" in the Uyghur Region has also led to investments in expanded access to electricity and other basic utilities, and the PRC has focused these on renewable energy projects as part of its efforts to decrease greenhouse gas emissions and reduce other pollutants.[49] Central, regional, and local government agencies have subsidized the development of critical solar and wind energy projects, expanding the grid to previously unconnected remote areas of the vast XUAR. While these programs are on the whole positive for indigenous communities, there are negative aspects to the growth of renewable energy investments in the Uyghur Region. This enhanced access to renewable energy has accompanied the expansion of an industrial base for the production of precursors necessary for the production of solar modules, which are installed within the Uyghur Region and across the rest of China, as well as distributed globally. Our previous research has provided evidence that many of the same companies that benefit from government incentives to install renewable energy plants in the Uyghur Region are also benefiting either directly or indirectly from forced labor in the region.[50] Media reports suggest that the wind energy industry in the region may be similarly tainted by forced labor transfers.[51]

In concert with these efforts, the government has also promoted as part of the Uyghur Region "development" program extractive projects that they have largely mislabeled as "circular economy" projects. Internationally, a circular economy is defined in contrast to a linear economy. Rather than extracting raw materials to produce goods that are consumed or otherwise disposed of, the circular economy "involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible."[52] It aims to tackle global challenges like climate change, biodiversity loss, waste, and pollution "while addressing important social needs."[53] It is "an industrial system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration."[54]

The Uyghur Region has been identified as a high priority for the expansion of the "circular economy" in China. However, the PRC government appears to define the circular economy differently in the XUAR. Much of the emphasis is on production efficiencies in extraction and processing of resources, by situating mines, refineries, smelters, and power sources in close proximity to one another. This is generally considered good economic practice in heavy industry, rather than environmental circularity, as the model still relies on the extraction of raw materials. Often, the PRC touts the use of coal as central to the region's circular economy, in stark contrast to the spirit of low carbon emissions and recycling that is at the heart of the concept. In the XUAR's 13th Five-Year Plan for 2016–20, for instance, the government announced its intention to "build a circular economy industrial chain centered on coal deep processing, and focus on the construction of Zhundong and Zhunbei National-level Demonstration Zone of Coal Deep Processing Industry."[55] The Uyghur Region's coal accounts for 40 percent of the PRC's reserves and is one of the largest reserves in the world.[56] Circular economy references in industrial development plans make no mention of decommissioning coal mines but rather identify proximity to coal mines as advantageous for industry.[57] Industrial cost-reducing efficiencies have been rebranded as circular economy and heavy industry zones are renamed Circular Economy Industrial Parks.[58] Heavy industry projects have significant negative repercussions for the development benefits promised to the indigenous people of the region. Programs that are described as engaging in a circular economy in the Uyghur Region are often engaged in highly polluting manufacturing processes.

Two examples that emerged in this research shed light on the environmental risks of projects touted as contributing to a circular economy. In one case, a magnesium smelter and coal-tar coke manufacturing facility is described as an "integrated circular economy project, relying on the rich dolomite mine, coal, and power resources in Hami City,"[59] revealing the disconnect between international standards for the circular economy and those described by this Chinese corporation. In another case, recycling itself presents a significant danger to local communities. A lead-acid battery recycling project described in this report, while reducing the need for additional mining, nonetheless produces significant air, soil, and water pollutants that exceed international standards and may be affecting surrounding communities. Lead-acid battery recycling requires lead smelting, which creates air, water, and soil emissions that can have catastrophic effects on child brain development and, in some cases, adult health. As this report shows, the PRC government's extraordinarily high thresholds for environmental pollution allow companies to conduct dangerous business with no accountability to neighboring Uyghur communities and to power industry with coal. The corporate incentives programs for moving into the Uyghur Region (and at times the concomitant shuttering of similar facilities in other areas of the country) renders the region the country's dumping ground for waste and pollution, leading to long-term environmental degradation.

In effect, a wide range of corporations have actively participated in the central government's regime of repression in the Uyghur Region, through participation in a combination of forced labor, forcible migration, dispossession, and environmental destruction, all packaged in the guise of "development." The purpose of this report is to identify the ways international Development Finance Institutions (DFIs) are playing a role in financing this oppression, more than five years into the crisis in the Uyghur Region.

FINANCING OPPRESSION

WHILE THE GOVERNMENT of the People's Republic of China (PRC) has expended vast resources in developing its program of interlinked corporate expansion and systematic oppression, private Chinese corporations have benefited from billions of dollars of financing provided by international Development Finance Institutions (DFIs) in their expansion, relocation, or establishment in the Xinjiang Uyghur Autonomous Region (XUAR or the Uyghur Region). DFIs finance projects and companies in low-income and developing countries. DFIs are typically majority-owned by governments and have as their mandate the provision of investments in public and private sector sustainable development projects. DFIs fund projects spanning from critical infrastructure to nanotechnology.

DFI INVESTMENTS IN THE UYGHUR REGION

It is no surprise that international DFIs have supported PRC-initiated and -supported development programs in the Uyghur Region. As one of the most impoverished regions in China, the Uyghur Region is certainly home to a deserving population with great need, and it thus represents a significant opportunity for development investment. However, development "recipients" in the region are corporate actors with strong ties to government authorities, rather than ethnically indigenous actors whose supposed "development" is in question.

A review of six of the world's most significant DFIs identified at least twenty-three projects financed since 2013 that have footprints, supply chains, or other connections in the Uyghur Region. None of them are Uyghur-owned (see Table 1). This is likely a vast underrepresentation of the development finance moving into businesses operating in the region, as many DFI-financed projects in China are managed through central governments and state-run banks that obscure the final destinations of the funding.

Despite the documented needs of the people of the region, it is critical to consider the context in which these investments are occurring and to understand the role the financed corporations may play in the crisis in the Uyghur Region. Funding for projects in the Uyghur Region has continued, even as the crisis in the region has emerged and been well documented. Despite revelations in the United Nations (UN) that the PRC government operates a system of extrajudicial internment camps, legislative hearings around the world on the oppression of the Uyghurs, tribunals considering the crisis as a genocide, and a growing body of evidence of a systematic forced labor program dating back at least three years, DFIs do not seem to have considered these human rights violations in their determination of finance allocations.

Since its founding in 1956, the World Bank's private finance arm, the International Finance Corporation (IFC), has provided more than $285 billion in financing for businesses in developing countries.[60] IFC has made 125 investments in China since 2012, with current exposure valued at $4.75 billion.[61] While IFC began investing in the XUAR in 2010,[62] investments have increased in parallel with Beijing's deliberate industrial expansion into the region. IFC's current investments in the Uyghur Region amount to at least $486 million. Because of the significant role IFC plays in the development and implementation of standards around environmental and social risk, this report will examine IFC's investments in the Uyghur Region as a case study of the risks to DFIs when they invest in the region and the role IFC's Performance Standards can play in identifying that risk.

THE RESPONSIBILITY OF DEVELOPMENT BANKS IN TIMES OF CRISIS

IFC and other development banks consider investments in regions they refer to as "fragile and conflict-affected situations" (FCS) to be largely positive.[63] In 2020, more than a fifth (21 percent) of IFC's lending was in FCS countries, on the premise that the private sector can and

TABLE 1

Development Finance Institutions with Known or Potential Links to the Uyghur Region

INVESTMENTS	PROJECT NO.	AMOUNT	YEAR	PURPOSE, XUAR LINK, AND RECENT STATUS CHANGES
INTERNATIONAL FINANCE CORPORATION				
Chenguang Biotech Group Co., Ltd.	40616	$40 million	2019	Support company's permanent working capital needs to increase production, including in the XUAR
Camel Group Co., Ltd.	41128	$80 million	2019	Build new recycling plants, technical upgrades and maintenance on existing plants, including in the XUAR
Century Sunshine Group Holdings Ltd.	33903 36836	$40 million $125 million	2014 2016	Expansion of the company's organic fertilizer and other manufacturing, including in the XUAR
Jointown Pharmaceutical Group Co., Ltd.	41947 43968	<$150 million $50 million	2019 2020	Construction and upgrade of facilities in the XUAR Long-term working capital to meet COVID-19 pandemic demand
Xiang Nian Food Co., Ltd.	42401	$30 million	2020	Working capital needs for existing factory in Henan; potential PS risk through associated facility in the XUAR
Kingenta Ecological Engineering Group Co., Ltd.	39459	$145 million	2017	Extensive conversion of Kingenta's existing distributors into crop production service centers; the company has holdings in the XUAR that are likely part of the project
Best Logistics Technologies, Ltd.	37837	$30 million	2016	Operational expansion of light truck and supply chain management services across China, potential PS risk through associated facilities in the XUAR
Hosen Investment Fund III, L.P.	38599	$30 million	2017	Private equity fund for agriculture-related investments, some of which may be located in the XUAR (note: Hosen has built "over 150 poverty-relieving factories," including in the XUAR)
EUROPEAN INVESTMENT BANK (EIB)				
China Climate Change Framework Loan (I and II)	20090490 20140060	$40 million	2014	Included building improvements in Urumqi, including in high-tech zones Urumqi sub-project CANCELLED in September 2021 (See Online Appendix A)
ASIAN DEVELOPMENT BANK (ADB)				
Xinjiang Integrated Urban Development Projects	45508-002 46049-002 49029-002	$200 million $150 million $150 million	2013 2015 2018	Infrastructure development projects in several regions of the XUAR (1. Qaramay, Kuitun, 2. Aksu, and 3. Changji) Qaramay and Kuitun CLOSED in June 2021, before planned repayment date; Aksu CLOSED in April 2021 (see Online Appendix A)
Xinjiang Tacheng Border Cities and Counties Development Project	46063-002	$150 million	2015	Urban infrastructure development in Tacheng City and the XUAR counties of Emin, Tuoli, and Yumin
Solar Energy Finance Project	53310-001	$70 million	2020	CITIC Financial Leasing Co., Ltd.'s solar power projects, including in XUAR
Natural Gas for Land and River Transportation Project	48281-001	$150 million	2014	China Gas refueling stations along long-distance transportation corridors; potential PS risk through associated facility/gas field and pipeline in Khorgos
Jointown COVID-19 Pharmaceutical Distribution Expansion Project	54077-002	€300 million	2020	Affordable pharmaceutical drugs for "under-served populations," potential PS risk through Jointown's extensive facilities in the XUAR

INVESTMENTS	PROJECT NO.	AMOUNT	YEAR	PURPOSE, XUAR LINK, AND RECENT STATUS CHANGES
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)				
Osh Solid Waste Project	42471	€2 million	2015	Solid waste transport vehicles, potential PS risk through sub-contracts to XUAR companies
Ulaanbaatar Darkhan Road Project	50766	$175 million	2019	Road construction, potential PS risk through sub-contracts to XUAR companies, including Xinjiang Production and Construction Corps (XPCC)
Tokmok Water Sub-Project	44828	€588,800	2014	Vehicles and machinery, potential PS risk through sub-contracts to XUAR companies
Khujand Solid Waste Sub-project	47477	€164,349	2016	Waste transportation project, potential PS risk through sub-contracts to XUAR companies
GERMAN INVESTMENT CORPORATION (KFW/DEG)				
Jointown Pharmaceuticals Group Co., Ltd.	Not specified	€30 million	2020	Increase delivery capacity and finance working capital; potential PS risk through Jointown's extensive facilities in the XUAR
Hosen Private Equity III, L.P.	Not specified	$27 million	2019	Private equity fund for agriculture-related investments, some of which may be located in the XUAR (note: Hosen has built "over 150 poverty-relieving factories," including in the XUAR)
NETHERLANDS DEVELOPMENT FINANCE CO. (FMO)				
Beijing Enterprises Water Group Ltd.	45024	$15 million	2015	Construction of 8 wastewater treatment plants and 4 water distribution facilities, locations undisclosed, potential PS risk through BEWG's projects in the XUAR

* Development finance institutions were provided the opportunity to disclose any investments or sub-contracts in the XUAR, as well as the status of those investments. Responses received by the date of publication are included in Online Appendix A, available on the *report's website.*

should fill gaps left by the public sector in crisis situations, to "help break the cycle of conflict, fragility and poverty."[64]

This strategy has been controversial, both within IFC and among external observers.[65] A 2019 review of IFC's engagement in conflict-affected situations by the World Bank's Independent Evaluation Group did not actually evaluate whether IFC financing positively or negatively affected conflict conditions, focusing instead on whether loans were successfully repaid. Notably, it concluded that IFC should and could increase financing to fragile and conflict-affected states despite also finding that "in several cases, risks [of financial loss] were not mitigated, such as in the tourism industry, where projects failed to meet their financial benchmarks in part due to factors related to fragility including the occurrence of violence, or political instability."[66] Oxfam has pointed out that the World Bank Group's unwillingness to analyze the political economy of FCS prevents it from understanding "which groups are already winning and losing, and which groups will win and lose" from external investments. Oxfam America's President and CEO Abby Maxman concluded in 2020 that the World Bank Group "has not yet addressed how it will manage for the inevitable unintended harms that will result from investing in places where power-holders are often bad actors and institutions are weak."[67] The Organization for Economic Cooperation and Development (OECD) has proposed that a fragility analysis could enhance development finance project appraisal to the benefit of conflict-affected populations.[68] DFIs do not seem to have heeded these recommendations.

The consequences of such inaction can be discerned from the example of the crisis in the Uyghur Region. This report demonstrates that foreign dollars flowing into industrial and agricultural projects in the Uyghur Region finance widespread, state-sponsored, systematic oppression of indigenous populations amounting to genocide. Many DFI investments provide funding to private corporations that are actively participating in some of the PRC government's most repressive policies toward minoritized citizens in the Uyghur Region. Companies "absorb" the labor of people deemed to be "surplus" by the government. They surveil their minoritized workers and require their allegiance to the Chinese Communist Party (CCP). Companies in the agricultural sector (or that source raw agricultural inputs) benefit from state-sponsored land transfers. Those in the so-called circular economy and other manufacturing sectors are supported by the PRC's lax environmental standards that lead to environmental degradation for Affected Communities. All of these programs contribute to the destruction of indigenous culture, traditions, economies, families, and communities. The Uyghur Region is culturally, politically, and ecologically vulnerable.

Through their investments, DFIs' support for the PRC's political strategy in the Uyghur Region is a green light to environmental, social, and cultural destruction.

IFC'S PERFORMANCE STANDARDS

IFC already has in place a system of standards that could be effectively applied to identify the heightened risk that DFIs are taking when investing in a conflict region such as the XUAR. As this report shows, application of those standards to IFC's investments clearly suggest that IFC (and likely other DFIs) is deploying funds that are at very high risk of violating its own stated standards.

IFC's Performance Standards are a well-defined and robust set of guidelines that detail sustainable practice for business. IFC developed its first set of Performance Standards on Environmental and Social Sustainability (typically referred to as the Performance Standards or PS) in 2006. In 2012, under the mandate of the World Bank Group Board, IFC revised its Performance Standards, strengthening its commitments to climate resilience, human rights, corporate governance, indigenous protection, and risk management.[69] The standards provide a model for Environmental, Social, and Governance (ESG) standards that some see as a gold standard for ensuring corporate and investor responsibility. IFC's Performance Standards shape the core of all the environmental and social standards adopted by private and public banks carrying out project finance worldwide (though some banks have issued individual updates since 2012 that strengthen the standards).

The eight Performance Standards that now govern IFC's investments were devised to establish the baseline standards that all IFC clients are required to meet throughout the period of the investment. Those standards are listed in Table 2 below.

The Performance Standards apply to all activities specifically funded by IFC, but IFC-funded companies are encouraged to comply with these standards in all of their activities and projects, regardless of whether they are directly funded by IFC. Where domestic governmental regulations are relevant to the Performance Standards, IFC clients are expected to maintain the standard that is more stringent.[70]

IFC Performance Standards govern the behavior of clients and largely outsource due diligence to the projects' own administrators. However, IFC retains an oversight role for itself in its Policy on Environmental and Social Sustainability.[71] This policy notes that, "While managing environmental and social risks and impacts in a manner consistent with the Performance Standards is the responsibility of the client, *IFC seeks to ensure, through its due diligence, monitoring, and supervision efforts, that the business activities it finances are implemented in accordance with the requirements of the Performance Standards"* (paragraph 7, emphasis added). IFC lays out specific expectations of its loan officers and personnel for oversight, including reporting environmental and social risks (paragraph 21), only financing operations that adhere to the Performance Standards (paragraph 22), and independently determining whether project "risks are manageable, and if so under what conditions, so as to create outcomes consistent with the Performance Standards" (paragraph 23). IFC policy commits the institution to appropriately scope its oversight of the client, typically including document review, site inspection, stakeholder interviews, and a Performance Standards gap analysis.

Critics of the Performance Standards have indicated that, because they are not normative or quality-assured, they serve more as guidelines with flexible implementation. Furthermore, according to a June 2020 review of IFC environmental and social accountability, Performance Standards are not demonstrably enforceable. Clients sometimes refuse to remediate harms or reverse violations of the Standards.[72] Given that IFC faces a long-term shortage of social specialists on staff, scholars have suggested that social considerations are inconsistently written into these contracts.[73] As a practical matter, because environmental and social due diligence is subsumed under economic due diligence, which is benchmarked by the bankers who staff IFC, the human rights dimensions that contradict economic drivers are often bypassed according to scholarly reports.[74] Andrew Hopkins and Deanna Kemp identified this issue when examining the causes of a catastrophic mine dam break in Brazil that killed more than 250 people in 2019. They note that though IFC guidelines state that mine closure costs should be fully funded during implementation, operators have leeway to bypass this expectation in practice if they conclude it would make the project "less competitive."[75]

There are also political determinations that override

FIGURE 2: International Finance Corporations Performance Standards.

TABLE 2

IFC Performance Standards on Environmental and Social Sustainability

Performance Standard 1	Assessment and Management of Environmental and Social Risks and Impacts	"underscores the importance of managing environmental and social performance throughout the life of a project" and "involves engagement between the client, its workers, local communities directly affected by the project (Affected Communities) and, where appropriate, other stakeholders"
Performance Standard 2	Labor and Working Conditions	"recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers," including workers in the client's supply chain; requires clients to "avoid the use of forced labor"
Performance Standard 3	Resource Efficiency and Pollution Prevention	"recognizes that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment"
Performance Standard 4	Community Health, Safety, and Security	"recognizes that project activities, equipment, and infrastructure can increase community exposure to risks" and accelerate or intensify the effects of climate change
Performance Standard 5	Land Acquisition and Involuntary Resettlement	"recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities" and that involuntary resettlement — both physical and economic displacement — can result from that acquisition or restriction
Performance Standard 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	"recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development"
Performance Standard 7	Indigenous Peoples	"recognizes that Indigenous Peoples. . .are often among the most marginalized and vulnerable segments of the population," and that "their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development"
Performance Standard 8	Cultural Heritage	"recognizes the importance of cultural heritage for current and future generations"

Performance Standards. Specifically, scholars have argued that the World Bank Group avoids references to human rights in contexts where rights language is disfavored by the client country. In her detailed examination of World Bank investing and human rights, Galit Sarfaty singles out China as a country where bank employees "avoid using the term or taking a rights-based approach." She notes that China "could easily seek funding from the private sector" but is an important borrower and source of revenue for the World Bank Group. "Because the Bank cannot afford to lose their business, employees working on projects in these countries are often pressured to avoid explicit references to human rights for fear of angering government officials."[76]

IFC states that early engagement with clients to manage potential environmental and social risks "is critical in fragile and conflict-affected situations that require a heightened focus on country and sector-specific risks along multiple decision points." It professes that "[t]hrough its Sustainability Framework, IFC is well-positioned to support clients in these dynamic environments."[77] However, clients may not seek out such "support" and may prefer to exacerbate the power imbalances inherent to the conflict that defines the fragile context.

The IFC is the private-sector part of the World Bank Group. While the other components of the World Bank Group (IBRD and IDA) can only lend directly to governments, the IFC is set up differently and can lend directly to companies. While many IFIs do have private sector units, the IFC is somewhat unusual in being a separate organization. The Inter-American Development Bank also has a private-sector lender (the IIC), and the European Bank for Reconstruction and Development engages in private company lending.

WHY IFC'S PERFORMANCE STANDARDS MATTER FOR THE CRISIS IN THE UYGHUR REGION

The Performance Standards are intentionally designed to prevent IFC and its partner banks from investing in projects that cause or contribute to atrocities. They have their roots in a set of World Bank Operational Policies (OPs) made binding after internal reports identified weak adherence to environmental and social standards as a driver for failures in highly criticized projects.[78] IFC adapted the OPs in the early 2000s to make them fit-for-purpose for collaboration with private banks, creating the Equator Principles for private bank clients in 2003, the Performance Standards for IFC clients in 2006, and a strengthened version of both in 2012.[79] Their entire function is to prevent IFC from financing projects that will have adverse environmental and social impacts that jeopardize its development aims. While IFC's preamble to the Performance Standards notes that "IFC requires its clients to apply the Performance Standards to manage environmental and social risks and impacts so that development opportunities are enhanced [and] uses the Sustainability Framework…in order to achieve its overall development objectives," the private sector instrument, the Equator Principles, is more direct. The Equator Principles' preamble states: "We will not provide loans to projects where the borrower will not or is unable to comply with our respective social and environmental policies and procedures that implement the Equator Principles."[80]

IFC's Performance Standards provide a clear framework for assessing ESG risk in any location. Although IFC (and other DFIs) may not be inclined to prioritize the Performance Standards over politics in China, the Uyghur crisis actually necessitates a heightened attention to environmental and social risks standards and thus make clear the inherent value of such a set of standards. As a 2019 IFC study on its investments in FCS countries observes, "substantial social and natural resource issues are often associated with conflicts."[81] The crisis in the Uyghur Region is not an armed conflict but a state-sponsored regime of terror that is enacting what many have called a genocide upon the indigenous people. Both the local governments and private corporations tasked with providing for the security and livelihoods of the people of the region are agents of that terror, which compromises the development value of DFI investments.

This report deploys IFC's own Performance Standards as an internationally accepted set of norms of corporate behavior. The Performance Standards serve as a useful tool by which to scrutinize the wide range of injustices being inflicted upon indigenous communities under terror capitalism in the Uyghur Region. International standards involving labor rights, community health, pollution, land acquisition, and indigenous rights and voices relevant to the crisis are explicitly enumerated in the Performance Standards. Application of those standards reveals an extraordinary array of violations and risks.

It is incumbent upon DFIs to conduct the monitoring required of them in their own sustainability

frameworks. IFC largely relies on companies to self-report adherence to Performance Standards. IFC-funded clients operating in the XUAR are not only unprepared to engage the Performance Standards, they are active proponents of and agents in the government strategies that undermine those standards. Corporate administrators conceptualize coercion differently from how human rights advocates and Uyghurs themselves do. PRC government authorities characterize cultural erasure as patriotic. To ensure compliance with its standards, IFC needs granular, ground-level knowledge to provide assurance that forced labor, forced eviction, and other forms of coercion, discrimination, dispossession, and environmental harm are absent from its project's footprints, associated facilities, and supply chains. IFC cannot trust the corporations that benefit from these injustices to self-report.

Any attempt to conduct external monitoring of ESG in the Uyghur Region, however, is futile. In the Uyghur Region, the crisis has created substantial barriers to meaningful engagement in consultations with Affected Communities, which is prescribed by the Performance Standards. Government-approved community "representatives" cannot be trusted to represent the voices of those who are disenfranchised in the region, and discussing grievances is punishable by internment and long prison sentences. Due diligence is complicated in the region by the direct suppression and censorship of information by Beijing. Auditors have left the region in protest of these conditions, and IFC stated that, as recently as November 2020, it does not have alternative approaches to engagement in the region.[82] As a result, IFC has not conducted meaningful on-the-ground monitoring of its projects in the Uyghur Region and could not safely do so if it tried. All meaningful dialogue with stakeholders would be undermined by the crisis there.

State-sponsored forced labor, land expropriation, cultural destruction, and family separations directed at minoritized populations represent an extraordinary and complex set of risks for corporations engaged in state programs in the Uyghur Region. **While corporations reap the benefits of the oppression of minoritized indigenous citizens in the Uyghur Region and DFIs collect their interest, the communities of the region suffer.**

INVESTMENTS IN THE UYGHUR REGION

AS A RESULT OF ITS SIGNIFICANCE in the Development Finance Institution (DFI) landscape and because it is the originator of the Performance Standards, this report takes as its case study the International Finance Corporation's (IFC's) investments in the Xinjiang Uyghur Autonomous Region (XUAR or the Uyghur Region). This report identifies the risk of violating Performance Standards that DFI-invested projects might present when operating within the context of the crisis in the Uyghur Region.

IFC currently has approximately $486 million in loans and equity investment in four companies operating in the Uyghur Region:[83]

- **Chenguang Biotech Group Co., Ltd.** (晨光生物科技集团股份有限公司)
- **Camel Group Co., Ltd.** (骆驼集团股份有限公司)
- **Century Sunshine Group Holdings, Ltd.** (世纪阳光集团有限公司)
- **Jointown Pharmaceutical Group Co., Ltd.** (九州通医药集团股份有限公司)

IFC's investments in the XUAR include clients in the agriculture, technology, manufacturing, and, until very recently, energy production sectors. IFC has additional investments in the region through a large portfolio of "financial intermediaries," which are not considered in this report. IFC also finances companies that source from suppliers located in the Uyghur Region.

Using IFC project documentation, supplemented with corporate reports, PRC government directives, state media reporting, corporate publicity campaigns, and satellite imagery of IFC's client operations, this report presents credible evidence that IFC financing is contributing to repression in the Uyghur Region. Evidence drawn from corporate disclosures and publicity campaigns, government directives and state media, and other publicly accessible information reveals that the four companies mentioned above have

- **directly participated in and benefited from state-sponsored forced labor programs,**
- **directly participated in and benefited from state-sponsored compulsory land expropriation,**
- **participated in programs that require minoritized citizens to take oaths to the Chinese Communist Party (CCP) and be subjected to indoctrination,**
- **recruited workers through overtly racist/discriminatory hiring practices,**
- **assigned minoritized citizens to do hazardous work without safety equipment,**
- **contributed to the environmental destruction of affected and indigenous communities,**
- **contributed to the destruction of cultural heritage, and**
- **failed to fully implement IFC's required monitoring and assessment of its Performance Standards.**

Through an assessment of publicly available evidence, we determined that IFC's clients in the Uyghur Region are at very high risk of violating many Performance Standards (see Table 3).

Over the course of 2020, nonprofit advocacy group NomoGaia engaged in dialogues with IFC to determine to what extent the institution had investigated its investments and its relationship to the Uyghur crisis. In March 2021, NomoGaia published a report identifying the questions IFC should investigate to better understand its clients' adherence to the Performance Standards in regard to the Free, Prior, and Informed Consent (FPIC) of Affected Communities.[84] IFC provided some feedback, but as this report documents, for most investments, IFC

TABLE 3

IFC Performance Standards Risk of Violation

	CHENGUANG BIOTECH	CAMEL GROUP	CENTURY SUNSHINE	JOINTOWN PHARMACEUTICAL
1. Assessment and Management of Environmental and Social Risks and Impacts	HIGH	HIGH	HIGH	HIGH
2. Labor and Working Conditions	HIGH	HIGH	HIGH	HIGH
3. Resource Efficiency and Pollution Prevention	unknown	HIGH	MODERATE	unknown
4. Community Health, Safety, and Security	unknown	HIGH	unknown	unknown
5. Land Acquisition and Involuntary Resettlement	HIGH	unknown	LOW	LOW
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	unknown	unknown	unknown	unknown
7. Indigenous Peoples	HIGH	HIGH	HIGH	HIGH
8. Cultural Heritage	Included by IFC under "Indigenous Peoples" where that category is applicable			

has not produced documentation to demonstrate that risks of forced labor, ethnic erasure, and other marginalization are managed. When asked for detailed documentation to demonstrate oversight, IFC only provided partial responses. This report serves as a follow-up to the earlier report, in which we utilized publicly available records to answer some of the questions initially posed to IFC.

In response to a review of this report, IFC reported the following: "Sensitive to those [environmental and social] 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" (See *Online Annex A*). While IFC has not initiated new funding since 2020, several significant clients remain, and those companies continue to engage in repressive programs against minoritized citizens.

The following sections present studies of each of IFC's remaining clients in the Uyghur Region, identifying specific ways in which those companies are violating or are at risk of violating IFC's own Performance Standards. Some of the research presented below reveals egregious violations of human rights and explicit participation in repressive government programs. Other aspects of the research indicate high likelihood of violation, in particular in the realm of environmental degradation, which cannot be adequately studied using desk-based research methods and would require on-the-ground investigation to ensure that the companies are not in breach of the Performance Standards.

In the conclusion of this report, we provide recommendations for how IFC should act in response to this evidence. These findings should also be seen as an indicator of how other DFIs might be exposed and should respond.

CHENGUANG BIOTECH GROUP CO., LTD. (晨光生物科技集团股份有限公司)

Chenguang Biotech Group Co., Ltd. (Chenguang Bio or CCGB) produces plant-based extracts, food additives, natural dyes, pigments, and supplements from agricultural products, such as marigolds, peppers, tomato skins, cotton seeds, cumin, walnuts, and grape seeds. Chenguang is headquartered in Handan, Hebei Province. The company sources and processes its raw materials from the XUAR and Andhra Pradesh, India. The company received IFC financing to expand raw materials sourcing in the XUAR as well as to expand into Zambia.[85] The company's expansion in the XUAR has been supported by significant tax reduction incentives.[86]

The company's extensive Uyghur Region holdings include at least twelve subsidiaries and processing facilities in Kashgar, Qaramay, Yarkand, Qarasheher, and Korla. The Uyghur Region has a hospitable climate for and a long history of producing many of the raw materials Chenguang requires. The Uyghur Region grows 85 percent of China's cotton,[87] more than 70 percent of China's tomatoes (and as much as 90 percent of its export tomato paste),[88] 50 percent of China's walnuts,[89] and 28 percent of China's grapes.[90] IFC's disclosure summary for Chenguang indicated that "~90% of [the company's] cottonseed, nearly 83% of paprika, and all marigold flowers are sourced from Xinjiang."[91] Marigolds are the key ingredient in the company's lutein supplements, and CCGB claims to be the supplier of more than a quarter of the world's lutein.[92]

Export Customers: The company claims to generate more than 30 percent of its revenue through exports.[93] Customs records indicate that the following customers have recently imported goods from CCGB: Pure & Green Life (United States), Mb Supplements (United States), OmniActive Health Technologies (India), AVT Natural Products (India), Hudson Trading Group (United States), Panacea Phytoextracts (India), Spicin Foods (United States), Kancor Ingredients (India), Shan Foods (Pakistan), Bio-Gen Extracts (India), Synthite Industries (India), Essence Indonesia (Indonesia), Roha Lautan Pewarna (Indonesia), Roha USA (United States), Yihai (US) Food (United States), Global Inovasi Cemerlang (Indonesia), Pt Foodex Inti (Indonesia), Bangja Inti Ingridien (Indonesia), Indesso Aroma (Indonesia), Kalsec (United States), Industrias Vepinsa S.A. de C.V. (Mexico), and Industrial Organica S.A. de C.V. (Mexico).[94]

Two Chenguang customers—Hudson Traders and Kalsec—have indicated that Chenguang has conducted third-party SEDEX-SMETA social audits that identified no forced labor at its facilities or in its supply chains. Kalsec indicated that its team has visited Chenguang's farms to conduct a sustainability assessment and has "personally trained Chenguang BioTech representatives to conduct their own further sustainability assessments to ensure adherence with our supplier requirements." Hudson Traders wrote that "the supplier has repeatedly denied any involvement in alleged forced labor or human rights violations in the XUAR to us." (See *Online Annex A* for the letters and more details.) In a phone conversation, Hudson Traders informed the authors that the company has suspended all future orders from Chenguang.

AT A GLANCE: CHENGUANG BIOTECH GROUP CO., LTD.

Business Description	Manufacturer of plant-based extracts and additives for global export; a leading global producer of lutein supplements, capsanthin, and other ingredients in cosmetics
Investment Start Date	September 3, 2019
Investment Amount	$40 million 6-year loan
Investment Purpose	Support the company's permanent working capital needs to increase production

Zhu Ping, "产业扶贫样本调查：晨光生物订单式种植 助力莎车县10万农民脱贫" ("Sample survey of industrial poverty alleviation: Chenguang Biological order-based planting helps 100,000 farmers in Yarkand County to get rid of poverty"), 21st Century Business Herald, August 1, 2019, Online; Chenguang Information, "晨光生物把万寿菊种成南疆 '脱贫致富花'" ("Chenguang Biological plants marigolds as 'flowers for alleviating poverty and getting rich' in southern Xinjiang"), Guba.com, April 1, 2020, Online; Note: The second article indicates that CCGB may be falsely promoting its lutein capsules to middle school students as good for ocular health, though lutein's only likely effective medical use is for old-age-related macular degeneration. "'焉支山' 下，'三红' 调制 '小康味.'" ["Under 'Yanzhi Mountain,' 'Three Reds' are used to make 'well-off taste'"], Xinhua News Agency, September 17, 2020, Online.

IFC PERFORMANCE STANDARDS VIOLATION RISK

1. Assessment and Management of Environmental and Social Risks and Impacts	**HIGH**
2. Labor and Working Conditions	**HIGH**
3. Resource Efficiency and Pollution Prevention	**unknown**
4. Community Health, Safety, and Security	**unknown**
5. Land Acquisition and Involuntary Resettlement	**HIGH**
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	**unknown**
7. Indigenous Peoples	**HIGH**

RISK OF PERFORMANCE STANDARDS VIOLATIONS

PS2 (Labor and Working Conditions) and PS5 (Land Acquisition and Involuntary Resettlement) In the Uyghur Region, CCGB's direct workforce of roughly 370 (as of 2019, per IFC), including highly skilled labor in high-tech processing facilities, carries out agricultural processing activities while the company sources its raw materials from thousands of small-scale farmers and farming cooperatives. The majority of the direct workforce (76 percent) is Han, which suggests discriminatory hiring practices since the company operates in majority Uyghur areas.[95] A job advertisement for workers for Chenguang's wholly-owned subsidiary, Xinjiang Chenxi Pepper Industry Co., indicated that, indeed, administrative jobs (including office clerk and accountant), operations management, and warehouse workers were required to be of "Han ethnicity," whereas "seasonal workers in the workshop" positions were open to people of any ethnicity.[96] A Chenguang promotional video published on Weixin in 2020 about its operations in the XUAR seems to confirm that discrimination continues; Uyghur farmers appear in the film, but all of Chenguang's direct employees appear to be Han.[97]

Various Chinese state media reports have announced that Chenguang has created more than three hundred and fifty job opportunities *each year* since it arrived in the XUAR and lifted between forty thousand and seventy thousand households out of poverty, increasing farmers' income by between 2,000 yuan and 10,000 yuan per household.[98] CCGB also reported that the company actively "solve[d] the problem of employment" of more than one hundred thousand people who work as seasonal flower pickers.[99] None of these claims can be verified, but, as reported below, the transition to Chenguang jobs and crops was facilitated through coercive state-sponsored labor and land transfers, in direct cooperation with the IFC client company.

State media has reported that CCGB built facilities in Yarkand with the specific intent to "recruit poor laborers first" through state-sponsored poverty alleviation and labor transfer schemes.[100] As discussed in the introduction, these labor recruitment programs are typically state-sponsored and coercive assignments of impoverished people in low-skill/low-wage jobs, often against their will. CCGB's participation in these programs indicates a high risk of violation of PS2's protections of laborers' rights to freely choose employment.

CCGB reportedly sources raw agricultural materials from approximately eight thousand small-scale agricultural producers in the Yarkand area alone,[101] but many of them are subject to coercive land/labor transfer programs. CCBG participates in and benefits from the XUAR government programs called "enterprise + cooperative + order farming" (企业+合作社+订单农业) and "land transfer + x new countryside development strategy" (土地流转+X新农村发展方略). Chenguang determines the types and quantities of agricultural produce it needs for its processing facility. The company partners with local governments to establish a purchase price agreement for the crops, typically with no input from the farmers. [102] The company establishes acquisition points and "closely integrates the development of enterprises with helping farmers to alleviate poverty."[103] The state organizes small-scale farmers to transfer their land to a larger cooperative, run by a very small group of the most prominent farmers in the area, or sometimes a Han Chinese person, who often retains the majority of revenues. SAIC filings

FIGURE 3: Two men rake harvested marigolds destined for Chenguang.
Source: Still from Chenguang Biotech Promotional Video

FIGURE 4: Five members of a labor task force work to "educate" a single female farmer to plant marigolds.
Source: Xinjiang University Innovation China.

have identified "cooperatives" that are 90 percent controlled by a single shareholder.[104] According to an article published by Chenguang Bio promoting its poverty alleviation efforts, in one small town in Yarkand, cadres from the Department of Natural Resources and Xinjiang University arrived in the village, observed the situation, and declared unilaterally that all of the land (with few exceptions) would be dedicated to marigold planting.[105]

In another instance of CCGB's participation in these programs, Yarkand County (莎车/ Shache) agencies, in partnership with the Xinjiang branch of the Agricultural Development Bank, encouraged Chenguang to build a factory in the county with a 226 million yuan loan (~$34 million—about the same amount that IFC loaned the company in the same year, 2019). This was part of the state-run bank's "matchmaking" program, whereby the bank pairs companies with towns the government is seeking to "develop."[106] CCGB provides agricultural inputs (of seeds and fertilizer, for instance) to farmers that are coerced to commit their harvests to the company and promotes marigolds as the "flower for poverty alleviation and prosperity," while the local Yarkand government "guides" farmers to grow the flowers the company uses to make its lucrative lutein capsules. Farmers sign contracts directly with Chenguang to sell the marigolds at a set price.[107] This program is touted as a rural development scheme. IFC's disclosure page on Chenguang states: "Interviews with sample marigold growers suggested a positive relationship between Chenguang and growers."[108] These interviews were conducted during a surge of mass internment in the region and, IFC confirmed, under company surveillance.[109] The sample was likely not representative, given the state's control over such matters.

Chenguang and the regional government claim that Chenguang crop prices are higher than what farmers can earn planting wheat or cotton.[110] However, research suggests that Uyghur and other minoritized people are coerced into working toward Chenguang's goals. In Yarkand, for instance, state media reported in 2020 that "not just a few" Uyghur farmers were "doubtful about planting marigolds" for industries in the region, citing their reluctance to leave traditional farming and their concerns about being able to make enough money. (CCGB appears to be the only company growing marigolds in that area). County labor task force members conducted "household visits and evening schools for farmers and herdsmen" to convince them of the benefits of growing marigolds. Government agents visited farmers' households until the farmers relented and expressed their "determination" to pursue the "poverty alleviation" agenda. According to media reports, farmers who argue that they know nothing about marigolds are told that it is not difficult to learn and are pressured to do so, while farmers who request a loan to raise cattle are refused because they do not have the requisite knowledge.[111]

In the year after IFC's investment, Chenguang built a new marigold processing factory in Kargilik that would be capable of processing 250 tons of marigolds per day.[112] A 2020 media report described a corporate-state cooperative program that led to the *entire village* of Bostan in Kargilik County (叶城/Yecheng)—242 farmers—being directed to transfer their land to the Kargilik County Beautiful Natural Planting Farmers Professional Cooperative for the benefit of Chenguang.[113] In 2020, the cooperative was expected to plant "1280 mu of marigolds, 122 mu of roses, 86 mu of sorghum, and 5 mu of mint; [and] plant 1324.7 mu of high-yield corn, 474 mu of wheat, and 262 mu of vegetables and fruits," (roughly 585 acres in total) making the cooperative an anticipated 9 million yuan through an order agreement with Chenguang. The cooperative is managed by "fifteen large planting households" out of the 242 farmers that have had their land cooperativized. State media celebrated that this resulted in an income of 1.87 million yuan being distributed to the farmers who participated

FIGURE 5: 2015, 2019, 2021 land conversions in Bostan (eliminating forests and family gardens; instituting monocropping, detail of 8 acres.
Source: Google Earth

in the scheme—less than a quarter of the cooperative's expected income, and a mere 7,723 yuan per year per farmer (or 643 yuan a month) if the dividends were divided equally.

The dividends are not distributed equally—one farmer reported that he was given 1,680 yuan per year (or 140 yuan per month, or $21) for transferring 3.3 mu (roughly a half acre). That rate falls below the meager 1,500 yuan per mu annual rate indicated in other local government documents and leaves the farmers without livelihoods, ancestral lands, or self-determination.[114] Villagers are not given

FIGURE 6: Chenguang Bio Marigold Planting Base.
Source: People's Daily Online - Xinjiang Channel.

FIGURE 7: Uyghur farmers harvest marigolds for Chenguang.
Photo Credit: Shi Jiaming for People's Daily

the opportunity to reject these terms or retain their lands. See Figure 5 for Google Earth time-lapsed imagery of the transformation of Bostan village from small farm households surrounded by shade trees to cooperativized land and monoculture farming in the service of Chenguang.

In Chenguang's state-facilitated mass land transfer scheme in Bostan, 103 farmers who previously farmed the land themselves were then contracted to work the land by the cooperative, and the media reports that they were paid a total of 1.491 million yuan for that work—only 1,206 yuan (~$185) per farmer per month. If their land dividends were paid out equally, their monthly income would still only come to 1,850 yuan, which is just slightly above the 1,820 yuan XUAR minimum wage for 2020.[115] In reality, at the low per mu rate described by the farmer cited above, their resulting income is likely reduced to below the XUAR's minimum wage (for working on land coercively expropriated from them). Indeed, if the farmer cited above is representative of other farmers, then that amount would be 1,346 yuan ($208) per month and is potentially far less.

The program also "allows farmers to extract themselves from the land and move out for employment," according to media reports. In Bostan, hundreds of farmers who had "extracted themselves from the land" were then "transferred" for work, likely to factories within the XUAR. Reports indicated that the transferred laborers' "average monthly salary per capita reached 1900 yuan," but that figure excluded "the epidemic period."[116] However, the same report stated that after this significant transformation of the entire village to suit the needs of CCGB, the per capita annual income of Bostan village amounted to 13,658 yuan (or 1,138 yuan—$176—per month) in 2020, far below the regional minimum wage (and only on average; some earned less). These farmers no longer have rights to their small subsistence farms to supplement their meager incomes, and many of them are then left few, if any, viable options other than state-sponsored labor transfers, even when they expressly prefer to remain in farming or in their own community.

Chenguang's wholly-owned subsidiary, Xinjiang Tianjiao Hongan Agricultural Technology Co. (新疆天椒红安农业科技有限责任公司), initiated a similar program of dispossession and land collectivization in concert with the Xinjiang Production and Construction Corps' (XPCC's) 1st Division, which has been sanctioned by the U.S. government.[117] In 2018, in the name of "sustainable development," the XPCC transferred the land management of Alar Farm to Xinjiang Tianjiao for pepper planting. The private company then cooperativized the land, giving farmers only 700 yuan per mu, "and then hires them back to manage the planting of peppers" at the rate of 260 yuan per mu, a program described as "land transfer and reemployment." There is no indication that farmers are allowed to refuse participation.[118] In 2020, this program was reportedly replicated in the XPCC's 3rd Division, when Xinjiang Tianjiao signed planting agreements with farmers whose land had recently been cooperativized under the guidance of the local Party Committee.[119]

These farmers are not direct employees of CCGB and are thus not directly covered by CCGB's corporate labor protections, though they should be covered under IFC's safeguards for workers in "associated facilities."[120] The farmers are explicitly engaged by CCGB to plant crops for them, under terms set in advance by (unelected) village work team leaders. CCGB sets the price for the products and sends a representative to collect them. Without having to own any land or contract any farmers, CCGB participates directly in a program that expropriates whole villages' land from farmers through state-organized cooperatives, without land-based compensation or adequate financial compensation. Ironically, this program is touted as a development program. This suggests a very high risk that CCGB is in violation of PS2 and PS5 as well as of the monitoring required by PS1 (Assessment and Management of Environmental and Social Risks and Impacts).

Some farmers who have not been affected by this cooperativization effort continue to plant their own small farms with marigolds, under pressure from the county and Chenguang. One state media report indicated that the XPCC, having learned of the successful planting for Chenguang in Yarkand, decided to pursue a similar program in one of its regiments in cooperation with the company. Again, reports indicate that the XPCC had to resort to "ideological work" to convince farmers to plant marigolds, because, as the commander of the 4th Company of the 51st Regiment told reporters, "The masses were unwilling to accept the cultivation of marigolds in the early stage. After the inspection in Yarkand County, we returned to the public and widely publicized [the plan] and did ideological work. Everyone slowly changed the traditional planting method."[121] Such "ideological work" is a common method of coercing minoritized citizens to do the bidding of the state, and in this case, of an IFC- and state-financed corporation. The harvesting season for marigolds lasts from June until first frost—about five to six months—and would earn a farmer about 3,000 yuan per mu. Many small-share farmers have less than 5 mu of land on which to plant, leaving the majority of farmers earning far less than the minimum wage in those months. Given the current compulsory labor regime in effect in the XUAR, those farmers are highly likely to be identified as seasonal surplus labor and thus required to transfer for work at a factory in the months when they are not picking marigolds for Chenguang.

These coercive programs assist CCGB in rapidly expanding its production. In 2019, CCGB reported expanding the area of its marigold fields in the XUAR by 30 percent, reaching 138,000 mu.[122] In 2020, Chenguang Chairman Lu Qingguo indicated that the company expected to have planted almost 200,000 mu of marigolds by the end of the year (another 45 percent increase in a single year),[123] and as of October 2020, the marigold planting area in Yarkand County alone was reported to have expanded to 130,000 mu.[124] The cultivation of marigolds under Chenguang's encouragement is intended to "drive farmers' large-scale contiguous planting"[125] in areas where farmers were previously engaged in transgenerational small-scale family farming. While some of those farms were merely subsistence farms and some farmers were indeed impoverished and in need of assistance, the programs that transfer their lands away from them are not demonstrably voluntary.

According to the company's own publicity, after only ten years in the XUAR, Chenguang has emerged as a leader in the production of not only marigolds, but also chili peppers. In order to achieve rapid growth, the company has reported that it has cultivated 400,000 mu of red peppers and 600,000 mu of bell peppers, at least in part through significant land transfers from small-share farmers to large cooperatives in Karashaher (焉耆/Yanqi) County. A Xinhua article reported that by 2020, Karashaher County had successfully transferred 151,000 mu (25,000 acres) of land to cooperatives serving CCGB and other corporations in the region. These transfers amounted to one-third of all arable land in the county. Lu, CCGB's chairman, claimed that the land CCGB cultivated for peppers (by proxy through the cooperatives) had increased from 50,000 mu to 600,000 mu—a twelvefold increase. The county claimed that these transfers of land "helped the labor liberated from the land achieve stable employment, forming a virtuous circle." The companies operating in the Karashaher region are collaborating with the county government to shift farming toward high-precision, high-tech agricultural development, likely displacing even more farmers.[126]

PS7
Indigenous Peoples

As indicated in the sections above, reports of Uyghur farmers being unwilling to plant at the direction of the state sometimes cite the farmers' concerns about shifting from the crops they have grown for generations.[127] Furthermore, large-scale corporate and cooperative farming in the region has been accompanied by an "Old Orchard Reconstruction" project, which cleared the old-growth poplar and elm trees to make way for expansions of farmland, which research suggests likely also triggers indigenous concerns of ancestral traditions being uprooted in the process.[128] These indigenous commitments to tradition are understood by the state as impeding the people's progress, and "ideological work" is undertaken by government agencies to "encourage" the people to relinquish their land, change their crops, alter their farming methods, work for cooperatives or large-scale farms that have expropriated their lands, or move to factory labor. These practices are at high risk of violating PS7, as government "encouragement," especially when backed by a vast system of mass internment, is a coercive tactic. IFC determined there was no need to seek the Free, Prior, and Informed Consent (FPIC) of indigenous peoples affected by Chenguang, because the factories were situated on government-held land. Technically all land is "state held" in China, so this designation is not sufficient to determine what rights indigenous people nonetheless have on the land. IFC does not appear to have evaluated whether state-held land had indigenous significance or even whether Uyghurs held actual leases prior to appropriation, let alone whether Uyghur farmers freely consented to land expropriations, crop conversions, and, in many cases, permanent personal physical displacement to supply Chenguang with their raw materials. This is both because IFC has only had cursory and surveilled communications with the agricultural producers associated with Chenguang, and because for Uyghurs to express resistance to "development" initiatives is considered an indicator of extremism, as noted above.

IFC'S RESPONSE TO CONCERNS

IFC determined that the environmental and social risks associated with financing Chenguang were "limited" and "can be readily addressed through good international industry practice and mediation measures." IFC determined this project to be a lower-risk Category B project, while indicating that treatment of workers and labor rights were both key issues to be considered by the company.[129]

In NomoGaia's spring 2021 interactions with IFC, IFC asked how it might demonstrate that its operations were not connected to the forced labor campaigns associated with internment camps and prisons. NomoGaia provided a list of questions and document requests. IFC supplied no documents and answered a small number of these questions. IFC responses explicitly relied on documents provided by Chenguang, such as supplier contracts and written statements from suppliers, rather than on-the-ground audits or inspections by IFC. Requests that IFC articulate the percentage of seasonal laborers who have been through "reeducation" in "vocational education and training centers" were unanswered. Likewise, IFC did not respond to requests for clarifying data demonstrating that all workers labor in the vicinity of their homes, or that wages met the XUAR's legal minimums. IFC declined to provide GPS coordinates of the Chenguang Bio facilities or its suppliers to facilitate analysis. However, the evidence of forced labor and land transfers presented in this report was available in publicly accessible websites at that time. It is not clear whether IFC conducted independent due diligence to identify these risks or evaluate the claims of its client company.

IFC reported conducting five spot interviews with Uyghur truck drivers delivering crops to one of Chenguang Bio's facilities in 2019.[130] Spot interviews with workers at job sites are unlikely to elicit candid criticisms.[131] IFC did not provide the authors any requested wage data that might demonstrate that economic "development outcomes" were being benchmarked or met.

SUMMARY OF PERFORMANCE STANDARDS RISK

Chenguang is at risk of violating the following IFC Performance Standards[132]:

- hiring is nondiscriminatory (PS2-15)
- workers have a non-retaliatory grievance process (PS2-20)
- recruitment practices are free of forced labor through labor transfers (PS2-22)
- land appropriation is voluntary (PS5-1)
- land appropriation happened in adequate and uncoerced consultation with and monitoring by Affected Communities (PS5-2 and 10) fair compensation or replacement of living standard was secured for expropriated land (PS5-9)
- submission of documentation of compliance with IFC standards where government programs have expropriated lands of benefit to the company (PS5-30)
- Free, Prior, and Informed Consent (FPIC) of the Affected Communities was attained for land and labor transfers in indigenous territories (PS7-10, 11, 13, and 14)
- tangible and intangible cultural heritage is protected (PS7-16 and 17)

CAMEL GROUP CO., LTD. (骆驼集团股份有限公司)

Camel Group Co., Ltd. is among China's largest battery manufacturers. Its primary focus is the production, distribution, and recycling of lead-acid storage batteries for automobile starters. The company has major distribution worldwide, counting many US, European, Japanese, and South Korean car manufacturers among its customers. Camel Group operates facilities in Hebei, Jiangxi, Guangzhou, Hubei, Jiangsu, and Guangxi Provinces in China, as well as in Malaysia and South Korea. Camel Group received an IFC loan to expand its recycling operations into Toksun County in the XUAR, on the property of its recently built manufacturing facility. Lead-acid battery recycling requires lead smelting, making the project one of IFC's highest risk, Category A investments. This categorization necessitates heightened due diligence to align with IFC's Environmental and Social Framework. Such due diligence, required to be public, has not been disclosed by IFC.

AT A GLANCE: CAMEL GROUP CO., LTD.

Business Description	One of China's top battery manufacturers
Investment Start Date	July 30, 2019
Investment Amount	$36 million plus an additional $45 million MCPP (IFC-managed co-lending portfolio loan)
Investment Purpose	Building new recycling plants, and technical upgrades to and maintenance of existing plants

International Finance Corporation (IFC), "Camel Group" (Sponsor/Cost/Location tab), IFC Project Information & Data Portal, Online; and "Camel Group (IFC-41128)," Early Warning System, updated January 10, 2020, disclosed by Bank, January 30, 2019, Online.

Export Customers: According to Camel Group: Volkswagen, Ford, Audi, General Motors, Honda, Nissan, Jeep, Hyundai, Kia, Peugeot, Citroën, and Volvo;[133] according to shipping records: Canadian Energy and Power Corp., Canadian Energy Calgary, Prairie Battery, and several companies in Indonesia, as well as Camel's own US subsidiary.[134] Representatives of Audi, Volkswagen, and Volvo have indicated that they do not

IFC PERFORMANCE STANDARDS VIOLATION RISK

1. Assessment and Management of Environmental and Social Risks and Impacts	**HIGH**
2. Labor and Working Conditions	**HIGH**
3. Resource Efficiency and Pollution Prevention	**HIGH**
4. Community Health, Safety, and Security	**HIGH**
5. Land Acquisition and Involuntary Resettlement	**unknown**
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	**unknown**
7. Indigenous Peoples	**HIGH**

source from Camel, though they are listed as customers on the company's website. After learning that Camel lists Volkswagen on its website, Volkswagen reported that the VW purchasing department is analyzing its business relationship with Camel.

RISK OF PERFORMANCE STANDARDS VIOLATIONS

PS1
Assessment and Management of Environmental and Social Risks and Impacts

Camel did not carry out a PS1-compliant Environmental and Social Impact Assessment (ESIA) for the IFC-financed battery recycling facility. It produced only an Environmental Impact Report (EIR) for its manufacturing facility, which was conducted by a third party consultant and had an "evaluation focus" (Section 1.1.3.2 评价重点) on the feasibility of creating interdependence with the recycling facility and of the facility's environmental protection measures, and an environmental risk assessment, without any of the Social Impact Assessment (SIA) required.[135] The assessment included no actual focus on the risks specific to battery breaking or secondary smelting. This is a major gap in reporting for IFC PS1, as the risks specific to recycling are distinct from risks associated with manufacturing. Specifically, IFC indicated in its own disclosures that the "lead-acid battery recycling processes include old battery breaking, sulfuric acid neutralization or acid recycling/utilization, plastic melting/recycling, lead smelting, and ingot molding, etc." Battery breaking itself often merits detailed environmental risk assessment, both because old batteries can leak acid and must be shipped, stored, and handled with careful attention, and because the secondary smelting of lead from batteries contains an array of heavy metals not generally present in the smelting of ingots used in manufacture.[136] The IFC-funded Camel Group project was designed to avoid the dangerous, unregulated, and unlicensed recycling of these batteries that was allegedly occurring in the XUAR before the plant was built, though even regulated lead-acid battery recycling poses extreme environmental and human impacts.[137]

As a result of this scoping, the EIR excluded major considerations of environmental and social impact pertinent to these battery recycling processes. For example, the wastewater parameters focused only on pollutant emission standards for "Production Wastewater," measuring lead, cadmium, pH, chemical oxygen demand, suspended solids, phosphorus, ammonia, and nitrogen (Section 1.8.2.2). These are important parameters, but secondary smelters also result in emissions of additional heavy metals (silver, arsenic, barium, chromium, mercury, selenium), which are important to monitor in wastewater.[138]

Perhaps more importantly, the EIR does not include a social impact assessment that would make it compliant with IFC PS1 (paragraphs 8, 11, and 12) for any part of the facility. Affected Communities downgradient of the lead smelter, which historically sourced water from directly beneath the facility for traditional crops, do not appear to have been engaged at any point during project appraisal and assessment. An impact assessment that meets PS1 standards would include clear descriptions of the effects of industrialization on local livelihoods. These major nonconformances with PS1 limit IFC's ability to interpret the applicability of other Performance

FIGURE 8: **Migrant workers from southern Xinjiang swear an oath before being taken to work at Camel Group and other Turpan companies.**
Source: Weixin

Standards, as exhibited in the facility's nonadherence to numerous key principles of the Performance Standards detailed below.

The IFC Environmental and Social Mitigation Measures indicate that Camel Group would "conduct a land acquisition review. . .in case previous farmer's lands were acquired by local government, and propose mitigation methods in case the lands are not compensated sufficiently according to IFC Performance Standard 5, Land Acquisition and Involuntary Resettlement."[139] IFC also indicates that it is assessing "broad community support" for the project. In more than two years since IFC invested in the project, no updates have been provided on either of these action items.

PS2
Labor and Working Conditions

Like other companies operating in the Uyghur Region, Camel Group maintains that they are engaging in poverty-alleviation programs that benefit indigenous people of the region. As part of those programs, Camel Group is one of many companies that benefit from the labor transfer scheme facilitated by the Toksun County government, where Camel's facilities operate. Toksun County enterprises were subject to the "Three-Year Plan for Promoting the Organized Transfer of Urban and Rural Surplus Labor Forces in Kashgar and Hotan Region to Employment in the Autonomous Prefecture (2017-2019)," issued by regional and municipal governments.[140] In 2017, this government-sponsored labor transfer program transported 165 people from southern Xinjiang (as much as 1,300 km away) to Turpan for a ten-day "closed pre-job training" (封闭式岗前培训工作), which indicates that the participants were not allowed to come and go freely from the training. At the training, they received military and ideological training, and they were required to sing patriotic songs and learn the Chinese language. There was then a "handover ceremony" in which they were dispatched to companies, including Camel Group. One of the migrant workers gave a speech celebrating how the labor program would promote "national unity and unity of the motherland," after which all of the workers performed a flag-raising ceremony and declared their commitment to "maintain the unity of the motherland, be loyal to the party, resolutely fight the 'three evils,' [terrorism, extremism, and separatism] and make due contributions to national security, national unity, social stability, and harmony." The workers also pledged to fight religious extremism and ethnic division, as well as to "profoundly expose and criticize the crimes of violent and terrorist activities and resolutely fight against nationalist separatists." Then officials had the workers bussed to their assigned employers, which included Camel Group.[141]

FIGURE 9: Migrant workers from southern Xinjiang in "handover ceremony" to Camel Group and other Turpan companies.
Source: Weixin

There is no indication that Han migrant workers are subject to the same "closed training" or political/ideological oath taking to work at Camel Group. It is likely that Camel Group continues to participate in labor transfer programs because it is an initiative that is highly incentivized by the Turpan government and prominent enterprises, such as Camel Group, are expected to engage.

Between its Xinjiang Renewable Resources Co. and its other XUAR subsidiary, Xinjiang Storage Battery Co., Ltd, Camel employs 268 people in its Turpan facility.[142] According to the IFC disclosure, 10 percent of the staff at Camel Group's battery assembly plant in the XUAR are "minority employees."[143] By contrast, Turpan, where the facility is located, is 77 percent Uyghur and 6 percent Hui.[144] This suggests discriminatory hiring practices on the part of Camel Group.

These labor transfers may also be highly hazardous to the workers. Workers in lead smelting and battery recycling plants often experience high and prolonged exposures to lead. The air, water, soil, and vegetation in the vicinity of lead smelters are often contaminated with the heavy metal, threatening the health of anyone who lives and works nearby. Camel's own EIR indicates that no residential areas should be within 1 km of the facility, and that workers should labor with a 10 m to 150 m buffer from several components of the facility. However, Camel has worker dormitories directly on the property (described in the EIR sections 3.1.5 and 13.3.3). These workers are thus exposed to hazardous contaminants during their eight-hour shifts and their sixteen-hour rest periods, as well as on their weekly day off (assuming working hours described in the EIR are adhered to in practice).[145] PS2 compliance would be expected to include evaluation of heavy metals exposure risk within dormitories (air, dust, and water samples, as well as blood lead level samples).

PS3
Resource Efficiency and Pollution Prevention and PS4
Community Health, Safety, and Security

Recycling has stalled the expansion of lead mining worldwide, but regulations around recycling facilities are weak and inconsistently enforced. Used lead-acid batteries are a listed hazardous waste in China. Lead pollution affects air, soil, and water. When ingested, either directly (through respiration or ingestion), or indirectly (e.g., through breast milk or tainted crops), lead is a potent neurotoxin, restricting intellectual development and increasing risk of behavioral disorders.[146] The World Health Organization (WHO) has indicated that there is "no safe threshold of lead exposure."[147]

The challenge is global; as recently as December 2020, California communities filed suit against a battery recycling plant for contaminating thousands of nearby properties, including schools, parks, and childcare centers.[148] A study of soil contamination from lead battery recycling in seven African countries found that surrounding communities saw mean lead levels of 2,600 mg/kg, sixty-five times higher than naturally occurring levels of lead.[149] A study of a lead battery recycling facility in Jiangsu Province proved that blood lead levels (BLLs) in 43 percent of the children sampled exceeded the Chinese Ministry of Health's diagnosis standard for child lead poisoning, and the closer a child lived to the plant the higher the risk of lead poisoning.[150] Lead battery recycling facilities have been associated with lead poisoning worldwide, including in several Chinese cities, causing the government to shut down hundreds of plants across China[151] and draft new legislation to reduce the environmental harms of the industry.[152] In 2011, three Camel companies were identified by the Hubei Environmental Protection Department as causing "frequent blood lead incidents" and the company was ordered to rectify the situation.[153] Unlike many of its competitors, Camel survived the mass shutdowns and soon became the first company to conduct recycling and processing of lead batteries in the XUAR.[154]

One of the key parameters for evaluating lead poisoning in humans is BLL. The US Centers for Disease Control and Prevention (CDC) and the American Public Health Association (APHA) have determined that BLLs above 50 µg/L (0.24 µmol/L) can result in adverse health effects in children and adults.[155] US regulations define 50 µg/L as an elevated BLL.[156] The WHO has concluded there is no safe intake level of lead in children or adults.[157] Nevertheless, the US government (the Occupational Safety and Health Administration, OSHA, unrevised since 1978) and the Chinese government (law GBZ37-2015) have both set occupational limits for BLL at 400 µg/L (or 1.9 µmol/L).[158]

Camel's EIR states that, before the manufacturing plant was built in 2007, baseline BLLs in local workers and residents were in a "normal" range of between 5.2–91.6 µg/L, the high end of the range being almost twice the amount determined to cause adverse health effects. After years of operation, for the 2017 EIR, Camel's consultants sampled blood from sixty patients at the Toksun People's Hospital. The study presents BLLs in mol/L rather than µg/L or µmol/L.[159] It states the results were between 9.5 mol/L and 27.3 mol/L. The unit (mol), it must be assumed, is written in error because a mole is one million times larger than a micromole (µmol). Assuming that the authors' intention was to report these figures in µmol, the results still are far higher—five to fourteen times higher—than allowed under Chinese law. Even if the EIR intended to report in µmol, these values would still far exceed safe levels for public health, whether using the 50 µg/L (0.24 µmol/L) definition of elevated BLL or even the 400 µg/L (or 1.9 µmol/L) occupational limit standard. Either the baseline conditions have become catastrophically hazardous, or Camel has no reliable baseline data on lead exposure levels. Exposure to lead released by this facility extends far beyond the fence line, through air and water emissions.

After Camel's 2017 EIR was approved, it published an Environmental Monitoring Report (EMR) in 2019. It projects the plant will release more than 8.2 tons of lead in smoke and dust per year. The 2019 report also provides wastewater quality data from two days of sampling in 2018.[160] This EMR indicates that lead emissions from the manufacturing plant were problematic even before the recycling facility was completed in 2021. In particular, it reported on lead levels in "domestic wastewater," referring to the water used for employee laundry and showers, canteen dishes, sewage, and other non-industrial water usage. Because there are dormitories on site, water uses are varied. The EIR and EMR do not indicate how wastewater is treated and used in Toksun, but as the plant is located in an arid region, it is possible that wastewater is used for agriculture. Because municipal water treatment facilities are rarely equipped with technology to remove lead from water, it is important to restrict lead emissions into municipal wastewater. The United States Environmental Protection Agency (EPA) sets an action limit at 15 µg/L for public water systems and 65 µg/L for acute criterion for maximum concentration.[161] IFC's Environmental, Health, and Safety Guidelines (EHS Guidelines) set a limit at 100 µg/L for effluent from non-ferrous metals facilities.[162] The Food and Agriculture Organization of the United Nations (FAO) sets the maximum limit at 500 µg/L for wastewater in agricultural uses.[163] As noted above, the WHO estimates that there is no safe limit for lead intake, through food, water, or air. The PRC's effluent limits for non-ferrous metals facilities is 500 µg/L (PRC regulation GB 300484-2013 for Battery Industry Pollutant Emission Standards), but it has set a weaker standard for domestic wastewater of 1,000 µg/L (PRC Regulation GB 8978-96 Integrated Wastewater Discharge Standard). In Camel's 2019 EMR, wastewater lead levels ranged from 13 µg/L to 150 µg/L, exceeding all but the Chinese and FAO standards. Sampling was restricted to only one day during the month of December, raising questions about whether there are other seasons when water quality is even worse. Notably, this data predates the establishment of the battery recycling facility, which would almost certainly involve increased fugitive emissions. Wastewater treatment assessment data reported by Camel are represented in Figure 10.

Furthermore, Camel Group has not conducted a deliberate evaluation of environmental risks associated with the battery plant's placement atop a historic irrigation

FIGURE 10: Camel Group wastewater monitoring report

表 9-2-3 生活废水治理设施监测数据一览表
Table 9-2-3 Summary table of monitoring data from domestic wastewater management factilities

序号	检测项目 Parameter	单位 Unit	2018. 12. 6 Date of Water Sampling				2018. 12. 6				标准值 Legal Limit
1	pH 值 pH	无量纲	6. 81	6. 67	7. 03	6. 98	7. 01	6. 62	8. 00	7. 65	6–9
2	TSS 悬浮物 Suspended Solids	mg/L	85	92	102	113	86	72	96	79	400
3	化学需氧量 COD	mg/L	32	90	103	116	93	82	69	57	500
4	氨氮 Ammonia	mg/L	1. 31	2. 04	2. 54	1. 17	1. 76	2. 31	2. 34	1. 99	–
5	五日生化需氧量 5-day Biochemical aerobic quantity	mg/L	17. 7	42. 0	47. 9	52. 5	47. 1	36. 6	34. 4	28. 7	300
6	动植物油类 Oils/Grease	mg/L	1. 00	1. 07	0. 95	0. 94	0. 96	1. 03	1. 25	1. 14	100
7	石油类 Petro	mg/L	0. 13	0. 13	0. 13	0. 19	<0. 04	<0. 04	<0. 04	<0. 04	20
8	铅 Lead	μ g/L	21. 0	37. 5	13. 0	47. 2	150	82. 2	51. 5	35. 3	1000

2019 Camel Xinjiang Environmental Protection Acceptance Monitoring Report

100 in US

250 in US

10 in US

USEPA Action Limit 15 μ/L*

WHO Standard 0-10μ/L

IFC EHS Guidance 100μ/L

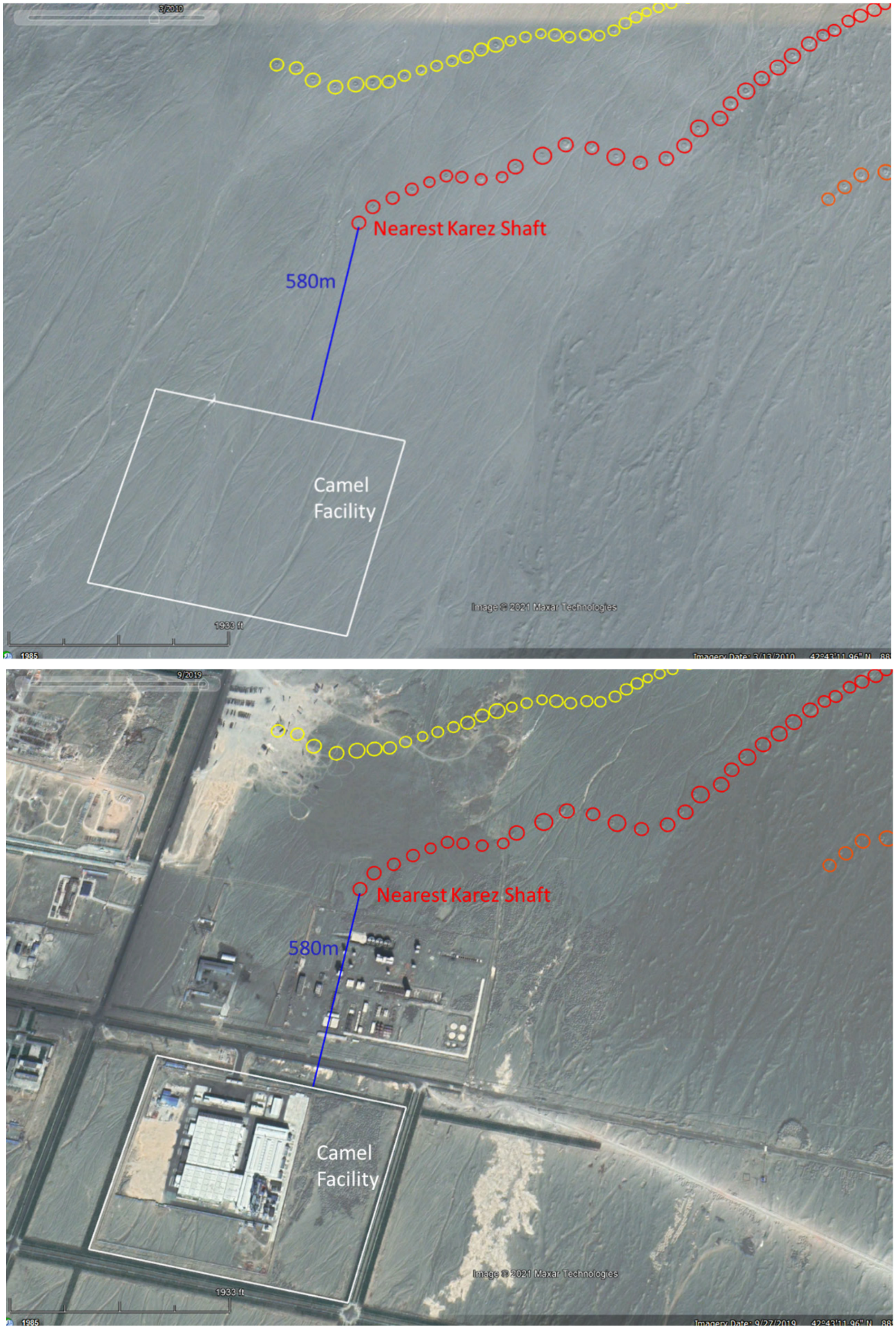
China, Peru, FAO 500μ/L

system called karez (坎儿井). The karez system is a network of gravity-fed underground channels that transport water from the Tianshan Mountains into the Turpan Basin. The oldest of the karez channels have been carbon dated to the early fifteenth century. Karezes serve as an integral part of an ecosystem, providing water for domestic use, farm irrigation, native plants, and wildlife habitats. While the number of karezes in the region has decreased rapidly in the last twenty years due to industrial development, oil exploration, and large-scale farming, more than six hundred of these channels are still flowing. The United Nations and Chinese central and local governments have all recognized the historical and ecological importance of this system and have taken steps toward its preservation by designating some of the channels as protected as well as controlling development and exploitation around the system.[164] In 2010, the World Bank loaned the Xinjiang government $100 million, $500,000 of which was dedicated for restoration of the karez system.[165] Karez channels are common in the area where Camel Group established its recycling, smelting, and manufacturing facilities.

Satellite imagery of the industrial zone locates the Camel facility atop at least two karez canal systems. Camel Group's third-party 2017 EIR includes evaluations of hydrogeology that make no clear mention of whether or to what extent the presence of numerous vertical canal shafts downwind and downstream from the plant could accelerate the transmission of dust, air, and water contaminants into the farmlands that (previously or currently) sourced irrigation water from that system.[166]

The EIR indicates groundwater pollution via leaching is a concern that Camel Group should monitor [Section 6.3.4.1(1)] and the report also noted that the karez system is still active and that farmers generally use karez systems for crop irrigation (Section 6.3.1.5), but no evaluation of the water or farmland downgradient of Camel's operations or community consultations were conducted. Karez systems are not pictured anywhere in the EIR, including on the mapping of the whole industrial zone. Karez canals and shafts were not defined as sensitive. IFC has no documentation of how or whether the Uyghur families that may have relied on these karez canals have been consulted or affected. In correspondence with one of the authors of this report, IFC observed that "the Camel plant is more than a kilometer from the nearest karez well."[167] To the contrary, satellite imagery reveals that the nearest vertical shaft (mistakenly described by the IFC as a "well") is actually 580 meters from the fence line, within the 1 km perimeter described in the EIR as a "health protection distance" from "the surrounding population and sensitive areas" (Section 6.2.3.4) (see Figure 11).

FIGURE 11: 2010 imagery shows three Karez systems north of the future Camel facility. 2019 imagery shows their remnants, only 540 meters from Camel's fence line.
Source: Google Earth



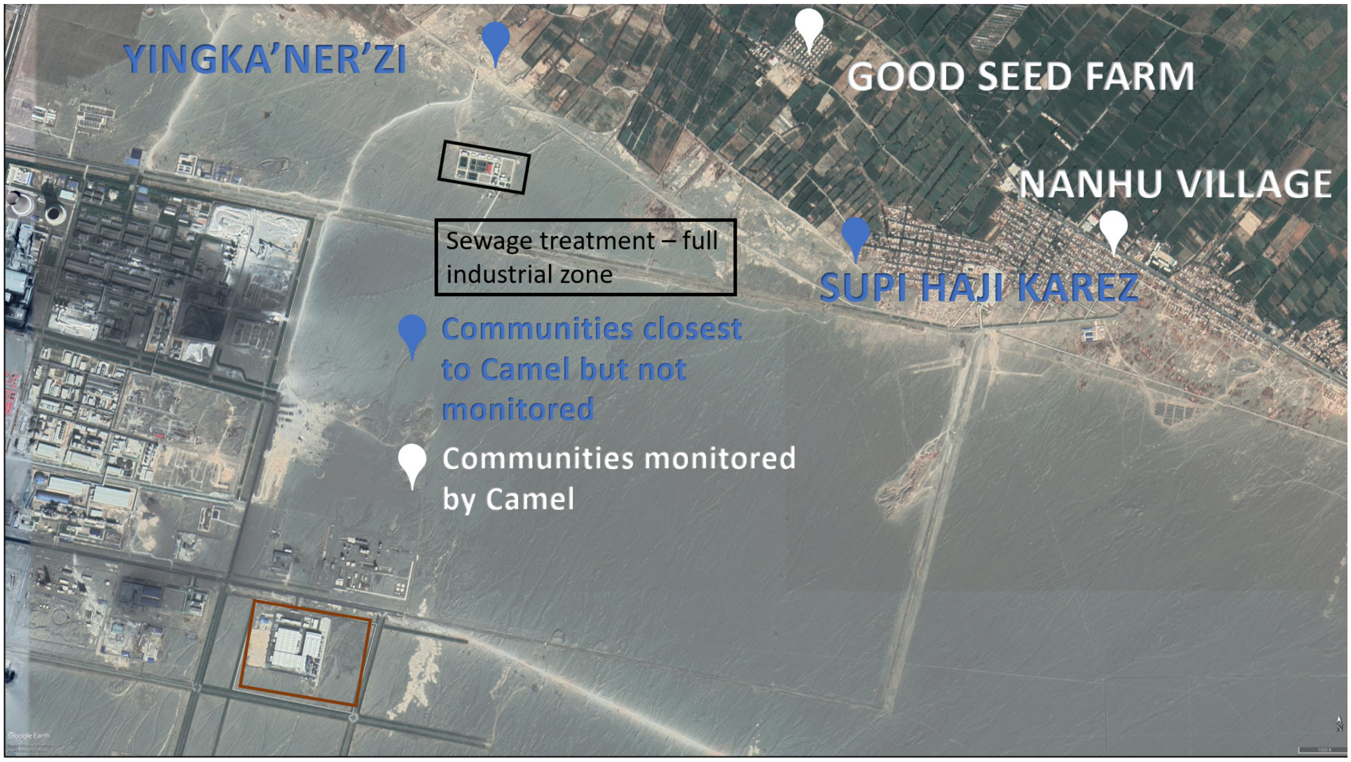


FIGURE 12: Soil monitoring points in the community (red pins). Nearest communities named in blue text boxes with blue markers. The sewage treatment plant for Camel and the whole industrial park outlined in black, directly south (and up-gradient) from Ying Karez ("Yingkan'er zi"). Camel has produced no water, air or soil monitoring data from Ying Karez to address potential risks of proximity to sewage treatment. Karez remnants are visible in both villages.
Source: Google Earth

Camel's 2017 EIR notes no concerns related to neighboring communities; however, the 2019 EMR lists two of the ten neighboring communities as "sensitive." Notably, these two communities, Nanhu Village（南湖村，a newly erected tourism demonstration village built in place of the traditional village demolished by the government)[168] and Good Seed Farm（良种场），are not the closest residential communities to the facilities (see Section 7.6 Monitoring Point Coordinates). Several communities named for the karez systems are not considered as impacted "sensitive" areas. For example, the town of Supi Haji Karez（苏皮阿吉坎儿孜买里）is 1 km closer to the facility than Nanhu and in the same general direction. Camel Group has not set up water monitoring at the Uyghur communities directly associated with the karez systems downgradient from its operations (see Figure 12). Neither does the EIR articulate whether the existing canals could transport lead-affected dust or waterborne contaminants in stormwater via the vertical shafts near the facility.

The EIR did not include a community consultation, even with neighboring businesses. According to Camel Group's 2019 EMR, the company did hold a consultation, in the form of a survey given to approximately thirty-five business managers and government officials and "farmers" to respond to noise, dust, water, and air pollution related to the construction and trial operation of the site.[169] There is no specification as to what percentage of those consulted were farmers or local community members. All of the respondents were "satisfied" or "relatively satisfied" with all aspects surveyed. Given the questions focused on construction and trial operation, it is unlikely that the respondents would have discussed longer-term effects on the karez system or water, or even had a chance to identify problems.

PS7
Indigenous Peoples

Karez systems are not solely a source of livelihoods for local populations. Karezes carry cultural import as well. Shalamu Abudu, a Uyghur hydrologist and water resources expert, contends that "a karez system is not only a structure to extract groundwater, but is also an integration of the history, culture, and unique knowledge of its builders. Karezes have created strong cohesion in their communities owing to the traditions and beliefs attached to them. Religious beliefs and cultural traditions also helped the karez system to be handed down as a legacy. In the past, the social arrangements in karez-based communities were directly related to the karez system. Essentially, people's importance and value were judged according to their water rights in the system. A household's proximity to the system was a good indicator of the social or economic status of its residents."[170] The implications of every destroyed karez is direct for Uyghurs, whose livelihoods and ancestral ties to land are eliminated when the water source dries up. Locals report that as their traditional farms are expropriated or polluted, they turn to herding and other activities that do not rely on kinship ties and often the lack of access to water foments disputes.[171] IFC's project appraisal for the Camel investment did not include consideration of these structures' cultural significance, let alone how the project's substantial water demands in the middle of a desert could affect local tensions around water.

A PS7 evaluation, which is scoped to cover "cumulative impacts that result from the incremental impact, on areas or resources used or directly impacted by the project, from other existing, planned or reasonably defined developments," would, of necessity, include the water sourcing for the industrial zone, which has involved establishing a large reservoir whose impacts on subsurface karez systems is not disclosed. Likewise, it would include the impacts of sewage treatment within 100 meters of two such systems.

IFC'S RESPONSE TO CONCERNS

In response to NomoGaia's inquiries about the karez system, IFC observed: "our analysis shows that the plant's operations will not impact the well. This analysis is backed up by the ESIA (Section 1.9.2), which was produced by a third-party, private-sector expert. Among other things, it states clearly: 'There is no special protected area or ecologically sensitive/vulnerable area.'" Here, IFC (and the EIR, to which they refer as an environmental and social impact assessment or ESIA, which it is not) evokes zoning regulation for the area, not evaluation of on-the-ground sensitivities. Under the Xinjiang government's 2012–20 eight-year plan, the whole area was zoned industrial, but that zoning decision never considered the indigenous people's uses of the land and resources or of the cultural heritage associated with the karez system. Furthermore, the conclusions of the EIR were not upheld in the 2019 EMR, which found two communities to be "sensitive" even as it continued to make no assessment of cultural safeguards or hazards.[172]

Although the project is rated high-risk Category A, IFC has not made the 2017 EIR or other documentation publicly available. In March 2021, NomoGaia received a PDF of the 2017 EIR, after repeated requests. IFC noted that it required the client's "permission" to release it, which is at odds with IFC's sustainability and transparency policy commitments. The EIR makes no mention of any public consultation, required in the Performance Standards, and focuses almost uniquely on the environmental impacts of battery manufacturing instead of the IFC-invested recycling project.

SUMMARY OF PERFORMANCE STANDARDS RISK

Camel Group is at risk of violating the following IFC Performance Standards:

- **adequate engagement with Affected Communities throughout the project cycle on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated (PS1-3)**
- **Environmental and Social Management System (ESMS) that includes stakeholder engagement and detailed monitoring of community water sources (PS1-5)**
- **air emissions monitoring parameters that include heavy metals, dioxins, and furans associated with secondary smelting (PS1-5)**
- **completion of a "comprehensive Environmental and Social Impact Assessment, including an examination of alternatives" (PS1-7)**
- **consideration of indirect project impacts on biodiversity or on ecosystems services (e.g., water) (PS1-8)**
- **prioritization of "disadvantaged or vulnerable" populations for risk management (PS1-12)**

- migrant workers receive the same or equivalent terms as non-migrant workers (PS2-11)
- accommodations are nondiscriminatory and do not restrict workers' freedom of movement or association (PS2-12)
- hiring is nondiscriminatory (PS2-15)
- workers have a non-retaliatory grievance process (PS2-20)
- recruitment practices are free of forced labor through labor transfers (PS2-22)
- worker dormitory air, water, and soil monitoring for particulate, lead, and other heavy metals (PS2-23)
- wastewater monitoring parameters that include heavy metals associated with secondary smelting for lead-acid battery recycling (PS3-10)
- assessment of potential irreversible consequences of site pollution (PS3-11)
- current BLLs for populations downgradient and downwind of the facility (PS4-5)
- clearly articulated worker and community BLL monitoring plans using scientifically sound sampling strategies (PS2-23, PS3-4)
- any loss of cultural identity, culture, religion, or institutions due to corporate participation in government schemes (PS7-1)
- existence of engagement processes, consultations, and FPIC for indigenous communities (PS7-10, 11, 13, and 14)
- protections of cultural heritage (PS7-16, 17 and PS8)
- any mitigation or compensation for destruction of cultural heritage (PS7-18, 19, and 20)

CENTURY SUNSHINE GROUP HOLDINGS, LTD. （世紀陽光集團控股有限公司）

Century Sunshine Group Holdings, Ltd. is a vertically integrated magnesium fertilizer manufacturer and, more recently, magnesium alloy manufacturer. Magnesium ingots and alloys have been utilized by the China National Space Administration and have application in automobile, railway, and electronics manufacturing as well as global steel and aluminum alloying.[173]

Century Sunshine's headquarters are in Fuzhou, Fujian Province. Its two magnesium production sites are in Baishan, Jilin Province, and Hami, XUAR. The company sources magnesium raw materials from its own privately owned dolomite mines in Jilin and the Uyghur Region.[174]

Century Sunshine is a longstanding IFC client, with loans dating back to 2006. IFC granted Century Sunshine a $20 million loan in 2006, which the company repaid on a seven-year timeline.[175] IFC renewed its financing of Century Sunshine in 2014 with a loan of $25 million alongside a $15 million equity investment.[176] The company also received a $125 million loan the following year. Originally, that loan did not apply to any holdings in the XUAR. However, Century Sunshine offered equity in the parent company as collateral for the loan and then defaulted on repayments in 2020. As a result, IFC now owns at least 17 percent equity in all Century Sunshine

AT A GLANCE: CENTURY SUNSHINE GROUP HOLDINGS, LTD.

Business Description	Manufacturer of fertilizers and magnesium ingots and alloys
Investment Start Date	January and May 2014, and February 2016
Investment Amount	2014: $25 million loan; $15 million equity 2015: $125 million loan converted to 17 percent equity in the parent group
Investment Purpose	Take advantage of growing market demand and favorable government policies, seemingly for expansion of the company's organic fertilizer manufacturing

operations across Jilin and Hami, according to Century Sunshine's 2020 annual report and IFC's direct communications with an author of this report.[177]

Export Customers: Century Sunshine's corporate disclosures indicate that in 2016, it expanded magnesium exports to Europe and the United States.[178]

RISK OF PERFORMANCE STANDARDS VIOLATIONS

PS1
Assessment and Management of Environmental and Social Risks Impacts

IFC's equity ownership in a mining, refining, and smelting operation in the XUAR is, like its investment in Camel, high-risk. Yet, inexplicably, this investment has been categorized as low-risk, Category C, which all but eliminates IFC's required due diligence and disclosure about the project's footprint. This categorization is particularly notable because IFC approved, signed, and invested in Century Sunshine between November 2015 and February 2016, months after the company began acquiring heavy industry assets.

Because this investment was miscategorized as low-risk, and because IFC's equity ownership in metals smelting in the Uyghur Region resulted from financial defaults after funds were dispersed, IFC has no public data on the environmental or social impacts of Century Sunshine's XUAR operations. The Performance Standards were designed to prevent such a scenario; even investments in financial intermediaries are ring-fenced to avoid investments in coal-powered metals smelting activities. As a result, IFC cannot demonstrate Camel's compliance with PS1 and has no clear means for evaluating which other Performance Standards are applicable. Under its $125 million loan (now 17 percent equity), IFC has not even produced a public Environmental and Social Review Summary.

PS2
Labor and Working Conditions

In August 2015, Century Sunshine Group acquired Xinjiang Tengxiang Magnesium Products Co., Ltd. (新疆騰翔鎂製品有限公司) through its subsidiary Group Sense. (Xinjiang Tengxiang is treated as a subsidiary in Century Sunshine Group's financial statements; Group Sense is now called REMT.)[179] Xinjiang Tengxiang is a magnesium producer located in Hami, XUAR. According to state media, Xinjiang Tengxiang employs 370 people, of which "minority employees" account for about 35 percent.[180]

As is the case with CCGB and Camel Group, Century Sunshine participates in the local and regional government's labor transfer programs, which are pursued in the name of "poverty alleviation." In 2017, Yizhou District, where Xinjiang Tengxiang is located, "vigorously implemented" the state-sponsored transfer of rural labor program. According to the local official media report on the program, workers from Hami were being "transferred" to work in a variety of different industries, including restaurants, domestic service, and industrial manual labor. The report indicated that ten rural laborers had been transferred to Xinjiang Tengxiang from the same small village. There is no information about the situation

IFC PERFORMANCE STANDARDS VIOLATION RISK

1. Assessment and Management of Environmental and Social Risks and Impacts	HIGH
2. Labor and Working Conditions	HIGH
3. Resource Efficiency and Pollution Prevention	MODERATE
4. Community Health, Safety, and Security	unknown
5. Land Acquisition and Involuntary Resettlement	LOW
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	unknown
7. Indigenous Peoples	HIGH

FIGURE 13: Young "surplus laborers" arrive at Hami train station for assignment in Yizhou enterprises.
Source: Yizhou Netcom

of these men's families.[181]

As recently as 2019, Xinjiang Tengxiang was continuing its participation in regional labor transfers. Its 2019 Environmental Impact Review (EIR) indicated: "The production of magnesium and magnesium alloy is a labor-intensive industry, which is conducive to solving the employment problem of local surplus labor. The commissioning of this project will provide about 1,446 jobs for the society."[182] In that same year, Xinjiang Tengxiang was one of nine companies that participated in a labor recruitment exercise that promised to provide Hami's "surplus laborers" with employment. Representatives of the Yizhou District Human Resources and Social Security Bureau attended the meeting, and the Hami Longteng Vocational Skills Training School presented at the meeting. The farmers who attended the meeting were encouraged to use the supposedly "slack" season to increase their income by working for one of the industrial manufacturing facilities in the area, including Xinjiang Tengxiang. In that particular event, eighty-two farmers were assigned to factories for off-season labor.[183] State media reported that the transferred workers at Xinjiang Tengxiang could make as much as 5,000 yuan per month depending on their job performance, which is indeed a high salary for manual labor in the region if anyone achieves that performance pay, but because of the coercive practices endemic to labor transfers and significant evidence that many people are not paid as promised, these transfers are at high risk of violating PS2.[184]

There is good reason to believe that Xinjiang Tengxiang continues to engage in labor transfers, as it is an important initiative of the local government. In 2017, Yizhou District reported transferring more than 2,226 indigenous people in only ten months. [185] In 2020, Yizhou District welcomed a train with a "batch of migrant workers" from Kashgar and Hotan, including many recent graduates of a vocational high school, all bound for placement in area enterprises.[186] The district reported that all of the relevant agencies had "established mechanisms and acted proactively to ensure that the work of southern Xinjiang surplus labor coming to Hami for employment proceeds in an orderly fashion," which included providing the transferred laborers with education on "laws and regulations, patriotic education, gratitude education, and basic knowledge of job skills."[187] Yizhou District "formulated a series of assistance policies," which included "encourag[ing] enterprises to absorb a batch" of transferred laborers.[188] In 2021, the city of Hami announced that it had "achieved" 2,055 labor transfers by August, reaching 90 percent of its annual "target."[189] These government targets and directives suggest that the transfer of labor to this region is a high priority and that prominent, state-funding-backed companies in the area, such as Xinjiang Tengxiang, would be likely to be expected to participate.

IFC considered PS2 applicable to the Century Sunshine loan. Century Sunshine anticipated hiring significantly more employees as business expanded, and the company indicated to IFC that its policies reflect local labor law.[190] Chinese labor law not only permits but incentivizes, subsidizes, and actively engages in labor transfer programs that have been identified by international scholars, governments, legal experts, and advocacy groups to

FIGURE 14: Xinjiang Tengxiang workers on the facility floor, wearing tennis shoes and little protective equipment. Note fire on factory floor in top photo; potentially flammable dust in the air in the third photo.
Source: Tengxiang Promotional Video

be forced labor. For this reason, Century Sunshine should be held not to local labor law standards but to IFC's more stringent standards regarding workers' rights.

Century Sunshine also indicated to IFC that the company provides its workers with personal protective equipment relevant to the work they conduct. The company reported no occupational safety accidents at the time of its application for funding.[191] A 2017 local state media video that features Century Sunshine's Xinjiang Tengxiang facility depicts workers manually removing extremely hot slag (which can reach temperatures in excess of 650ºC) from reduction furnaces and, apparently, agitating it on the facility floor.[192] (See Figure 14.) The dust particles are potentially highly flammable and/or toxic. Magnesium slag often contains concentrations of arsenic, chromium, cadmium, mercury, copper, nickel, fluorine, and chlorine at levels hazardous to human and environmental welfare.[193] At one point, the video shows open flames on the factory floor while a motorized vehicle (forklift) passes nearby. The Uyghur workers are wearing hard hats and some wear gloves, but they do not have masks, safety boots, flame-resistant clothing, respirators, or protective eyewear (all of which are required in similar facilities in the United States and by IFC Performance Standards).[194]

It appears from the same video that all of the men working in the office are Han and the men working in the furnaces are Uyghur, likely indicating discriminatory hiring practices. Indeed, Xinjiang Tengxiang job descriptions listed on a XUAR human resources website confirm discriminatory hiring practices. Posts for forklift drivers, boiler workers, and maintenance workers have no ethnicity requirements; however, the company's advertisement for a logistics administrator includes under qualifications the following requirement: "Male, Han nationality, college degree or above, more than two years of logistics administrative management work."[195]

In July 2021, a third-party occupational hazard evaluation was conducted on Xinjiang Tengxiang that confirmed that the company's facilities present serious hazards to workers. The operation was found to be in violation of PRC standards for coal dust in the coal storage room and other dust in the ball mill facility, exposing workers to potentially unsafe air quality conditions. Workers were also exposed to excessive noise and high heat. The findings mention that while many of the worker protections examined met the Chinese governmental standards, several other protections, including personal protective equipment, emergency rescue facilities, and occupational health monitoring, only "basically meet the requirements," which, given the gap between the rigor of international standards and PRC standards, could indicate a risk of violating international norms for those standards. The third-party evaluator concluded that Xinjiang Tengxiang should "improve occupational disease protection facilities, auxiliary rooms, and emergency rescue facilities; strengthen occupational health management, occupational health monitoring, and personal protection."[196]

PS3 Resource Efficiency and Pollution Prevention

Xinjiang Tengxiang produces fifteen thousand tons of magnesium alloy per year, alongside 1.2 million tons of semi-coke.[197] The company notes that Hami is "famous for its abundant resources including quality and low-cost coal and dolomite mineral," which "facilitate the development of the magnesium business of the Group"[198] and give it "an inherent advantage in terms of production costs over manufacturers located in many other parts of China" (which alone produces half of the world's magnesium).[199] The magnesium is then shipped to the company's production sites located in Jiangsu, Shandong, and Jiangxi Provinces, or it is shipped out through Central Asia. As the company reported in a corporate disclosure: "Xinjiang is a core intermediate point to deepen the communication and cooperation with European countries and Central, South and Western Asian countries under the 'One Belt One Road' initiatives put forward by the PRC government, and Xinjiang Tengxiang is positioned to take advantage of its strategic geographical position in exploring its distribution network overseas."[200] Due to the acquisition of the XUAR site in 2015, Century Sunshine's magnesium sales volume increased by more than 50 percent in the following year.[201]

There are no environmental risk assessments for Century Sunshine that would allow for an assessment of the company's potential polluting effects on nearby communities. To assess potential risk, we identified a comparable site with the assistance of Material Research, an environmental research consulting group. Magnesium alloy production is extremely polluting and energy intensive. US Magnesium is the leading source of toxic air pollution in the United States. This plant on the Great Salt Lake in Utah has the same magnesium alloy production capacity as Century Sunshine's Hami site.[202]

The United States Environmental Protection Agency (EPA) designated US Magnesium as a priority Superfund site in 2009. The company has been in constant violation of hazardous waste and air pollution laws for years.[203] In 2003, the U.S. Public Interest Research Group named US Magnesium as the most polluting plant in the United States.[204]

In 2020, US Magnesium reported releasing:

- **310,631 metric tons of carbon dioxide-equivalent greenhouse gases[205]**
- **3,054,684 pounds of chlorine**
- **131,225 pounds of hydrochloric acid**
- **1,880 pounds of hexachlorobenzene (HCB)**
- **279 pounds of octachlorostyrene**
- **170 pounds of polychlorobiphenyls (PCBs)**
- **73 pounds of mercury**
- **19 pounds of lead**
- **24 grams of dioxins and dioxin-like compounds[206]**

In 2014, inspectors from the National Institute for Occupational Safety and Health (NIOSH) found dioxins, PCBs, and HCB in US Magnesium workers' blood, and excessive levels of chlorine and HCB in the air.[207]

Toxic chlorinated pollution, such as what occurs at US Magnesium, is common to magnesium alloy production[208] and can be expected to occur at the Hami site. However, there is no discussion of these concerns in IFC's Environmental and Social Review Summary for Century

Sunshine.[209]

Furthermore, Xinjiang Tengxiang has continued to use coal as its energy source and has been fined by the Chinese government for environmental management violations, including expanding facilities without permits and approvals, stacking dolomite and reduced slag in open-air and untreated ground, allowing for wind dispersal and ground seepage, and violating environmental limits for nitrogen oxide emissions.[210] The company had previously secured government approval to switch to a gas-fired power source. By 2018, however, that project was stalled. As described in a 2019 EIR for a separate expansion, "The Hami City Environmental Protection Bureau imposed administrative penalties on Xinjiang Tengxiang Magnesium Products Co., Ltd. on the basis of Harbin Huanpu [2018] No. 17 ('哈市环罚[2018]17 号'), ordering the company to immediately stop construction and imposing a fine." [211] The company stopped the construction of that project but, while still appealing that decision, in 2019, began seeking permits for a coal-powered expansion of its facility. The 2019 EIR proposed increasing magnesium alloy and ingot production fivefold from fifteen thousand tons per annum to seventy-five thousand tons per annum, developing a ferrosilicon production facility to produce fifty-six thousand tons per annum, and maintaining its production of 1.2 million tons per annum of coke, used in production of both magnesium and ferrosilicon.

Because Xinjiang Tengxiang was purchased by a Century Sunshine subsidiary after the IFC loan date, it is unclear what environmental and social risk assessments have been conducted and submitted to IFC regarding the Hami location. However, IFC is now a substantial equity owner in the company, meaning that it holds direct ownership in the magnesium ingot and alloy facility, the proposed ferrosilicon production facility, and the alloy coke manufacturing facility. These heavy industries require implementation of PS1 for the operator to identify other Performance Standards applicable to its project footprints. Because magnesium is a source material for both the fertilizer and alloy businesses, magnesium production should have been scoped into project appraisal. Given the environmental hazards associated with magnesium slag disposal, the project should have been categorized as a high-risk Category A project. The Hami operation is in an industrial park south of the city and proximate to the decade-old Dananhu coalfields, where the US-sanctioned Xinjiang Production and Construction Corps (XPCC) and other state-owned enterprises operate coal mines and coal-fired power plants. Coal sourcing would be a significant concern for Performance Standards compliance, both because of the risk that coal is sourced from XPCC and carries labor risks, and because environmental risks associated with coal mining and coke production carried out by Xinjiang Tengxiang require scrutiny. The industrial park is upslope and roughly 1 km from a riparian zone and several Uyghur communities (see Figure 15).

As the Performance Standards have been static since 2012, IFC has issued additional guidance notes and commitments. In 2019, IFC committed to "green" its equity investments, working to eliminate its exposure to coal-related investments. Under this commitment, Century Sunshine would be expected to reduce its coal exposure to less than 5 percent of its total portfolio by 2025 and eliminate it completely by 2030.[212] Century Sunshine is not phasing out coal, however. Its coke manufacturing (coke being a coal-based product) is, by weight, its largest product, and its power source is entirely coal.

FIGURE 15: Xinjiang Tenxiang Magnesium operations (yellow outline).
Source: Google Earth

SUMMARY OF PERFORMANCE STANDARDS RISK

Century Sunshine is at risk of violating the following IFC Performance Standards:

- **assessment of environmental and social risks (PS1)**
- **migrant workers receive the same or equivalent terms as non-migrant workers (PS2-11)**
- **accommodations are nondiscriminatory and do not restrict workers' freedom of movement or association (PS2-12)**
- **hiring is nondiscriminatory (PS2-15)**
- **workers have a non-retaliatory grievance process (PS2-20)**
- **recruitment practices are free of forced labor through labor transfers (PS2-22)**
- **workers are provided a safe and healthy work environment, including personal protective equipment, site safety controls, occupational health, and safety monitoring (PS2-23)**
- **efficient consumption of energy and avoidance of coal (PS3-6)**
- **environmental pollutants release kept to appropriate standards (PS3-10)**
- **cumulative and future environmental impacts (PS3-11)**

JOINTOWN PHARMACEUTICAL GROUP CO., LTD. （九州通医药集团股份有限公司）

Jointown Pharmaceutical Group Co., Ltd. (also known as Jiuzhoutong Pharmaceutical) is a pharmaceutical distribution company headquartered in Wuhan, Hubei Province. At the time of its application for a loan from IFC, it operated 105 product distribution and logistics centers across China. The company's primary business buys pharmaceuticals and other medical products, warehouses them, and then sells them on to hospitals, clinics, and pharmacies throughout China. Jointown also has two pharmaceutical manufacturing facilities that focus on traditional Chinese medicines and on medications for diabetes and cardiovascular disease.

Jointown received up to one billion yuan in debt financing from IFC in 2019 to support the construction of five new distribution centers and the upgrading of four existing warehouses.[213] The company was awarded a nearly $50 million loan the following year to assist it in expanding its capacity to meet the demand for COVID-19 pandemic-related medical products. One of the new facilities financed by IFC through the 2019 application is located in an industrial zone in Urumqi. Xinjiang Jointown has at least six direct subsidiaries in the Uyghur Region.[214]

Export Customers: Jointown largely supplies domestic Chinese companies, but it has a distributing subsidiary in California. In the US, Jointown is registered as US Health Express Corp. The company sells medical equipment and PPE online, including on Amazon.com.

Other DFI Financing: Jointown has also received funds from the Asian Development Bank (ADB) and the German Investment Corporation (KfW/DEG).

AT A GLANCE: JOINTOWN PHARMACEUTICAL GROUP CO., LTD.

Business Description	Pharmaceutical manufacturing and distribution
Investment Start Date	March 21, 2019, and October 30, 2020
Investment Amount	2019: debt financing of up to 1 billion yuan (~$150 million) 2020: $49.66 million
Investment Purpose	2019: expansion through construction and upgrade of facilities 2020: long-term working capital to meet surge in demand from health institutions

"Jointown Pharma (IFC-41957)," Early Warning System, January 10, 2020, updated January 10, 2020, disclosed by Bank March 21, 2019, Online. International Finance Corporation (IFC), "RSE COVID Jointown," IFC Project Information & Data Portal, Online; and "RES COVID Jointown (IFC-43968)," Early Warning System, updated August 24, 2020, disclosed by Bank July 10, 2020, Online.

RISK OF PERFORMANCE STANDARDS VIOLATIONS

PS1
Assessment and Management of Environmental and Social Risks and Impacts

PS1 is designed both to identify environmental and social risks and to determine what other Performance Standards are applicable. IFC notes that Jointown

Yili Jointown's Muslim employees receiving wine for religious holiday.
Source: Yili Jointown Pharmaceutical Co.

IFC PERFORMANCE STANDARDS VIOLATION RISK

1. Assessment and Management of Environmental and Social Risks and Impacts	**HIGH**
2. Labor and Working Conditions	**HIGH**
3. Resource Efficiency and Pollution Prevention	**unknown**
4. Community Health, Safety, and Security	**unknown**
5. Land Acquisition and Involuntary Resettlement	**LOW**
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	**unknown**
7. Indigenous Peoples	**HIGH**

produced Environmental Impact Assessments in line with Chinese law, but these assessments do not include social components which would be pertinent for a logistics and manufacturing firm that engages in state-sponsored labor transfers. Although IFC states that "all Performance Standards are applicable to this investment," the project documentation contains no mention of indigenous peoples (PS7) or cultural heritage (PS8), among others.[215] The risk assessment summary also excluded mention of legal, ethical, and financial risks associated with the investment. In particular, in 2013, the XUAR government banned a subsidiary of Jointown Pharmaceutical Group Co., Ltd. from distributing essential drugs in the region for failing to distribute drugs at a rate set by government requirements. The company's president claimed in the media that he was unaware of the failure and while the company would like to meet the standards, it was unable to do so because of external factors.[216] In May 2020, the company's sub-subsidiary was also cited for noncompliance with medical production regulations.[217]

PS2
Labor and Working Conditions

Xinjiang Jointown reported a workforce of 1,474 to IFC.[218] Jointown's disclosures to IFC indicated that all employees have signed contracts and that the company's hiring practices are nondiscriminatory. Sixty percent of the company's workers at the time of application were classified as from rural areas. According to Jointown, those rural workers were afforded the same pay and work conditions as any other employee. Jointown's disclosure indicates that "a small percentage" of the rural workers are recruited through intermediaries instead of through direct company recruitment.[219] Those rural residents may not be people from minoritized communities, as Jointown has claimed to IFC that members of those communities constitute only 6 percent of the company's workforce, holding low-level positions (sales, general administration, warehousing, delivery),[220] potentially suggesting discriminatory hiring practices in the Uyghur Region, where many of its facilities are located in predominantly Uyghur areas. Job recruitment advertisements posted between 2018 and 2020 confirm discriminatory hiring practices. When Jointown's subsidiaries in the Uyghur Region hired staff, the company indicated that only Han people need apply for administrative management, marketing, budgeting, logistics, accounting, cashier, business support, business development, invoice clerk, and even drug sorting positions.[221] One corporate publicity post that celebrated Muslim holidays indicated that the company's Yili subsidiary had only seven Muslim employees, to whom the company gifted bottles of wine for the holiday (alcoholic beverages are commonly forbidden in Islam). None of the Muslim employees appear to be Uyghur or Kazakh.[222] Corporate publicity videos about Jointown's operations in the Uyghur Region depict few, if any, Uyghur or Kazakh employees.[223]

Jointown's 2020 application to IFC for financing rested on the premise that while many companies would be laying off workers during the pandemic-induced economic downturn, Jointown would be in a position to hire more staff due to increased demand for the essential supplies the company sells to hospitals and clinics. Jointown indicated that its factories are "mainly located in frontier regions," which seems to suggest that hiring would benefit people in underserved communities, in line with IFC's development goals.[224]

IFC has accepted written statements from Jointown that "there is no forced labor involved in its operations in Xinjiang."[225] IFC's visits to Jointown's worker dormitories

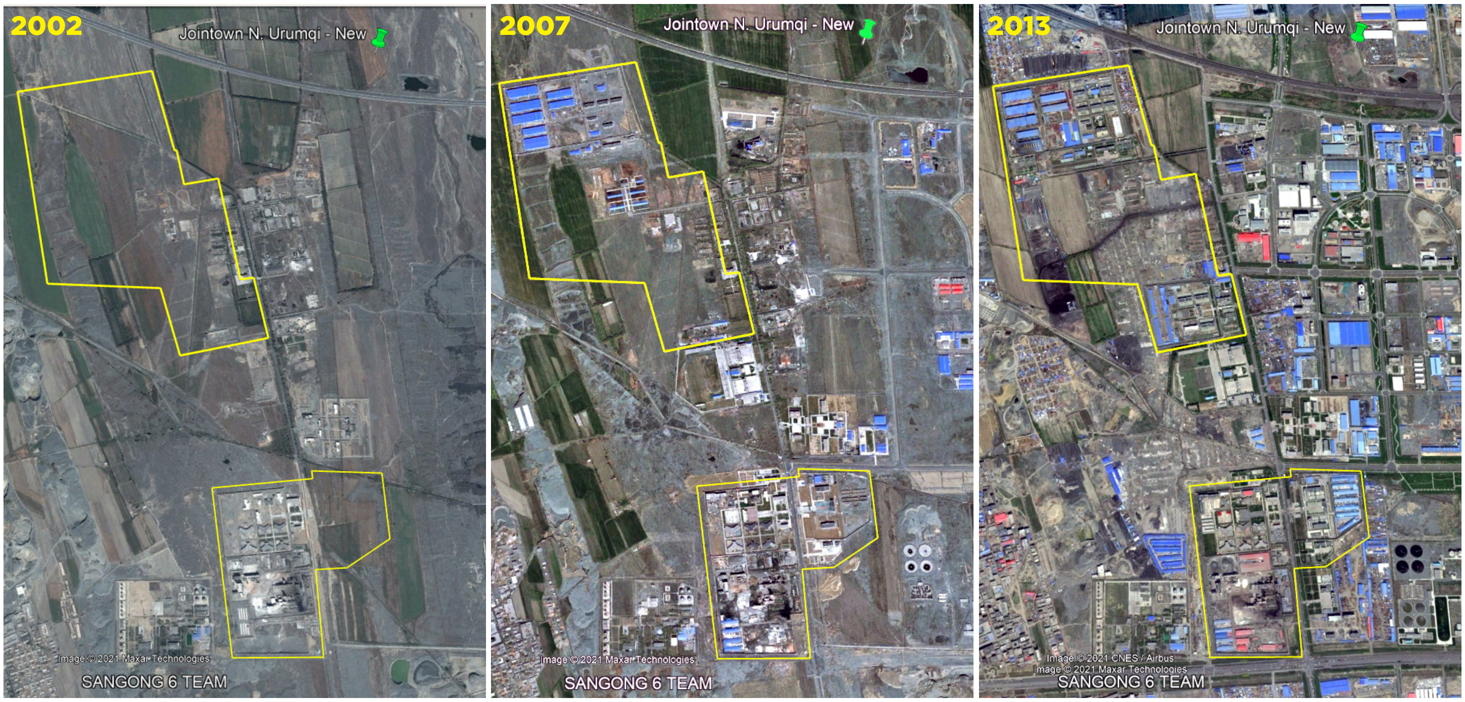


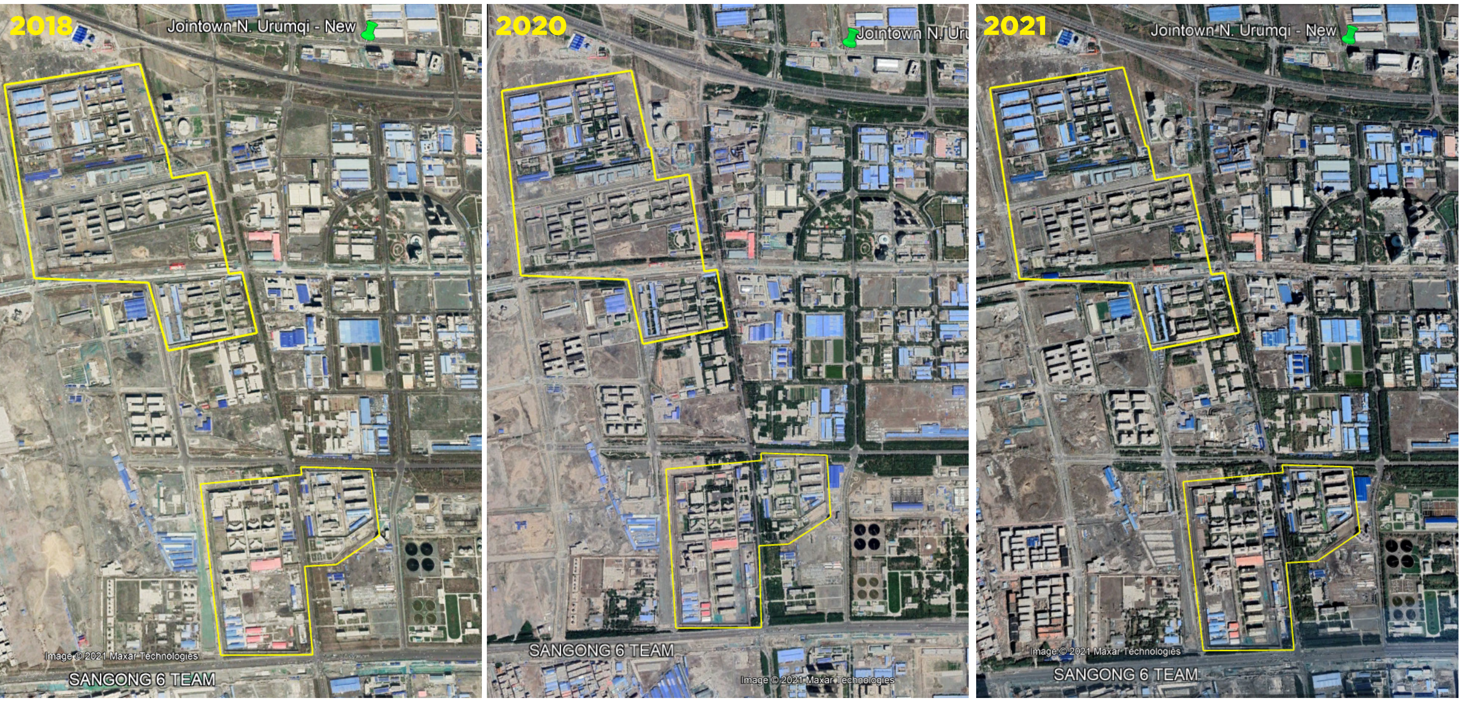
FIGURE 17: Jointown Urumqi facility and carceral growth 2002, 2007, 2013, 2018, 2020 and 2021 (left to right). Yellow polygons are present-day footprints for detention facilities. Green pin at top of image is current Urumqi facility. Smaller detention sites, farmland and other industry have all been converted to facilities with double-walls and surveillance watchtowers.
Source: Google Earth

found that they were appropriate, but there is no evidence that IFC agents visited the company's XUAR locations. [226] The 2019 and 2020 investments followed significant evidence of the system of forced labor in operation in the region, but there appears to be no mention of concerns about forced labor in the IFC's environmental and social risk assessment criteria imposed on the company at the time of either loan.

Jointown began building its 120,000-square-meter industrial park in Urumqi in 2018, with a total investment of 500 million yuan. The company reports that much of the labor is automated, using robotic arms, AGV intelligent handling, and "intelligent picking." Nonetheless, Jointown requires a significant workforce across its twelve branch companies and twenty-three offices in the XUAR, which together employed one thousand three hundred people even before the new XUAR distribution center was opened. In December 2020, when the industrial park entered into trial operation, Jointown held a public relations event during which company representatives explained to media that the company has received "more than 200" workers "transferred" from southern XUAR "and other remote and underdeveloped prefectures" through the state-sponsored labor transfer program.[227] It is likely that Jointown would receive more state-sponsored transferred laborers with its new distribution center in Urumqi.

Jointown's traditional Chinese medicine production is dependent on raw materials that are unidentified and undisclosed in its reporting to IFC and in its corporate publicity. The company's supply chains are entirely opaque, rendering external assessment of the labor conditions for supplier farmers and associated facilities impossible.

Furthermore, many of Jointown's XUAR facilities are located adjacent to internment camps identified by the Australian Strategic Policy Institute. While this is not certain evidence of forced labor, it does constitute a reasonable concern that should be investigated by IFC, if on-the-ground investigations were indeed possible, but they are not. The Urumqi facility, partially financed with IFC's 2019 loan, is in one of Urumqi's largest prison districts. In the past twenty years, the region has transformed from an agricultural district to more than 150 hectares of prisons, detention facilities, and internment camps (see Figure 17).



IFC'S RESPONSE TO CONCERNS

IFC continues to assert that Jointown "does not employ agricultural workers" for its traditional Chinese medicine production, which leaves questions unanswered about where and how agricultural inputs are sourced, which is critically important to monitoring adherence to the Performance Standards given the regime of state-sponsored forced labor in the region.[228]

SUMMARY OF PERFORMANCE STANDARDS RISK

Jointown is at risk of violating the following IFC Performance Standards:

- **migrant workers receive the same or equivalent terms as non-migrant workers (PS2-11)**
- **accommodations are nondiscriminatory and do not restrict workers' freedom of movement or association (PS2-12)**
- **hiring is nondiscriminatory (PS2-15)**
- **workers have a non-retaliatory grievance process (PS2-20)**
- **recruitment practices are free of forced labor through labor transfers (PS2-22)**

IMPLICATIONS AND RECOMMENDATIONS

THE WORLD BANK'S PRIVATE lending arm, the International Finance Corporation (IFC), has committed to upholding the rights of communities affected by its investment projects since at least 2012, with the launch of its updated Performance Standards. These eight standards mandate adequate assessment of project risks and management planning, as well as rigorous oversight of labor conditions, waste management, pollution prevention and biodiversity protection, community safety and security, indigenous and cultural rights, and protections against economic or physical displacement.

Today, evidence suggests that failure to adequately safeguard communities and the environment affected by IFC's investments in the Xinjiang Uyghur Autonomous Region (XUAR or the Uyghur Region) is contributing to the repression of Uyghur, Kazakh, and other minoritized citizens in the People's Republic of China (PRC). As the research in this report reveals, IFC has several significant investments in the Uyghur Region, where indigenous peoples have been subjected to what international legislators, legal scholars, and advocates have determined to be a genocide. Several of IFC's clients are active participants in the implementation of the government's campaign of repression against the Uyghurs, including forced labor, forced eviction, cultural erasure, and environmental destruction. The IFC-funded companies profiled in this report include multimillion-dollar corporations that serve the international market. Their role in state-sponsored repression suggests that the problem extends far beyond a handful of "bad apples." Research suggests that most (if not all) companies operating in the Uyghur Region are complicit in the PRC's campaign of repression against the indigenous populations there.

As a bank expressly focused on advancing human welfare, IFC's commitment to a multifaceted definition of "development" that is inclusive of inequality reductions and nondiscrimination is the key distinguishing feature between it and private commercial banks. Nonetheless, IFC did not adequately manage the risks particular to investments in the Uyghur Region during this time of crisis. A magnesium mine and smelter was inappropriately rated low-risk Category C. A Category A lead smelter was financed without publication of any environmental or social due diligence. A biotech firm whose production relies on agricultural inputs was not required to disclose its suppliers. None of these investments were revoked once documentation of a state-sponsored forced labor regime became public knowledge.

NomoGaia alerted IFC to concerns related to its XUAR portfolio in November 2020 and engaged with bank personnel to seek evidence demonstrating that identified risks were managed. Some of IFC's inquiries into client operations in the region have documented a degree of risk mitigation. However, the application and monitoring of Performance Standards remains opaque at best. Censorship and surveillance are ubiquitous in the Uyghur Region, and IFC states that it has no special access or privileges in the region that would allow the corporation exceptional access to Affected Communities or workers through which IFC could monitor its clients' compliance with the Performance Standards. According to IFC's own disclosure to NomoGaia, its team was stopped three times by police on a twenty-four-hour 2019 monitoring visit to the Uyghur Region and has not conducted follow-up fieldwork in the region since then. To date, IFC has not documented any systematic assessment of its clients' social impacts on Uyghur communities hosting IFC clients or Uyghur employees either directly contracted by the clients or within their supply chains. IFC has not published any Environmental Impact Assessments for these projects, and Chinese-mandated Environmental Impact Reports (EIRs) produced for permitting processes sometimes cannot be read without the creation of a Chinese government-monitored WeChat account and issuance of a payment. Still, those EIRs are not adequate to determine compliance with the Performance Standards, as this report has revealed.

As of March 2021, IFC has closed its investments in three Chinese companies engaged in or sourcing from the Uyghur Region. **If IFC is to uphold its own Performance Standards and serve as a model for**

responsible development finance, it must divest from any companies that have proven to be complicit in the PRC's program of repression in the Uyghur Region.

IFC and other Development Finance Institutions (DFIs) cannot conduct the due diligence necessary in the Uyghur Region to ensure that their clients are implementing the Performance Standards. The United Nations has been denied access to the region. In the private sector, audit firms have ceased to certify products in the region, and the Fair Labor Association has banned all members from sourcing from the region. Travel to the region is unsafe for researchers, journalists, corporate consultants, and others who might investigate state-sponsored human rights violations in the region. For this reason, there is no way for IFC to maintain its standards with regard to investments in the region.

The corporate case studies presented in this report are specific to IFC's portfolio, but they are applicable to development and infrastructure finance organizations worldwide. Other DFIs have significant investments in companies and PRC government projects that are similarly engaged in state-sponsored repression in the Uyghur Region. Many financial institutions with commitments to environmental and social performance standards are heavily exposed in their current portfolios.

Adequate application of IFC's Performance Standards will also require that DFIs implement their responsibility to evaluate "associated facilities" as defined in PS1, to ensure that XUAR-based companies or suppliers are excluded from tenders, sub-investments, and investments in financial intermediaries. This is guidance that IFC's independent Office of the Compliance Advisor Ombudsman (CAO) issued through detailed case reviews in 2018.[229] IFC currently has additional sub-investments in the XUAR not analyzed in this report, through its financial intermediaries' portfolios. Sub-investments by these clients include surveillance tech companies operating in the Uyghur Region and, until recently, at least one Bitcoin miner profiting from the XUAR's cheap coal reserves.

IFC teams that engage with civil society are increasingly aware of the ways that projects generate risks for vulnerable and marginalized stakeholders. The Environmental and Social Risk Management Department actively develops tools to screen for conflict and repression risks, promote pathways for affected people to bring complaints to the bank, and prevent threats and reprisals at project sites. In 2018, this department issued "IFC Position Statement on Retaliation Against Civil Society and Project Stakeholders," establishing zero tolerance for "any action by an IFC client that amounts to retaliation…against those who voice their opinion regarding the activities of IFC or our clients." These mechanisms have not served their purpose during the Uyghur crisis.

In the Uyghur Region, there are no safe opportunities for Affected Communities or IFC client employees to express grievances.

This is not the first time IFC has found itself deeply embedded in a region when low-level violence escalates to gross atrocities.230 If major changes are not made to IFC's protocols regarding what it refers to as "fragile and conflict-affected situations," it will not be the last. The Uyghur crisis provides strong evidence that IFC's Performance Standards and monitoring protocols are currently inadequate to determine what would constitute both responsible entry into fragile and conflict-affected regions, as well as protocols and triggers for responsible exit. **Without clear guidance, DFIs continue to infuse authoritarian governments and the companies that support them with capital that finances oppression.** Stable peace and expanding civic space should be benchmarked alongside the financial health of the project as a key development outcome. A successful project in a conflict-affected, high-risk area is not simply a profitable one. The World Bank Group's mission is to "promote shared prosperity." That goal will remain out of reach until its investments personnel are tasked to look beyond the economic bottom line.

In order to address the clear and critical gaps in current environmental and social safeguards, we recommend IFC and other DFIs do the following:

1. IFC and other DFIs should divest from all corporate investments in the Uyghur Region.

2. IFC and other DFIs should presume that all companies operating in the Uyghur Region are engaged in forced labor and carry risk of complicity in the ongoing genocide.

3. IFC and other DFIs should review and adjust their direct and indirect investment portfolios to move sub-investments, sub-contracts, and supply chains out of the Uyghur Region. IFC should conduct a full review of its portfolio, including financial intermediary investments, using the methods employed in this report.

4. IFC should create protocols for both responsible entry into fragile and conflict-affected regions, as well as protocols and triggers for responsible exit.

5. All tenders put out for bidding by IFC and DFIs should include a restriction on the purchase of forced-labor-made goods and require full supply chain transparency from all contractors and their suppliers.

6. IFC should extend its zero-tolerance policy for reprisals against human rights defenders to the initial project appraisal phase and explicitly prohibit investments in any location where dissent is punishable by extrajudicial internment or incarceration.

7. IFC should reinstate its policy of publishing the names of the loan officer and lead environmental and social specialist tasked with projects. This will enable human rights defenders, activists, and advocates to more directly engage with the decision makers who interact with project proponents.

Governments should take note of the complicity of DFI investments in the PRC's repression of minoritized citizens. Individual government DFIs may be complicit, just as their investments in IFC may be. The United States in particular—with its 21 percent share—has an opportunity to take a leadership role in enhancing oversight of IFC's investments.

ENDNOTES

Most URLs refer to the archived version of the website, in an effort to increase link stability. Videos and PDFs are not archived in full, so any such media referenced in the notes have been uploaded to the report's website at Sheffield Hallam University. Correspondence between IFC and the authors can also be found on the website. DFI and corporate responses to requests for comments are included on the website in Online Annex A.

1 Kharon, "International Development Loans Fund Chinese Firms with Xinjiang Operations," November 4, 2021, https://brief.kharon.com/updates/international-development-loans-fund-chinese-firms-with-xinjiang-operations/.

2 International Finance Corporation (IFC), "Goldwind," IFC Project Information & Data Portal, https://disclosures.ifc.org/project-detail/ESRS/29998/goldwind; International Finance Corporation (IFC), "COFCO Noble II," IFC Project Information & Data Portal, https://disclosures.ifc.org/project-detail/ESRS/37939/cofco-noble-ii; and email correspondence between IFC and Kendyl Salcito, March 5, 2021.

3 The CCP describes Uyghurs as "ethnic minorities." However, prior to Chinese occupation of their ancestral lands, Uyghurs were the ethnic majority of the regions in which they live, and in many places they remain so today. As such, the term "minoritized citizens" is used to denote that Uyghurs have been "minoritized" by the Chinese state.

4 See, for example, Darren Byler, *In the Camps: China's High-Tech Penal Colony* (New York: Columbia Global Reports, 2021); Sean R. Roberts, *The War on the Uyghurs: China's Campaign against Xinjiang's Muslims* (Princeton, New Jersey: Princeton University Press, 2020); Nathan Ruser, "Exploring Xinjiang's detention system," Xinjiang Data Project, Australia Strategic Policy Institute, September 2020, https://xjdp.aspi.org.au/explainers/exploring-xinjiangs-detention-facilities/; and Adrian Zenz, "'Wash Brains, Cleanse Hearts': Evidence from Chinese Government Documents about the Nature and Extent of Xinjiang's Extrajudicial Internment Campaign," Journal of Political Risk 7 (11) (November 2019), https://www.jpolrisk.com/wash-brains-cleanse-hearts/#caption-attachment-2460:~:text=Adding%20177%2C000%20to%20the%20current%20internment,-million%2C%20or%20approximately%201.8%20million.%20This.

5 Standing Committee of the People's Congress of Xinjiang Uygur Autonomous Region, "新疆维吾尔自治区人民代表大会常务委员会公报" ("Communiqué of the Standing Committee of the People's Congress of the Xinjiang Uygur Autonomous Region"), September 2018, https://archive.vn/otmiB; and "新疆维吾尔自治区主席就新疆反恐维稳情况及开展职业技能教育培训工作答记者问" ("The Chairman of Xinjiang Uyghur Autonomous Region answers reporters' questions on Xinjiang's anti-terrorism and stability maintenance situation and the development of vocational skills education and training"), Xinhua, October 16, 2018, https://archive.ph/ynyd6.

6 "新疆维吾尔自治区主席就新疆反恐维稳情况及开展职业技能教育培训工作答记者问" ("The Chairman of Xinjiang Uyghur Autonomous Region answers"); see also Enshen Li, "Fighting the 'Three Evils': A Structural Analysis of Counter-Terrorism Legal Architecture in China," *Emory International Law Review* 33 (3) (2019): 5–6, https://scholarlycommons.law.emory.edu/eilr/vol33/iss3/1/; Lily Kuo, "China 'legalises' internment camps for million Uighurs," *Guardian*, October 11, 2018, https://www.theguardian.com/world/2018/oct/11/china-legalises-internment-camps-for-million-uighurs; Lily Kuo, "'My soul, where are you?': families of Muslims missing in China meet wall of silence," *Guardian*, September 13, 2018, https://www.theguardian.com/world/2018/sep/13/uighur-xinjiang-family-missing-china-kazakhstan; and "新疆大地 一场思想解放运动正在上演" ("An ideological liberation movement is taking place in Xinjiang"), *Tianshan News*, October 9, 2018, https://archive.ph/MxRT2.

7 See Greg Caskey and Ilia Murtazashvili, "The Predatory State and Coercive Assimilation: The Case of the Uyghurs in Xinjiang," July 8, 2021, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3878514; Roberts, *The War on the Uyghurs*; James Waller and Mariana Salazar Albornoz, "Crime and No Punishment? China's Abuses Against the Uyghurs," *Georgetown Journal of International Affairs* 22 (1) (Spring 2021): 100–111, https://muse.jhu.edu/article/789548; and "新疆维吾尔自治区主席就新疆反恐维稳情况及开展职业技能教育培训工作答记者问" ("The Chairman of Xinjiang Uyghur Autonomous Region answers").

8 Zenz, "'Wash Brains, Cleanse Hearts.'"

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