

Eugene Francis Haas
Haas Automation, Inc.
2800 Sturgis Rd
Oxnard, CA 93030
United States

RE: Haas Automation, Inc.'s business operations in Russia

March 17, 2023

Dear Mr. Haas,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. We expect companies to demonstrate opposition to Russia's war of aggression, public support for the people, democracy, and territorial integrity of Ukraine, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs). At stake is not only the sovereignty and territorial integrity of a democratic Ukraine, but also the continuity of the rules-based international order and the prosperity of the global economy.

We request an urgent dialogue regarding potential inconsistencies regarding Haas Automation, Inc.'s (Haas') statements and the company's reported ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms, as reported by PBS on March 14, 2023.

We acknowledge that Haas has policies in place to guide the company toward ethical behaviour. In its Response to the PBS story, the company states that it "is and has always been in full compliance with U.S. Government export control," that it has "voluntarily chose to terminate its relationship with the Russian distributor," and that the company "completely supports Ukraine and its people in their defense against Russia."¹ Haas continues to condemn the invasion and to reaffirm its compliance with sanction and support for Ukraine by stating:

"Haas, as a company, has deplored Russia's invasion of Ukraine, and taken every step in its control to cease doing business with Russia or Russian companies. It has also taken affirmative measures to support Ukraine, including, in compliance with U.S. export control and sanctions regulations, providing Haas' distributor in Ukraine and its Ukrainian customers expedited delivery of Haas manufactured machines."²

It has been over one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, and forcible

¹ Haas Automation, "Haas Response to the PBS Story," https://www.haascnc.com/about/response.html?utm_campaign=Haas_Response_PBS&utm_source=Homepag&utm_medium=Banner (accessed March 16, 2023).

² Ibid.

transfer of civilians). More than 21,793 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.³ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

A new decree issued by President Vladimir Putin on March 3, 2023, enables the Russian government to suspend shareholders' rights and implement external management in companies that don't fulfil state defence contracts under conditions of martial law. By specifying the process of appointing Russian government representatives to manage businesses that fail to meet state orders, the latest Decree effectively creates a scenario of "partial nationalization." “The growing set of risks associated with continuing operations in Russia are now foreseeable, predictable, and largely avoidable. Companies must act now or risk enabling Russian war crimes as well as the material interests of their shareholders.”⁴

This legislation entails new and significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁵

³ Federal Law No. 31-FZ of February 26, 1997 "On mobilization training and mobilization in the Russian Federation" (as amended), <https://base.garant.ru/136945/> (accessed January 2, 2022).

⁴ B4Ukraine, “New Kremlin regulation raises risks for the 1600 international companies left in Russia,” March 7, 2023, <https://b4ukraine.org/whats-new/new-kremlin-regulations> (accessed March 13, 2023).

⁵ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, “Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward,” September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed January 2, 2022); The Sentry, “Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate,” July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed January 2, 2022); Rfi, “French technology firm charged over Libya cyber-spying,” July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed January 2, 2022); Preston Lim, “Canadian Supreme Court Allows Corporate Liability for International Law Violations,” Lawfare, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed January 2, 2022); Sherpa, “Aiding and abetting war crimes in Yemen: Criminal complaint submitted against French arms companies,” June 2, 2022, <https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed January 2, 2022).

Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁶

Additionally, the Ukrainian government's National Agency on Corruption Prevention (NACP) is creating a list of "foreign companies that, despite the international recognition of Russia as the aggressor state and the introduced sanctions restrictions, continue to cooperate with it."⁷ These companies are recognised as international sponsors of war. So far there are 17 companies on the list, but the NACP notes that it will be expanded with "international companies that provide the public and private sector with goods and services of critical purpose, as well as [those that] contribute to the Russian budget."⁸

In response to this unprovoked and unjustified war⁹ many companies have left Russia. According to the Kyiv School of Economics Institute's (KSE) #LeaveRussia [company tracker](#), Haas has decided to continue trading with the Russian market.¹⁰

Haas claims that it has entirely terminated its relationship with Abamet Management, its only Russian distributor, and that the company has not sold or made any direct or indirect shipments of any machines, parts, or software to Russia after March 3, 2022.¹¹

However, the Russian customs information sourced by the Economic Security Council of Ukraine (ESCU) shows that the imports, where Haas is named as the supplier, continued between March and October 2022. The data shows at least 18 shipments worth \$2.8 million.¹² Based on Haas' statement refuting the claims, we are writing to inquire whether the company would be prepared to exhibit dated evidence of its final transactions with Abamet, which allegedly lead to the disputed imports after March 3, when the company claims to have terminated all business relations with Russia.

Additionally, the report shows that at least two sanctioned enterprises in the Russian arms industry have been supplied with precision machining tools manufactured by Haas.¹³ The equipment is featured in the promotional materials of at least two sanctioned Russian entities, including the Vektor Research Institute in St. Petersburg and the Scientific Research Institute of Electrical Carbon

⁶ Venable LLP, "Do You Contract with State Governments? If So, Beware of Emerging State Sanctions' Obligations Related to Russia and Belarus," *JD Supra*, June 3, 2022, <https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed January 2, 2022).

⁷ NACP, "International Sponsors of War," <https://sanctions.nazk.gov.ua/en/boycott/> (accessed February 6, 2023).

⁸ NACP, "Companies from the NACP list of "International Sponsors of War" are now in the World-check database, used worldwide for reviewing counterparties," September 7, 2022, <https://nazk.gov.ua/en/news/companies-from-the-nacp-list-of-international-sponsors-of-war-are-now-in-the-world-check-database-used-worldwide-for-reviewing-counterparties/?hilite=sponsor+of+war> (accessed February 6, 2023).

⁹ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders."

¹⁰ KSE, Leave Russia, "Haas Automation," <https://leave-russia.org/haas-automation> (accessed March 16, 2023).

¹¹ Haas Automation (n 1).

¹² Simon Ostrovsky, "American company accused of violating sanctions, doing business with Russian arms industry," *PBS News Hour*, March 14, 2023, <https://www.pbs.org/newshour/show/american-company-accused-of-violating-sanctions-doing-business-with-russian-arms-industry> (accessed March 16, 2023).

¹³ Ostrovsky (n 12).

Products in the Moscow region.¹⁴

Ukrainian authorities also suspect that Haas is still supporting the maintenance of the equipment sold to Russian defence companies by providing spare parts and software updates.¹⁵ We seek to confirm whether this is correct, or if Haas has stopped providing such support.

Furthermore, data available to B4Ukraine appears to show that, in addition to the aforementioned direct shipments, a significant volume of Haas-manufactured ball bearings and other spare parts continued to flow into Russia as late as January 2023 from third-party importers. The supplier of the parts is China-based Bestech Machine Tools Co., Ltd.¹⁶

These activities risk enabling and financing Russia's violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine.

We seek to understand how Haas has conducted and continues to conduct heightened human rights due diligence and how the findings of such a process have resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine's Declaration,¹⁷ we request an urgent dialogue with Haas' relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent and mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, March 31st, 2023.

Please do not hesitate to get in touch if you require any further information.

Sincerely,

The B4Ukraine Coalition

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Bestech, <https://www.bestechmachine.com/About-us.html> (accessed March 16, 2023).

¹⁷ B4Ukraine, "About," <https://businessforukraine.info/about> (accessed January 2, 2022).