

Otis response 2023_3_14

Ladies and gentlemen:

We acknowledge receipt of your March 6, 2023 letter to Otis' Chair, Chief Executive Officer and President Judy Marks and thank you for sharing your concern about Otis' business operations.

As publicly announced, Otis sold its Russian operations to ICE Development JSC, concluding the transaction on July 27, 2022. In negotiating the sale terms, due consideration was given to our colleagues and customers, the continued safe operation of existing equipment, the interest of our shareholders and compliance with all regulations and sanctions.

We will continue to contribute to the ongoing relief and humanitarian efforts in Ukraine and remain hopeful for a return to peace and stability in the region.

Thank you again.

Sincerely,

Katy Padgett

Sr. Director, External Communications

Judy Marks
Chair, Chief Executive Officer and President
Otis Worldwide Corporation
Otis World Headquarters
1 Carrier Place
Farmington, CT 06032,
USA

RE: Otis Worldwide Corporation's business operations in Russia

March 6, 2023

Dear Ms. Marks,

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 between Otis Worldwide Corporation's (Otis') stated policies on human rights and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

We acknowledge that Otis has policies in place to guide the company toward ethical behaviour. According to the company, protecting human rights is one of Otis' Absolutes: "With safety, ethics and quality as our North Star, Otis respects and protects human rights everywhere we do business."¹ Otis further commits to respecting human rights in its ESG Report:

"Creating a world where people connect and thrive starts with basic human rights and quality of life for people around the world. We are committed to protecting human rights and to reducing the risk of human trafficking or unhealthy working conditions in our global supply chain, and we demand the same of our suppliers."²

In 2021, Otis became a signatory to the U.N. Global Compact, aligning with its Ten Principles across human rights, labour, environment, and anti-corruption.³

¹ Otis, "The Otis Absolutes," https://www.otis.com/documents/256045/17495034/OTIS_Absolute_English.pdf/486c0baa-116a-49a6-e2af-f82eb1ed1cb8?t=1658937457131 (accessed March 2, 2023).

² Otis, "ESG Report 2021," <https://www.otisinvestors.com/2021esgreport> (accessed March 2, 2023).

³ Otis, "UK Modern Slavery Statement," https://www.otis.com/documents/256045/4885184/beb16fcf-813e-45a8-8109-0c0e80000565-TICKET.attachments-2022_UK_Modern_Slavery_Statement_-_Final.pdf/495e6ceb-34b8-1305-0689-830e3f4456ad?t=1654010504549 (accessed March 2, 2023).

Otis reiterates its commitment to human rights in its Uncompromising Commitment to Human Rights at Otis, the Anti-Human Trafficking Policy, and the company's Supplier Code of Conduct.⁴

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 transfer of civilians). More than 21,580 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.⁵ 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.

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.⁶

⁴ Otis, "Our Uncompromising Commitment to Human Rights at Otis," <https://www.otisinvestors.com/static-files/11b40177-749d-4878-bf7b-078b897bd141> (accessed March 2, 2023); Otis, "Anti-Human Trafficking Policy Governing the Otis Supply Chain," <https://www.otis.com/documents/256045/322687376/Anti+Human+Trafficking+Policy+governing+the+Otis+supply+chain+5+13+2021.pdf/e5a736bc-56ec-3ab6-f816-dba245264589?t=1620916491666> (accessed March 2, 2023); Otis, "Otis Supplier Code of Conduct," https://www.otis.com/documents/256045/345036330/b14c8495-1dae-429b-90b8-032c6c07ebf2-attachments-Supplier-Code-of-Conduct-The-Three-Absolutes_July-2021-FINAL.pdf/d7ff9019-8e6b-52b1-4a2c-c8b946e4c193?t=1628854555907 (accessed March 2, 2023); Otis, "Governance & Accountability," <https://www.otis.com/en/us/our-company/governance-and-accountability> (accessed March 2, 2023).

⁵ 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).

⁶ 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.iustsecurity.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

Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁷

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."⁸ These companies are recognised as international sponsors of war. So far there are 16 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."⁹

In response to this unprovoked and unjustified war¹⁰ many companies have left Russia. According to the Kyiv School of Economics Institute's (KSE) #LeaveRussia [company tracker](#), Otis has also made steps to exit the Russian market.¹¹ However, our research indicated that Otis is still conducting business operations in the country.

On March 11, 2022, Otis issued a statement concerning the war in Ukraine:

"We remain deeply concerned about the crisis unfolding in Ukraine. The ensuing loss of life and the escalating refugee crisis are tragic. In light of these developments and the ongoing supply chain disruptions, we have reassessed our operations in Russia - approximately 2% of our 2021 revenue, based mostly on New Equipment sales. As a result, we are not taking new elevator and escalator orders and will make no new investments in the country for the time being. Guided by our values, we are working diligently to ensure we do the right thing for our colleagues impacted by this decision."¹²

Following this, on July 27, Otis announced that it sold its Russian business.¹³ The sale was concluded with Ice Development, a Russian-based investment company with a focus on the real estate sector

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).

⁷ 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).

⁸ NACP, "International Sponsors of War," <https://sanctions.nazk.gov.ua/en/boycott/> (accessed February 6, 2023).

⁹ 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).

¹⁰ 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."

¹¹ KSE, Leave Russia, "Otis," <https://leave-russia.org/otis> (accessed March 2, 2023).

¹² Otis, "Our Response to the Escalating Crisis in Europe," March 11, 2022, <https://www.otis.com/en/us/news?cn=our-response-to-the-escalating-crisis-in-europe> (accessed March 2, 2023).

¹³ Otis, "Otis Sells Its Russia Business," July 27, 2022, <https://www.otis.com/en/us/news?cn=otis-enters-into-agreement-to-sell-its-russia-business> (accessed March 2, 2023).

and overseeing large-scale residential construction including building restoration projects. The new owner was set to resume full production at the Otis St. Petersburg manufacturing site, with capacity to produce up to 7,000 elevators per year under a new brand name. However, the deal guarantees the continued supply of components and necessary spare parts.¹⁴ Despite Otis' promise to withdraw from the Russian market, recent Russian customs data indicates that the company is still continuously exporting to the country. Specifically, in February, June, August, and October of 2022, the total value of Otis' shipments to Russia exceeded the corresponding figures from the previous year (2021). Notably, the June 2022 exports alone amounted to almost \$7 million.¹⁵ We are writing to inquire about the scope and duration of your commitment to support the production of the St. Petersburg manufacturing site or any other Russian operation.

Due to these apparent inconsistencies, we are requesting a clarification from Otis on whether it intends to follow through on its commitment to exit or continue trading with the Russian market. These activities risk enabling and financing Russia's violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine and violating Otis' commitment to abiding by the UNGPs. It remains to be seen how directly Otis will be impacted by the partial mobilisation and the heightened legal, regulatory, operational, and financial risks associated with companies being required to provide direct support to the internationally sanctioned Russian military.

We seek to understand how Otis has conducted and continues to conduct heightened human rights due diligence and how the findings of such a process has 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,¹⁶ we request an urgent dialogue with Otis' 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/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 20th, 2023.

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

Sincerely,

The B4Ukraine Coalition

¹⁴ Interfax, "S8 Capital group to buy out business of U.S. elevator manufacturer Otis in Russia, to start production in August," July 27, 2022, <https://interfax.com/newsroom/top-stories/81685/> (accessed March 2, 2023).

¹⁵ Squeezing Putin, "Supporting Resources - Otis Exports into Russia," <https://squeezingputin.com/support.html#Otis5Mar23> (accessed March 6, 2023).

¹⁶ B4Ukraine, "About," <https://businessforukraine.info/about> (accessed January 2, 2022).