

**To Norges Bank**

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Unofficial English translation

**Recommendation to place Kirin Holdings Co Ltd under observation**

## Summary

The Council on Ethics recommends that Kirin Holdings Co Ltd (Kirin) be placed under observation pursuant to the provision in the Guidelines for Observation and Exclusion from the Government Pension Fund Global (GPF) relating to serious violations of the rights of individuals in situations of war or conflict. The recommendation concerns Kirin's business partnership with the armed forces in Myanmar.

Kirin is a Japanese holding company with several subsidiaries engaged primarily in beverage production and pharmaceuticals. At the close of 2019, the GPF owned 1.24 per cent of Kirin's shares, worth approx. NOK 2.19 billion. Kirin is listed on the Tokyo Stock Exchange.

In Myanmar, the company operates through its subsidiary Kirin Holdings Singapore Pte Ltd. This subsidiary is a partner in two joint ventures with the military-owned conglomerate Myanmar Economic Holdings Limited (MEHL).

The armed forces in Myanmar have committed acts of extreme brutality against the country's civilian population. Atrocities are reported to include violence against and the killing of children and adults, gang rape, torture and the torching of entire villages. A great many of the victims belong to the Rohingya community, a religious minority in Myanmar. Due to the gravity and scale of the violations, several actors are currently under investigation for crimes against humanity, war crimes and genocide.

The Council on Ethics takes the position that companies which operate in areas of conflict must exercise particular care. The Council's assessment of Kirin's contribution to the military's norm violations builds on the UN's Independent International Fact-Finding Mission on Myanmar's (IFFM) statement that a business partnership with MEHL poses a high risk of contributing to human rights abuses and violations of international humanitarian law. Kirin's business partnership with MEHL may also be perceived as legitimising the armed forces' behaviour. With respect to its assessment of future risk, the Council has heeded statements by the IFFM concluding that there is still a significant risk of the military committing new human rights abuses.

Kirin has stated that it takes the situation seriously, and the company has held several meetings with MEHL to discuss the human rights situation in Myanmar. Kirin has further disclosed that it is considering making changes to its operations in Myanmar, and asks for the Council's appreciation that this is a process that will take some time. Due to the uncertainty relating to future developments, the Council recommends that the company be placed under observation.

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# 1 Introduction

The Council on Ethics for the Government Pension Fund Global (GPF) has assessed the fund's investment in Kirin Holdings Co Ltd (Kirin)<sup>1</sup> against the provision relating to serious violations of the rights of individuals in situations of war or conflict in the Guidelines for Observation and Exclusion from the GPF, also referred to as the ethical guidelines.<sup>2</sup> The recommendation relates to Kirin's business partnership with the armed forces in Myanmar.

Kirin is a Japanese holding company with several subsidiaries engaged primarily in beverage production and pharmaceuticals. In Myanmar, the company operates through the subsidiary Kirin Holdings Singapore Pte Ltd. This subsidiary is a partner in two joint ventures with the military-owned conglomerate Myanmar Economic Holdings Limited (MEHL).

At the close of 2019, the GPF owned 1.24 per cent of Kirin's shares, worth approx. NOK 2.19 billion. Kirin is listed on the Tokyo Stock Exchange.

## 1.1 Matters considered by the Council

The Council on Ethics has assessed the Fund's investment in Kirin against section 3(1)(b) of the ethical guidelines, pursuant to which "Companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for [...] serious violations of the rights of individuals in situations of war or conflict."

Section 6(4) of the GPF's ethical guidelines states that: "Observation may be decided when there is doubt as to whether the conditions for exclusion are met or as to future developments, or where observation is deemed appropriate for other reasons."

The Council has assessed whether there in the present case exists an armed conflict within the meaning of the ethical guidelines, i.e. that there is a situation of violence where different organised entities engage in hostilities, and which moves beyond internal disturbances and tensions. In this regard, the Council gives weight to whether the parties to the conflict or relevant international organizations recognize the existence of an armed conflict. The Council expects companies operating in situations of armed conflicts to exercise particular care to avoid complicity in serious violations.

The Council rests its assessment of whether the company has contributed to serious violations of the rights of individuals in situations of war or conflict on internationally recognised conventions and authoritative interpretations thereof. The Geneva Conventions comprise four treaties on the protection of victims of war and conflict. These conventions have a shared Article 3, which regulates the protection of civilians in conflicts not of an international character. According to this text, persons taking no active part in the hostilities shall be treated "humanely, without any adverse distinction founded on race, colour, religion or faith, sex, birth or wealth, or any other similar criteria. To this end, the following acts are and shall remain prohibited at any time and in any place whatsoever with respect to the above-mentioned persons: (a) violence to life and person, in particular murder of all kinds, mutilation, cruel treatment and torture [...]"

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<sup>1</sup> Issuer ID: 113970.

<sup>2</sup> *Guidelines for observation exclusion from the Government Pension Fund Global (GPF)*, <https://nettsteder.regjeringen.no/etikkradet3/files/2019/12/guidelines-for-observation-and-exclusion-from-the-gpfg-01.09.2019.pdf>.

The abuses described in Article 3 will also contravene the International Covenant on Civil and Political Rights, particularly the right to life, liberty and security, as well as freedom from torture and discrimination on the basis of ethnicity or religion.

When assessing a company's contribution to norm violations, the Council considers that there must be a tangible link between the company's operations and the violations concerned. The company must actively have contributed to the abuse or been aware of it without attempting to prevent it in an appropriate manner. The Council takes the position that the threshold for abuse that may lead to exclusion from the Fund must be higher in cases concerning a company's contribution to abuse perpetrated by third parties than when such violations take place in the company's own operations. The extent to which the threshold for exclusion is reached will depend on both the seriousness of the abuse and the closeness of their connection to the company.

The abuse must be ongoing, or there must be an unacceptable risk that such violations may occur in future. In its assessment of the risk of new abuses taking place, previous norm violations may give an indication of future patterns of behaviour. The Council attaches importance to whether the company has initiated measures suited for preventing norm violations.

## **1.2 Sources**

In this case, the Council on Ethics has made use of publicly available information from, for example, international courts, UN bodies, the media, civil society and public authorities. A particularly important source has been the Independent International Fact-Finding Mission on Myanmar (IFFM), which has investigated allegations of human rights abuses in Myanmar on behalf of the United Nations Human Rights Council.

The Council on Ethics has also received information from the company, both in writing and at a meeting in May 2020.

## **2 Background**

### **2.1 The situation in Myanmar**

In 2008, after decades of rule by a variety of military regimes, Myanmar adopted a new constitution, with both military and civil components. Under the Constitution, the Myanmar military (Tatmadaw) retain control of the entire security establishment, including the Ministry of Defence. Furthermore, 25 per cent of the seats in the country's parliament are reserved for serving military officers, enough to block any changes to the constitution. The military is exempt from civilian oversight.

Violent conflicts between the military and armed groups have existed in Myanmar for many years and has had extremely negative consequences for the civilian population. Most of the conflicts have taken place in the north and east of the country. Since 2012, there has also been conflict in the west of Myanmar, which has primarily impacted the largely Muslim Rohingya minority. The Myanmar authorities do not recognise the Rohingya, making them effectively stateless.

As a result of allegations of atrocities perpetrated against Myanmar's civilian population, the United National Human Rights Council established an independent fact-finding mission in

April 2017 to investigate human rights violations in the country.<sup>3</sup> Shortly afterwards, in August 2017, the situation escalated. The military initiated so-called ‘clearance operations’ targeting the Rohingya community, which left thousands dead and at least 700,000 driven from their homes. The FFM submitted its first report to the United Nations Human Rights Council in September 2018.<sup>4</sup> The report describes systematic and extremely grave abuses, including killings, gang rape, serious violence against children and the torching of entire villages. From the FFM report:

*The “clearance operations” constituted a human rights catastrophe. Thousands of Rohingya were killed or injured. Information collected by the mission suggests that the estimate of up to 10,000 deaths is a conservative one. Mass killings were perpetrated in Min Gyi (Tula Toli), Maung Nu, Chut Pyin and Gudar Pyin, and in villages in the Koe Tan Kauk village tract. In some cases, hundreds of people died. In both Min Gyi and Maung Nu, villagers were gathered together before the men and boys were separated and killed. In Min Gyi, women and girls were taken to nearby houses, gang raped, then killed or severely injured. Houses were locked and set on fire. Few survived.*

The FFM concluded that the violations could constitute crimes against humanity and war crimes, and that there were apparent indications of genocide. The abuses were carried out primarily by the country’s armed forces, and the report names several high-ranking generals that it considered should be investigated and prosecuted through the international judicial system.

On the basis of the situation described in the FFM report, the UN General Assembly issued a statement,<sup>5</sup> which said:

*The General Assembly (...) strongly condemns the grossly disproportionate response of the military and the security forces, deplors the serious deterioration of the security, human rights and humanitarian situation and the exodus of more than 723,000 Rohingya Muslims and other minorities to Bangladesh and the subsequent depopulation of northern Rakhine State, and calls upon the Myanmar authorities to ensure that those responsible for violations of international law, including human rights violations and abuses, are held accountable and removed from positions of power.*

Based on the information provided by the FFM, cases are currently underway in both the International Court of Justice (ICJ)<sup>6</sup> (for violation of the *Convention on the Prevention and Punishment of the Crime of Genocide*) and the International Criminal Court (ICC) (for crimes against humanity).<sup>7</sup> In the ICJ, Myanmar has stated that, while there is no proof of intent to commit genocide, it cannot be ruled out that the military may have used disproportionate force, and that no clear distinction was drawn between armed combatants and the civilian

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<sup>3</sup> United Nations Human Rights Council, *Situation of human rights in Myanmar*, 24 March 2017, p. 3, <https://undocs.org/A/HRC/res/34/22>.

<sup>4</sup> United Nations Human Rights Council, *Report of the independent international fact-finding mission on Myanmar*, 12 September 2018, <https://undocs.org/en/A/HRC/39/64>.

<sup>5</sup> UN General Assembly, *Situation of human rights in Myanmar*, 22 January 2019, p. 4, <https://undocs.org/en/A/RES/73/264>

<sup>6</sup> International Court of Justice, *Application of the Convention on the Prevention and Punishment of the Crime of Genocide (The Gambia v. Myanmar)*, 23 January 2020, <https://www.icj-cij.org/files/case-related/178/178-20200123-ORD-01-00-EN.pdf>.

<sup>7</sup> International Criminal Court, *ICC judges authorise opening of an investigation into the situation in Bangladesh/Myanmar*, 14 November 2019, <https://www.icc-cpi.int/Pages/item.aspx?name=pr1495>.

population. Myanmar recognises that this could constitute a violation of international humanitarian law.<sup>8</sup>

In October 2019, the FFM Chair warned that there was still a considerable risk of new abuses being perpetrated against the civilian population in Myanmar.<sup>9</sup> In Myanmar's State Counsellor Aung San Suu Kyi's testimony to the ICJ in December 2019, she said that there is an ongoing armed conflict in the country.<sup>10</sup>

## 2.2 The Myanmar military's economic interests

At the request of the United Nations Human Rights Council, the FFM issued several supplementary reports in August and September 2019, including a report on the Myanmar military's economic interests.<sup>11</sup> In this report, the FFM wrote that MEHL is owned and operated by Tatmadaw, and that *“all shares in MEHL are held and managed by current or former military officers, regiments and units, and organizations led by former servicemembers.”*<sup>12</sup> The FFM also stated that:

*Myanmar Economic Holdings Limited (...) are owned and influenced by senior Tatmadaw leaders, including the Commander-in-Chief Senior General Min Aung Hlaing and the Deputy Commander-in-Chief Vice Senior General Soe Win, responsible for gross violations of international human rights law and serious violations of international humanitarian law.*

Sanctions have also been imposed on Commander-in-Chief Min Aung Hlaing and Deputy Commander-in-Chief Soe Win by the US due to serious human rights violations in Myanmar.<sup>13</sup> The chair of MEHL's board of directors is Lieutenant General Hsan Oo, while its CEO is Major General Khin Maung Than, who is also head of military procurement for Tatmadaw.<sup>14</sup>

The FFM report also provided an overview of firms that own joint venture companies with the military conglomerate MEHL, including Kirin. With respect to the foreign companies that are partners in such joint ventures, the FFM concluded:

*Through such joint venture and commercial relationships, the Mission finds that any foreign business activity involving the Tatmadaw and its conglomerates MEHL and MEC*

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<sup>8</sup> International Court of Justice, 2020, p. 16.

<sup>9</sup> Office of the United Nation High Commissioner for Human Rights, *UN Independent International Fact-Finding Mission on Myanmar calls on UN Member States to remain vigilant in the face of the continued threat of genocide*, 23 October 2019, <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25197&LangID=E>.

<sup>10</sup> International Court of Justice, *Public sitting held on Thursday 12 December 2019, in the case concerning Application of the Convention on the Prevention and Punishment of the Crime of Genocide (The Gambia v. Myanmar) – Verbatim Record*, p. 36, <https://www.icj-cij.org/files/case-related/178/178-20191212-ORA-02-00-BI.pdf>

<sup>11</sup> United Nations Human Rights Council, *The economic interests of the Myanmar military - Independent International Fact-Finding Mission on Myanmar*, 5 August 2019, [https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/A\\_HRC\\_42\\_CRP\\_3.pdf](https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/A_HRC_42_CRP_3.pdf)

<sup>12</sup> United Nations Human Rights Council, 5 August 2019 p. 18

<sup>13</sup> U.S. Department of the Treasury, *Treasury Sanctions Individuals for Roles in Atrocities and Other Abuses*, 10 December 2019, <https://home.treasury.gov/news/press-releases/sm852>.

<sup>14</sup> United Nations Human Rights Council, *Independent International Fact-Finding Mission on Myanmar, Governance Structure of MEHL and MEC, August 2019*, [https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/Infographic1\\_Governance\\_Structure\\_of\\_MEHL\\_and\\_MEC.pdf](https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/Infographic1_Governance_Structure_of_MEHL_and_MEC.pdf)

*poses a high risk of contributing to, or being linked to, violations of international human rights law and international humanitarian law. At a minimum, these foreign companies are contributing to supporting the Tatmadaw's financial capacity.*<sup>15</sup>

The FFM then issued a clear call to terminate all economic cooperation with the Myanmar military:

*No business enterprise active in Myanmar or trading with or investing in businesses in Myanmar should enter into a business relationship of any kind with the security forces of Myanmar, in particular the Tatmadaw, or any enterprise owned or controlled by them, including subsidiaries, or their individual members.*<sup>16</sup>

The FFM underlined that trade and business activity are positive for Myanmar, but that it is possible to engage in such operations without collaborating with the military conglomerates.

### **3 Kirin's association with MEHL**

In 2015, Kirin paid around USD 560 million to acquire a 55 per cent stake in Myanmar Brewery, the largest beer producer in Myanmar.<sup>17</sup> MEHL owned the remaining 45 per cent. In 2019, Myanmar Brewery made a Normalised Operating Profit of JPY 12.9 billion,<sup>18</sup> and MEHL has stated that Myanmar Brewery is among its largest sources of joint-venture income.<sup>19</sup>

In August 2017, Kirin invested a further USD 4.3 million to acquire a 51 per cent stake in Mandalay Brewery.<sup>20</sup> At the same time, Kirin sold 4 per cent of Myanmar Brewery back to MEHL.<sup>21</sup> Kirin now owns 51 per cent of both companies. Both Myanmar Brewery and Mandalay Brewery are operated as joint ventures, with Kirin and MEHL as co-owning partners. The boards of both companies comprise three members from Kirin and two from MEHL.<sup>22</sup>

Kirin has disclosed that the joint ventures it has with MEHL control 80 per cent of the beer market Myanmar.<sup>23</sup> The market for beer sales in Myanmar is growing, and Kirin has several international competitors in the country.<sup>24</sup> A number of these have established operations in Myanmar without going into business with MEHL.

In 2017, Kirin and MEHL made several donations to the armed forces through Myanmar Brewery. In September 2017, Tatmadaw staged three donation ceremonies to raise support for

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<sup>15</sup> United Nations Human Rights Council, 5 August 2019, p. 5.

<sup>16</sup> United Nations Human Rights Council, 5 August 2019 p. 6.

<sup>17</sup> Reuters, *Kirin buys \$560 million stake in Myanmar's top brewer from F&N*, 19 August 2015, <https://www.reuters.com/article/us-kirin-holdings-myanmar/kirin-buys-560-million-stake-in-myanmars-top-brewer-from-fn-idUSKCN0Q00AE20150819>.

<sup>18</sup> Kirin, *Summary of Consolidated Financial Results*, 14 February 2020, <https://pdf.irpocket.com/C2503/ly8K/ilpy/Hx0Y.pdf>.

<sup>19</sup> Myanmar Times, *Military conglomerate hoping for more JVs*, 18 November 2016, <https://www.mmtimes.com/business/23774-military-conglomerate-hoping-for-more-jvs.html>.

<sup>20</sup> Myanmar Times, *Kirin expands market share with Mandalay Brewery JV*, 12 December 2017, <https://www.mmtimes.com/news/kirin-expands-market-share-mandalay-brewery-jv.html>.

<sup>21</sup> Kirin, *Notice regarding the Acquisition of Mandalay Brewery by Kirin Holdings Singapore and a Transfer of 4% Ownership by Kirin Holdings Singapore in Myanmar Brewery*, 13 February 2017, <https://pdf.irpocket.com/C2503/Wc5N/dFnS/rOIW.pdf>.

<sup>22</sup> Information provided by Kirin.

<sup>23</sup> Kirin, *Next Step in Overseas Growth Markets*, <https://www.kirinholdings.co.jp/english/ir/private/lounge/topics/001.html>.

<sup>24</sup> Kirin, *Summary of Consolidated Financial Results*, 14 February 2020.



the so-called clearance operations in Rakhine State.<sup>25</sup> At the first ceremony, which was held on 1 September 2017, Myanmar Brewery donated at least USD 6,000.<sup>26</sup> The donation was presented to the Deputy Commander-in-Chief of the armed forces by employees at Myanmar Brewery during a televised ceremony, which was broadcast on the general's own Facebook page.<sup>27</sup> At this ceremony, Commander-in-Chief Hlaing said that some of the money raised would go to the operations in Rakhine.

Kirin has also been criticised for two other donations made by Myanmar Brewery between 1 September and 3 October 2017.<sup>28</sup> One of these donations comprised rice and cooking oil worth around USD 2,000, which was given to the Rakhine state authorities to help refugees. The other donation was money that Myanmar Brewery had solicited from its business network, with the brewery itself contributing USD 7,200.

## 4 Information from the company

The Council on Ethics has engaged in written communications with the company since the autumn of 2019. In May 2020, a meeting was also held between the Council and the company. Kirin states that it takes human rights extremely seriously, and that it has given this case an extremely high priority. According to Kirin, it has raised human rights issues and the FFM report with MEHL on several occasions.

Kirin points out that the agreements the company has with MEHL clearly state that revenues from joint ventures must not be appropriated to military purposes. In June 2020, the company sent an update, disclosing that the consultancy Deloitte had been contracted *“to conduct an independent review of MEHL’s financial and governance structures to determine the destination of proceeds from the joint-venture businesses Myanmar Brewery Limited and Mandalay Brewery Limited as a matter of urgency. In parallel, Kirin is exploring alternative structural options for the ownership of the Myanmar joint-ventures as part of a review of the business relationship with MEHL.”*<sup>29</sup> The company asked for the Council’s appreciation that this process could take some time.

The company has explained that there were few other players in the market when Kirin first went into partnership with MEHL. The military conglomerate was, in practice, the only alternative when establishing operations in Myanmar. At that time, there was considerable optimism that Myanmar would transition from a military dictatorship to civilian government, and the escalation of the situation for the Rohingya was not envisaged. Kirin understood MEHL primarily as a military pension fund. At this time, the Ministry of Defence also owned shares in the company, but later sold its entire stake in MEHL. To be certain that revenues from the joint venture would not be diverted to military purposes, Kirin had a clause inserted in the contract to regulate this.

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<sup>25</sup> United Nations Human Rights Council, 5 August 2019, p. 85.

<sup>26</sup> Although Kirin has admitted that it made a donation of USD 6,000, the IIFFMM reported that it could have been as much as USD 13,000.

<sup>27</sup> Amnesty International, *Japan: Investigate brewer Kirin over payment to Myanmar military amid ethnic cleansing of Rohingya*, 14 June 2018, <https://www.amnesty.org/en/latest/news/2018/06/japan-investigate-brewer-kirin-over-payments-to-myanmar-military-amid-ethnic-cleansing-of-rohingya/>.

<sup>28</sup> Correspondence between Kirin and Amnesty International, 2018, <https://app.box.com/s/1zxkmaey5oi3hmy3z133cldtuh7j03y9>.

<sup>29</sup> *Progress Report Regarding Kirin’s Operations in Myanmar*, 5 June 2020, [https://www.kirinholdings.co.jp/english/news/2020/0605\\_01.html](https://www.kirinholdings.co.jp/english/news/2020/0605_01.html).

Kirin has also explained that the company has produced a Human Rights Impact Assessment Summary Report on Myanmar, and that both this and the company's human rights policy have been presented to MEHL. The company has also discussed the situation with its International Advisory Board, which advises the company on matters relating to risk management and corporate governance.

With respect to the donations, Kirin has stated that they were made in response to a request for humanitarian aid for victims of the conflict.<sup>30</sup> Kirin has, moreover, stated that it has engaged an external expert to evaluate Myanmar Brewery's donations practice. On the basis of this review, the company has updated its Charitable Donations Policy and Volunteering Policy. This was published in August 2019. Kirin also organised meetings with MEHL in August and October 2019 to be sure that they understood the new guidelines.

## 5 The Council's assessment

The Council on Ethics has considered whether there is an unacceptable risk that Kirin is contributing to serious infringements of the rights of the individual in situations of war or conflict through its business partnership with the armed forces in Myanmar.

The Council notes that the authorities in Myanmar have confirmed that there is an ongoing armed conflict in the country. Atrocities perpetrated against the civilian population in Myanmar, including the Rohingya minority, are well documented and constitute serious violations of humanitarian law and human rights. The violations are extremely serious, such as mass killings, sexual violence and torture. Due to the seriousness and scale of the violations, the several actors are currently under investigation for crimes against humanity and genocide. The Council attaches importance to the fact that the abuses affect a very large number of people and that a large proportion of the victims are Rohingya – a group that was already vulnerable to abuse. With regard to the risk of future norm violations, the Council notes that the FFM reports that there is a considerable risk of new abuses perpetrated by the country's military.

In its assessment of Kirin's contribution to the abuse, the Council takes the position that the company must exercise particular care when it operates in locations where there is war or conflict. The Council further relies on the FFM's statement that a business partnership with MEHL poses a high risk of contributing to human rights abuses and the violation of international humanitarian law.

Such a business partnership may also lend legitimacy to the military and those who are responsible for gross violations in Myanmar. At the same time, the Council wishes to emphasise that not all unethical actions carried out by a business partner may be taken as grounds for a Council on Ethics recommendation. The extent to which the threshold for exclusion from the GPFG has been reached will depend on both the closeness of the company's connection to the norm violation and the seriousness thereof. Although there were optimistic expectations with regard to developments in Myanmar at the time Kirin became a partner in the joint venture, the Council considers that publicly available information about the military's abuses have given Kirin grounds to be particularly cautious with respect to MEHL.

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<sup>30</sup> Amnesty International, *Japan: Investigate brewer Kirin over payment to Myanmar military amid ethnic cleansing of Rohingya*, 14 June 2018, <https://www.amnesty.org/en/latest/news/2018/06/japan-investigate-brewer-kirin-over-payments-to-myanmar-military-amid-ethnic-cleansing-of-rohingya/>.

With respect to the donations that have been made through Myanmar Brewery, the Council considers that despite their modest size, they may have contributed to legitimising the serious abuses perpetrated by the military. The Council notes that the donations were made at a point in time when international media were reporting on atrocities carried out by the Myanmar armed forces. The Council nevertheless takes the view that the measures the company has initiated are suitable to prevent such donations being made in future.

In this case, the Council attaches particular importance to the fact that the norm violations are extremely serious and that Kirin has not been sufficiently prudent in its choice of business partner in a country where armed conflicts have been ongoing for many years. At the same time, the Council welcomes the fact that Kirin is considering changes to its operations in Myanmar. The Council also appreciates that these are processes which could take some time. Due to the uncertainty relating to future developments, the Council recommends that the company be placed under observation.

## 6 Recommendation

The Council on Ethics recommends that Kirin Holdings Co Ltd be placed under observation pursuant to the provision in the Ethical Guidelines relating to serious violations of the rights of individuals in situations of war or conflict.

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