

A Follow-up Letter to LG Concerning Environmental Non-Compliance Records of its Suppliers

July 24, 2010

Yong Nam
Vice Chairman and CEO
LG Electronics

Dear Mr. Yong Nam,

We have become aware of your response to the Business & Human Rights Resource Centre on July 14th 2010. At this point it is important to clarify that at no time was a direct response received from the coalition of NGOs responsible for the report dated April 24th 2010 and titled: "The IT Industry Has a Critical Duty to Prevent Heavy Metal Pollution".

We are pleased that LG Electronics made it clear that it takes the issues of environmental responsibility and supplier conduct very seriously. From your communications with the Business & Human Rights Resource Centre we have some further questions and queries.

1. In our initial contact with you we asked you the question: "*Are the above enterprises your company's suppliers*"? to which you replied; "*There is no record of LG ever having conducted business with any of the suppliers on this list.*"

However, we found some open information that these companies were suppliers to LG. For example, we found that 常州海弘电子有限公司 (Changzhou Hongdu Electronics Co., Ltd) publicly claimed on their websites to be LG's suppliers. We suggest that LG makes further investigation if these companies are suppliers for LG.

2. From your response to the Business & Human Rights Resource Centre you mentioned having no previous knowledge of the environmental violation records of these companies.

If LG wants to learn about these violation records, it may check the China Water and Air Pollution Map database. Type in the keywords of any suppliers in the following search engine, <http://en.ipe.org.cn/bdbqy/index.jsp> and http://air.ipe.org.cn/en/bdbqy_cx.jsp, LG will know if they have any government sourced infraction records during the past six years.

3. In its response to our question if LG has any other suppliers that have problems with environmental compliance, LG said that suppliers "*must qualify based on LGE Green Program criteria which include environmental compliance. Failure to qualify means that companies cannot register as LG's suppliers*".

We appreciate that you have created LGE Green Program in 2005. However, as you stated in responding to our earlier questions, “LG has no information on the conduct of these companies”. We wonder how LG could verify the compliance status of a potential supplier if LG does not have a system to track the non-compliance records of companies in China.

4. Last but not least, we want to call upon your attention to the progress made in improving environmental transparency in China as it means that environmental data is increasingly accessible in the business realm and the public sphere. Since 2006 more than 60,000 records of environmental monitoring and enforcement from official sources have been published on the IPE’s water and air pollution map databases¹.

Major companies such as GE, Nike, Wal-Mart and Unilever as well as other US, European, Japanese and Hong Kong companies are using these database to track the compliance records of their suppliers in China. These buyer companies have encouraged more than 150 suppliers to publicly disclosure details concerning their violation records and the corrective actions that have been taken or that are planned to happen. Through these efforts they have been leveraging their huge buying power to help control pollution in China.

As we mentioned in our previous letter, manufacturing of IT products involves the use and discharge of heavy metals in to the environment, this is especially prevalent further down the supply chain. It is extremely important for IT brands to control environmental management in its supply chain. Now that thousands of government-sourced records of violations of discharge standards are openly and freely available, we hope it will help cease environmental damage and encourage companies such as yours not to neglect this opportunity to improve their supply chain management.

Here is the question: Will LG consider using such public data to track the performance of its supplier networks? If not, why?

We would appreciate if you would take the time to answer these questions directly.

We look forward to your response.

Best regards,
Ma Jun

Director
Institute of Public and Environmental Affairs

¹ China Water Pollution Map can be accessed at en.ipe.org.cn, China Air Pollution Map can be accessed at air.ipe.org.cn