

Toyota Breaks the Silence

More Pollution Issues

Await Follow-up

Toyota Motor Supply Chain Pollution Investigation 2



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2016-10-17

On September 20, 2016, Lvse Jiangnan and the Institute of Public & Environmental Affairs (IPE) released a joint investigative report looking into the pollution of Toyota Motor’s suspected supplier Kunshan Liufeng Machinery Industry Co., Ltd. (hereinafter referred to as Liufeng Machinery). The investigation found that Liufeng Machinery’s air emissions had exceeded standards, and that pungent odors continue to disturb local residents.

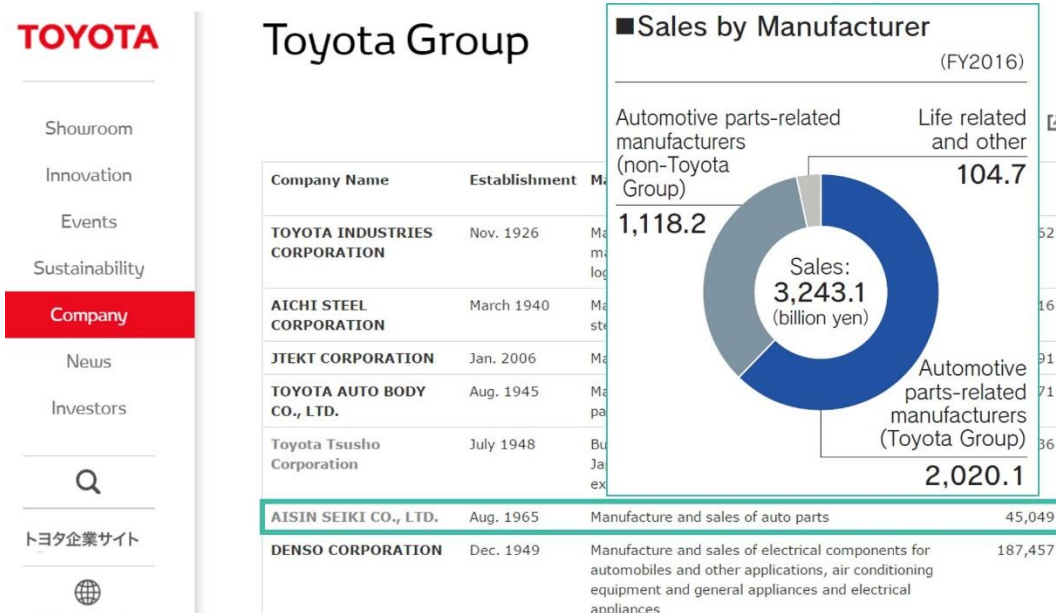


When Toyota Motor did not issue any response to the environmental violations at Liufeng Machinery first raised by Lvse Jiangnan, environmental groups proceeded to further investigate the brand’s supply chain. They found that a number of automotive component suppliers belonging to Toyota Group have environmental violation records. Moreover, Toyota Motor’s wheel hub supplier fails to properly store and treat its industrial solid waste and hazardous waste.

Toyota Group’s Subsidiary Automotive Component Suppliers

Violate Environmental Regulations

Compared with that of most consumer goods, automobile production exhibits a higher degree of specialization. Manufacturer AISIN SEIKI CO., LTD. (hereinafter referred to as Aisin Seiki) specializes in the production of transmission systems, bodies, brakes, chassis, engines and information systems. Aisin Seiki belongs to Toyota Group¹ and Toyota Motor is its biggest customer.²



(Image from Toyota Group and Aisin Seiki website)

¹ http://www.toyota-global.com/company/profile/toyota_group/
² http://www.aisin.com/profile/outline/pdf/2016all-pages_en.pdf

Up through 2016, Aisin Seiki and its related enterprises Aisin Takaoka Co., Ltd. (hereinafter referred to as Aisin Takaoka) and ADVICS Co., Ltd. (hereinafter referred to as ADVICS) had established a total of 34 subsidiaries in China.³ Of these, Tangshan Aisin Automotive Parts Co., Ltd., whose exclusive investor is Aisin Seiki, was fined 55,000 RMB by Tangshan's environmental protection bureau (EPB) in 2015 for illegal discharge of air pollutants.⁴



2015年6-12月行政处罚

发布时间: 2016-01-14 10:43 发布部门: 法宣处 信息来源:

	单位名称	金额
2015年6-12月行政处罚 违法排放污染物案（大气）	16 唐山市荣义炼焦制气有限公司	130000
	17 唐山百晟轧钢有限公司	50000
	18 滦县国创炼焦制气有限公司	630000
	19 唐山安泰钢铁有限公司	30000
	20 唐山市丰润区乾城特钢有限公司	27000
	21 唐山天盈化工有限责任公司	40000
	22 唐山市丰润区鸿润精密铸件厂	45000
	23 唐山中厚板材有限公司	52000
	24 唐山贝氏体钢铁（集团）顺兴钢铁有限公司	47000
	25 唐山市丰润区长存耐磨材料厂	45000
	26 唐山市鑫兴水泥有限公司	75000
	27 唐钢机械（重机）装备公司	80000
	28 唐山市路北区鑫诚钢管有限公司	22000
	29 河北永顺实业集团有限公司	40000
30 唐山爱信汽车零部件有限公司	55000	
31 河北永顺实业集团有限公司	65000	

(Image from Tangshan Environmental Protection Bureau website)⁵

Takaoka Lioho (Guangzhou) Industries Co., Ltd., which is jointly owned by Lioho Machine Works, Ltd. (hereinafter referred to as Lioho Machine)⁶ and Aisin Takaoka,⁷ was twice found to have exceeded wastewater emissions standards or total pollutant discharge control targets in May 2012.⁸ The factory was subsequently fined by Guangzhou's Nansha District EPB.

³ http://www.aisin.com/profile/outline/pdf/2016all-pages_en.pdf

⁴ http://www.ipe.org.cn/En/pollution/com_detail.aspx?id=287239

⁵

<http://www.tshbj.gov.cn/portal/information/information.action?column=bf86cfacd2304863acb350641f08f1bd&article=eb4a803993b440a9903752b33d931cf6>

⁶ 六和机械也是六丰机械的投资方

⁷ <http://www.atl.com.cn/gz-en/Default.aspx>

⁸ http://www.ipe.org.cn/En/pollution/com_detail.aspx?id=141580

(Image from Takaoka Lioho (Guangzhou) Industry Co., Ltd. website)⁹

Another automotive component producer jointly founded by Lioho Machinery and ADVICS is ADVICS Yunfu Automobile Parts Co., Ltd.¹⁰ In September 2015, Yunfu's EPB discovered that the factory had violated the "Three Synchronizations" regulation by commencing production before the supporting environmental protection facilities passed inspection. On top of this, the factory's discharge permit had already expired.¹¹

(Image from Yunfu Environmental Protection Bureau website)¹²

⁹ <http://www.atl.com.cn/gz-en/Default.aspx>

¹⁰ <http://gsxt.saic.gov.cn/>

¹¹ http://www.ipe.org.cn/En/pollution/com_detail.aspx?id=259413

¹² http://www.yfepb.gov.cn/xgk/zdlyxxgkzl/gpdbhxzf/201601/t20160101_8518.html

Toyota's Wheel Hub Supplier Mishandles Solid Waste

In addition to using automotive components made by Aisin Seiki, Toyota Motor also purchases wheel hubs from CITI Dicastal Co., Ltd. (hereinafter referred to as CITI Dicastal).¹³

The screenshot shows the CITI Dicastal website interface. At the top, there is a navigation menu with options: Homepage, About Citic Dicastal, News Center, Operation Scope, Market Allocation, Technical Capability, and Recruitment. Below the menu, a world map is displayed with the text 'Market Allocation'. The main content area is titled 'Domestic Market' and includes a map of China with various automotive logos (Audi, VW, GM, etc.) and a 'Domestic market share distribution' chart. A section titled 'Exclusive supplier markets:' lists several locations and their associated brands: Beijing Benz, Shenyang BMW, FAW-Audi, Tianjin Toyota, and Sichuan Toyota. The Toyota logos and their respective locations are highlighted with a red box.

(Image from CITI Dicastal website)

In November 2015, Nanjing's EPB discovered during a law enforcement inspection that one of CITI Dicastal's subsidiary companies, Nanjing Dicastal Huashun Wheels Co., Ltd.,¹⁴ had not adopted preventative measures to handle its hazardous waste, resulting in spills, drainage and leakages. The inspection also found that the factory had failed to build storage facilities or sites for safe and classified storage of industrial solid waste temporarily not being used or not for use. Nanjing's EPB ordered the factory to immediately correct these environmental violations and issued a fine of 69,000 RMB.¹⁵

¹³ http://www.dicastal.com/en/index_t16.html

¹⁴ <http://gsxt.saic.gov.cn/>

¹⁵ http://www.ipe.org.cn/En/pollution/com_detail.aspx?id=259714

序号	当事人	文书号	作出机关	法人营业执照	违法事实	处理依据	文书制发日期	送达日期	限期改正内容	行政处罚内容
92	南京中化橡胶有限公司	环(2015)92号	南京市环境保护局	75947670-9	1、未采取相应防范措施,造成1、《中华人民共和国固体废物污染环境防治法》第七十五条第一款者造成其他环境污染;2、对警第十一类和第二款;2、《中华人民共和国固体废物污染环境防治法》第六十八条第一款第二项和第二款	1、未采取相应防范措施,造成1、《中华人民共和国固体废物污染环境防治法》第七十五条第一款者造成其他环境污染;2、对警第十一类和第二款;2、《中华人民共和国固体废物污染环境防治法》第六十八条第一款第二项和第二款	2015年11月30日	2015年12月1日	责令立即改正环境违法行为	处罚款人民币陆万玖仟元整(¥69000元整)

(Image from Nanjing Environmental Protection Bureau website¹⁶)

Toyota Breaks Silence, More Pollution Issues Await Follow-up

On October 12, 2016, environmental groups sent information about the violation records for Aisin Seiki and CITI Dicastal to Toyota Motor (China) Investment Co., Ltd. (hereinafter referred to as Toyota China) via email. On October 13, Toyota responded, confirming that, “The letter has been received. We are contacting relevant departments to verify the situation and will notify as soon as we have results.”

This is the first time Toyota has provided a response since July 22, when Lvse Jiangnan first contacted Toyota China by mail seeking an explanation for Liufeng Machinery’s environmental violations.












In the interim, we have noticed even more publicity about environmental protection from Toyota Motor. At 2016 Shanghai Pudong International Automotive Exhibition, Toyota China once again promoted its vision to achieve “New Vehicle Zero CO₂ Emissions” by 2050.¹⁷ This was followed by a celebratory announcement by Toyota China on October 9 that Toyota Motor has risen to fifth place in the 2016 Best Global Brands published by Interbrand.



¹⁶ http://www.njhb.gov.cn/43168/43172/2015y/201512/t20151231_3729044.html

¹⁷ <http://www.toyota.com.cn/news/show.php?newsid=4974>

Although lofty environmental commitments may raise a brand's value, Toyota Motor's long silence regarding the environmental violations of its Chinese suppliers hugely de-values its publicity. The brand's score and ranking have subsequently dropped significantly in the 2016 Corporate Information Transparency Index (CITI), nearly falling out of Top 100.

Rank	Logo	Brand	Industry	CITI Score	Change in Score	Change in Rank
1		Apple	IT	80	+8	-
2		Adidas	Textiles/Leather	73	+7	-
3		Dell	IT	68.5	+30.5	+22
4		Levi's	Textiles	67	+8	-
5		Marks & Spencer	Textiles	64.5	+12	-
6		Target	Textiles	62.5	+20	+13
7		Panasonic	IT	62	+10	-1
8		Gap	Textiles	61.5	+25.5	+18
9		Samsung	IT	60.5	+11.5	+3
10		Walmart	Textiles	56.5	+5	-3
91		TOYOTA	Automobile	10.5	-18	-56

(2016 CITI Score and Ranking Changes. Image created by IPE)

The recent response from Toyota China is also relatively basic, with no mention of any specific measures the brand will adopt to push its suppliers to implement corrective measures. We hope Toyota can treat this as an opportunity to transform its many ambitious environmental commitments into genuine actions, and undertake a more proactive approach in the environmental management of its supply chain in China.

Due to the high degree of specialization in automobile production, many factories are shared suppliers to different brands. Aisin Seiki, for example, is also supplier to General Motors, Ford, Volvo, BMW, Renault, Nissan and Mazda.¹⁸ We hope that these brands can take Toyota as an example and actively follow up on suppliers' environmental violations to collaboratively push for supply chain environmental management in the automobile industry.

¹⁸ <http://www.aisin.com/cn/profile/customer/>