

# P&G

## Smog Cure, or Smog Culprit?

Entering into the 2017 smog season,  
P&G subsidiary Head & Shoulders published a creative ad,  
boldly proclaiming,  
"dandruff has nowhere to hide, and smog is not to be feared."

Not only can you get rid of dandruff, but you can also fight PM<sub>2.5</sub>!

Entering into the 2017 smog season, Proctor & Gamble subsidiary brand Head & Shoulders published a creative advertisement, boldly proclaiming that “dandruff has nowhere to hide, and smog is not to be feared.” Upgrading a shampoo product into a “magic weapon for curing smog” is certainly enough to catch one’s eye. From February through May, the ad continued to occupy the main banner portion of Head & Shoulders’ official website!



(Image from Head & Shoulders’ official website<sup>1</sup>)

P&G is shrewd to acutely identify consumers’ pressure points as such and capitalize on them in its marketing. But behind P&G’s bold claim to “fight PM<sub>2.5</sub>” is the fact that a number of its suspected suppliers have been found to have environmental violations – all of them belonging to the phosphorous chemicals industry.

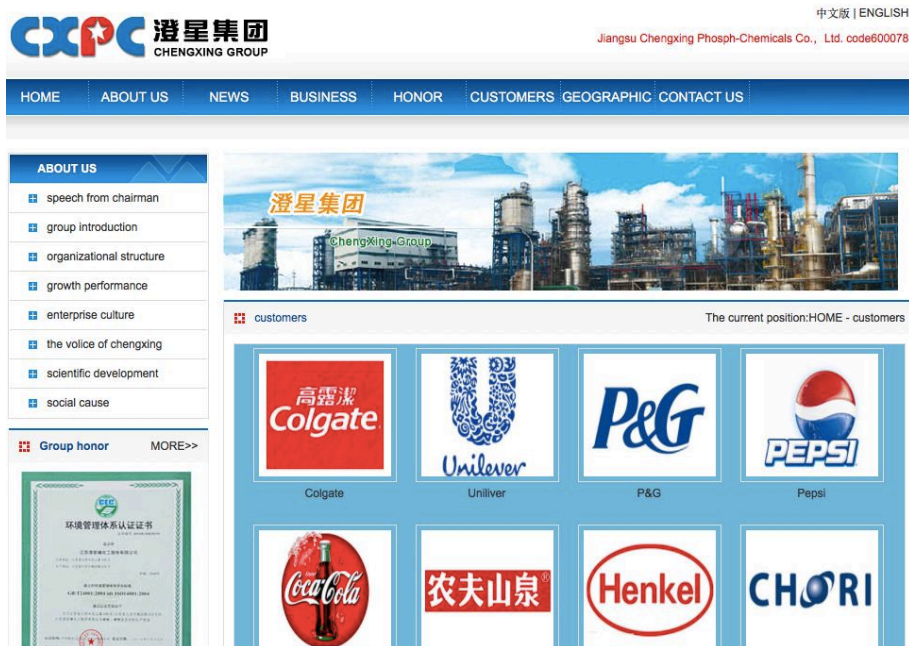
### Suspected Supplier Case #1:

#### Chengxing Holdings is Subject to Official Inspection

Shanghai Stock Exchange-listed company Jiangsu Chengxing Phosph-Chemicals Co., Ltd. (hereafter referred to as “Chengxing Holdings,” stock ticker number 600078) states on the website of its parent company Chengxing Group that P&G is one of its cooperating customer brands.<sup>2</sup>

<sup>1</sup> [http://www.head-shoulders.com.cn/?utm\\_source=baidu&utm\\_medium=brandzone&utm\\_campaign=h&s1676sem001o1&utm\\_channel=hsbl](http://www.head-shoulders.com.cn/?utm_source=baidu&utm_medium=brandzone&utm_campaign=h&s1676sem001o1&utm_channel=hsbl)

<sup>2</sup> <http://www.phosphatechina.com/en/>



(Image from official website of Chengxing Group)

This “leading enterprise of fine phosphorous chemicals production in China” owns a stake in a number of companies, including Yunnan Xuanwei Lindian Co., Ltd. (hereafter referred to as “Xuanwei Lindian”), which is one of its wholly-owned subsidiaries. Xuanwei Lindian is mainly engaged in manufacturing of phosphorus chemicals and phosphate products, production and sales of washing supplies, and sales of chemical raw materials.<sup>3</sup> From 2014 through July 2016, Xuanwei Lindian was repeatedly reported by the public to authorities via various channels, but its customer brands have yet to provide any public response toward these complaints.

Of note, in June 2016, Xuanwei Lindian was added to the environmental violations construction project review list<sup>4</sup> for having begun construction without approval.

On July 22, 2016, Xuanwei City received the “Incoming Reported Materials for Qujing Environmental Protection Bureau (EPB) Supervisory Working Group Office from the Central Authorities’ 7<sup>th</sup> Environmental Supervision Group” (No. 18)<sup>5</sup> and formulated a plan for investigation and verification.

On July 25, 2016, the lead supervisory working group of the Xuanwei Municipal EPB published the “Central Authorities’ 7<sup>th</sup> Environmental Supervision Group’s Notice on the Status of Environmental Issues Reports and Complaints in Xuanwei City.” The Notice states that “during its manufacturing of yellow phosphorous, Xuanwei Lindian Co. continuously discharged untreated air emissions with a pungent odor” and was repeatedly reported to authorities.<sup>6</sup>

<sup>3</sup> [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2016-04-29/600078\\_2015\\_n.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2016-04-29/600078_2015_n.pdf)

<sup>4</sup> [http://www.ynepb.gov.cn/hjjc/hjjcgzdt/201606/t20160622\\_155185.html](http://www.ynepb.gov.cn/hjjc/hjjcgzdt/201606/t20160622_155185.html)

<sup>5</sup> <http://zswldj.yn.gov.cn/html/qj/xw/2016/7/31/cbd8f853-927b-4b5a-877e-1b6a2f16c087.html>

<sup>6</sup> <http://zswldj.yn.gov.cn/qj/xw/news/gsgg/5e038121-27a6-436a-ac25-164e51e9c122.htm>



On the same day, the Qujing Municipal Central Authorities' 7<sup>th</sup> Environmental Supervision Group's Notice on the Status of Environmental Issues Reports and Complaints (No. 1) published by Qujing EPB stated that Xuanwei Lindian "did not install a rainwater catchment system, thus giving rise to a situation where rainwater from the industrial site was not collected and treated before being directly discharged"; "the portion of the river outside the factory next to the discharge outlet exhibited ammoniacal nitrogen values that exceeded standards by 0.2 times in June and 0.99 times in July, as well as a total phosphorous values in July that exceeded the standard by 0.47 times"; "during the 4<sup>th</sup> quarter of 2014 and the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2015, when the company was in the process of renovating and installing flue gas desulfurization, denitrification, and dust removal equipment in its boiler, the factory's particulates, sulfur dioxide and nitrogen oxide emissions all exceeded legal limits."<sup>7</sup>

On October 28, 2016, the Qujing EPB organized experts to conduct an on-site inspection of Xuanwei Lindian's yellow phosphorous production, as well as its waste rock and yellow phosphorous exhaust thermal power generation facilities, and agreed to grant environmental approval.<sup>8</sup>



The image shows a screenshot of the official website of the Qujing Environmental Protection Bureau. The header features the bureau's logo and name in Chinese and English. Below the header is a navigation menu with links for '网站首页' (Home), '信息公开' (Information Disclosure), '在线服务' (Online Services), '公众互动' (Public Interaction), and '党风廉政' (Party Discipline and Integrity). A search bar is located below the navigation menu. The main content area displays a news article titled '曲靖市办理中央第七环保督察组交办投诉举报环境问题情况通报（续报一）' (Qujing City Report on Handling of Environmental Issues Reported by the 7th Central Environmental Protection Supervision Group's Assigned Complaints and Reports (Continuation Report 1)). The article includes the date '2016年07月25日' and the source '市环保督察办'. The text describes the bureau's work on handling environmental issues reported by the 7th Central Environmental Protection Supervision Group, mentioning specific cases and the bureau's response measures.

(Image from official website of Qujing Environmental Protection Bureau)

<sup>7</sup> <http://www.qjepb.gov.cn/news/a/201607/01015934138.htm>

<sup>8</sup> <http://www.qjepb.gov.cn/news/a/201611/01022863404.htm>

Apart from Xuanwei Lindian, another wholly-owned subsidiary of Chengxing Holdings, Zhanyi County Hengwei Mining Co., Ltd., was also added to the environmental violations construction project review list.<sup>9</sup> This company is mainly engaged in the industries upstream from phosphorous chemicals manufacturing, including phosphorous ore mining, concentration and sales.<sup>10</sup>

Chengxing Holdings emphasizes in its annual report that “the company and its key subsidiaries are phosphorous chemicals manufacturing enterprises, so requirements for safety and environmental protection are higher.”<sup>11</sup> However, the air emissions and wastewater discharge of its subsidiary companies have exceeded legal pollutant standards, and its subsidiaries have illegally begun production and operation of facilities before receiving an environmental inspection following the completion of facilities, posing a severe burden to local air and water.

## Suspected Supplier Case #2:

### Xingfa Group’s Emissions Frequently Exceed Standards

Another enterprise engaged in phosphorous chemical products and fine chemical products development and production is the listed company Hubei Xingfa Chemicals Group Co., Ltd. (hereafter referred to as Xingfa Group; stock ticker number 600141). Xingfa Group also “establishes strategic partnerships with Proctor & Gamble, Dow, Unilever and other Fortune 500 companies.”<sup>12</sup>

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<sup>9</sup> [http://www.ynepb.gov.cn/hjjc/hjjcgzdt/201606/t20160622\\_155185.html](http://www.ynepb.gov.cn/hjjc/hjjcgzdt/201606/t20160622_155185.html)

<sup>10</sup> [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2016-04-29/600078\\_2015\\_n.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2016-04-29/600078_2015_n.pdf)

<sup>11</sup> [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2016-04-29/600078\\_2015\\_n.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2016-04-29/600078_2015_n.pdf)

<sup>12</sup> <http://www.xingfagroup.com/html/en/> (visited on Feb 28, 2017)

The screenshot shows the Xingfa Group website. At the top, there is a navigation menu with links for HOME CONTACT US, COMPANY, PRODUCTS, NEWS, SUSTAINABILITY, and JOIN US. Below the navigation is a 'COMPANY' section with a sidebar menu containing 'About Us', 'History', 'Awards Qualification', 'Corporate Culture', 'Industry Structure', and 'Technology Innovation'. The main content area features a photograph of a group of people in a meeting. Below the photo is the heading 'Hubei Xingfa Chemicals Group Co.,Ltd.' followed by a detailed paragraph about the company's history, products, and global presence. A red box highlights a specific sentence in the text: 'XINGFA has established a large number of subsidiary companies and branches in America, Germany, Brazil, Vietnam and the cities Hongkong, Guangzhou, Shanghai, Wuhan in China. The company has also obtained European REACH Authentication enabling the creation of strategic cooperative partnerships with many Global Fortune 500 firms, such as Procter & Gamble, Dow and Unilever. This has allowed access to a unique and diversified global marketing network encompassing more than 110 countries and regions throughout Asia, Europe, the Americas, and Africa.'

(Image from official website of Xingfa Group)

Despite Xingfa Group’s declaration in its annual report that it has “always insisted on environmental protection as an important strategic issue to the survival and development of the enterprise,”<sup>13</sup> many of its subsidiary chemicals manufacturers exhibit consistent issues with wastewater and air emissions exceeding standards over the past few years, are out of compliance with legal provisions for the storage of hazardous waste, or demonstrate other environmental compliance infractions (see Table 1).

Table 1 Summary of Environmental Violation Issues at Xingfa Group’s Subsidiaries

Subsidiary	Time of Penalty	Environmental Violation
Yichang Chulin Chemicals Co., Ltd.	January 2017	“Total phosphorus concentration in wastewater exceeded water pollutant discharge standard (0.5mg/L), reaching 5.43mg/L (on November 24) and 3.11mg/L (on November 29).” <sup>14</sup>

<sup>13</sup> <http://www.xingfagroup.com/index.php?m=content&c=index&a=lists&catid=83>

<sup>14</sup> <http://www.ychbi.gov.cn/content-42576-972790-1.html>

	September 2015	"Discharging wastewater through drainage pipe (DN219) 250 meters above the sewage outfall. Total phosphorus concentration exceeded discharge standard." <sup>15</sup>
	July 2015	"Discharging phosphorus-containing wastewater through illegal sewage outfall (the original outfall). Total phosphorus concentration exceeded legal standard (0.5 mg/L), reaching 7.31mg/L." <sup>16</sup>
Hubei Taisheng Chemical Co., Ltd	December 2016	"Total phosphorus concentration exceeded water pollutant discharge standard (0.5mg/L), reaching 5.55mg/L." <sup>17</sup>
	May 2015	"Abnormal operation of water pollution control equipment. Total phosphorus discharge amount exceeded pollutant discharge standard." <sup>18</sup>
Yidu Xingfa Chemical Co., Ltd.	September 2016	"Total phosphorus concentration at clean water outfall reached 59.8mg/L, exceeding national pollutant discharge standard." <sup>19</sup>
	September 2016	"COD and ammoniacal nitrogen emissions from wastewater treatment facility exceeded national pollutant discharge standard, with COD concentration reaching 140mg/L and ammoniacal nitrogen concentration reaching 68.08mg/L. COD and ammoniacal nitrogen emissions from main sewage outfall also exceeded national pollutant discharge standard, with COD concentration reaching 120mg/L and ammoniacal nitrogen concentration reaching 60.41mg/L." <sup>20</sup>
	December 2015	"Temporary storage site for hazardous waste does not conform with the construction standard." <sup>21</sup>
	November 2015	"Aging equipment used for monitoring gas flow rate and pressure during sulfuric acid manufacturing has been reported by the provincial environmental protection department multiple times as unable to provide accurate self-monitoring data." <sup>22</sup>
	August 2015	"Company did not install a rainwater catchment system, resulting in rainwater from industrial site being directly discharged without treatment. Total phosphorus (TP) concentration of company's clean water outfall reached 12.3mg/L, and TP concentration of municipal wastewater outlet reached 7.35mg/L, both exceeding the legal standard." <sup>23</sup>

<sup>15</sup> <http://www.ipe.org.cn/IndustryRecord/regulatory-record.aspx?companyId=112606&dataType=0&isyh=0>

<sup>16</sup> <http://www.ychbj.gov.cn/content-42576-912684-1.html>

<sup>17</sup> <http://www.ychbj.gov.cn/content-42576-972497-1.html>

<sup>18</sup> <http://www.ipe.org.cn/IndustryRecord/regulatory-record.aspx?companyId=49103&dataType=0&isyh=0>

<sup>19</sup> [http://hbj.yd.cn3x.com.cn/art/2016/12/2/art\\_4631\\_933983.html](http://hbj.yd.cn3x.com.cn/art/2016/12/2/art_4631_933983.html)

<sup>20</sup> [http://hbj.yd.cn3x.com.cn/art/2016/12/2/art\\_4631\\_933984.html](http://hbj.yd.cn3x.com.cn/art/2016/12/2/art_4631_933984.html)

<sup>21</sup> [http://hbj.yd.cn3x.com.cn/art/2016/12/2/art\\_4631\\_933892.html](http://hbj.yd.cn3x.com.cn/art/2016/12/2/art_4631_933892.html)

<sup>22</sup> <http://www.ychbj.gov.cn/content-42576-879728-1.html>

<sup>23</sup> [http://hbj.yd.cn3x.com.cn/art/2016/12/2/art\\_4631\\_933892.html](http://hbj.yd.cn3x.com.cn/art/2016/12/2/art_4631_933892.html)

Yichang Jinxin Chemical Co., Ltd.	December 2016	"Total phosphorus concentration found to reach 6.31mg/L during an on-site inspection on November 24, exceeding the water pollutant discharge standard (0.5mg/L)." <sup>24</sup>
	December 2016	"Total phosphorus concentration of main sewage outfall exceeded discharge standard by 11.62 times." <sup>25</sup>
	August 2015	"Wastewater generated from cleaning procedures has been leaking through the clean water outfall, causing excessive discharge of pollutants." <sup>26</sup>
Hubei Xingrui Chemical Co., Ltd.	December 2015	".....desulphurization equipment operation abnormal in thermal power plant..... On November 15, 2015, from 10:10 to 11:30, sulfur dioxide emissions exceeded emission standard (200mg/ m <sup>3</sup> ) by 11.9 times, with maximum emissions concentration reaching 2588.61mg/m <sup>3</sup> ." <sup>27</sup>
	August 2015	"On July 19, 2015 ..... pollution control facility for flue gas in company's coal-fired boiler was shut down from 8:30 to 9:35 without consent from the environmental administrative department, causing sulfur dioxide emissions to exceed the emissions standard (200mg/ m <sup>3</sup> ) by 10.9 times, with maximum emissions concentration reaching 2377 mg/m <sup>3</sup> ." <sup>28</sup>
Xinjiang Xingfa Chemical Co., Ltd.	March 2015	"Water pollution control facility for 5000-ton dimethyl sulphoxide manufacturing process has been put into use without permission. " <sup>29</sup>

### Suspected Supplier Case #3:

#### Shandong Tianli Begins Construction without Approval

In addition to Chengxing Holdings and Xingfa Group, another of P&G's star suppliers in China also exhibits issues with procedural environmental violations.

In January 2015, P&G selected 51 External Business Partners of the Year following an analysis that included scores of various indicators on its External Business Partner Sustainability Scorecard. Shandong Tianli Pharmaceutical Co., Ltd. (hereafter referred to as "Shandong Tianli") stood out from over 75,000 suppliers and third-party enterprises and was named as one of the award-winning enterprises. <sup>30</sup>

<sup>24</sup> <http://www.ychbj.gov.cn/content-42576-972496-1.html>

<sup>25</sup> <http://www.ychbj.gov.cn/content-42576-972315-1.html>

<sup>26</sup> <http://www.ipe.org.cn/IndustryRecord/regulatory-record.aspx?companyId=112566&dataType=0&isyh=0>

<sup>27</sup> <http://www.ychbj.gov.cn/content-42576-891122-1.html>

<sup>28</sup> <http://www.ychbj.gov.cn/content-42576-837802-1.html>

<sup>29</sup> <http://www.xiepb.gov.cn/xiepb/639/zfxxgk/2702/3597/3601/73816/index.html>

<sup>30</sup> <http://news.pg.com/press-release/pg-corporate-announcements/pg-recognizes-top-performing-global-partners-0>



This “External Business Partner of the Year” of P&G is jointly invested by Shandong Lianmeng Chemical Group Co., Ltd. and Singapore Sunstar Group. Its main products include glucose, sorbitol, mannitol, and ascorbic acid. Apart from P&G, Shandong Tianli’s other cooperating customers include Colgate, Kraft and Unilever.<sup>31</sup>



(Image from official website of Shandong Lianmeng Chemical Group Co., Ltd.)

In 2016, this star supplier of P&G was punished by the Shouguang Municipal Environmental Protection Bureau of Shandong Province for “beginning construction on the 12MW unit project without having received approval, and later completing the project and putting it into operation.”<sup>32</sup>

128	山东天力药业有限公司	2016.7.1	10	12MW机组项目未经环保部门审批，擅自开工建设，现已建成投产。	《中华人民共和国环境保护法》第六十一条和《山东省实施〈中华人民共和国环境影响评价法〉办法》第二十四条第二款	责令该单位立即停止生产
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(Image from Shouguang Environmental Protection Bureau)

Article 41 of China’s Environmental Protection Law clearly stipulates, “Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.” Since Shandong Tianli began operating its 12MW unit before the environmental impact assessment (EIA) had obtained approval from the local environmental management department, there was no means of

<sup>31</sup> <http://www.leaguechem.com/hxqv.jsp?companycode=tlyv>

<sup>32</sup> [http://sghb.shouguang.gov.cn/ztl/wryjg/xzcf/201610/t20161028\\_1096327.html](http://sghb.shouguang.gov.cn/ztl/wryjg/xzcf/201610/t20161028_1096327.html)

determining whether or not its air emissions were in compliance with environmental standards. As a result, there existed an environmental risk of sulfur dioxide, nitrogen oxide and particulates emissions exceeding legal standards. These air pollutants are all direct or indirect sources that contribute to smog.

### **P&G: Smog Cure, or Smog Culprit?**

Throughout the sustainability report of Head & Shoulders' parent company, P&G, the household products giant makes the bold claim, "We are working against our specific near-term goals on our way to our ambitious long-term vision to power all our plants with 100% renewable energy, to use 100% renewable or recycled material for all products and packaging, and to have zero consumer and manufacturing waste go to landfills. Put simply, our objective is to design products that delight consumers while maximizing the preservation of resources. We want our brands to help consumers make more sustainable choices."<sup>33</sup>

We want people who choose P&G brands to know that our products are created with a commitment to sustainability. From formulation to manufacturing to package design and shipment, our products are made responsibly and without trade-offs in performance or value.

(Image from P&G's 2015 Sustainable Development Report Overview)

Indeed, P&G employs an "External Business Partner Sustainability Scorecard" to annually evaluate the environmental footprint of its supplier factories in energy and water use, waste treatment, greenhouse gas emissions, environmental pollution penalties and other aspects and to encourage continuous improvement.<sup>34</sup>

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<sup>33</sup> [https://www.pg.com/fr\\_DE/downloads/sustainability/PG\\_2015\\_Sustainability\\_Report.pdf](https://www.pg.com/fr_DE/downloads/sustainability/PG_2015_Sustainability_Report.pdf)

<sup>34</sup> <https://www.pgsupplier.com/en/pg-sustainability/sustainability-scorecard.shtml>

**Environmental Sustainability**

External business partners must comply with all applicable environmental laws, rules and regulations. P&G recognizes that we must be responsible for environmental stewardship and using resources wisely. We strive to be socially responsible in the use of Company resources for the long-term benefit of society. Our commitments to environmental sustainability are addressed in our [Environmental Policies & Statements](#). External business partners are expected to share P&G's commitments and maximize the value and quality of their products by using resources responsibly, preserving the environment and reducing the environmental footprint of their operations. P&G will identify and notify external business partners that will be required to use and submit the scorecard or designated equivalent on-line tool to track improvement on environmental sustainability metrics. All other external business partners are encouraged to use the scorecard for their internal use if applicable.

Click [here](#) for information and training materials on the Supply Chain Environmental Sustainability Scorecard.

(Image from Sustainability Guidelines for External Business Partners)

But as early as October 2014, IPE had contacted P&G via e-mail to inform the brand that suspected suppliers, including Xingfa Group, had environmental compliance issues, and that IPE hoped the brand could improve environmental management of its supply chain in China. In the two weeks after this e-mail was sent, P&G responded stating that two of the enterprises were indeed suppliers to P&G, but the records of one supplier had been issued before P&G signed a procurement contract, and the violation of the other supplier had already been resolved. Up through December of that year, IPE sent additional emails to P&G expressing the hope that the brand could push its suppliers to issue public explanations about the reasons causing their environmental violation records and the corrective measures adopted, but P&G again did not respond to these messages.

IPE again contacted P&G via email regarding environmental violations at the aforementioned subsidiaries of Chengxing Holdings, Xingfa Group and Shandong Tianli, but the brand once again did not respond.

**Instead of prompting the public to take precautions against smog,**

**remind suppliers to control their emissions!**

With the help of Head & Shoulders' new ad, P&G is making the claim that anti-dandruff shampoo can be upgraded into a "magic weapon to fight smog." Yet the brand continues to evade its responsibility to confront issues raised by environmental groups of violations at suspected suppliers engaged in phosphorous chemicals production, including lack of desulfurization equipment and problems with sulfur dioxide, nitrogen oxide and/or particulates emissions exceeding standards.

We hope that in publishing such Head & Shoulders ads, P&G can not only remind the public to pay attention to smog, but also actively push its suppliers to respect environmental laws and regulations, reduce their pollution discharge, and control smog at the source – so as to truly honor its commitment to "help consumers make more sustainable choices."