

An Open Letter from a Coalition of Environmental NGOs to 16 Chinese banks Regarding the Chemical Chromium Pollution Incident in Luliang County, Yunnan Province

To ICBC, Bank of China, China Construction Bank, Agricultural Bank of China, Bank of Communications, China CITIC Bank, China Minsheng Bank, China Merchants Bank, Industrial Bank, Shanghai Pudong Development Bank, China Everbright Bank, Bank of Beijing, Huaxia Bank, Shenzhen Development Bank, Bank of Nanjing, Ningbo Bank:

We send you this letter in hopes that you will take great concern in the acts of violation of environmental laws and regulations of China by Luliang Chemical Industry Co., Ltd. (hereinafter, “Luliang Chemical”) in Yunnan province. Luliang Chemical has been for decades freely disposing of chromium waste in the source of the Pearl River, which has severely affected the Nanpan River ecosystem and the local people's lives and wellbeing.

Media reports name the polluting enterprise as Luliang Chemical Industry Co., Ltd., one of the shareholders of Luliang Heping Technology Co., Ltd. According to online search results from Yunnan Province Business Administration Council website, the two companies had the same legal representative, Xu Jiangen, and a registration address at Yunnan Province, Luliang County, West Bridge Industrial Zone. It is understood that Shenhong Chemical Co., Ltd. is also associated with the two companies mentioned above.

Therefore, we want to inquire whether your bank and its branches have any credit relationship with Luliang Chemical and/or its two affiliated companies (Luliang Heping Technology Co., Ltd., and Shenhong Chemical Co., Ltd.). If your bank does provide loans to Luliang Chemical and/or its affiliated companies, we request your careful attention and review of the acts of environmental pollution by the above-mentioned enterprises as a basis for continuing business relationship, and a public disclosure of your procedures and findings. If your bank does not provide loans to the three companies in question, we ask you to reply to this letter stating so, in order for the public to be aware of this.

Article 33 of Law of the People's Republic of China on Prevention and Control of Water Pollution prohibits dumping in water bodies of industrial wastes, urban wastes and other wastes; prohibits for materials and waste containing mercury, cadmium, arsenic, chromium, lead, cyanide and yellow phosphorus and other soluble toxic residue to be discarded of in water bodies, as well as be

dumped, or directly buried in the ground; dictates that deadly toxic soluble waste is to be stored in waterproof, anti-leakage, anti-loss spaces. According to media reports, however, the Luliang Chemical, beginning its establishment 17 years ago, has not been properly processing and disposing of chromium waste, dumping a total of over 288,400 tons in Nanpan River.

Our field research has revealed traces of chromium dumping evident in Nanpan River shore erosion. The Pearl River Water Commission's latest tests have shown that hexavalent chromium amount in the area has significantly exceeded the norms. The Chromium Health, Safety and Environmental Guidelines published by the International Chromium Development Association state that "hexavalent chromium compounds can have a carcinogenic effect in the human body and cause multiple other health problems".

In accordance with the provisions of Article 5 and 98 of the General Principles of Civil Law of the People's Republic of China, no organization or individual may violate citizens' right to life and health. Pursuant to Article 124 of the General Principles of Civil Law of the People's Republic of China, and Article 15 and 165 of the Tort Liability Act of the People's Republic of China, violators will bear civil responsibility, and serious cases will be subject to criminal liability under Article 388 of the Criminal Law of the People's Republic of China. The pollution acts committed by Luliang Chemical have resulted in a gross violation of the right to life and health of local communities. It is reported that serious pollution of the prosperous village has turned them into "cancer villages" because each year on average 5 to 6 residents suffer from cancer and/or other diseases; health threats caused by pollution of Nanpan River basin, and even the Pearl River basin have also aroused great concern.

Our law clearly defines the procedures for information disclosure in an event of pollution incident. Article 31 of the Environmental Protection Law of the People's Republic of China, dictates that if an accident or other emergency has caused or may cause pollution, actors must take immediate measures to deal with timely information disclosure to the citizens who may be subject to pollution hazards and to the local environmental protection administrative department and report to appropriate authorities for investigation and treatment. National General Contingency Plan for Public Emergencies also stipulates that objective, accurate and comprehensive information about the incident should be timely disseminated to the public. When such an emergency event occurs, a summary of the event should be made public, followed by a release of preliminary verifications and preventive measures; the government should then publish a follow-up release in accordance with the development of events. Unfortunately, Luliang Chemical has held in secret for a long time information about illegal chromium waste dumping, and it was revealed by the media only months later, with reports about chromium

pollution.

In 2007, Ministry of Environmental Protection of the People's Republic of China, the People's Bank of China and China Banking Regulatory Commission jointly introduced Comments on the Implementation of Environmental Protection Policies and Regulations, which banks have been actively implementing. The article pointed out that some environmental violations at construction projects are more prominent, with polluting factories increasing credit risk, and affecting social stability and economic security. According to the requirements of Article 2 of the Comments, during the review of corporate applications for capital loans, financial institutions at all levels should base their decision on the information provided by the Ministry of Environmental Protection to strengthen credit management; in cases of corporate environmental violations banks should take measures to strictly control loans against credit risks. According to Article 19 of Measures for Commercial Banks Information Disclosure, it is the responsibility of the commercial banks to disclose financial risks and risk management provisions. Luliang Chemical pollution of Nanpan River does not only pose a great threat to life and health of local communities but it has also increased substantially to provide financial support to banks' credit risk.

Given the facts of the Luliang Chemical pollution and its significant impact on the environment, social stability and financial security, and taking the content of the normative documents as the basis for our request, we draw attention to your bank's role in the social impact of the pollution incidents and request that you disclose any existing credit relationship between your bank and the Luliang Chemical and its affiliated companies: Luliang Peace Technology Co., Ltd., and God Rainbow Chemical Co., Ltd. Please send your response before September 8 (see contact information below). We are also happy to discuss any information on the issue with your bank officials in person.

We look forward to your response and wish you all the best!

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Jointly signed by the following institutions (the list is continually growing):

Participatory Watershed Management Research and Promotion Center (Green Watershed)

Panzhuhua Hengduan Mountains Institute

Chongqing Green Volunteers Association

Environmental Protection Volunteer Association of Fujian Province

Institute of Public & Environmental Affairs

Green Earth Volunteers

Global Village Beijing China

Green E Guangzhou

Once Grasslands

China Development Brief

Green Kunming

Friends of Nature

Civil Society Watch

Guardian of the Huai River

Gansu Green Camel Bell

Green Anhui

Green Hanjiang

Fujian Green Home: Environment-friendly Center

Green Beagle Environment Institute

Wuhu Ecology Center

Green Long Jiang

School of Citizenship and Social Development Research Center of Sun Yatsen University

The Ningxia Poverty Alleviation and Environmental Rehabilitation Center

Beijing Brooks Education Consulting Center

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Translated from the original Chinese letter by Sofya Omelchenko, a Greenwatershed volunteer.