

Xiaomi Technology Co Ltd**Xiaomi supplier accused of environmental failings**

Green groups ask Chinese smartphone maker to investigate before launching \$10bn IPO

Emily Feng in Beijing 10 HOURS AGO

Chinese smartphone maker Xiaomi has been accused by prominent environmentalists of failing to disclose environmental transgressions by a supplier, which could impact the company's upcoming \$10bn public offering, said investors.

Two Chinese environmental organisations — the Institute of Public and Environmental Affairs (IPE) and Luse Jiangnan — said they found that copper-laced acidic wastewater had been discharged from a circuit board factory in the city of Suzhou. The factory indirectly supplies Xiaomi, said IPE.

Tests of the Suzhou water conducted by an independent lab found acidity to be more than 1,000 times the limit permitted by Chinese law and copper levels at more than 195 times the legal limit.

“The environmental problems posed by Xiaomi are very dangerous and severe,” said Ma Jun, founder of IPE, which [spearheaded](#) a 2011 investigation that uncovered pollution among [Apple's](#) China suppliers, prompting the Cupertino group to [overhaul](#) its supply chain.

Last week IPE wrote publicly to Xiaomi asking the company to suspend its IPO until the smartphone maker could show it was complying with environmental rules.

Fang Yingjun, director of Luse Jiangnan, said local authorities were on site last week inspecting the Ichia factory in Suzhou.

“Local environmental authorities are taking this issue very seriously,” said Mr Fang. He said the effluent pipe cited in the report had stopped emitting fluid as of Thursday morning.

IPE and Luse Jiangnan said Xiaomi did not adequately disclose the environmental risks in its supply chain in the draft prospectus it filed in May to the Hong Kong exchange.

Xiaomi declined to comment.

The Hong Kong exchange said it would not comment on individual companies or listing applications. However, IPE said it had received a reply from HKEX saying the bourse would look into the matter.

The allegations could damp investor reception of Xiaomi's IPO, projected to [raise up to \\$10bn](#).

"Many global investors review the environmental, social, and governance [ESG] performance of high-profile issuers like Xiaomi. Ma Jun has worked in the environmental field in China for many years. His work is taken seriously," said Melissa Brown, a former member of the Hong Kong exchange listing committee and now a partner at advisory firm Daobridge Capital.

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Index provider MSCI estimates that investors managing 65 per cent of total global assets may be influenced by ESG standards in the next five years.

"Many investors would consider poor ESG performance of a certain company a risk," said Wang Xiaoshu, China head of ESG research at MSCI.

Ichia Technologies, the Taiwanese manufacturer that owns and operates the Suzhou factory, confirmed that it was emitting polluted wastewater, but said that the effluent "would comply with local environmental regulations and guidelines".

In March, authorities [fined](#) Ichia's Suzhou factory Rmb117,000 (\$18,300) for discharging polluted wastewater.

"We cannot directly reveal whether Xiaomi is a client," Ichia said. "Ichia Technologies does not sell directly to Xiaomi but to other circuit board manufacturers. Through these manufacturers, we should also provide parts to Xiaomi. Xiaomi employees may have visited our [Suzhou] factory before."

In its [draft IPO prospectus](#), Xiaomi stated: "We do not operate any manufacturing or assembling facilities. We only operate some of the key warehouses and engage third parties for delivery of our product. Therefore, we are not subject to significant health, safety or environmental risks."

Ms Brown said this disclosure was "sub-par" given the supply chain risks that hardware companies face when they rely on third-party suppliers.

“Normally a well-known brand like Xiaomi would be expected to have policies that govern the environmental and social performance of their key outsourcing partners.”

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