

Korea's Hankook Tire Hit by Claims about Toxics Risks for Workers

Date: November 23, 2007

Korean media has reported that 15 workers from two Hankook Tire production plants have died in the last 18 months of heart disease (7), lung cancer, accidental death, and suicide. Co-workers claim the deaths were caused by toxic chemicals used during the tire production process, especially a solvent (HV-250) which is easily inhaled at room temperature.

According to an article in *Tire Review Online*, "tests conducted on mice indicate that, when exposed to the solvent HV-250, the levels of creatine phosphokinase – an enzyme present when the heart is stressed – are found to be seven times greater than in rodents not exposed to the solvent." The company has denied the link with the work environment and instead cited workers' personal health problems. The Ministry of Labor subsequently launched an investigation into the matter. Results are expected in early December 2007.

Meanwhile, survivors and the families of the deceased are reported to be distrustful of Hankook Tire due to two reasons. First, there have been accusations that the company collected personal information concerning the deceased and their families in the aftermath of the incident but without consent. Second, witnesses claim that the company manipulated data after the authorities initiated their investigation. Hankook Tire has not commented on these allegations.

In a related matter, the Hungarian government announced that it would halt its planned subsidy of €90 million to Hankook Tire due to questions about the company's labor policies and practices. It also released a plan to look into recent incidents at Hankook Tire's two factories in Korea and organize a separate probe in the future. Hankook Tire began large-scale production at its Hungarian plant in June 2007 and has a long-term plan to increase production capacity to 10 million tire units by 2010.

Hankook Tire, ranked 10th largest in terms of production capacity, has operations in China and Hungary. It is one of the main suppliers for Korean car makers such as Hyundai Motor and global car makers such as Ford, Volvo, Mitsubishi, Renault, and VW. The company has been a partner of the Michelin Group since 2003 and was selected as a strategic partner by Ford in Oct 2005.

Since the dispute has emerged, Hankook Tire's stock has fallen 13%, roughly in line with the recent decline in the Korean market. In part, this reflects the fact that Asian securities analysts are not yet skilled at understanding the potential impact of labor controversies on supply chain companies. Nonetheless, for Hankook Tires' key customers, many of which have well developed ESG review systems, Hankook's problems have the potential to raise new questions about the company's practices and control procedures.

Two recent articles concerning this issue can be found at:

<http://www.tirereview.com/default.aspx?type=wm&module=4&id=2&state=DisplayFullText&item=9654>

http://www.bbj.hu/news/news_33545.html