

## BACKGROUND MATERIAL FOR NEGOTIATION BETWEEN HYUNDAI M. C. AND GARDE-EPS

These are the first background materials prepared by the Global Alliance for Responsibility, Democracy and Equity programme of the Environmental Law Service (hereinafter "GARDE – EPS") for the purposes of negotiation with Hyundai Motor Company represented by Hyundai Motor Manufacturing Czech s.r.o. (hereinafter "Hyundai M. C.") about its investment in the Czech Republic. Both parties agreed to start talks per the suggestions of GARDE – EPS. This document is the first version containing general ideas that will be further specified and expanded upon in the negotiation process according to the parties' will to follow up. GARDE – EPS emphasises that this rough list of suggestions may be subject to change.

### 1. Systematic changes

The talks between GARDE – EPS and Hyundai M. C. are being opened on the basis of investment by Hyundai M. C. in the Czech Republic. Nevertheless, we suggest that we also begin discussing more systematic changes not connected with the construction of the Nošovice plant. We hope this suggestion will not be taken as impudence, but as an important challenge for the whole of Hyundai M. C.

#### 1.1. Meeting the EMAS Standards

We consider it logical - and doubly so in an EU member country like the CR - that Hyundai M. C. will meet the EMAS II standard as defined in Regulation (EC) No. 761/2001 of the European Parliament and of the Council dated March 19th, 2001 allowing voluntary participation by organizations in a Community eco-management and audit scheme (EMAS) (hereinafter the "regulation"). In connection with this, we suggest Hyundai M.C. meet this standard in all its Europe-based activities.

#### 1.2. Application of the Guide for Integrating Human Rights into Business Management

As we mentioned several times during our talks with Hyundai M. C., human rights abuses occurred during the purchase of the land for the Hyundai M. C. investment (please see the short description of this issue below). Therefore we highly recommend Hyundai M. C. apply the Guide for Integrating Human Rights into Business Management which has been prepared by the Business Leaders Initiative on Human Rights. This Guide should be implemented in the management system of the whole company.

##### **Short description of the case:**

*During negotiations between Czech political representatives and Hyundai M. C., Czech authorities began preparations for the Nošovice industrial park. According to their official statements, Hyundai M. C. preferred this location from the very beginning. However, this met strong resistance from the overwhelming majority of local citizens, the farmers' cooperative using the land at the location, and above all from landowners fundamentally opposed to selling because of their relationship to the heritage of this land and to the locality itself. The Moravia-Silesia Region, namely its president, Ing. Evžen Tošenovský, and the government of the Czech Republic, with Prime Minister Jiří Paroubek in the lead, took a number of extremely problematic steps in order to make landowners agree to the sale of their land. These steps included:*

- a) A statement by Prime Minister Jiří Paroubek about possible expropriation of land, even though this is not possible under the currently valid Czech legal code;*
- b) Statements by Ing. Evžen Tošenovský publicly impugning the quality of Nošovice cabbage and the foundation for its trademark;*
- c) An unlawful state inspection of a local farmers' cooperative demanding the handing over of documents concerning the established trademark for Nošovice cabbage;*
- d) The promise by the Moravia-Silesia Region of a payment of approximately 3500 Euro to every family in Nošovice and Nižní Lhoty should the investment plan be successfully implemented;*
- e) Statements by Ing. Evžen Tošenovský in which he repeatedly set new deadlines for agreement to the sale of the land, accompanied by promises that refusal of the agreement would be respected and that no more pressure would be placed on land owners;*
- f) Repeated statements that not securing the Nošovice industrial park would completely jeopardize the chances for implementing Hyundai M.C.'s investment plan in the Czech Republic.*

*Despite these steps and the extremely hostile environment they created both in the local community and in Czech society overall for local landowners who refused to sell, some landowners continued to refuse. They only changed their decision after receiving anonymous threats that they and their relatives would be murdered. At that moment, only the Moravia-Silesia Regional Bureau officially knew who these last refusers were.*

*The Czech legal system requires, in order for a legal act to be valid, that those taking the action be performing it of their own free will. It also declares invalid those acts that are contra bonos mores. Given the landowners' situation, it is evident why they are not invoking this principle, and it would be unethical if someone else were to invoke it without the landowners' approval. De facto, in an attempt to satisfy the demands of Hyundai M. C. -- and thus on behalf of Hyundai M. C. -- an unlawful state of affairs has been given legal validity and*

*certain citizens have been denied basic principles of the rule of law and of a democratic society, namely that of personal liberty, and the prohibition of the abuse of authority by public officials.*

### **1.3. Implementing Global Reporting Initiative (GRI) Standards**

Transparency is very important for each company that wants to be trustworthy. Therefore we suggest Hyundai M. C. institute a regular, at least biannual, sustainability report on its activities on the basis of the Sustainability Reporting Guidelines introduced by the GRI. This reporting standard should be established for the whole company.

### **1.4. Transparency according to the OECD Guidelines for Multinational Enterprises**

Hyundai M. C. should transparently inform the public about management's remuneration and follow further good corporate governance principles according to the OECD Guidelines for Multinational Enterprises.

## **2. Responsible production**

In spite of the fact that legal standards will soon require use of Diesel Particulate Filters for diesel engines, they are not yet legally required. It has been proved that this type of pollution causes cancer and other serious illnesses. Therefore, we believe every responsible automobile manufacturer should produce vehicles with Diesel Particulate Filters to be a responsible corporate citizen.

## **3. Responsibility towards the community**

### **3.1. Study of external impacts**

An independent study of the external impacts of the plant to be used by Hyundai M. C. and its subcontractors, with an accent on the predicted burden on local traffic, should be prepared. The results should be used for the purpose of improvements by Hyundai M. C.

### **3.2. Anti-noise measures for the village of Dobrá**

The village of Dobrá will be seriously affected by the traffic created by Hyundai M. C. In spite of this fact, no anti – noise measures are planned for this village. This situation should be the subject of change.

### **3.3. Rail transport**

It should be in the interest of Hyundai M. C. as a whole to try to reduce the negative impacts of the transportation burden they and their suppliers will be creating. We thus propose that the above-mentioned study pay special attention to possible alternative transportation solutions, with an accent on the use of an increased share of rail transport for the complex's supply and distribution needs, and that as a result TPCA take active steps to reduce transport impacts, in harmony with the results of the study.

### **3.4. No traffic during Friday afternoon (14pm) to Monday (6 pm)**

According to 361/2000 Sb., the Road Transport Act, there used to be restrictions on the travel of certain vehicles during weekends. This legal provision is the subject of change, but we highly recommend Hyundai M. C. respect leisure time at the end of the week and not use trucks during this time.

### **3.5. Electricity from renewable resources**

The main Czech electricity producer offers its customers electricity from renewable resources. We suggest Hyundai M. C. purchase this electricity to reduce its negative impact on the environment as well as to help the renewable resources market to grow.

## **4. Philanthropy**

Philanthropy is a chance to give back to communities. We suggest the launch of two kinds of philanthropy: one for the local community, and one for the whole of Czech society, because the whole project has had a huge impact on the society at large. For this purpose we suggest establishing two kinds of independent funds: The first would support active citizenship, and the second would support local community activity.