

## **General Electric Plays Regulatory Role With Global Suppliers, GE Executive Says**

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*By Avery Fellow*

General Electric operates in a regulatory role with its global suppliers to improve their environmental and labor practices in areas where there is weak government enforcement, a GE executive said June 10.

GE sets supplier standards, conducts facility audits, and provides training related to environmental and labor issues in China and other countries in which it does business, said Ann Condon, director of environmental, health, and safety programs at General Electric. Condon was speaking at a summit on private environmental governance hosted by the Environmental Law Institute and the Advertising Self-Regulating Council.

“We are doing this because of a failure of government,” Condon said. GE is essentially encouraging its suppliers to comply with local environmental and labor laws, she said. The “failure of governments has put us into private governance,” she said.

Companies can often take action on environmental or social issues faster than governments, Condon said. For example, after factory fires in Pakistan in September 2012 killed nearly 300 people, Condon helped issue a policy that all GE suppliers must have crash bars on their emergency exits so the doors are not locked in a fire. A similar governmental action may require a lengthy notice-and-comment period, she said.

### **Audits in High-Risk Regions**

GE conducts in-person audits of suppliers in high-risk regions, she said. GE audited 3,300 suppliers in developing countries in 2012. The audits yielded 23,000 findings, she said. The major issues GE found relate to basic safety, environmental issues like permitting, and labor rights, Condon said.

GE auditors have a 100-question checklist that they bring to factories, and every time an auditor notes something at a facility, such as lack of personal protective equipment, lack of a core environmental program, or failure to pay employees for vacation days, it counts as a finding, Condon said. The supplier has up to 60 days to address the issue, and the degree to which the supplier takes action may have an impact on GE's orders with the supplier, Condon said. GE may block an order with the supplier, implement a corrective action plan, or take some other action, Condon said.

There are some exceptions to the 60-day rule, Condon said. If a supplier is missing a permit, which may take longer than 60 days to obtain, and it is working to secure the permit, GE will continue ordering from the supplier, but it will track the supplier's action to resolve the issue, she said. Also, GE immediately severs its relationship with suppliers that have child labor or involuntary labor violations, she said.

GE has had suppliers who are not willing to take action on certain issues, and as a result, GE cuts ties with the supplier, Condon said. “We will work with anybody [to improve environmental and labor practices], but if they won't work with us, they are done,” she said.

### **Largest Proportion of Issues in China**

GE focuses its auditing efforts on countries where government enforcement is “particularly weak,” Condon said. “China is high on our list,” she said. GE does not usually perform audits for its U.S. suppliers and facilities, saying the company operates off the assumption that U.S. laws are “generally enforced.”

Of the countries in which GE has suppliers, China dominates in the number of findings during facility audits, Condon said. Suppliers in China account for approximately 50 percent of assessments conducted and make up 60 percent of the findings.

While China continues to be a region of concern in many areas, the company is increasingly discovering supply chain issues in other areas, including Southeast Asia, Condon said. The company plans to increase its focus on these regions, she said.

With electronic components, for example, GE is focusing on southern China, which accounts for a vast majority of global electronics production and where there are known issues, Condon said.

Of the GE suppliers surveyed in 2012, GE found that approximately 10 percent of the company's suppliers in developing countries track their energy use. The rate for U.S. facilities tracking their energy use is much higher, Condon said.

This is another area on which the company is increasing its focus, because improving energy efficiency also presents an opportunity to reduce costs, she said.