**2017 Corporate Information Transparency Index (CITI) Press Release**

**Strengthened supervision drives more brands to recognize**

**supply chain environmental risks**

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October 13, 2017 -- The fourth consecutive Corporate Information Transparency Index (CITI) annual report was released on October 13, 2017 in Beijing. The report shows that China’s sharp strengthening of environmental supervision is prompting more brands to recognize supply chain environmental risks, but insufficient capacity has become a bottleneck hindering companies from going green.

The CITI index is the world’s first quantitative evaluation system based on the environmental management performance of brands’ supply chains in China. It was jointly developed by the Institute of Public & Environmental Affairs (IPE) and the Natural Resources Defense Council (NRDC). The CITI uses disclosed data including government supervision, online monitoring, and corporate disclosure to carry out a dynamic evaluation.

This year’s CITI was released at the 2017 Green Supply Chain Forum, which was jointly convened in Beijing on October 13, 2017 by the China-ASEAN Environmental Cooperation Center, Institute of Public & Environmental Affairs (IPE), SEE Foundation and Environmental Defense Fund (EDF). The Forum brought together representatives from government, business and environmental groups to discuss green supply chain-related policies and practices.

The 2017 CITI evaluation includes 267 brands that source from suppliers in mainland China. These companies hail from five main regions including Greater China, Europe, North America, and Japan & South Korea. This year’s evaluation added five new industries – pharmaceuticals, industrial chemicals, shared bicycles, real estate and dairy products – increasing the total number of evaluated industries to 14.

In this round of the evaluation, 59 brands leveraged green procurement to motivate a total of 1,004 suppliers to implement corrective actions for violation issues or disclose emissions data. Brands have motivated a total of 4,270 suppliers to communicate with environmental groups since the green choice initiative was first launched in March 2007.

The top-ten ranking brands in this round of the evaluation are (in order) Apple, Dell, Levi’s, Esquel, Adidas, Marks & Spencer, Foxconn, Gap, Samsung and Puma, demonstrating that the environmental management of IT and textile industry brands’ supply chains in China has reached a level of leadership.

Apple stands at the top with 82.5 points, with Dell close behind as the only other brand to surpass 80 points in this year’s annual evaluation. Levi’s ranks third with a score of 76.5 points.

Huawei continues to be the forerunner among brands from mainland China, with its performance comparable to that of leading international brands. With the real estate industry incorporated into the evaluation for the first time this year, Landsea Green Real Estate enters into the ranks of the “Top 30” brands as a result of its upstream extension of supply chain environmental management to the iron and steel, cement, and glass industries.

This year’s evaluation coincides with China’s nationwide launch of central environmental inspections, which have not only put pressure on local officials, but have also severely increased the cost of violations for enterprises. However, this year’s evaluation report shows that many industries including the automobile, paper, pharmaceuticals, industrial chemicals, food & beverage, and shared bicycle industries are still unprepared for such increased enforcement. The “Schaeffler supply shortage” incident in September 2017 revealed the supply chain risks brought about by long-term overlooking of supply chain pollution problems.

In response, IPE director Ma Jun believes, “The longtime situation of the low cost of violations for polluters makes bad performers drive out good performers, and has also caused green procurement to suffer from economic pressure. China’s strengthening of environmental supervision will be beneficial in the long run to reversing the internalization of pollution control costs along the entire production chain, and will ultimately make green supply chain development become an essential choice for successful enterprises.”

In this round of the evaluation, a number of leading brands began extending supply chain management upstream to industrial park wastewater treatment facilities and hazardous waste treatment plants to control potential operational risks. Seven brands including Apple, Dell, Esquel, Marks & Spencer, and Walmart incorporated centralized wastewater treatment facilities into their environmental compliance screening scope. Levi’s and Ericsson were the first companies in their respective industries to motivate a noncompliant wastewater treatment plant to carry out an independent third-party audit.

IT industry brands Apple, Dell, Samsung, Panasonic and Huawei have prompted their suppliers to manage and control hazardous waste treatment. First-ranking Apple raised the bar even further by incorporating metals raw materials suppliers into the brand’s environmental management scope, pushing an aluminum supplier to communicate with environmental groups about its violation issues and corrective measures.

Textile brands have also begun to pay attention to the environmental burden posed by the production of chemical dyestuffs and auxiliaries. Esquel Group succeeded in motivating dyestuff suppliers to issue public explanations about their supervision records and undergo independent third-party audits.

Apart from a lack of awareness, capacity shortages also severely impede brands and suppliers from going green. Massive numbers of suppliers, high environmental impact segments located upstream, complicated local and industry standards, and large amounts of scattered supervision data all force large multinational corporations to confront challenges. For mainland Chinese brands and suppliers that lack experience, the capacity bottleneck is even more prominent across areas from management systems to resources and personnel investments.

As a result, IPE green supply chain project manager Helen Ding believes that the massive expansion of China’s environmental information disclosure provides a real foundation for data-based solutions. She recommends for multiple stakeholders to jointly construct an IT-based supply chain management system, thus raising the efficiency of management, significantly lowering management costs, and raising the level of corporate environmental information disclosure. All of this will help to extend green supply chain upstream and facilitate the realization of large-scale energy savings and emissions reductions.